March 2014

Month in Review

HERRON TODD WHITE

Contents

Movin' on up!

In all things don't you just want to do one better?

Most of us are ambitious and aspirational. We tend to desire bigger, better, faster, stronger, sweeter, neater... more! As Skyhooks once said – ego's not a dirty word. It's OK to aim for the stars in all sorts of pursuits. There's often a competitive edge to gaining ground, but there is one area in life where stepping can result in a win for almost every player and that's property.

Real estate is a cyclical thing. It isn't just the case that property prices rise and fall like a tide – there is also the constant vertical movement of buyers that keeps the good times rolling. First homebuyers have to get their foot on some dirt by purchasing off somebody, and that party will become the second home buyer.

Second homebuyers and investors are part of the price rise process. They've got some property knowledge under their belt. Most have had to bang in a picture hook, found the ready dollars for local council rates and dealt with mortgage repayments so they know the score. Second homebuyers have had to, at least once; go through the process of negotiation and purchase. They've learnt the art of Saturday morning open homes and scaling back their expectations to meet their budget. In short, they've had some experience.

Second homebuyers will be driven by a variety of factors beyond a property's pure physical characteristics to school and work accessibility, income levels and family plans. They have to find the fine balance of getting what they want, and wanting what they eventually get.

This month, Herron Todd White is tipping its hat towards the second homebuyer and investor. We are asking our team to consider where these reasonably well informed purchasers are looking to settle in. Different centres have varying properties and broad price points, and our team is about to define exactly what that means to their service areas.

For our commercially minded readers this month we've tackled 2014 for the retail sector. Our doyens of the shopfront are set to describe what's in store this year for all those looking for some returns from retail.

So there it is – mum, dad, the kids and a pet are our focus as we try and find the best bets for those looking to gain a bit more quality.

Speaking of quality, don't forget to get on the blower or the laptop and let your local Herron Todd White office tackle all your property propositions.

See you on the way up!

Feature

QS Corner - The importance of adequate strata insurance

No matter who you are or where you live in Australia, chances are you have at some point in your life either lived in or known someone who has lived in a strata titled property. With our capital cities experiencing population growth, multi and high density residential buildings are becoming common place to help tackle the housing shortage and put more residences in areas where space is scarce.

Units, flats, apartments, townhouses, villas - whatever form of strata property it is, it's bound by the owners corporation. Owners corporations are made up of the proprietors of the dwellings and are primarily responsible for the control, management, and maintenance of the common areas. The body corporate or owners corporation must ensure they have public liability insurance cover. It must also have the building insured under an authorised damage policy that will replace or reinstate the building to its original condition.

Lot owners need to understand how insurance arrangements work in strata schemes. The sum insured for your building is the amount it would cost to rebuild the building and site improvements to a condition equal to but no better than the existing improvements as new, using the same or similar quality materials. The figure is inclusive of professional fees and the Goods and Services Tax.

The owners corporation's responsibility is to ensure that the following are covered by adequate insurances:

- The main building and any outbuildings
- Public liability
- Workers Compensation
- Voluntary workers cover

So who pays for the insurance? If you are a lot owner in a strata scheme development, then you will already be familiar with the term "strata levies". These levies are typically paid quarterly, the funds collected are deposited into the strata scheme's trust account and are then used to fund the running and maintainence of the strata scheme . The portion you contribute to the fund is based on your unit entitlement for that building. The cost of your insurance is divided up among all of the unit owners.

The most reliable way to determine the adequate strata insurance on your property is to obtain a Building Insurance Valuation or a Replacement Cost Estimate. The Strata Schemes Management Act stipulates that a qualified Quantity Surveyor or Valuer can complete a building insurance valuation. Herron Todd White can provide both quantity surveying and property valuation services. The Strata Schemes Management Act stipulates that a building replacement cost estimate is required every five years and that a qualified Quantity Surveyor or Valuer can complete a building insurance valuation. It is understood that all strata schemes greater than two lots are required by law to have adequate insurance.

