February 2014

Month in Review

HERRON TODD WHITE

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2014 'The year ahead'

And so it has rolled around again.

Greetings all and welcome to the next 12 months in property. It feels a bit like opening night, with the curtain drawn and a talented orchestra tuning up in the pit. There is a certain excitement heading into this year that can't be denied. 2013 was all about consolidation – now property participants are almost taut with anticipation of what the annum will bring. Cue the opening number!

The reason is that we have all the makings of a great year in property. Interest rates remain low, there is a little more confidence around employment and – probably most significant of all – that great beacon of a returning market, Sydney, let loose towards the dying stages of last year. The New South Wales capital had some ripping recent auction results that are pointing to better numbers for the rest of 2014.

This is all well and good, but perhaps cooler heads need to prevail. After all, there's also been calls that the mining boom is winding back and China has softened ever so slightly. Couldn't all of this be bad?

The problem is buyers and sellers have been waiting some time to see a spring in the market's step and the feeling is it should kick off in 2014, but cutting through the statistics and predictions can be a combination of confusing and exhausting that is only akin to going out in Wagga Wagga and then waking up in Taiwan with a hangover, a full beard and a tattoo of Katy Perry on your shoulder blade.

To help with your bleary eyed musings, we have set a task for our professionals to pontificate on the coming 12 months. Our crew are studying the stars and are set to deliver their take on the best course ahead.

The advantage for you, dear reader, is local know how. City by city, town by town, the gals and guys of Herron Todd White have put their ears to the ground and come up with more than dusty lobes. There's qualitative and quantitative data amongst these pages that will give you a more than educated take on what 2014 holds in store.

In case you thought we'd just be taking pot shots from the cheap seats, think again. In December of this year we'll be asking our team to look back on these pages and tell us how they went – so there's been a lot of thought behind the February 2014 edition of Month In Review, you can be sure of that.

If you're of a commercial bent and the office market is your thing, then you're in luck! February has our commercial team looking to give some hit predictions on what lies ahead for the office sector this year.

There it is everyone, the opening stanza of 2014 at your fingertips. All we need now is for someone to strike up the band, pull back the drapes and let the show begin!

QS Corner - Ensuring your home is adequately insured

With the increasing impact of extreme weather conditions such as storms, fires and floods hitting Australia in the past three years, it makes you wonder what we can do to protect, prepare and secure our safety should we be faced with a catastrophic situation. Although there is little we can do to dampen Mother Nature's fury, we can all prepare and plan for our safety. However, who protects your assets in these situations? Many SES officers make it very clear that you should only take your essentials, make sure your family and pets are accounted for and leave the rest behind. That's what insurance is for right? Well it depends on who you're insured with and how much you have attributed to the replacement of your home and contents.

In the unfortunate event that your home is destroyed in a bushfire, many insurance policies do not cover the extra cost to build in accordance with the new fire protection building standards introduced after Victoria's Black Saturday bushfires in 2009. Staggering statistics released following the recent Blue Mountains bushfires in NSW, revealed that approximately 30% of homes won't be rebuilt because the owners had been underinsured. While their insurance may have been adequate at the time of their original policy when the home was built 20 or 30 years ago, it often will not extend to meet the new rules that govern construction in bushfire zones.

Victims having to rebuild their lost homes will have to spend almost 20% above standard costs for a typical house. This is to ensure that the newly built home complies with strict NSW regulations, resulting in a premium being paid to build in non-combustible materials. The main reason many homeowners were largely underinsured and were not aware of it, is that they were simply oblivious to the fact that if they had to rebuild their homes it would be under a different set of codes added by the NSW Rural Fire Service approval process.

So whose responsibility is it to ensure that the home/property you own is adequately insured? Yours! It remains your responsibility to ensure that the sum insured is sufficient enough to cover the rebuilding and replacement cost of your home and contents. You cannot receive more than the sum you have nominated, even if you have over insured and paid for a higher policy. If you are under insured and your home is destroyed or seriously damaged, for example by cyclone or fire, then you may have to pay any shortfall between your sum insured and the actual rebuilding cost. It is for this reason that if you live near bushland or a flood affected area, you need to contact your local council and insurer to make sure your policy reflects the true cost of rebuilding in that area.

A Herron Todd White Quantity Surveyor can prepare for you a Replacement Cost Assessment setting out the estimated cost of reinstatement or replacement should a building be irreparably damaged during a period of insurance.

The assessment is used by the building's insurer to calculate the premium for defined risks and to set the limit of indemnity on which the insurance is based. It is important that this insured value is correctly calculated.

The sum insured should therefore include all costs incurred in replacing the building including:

- cost of making the damaged building safe, demolition and site clearance;
- professional and relevant authorities' fees relating to the demolition;
- estimated cost of constructing a similar building on the same site;
- professional and relevant authorities' fees relating to the new building;
- allowance for escalation in costs up to the disaster date; and
- allowance for escalation in costs up to the completion of the new building.

Should you require further information or would like to ask one of our quantity surveyors a specific question relating to building insurance, please send your enquiry to tds@htw.com.au.

Commercial

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COMMERCIAL

New South Wales

Overview

Office markets around Australia have been a tough pick over the past few years, and 2014 may be no exception. Yes, interest rates remain low and the economy looks fine, but there's still matters of supply and demand that need addressing.

Take a look at the advice from around the nation and you'll see there's no such thing as a "typical" office market for the coming year.

Sydney

When taking a look back at how the Sydney office market performed in 2013, we notice some key trends that lingered through the year. Supply remained constrained, leasing demand weak, and buyer demand steady. Generally speaking, the Sydney office market travelled in a similar fashion to the prior year, remaining close to the bottom of its current property cycle. Looking ahead for 2014, we expect the Sydney office market to continue through a cautious recovery with market rents, yields and capital value levels anticipated to further stabilise.

Office supply in Sydney looks very subdued for the year ahead. Based on PCA data, just 32,800 square metres of new office supply additions are scheduled to be completed in 2014. The low level of supply will limit an oversupply of space to an extent, and help curb large increases in vacancy in the year. Conversions of obsolete or under-utilised office buildings to alternate uses such as high density residential and hotel developments, particularly within Sydney's inner ring, are also expected to benefit the market by removing some poor performing office space from stock.

PCA figures suggest that leasing demand fell in the first half of 2013 (H1/2013) and pushed the Sydney office vacancy rate 1.3% points higher to 8.9% over the six month period. The weakness in leasing demand drove the Sydney office market to record its first six month period of negative net absorption since 2009. Categorising H1/2013 net absorption by sub market showed a shift in demand away from the Sydney CBD which recorded 19,100 square metres of negative net absorption, towards Sydney's suburban markets, namely Parramatta, (16,200 square metres), Chatswood (9,700 square metres) and North Ryde (6,900 square metres). The figures suggest that the suburban markets, which generally contain more affordable office space, have been more successful in attracting office demand than the CBD in this period. The figures also suggest an element of decentralisation among businesses relocated offices within the first half of 2013. Going forward, we expect businesses to continue to make similar cost effective decisions when looking to secure office space in 2014. However, we are not ruling out the possibility of some expansionary lease deals emerging in core locations such as the CBD in the coming year, which may flow through as positivity surrounding global economic indicators continues to build.

Of all the Australian capital cities, Sydney arguably carries the greatest exposure to the global economy meaning the city is well placed to benefit from a broad based recovery. Leading economic indicators from the United States are increasingly showing signs of recovery, and the IMF has recently published upward revisions of its growth forecasts for China and India, two of Australia's major trading partners. Whether the factors will translate to business expansion from Sydney's finance and professional services sectors in 2014 is uncertain. However, some forward looking indicators, including employment forecasts by Deloitte Access Economics, paint a fairly positive picture for Sydney office demand in 2014. Deloitte Access Economics forecast the number of office employees in Sydney to grow by 1.6% (approximately 10,000 employees) in 2014, up from the 0.4% growth (approximately 4,000 employees) estimated for 2013. Along with major commercial real estate agencies reporting that tenant enquiry levels have been steadily high over the second half of 2013, there lies a degree of confidence that leasing demand may improve for Sydney's office markets in 2014.

With average incentives (in the form or rent free periods) still at an elevated level, average face rents for the Sydney office market are expected to remain fairly flat in 2014. On the other hand, growth in average rents on an effective basis may occur in 2014, as incentive levels fall with increased leasing demand and constrained supply, leasing demand in the CBD may improve in 2014 as the increased affordability of its office space attracts tenants looking to centralise. However its relative abundance of vacant space (437,400 square metres as at July 2013, PCA) is likely to limit the landlord's ability to maximise income return when negotiating new leases. We expect the higher quality office buildings in established suburban office markets such as Parramatta and North Ryde/Macquarie Park to show greater potential for rental growth in 2014, as a result of lower than average vacancy levels and the affordability of good quality office space in these markets relative to the CBD and CBD fringe areas.

Market yields and average capital values for Sydney's office assets are expected to remain fairly stable in 2014, supported by steady demand from domestic and offshore buyers.

Provided that interest rates remain at low levels we expect private investors looking for higher yielding investments to continue to be attracted to commercial property in Sydney, whether it be through direct or indirect ownership. Institutional investors are also anticipated to continue to form a major portion of the buyer pool as they look to position their assets for the next upswing in leasing demand.

Canberra

The year started with the then Gillard government declaring that an election would take place in mid September 2013. This statement immediately put a hold on much federal government activity and thus created uncertainty in the office market. This uncertainty continued through the year and was not helped by the change in leadership in June and then the election in September of the Abbott ministry. The current government is agonising through a review of all aspects of government from an efficiency perspective and to that end no activity is being witnessed in the office leasing market. Rumours suggest that a major department will be moving from the city to the airport precinct and it is anticipated that the ASIO headquarters will be finally occupied. This move will result in further pockets of space being available to the market. Overall 2013 was a year of standing still and we do not anticipate much change for 2014.

Sales listings of office properties have increased significantly since the conclusion of the federal election in September 2013. At the time of writing a number of office buildings had been placed on the market. These include:

1. 14 Childers Street, City (Childers Square) – a six level A-grade building constructed in 2009 with a floor area of 15,000 square metres. 100% leased to a mix of government and private tenants with a WALE of 6.25 years. We understand an acceptable offer may have been made, details of which are not formally public, although the price is purported to be $76.1 million which suggests a yield of circa 8.5%.
2. 17 Moore Street, City – a seven level B-grade building constructed in 1985 and refurbished in 2009, with a floor area of 6,275 square metres. Leased in one line to the Commonwealth with a WALE of circa 2.5 years. Expressions of interest have closed and no sale has been reported.
3. 39 Brisbane Avenue, Barton – a three level B-grade building constructed in 1992 with a floor area of 4,796 square metres. 95% occupied with a mixture of government and private tenants. Offers have been received for this property and are being evaluated.
4. 26 Brisbane Avenue, Barton – a three level B-grade building constructed in 1994 with a floor area of 2,837 square metres. Leased in one line to DHA with a WALE of nine years. We are advised that a sale is imminent.

The number of properties on the market suggests that there is still confidence in the market particularly where a secure lease with a reasonable WALE is available, however the completion of transactions is exceptionally slow.

South East NSW

The south east NSW office market encompasses the local government areas of Wollongong, Wingecarribee, Shellharbour, Shoalhaven, Wollondilly and Goulburn-Mulwaree. Wollongong has the largest CBD in the broader region and generally sees the most level of activity.

After an active 2013 with several notable sales the market is expected to stabilise in the year ahead.

With the recent completion of the new Australian Tax Office (ATO) anchored office building in Wollongong, all eyes will be on the leasing take up of the former ATO premises which has added just over 5,500 square metres to the Wollongong CBD B-grade market. New supply remains limited with only the State Emergency Service (SES) expected to commence construction of its new headquarters at a soon to be announced location. Efforts to attract state government departments to the region continue and given the government's commitment to decentralisation it would be no surprise if there was a related announcement in 2014.

Rents are expected to remain at their current levels with some upward pressure in the higher grade space due to relatively low vacancy rates. However, the market is still dictated by affordability and this will not change in 2014. There may be downward pressure on yield given the low interest rate environment is enticing investors back to the market with "yield arbitrage" at healthy levels. Investors will still be attracted to quality, with assets underpinned by strong leases expected to be in high demand with limited interest in secondary, lower quality assets.

The local economy is expected to remain static although throughout the year ahead there are several public projects commencing in 2014 as a result of the $100 million grant provided to the region due to the sale of the 99 year lease of the Port of Port Kembla. Several of these are aged care projects highlighting the expanding importance and presence that the health and medical sector is playing in the local economy.

Newcastle

The over-riding factors hanging over the A and B-grade Newcastle office market are the low vacancy rates and lack of any new stock of significant size in the pipeline. As we look forward into 2014 it appears to be a planning year, rather than a development year in this sector of the market.

Large commercial office development sites in Honeysuckle have hit the market and should they sell to a developer in the short term, we wouldn't expect any development of these sites this year given typical planning and financing delays. 2014 will see plans come together for the light rail system and we may even see the heavy rail ripped out to the east of the Wickham Station, opening up the harbour foreshore to Hunter Street and the wider CBD. Such activity may prove to be a further stimulus for local commercial market activity, which even with the improved interest rates, remains subdued in an environment of increasing positivity in the CBD. Development will most likely start on the Newcastle University campus and the new courthouse will be coming along during the year. Supplementary projects, including student accommodation developments, have increased significantly as some property owners see the opportunity to utilise older commercial property for more profitable means. The GPT and UrbanGrowth NSW owned land around the Hunter Street Mall will also be in planning and pre-development stages this year and we don't expect to see any physical changes there in the short term.

Presently 2014 could potentially be a turning point for the Newcastle commercial market which has been in the doldrums for almost a decade. The sale of the port will help to fund the facelift of the city, however, ultimately the city's development will hinge on its ability to draw people into its heart to live and be entertained.

NSW Mid North Coast

The commercial, industrial and retail sectors within Port Macquarie remained weak throughout 2013. There have been some indications that this sector may start to slowly improve during 2014 on the back of rising consumer confidence and an increasing residential market.

However, we consider that any rises will be slow and steady rather than any rapid increases in values, rents and yields.

Country NSW

The commercial property market remains slow in central NSW with a widening gap emerging between owner-occupiers and investors. Those towns with mining influence have softened over the past 12 months with increasing vacancies and downward pressure on rental levels.

Investment yields for office buildings generally range from 7.5% to 9.5% depending upon the location, lease covenant and condition of the property.

Those properties underpinned by strong lease covenants are in good demand from investors with sale activity limited by supply. Properties that are vacant and/or requiring capital expenditure are difficult to sell.

We would expect yields to tighten over the next 12 months however value levels may not increase and rents are likely to remain static or even fall.

There is a widening gap emerging for rents being paid between government agencies and private or local businesses. The requirement of government agencies to occupy 'green energy efficient' buildings adds significantly to the build cost and developers are commanding and achieving higher rents.

NSW Far North Coast

The property market on the NSW north coast has deteriorated since mid 2008 to a level construed as probably representing the bottom of the market. In relation to the office market, demand is currently weak for office space from potential tenants, owner-occupiers and investors. There is the possibility on the NSW north coast for further property defaults to occur over the first half of 2014. Should this transpire, property values will continue to be impacted.

However there have been some early signs that there will be improvements in the commercial property market over the 2014 calendar year. Firstly, the change of government last year has seen an increase both locally and nationally in business activity and consumer confidence. Interest rates also remain at their lowest point in years resulting in increased enquiry and sale rates related to the investor market.

The unknown in relation to consumer confidence relates to employment uncertainty and job security. However on the NSW north coast, there are some encouraging signs that the local economy is improving, with the number of people employed increasing by 1.5% to the June quarter of 2013 (for Ballina, Byron and Lismore Shires) and dwelling approvals increasing by 3.8% and 13.3% for Ballina and Byron Shires respectively over the same period. It should be noted that commercial building approvals in the same period decreased by 10.6%, 80.9% and 39.1% in the Ballina, Byron and Lismore Shires, respectively. (*Ballina Shire Council - Economic Profile*).

With the rise in residential construction and specifically the Land Buyers Subsidy Scheme (a stimulus package available for low to middle income earners), there may be a slight increase in demand for office space in the northern NSW coast from construction companies and associated industries. However, the market is currently indicating that demand for office space is more likely to remain stagnant over the next year.

We are not aware of any new office developments planned for the NSW north coast locality. The declining commercial approvals could have a positive impact on the office market due to potential low levels of supply. There are currently only four office spaces listed for sale and eight listed for lease within Byron Bay. If these were all to transact, an undersupply would result and rents and values could rise due to demand.

For the year ahead, we would expect that demand for good quality, well located office space will remain constant or slightly will increase and demand for secondary office space, be stagnant. We anticipate the yield achieved by recent sales of circa 8% to prevail.

The outlook for 2014 remains relatively unchanged from 2013, however, we foresee sentiment improving.

As has been the case over the past three to four years, quality will prevail. Potential investors will remain unwilling to speculate on properties with inherent issues without strong returns or stable tenancies. Quality properties in good locations will continue to show reasonable market interest. In summary, buyers will generally remain conservative and cautious, enquiry will remain limited with the potential to improve over the year and investors will maintain hardened views on yields but be more committed.

Coffs Coast

The 2014 year should represent improved commercial market conditions compared to 2013.

We forecast steady growth and demand for smaller strata title office suites emanating from the owner-occupier market with prices eclipsing $5,000 per square metre for 60 to 80 square metre suites.

Satellite commercial precincts are emerging with two new office developments in the Jetty locality. We forecast redevelopment activity in the gateway precinct due to relaxation of the 2013 Local Environmental Plan development controls.

There should be a slight increase in good quality office rentals within the CBD and general firming of land value prices for well located property.

The recent sale of a 602 square metre office redevelopment site in Gordon Street at $1,088 per square metre supports the contention of brighter market activity throughout the year.

The yields for well tenanted properties should slowly strengthen throughout 2014 improving on the most recent office complex sale in late 2013 at 9.6% initial yield.

The strong demand for office accommodation from the medical profession should continue to underpin market activity through 2014.

Overall forecast is for steady market activity and slight growth.

Victoria

Melbourne

Moving in the right direction

Property investors are currently attracted to the core inner city and metropolitan Melbourne office markets. The weight of capital seeking limited prime investment opportunities increased significantly in 2013, especially due to foreign investment from Asia. This could be counteracted to some extent by weak leasing conditions and soft economic fundamentals.

Where?

Popular investment locations include the Melbourne CBD, St Kilda Road and inner eastern suburbs such as Hawthorn, Richmond and South Yarra. Well established traditional core office locations will always attract buyers due to their central positioning and ease of access to public transport and amenities.

What?

Investors are seeking modern office buildings with good lease profiles, good environmental credentials and low capital expenditure requirements. Secondary assets without these features will continue to lose traction in the market. We are also seeing older functionally obsolete office buildings being purchased for residential redevelopment. This trend is expected to continue as the residential market recovers.

The direction of Melbourne's office markets

The Melbourne market is likely to experience stable or slightly incresed prices in 2014 as demand for prime office space outweighs the stock available. Effective rents in certain sub markets may decrease slightly if incentives continue to rise. The soft leasing market is at odds with the strengthening sales market.

The Australian economy

In September 2013, Australia's Gross Domestic Product (GDP) figures were released by the Australia Bureau of Statistics at 2.3%. Australian businesses are weary of the weakening of the Australian economy due to continued below trend Australian GDP figures (below trend really meaning below trend employment growth). Employment figures fell overall in December 2013 to a nine month low, with annual growth nationally slowing at a rate similar to that 12 months after the peak of the Global Financial Crisis. Primary factors contributing to slow growth in the economy include the softening of mining infrastructure spending, the relatively high Australian dollar and reduced government spending. Australia's national account figures suggest that growth will be slow this year. The Reserve Bank of Australia has revised down their growth forecasts for Australian as investment in the mining sector is expected to decrease at a faster than expected rate over 2014. As such, office leasing conditions will remain soft in the short term while the economic fundamentals remain weak. Effective rents will remain under pressure and may fall in certain sub-markets.

Legislation

In 2012, Planning Minister Matthew Guy rezoned approximately 250 hectares of land known as Fishermans Bend which forms part of Port Melbourne to become part of an expanded City Capital Zone (CCZ). The rezoning expanded Melbourne's CCZ by more than 50%. The area comprises four precincts: Montague (the closest to Melbourne's CBD); Sandridge; Lorimer; and Wirraway.

> Since the announcement of the rezoning, 21 skyscrapers have been proposed for Montague alone. It is expected that more commercial development proposals and approvals will continue in 2014.

The impact of this potential new supply may result in limited future office rental growth, depending on the pace of this new supply coming to market.