So basically as a lot owner the main two reasons it is vitally important to have an adequately prepared, up to date Replacement Cost Estimate is firstly to make sure that you are correctly insured and that in the event of a catastrophe in which your building is destroyed, you are not under insured and out of pocket should you be required to rebuild. Secondly that you are not over insured and are not paying too much in insurance premiums each year.

A service that can best be provided by a Herron Todd White Quantity Surveyor is the preparation of a Replacement Cost Assessment for strata titled properties.

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.

Quantity Surveying

Commercial

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

The retail sector in general has had many hard fought and won moments since late 2008. Those that invest in the sector no longer just compete with their local shop fronts, as there's now international competition to factor in. Retailers are at the mercy of currency exchange and interest rates, all of which can impact their tenants and the value of their property. This month, our commercial team look towards 2014 and give us their take on how the market is shaping up for the coming 12 months.

Sydney

Forward looking indicators for Sydney's retail property market have shown mixed signals in recent months. NSW retail turnover, of which metropolitan Sydney is a dominant contributor, grew strongly and recorded 7.2% growth in the year to December 2013 (ABS, seasonally adjusted). The rate of growth was almost double the ten year average for monthly year-end retail turnover growth in NSW (3.7%). However, while retail turnover growth strengthened, consumer confidence weakened. The Westpac / Melbourne Institute Consumer Sentiment Index recorded a fall from 110.6 in September 2013 to 100.2 in February 2014. The survey responses used to derive the index indicate that concerns around rising unemployment and expectations of upcoming interest rate rises have made consumers less confident about the outlook for their household finances. Such views present the possibility that the recent improvement in retail spending may become short lived and fail to significantly impact upcoming demand for retail space.

Strengthening retail turnover and stabilising vacancy levels across Sydney's retail markets are helping create a basis for growth in average specialty store rents. In particular, spending on clothing, footwear and personal accessories picked up significantly in the final quarter of 2013, reaching the highest level seen for NSW in four years. The recovery of discretionary retail spending in this category is a positive sign for overall consumer demand as it indicates that consumers are spending less conservatively. However, the level of household goods retailing in NSW continues to be weak, despite the recent recovery in the state's housing market. Total retail spending may need to progress further in its recovery before retail leasing demand significantly increases and places upward pressure on retail rents. We expect average specialty store rents in Sydney to remain fairly flat in the year ahead as a result.

Buyer interest from investors and owner occupiers for retail assets in Sydney is anticipated to continue to build in the coming year. Favourably low interest rates continue to make purchasing retail property attractive and the positive flow-on effects from the recent strengthening of the housing market is creating more confidence among potential buyers. However, a more convincing recovery in retailer demand would need to take place before we see buyer demand increase and translate into higher average capital values and tighter market yields. As a result we expect both average capital values and market yields for retail properties in Sydney to remain stable in 2014.

Canberra

There has been minimal activity in the retail sector of the real estate market over the last quarter however discussion in the media continues on a number of fronts. Firstly the probable allocation of a site in Majura for IKEA continues to be discussed although the site in question adjoining the realigned Parkway is unlikely to be available for close to a year and with a development period of circa 12 months, IKEA is unlikely to be in the ACT until 2016.

The redevelopment of a substantial carpark and adjoining service station in Kingston has been on the drawing board for around four years but momentum now appears to be mounting and activity could be seen within the next year. SupaBarn is the likely occupant. Finally the ongoing battle between the residents, the developer and Woolworths appears to be coming to an end in Giralang with the Minister using his call in powers to approve the development. However an appeal to the High Court remains outstanding. The development will comprise a 2,500 square metre Woolworths plus five shops and 169 car parking spaces.

Statistically retail turnover year-on-year to December 2013 across Australia was up 3% and the ACT recorded a 3.5% increase coming in second behind Queensland at 4.1%.

The month of December 2013 saw retail growth in the ACT at 1.3% against a national figure of 0.5%.