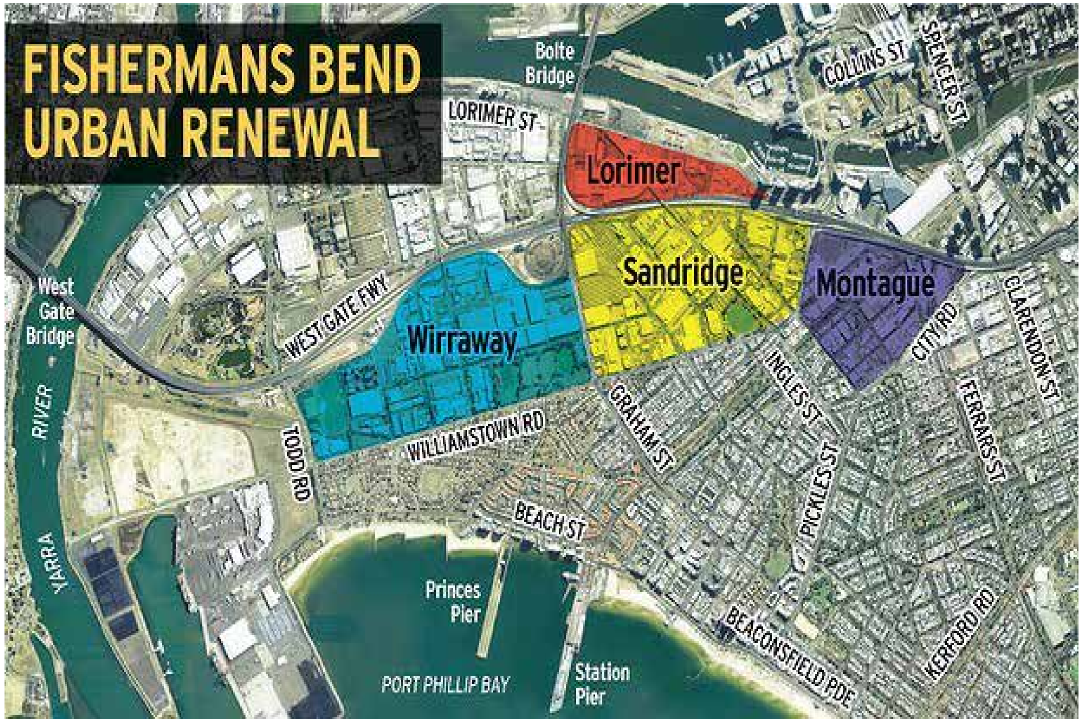
Setting the pace

Prime/institutional property will continue to experience high demand in 2014, and we may see a slight firming in yields, particularly as the Australian dollar continues to fall and interest rates remain low. In 2013, foreign investors in particular have led the office market primarily due to Australia's relatively stable political and economic environment. Demand from local institutional buyers, unlisted property funds and syndicates will also strengthen, particularly if interest rates remain low. Demand will primarily be for prime investment assets. Secondary assets will continue to lag in the market unless there is value added potential.

Mildura

There has been little recent activity in the local office market. Vacancy rates for good standard office accommodation remain relatively low. A high percentage of office space is occupied by local businesses, most of which are established and mature. We expect to see a continued trend for smaller premises in particular to be transferred into self managed super funds.

A former Centrelink office of larger than average size was recently let to a local training business at a much lower rent.



South Australia

Adelaide

It is difficult not to paint a picture of doom and gloom at present. South Australia is facing tough economic conditions and has been for over 12 months now. The traditionally strong commodity and manufacturing sectors are really struggling. State debt levels have increased way above predicted levels. Unemployment, currently at 6.7%, has been creeping noticeably upwards (about 1% over the past 12 months). We have yet to get over the shelving of the Olympic Dam expansion project and now we are faced with the closure of Holden's manufacturing plant at Elizabeth in 2017 - our confidence has taken some big hits. With limited prospects for improvement in the short or even medium term, the state is set to remain in this period of uncertainty for at least the next year, possibly longer. The state government is endeavouring to improve confidence by attempting to bring forward major projects, however, it may be some time before they commence.

It is fair to say that there was a reliance by South Australia's commercial sectors on the pending resource boom that was to be generated by the Olympic Dam expansion and in the 18 months since the announcement that the project was to be shelved most sectors have been facing increasingly difficult times. As such Adelaide's office sector appears to be in for another quiet year. We expect both sales and leasing activity to remain at low levels during 2014, with both lack of quality stock and purchasers becoming more discerning contributing to this reduced activity.

In 2013 net rental rates remained fairly stable for primary stock while incentives increased to around 15%. However as vacancy has increased it is expected that primary net rents will start to reduce this year. Secondary stock had already started to experience a correction in rental rates during 2013 with incentives increasing to around 25%. During 2014 secondary rental rates are expected to face further reduction, while incentives remain at similar levels.

The current vacancy rate is 12.1% as reported by the Property Council of Australia in July 2013. With the next report due shortly it is expected that there will be a slight increase in this figure and then another increase in the vacancy rate noted in the mid year report. Although this figure is fairly high for Adelaide it is the result of a handful of newly constructed buildings completed in the past few years leaving significant amounts of backfill, which, now refurbished and released to market is putting upwards pressure on vacancy rates. With limited new construction forecast in coming years it is expected that this space will slowly be absorbed returning the vacancy rate to a more acceptable level.

A state election will take place in March. Significant to the future of property in the CBD is the much debated Labor endorsed car park tax. The tax will impose a $750 per annum levy on all car parks within the CBD, including all council owned carparks. Given the current contracting rental climate, this would likely see a more rapid decline in net returns to owners as occupation costs escalate.

Mount Gambier

There were some key economic changes in 2013 including government funding being rolled out to Mount Gambier timber companies, since the forward sale of the region's harvesting rights. A local seaweed processing company signed a $21 million deal with a Chinese company which is expected to create about 200 jobs. A local potato factory, SAFRIES, is closing down which is expected to lose 59 full time jobs. Kimberley Clark in Millicent recently installed a $35 million co-generation plant which can power up to 36,000 homes to save energy costs for the factory, reduce carbon emissions and increase profitability to help maintain jobs.

The next 12 months will be heavily reliant on employment within the region. If we can see significant employment growth within the region, sales volumes are likely to increase. With a few employment opportunities opening up and the government funding roll out, it is possible we may see a slight increase in sales volumes from 2013, however this is being optimistic and a similar year to 2013 is expected for 2014.

Yeilds are remaining stable.

Queensland

Brisbane

The vacancy rate in the Brisbane CBD office market was 14.5% in September 2013, the highest level in 20 years. Meanwhile, the Brisbane fringe office market saw vacancy rates rise to 11.8% for the same period. The addition of over 50,000 square metres of new space, plus increased sub-lease vacancy contributed to this rise.

Looking forward, we expect some short term downward pressure on the rental market, primarily due to the slowdown in tenant demand from the government and resources sectors. This trend is expected to continue throughout 2014. However, we believe the broader service sector will counteract the absence of high government and resources sector demand and improve to the demand trajectory.

On a positive note for the Brisbane office market, investor activity remained strong throughout 2013. Against a subdued economic backdrop and weak tenant demand, investment activity was reported to exceed the annual figure of $1.96 billion with additional property in due diligence valued at circa $600 million. Both local and offshore buyers have targeted the market, prepared to look beyond the current weakness in the tenancy market in order to secure prime assets with long weighted average lease expiries. With much of this style of stock having been already traded, there has been doubt cast on the likely opportunities moving into 2014. There are however, a number of functionally obsolete buildings in the market that won't survive the current cycle and lend themselves to being demolished or converted to other uses, which will boost investment demand in the short to medium term. This will be helped along by Queensland economic growth which is forecast to improve from the second half of 2014, supported by strong population growth, improved consumer confidence and a sustained improvement in the services sector.

On the development front, there are three major projects currently underway in the Brisbane CBD totalling 188,000 square metres. All three are due for completion in 2016. These include; Cbus' 1 William Street which is set to add 75,000 square metres, Grocon's 480 Queen Street which is expected to add 55,000 square metres and Daisho's 180 Ann Street development which is currently estimated to add 58,000 square metres.

Gold Coast

On exiting 2013, our general observations from discussions with commercial agents and business bankers was that sentiment has improved across the commercial property sector in general, and that there was an expectation that 2014 was going to deliver better times. If the tourist accommodation sector is another pointer, holiday makers have flocked to the Gold Coast over the current summer period with many operators reporting the best occupancies for many years.

The light rail project has progressed to the extent that a high proportion of this infrastructure is now in place, safety fencing removed and trains are testing the line in Southport in readiness for commissioning by mid 2014. As the infrastructure has unfolded visually, there has been a corresponding sense of heightened anticipation from traders, local residents and visitors alike, plus increased interest from investors as to available commercial property opportunities along the rail route.

2013 also saw the opening of the new $700 million University Hospital at Parkwood; the continuation of infrastructure construction for the 2018 Gold Coast Commonwealth Games; the announcement of the winning architect for the proposed $300 million City of Gold Coast's cultural precinct design competition; and ongoing consideration of options for a possible cruise ship/casino/resort development.

2014 has already seen Pacific Fair partially closed to enable AMP Capital to instigate their $670 million refurbishment and expansion program, which is scheduled for completion in late 2016. The facility is set to become Queensland's biggest shopping centre at 150,000 square metres.

In short, the tide is turning for the Gold Coast region.

The office market on the Gold Coast continues to be hampered by a high vacancy rate, which sat at 19.9% in mid 2013, but down from a peak of 24.1% in January 2011 (*Property Council of Australia's July 2013 statistics*). Commercial agents active in the leasing market are suggesting a fall to circa 17%.

There has been very limited development of new office buildings on the Gold Coast over the past several years. One of the few examples is a 2,335 square metre building at 25-29 Elkhorn Avenue, Surfers Paradise which is due for completion in early 2014. However, there are new commercial office projects being developed, such as City Pods at Varsity Lakes by Robina Land Corporation which targets the corporate office sector. This project comprises multiple buildings producing high quality, two level strata units of 200 to 350 square metres. In this development, there are five stages to provide 21 units in total.

The Gold Coast has witnessed a reasonably high volume of larger office building sales over the past couple of years. However, this has been influenced by transactions at the behest of receivers and cashed up buyers purchasing at what is perceivably the bottom of the market. In our view, such distressed assets have now mostly washed through the market and the receiver or under duress vendor sales are anticipated to diminish in 2014. Further, receiver stock in strata complexes, such as Southport Central, is now virtually sold out.

In addition to providing somewhat of a glut of sale product on the market, conditions influenced by receiver or under duress vendors have also placed a cap on value levels and yields over the past few years. In short, we consider market conditions are at the bottom of the cycle and should trend upwards as we move through 2014 and general economic conditions improve.

The last office building sale on the Gold Coast in 2013 was probably the best example of a 'normal' transaction scenario (refurbished building, fully occupied with a reasonable array of tenants, willing buyer, willing seller) for several years, and was a reflection of conditions to be expected in 2014. The property, at 11 Short Street, Southport settled in November for $9.1 million reflecting an analysed yield of 8.71% and a value rate of $3,368 per square metre of lettable floor area. While not anticipating marked improvement, we would expect a firming of yields of up to 0.5% (to fall more regularly within the 8.5% to 9% band) and value level growth of 5% to 10% by year end.

In terms of other indicators, rental rates are anticipated to remain steady or improve marginally and incentives and letting up periods are expected to diminish marginally.

In terms of areas offering opportunities, we consider the Southport central business precinct demonstrates several favourable attributes. The light rail will enhance connectivity to Surfers Paradise and Broadbeach, and workforce conditions by reducing the necessity for employee car parking. The area will also benefit from supplementary development activities such as the proposed Chinatown precinct and expansion of The Broadwater Parklands precinct, and from being designated as a Priority Development Area by the Queensland Government (October 2013). However, we consider these initiatives are more likely to benefit Southport's office precinct in the medium or longer term rather than short term.

Australia's low interest rate environment is certainly an overall encouragement to investors and owner-occupiers who may be considering a foray into the property market. Certainly on the Gold Coast there will still be some opportunities during 2014 to purchase assets under duress or for small professional businesses to consider the 'buy' rather than 'rent' position. As certainly the next property cycle will be a move upwards.

64 Ferny Avenue

Toowoomba

Development

Development activity in the Toowoomba commercial office market has been subdued over the past couple of years with very few new office buildings being constructed. This has generally been a result of factors such as reduced tenant demand, stagnant rentals and softer yields. There are however two projects currently under construction that include a commercial office component.

A four storey mixed use building is being developed on a site located on the corner of Hume and Gore Streets. The building is to feature a ground floor level containing three office tenancies with a total floor area of 317 square metres, terraces of 111 square metres and a cafe. The remainder of the building will contain 27 residential apartments. The project is due for completion in April 2014 with the office tenancies currently being marketed for lease at an asking rental of $395 per square metre.

Also under construction is a mixed retail/commercial building located at 251 James Street. The building will contain a ground floor retail showroom tenancy of 567 square metres and a first floor office tenancy of 541 square metres. The building will feature a secure basement carpark and elevator access. The developer has secured lease pre-commitments for both tenancies with construction due for completion in early 2014.

Leasing

Leasing activity in the Toowoomba office market is considered moderate with little movement in rental levels expected in the near future.

The recent surge in business activity in the nearby Surat Basin Energy Sector has not significantly impacted the Toowoomba office market to date. The major energy companies appear to have established large head offices in Brisbane with smaller branches located close to the activity in locations such as Dalby, Chinchilla and Roma. Toowoomba, which is geographically positioned between these locations, has yet to benefit significantly.

Yields

Local commercial agents are reporting increased enquiry from investors, a likely result of low interest rates. A low supply of good investment stock may result in a firming of yields over the coming year. An example of this is the recent sale of 158 Hume Street which sold for a sale price circa $3.5 million. The property was fully leased to Centrelink with a WALE of 2.85 years and achieved a net yield of 7.69%. This return is significantly firmer than the yields achieved by other sales of commercial offices in this price bracket in Toowoomba over the past two years.

Rockhampton

The Rockhampton commercial market is tending towards an over supply of office space with let up rates in some buildings below expectations. This is due in part to a smaller and less active government sector and many small to medium businesses taking advantage of lower interest rates and becoming owner-occupiers.

We anticipate this trend will continue through 2014 and that vacancy rates and rental levels will remain relatively static.

The Yeppoon commercial markets are still thinly traded and there doesn't appear to be any catalyst to change this in any significant way during 2014. The positive impacts on the local property market of the proposed redevelopment of Great Keppel Island appear to be some way off, however speculative investment may begin to occur as milestones in the redevelopment are announced.

The Gracemere market will continue to evolve during 2014 as the effects of major infrastructure spending in 2013 on an upgrade of the rail overpass at the west of Gracemere and the extension of trunk infrastructure services unlock the large areas of potential industrial land on the town's western outskirts.

New town plans are expected soon for both the Rockhampton Regional Council and Livingstone Shire. These will replace current plans which have become quite outdated. New guidance from the councils on future property and community growth may unlock future development opportunities.

Bundaberg

Low interest rates and the lack of supply for new offices may lead to stronger occupancies as sentiment within the Bundaberg market begins to improve. This has been in the wake of the change of government and the announcement of a number of large retail developments that have been tabled to the Bundaberg Regional Council.

A strength that has been displayed during 2013 has been in relation to demand from medical tenancies at rental rates in the $300 to $450 per square metre range. This trend has seen the development of new buildings in Bundaberg with relatively strong occupancy levels. We expect this to continue into 2014 with further development under consideration to provide medical specialist suites to the market for lease or sale. Stronger occupancies and an improvement in demand for office space may lead to lower yield rates that are currently in the vicinity of 8.5% to 9.5%.

Gladstone

Over the past several months we have started to see a slight increase in vacancies in the Gladstone office market. The office market as with all other market sectors in Gladstone is directly linked to the significant LNG related activity in Gladstone. Peak work force numbers for the construction of these LNG projects are expected to start declining in mid 2014. The residential sector of the market has been declining on the back of this and we now consider it to have flowed through to the office market.

Much of the prominent office space in the CBD is currently leased to LNG companies or associated construction contractors. As construction of the LNG plants begins to wind down, many of these tenants are likely to vacate. Additionally a new office building has recently been completed in the CBD and is occupied by several departments of the state government which in turn has further increased vacancies for older fringe CBD stock.

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

Hervey Bay

The year ahead for the Hervey Bay office market is likely to offer varying results. There appears to be good demand for good quality strata units with three or five year leases in place. Some recent sub $1 million contracts are reportedly in the 7.5% to 8% yield range which is promising for the year ahead. Good quality strata unit stock is declining which may help to lift appeal for the secondary stock which has been difficult to lease or sell over the past 12 months.

Incentives in the form of rent free periods of one to three months or lower initial rental rates for a one year period with fixed increases for the next two or three year option are common for this secondary stock. A clear differentiation in rental rates between new and secondary product is likely to remain until the new stock levels are fully depleted. Once this begins to occur, we may start to see some lift in leasing rates and a shortening in lease-up periods.

Mackay

The office market in Mackay is currently facing an over supply of accommodation at a time when rental demand has weakened because of a downturn in the coal mining industry and other factors.

> There is a large volume of office and retail accommodation available for lease, with the total current vacant space estimated to be approximately 15,000 square metres.

The state government recently vacated a number of large office tenancies following the completion in August 2013 of a new purpose-built premises providing approximately 7,000 square metres of lettable space.

In addition to the vacancies created through the movement of the state government tenants, Centrelink recently vacated their city heart office space to relocate to a new building in the northern suburbs of Mackay. The now vacant building, located in a prime position in the CBD, provides approximately 1,300 square metres and is available for lease.

The new building which Centrelink partially occupies provides a total of approximately 3,682 square metres. Vacant first level office accommodation is available for lease.

Part of the former Ergon Energy office building in the CBD is currently being advertised for lease.

Despite this oversupply, rental rates have remained stable and there have been limited new lease agreements which show any significant decline. We anticipate that the full impact of the change in the supply/demand dynamic will be felt in the market through 2014.

The news isn't all negative. The availability of vacant office accommodation is a positive for local businesses that have faced a shortage of good quality office accommodation over the past five years. A number of local businesses have recently relocated to better quality accommodation around the CBD.

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

Townsville

The commercial market in Townsville remains at the bottom of the market cycle, with the outlook for the office sector for 2014 to remain flat. This market has been building in confidence during 2013, however buyers remain slow to commit in the current market environment.

During the second half of 2013 two large A-grade office towers were completed in the CBD providing a combined net lettable area of just under 19,000 square metres. These developments were constructed following tenders by both Ergon Energy and the state government, which now occupy the majority of these buildings.

During 2014 we will continue to see activity in the CBD with the ongoing construction of the $450 million dollar mixed-use 'Central' development along with the Lancini refurbishment of the City Arcade area – the first extensive refurbishment of higher quality retail and office space in the city in many years, and the first fronting the upgraded Flinders Mall, which completed redevelopment in mid 2011.

The vacancy rate in Townsville's CBD for A, B and C-grade property in July 2013 was 13.8%, 26% and 28% respectively. Since this time additional vacancies have occurred with some Ergon staff vacating private sector rental space in the CBD. Furthermore, during 2014 we may see some state government owned buildings previously occupied being offered for sale. If these sales occur it is reasonable to expect that the backfill space may result in refurbishment of some existing B-grade space to elevate it to a higher level.

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

The new CBD Master Plan reveals a need to attract more commercial businesses into the CBD from suburban locations to obtain the status of a preferred investment centre. There are a variety of options to achieve this including public/private partnerships, government office accommodation and redevelopment incentives. The new CBD Master Plan aims to maximise the potential attractiveness of the city for both developers and occupiers of office space and contribute to the overall vitality and sustainability of the North Queensland region. With these incentives and the current level of activity, we could see further refurbishment projects enter consideration during 2014.

Cairns

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

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

While demand for office accommodation is currently slow, the slowly improving economy should flow through to some increased demand for office space over the next 12 months.

We are not expecting great change in the Cairns office market during 2014. Nevertheless the market has been gradually consolidating over the past 12 months and we now perceive Cairns to be passing through the bottom of the cycle. The immediate outlook is for further consolidation and improvement. The commercial markets typically lag behind residential markets by around 12 months, and given that we officially moved our assessment of the Cairns residential market to the start of recovery phase during 2013, we would expect (in the normal course of events) to do the same for the office market at some stage during 2014. A lack of new stock should also see availability tighten as we move through the year.

Northern Territory

Darwin

The Darwin CBD is experiencing solid construction work with a number of residential projects for some 800 units underway together with the $84 million Paspaley office project 'Charles Darwin Centre' consisting of 20 levels and due for completion in 2015.

The Charles Darwin Centre will set new quality benchmarks for office accommodation in the Northern Territory.

The project is underpinned by a substantial government pre-commitment to occupy 9,000 square metres. The project has had some flow on effects to other existing buildings with landlords scrambling to negotiate new longer term leases with existing tenants before there is market pressure to relocate to the Charles Darwin Centre or to government tenancies in existing buildings that are likely to become vacant.

We expect vacancies to continue to rise in C and D-grade buildings as they fail to meet current tenant communication and technology standards and requirements. These buildings are likely to be converted to residential over the medium to long term which has been a consistent outcome in other capital cities for the past two decades.

Commercial strata title sales continue to demonstrate solid sales driven in part by low interest rate funding and the high replacement cost alternatives of a new development. There appears to be a lack of supply in strata title developments with good water views and this market segment represents an opportunity for developers.

We expect the waterfront location at the southern end of the city will continue to rise in prominence particularly as the Charles Darwin University campus nears completion.

Western Australia

Perth

The vacancy rate in Perth's CBD office market hit approximately 10% in December 2013, capping a year of steady declines for office leasing demand. Equilibrium in the Perth CBD office market is around 7% or 8% so it's a market that is marginally in favour of tenants at the moment. Mining companies such as Rio Tinto, BHP Billiton, Barrick Gold and Woodside went through cost-cutting phases following the decline in commodity prices that started in September 2012 when the market had seen the worst of the market sub-lease space. But in the wake, rents had fallen and incentives increased.

Downsizing and departing tenants left the market with a sub-lease tab that has reportedly stuck close to 80,000 square metres. Weaker demand has lowered leasing rates and doubled leasing incentives to 12%, but most agents are holding firm on their outlook for a buoyant office market in 2014. Some are forecasting a CBD vacancy rate close to 10% with moves by some tenants taking advantage of favourable leasing conditions.

Others are predicting that vacancies will level out or come down toward the balance of 2014. Some agents are reporting the withdrawal of sub-lease space from the market. If that trend increases, the vacancy rate could drop off more quickly.

Perth still has one of the lowest vacancy rates in comparison to other Australian capital cities.

Herron Todd White's prediction is that office vacancy rates will probably be higher by the end of the first quarter 2014, before closing back towards 10% by year end as business conditions and confidence improves.

Anecdotally, incentives have increased but are still very competitive on a national basis and while there is a bit of downward pressure on rents, they are holding up relatively well.

In terms of the number of leasing deals and the amount of office space leased, 2013 was a quiet year for the CBD, with most of the deals between 500 square metres and 1,000 square metres.

In West Perth, office rents have fallen about 15% and like the Perth CBD, smaller leasing deals have been the main focus.

Leasing demand in West Perth is likely to take longer to rebound than the CBD because West Perth is home to small-cap mining companies and this sector of the mining market is not doing anything in terms of real estate at the moment, until such time as their market begins to show signs of improvement.

Herdsman Business Park is home to a large number of residential and commercial builders such as Georgiou Group, Giorgi, and Dale Alcock Group. This is a much smaller market and activity remains relatively good as a result of the booming first home buyers market. Thus, demand in and around this office sector is predicted to remain strong over the course of 2014.

South West WA

The office market in the south west of Western Australia is likely to continue the same trajectory as last year. This market, like most others, is dependant on confidence in the market and in the national and international economies in general. The anticipated increase in business confidence going into 2014 is likely to have a positive effect on the office market in the south west of WA.

Demand from government departments and larger local businesses for A-grade office space is still strong. There has been some A-grade office development in Bunbury, however this is still considered to be inadequate to meet demand. Elsewhere in the south west there has been little in the way of office development which is likely to see A-grade office rental rates firming and downward pressure on yields.

B-grade office space is less in demand and there is considered to be an oversupply of B-grade space available in the Bunbury market which is likely to see rents at best remaining stable. This is not as evident in the other south west locations however yields for B-grade space are likely to remain stable.

There is some demand coming from self managed superannuation funds and owner-occupiers for the purchase of small affordable office units. While the rental rates for these units are likely to remain static the yields could potentially firm if there continues to be greater competition in this market.

Residential

HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview
There was quite a bit of excitement heading into 2014 for those in the residential sector. Markets are running at different speeds all around the nation, but some of the big property centres were starting to gain confidence in late 2013 and there are signs it will extend into this year. The extent as to which certain cities, town and suburbs will move takes local, on-the-ground knowledge – something you'll find in spades amongst these pages.

Sydney
2013 was a year of high growth for some sectors of the greater Sydney market and given the scale and diversity of the market we thought it best to offer our thoughts broken down into different value levels. Each threshold includes a range of options which may have you thinking of a region that is generally outside your own local patch.

$0 to $1 million

One or two-bedroom home units throughout the Sydney CBD should continue to perform strongly in the first six months of 2014, with ongoing demand from investors looking to capitalise on strong rental yields and the low level of rental vacancy, along with record low interest rates. Should interest rates begin to increase later in the year, we may see some of the heat come off this sector, though value levels should remain steady.

There has been some great activity in the north west of Sydney in suburbs such as Castle Hill, Cherrybrook, North Rocks and Carlingford with house prices in the $700,000 to $1 million market achieving above average levels of growth. This was mostly due to the low interest rates, increased consumer confidence and a lack of supply with the initial demand sparked by the much anticipated commencement of the north west railway line.

Areas to look out for in 2014 will be the suburbs of Penrith and Blacktown local government areas, notably South Penrith and Seven Hills. What these suburbs have in common are lower entry points with limited stock. They are also surrounded by established infrastructure including transport hubs, employment and shopping facilities.

First home buyers and investors may also be interested in the development within the south west growth areas of the Camden and Liverpool LGA's, such as Gregory Hills, Oran Park, Edmondson Park and the most recent addition, Catherine Fields, which has residential land to be released in 2014. For sub $600,000, buyers can enter these markets and acquire a 4-bedroom, 2-bathroom family home in a purpose built estate. The upside for this region will be the construction of the second airport in Badgerys Creek; the construction of the south west railway (currently underway) and surrounding employment and commercial opportunities that will arise as a result.

Inner west suburbs are expected to have a strong year following on from a stellar 2013. First time

home buyers in these suburbs will be the main driver of the market along with investors. The opening of the light rail extension this year is expected to buoy the market with suburbs such as Dulwich Hill now having a rail option to the CBD. This key piece of infrastructure is also expected to attract investors with expected strengthening rentals in the inner west.

$1 million to $3 million

Within the immediate CBD, 2- and 3-bedroom units in the lower section of this price band will continue to show steady demand and limited levels of value growth. Buyer demand thins significantly in the CBD approaching the top end of this price bracket and we consider these properties will show stable demand though no significant growth.

The north shore and northern beaches will continue to be strong throughout 2014 especially at the lower end of this price bracket. Growth is not expected to be quite as strong as 2013, with some agents indicating a slight slowdown towards the end of last year. We still expect moderate growth and a slight pick-up at the rather sluggish higher price levels on the north shore.

The eastern suburbs will show moderate improvement in 2014 in this price bracket. Growth is not expected to be at the same level as 2013 but all signs point to a relatively good year. The higher the price level, the less growth we expect to see in the eastern suburbs. These higher valued properties are less affected by interest rates and are more reliant on a stronger overall economy and finance sector. Suburbs such as Randwick and Kensington will see continued high demand from owner-occupiers and investors with the impending south east light rail service.

$3 million plus

While the lower value sectors of the CBD home unit market feed strongly from interest rate reductions, the prestige home unit market is less heavily impacted by interest rate movement and as a result, showed limited though increasing transaction levels, and minor levels of growth during 2013, with average selling times reducing slightly.

We would envisage that 2014 will largely reflect the market conditions of 2013, though should the Australian dollar continue to weaken, this sector may see an increase in demand from overseas purchasers, seeing value in premium, centrally located, low maintenance homes.

Traditional prestige residential localities across the Sydney metropolitan area showed an increase in transaction activity during mid to late 2013. We would consider this is reflective of a general perception that the ‘bottom’ of this market has been reached, combined with improvements in the share market, the implementation of the Significant Investor Visa, and cheaper Australian dollar. Given there has been some gathering momentum in transaction numbers in this market sector and a reduction in stock levels, we would expect that 2014 will show a strengthening in the prestige residential market.

We would expect that transaction numbers will continue to grow, albeit at a gradual pace, and overall, value level growth to remain subdued and steady.

With further uptake of the Significant Investor Visa, and possible further weakening in the Australian dollar, there may be scope for increasing levels of demand from overseas purchasers during the early part of 2014.

Should this increase in demand come to fruition, local vendors may seek to capitalise on this market strengthening, which may lend further momentum to this market sector.

Overall

With our crystal ball in hand we believe 2014 will continue to record solid growth across many western Sydney suburbs particularly in the first six months with the upward trajectory tapering off later in the year. As shown in 2013, the greater Sydney market is mostly dependent on low interest rates, consumer confidence and supply levels.

Canberra

Entering 2014, the Canberra housing market appears to be trending at a measured pace. Recent reductions to interest rates have ensured and will continue to ensure demand in the residential market. However since the federal election, often regarded as a driving force on the overall demand for property in the ACT, reduced levels of consumer confidence have been observed. With the large proportion of public sector employees, the residential housing market is poorly insulated against changes in the federal government.

> The year ahead will see both the completion and commencement of several large residential developments.

Strong levels of supply will continue to be experienced in the Belconnen and Gungahlin regions. The recent LDA sale of land at auction for above the expected range in the Belconnen suburb of Lawson was driven primarily by foreign investment. We expect to see development in the suburb get off the ground in 2014.

Numerous medium scale developments in the Flemington Road corridor, coupled with the anticipated release of several large scale unit developments in the Belconnen CBD (Sky-tower, Linq) will see a continued surge in the supply of rental accommodation. This surge will possibly translate to more competitive rental pricing throughout 2014.

Recently we have seen some strong results in the prestige sector of the market. 2013 saw numerous prestige sales including 3 Vancouver Street, Red Hill at $4 million and 23 Mugga Way, Red Hill at $4.38 million. Both properties generated much interest and their sale prices indicate a healthy and active segment in the upper end of the market.

On the whole, 2014 is expected to remain relatively steady across the board. Low interest rates will continue to play a vital role in deterring negative market forces. With a marginally reduced level of migration to the ACT and a more transient rental population, closely monitoring the levels of supply and rental absorption will be critical in determining the direction of the market towards the end of the year.

Illawarra

On the back of a strong 2013 in which the Illawarra real estate market exceeded expectations, January 2014 has already seen the market hit the ground running with a strong start. We predict that this trend will continue until at least mid 2014 and after that, continued growth although at a slower rate. Local real estate agents are advising that (although they are hoping!) they cannot see the results in 2013 replicated in 2014.

Major infrastructure such as GPT's new Wollongong CBD shopping centre West Keira and the Shellharbour Marina will be beneficial to employment prospects in the area and keep investors in the market. This will be felt principally in off the plan sales of new units in and around the CBD, and vacant land in Shell Cove and Flinders.

The current government rebates offered for purchasing vacant blocks and building or buying new homes will also see large subdivisions such as Brooks Reach Horsley, continue to show growth and keep developers playing a positive role in the market.

The upsurge in prices in 2013 was largely in part due to near record low interest rates. For 2014 to continue the same trend, interest rates must remain low. These low interest rates are crucial for investors to prop up the market. Economists predict interest rates will remain low at least for the first half of 2014, but will not speculate on the second half of 2014 with many predicting that rates must increase sooner rather than later.

Anecdotally, there seems to be a current belief amongst first home buyers that although it is a 'seller's market' now is the time to get into the market and buy so as not to miss out on 'the dream'. Pressure may be placed on the government to reintroduce first home owner grants if the market starts to slow.

Buyers and lenders should also be cautious about not extending themselves in this low interest rate period to avoid financial stress when interest rates inevitably do rise.

The employment climate in 2014 in the Illawarra will be a key factor in helping to determine the strength of the local market. Employment security in the mining and manufacturing sectors is still uncertain.

Overall we predict the market to continue its strong growth at least for the first half of 2014. In the second half of 2014, we believe sales will slow and no longer will be a 'seller's market' but rather a more steadied environment.

Southern Highlands

After several subdued years, the Southern Highlands and Wollondilly residential property markets have started to improve. This trend is most apparent in the lower and middle price brackets of the market. There have been marked increases in all of the towns and villages of the Southern Highlands. Our conversations with local real estate agents also confirm that the enquiry rate is up and the market is increasing. For the year ahead, we anticipate this trend to continue.

There has been good demand for vacant land and for new properties in the region.

New construction is mainly in Renwick-Mittagong and on the outskirts of Bowral and Moss Vale precincts. We have seen a decline in first home buyer activity and an increase in activity from second and third home buyers, downsizers and investors. We also expect this trend to continue in 2014.

The prestige end of the market has been steady, however with an increasing enquiry rate. If properties are priced correctly, they will sell. If vendors' expectations are excessive, longer selling periods apply, until the vendors eventually meet the market. We are expecting this sector to experience some growth in the middle to end of 2014 (provided the Sydney prestige market is performing well).

Southern Tablelands

In 2013, the regional city of Goulburn was mostly stable and started to increase over the last several months of the year. We expect that in 2014 the Goulburn market will continue to increase. Crookwell remains steady, with a slight increase in buyer enquiry rate. The rural residential property market weakened slightly and is now steady. We predict that these markets should also see an increase in prices throughout the course of 2014.

Newcastle

Well here we go then, the annual "what's the year ahead going to look like?" prognostications column. It comes around as regularly as the English tail-enders on a seamers-friendly deck cracking up on the third day during an Ashes series.

In order to look into our crystal ball we need to clean it up a little first and polish it accordingly after packing it in the corner cupboard for the past 12 months. We considered putting it on Ebay a while back, but just never got around to it, besides the market always increases doesn't it?

We should probably background a little here, set the scene so to speak. In order to predict future direction, one needs to know where one is currently standing and where one is looking from in order to gaze to where we think one is going. Confused? Try writing it.

We have changed governments and this one isn't saying a whole lot, which is probably a good thing from a confidence perspective. We live in a society where no matter what you say there will be a Twitter backlash and then a backlash against the backlash. So if there is more confidence generally in the marketplace what could be major inhibitors to possible growth?

Interest rates are still at historically low levels and we suppose the only way they can go from here is up, although the Reserve Bank hasn't made too many comments recently regarding a possible rise so it's likely in the short to medium term that rates should remain relatively low and conducive to investment.

There is plenty of negativity still out there in the general economy over retail spending and the confidence of retailers in general. This is likely to have an impact on possible growth, as pessimism in one area of the economy has the habit of sliding over to other sectors if not carefully managed. There are plenty of neighbourhood retail strips with vacancies and holes that need filling. Mostly these are from mum and dad type operators.

There have been several high profile industry closures and job retrenchments in the Hunter over the past 12 months and the mining sector in particular has been hit hard. It simply is not as strong as it has been in previous years. Depending on whether we see this trend continuing or not it's likely to be the most important factor driving property in the Hunter over the short to medium term. A rebound or improvement in the mining sector is likely to return confidence to the Singleton and Hunter Valley towns. Confidence has been lacking in this area recently with double digit percentage drops in rentals occuring. If on the other hand mining further slows then the pressure on the investment areas could significantly increase and we would expect to see plenty of 'fire sales' occurring having a direct impact on property values.

Given that the Newcastle market has been 'hot' for the best part of 12 months or so, the overriding question is whether the heat can be maintained for another 12 months. We have seen the rental market softening a little in 2013 with more listings available and generally listing periods appearing to be longer. We think the likely outcome for Newcastle over this next period is for some consolidation, especially if unemployment fears remain relatively high.

There are plenty of sources in the media talking about 2014 being a 'bullish' one for property with economists left, right and centre falling over themselves to say the only way is up. However we have noted there are a couple of economists at this party standing off to the side and largely keeping to themselves. They can be heard muttering to each other things like "property bubble" and "crash". As can be perfectly understood these are not the most popular economists at the ball and clearly there is a reason no one is asking for their phone number. As to who is right, that's not for us to say.

The Hunter market is poised at an interesting juncture and it's difficult to predict which way it might go without gambling on either current economic indicators picking up or falling away. If you are optimistic you might feel the signs are there for continuing growth and optimism in the property market. If your glass is always looking a little empty, there are plenty of signs out there that things may not be so rosy moving forward.

NSW Far North Coast

The residential market for the year ahead is expected to remain relatively steady with continued improvements in consumer confidence and sale rates which occurred throughout 2013.

The record low official interest rates began having a positive impact on the overall residential market throughout the second half of 2013 which has resulted in greater stability.

It is difficult to see a significant change this year in the residential and rural residential real estate markets of Lismore, Richmond Valley and Kyogle Shires with continued reticence likely to be expressed by investors and homeowners despite record low level interest rates. In the time that rates have been low in the past six months of 2013, overall activity had wavered between brief stints of slightly increased sale transactions to periods of subdued interest over a range of property types. This activity is expected to continue with predominantly macro economic factors having a dampening impact on general market confidence in bricks and mortar.

There are no significant LEP changes expected for the coming year with all the respective local authorities of Ballina, Lismore, Richmond Valley and Kyogle now governed by new LEPs and DCPs as per the NSW goverenment edict. Byron Bay has released the draft LEP with no significant changes for standard residential property.

Within the Lismore and surrounding localities, older residential stock (particularly the dated residential 2-bedroom, 1-bathroom unit with a single carport) of which there appears to be an abundance in supply for sale, will struggle to sell for anywhere near their prior purchase price of three to five years ago.

New residential building stock for first home buyers (taking advantage of stamp duty exemptions and other incentives) and upgraders will depend on the availability of vacant land. The current supply of vacant residential lots within Lismore, Richmond Valley and Kyogle will become more limited in the short to medium term, therefore, we would expect limited activity. There will remain increased activity in demand for new residential building stock within the Wollongbar and Ballina Urban Expansion Areas.

The general residential markets for the Yamba, Ballina and Lennox Head regions are expected to remain generally steady following improved rates of sale throughout 2013. As with the Lismore, Casino and Kyogle markets, if properties are competitively priced they should sell.

The most difficult market for 2014 within the coastal regions will continue to be the top end between the $1 million and $3 million. This market continues to be affected by forced sales and mortgagee forced sales are expected to continue for the first half of 2014. There was an increase in sales activity for prestige rural residential property in the Byron Bay hinterland throughout 2013, however, sales rates have slowed due to a perceived lack of realistically priced stock.

The properties most likely to feel the pinch as they did in 2013 but more so in 2014, are the 100 acre plus farmlets west of Lismore. The increase in costs to maintain such properties will be a pertinent factor.

In summary, we expect the residential property market on the NSW far north coast for 2014 will continue with a period of consolidation supported by improved market confidence. Current sale rates for vacant land will continue resulting in continued building activity. Record low interest rates should also see increased enquiry and activity from the investor market.

Coffs Coast

The end of 2013 saw noticeable increases in sales activity within the lower end of the market (sub $450,000) primarily due to increase in consumer confidence driven by low interest rates, change of government and a strong rental market.

The start of 2014 continues to see higher enquiry and sale rates within the lower section of the market starting to filter through to the mid to upper price bracket ($500,000 to $700,000). The prestige market ($1 million plus) remains subdued with a good supply of stock and limited demand which has created long selling periods or gradual reductions in asking prices to create buyer interest. Selling agents are reporting increased enquiry rates for this market, however this has been primarily driven by prospective out of town buyers.

We consider the sub $450,000 market to remain strong throughout 2014 with selling agents already reporting diminishing stock in certain locations which has seen prices firming. The northern beach suburbs between Coffs Harbour and Woolgoolga including Sapphire Beach, Emerald Beach, Moonee Beach and Sandy Beach traditionally have been stable markets and we expect these localities to continue to improve over 2014 with the completion of the Sapphire to Woolgoolga highway upgrade.

The Woolgoolga bypass opened in December 2013 which has improved access to the far northern beach localities of Red Rock, Corindi Beach, Allawarra and Mullaway and is expected to have a positive benefit to these localities. We do note the rental markets within these localities may suffer slightly due to the completion of this road project which sees a considerable number of transient road workers now vacating the area to commence projects elsewhere.

As one road project finishes, another is staring with the commencement of the Urunga Bypass to the south of Coffs Harbour. This has seen an increase in rental and sales activity within the localities of Valla Beach, Urunga and Nambucca Heads. The pick of these areas is Valla Beach which has already seen

demand outstrip supply for rental and sales stocks with values expected to increase in 2014. Nambucca Heads is traditionally a slow moving economy with the majority of property being in the sub $400,000 bracket, however, again we are seeing increased volumes of sales especially in the sub $300,000 bracket supported by a strengthening rental market.

We have heard unconfirmed reports that there will be an influx of 400 to 700 workers in the first half of 2014 as part of the Urunga Bypass road project which will place further pressure on the rental market within these localities.