Illawarra/Southern Highlands

We expect the retail sector in both the Illawarra and Southern Highlands markets to show signs of improvement throughout the course of the year. This is predominantly due to the strong residential market and the confidence this will give consumers given the price appreciation in the second half of 2013, which is expected to continue through 2014 albeit at a slower pace. We expect to see yield compression particularly for prime assets, noting there will continue to be strong investor demand for supermarket anchored neighbourhood centres reflecting the lack of confidence that will still surround assets with a high exposure to discretionary retailers.

There are significant projects in the Wollongong CBD that will change the retail landscape in 2014: completion of GPT's West Keira development (Coles, Liquor Land, JB Hi-Fi and Target announced as anchor tenants to date); and completion of the Crown Street Mall upgrade.

Both projects will significantly increase the appeal of the CBD shopping experience. Combined with Wollongong City Council's façade refurbishment scheme for the western Crown Street precinct and the increasing number of small bar and café operators attracting night trade in the CBD we expect to see retailers benefit particularly in the second half of the year as the projects are completed.

The Shellharbour City Centre continues to evolve following successful opening of the Stockland Shellharbour expansion. We expect to see strong interest for space in Shellharbour Village given the ongoing construction of the marina and the anticipated benefits the project will bring post completion.

The big new story in the Southern Highlands market in 2014 is the likely expansion and refurbishment by Coles of its Oxley Mall in the Bowral CBD. We expect to see strip retail conditions improve in Bowral and to a lesser extent in the Mittagong and Moss Vale CBDs.

Regional NSW

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

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

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

Lismore

The commercial retail market on the NSW Far North Coast has generally been slow over the past 12 months with continued low sales volumes, stable to steadily increasing supply and stagnant rental levels. Vacancy rates in most cases have been stable although some retail markets have shown some increases in the current difficult retail market. The continuation of mortgagee in possession sales is also affecting value levels.

Market conditions have deteriorated since mid 2008 to a level which probably represents the bottom of the market. There have been some signs of recovery within the commercial and retail market with increased activity and increasing sales activity. However this has been inconsistent and the strongest activity has been properties which are leased to strong national tenants with good lease covenants in place. The lower end of the market has also shown some resilience as owner occupiers tend to dominate this segment and so return or yield are less important as business owners secure a premises to operate their business.

The current market is clearly showing a distinction between properties occupied by national tenants on long term leases and vacant properties or properties leased to local tenants with weaker lease covenants. Unleased properties in higher price brackets are showing yield variations of 1% to 3% to those leased by national tenants on long leases.

The Lismore retail market has seen a continuation of steady rents and stability in the retail commercial market. However, the Ballina retail market is continuing to experience relatively soft market conditions. Agents are reporting increasing vacancies and a fall in rental levels throughout 2013. The leasing market is relatively flat with specialist agents reporting limited demand and enquiry with downward pressure on retail rents outside the shopping malls.

The Byron Bay commercial market has experienced weak market demand and strong supply with stable to softening rents and generally increasing yields over the past four years. Rents in prime locations appear to have remained stable over the past two years as tenants have preferred to hold on to traditionally strong locations to protect their businesses while secondary locations have experienced weaker demand and a fall in rents. There is still investor demand for Byron Bay retail premises which are leased at market rentals provided they are at yields consistent with the current yield expectations of investors. Feedback from real estate agents is that buyers remain much more conservative and cautious, enquiry remains

at significantly reduced levels and investors are maintaining hardened views on yields. However, there has been an increase in sales activity over the past six months and agents are reporting increased enquiry. We believe the retail and commercial market is around the bottom of the cycle and we are likely to see periods of stronger interest and increased activity followed by quieter activity as supply falls and the initial wave of purchasers secure properties which are considered good buying. We have also seen some early signs of yields falling and commercial, retail and industrial properties mirroring the trend in the residential market.