The rural residential market continues to remain slow but stable with the majority of activity once again being in the lower end price bracket. The upper end $700,000 plus and large acreage properties remain subdued with agents reporting more enquiries. Some higher price sales activity ($1 million to $2 million) has been noted within the rural locality of Bucca, 20 kilometres north west of Coffs Harbour which is part of a 'blueberry' expansion. Traditionally the rural areas around Woolgoolga have supported the majority of blueberry and other agricultural production, however we are now seeing expansion of this industry into more traditional rural residential localities such as Bucca and further south to the greater Coffs Harbour area. The prices being achieved for these properties are considered to be above sustainable rural residential values.

The established rural locality of Upper Orara (15 kilometres west of Coffs Harbour) has also seen several recent sales in the $900,000 plus bracket, generally 30 to 50 hectares in size with good creek frontage suited to small scale cattle/stock production.

In summary, consumer confidence is returning to the market with the start of what appears to be a recovery taking place. Coffs Harbour traditionally has a low economic base - the sub $450,000 bracket is where the majority of activity occurs. It is no surprise that this sector is showing the most activity with prices firming and selling periods shortening. We consider this market will continue to improve throughout 2014 and price increases of 5% to 10% may be seen if this demand continues while supply diminishes. The upper end ($700,000 plus) and rural residential market will naturally increase in activity as demand and confidence grow which will result in more sales activity more so than increases in values.

NSW Mid North Coast

Last month we reviewed 2013 across the mid north coast of NSW and noted that sale rates, and to a lesser extent values, had started to increase across the regional centers of Port Macquarie, Taree, Forster, Tuncurry and Kempsey.

During 2014 we expect this increase in demand, sale rates and values to continue to slowly increase as consumer confidence continues to rise.

Investment properties and mid value properties in the region appear to be in moderate to high demand. Limited stock currently available and rising rentals together have helped fuel demand for these residential investment properties and we expect that this will continue during the first half of 2014. We note that as the lower value stock is sold, the newer listings are coming on the market at higher prices helping to increase values.

Current low interest rates are helping increase demand across the residential market, albeit in the low to mid range properties ($300,000 to $600,000). The higher value properties and high end investment units and properties have continued to remain at best static with extended selling periods still the norm, and we expect some slight increases in demand and possible shortening of selling periods if the confidence in the market continues to increase.

Rising rentals have helped fuel demand for residential investment properties and we expect this to continue during the first half of 2014.

We are more optimistic for 2014 than in previous years.

Albury/Wodonga

The New Year is here and the question of what's in store for the residential market is placed before us. There are likely to be small adjustments rather than major changes bar a major natural catastrophe or a global melt down.

It is likely the predicted rising unemployment will be of most influence in the market in the coming years. As the labour market tightens, confidence to take on more debt diminishes.

The Albury/Wodonga region consists of many small and medium sized employers who are predominantly owner-operated. Although many are finding the current financial climate difficult they will battle on with the hope of seeing an improvement and due to the huge personal investment they have at stake.

It is also a region that is heavily influenced by its rural economy - when farmers stop spending. the towns notice.

Farmers have enjoyed a couple of good years but the shine has come off particularly beef returns of late which has a follow on effect on down stream businesses.

The government also has an impact in this region as we have a large defence presence. There are currently new warehouse facilities being built and a large Defence Housing Australia stock that has encouraged some out of town investment.

It will be interesting to see how far the renewed interest in subdivisions takes us. Over the past three years most developers have been quite prudent and only releasing small stages at a time as vacant land sales fell. Lately there has been considerable expansion of estates and release of larger numbers of lots which are selling at improved volumes and reasonably high prices.

New South Wales currently has the better new build rebates and this tends to artificially stimulate activity which can stop just as quickly when the program comes to an end.

The best performing sector still seems to be the rental market. Gross returns of 5% and higher still seem to be achievable. A number of the new builds are targeted at out of town investors, mainly from Queensland.

There was a flurry of new sales particularly in Lavington from out of town investors soon after the election. The new year has seen that ease off somewhat with sales expected to continue at a moderate rate.

So the year ahead appears to be ‘steady as she goes’ which is always the most comfortable for property owners.

Dubbo

Residential property prices in Dubbo are continuing to increase after a bumper year in 2013. Low interest rates combined with high rental returns resulted in median house prices rising to over $280,000 in 2013, and these record prices are set to continue in 2014.

Residential listings are at record lows with agents reporting strong demand in the mid cost sector ($250,000 to $450,000), with many properties selling within one to two weeks of listing and often prior to advertising. Units and duplexes are also in strong demand and selling quickly.

There is currently a shortage of vacant land relative to supply as investors look to build new homes to ease the current rental crisis. Smaller allotments such as those in the second stage of The Outlook (Delroy Park) have been popular with investors with the majority sold off the plan. Future releases in this estate are also proving popular.

We anticipate that while interest rates remain low and there is strong demand for rental accommodation the residential property values in Dubbo will continue to rise. We are hoping to see some record high prices for properties this year. Let’s wait and see what 2014 brings!

Bathurst

2014 in Bathurst is already looking to be a year of reduced selling periods both within the established residential market and new subdivisions, as a result of strong demand. Market activity is anticipated to increase and the amount of current development is sufficient to warrant comment in many casual conversations.

Probably the change that is going to have the biggest impact on the Bathurst market in 2014 and the years ahead is the much anticipated new Local Environmental Plan from Bathurst Regional Council. This plan will be in line with the standardised format that other councils have been adopting. Other benefits of the new LEP to valuers include having zoning and other maps available online in PDF format. The plan was adopted by council on 13 December and is currently with the Department of

Planning in Dubbo, with an expectation that it will be gazetted in March or April this year. In my interview with the Council Planning Officer I was able to garner some idea of what the major changes in the new LEP are likely to be, including:

- Approximately 500 hectares east of Kelso in the Laffing Waters district is to be rezoned from rural to residential with the potential to create approximately 4,000 lots and an estimated increase in population of 10,000 people.
- Rural land west of the Trade Centre is to be rezoned Service Business to facilitate an expansion of that area.
- Rezoning will also occur to allow for a proposed freight terminal near Harvey Norman which is a bulky goods retail area.
- Some surrounding villages including Wattle Flat, Peel, Rockley, and Yetholme will see an expansion in the size of the Village Zone area.

These provisions have been made with the expectation of a further increase in the population of Bathurst and surrounding districts. 2014 may very well see the official population count on the welcome sign be changed from 37,000 to over 40,000.

Of course with all of these new people will Kelso get a Woolies to add to the two already in Bathurst, plus Coles, Aldi and several IGA's? Not even I have the fortitude to predict that for the year ahead.

Bathurst is also well serviced with building and home improvement supplies with a Bunnings and Mitre 10 and a Masters expected to open in February this year, which is a Woolworths company so I guess Kelso will get one.

In all, 2014 promises to be a busy year in a buoyant market where prices are looking to firm slightly in most areas and the probability of steady prices in the residential market east of Kelso with the increased supply from the proposed rezoning.

Victoria

Melbourne

With the start to a new year underway the question is whether the recent heat wave is a sign of Melbourne's property market starting to hot up. Well maybe not to the same degree as those intolerable sub 40 degree days. Now that the federal election is behind us and mixed views loom on the up or down movement of current historically low interest rates, the expectation overall is that there will be moderate growth across the inner and outer suburbs of Melbourne.

The later months of 2013 demonstrated market recovery and increase in buyer confidence with a median house price increase of 9% for the September quarter. However the unemployment rate has not improved and with the high Australian dollar, buyer confidence is questionable as pressure is placed on the manufacturing industry within Victoria. Therefore we can expect growth to be moderate throughout this year.

The prestige market within the inner city, inner east and bayside area over the years has been susceptible to volatile price movements. However as a result of continued economic growth, the median house price for 2013 increased 15%. Balwyn in the inner east and generally comprising sub $1 million properties was the top performer in the state demonstrating a 26.8% increase in the median house price for the September quarter. In second place was Brighton East with a 16.1% increase for the September 2013 quarter. We can expect this growth to continue into 2014 however not at the same levels experienced in 2013.

Donvale located in Melbourne's east was another top performing suburb with a median house price of $960,500 resulting in a quarterly increase of 24.7% for December 2013. With works currently underway on Melbourne's East West Link we can expect outer pockets in the east such as Donvale to continue to demonstrate at least 15% growth in 2014.

With Williamstown homes heading into the sub $1 million median price bracket in the last quarter of 2013, neighbouring suburb Newport is tipped to demonstrate growth at a rate of approximately 10%. This will be fuelled by those buyers who can not quite afford the Williamstown location but with Newport in close vicinity they will be able to utilise all of its amenities.

The bayside suburb of Mentone demonstrated a flattened median house price over 2013 which has been consistent since 2012. We would expect strong growth in 2014 of approximately 10% with the current economic conditions.

While growth is expected in the suburban housing sector unfortunately the same cannot be said of the inner city apartments. With numerous developments recently completed or due for completion this year, we will see an over supply of apartments within the inner city with key areas being Docklands, Southbank and the CBD. The oversupply of apartments in these areas will see pressure being added to the rental market with the knock on effect of reduced prices. The same can be said for Melbourne's developing outer urban fringe suburbs such as Truganina and Tarneit which could expect a decline in property prices as the newly developed areas face over supply of housing stock with developers offering incentives to purchasers.

Growth will remain steady as a result of continuing low interest rates contributing to the affordability for existing mortgage borrowers as well as private investors who benefit from the tax incentives.

Mildura

We expect that the improvement in confidence levels evident in the latter part of 2013 will continue throughout 2014. This improvement is welcome, as values for most classes of established residential property have been subdued in the Mildura region for much of the past five or so years. While gains have been only moderate thus far, we see no reason for this improved confidence to stall.

Pin pointing the reasons for this change in buyer sentiment is difficult, but we think it is most likely due to a combination of continued low interest rates, a tight rental market and higher costs for house/land packages. It is possible that we are also experiencing some flow on effect from gains in capital city values.

Mildura has a long history of being a place to which retirees gravitate, with many older people moving to Mildura from within a 300 kilometre radius. Good medical and recreational facilities, affordable housing and convenient flights to Melbourne, Sydney and Adelaide (ten flights daily on weekdays) makes Mildura an attractive place for retirees.

Given this trend, it is not surprising that the recent release of two stages in a residential subdivision that forms part of the Mildura Golf Course has generated strong interest. Prices range from $110,000 for standard 550 square metre lots without views to $220,000 for lots overlooking an internal lake (with many sunken golf balls). It is expected that good standard, mostly two storey residences will be constructed on these relatively small lots, and that many will be owner occupied – most likely by retirees or ‘empty nesters’.

As we have previously reported, the release of residential subdivisions declined in the Mildura region in the past three to four years and developers managed to increase their selling prices during 2013. We consider that the imbalance between supply and demand for residential lots will continue throughout 2014 and that developed lot prices could increase further.

Queensland

Brisbane

Apparently Brisbane is hot-to-trot in 2014 – or at least according to fearless pundits who are not paying PI insurance. OK, that was a little unkind, but it's fair to say Brisbane is often touted as the next most likely to move after Sydney and Melbourne, and there's no denying that some of these southern states saw a boom run on many suburban market as 2013 drew to a close.

In the field, agents are telling us that things are looking good. There have been multiple lookers at open homes and some auctions are jagging prices above vendor expectation. The pick locations are, and have always been, close to the CBD. The old story of limited supply and good quality stock plus comparatively high demand mean that as long as you're appropriately priced, there is definitely a buyer or two out there for your property. The best performers are within five to 10 kilometres of the CBD. While some are looking for double digit growth this year, we feel a more likely scenario will be closer to five per cent. This would look dire to someone who'd transported themselves here from 2007, but the fact is it has been flat around these parts. A positive move at five per cent should be considered a convincing sign of a stronger market. Be sure to watch investor activity as ongoing low interest rates result in good returns for those willing to take the plunge.

As far as the soft markets for our neck of the woods, it's likely outer lying suburbs will feel the hit. Supply continues to the major factor. There is a whole lot of land available for subdivision when you get beyond 20 km of the city. To the north, areas like Caboolture and Morayfield are price accessibly, but it could take some years for the radial effect of capital growth to reach this far out.

The other market to perhaps be a little coy about this year is rural residential. Demand can be fickle, so there are long sale periods and broad price negotiations to be had in these markets.

If you're looking to buy this year, then the market with most promise is trade-up property within 10 kilometres of the city. It has been the best performing sector over the past 12 months, and as long as job security is maintained, it should continue to be a beacon of hope. A few areas of interest will be those homes priced between $1 million and $2 million in suburbs like Hamilton, Ascot, Hendra and Clayfield.

If money is a touch tighter, then try the market from 10 kilometres to 20 kilometres from the city. The ripple effect says these areas are due to see gains at some stage and they now offer buyers a chance to get in while it's still relatively affordable. It may take a few years to see the big numbers, but there are already plenty of pundits who wish they'd bought more property in these areas back in 2001.

Another option for those wanting to remain close to town is renovator stock. It might be worth your while taking on a doer-upper in a desirable address as a rising market helps drive demand. Just try and stay as close in as possible.

This year will see a couple of game changers for our city. There is a new Cityplan which is already yielding results for developers around town lucky enough to have been land banking sites. The increases in densities and site coverage will no doubt translate into more dollars. There has been opportunity for small developers to take advantage as well, although the final plan is yet to be signed, sealed and delivered by parliament.

We are also set to host one hell of a gathering in November 2014. The G20 will see some extraordinarily big names enjoy downtime at Southbank – what do you think the chances are that the Obamas will catch a few rays at Streets Beach before heading off to the Stokehouse restaurant for a grain-fed eye fillet with fried fontina, pomme mousseline, confit garlic puree and red onion jam? The G20 will place us on a world stage come year's end but locals aren't so sure they're all that pleased. Many are looking to get out of town during the event as tight security will mean some difficulty enjoying your South Brisbane abode.

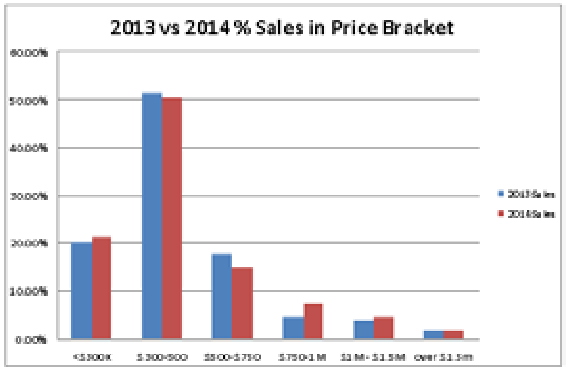
Gold Coast

The general vibe on the Gold Coast is one of buoyancy.

Our two major industries are tourism and construction, with local tourist operators reporting visitor numbers up significantly from the previous few years and infrastructure works ad new residential projects creating more employment for our tradies. The commencement of the $650 million refurbishment of Pacific Fair shopping centre will no doubt put smiles on many of their faces.

On the property front, local real estate agents are now generally reporting a severe shortage of listed stock coupled with a noticeable increase in buyer activity putting upward pressure on values.

Our statistics reveal there are now 25 sales more every week compared to 12 months ago. The volume of sales within price bands has also shifted:



Most notably 72% of current sales are below $500,000 compared to 80% 12 months ago. At the other end of the scale, the sluggish prestige market still only accounts for 6.5% of sales (over $1 million) compared to just under 5% previously.

It is auction season on the Gold Coast and by the time this article goes to print, we will have the full results to report. The status as at 28 January and compared to previous years is as follows:

	2012	2013	2014
Clearance	46%	46.50%	34%
MIP	23	18	3
MIP Clearance	87%	89%	100%
Clearance Net of MIP	40.50%	42%	32%

While auction day clearance rates are below the last two years, the number of advertised mortgagee or receiver related properties sold has fallen from 23 in January 2012, to 18 in 2013 and just three this campaign.

Many listed properties are now selling within days with multiple offers being made, something we have not seen since the onset of the GFC. After what has arguably been the worst ever downturn in the local market with residential values plummeting to an all-time low, there now appears to be some bounce back recovery across most sub property market sectors. The majority of buyers appear to be locals. There is also a noticeable increase and return to the market of interstate and foreign investors (mainly Chinese and New Zealand). Despite this we have not yet seen any significant evidence of first home buyer activity and we note that the unit market remains flat with large listed stock still to be cleared.

We predict the strongest growth will be in the suburbs of Southport and Labrador with particular interest in Stage 1 of the new light rail system due to open in mid-2014. The line links the suburbs from Broadbeach through to Parkwood at the recently opened Gold Coast Public Hospital and expanding Griffith University precinct. Alamanda Private Hospital is also planning to move to this same precinct. Further stages are planned to carry the light rail line north to Helensvale to connect with the Brisbane electric rail line (stage 2) and eventually south to Coolangatta. Southport is the recognised CBD hub of the Gold Coast and as such has many amenities and provides the most centralised place for work opportunities on the Gold Coast. We would propose best buys with potential for good capital growth will be those units within short walking distance of one of the many stations along the light rail line. Additionally Southport has large development approvals including the new 'China Town' and is also part of the 2018 Commonwealth

Games focus with redevelopment of a multi pool swimming complex on the Broadwater and the games village.

The unit market is different to other sub property categories as on the Gold Coast there are a large number of unit developments and this market will remain fragile as ageing complexes fall out of favour and new complexes are marketed.

We predict that existing units in complexes with low body corporate fees, good access to the CBD and views will become the most sought after and now represent good buying. We predict that there will be a return of large highrise unit developments with many investors continuing to pay above market parameters for over inflated product.

Palm Beach was one of the first suburbs to recede in the last downturn and is proving to be one of the first to show signs of improvement. Basic 1970's and 80's properties on the eastern side of Palm Beach are receiving noticeable growth and even more so for anything in the 'residential choice' zoning, however units remain relatively stable.

Miami is another stand out performer so far this year with all suitable development blocks in the 'residential choice' zoning also seeing increases. This is also noticeable in Tugun, but to a lesser extent.

Other stand out areas will be Paradise Point which we predict will increasingly become regarded as prestige and trendy built around the Broadwater, marina and café precinct. Strong capital growth is also predicted for the suburbs of Runaway Bay, Hollywell and Biggera Waters. Hope Island has lagged behind a bit with many investors being caught by the severe downturn. We predict that as developers return and infrastructure continues (both state and private), the Hope Island area will expand and take off again as it had pre GFC.

The northern Gold Coast, also known as the 'growth corridor' is an area well worth a look, especially for young families and those who want to enjoy the lifestyle that the Gold Coast has to offer while at the same time being easily accessible to Brisbane. Vacant land in the better quality developments throughout Upper Coomera appear to have strengthened. These estates include Riverstone Crossing, Stone Creek, Coomera Retreat and Highland Reserve. Standard 400 to 700 square metre allotments appear to have strengthened in the past six months by $10,000 to $20,000. Modern dwellings in these locations also appear to have strengthened. Through 2012, the majority of the sales in these areas were between $400,000 and $500,000, however 2013 saw a far greater volume of sales in the $500,000 to $600,000 price bracket.

Standard properties in the south-western suburbs such as Mudgeeraba and Elanora up to $700,000 remain relatively stable, but I predict that these will start to move soon as they still represent good buying and are closer to the beach when compared to similar suburbs to the north.

The rural lifestyle properties from Worongary to Currumbin are seeing slight increases, however these too will start to move with the closing of the land value gap as the size of regular house blocks decreases and buyers realise the value for money.

The good quality rural/residential areas of Willow Vale appear to be achieving strong prices compared with surrounding rural/residential suburbs such as Wongawallan, Guanaba and Maudsland. Tamborine Mountain appears to have stabilised with very early signs of improved prices. These types of regional areas generally appear to have a bit of lag in market segment condition compared to local markets.

Overall the market sentiment throughout these areas appears to have changed significantly with a combination of investors and owner occupiers moving back into the market. This shift is reflected in prices with many of the most recent sales being at the upper limits of market parameters compared to earlier sales evidence. In some cases people appear to be panic buying for fear of missing out.

A significant piece of new infrastructure is the town centre to be constructed at Coomera. This will have a positive effect mainly on the Coomera area with some lesser flow on effect on surrounding suburbs such as, Pimpama, Upper Coomera and Willow Vale.

The Gold Coast property market is a volatile beast and tends to undershoot the general Australian property market during bad times and overshoot during good times. Whilst a lot of property owners would love to see a spike in values, we believe that this would only lead to values falling off a cliff later on, so we would far rather see a steady rise in values.

Low interest rates, improved business and consumer confidence and a strong property market in most other centres point to a bold showing for the Gold Coast property market. One negative factor is that the hang over from the GFC lingers for some. There were many burnt fingers and it will take some sustainable growth in the Gold Coast property market before some of these players re-enter the market.

In summary we are bullish about the property market in the short term and we would expect values to be at least 10% higher this time next year. Our predictions are that we will look back in time and identify the end of 2012 as being the absolute low point in the local residential market fuelled by a saturation of mortgagee in possession sales and economic uncertainty. The market coughed and spluttered through 2013.

Developers, traders and mum and dad investors alike should be in for a lucrative period in the short term and the near future should also allow current homeowners to recoup some of the losses from the last five years. As the saying goes the trend is your friend! Long term we are cautiously optimistic but due to the volatility of the Gold Coast market, keep your finger on the pulse to allow you to make well informed decisions regarding your property portfolio.

Sunshine Coast

It has taken a while but now we can finally come out and say that the Sunshine Coast property market has finally turned the corner. That is a pretty strong statement but there are good market fundamentals that point to this.

We have maintained that rentals and the strength of rentals is a good indicator and these at present are quite strong.

The market appears to be bottom up led, meaning that the highest growth in sale volumes and values, which started in early 2013, has occurred in the sub $500,000 housing market. As we progressed through 2013 this transitioned into the higher value markets in some areas ($600,000 to $700,000). We believe this will continue with owner occupiers who are able to upgrade into more valuable properties by selling their existing properties more easily and investors also becoming more active. The main causes of concern will be available stock in the lower-priced sectors and of course affordability when interest rates increase.

The prestige housing market has been "same same, but different". At the entry end of this market, say up to $1,500,000, sale volumes appear to be quite good. As you move into the higher value level bands, buyers are thinning out. Properties at this level have to have something special about them or buyers want to be getting perceived value for money for them to be interested. All in all, we believe the higher end market is a bit of a steady as she goes proposition, with some good signs of growth at the entry level.

The unit market is a different proposition. Over recent months we have seen an increase in sale volumes, however this is very much area and property specific. In some sectors we're seeing some slight value increases, others flat and others again showing some declines. So when looking at the unit market in general we say that we are approaching the corner rather than turning it. Once again another steady as she goes proposition.

Locally the continued investment in major infrastructure projects remains a good news story. This has been joined by the increase in local building activity and the reportedly good holiday period experienced over Christmas and New Year. All these attributes are pointing to a good 2014.

Toowoomba

Toowoomba has had a year of consistent growth and 2014 is expected to progress along a similar path. 2013 was a year of recovery after 2011 and 2012 demonstrated reductions in prices and sales activity.

Over the past three months, the Toowoomba market has demonstrated considerable movement in the sub $400,000 price sector. The recent property activity has suggested that buyer confidence has increased and positive capital growth is anticipated in the short to medium term. As a result, first home buyers and renovators are more active in the market. The suburbs which have received the most buyer interest and sales activity are East Toowoomba, Rangeville, Newtown and South Toowoomba.

The investment market is defined by rental yields and Toowoomba has been identified as providing a strong rental market, particularly in the sub $450,000 price bracket. This was evident throughout 2013 and we expect this to continue into this year with current vacancy rates below 2%.

The prestige market, which is considered above $800,000, is expected to show positive growth as a result of increased market confidence. Signs of recovery in the upper price bracket were evident throughout 2013 with eight residential contracts over $800,000 in November and December last year. A search of realestate.com shows that there are currently nine properties advertised for sale over $800,000.

The unit development market has shown unprecedented growth for new unit construction. There are approximately 500 units in the process of planning, approval or construction. The number of applications for multi residential development appears to be growing rapidly and the demand for development sites is continuing to increase predominantly in established residential areas within close proximity to shops, parks, public transport and schools.

The Toowoomba Regional Council has implemented a "Temporary Urban Consolidation Incentives Policy". The purpose of this policy is to stimulate medium-density development in existing urban centres, increase residential density to provide for increased housing choices and to increase the viability of potential for public transport. To achieve these objectives the council currently offers discounted infrastructure charges or contributions to developers of small residential lots which are less than 450 square metres and multiple dwellings on a single lot. To qualify for this discount the building works must have substantially started by 30 June 2014. We anticipate that there will be a continued quantity of assessment for building applications and construction up until June to ensure developers are eligible for the infrastructure discount.

In the Surat Basin, the Dalby market has remained relatively flat and has softened in lower market segments. While the speculative growth from the mining and energy industry appears to have moved further west, we anticipate a steady property market in 2014.

The Chinchilla market is anticipated to continue as a relatively volatile market as mining and energy projects move from planning to construction phase. The demand for new dwellings appears to be subsiding, however with the continuous development of mining projects, there is still strong rental demand.

Miles has shown similar market characteristics to Chinchilla as demand slows. Rental returns have been maintained due to the oil and gas operations in the area. There is a large supply of house and land packages, however values have flattened over the past six months in line with sales volumes. Future developments are expected to be minimal with Council unable to approve any further developments due to a water shortage in the Miles area.

Wandoan has demonstrated a significant downturn in sales activity in response to the announcement that the Glencore Xstrata Coal Project will be put on hold indefinitely. Investors had been very active in Wandoan, with a vast majority of sales to out of town buyers. While the sales activity has declined the rental market is relatively strong with demand from companies catering to the oil and gas activities in the area. This includes the GLNG pipeline project. Rental demand may decline as this project moves into the operational phase from the construction phase which appears to have been considered by investors.

In Taroom, the property market has not been as heavily impacted by the mining and energy hype of surrounding towns. Taroom has an active local market and has received some speculative investor interest for residential land in anticipation of construction of a new railway line as part of the proposed Xtrata coal mine project. Following the announcement to put this project on hold, the Taroom market is expected to continue as a relatively stable market.

The Roma market is expected to continue in line with market conditions experienced in 2013 which slowed from the peak in mid 2012. There has been an increase in houses on the market with longer selling periods required to achieve sales.

The Charleville property market is underpinned by local buyers with a small number of outside investors. We anticipate the flood mitigation works through construction of a new levee bank will provide some confidence in the area, however the current market is considered stable as a result of the drought and large number of properties available for sale.

Rockhampton

New housing developments in north Rockhampton, such as Parkhurst and Norman Gardens, are still increasing with the major focus being on house and land packages used as investment properties predominantly by non-local investors. Some of these are being sold at inflated prices and targeted to buyers who do not know the local area. This creates possible implications for the Rockhampton region such as higher vacancy rates and lower rental prices. However land values within the North Rockhampton area are continuing to show strength, with a steady increase in more established, centrally located estates. These land values may flow through to the sale prices of existing properties and may create higher sale and rental prices for these properties in the more established suburbs of North Rockhampton.

> We anticipate that properties in South Rockhampton may show a steady increase in capital growth with limited quality stock available.

As there is not a high rate of rental properties available in this area, rental prices and vacancy rates should remain consistent,

The development of Empire and Southbank units within the CBD and river front area has generated high interest in off the plan sales, resulting in solid presales, as there are a limited number of units available in the property market.

Continuing from 2013, we expect the Gracemere property market may continue to soften in value and rental rates. Vacancy rates have risen from 3.2% (January 2013) up to as high as 10% in this market. Construction and development has reduced significantly, confirming our predictions that the property boom Gracemere experienced in late 2012 and early 2013 has come to an end. For this property market to increase, significant changes in the mining industries will need to occur to promote new developments and a rise in rental and selling prices. The developing industrial park of Gracemere is thought to have no huge influence on the property market over the next 12 months.

The Capricorn Coast residential market is predicted to experience a stabilisation period in which prices should remain steady.

However with construction of the Great Keppel Island redevelopment possibly beginning, we may see an increase in prices and lowered vacancy rates due to an increase in employment on the Capricorn Coast. In recent news the unit development Oshens' was completed and a new unit development Salt has now begun. However positive this market appears, Yeppoon is still not considered an investor's market without huge demand and it remains to be seen whether these unit prices are able to be sustained.

Gladstone

There has been much local and national press regarding the Gladstone economy and property market of late. 2013 was a tumultuous year for the Gladstone property market. We saw sharp declines in values on the back of an ever increasing supply, decreasing demand and vacancy rates which were trending upwards.

The vacancy rate for the postcode of 4680 as at December 2013 was 11.1% (according to SQM Research) which shows a 7.6% increase since the same time last year. Despite this increasing rate, there are still extensive townhouse and unit developments under construction with most of the product having been purchased off the plan 12 to 18 months ago. Construction of new homes in modern estates has cooled over the last several months however new product is still being project marketed to investors. As these developments are completed, we expect the vacancy rate to rise further. How high they go is anyone's guess.

Capital value levels have declined across all property types in the Gladstone region, anywhere between 10% and 30% and many are now at value levels lower than before the LNG plants were approved. We expect the market to come under further downward pressure throughout 2014 before it stabilises and any capital growth can be expected. As with capital values, rental values have also faced downward pressure over the course of 2013 and we expect further declines in 2014 in line with the rising vacancy rate.

Construction of the three LNG plants on Curtis Island and demand for accommodation to house workers has been the backbone of the Gladstone property market for the past three years. As completion of the projects approaches, this is also what has triggered a downturn in the market and reduced confidence in the local economy. The current workforce of approximately 11,000 will start to decline (perhaps somewhat rapidly) around the middle of 2014. The exact impact of this is largely unknown as approximately half are fly-in-fly-out employees. Talk around town is the question of future employment for the approximately 5,000 locals currently working on the Island.

2014 will be an interesting year for the Gladstone property market. With so many unknowns yet to impact the market perhaps predictions are best left to crystal balls!

Bundaberg

Welcome to 2014!

The end of 2013 saw an increase in the number of contracts of sale in the Bundaberg area. This increase in transactions and the resultant decrease in available stock should see an increase in values across the region.

Rental vacancies are quite low at the moment due to the increase in demand generated after the worst floods in the area's history in January 2013. There are still a large number of homes not yet fully repaired which should keep rental vacancies low.

We see the inner city areas of Bundaberg west and the suburb of Avoca as two areas that may see some good growth. Bargara and the coastal towns are also experiencing an increase in the number of enquiries at real estate offices.

Unit sales have also been quiet in the past year and may provide an opportunity to pick up a bargain.

Hervey Bay

The property market in the Fraser Coast region is showing signs of encouraging optimisim, which is expected to continue throughout 2014. Steady demand is likely to remain constant for lower to mid priced residential stock, with some higher sales also filtering through. Relatively short selling periods of up to three months together with slowly increasing rental returns are anticipated. Values are expected to show slight improvement by the third quarter. The excess of unit stock has been gradually diminishing, however unit values are still predicted to remain low and affordable over the next twelve months. The property market in Maryborough is expected to remain stagnant, with uncertain employment conditions keeping buyers cautious. The Fraser Coast Planning Scheme 2014 has now been adopted for the area after much consultation with local industry groups and residents.

Mackay

For the first time in a while, the Mackay market enters a new year with sentiment probably swinging away from the optimistic outlook seen over the last few years. 2013 was a difficult year for Mackay residential property. The downturn in the mining industry through the Bowen basin definitely had an impact on the Mackay residential market. Sales volumes were reduced, although for most of the year values held relatively well. However, sales evidence towards the end of 2013 suggested that values in Mackay were starting to fall. One market sector that didn't fare so well was the rental market, with vacancy levels increasing and rental values falling significantly during 2013.

So what's in store for 2014? We think the market may continue on its current trend with falls in property values over the first half of 2014. The difficulty is trying to predict how far they may go. We think reductions will not be as significant as seen in

other resource towns such as Gladstone, although this heavily depends on the recovery of the mining industry. There may be isolated pockets within the Mackay market that are more impacted than others. For example some areas of the Northern Beaches which have been marketed to investors over the last few years and are predominantly investor/rental properties may be hit harder due to falling rental levels and increasing vacancy rates. We think the rental market may not recover from previous highs for quite some time due to the increased supply of house and land packages flooding the rental market, and the increasing numbers of fly-in-fly-out workers.

Townsville

We enter 2014 at the start of recovery stage with increased activity over the closing months of 2013 in the cheaper sector of the market fuelling activity.

Our prognosis for the year ahead is for further consolidation and increased activity across the residential market.

The volume of activity has been on a generally increasing trend since the start of 2011 and this trend should continue. Agents are reporting an increase in numbers of people through open houses compared to a similar time last year with a noticeable lift in the number of genuine buyers.

Over recent years vendors have generally sold due to relocation or financial pressures, etc. The year ahead may see the entry of vendors looking to buy and sell in the same market with a view to upgrading.

We believe prices should firm with some minor price rises, however this will be property specific rather than across the board. Generally in a recovery stage we see the ripple effect of demand starting from the inner city and spreading out with price movement aligned accordingly.

In the new home market, the North Shore development being undertaken by Stockland is likely to be the benchmark for new home development. North Shore have developed the commercial infrastructure including shopping, medical, fast food and leisure facilities to make it a sought after location for new home building.

The residential vacancy rates during 2013 climbed from under 3% to over 4% at the end of the year. This is the highest vacancy rate seen since 2009 and reflects the large expansion of new rental supply taking advantage of the National Rental Affordability Scheme (NRAS). The result of these increasing vacancy rates has seen downward pressure being applied to rents. The rental market for the year ahead may prove tough on rental rates with potential for increased rental stock coming on the market as mum and dad investors dip their toes into the investment market, in addition to new unit supply and potentially the exodus of tenants to become owner occupiers.

Cairns

The Cairns economy is progressively improving, aided by much stronger tourism seasons during 2012 and 2013, combined with the expectation of further growth during 2014. However improved business conditions do not yet seem to be feeding through to greatly improved labour market conditions, with total employment remaining soft and unemployment higher than the state average. We expect relatively subdued economic growth conditions in Cairns to prevail during 2014.

While the Cairns residential property market entered the start of recovery phase during 2013 and will continue to improve and consolidate during 2014, the economic drag will constrain the market's recovery pace during the course of this year, compared to what might have otherwise occurred in better economic conditions. The tight rental market and low rates of new construction will maintain pressure in the market and provide further impetus to market activity.

A significant factor in the market recovery thus far has been the expected flow-on from the proposed $4.2 billion Aquis resort development, which if the project eventuates, will provide a massive stimulus to housing and development in the wider Cairns area. A delay to the proposed construction start date for the resort from mid 2014 to mid 2015 will take some immediate latent pressure off the Cairns market, but is unlikely to stall the recovery process seen thus far. In our view there is sufficient market momentum in the Cairns market to sustain its recovery through 2014 without any added stimulus from the Aquis project commencement. If anything, a 2014 start to the Aquis project would have placed housing pressures on Cairns beyond its absorption capacity, and a delay to the project will provide some breathing space.

South Australia

Adelaide

Adelaide's residential property market remains in the early stages of recovery.

During 2013 a lot of the excess stock that was characteristic of the downturn in the market was cleared. Buyer enquiry and interest in the market picked up. Auction as a sales method, which was increasingly rare during the downturn, gained in popularity and clearance rates generally exceeded 50%. Days on the markets improved and vendor discounting reduced. Most of these improvements occurred towards the latter half of the year, culminating in the first year of positive capital gains, of around 2% after three consecutive years of decline.

We believe that 2014 will see a continuation of the improving conditions experienced during 2013.

As we have discussed in previous editions our feeling is that this recovery will be slow and steady and that it is unlikely that the market will leap ahead significantly (by more than 5%) as currently seen in some eastern states - there is just too much uncertainty surrounding our economy. With unemployment getting closer to 7%, job security is a major cause for concern for many potential home buyers.

Interest rates have the potential to significantly impact the local property market, especially if they were to rise. Recently most of the talk was about a rate cut during 2014, however with recently released inflation figures, some economists have forecast the potential for a rate rise instead. With the current lowest ever interest rates only seeming to have a fairly minor positive impact on the market during 2013 (and not more significant as was expected) there is quite a possibility that a rate rise may have a noticeable negative impact on an already cautious market, and even stall our recovery in the short term.

One area expected to perform solidly this year is the outer southern suburbs. Providing a mix of both established and developing suburbs, on offer is a wide variety of what would be considered fairly affordable living options. The area has been slowly gaining in popularity in recent times due to a combination of improving amenities including new and under construction shopping centres as well as proximity to the southern beaches.

Two new infrastructure projects set to come on line during 2014 will improve access to these outer southern suburbs of Adelaide. The railway line extension from Noarlunga to Seaford is very close to being opened, with all major works now completed. This extension includes a new station and bus interchange at Seaford and a station at Seaford Meadows. Both have park and ride facilities accommodating 450 and 550 cars respectively. Also under construction is the duplication of the Southern Expressway with completion due some time around June or July this year. Once completed travel times to the city and access via public transport will be significantly improved.

Demand within this area appears to have increased over the last 12 months possibly in anticipation of improved access and it is expected that this increased demand may see capital values improve during the year.

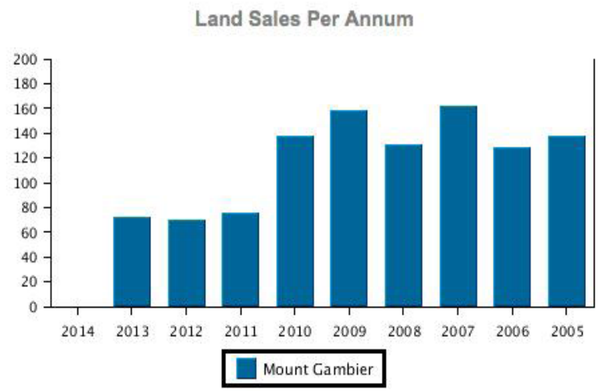
Outer northern areas as opposed to the outer southern areas may face some uncertainty this year, with limited growth anticipated. This is in part due to some oversupply generated by the FHO grant for new construction and the Housing Construction Grant (no longer available) but also due to the recent announcement of the closure of Holden's manufacturing plant in Elizabeth, which although not occurring until 2017, may have already impacted local confidence in the area.

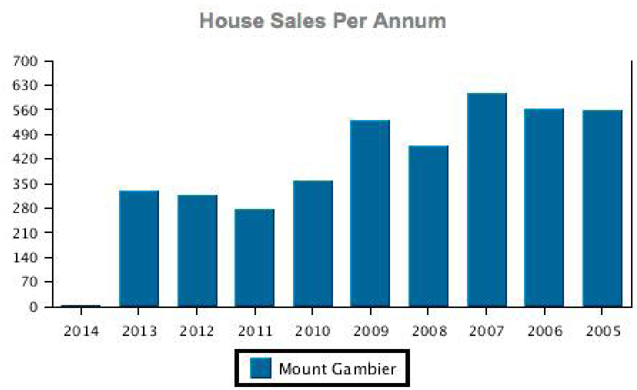
Overall our outlook for Adelaide's residential market for 2014 is positive. With stock levels remaining at low levels and improving buyer activity we believe that 2014 has the potential to show consistent growth throughout the year at around 2% to 5%.

Mount Gambier

There were some key economic changes in the region in 2013, including government funding being rolled out to Mount Gambier timber companies which was positive news following the forward sale of the region's harvesting rights. The record low interest rates and the continued government incentives have seen the market remain stable with a slight increase in the volume of house and land sales over the preceding year.

While the market is stabilising there are still no economic indicators of improvement that could see house sales volumes rebound to the levels of 2009 and preceding years shown in the chart below. House sales are most popular within the $200,000 to $250,000 price range. Few sales are occurring over $400,000 unless they are in well sought after locations and well presented. These are often tightly held properties. Unit sales were most popular within the $75,000 to $100,000 price range and $175,000 to $200,000 range. No unit sales went above $300,000 which indicates there is no real market for a high quality unit. There is still an over supply of properties for sale which is providing some downward pressure on values.





Tasmania

Launceston / Hobart

2014 has opened with economic data indicating the continuation of challenging economic conditions for Tasmania. The Government December labour market review published in January reports a slight decrease in unemployment from November however, compared with the same time in 2012 there has been more than half a percent rise. Northern Tasmania has the distinction of an unemployment rate greater than the state average. Given the connection between labour markets and other economic indicators most would be unwilling to forecast any significant change in the residential property market in the near future.

Tasmania's state election, extension of the First Home Builders Boost (FHBB) and implementation of announced State Government Employment Initiatives may provide a catalyst for a more positive state economic outlook.

The State election is to be held on 15 March. A more buoyant business and economic sentiment may be generated by its result dependent upon who is elected to manage the state.

Higher volumes of vacant land sales in Old Beach, Howrah, Tranmere and Oakdowns on Hobart's eastern shore, Prospect Vale, Newnham, Perth and Longford in the north and Park Grove, Shorewell Park, Stony Rise and Shearwater in the north west relative to other suburbs in these regions were experienced during the latter part of 2013. These trends may continue during 2014 as the FHBB is available until December 2014 to those who either purchase a newly built home or undertake a new build.

State Government Initiatives were announced during 2013 with the intent of providing funding to both public and private sector projects to boost employment and business opportunities. Announced initiatives that did not commence during 2013 are expected to be implemented during 2014. Any economic benefits generated by these projects would trickle down to other markets such as the property market. Examples of such initiatives for the northern half of the state include development of world-class mountain bike tracks, construction of a biosecure fish holding facility in Launceston and construction of a Child and Family Centre in George Town.