We expect the retail sector in 2014 to remain weak, however there are initial signs of improved consumer confidence. It's likely that if consumer confidence continues to improve, retail markets will strengthen and investors will be likely to return to the market and seek out properties that offer good locations, good improvements and strong yields. If this momentum is maintained and lower supply occurs, upward pressure on value levels is likely. If consumer confidence was to wane, demand will remain weak and value levels will remain static.

Coffs Harbour

2013 saw price sensitivity in rentals and softer commercial property yields. Prevailing sentiment is that the market bottomed towards the end of the year. 2014 should be a stabilising period for rentals as the relatively high vacancy level for retail and office accommodation is slowly absorbed.

> There are a number of smaller commercial office developments under construction in response to demand for small strata title suites emanating from the owner-occupier sector of the market.

The 'Coffs Central' redevelopment is now complete offering a good quality shopping centre which has contributed to a more vibrant central business district.

The centre has attracted a number of new tenants which has led to increased vacancies for street front rental shops nearby in the city centre.

The new police station and courthouse development at the corner of Beryl Street and Pacific Highway north of the central business district is progressing quickly. The relocation of these facilities will place additional downward pressure on commercial property levels west of the Pacific Highway. 2014 should see a stable commercial property sector.

Newcastle

The inner Newcastle retail market is still in a wait and see holding pattern at present.

Recently the Newcastle Herald reported that GPT / Urban Growth NSW are planning to construct three residential towers of up to 19 storeys (65 metres) in the CBD. The current height limit allows for a 24 metre maximum height in this location, a minor detail it seems. Parts of the leaked plans also include three smaller (seven to eight storey) retail and commercial buildings. No official plans have been put to Council at this stage and the main objection to such a development would be the loss of view corridors to and from the Cathedral and The Hill along with the loss of the former David Jones building which currently sits on one of the proposed sites.

Such intensification of residential accommodation would surely have a significant effect on the local retail market, however, we're a long way from development approval given the proposal seems to pay no regard to local planning guidelines.

2014 has the potential to see some market improvement in the retail sector given the changing nature of the CBD and the increase in buying activity out of the Self Managed Super Fund market and the current low interest rates. We've seen some suburban vacant retail land sell in the past few months that has been dormant for some time as the investment environment improves. The most recent investment sales in inner Newcastle, in areas like Darby Street and Beaumont Street, which are ever popular dining precincts, have shown yield improvements that indicate the tightly held nature of properties in these areas as well as some potential market improvements from previous years.

Victoria

Melbourne

Consumers appear to be concerned about the economy's future. According to the latest Westpac / Melbourne Institute Index, consumer sentiment in February fell 3% from January, the lowest the Index has been since July 2013. This indicates a decrease in consumer sentiment trend. Reasons for this are likely to include Australia's rising unemployment rate, currently at 6%, the highest it has been since July 2003 pre-GFC. Victoria's current unemployment rate of 6.4% is the state's worst in over a decade.

Consumers are worried that unemployment will continue to rise in the months ahead. The Westpac/ Melbourne Institute Index of Unemployment Expectations rose in February from January which indicates an underlying increase in trend of unemployment expectations from February 2013. Rising unemployment and the imminent closure of Ford, Holden and now Toyota's manufacturing operations in Australia are just some of the factors that are likely to increase discretionary spending in the short to medium term. Government spending cuts and tax increases in the May federal government budget in the desire to return budgets to surplus will also have a substantial effect on how Victoria's retail market will perform over the short to medium term.

The media appears to be portraying a cautionary outlook for the economy but there will always be scepticism from those who prefer to take a more optimistic outlook.

Prime retail strips

It would appear prudent for those in the marketplace for retail properties to be cognisant of local rental levels before considering an investment to ensure the sustainability of the income stream. Expected yields for fully leased freehold properties in prime retail strips are shown in the table below.