Although Tasmania's economic climate is challenging for some, it provides unique opportunities for others. Investors have a good range of stock to select from coming off a declining market, financial institutions are offering historically low interest rates and there is a relatively strong rental market. These conditions are achieving good gross rental returns for investors. In all state regions centrally located suburbs that contain a good range of facilities and are popular with both renters and purchasers are viewed as having the best capital growth potential.

Northern Territory

Darwin

All indicators point towards continued steady growth into 2014 for the Darwin and greater area's residential market.

This is anticipated in part due to continuation of construction of the INPEX LNG Project, which is approaching its third year of construction within a five year plan. A further influx of employment to the area is being generated by other industries, including the Marine Supply Base and further extensions of Defence.

As demand for vacant land continues to outweigh supply, this will help to underpin growth throughout 2014.

Titles are being issued in the new developing suburbs of Durack Heights and Muirhead, providing a strong supply of single residential dwelling accommodation during the year.

Similarly, the rural living sector is anticipated to see a more marginal rise in demand for allotments, particularly within the inner (more accessible) localities of this market segment. This is forecast as a flow on effect of the shortage of vacant allotments within the inner Darwin and Palmerston areas.

The only negative on the Darwin radar (other than the next approaching cyclone) is the high supply of units in the Darwin CBD, and we note there has also been extended selling periods in the Palmerston unit market.

The area to watch again this year is the rental market which is effectively being driven by the aforementioned growth in employment and large contingent of companies (often outperforming privates). This sector is expected to have a particularly large impact on affordability, in which we have already seen signs of rapid growth.

Affordability, affordability, affordability. It always plays a massive role in capital cities and Darwin is no different, with median house prices at a high of $605,000 in Darwin and $558,500 in Palmerston, as at the end of the September 2013 quarter.

Alice Springs

The Alice Springs residential market continued to consolidate during 2013 with stabilising prices and low transaction numbers evident in market indicators.

Looking forward to 2014 we are likely to see more of the same in this regard with generally stable prices and low transaction numbers relative to high historical numbers. Notwithstanding that, low transaction numbers have been creating additional volatility in the median price data. We expect the median house price to be stable for the year to December 2014 (up 4.6% to $455,000 in December 2013) and we expect the median unit price to show low single digit increases in 2014 (down 4.10% in the year to December 2013 and up 5.12% for the December quarter).

The key for 2014 will be for new residential unit projects which remained subdued throughout the year, particularly those larger projects (20 units and above) which have been mooted for some time. The return to stable market indicators and the availability of the Real Housing for Growth Scheme will see greater confidence in these projects which will be more likely to break ground.

Western Australia

Perth

Overall the Perth residential market will record a solid year of buyer activity in 2014 even though signs emerged over the latter part of last year of a flattening in demand.

High population growth will continue to activate the rental market with high and rising rents continuing to motivate strong numbers of first home buyers into the Perth market. Changeover buyers in mid-price range suburbs were also active during 2013 and will continue into 2014. Signs at the very top end of the market showed some green shoots with some solid sales occurring in the latter half of 2013. Improved business conditions in 2014 should show general improvements in sales in this sector towards the middle to end of the year.

The Perth median house price increased by 8% over 2013. Perth median house prices ended 2013 5% higher than the previous price peak recorded in June 2010.

Although likely to be subdued in the early part of 2014, buyer activity in the Perth market will resume sooner rather than later driven by an underlying strong and strengthening local economy. Perth's median house price is predicted to increase by between 5% and 7% in 2014.

South West WA

Agents in the main towns of the south west of Western Australia are continuing to have high levels of sales, with some modest increases in values in the lower end of the market and greater increases in land values. The top end of the market continues to be more problematic, with continuing weak demand. The rural residential market has recovered slightly with a greater number of sales in this sector, however the majority of these are below $1 million.

Developers are responding to the lack of land supply with further releases in Treendale, Millbridge, Dalyellup, Provence, Vasse New Town and Dunsborough Lakes which is likely to see the demand supply balance improve, however, with the current demand for land even further land releases will be required.

The rental market continues to be tight, with low vacancies and historically high rents putting upward pressure on the first home buyer market and bringing investors back into the game.

Smaller lot developments in the new subdivisions have become popular due to their affordability and it is anticipated that this will be a trend going forward. A move away from the larger homes to the smaller, more well appointed homes on small blocks, with limited gardens and the ability to "lock and leave", ideal for the fly-in-fly-out worker.

The Groyne realignment at Port Geographe in the City of Busselton could potentially see some upside in values, particularly for canal blocks, if it is effective in reducing the seaweed build up and limiting the offensive smells in the area.

Overall, the word on the street is that there is likely to be some gradual increase in values perhaps increasing at a greater rate in the second half of the year but nothing along the lines of the pre GFC boom.

Esperance

The Esperance district fared generally well over 2013 with strong stability in the rural sector underpinning the stability in the town. Sales volumes were low but steady in the first half of the year with a stronger finish to residential as well as industrial and rural markets.

> Stable beginnings were noted in 2013 with prevailing land values consistent with the latter months of 2012 before improving towards the end of the year.

This is largely a factor of supply as no new land has been released for some years and a previous oversupply of vacant sites has been largely absorbed. For example, Le Grande estate in Castletown has seen land values improve from the $140,000 to $150,000 range at the beginning of the year to finish with strong sales volumes ranging between $155,000 and $165,000. In nearby Flinders Estate, values have also firmed from a $160,000 to $170,000 range to now returning between $175,000 and $185,000.

For improved residential property, Castletown is the largest residential area within Esperance and sales of older properties have typically ranged between $300,000 and $400,000 and newer properties between $400,000 and $600,000. It is interesting that 2012 year saw no sales of note above $500,000 whereas 2013, especially towards the latter months, had a strong volume of sales above $500,000.

In other parts of Esperance, there was an increased number of sales in excess of $750,000 with three comfortably over $1 million and others close. Whilst for some larger areas that may not seem much, for this market it is notable and indicates some optimism exists in this region. Selling periods have not been excessive with the highest sale of $1.45 million occurring in less than six months.

A number of properties over all price ranges are available for sale however demand appears equally sound with a number of properties in the higher price brackets currently under contract. As with all areas, accurately priced property is attracting sound demand and typical sale periods are less than six months.

As for the next 12 months, the sentiment can best be described as cautiously optimistic. Enquiry rates are improving and sales volumes have increased over recent months. If interest rates remain at historic lows and seasonal factors remain sound as we have experienced over preceding years in this area, there is a strong chance of the market remaining stable with the possibility of modest growth in underlying values in the second half of this year.

Rural

HERRON TODD WHITE RURAL

Overview

Welcome to the first 2014 rural updates from across the country. I hope our readers have enjoyed a good break and festive season and are now back into the swing of things. Our team has also had some time out however is on deck now and available to receive your requests for valuation assessments.

2013 closed off a year which showed promise in some regions including WA on the back of a great harvest outcome, and the opposite in the east and north with dry conditions impacting winter crop yields and summer crops either under pressure or not planted due to lack of rain. It seemed that news services were daily reporting another heat wave, bush fire or drought story over the holidays and not a lot of joy among it all. One wonders then what this impact has on the national rural confidence and importantly decisions of lenders on how to deal with some of the emerging issues.

Of course not all areas of the country are under this pressure and we will look to dissect the past 12 months in our state by state market assessment as part of our Australian Grazing Property Index update. This analysis dates back to 1980 and is an index series of data captured for properties greater that 2,000 hectares (or 15,000 hectares in the NT) and forms a good basis for understanding the trends in sale volumes and values. I look forward to releasing this update to our readers at the end of February. In past years, this update has been presented in a series of breakfast functions towards the end of February in Melbourne, Sydney and Brisbane however that will not be the case this year. Instead, a function will be held in Brisbane which incorporates the 25th anniversary of the Rural Division of Herron Todd White as a stand alone division.

The Herron Todd White group has its origins dating back to 1968 and the rural business has been a key part of the growth of the group. Today we have the largest coverage of rural valuers nationally. Our local knowledge combined with national coverage and quality systems ensures our clients are receiving quality and value from Herron Todd White.

2014 represents the year of the horse in the Chinese calendar and also the International Year of Family Farming. Some of our regional updates provide some insight into the latter with trends for sale and purchase of smaller holdings to local buyers offset by purchasers backed by international investors for larger scale holdings. Are we at the start of a longer term change in the fundamentals of a family farm? Only time will tell, but in any event 2014 will be another interesting year in the agriculture sector and we wish all of our readers the best for the year.

Tim Lane
Rural Director 07 3319 4400

NSW Far North Coast

Weather

Late 2013 and January 2014 have been relatively hot and dry with patchy rainfall events.

Sugar cane

A good quality, laser leveled, 151 hectare cane farm with substantial structural improvements at Dungarubba that leased to the NSW Sugar Milling Co-operative Ltd for the land component was put to auction in December on behalf of the receivers but was passed in and is now listed for sale.

Macadamias

A 40 hectare macadamia and stone fruit farm at Alstonville has sold for $1,020,000 which indicates about $25,000 per hectare for macadamia land on the edge of the red basalt soil 'Alstonville plateau'.

A smaller 15 hectare macadamia farm nearby on higher superior land on the 'Alstonville plateau' sold for $940,000. This sale indicates around $36,000 per hectare for macadamia land.

Summer cropping

The early sown soya bean crops that have benefited from storms appear very healthy. There are still some crops being sown now due to prior inadequate soil moisture. This market sector has been impacted by a succession of adverse wet seasons.

Smaller cropping and livestock grazing properties less than $500,000 in value are selling to the rural lifestyle market.

A 12 hectare small crop farm on the prime red basalt soil plateau at Cudgen west of Kingscliff has sold for $1,250,000. This sale indicates about $95,000 per hectare land value. This locality is well known for sweet potato and small crop production.

Beef
The Forest Enterprises Australia Limited (FEA) in receivership properties were listed for sale on an expressions of interest basis. There are a large number of properties in north eastern NSW. The local cattle grazing market may be impacted depending on whether or not they are sold in one line to an institutional purchaser.

Continuing dry weather and low cattle prices continue to impact on this market segment. A 107 hectare property near Casino with substantial improvements has sold for over $1 million.

General observations of the rural property market
There are some indications of firming in the rural lifestyle market over the Christmas period, although it remains mostly a buyer's market.

North Queensland
It's too early in the year to make a call on how the north Queensland grazing property market will go. There are many positives arising from the increased demand from Indonesia, Vietnam and China which have helped push the price of suitable cattle to heights not seen for some years.

As I write this, there is rain falling at Burketown, there has been a good fall close to Julia Creek, the Basalt country to the north of Charters Towers has a green tinge and the season to the south of Charters Towers has been good. It's good to hear of rain in the Barcaldine, Longreach, Aramac and Rockhampton areas. The resultant grass from these events will provide options for stock to be shifted if the northern Queensland and northern New South Wales situations do not improve.

It would appear that the strip of country to the east of the Great Dividing Range has had the benefit of earlier isolated showers.

To the west of the Great Divide there have been some showers this week. These have been very patchy and not of measurements that would see the rain gauge overflowing. In fact there are many sad looking paddocks the nation is quickly becoming aware of.

There are two months left in the wet season and February is traditionally the wettest month. February has only just started. The monsoonal trough has just moved south now and is becoming active.

How the rain falls (either grass rain or dam rain) and how much is recorded will heavily influence which direction the property market takes for the year.

As always there are two sides to the equation. There are positives which provide a light at the end of the tunnel for the northern grazing industry and property market. In the meantime there are still matters regarding debt levels and restocking for future cash flows which are being dealt with and worked through.

The market for suitable cattle demanded by Indonesia, Vietnam and China is providing strong rates per kilogram for graziers who have the type available in the weight range. The prices of around $2.20 per kilogram live at Darwin are so attractive that some of the cattle that were sold out of north Queensland last year are finding their way back now to the northern ports.

The dry conditions in 2013 have left some mobs of cattle at lighter weights than market specifications. Hopefully the compensatory weight gain after these showers will bring the cattle into specifications quickly so the cattlemen can get these good prices.

Should cattle markets stay firm and confidence be restored following a good wet, options exist for some people (who may need to sell) to offer a property to the market to reshape their balance sheets. There are some graziers who have already succeeded in doing this over the last couple of years. There are some who are hoping to be in a position to do so this year.

Given the demand increase for cattle from the north, then there is an air of confidence for the industry. Recent press coverage of the severe drought condition, the balance sheet situations and the political statements may also see some short term help arrive.

On the back of a good wet season, those who can afford to will seek to restock quickly. An option here would include buying stations that are stocked – just for the cattle. Others will rebuild by retaining heifers.

If this wet season fails, then there may be the odd property that is offered to the market with no cattle, no grass or no water in the dams due to the circumstance of the respective situation. This would be an unfortunate situation.

At this stage it is too early to make a call as to how the property market will go and which of the above two scenarios may occur.

The demand for the commodity is good. Now a good season is required to help to maintain property value levels.

Southern Queensland

The New Year has unfortunately seen a continuation of generally dry seasonal conditions across southern Queensland. While there have been some isolated heavier showers, there has been little to brighten the spirits of the majority of farmers who had hoped for a fresh start to the year. Large numbers of cattle continue to be yarded in the major centres with more than 6,000 head recently yarded at the Roma store sale. The market for store condition cattle remains subdued with a premium being paid for finished cattle which have been in short supply. Lack of grass and surface water and the increasing cost of stock feed has left many graziers with little choice but to meet the depressed market.

The prolonged dry conditions have had the same effect on dry land summer crops. Crops which were sown on little rain in more marginal area have largely burnt off while crops that were sown into long fallow country with sufficient sub soil moisture have fared better. Irrigated cotton crops have progressed well with the hot weather though many are requiring above average water supply. This means that many farms will not have sufficient water to adequately finish their crops, resulting in reduced yields. This is particularly evident around Goondiwindi and St George. The Balonne River drying back into small water holes for the first time in decades.

The property market remains subdued mirroring the sentiment felt in the rural industry at present.

Unfortunately there will be some that are not able to prosper once the season does break given the cost of restocking in an improved market. This may see an increase in property listings and agistment or lease country becoming available. Either way a break in the season will be the catalyst to bring some optimism back to the rural industry.

Central Queensland

The severe dry seasonal conditions experienced throughout most of central western Queensland in 2013 have continued into the new year, with only a few areas receiving any reprieve from patchy storms. Seasonal conditions across Central Queensland contain a mixed bag with some areas receiving good rainfall (mostly around the Blackwater, Rolleston and Moura districts), and other areas falling into drought with Rockhampton recording its driest December on record, although welcome rain has fallen in recent weeks.

After what some property agents reported as a reasonable to good second half of last year in relation to sales transactions, the trying seasonal conditions seem to have stalled the Central Queensland property market. Agents are reported to have some offerings in the pipeline ready to go, however vendors are holding off in the hope of a turnaround in seasonal conditions that they hope will restore a degree of confidence in the sector. Cattle prices have again plummeted in recent weeks as the possibility of another dry year looms.

Regardless of the seasonal conditions we expect to see an increase in mortgagee and receivership sales as a consolidation of debt levels continues. The pending dry season may increase the number of these sales as property owner balance sheets become further distressed.

There were some notable transactions in late 2013 with the American owned investment company GMO acquiring a number of adjoining mixed grazing/farming/irrigation properties located north east of Dingo including 'Correen', and former McCamely family properties 'Eskfield', 'Kiaroo' and 'Royles', totalling an aggregated area of some 16,736 hectares.

We understand that a sizeable portfolio of irrigated cotton properties around the Emerald area has also been acquired by a large investment company, however details of the transactions are yet to be released. This again highlights foreign investment demand in this area.

Southern NSW

Rural sales activity has been relatively slow since Christmas, however this is not unusual given most farmers have time off over the festive season after completion of the winter crop harvest. In addition, most rural properties marketed through 2013 have now been sold and there are now few quality places left on the market. Strong demand remains for broad acre cropping properties in the district, particularly from corporate entities and it is likely this demand and supply imbalance could result in an uplift in values of the dry land cropping areas in 2014. However this is highly dependant on average seasonal conditions remaining and value levels could easily soften in the scenario that drought conditions return to the district after five solid years of rainfall.

There has also been a noticeable increase in activity in the viticultural sector, with some recent sales occurring through the Rutherglen and King Valley wine grape districts, two of which sold to Chinese interests. It is widely considered that the vineyard and winery values have bottomed and there is some expectation that value levels could rise in the next few years as the oversupply of grapes eases and prices for good quality wine grapes firm. We expect to see more vineyards come onto the market in 2014, particularly larger enterprises which appeal to corporate or overseas buyers.

Since Christmas, the district has experienced very little rain with the hot, dry conditions resulting in increased demand for irrigation water through the Murray Valley irrigation area. Allocation prices for temporary water have reached $100 per megalitre in the Victorian Murray and $95 per megalitre in the Murrumbidgee which are at levels considered unaffordable by many irrigators. This has resulted in increased demand for permanent allocations. NSW Murray High Security is trading at about $1,650 per megalitre, while in Victoria High Reliability Water is trading at between $1,400 and $1,450 per megalitre in both the Murray and Goulburn systems.

The high demand for irrigation water over the summer has resulted in the continued reduction in water storage levels in Hume Dam, currently at approximately 61% (65% at the same time last year).

However Dartmouth Dam, the largest capacity dam in Victoria, remains nearly full at 92% (97% at the same time last year).

Murray Riverina

Local markets have been relatively quiet from a transaction point of view as they often are at this time of the year given harvest for the croppers (though the crop actually came off a little earlier this year with many taking the opportunity to have harvest fully wrapped up by Christmas), horticulture right in the middle of picking season and dairy farmers waiting to get into positive cash flow towards the back half of their year. Nevertheless there has been substantially more activity for smaller holdings as add ons for district farmers and there does appear to be some significant activity just below the surface with several agents currently working on bigger deals ranging anywhere from $3 million to $10 million across a variety of asset classes in Northern Victoria and the Riverina.

Interestingly the temporary water market continues to sit at between $80 and $100 per megalitre for temporary trade with increased demand for NSW entilements generating some increases in pricing demonstrated by General security entitlements which are now trading consistently in excess of $800 per megalitre. Victorian entitlements appear relatively steady for the time being.

Mount Gambier

The outlook for 2014 is optimistic.

The higher volumes of transactions indicate a slight increase in demand.

Value levels remain stable but are heavily influenced by the quality and management of the pasture and access to water.

Agents are reporting reduced listing times where vendors are setting reasonable listing prices.

The market is showing signs of strengthening with good prices being achieved at sale.

This market is heavily influenced by employment security and a need to identify areas of industry which can further support growth in the region.

Northern Territory

Time will be the ultimate test but at this stage it appears that we can look on 2013 as representing the low point in the property pastoral market in the NT. Anecdotally there appears to be more confidence and we expect that 2014 will see an increased nterest in the industry, with more market activity as well.

As we saw towards the end of last year, buyers are no longer sitting on their hands and sales are starting to occur, further adding to indications that the market is past its worst. Our prediction is that this trend will continue during 2014 with the supply of stations available for sale to be gradually absorbed.

We are aware that negotiations are under way on a number of properties and hope to be able to report on these in the coming months.

However, the live export industry is looking on with dismay at developments in the relationship between Australia and Indonesia. There are concerns that the industry will be collateral damage in any fallout from the management of other unrelated issues between the two countries. This is despite the good demand for Australian beef currently being experienced with prices out of Darwin hitting 230 cents per kilogram at the time of writing.

> Outside the pastoral industry, agricultural properties have also been in the doldrums for the past two years.

However, there is increasing interest in the Katherine/Douglas Daly area for sandalwood production. The main producer TFS is running out of suitable land in their preferred area of the Ord Valley and have already purchased significant tracts of land in the Katherine area. Their recent purchase of Bonalbo Station in the Douglas Daly for a reported $8.5 million indicates that they will continue to invest in the region. Such land prices make it difficult for other agricultural/horticultural producers to compete for suitable land and we have already seen the Kununurra area being dominated by this industry. There appears to be no reason at this stage why the trend will not continue in the NT, although sandalwood production in this area is relatively unproven.

Mixed results were reported for the 2013 mango season, with a small number of growers who were able to supply the market with quality fruit at the right time having quite a lucrative season.

In summary, our outlook for the rural property market in the Northern Territory in 2014 is a positive one, certainly more positive than 2013. When we revisit this question in 2015 we hope that property markets will be more positive and that we look back on 2014 as being the turning point, especially for the pastoral industry.

Leeton

There is subdued interest and even less activity across all rural sectors in the region. The current summer irrigation season is progressing although with low water allocations for the region both rice and cotton plantings are down significantly on last year.

The continuing dry summer throughout the region has dampened demand across the grazing and dryland cropping segments. One glimmer of light is the recent announcement of the construction of a new cotton gin at Hay, NSW to be built by Auscott. There is some interest being shown in a small number of irrigation properties along the Murrumbidgee River at Hay. These listings have been on the market for some time and interest is restrained due to the high asking prices.

There are a number of dryland and horticultural properties being prepared for listing on the market with mortgagees having finally had enough and pulling the pin. This will put further strain on the local market although after the last two or three reasonable years it may be what we need to shake out some potential cashed up buyers waiting for a good bargain.

Mildura / Sunraysia

Dry conditions throughout the latter part of the growing season adversely affected winter crop yields with cereal growers in the Millewa and Mallee region of north western Victoria and south western NSW recording only average to slightly below average yields.

The extent of damage to wine, dried and fresh fruit table grape crops as a result of six consecutive days of over 42 degree temperatures in mid January is yet to be assessed. Early varieties of fresh fruit table grapes are currently being picked and while the weather has settled down since this heat wave, there are forecasts of another seven day spell of over 40 degree days in the coming week.

The continued easing of the Australia dollar has buoyed the table grape industry, which struck a significant setback in November when the Chinese Government suspended exports of Australian table grapes into mainland China. This market was still in its infancy, but has potential to handle large quantities of fruit and generate good returns. The suspension has been attributed to Chinese authorities' concerns over the quality of some of the late season shipments of Australian table grapes in 2013. It is hoped that this suspension is temporary, and that legal access can be regained quickly.

The wine grape sector is currently harvesting early varieties, including Chardonnay, however Murray Valley wine grape growers have been dealt another significant blow by the big three wineries slashing their indicative wine grape prices for 2014 by as much as a third of 2013 prices. Local industry leaders have stated that this region has already paid a high price for industry adjustment in recent times, backed up by the fact that for the first time since the 1970s the number of growers in this region is below 500. We expect this number to drop further.

There have been minimal sales of wine grape holdings in this region during 2013, whilst table grape property sales have shown slightly firmer levels, particularly in the Robinvale/Euston region for better quality holdings.

The number of sales of dryland cereal cropping land in the region rose slightly in 2013, after two to three years of declining sales volumes. Value levels have remained stable compared to sales of similar country in the preceding 12 months.

The grazing / pastoral sector of south western NSW has also experienced slightly higher sales activity, however again value levels have remained relatively firm, even though the season has been much drier than the preceding two to three seasons.

In the February 2013 edition of the Month in Review we reported that Victorian High Reliability Water values were trading for around $1,420 per megalitre and that NSW High Security Water Access Licences (WAL) were trading for around $1,650 per megalitre. These levels remained relatively steady throughout 2013 and are presently trading for around $1,400 to $1,420 per megalitre (Vic) and $1,650 per megalitre to $1,680 per megalitre (NSW). The main change in value has been for General Security NSW WAL's, which has increased to around $900 per megalitre from a base of $800 per megalitre in early 2013.

Temporary water prices (annual allocation) 12 months ago were around $60 per megalitre, however irrigators have used more water this summer than they would have expected (heatwave temperatures and little to no rain), resulting in higher demand, which has reflected in prices of $85 to $95 per megalitre currently being paid. There is a likelihood that the current prices will be maintained for the remainder of the season due to demand from growers to finish crops like rice, cotton, almond and grape etc.

Water storage levels (as at 22 January 2014) in the entire Murray-Darling Basin (MDB) are reported to be at 62% (13,865 gigalitres) of the total capacity (22,214 gigalitres).

The storage levels in the Southern Basin are at 71% (11,541 gigalitres) of total capacity (16,294 gigalitres) with all High Reliability Murray allocations for the current season having a 100% allocation. Allocations in the Murrumbidgee system are stalled at 59% for General Security allocations.

Western Australia

The 2013/2014 wheat harvest in Western Australia has reportedly broken previous records with over 16 million tons reportedly delivered, or waiting to be delivered, to the CBH bins. This, together with a five to zero white wash in the Ashes, has proven the best Christmas present a number of farmers have had for years. Many have been facing hard times over the past decade with a number of poor and average years eroding equity and confidence in the industry. This in turn has reportedly boosted confidence to levels not seen for a number of years, with purchasers returning to the property market and activity increasing.

There does however remain some caution with smaller properties reportedly in higher demand than larger ones. This is evident in a number of areas as properties are being de-aggregated and sold in smaller parcels to neighbours which is more conducive to their business risk profiles. This however is not the case for all areas. A number of foreign and corporate interests are continuing to look to purchase in the more reliable areas to form aggregations with a view to gaining economies of scale. In terms of values, the increase in activity is likely to set new benchmarks in many districts with some reductions and possibly some increases from district averages which will become evident later in the year.

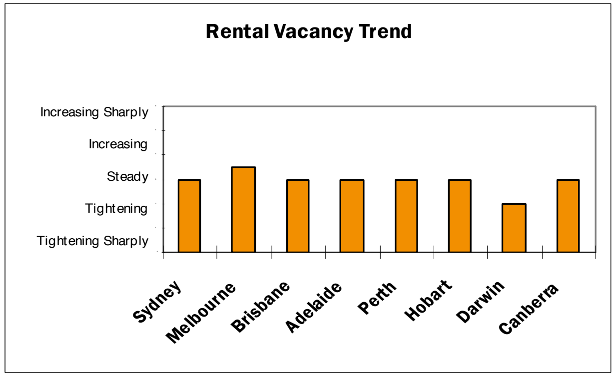
So, like the Ashes and the Australian cricket team, agricultural property is once again changing hands in Western Australia and confidence is on the increase.

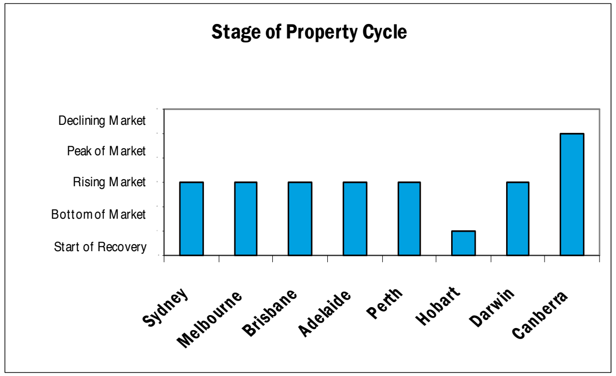
Capital City Property Market Indicators - Houses

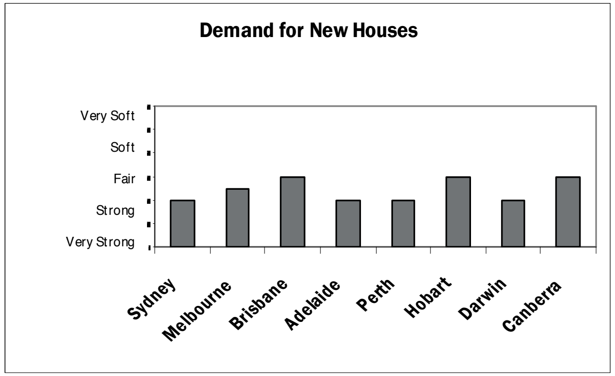
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced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

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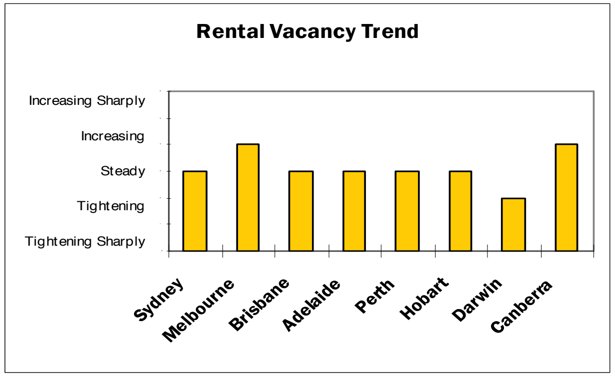

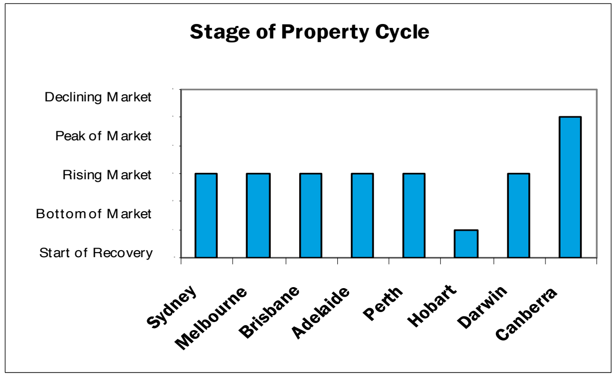

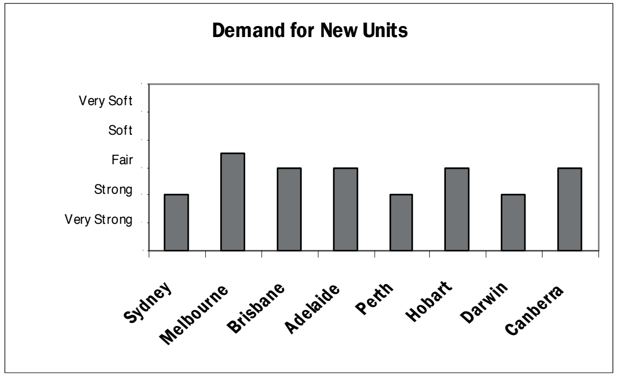

Market Indicators

Capital City Property Market Indicators - Office

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

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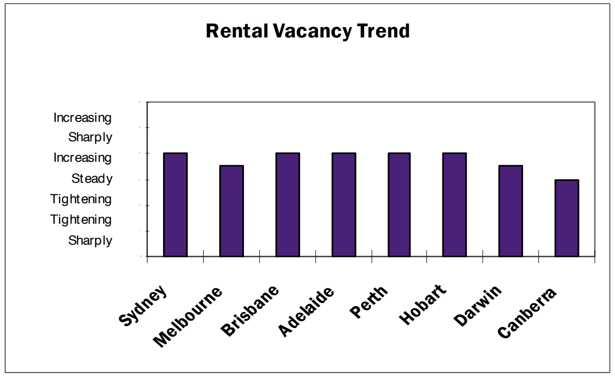

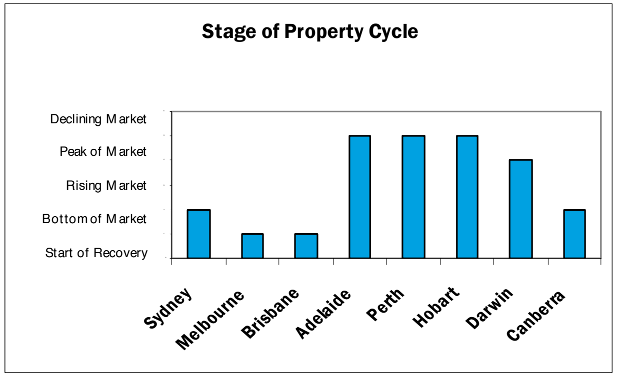

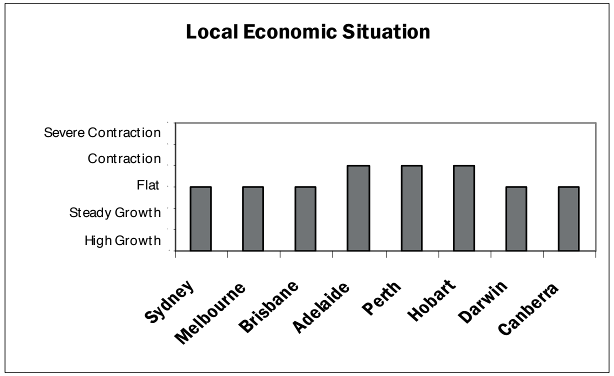

Market Indicators

New South Wales Property Market Indicators - Houses

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

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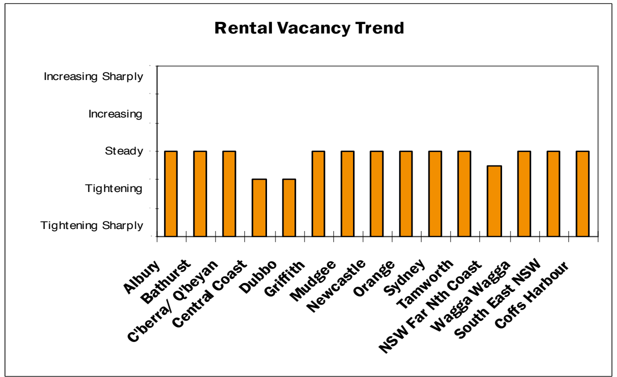

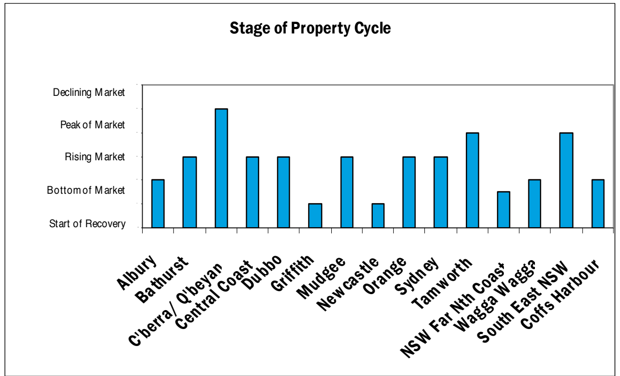

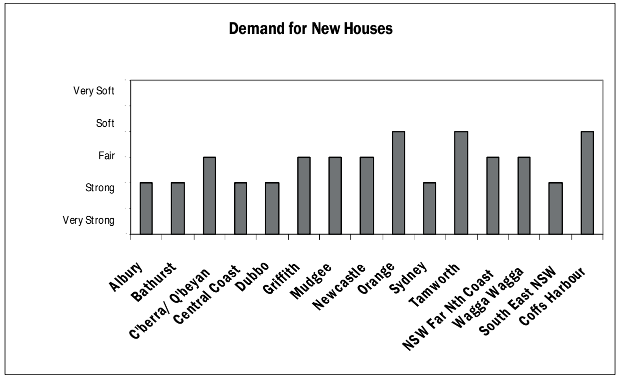

New South Wales Property Market Indicators - Units

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

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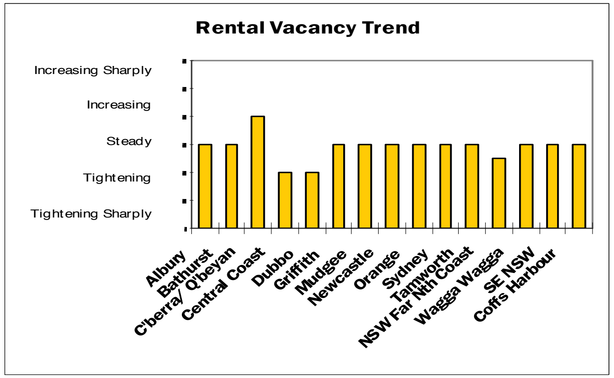

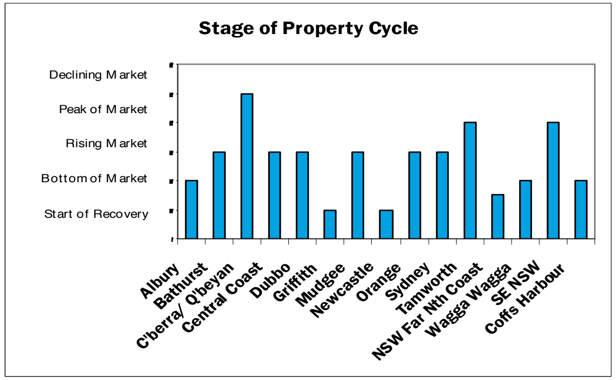

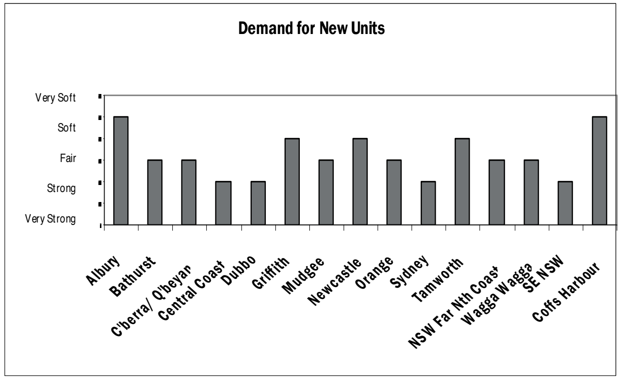

Market Indicators

New South Wales Property Market Indicators - Office

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

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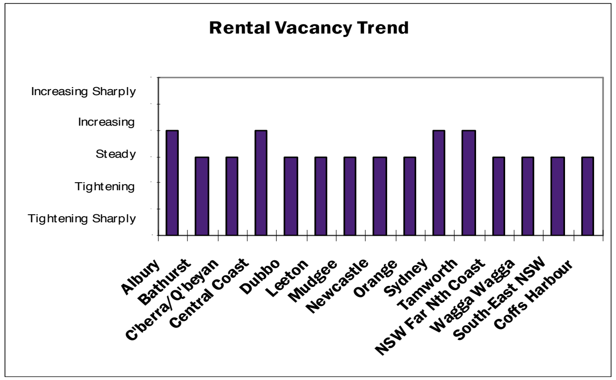
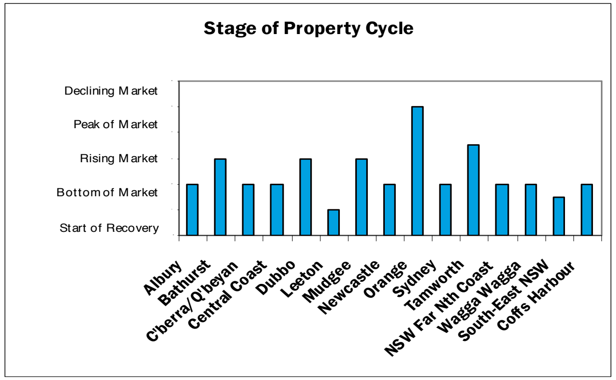
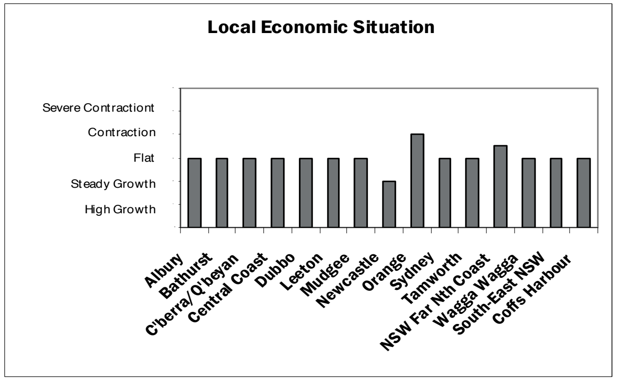






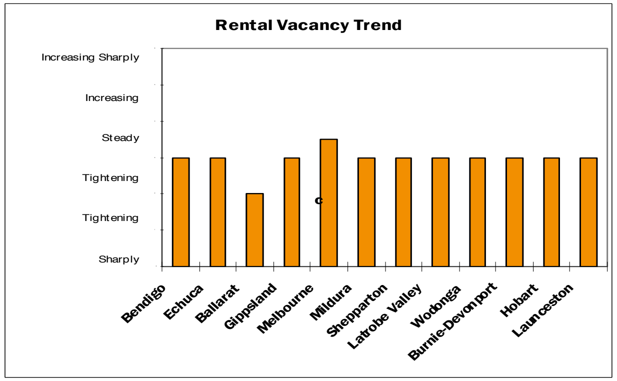
Market Indicators

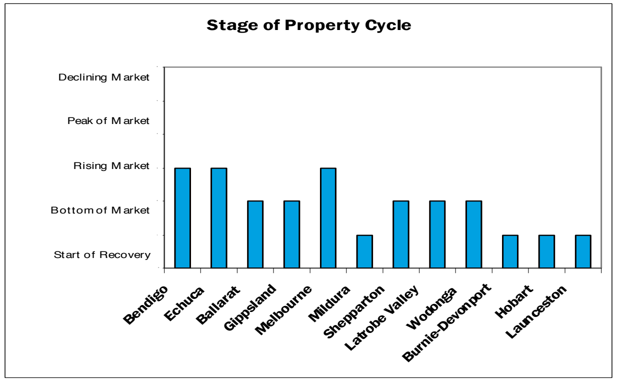
Victoria/Tasmania Property Market Indicators - Houses

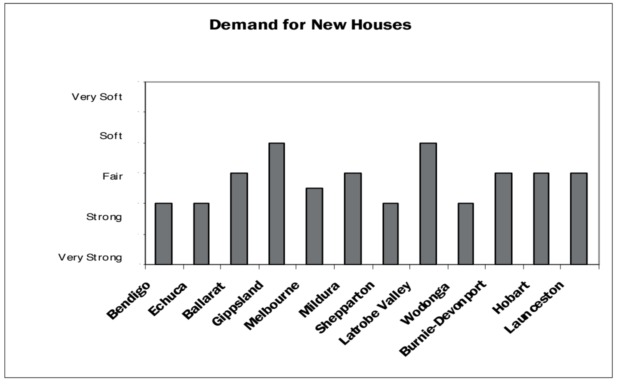
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightenin g	Steady	Steady - Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Strong	Fair	Soft	Fair - Strong	Fair	Strong	Soft	Strong	Fair	Fair	Fair
Trend in New House Construction	Increasing	Increasin g	Steady	Declining	Steady - Increasing	Declining	Increasing	Declining	Increasing	Increasing	Increasin g	Increasing
Volume of House Sales	Increasing	Increasin g	Increasing	Steady	Steady	Increasin g	Steady	Steady	Steady	Increasing	Increasin g	Increasing
Stage of Property Cycle	Rising market	Rising 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	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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

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







Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Increasing	Tightening	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Soft	Soft - Fair	Fair	Very soft	Soft	Very 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	Increasing	Steady	Increasing	Steady	Steady	Increasing	Declining	Steady	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising 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	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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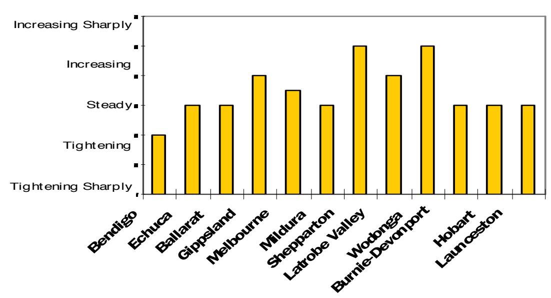
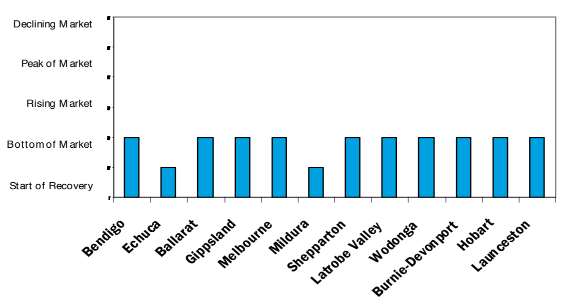
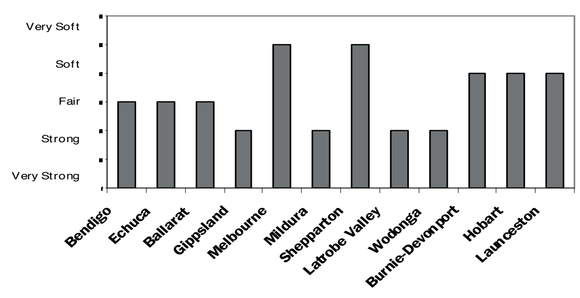
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units



Victoria/Tasmania Property Market Indicators - Office

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Increasing	Tightening	Steady	Increasing	Increasing	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	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	Start of recovery	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	Small	Small	Significant	Small	Small	Small

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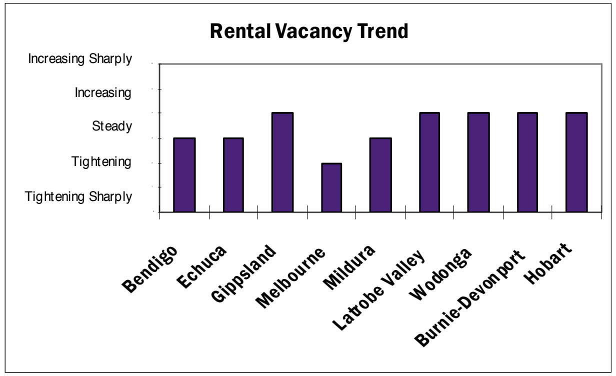
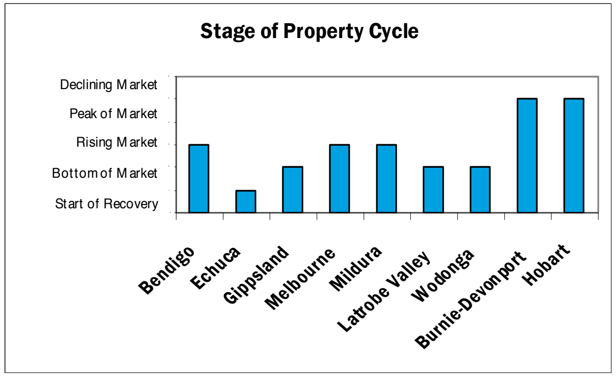
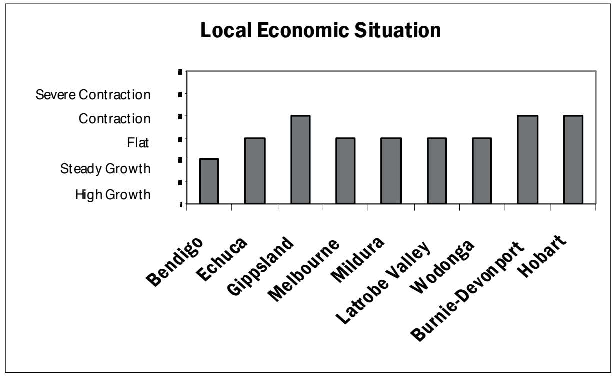




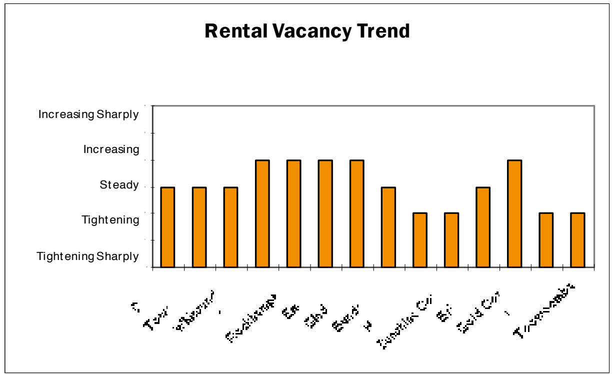


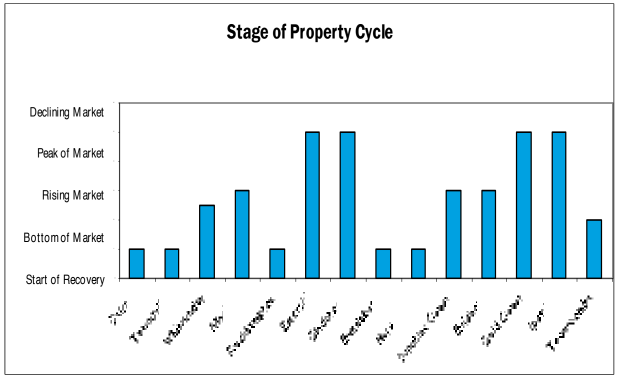
Queensland Property Market Indicators - Houses

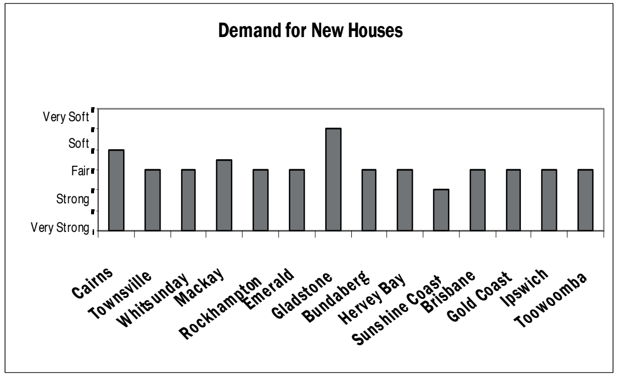
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced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

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

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







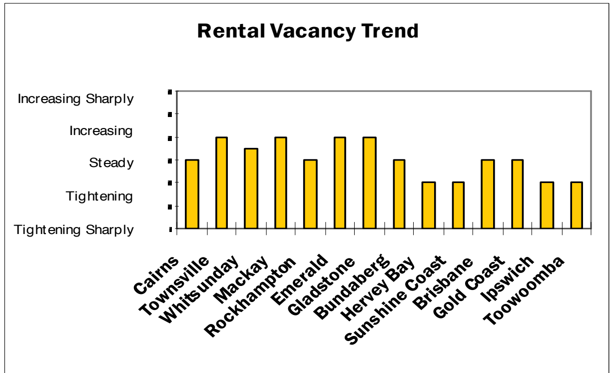
Market Indicators

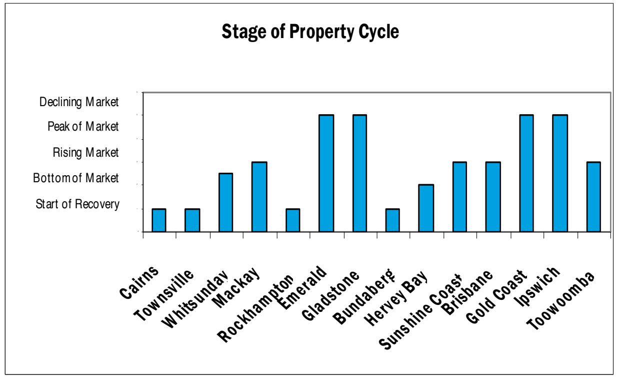
Queensland Property Market Indicators - Units

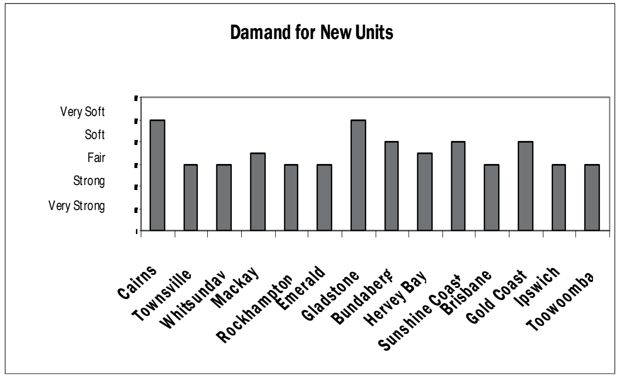
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced 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	Steady	Increasing	Steady - Increasing	Increasing	Steady	Increasing	Increasing	Steady	Tightening	Tightening	Steady	Steady	Tightening	Tightening
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Fair	Fair	Very soft	Soft	Soft - Fair	Soft	Fair	Soft	Fair	Fair
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	Increasing	Increasing	Increasing	Declining	Increasing
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Rising market	Start of recovery	Declining market	Declining market	Start of recovery	Bottom of market	Rising market	Rising market	Declining market	Declining market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Very frequently	Almost always	Frequently

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 - Office

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

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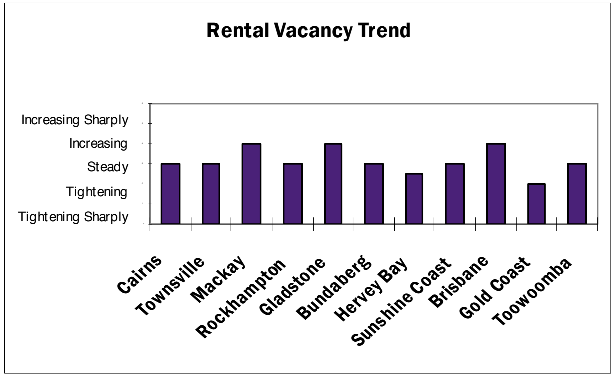
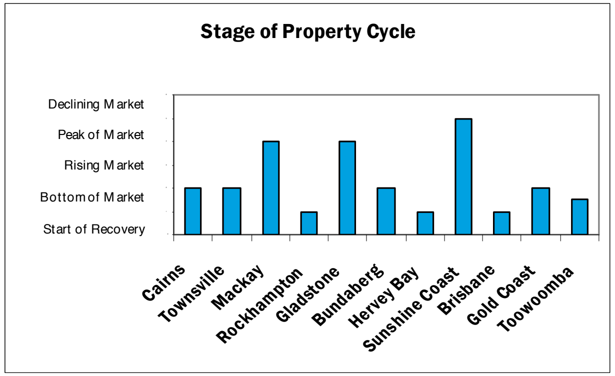
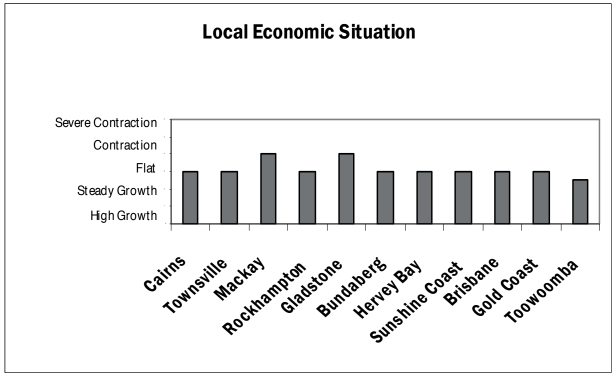




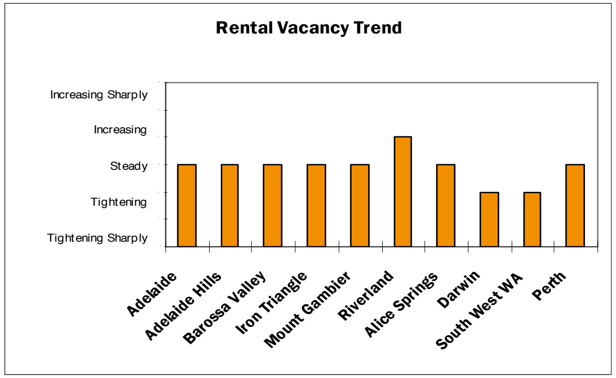


Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

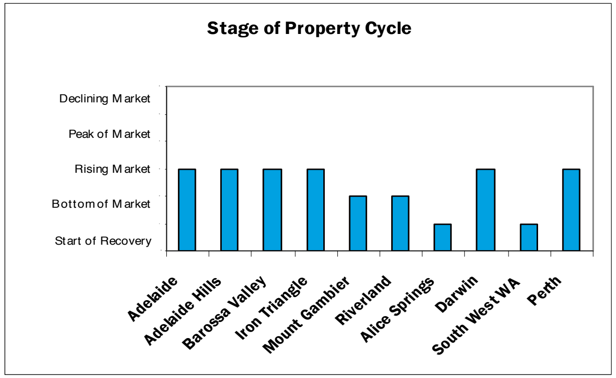
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Severe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

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

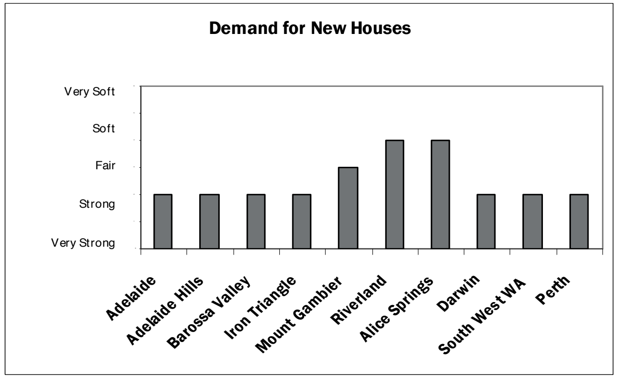
Blue entries indicate change from 3 months ago to a lower risk-rating



Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

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	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening	Tightening	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Soft	Strong	Strong	Strong
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Increasing	Increasing	Increasing
Volume of Unit Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Steady	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Bottom of market	Bottom of market	Start of recovery	Rising market	Start of recovery	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Almost never	Almost never	Almost never	Almost never	Occasionally	Almost never	Occasionally

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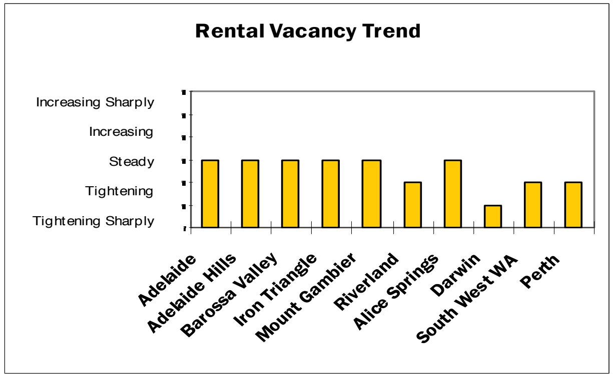

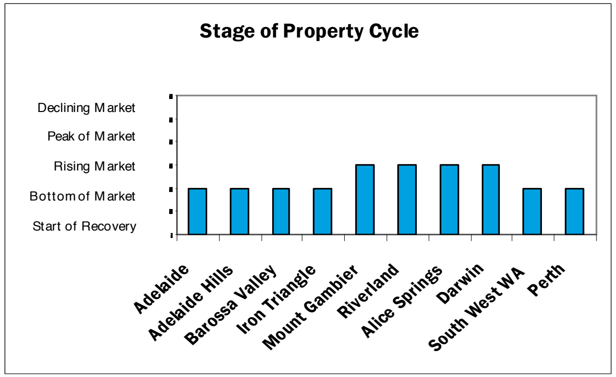

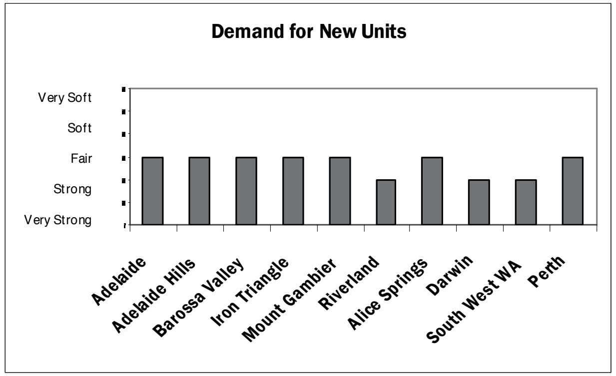

Northern Territory, South Australia & Western Australia Property Market Indicators - Office

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady - Increasing	Tightening	Increasing
Rental Rate Trend	Declining	Declining	Declining	Declining	Stable	Stable	Stable	Increasing	Declining
Volume of Property Sales	Declining	Declining	Declining	Declining	Steady	Steady	Declining	Steady	Declining
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Bottom of market	Bottom of market - Rising market	Peak of market	Start of recovery	Declining market
Local Economic Situation	Contraction	Contraction	Contraction	Contraction	Flat	Flat - Contraction	Flat	Steady growth	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Large	Small	Small	Small	Significant

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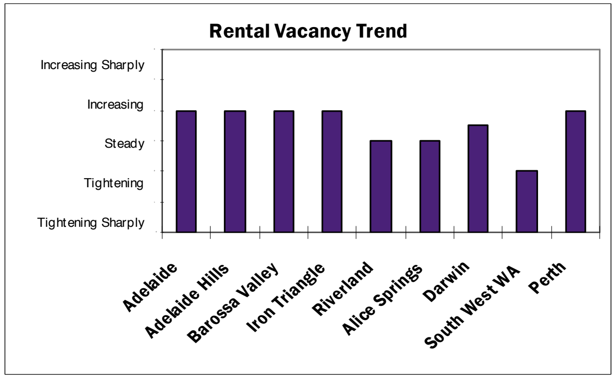

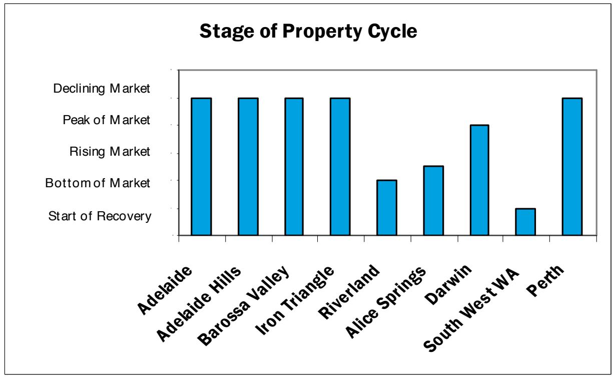

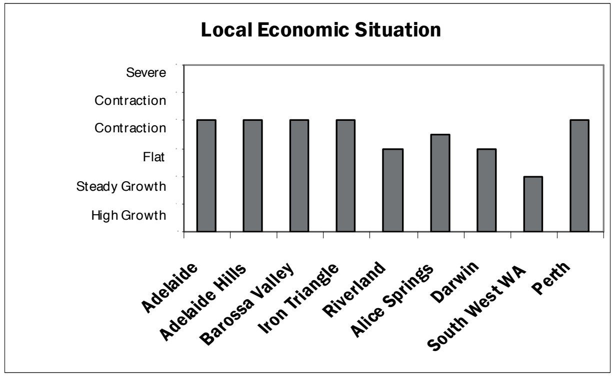

Market Indicators

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