PRIME RETAIL STRIP	TYPICAL MARKET YIELD RANGE (FREEHOLD FULLY LEASED PROPERTIES)
Puckle Street, Moonee Ponds	4.25% to 5.25%
Glenferrie Road, Malvern	4.25% to 5.5%
Church Street, Brighton	3% to 4.25%
Chapel Street, South Yarra	3.75% to 5.5%
Burke Road, Camberwell	4% to 5.75%
Bridge Road, Richmond	4.75% to 6.5%
Acland Street, St Kilda	4.5% to 5.5%

Surburban restail strips
Moving on down and up

Retail premises in the Melbourne Central Business District and prime retail locations however continue to perform well. Freehold retail properties as opposed to unit properties in particular are in demand due to their underlying development potential. Developer demand appears to be strong at present with retail properties with low site coverage being well sought after, particularly in the local strips in the southern suburbs. Developers have been acquiring retail properties with excess land to develop into mixed used developments containing retail on the ground level and apartments on the upper levels. Other trends observed within the retail market include a higher turnover of occupancy for fashion retailers in comparison to the food industry. Good tenant profiles however will always enhance investor appeal.

Commercial 1 zoning oversupply

On 15 July 2013, commercial 1 and commercial 2 zones began to take effect across Victoria. Under the new planning zones, business 1, business 2 and business 5 zones are replaced by the commercial 1 zone. Business 3 and business 4 zones are replaced by the commercial 2 zone. The five business zones were consolidated to reduce complexity and provide greater flexibility and growth opportunities to support mixed use development. The significant increase in the volume of versatile Commercial 1 zoned land brings a potential oversupply risk.

Shopping centres

Purchasers, in particular institutional buyers, remain active in this market as evidenced by a reasonably high volume of market transactions. Notable shopping centre purchases in Victoria from 2013 are listed in the following table:

Shopping Centre	Sale Date	Rate ($)/ Sqm	Purchase Price	Initial Yield	Purchaser Type	Comment
Gisborne Central Shopping Centre	May 2013	$2,923	$10.8 million	8.26%	N/A	Anchored by Coles supermarket and five specialty shops.
Greensborough Plaza	March 2013	$6,223	$360 million	N/A	Private investor (Blackstone Group)	Anchors include Target, Kmart, Coles, Rebel Sport, Harvey Norman, JB Hi-Fi, Hoyts Cinemas and Myer.
206 Bourke Street, Melbourne	September 2013	$8,865	$105 million	7.74%	Private investor (Hiap Hoe Singapore)	City Centre Arcade located adjacent to China Town
Home HQ Nunawading	July 2013	$2,099	$48 million	10.7%	Private investor (Arkadia Group)	Tenants include Dick Smith, Nick Scali, The Good Guys and South Pacific Health Club.

Mildura

The retail landscape in Mildura continues to evolve. Many smaller, family run retail businesses are finding the going tough, and this has placed downward pressure on rents - particularly for smaller premises in Mildura's traditional city heart. The number of vacant shops has increased in the past two to three years, and landlords are wrestling with the dilemma of having to reduce their rents in order to attract a tenant.

Agents report however, that there is steady interest from national tenants, who mostly are looking for larger premises in prime locations - which can be hard to find. The recent announcement of the closure of a franchise business known as The Warehouse, a discount clothing shop of approximately 800 square metres fronting Lime Avenue in the retail heart may provide an opportunity for a national tenant, and it will be interesting to see what rental levels can be commanded for this property.

The overall retail scene is soft and there is an increase in vacancy rates, particularly evident in secondary locations.

South Australia

Adeialde

The retail sector in Adelaide experienced difficult trading conditions throughout 2013 with increased vacancies, a decline in prime rents and major disruption to the Rundle Mall prime retail precinct in the Adelaide CBD, despite the national trend of improved consumer confidence and improved retail sales.

Interest rates appear to have bottomed out and employment rates have peaked with few new employment opportunities apparent.

The mining sector is continuing to contract in most mainland states, major automotive manufacturers have signaled closures in Victoria and South Australia and the previous stable economic conditions are showing signs of weakness and volatility. The Australian dollar exchange rate has weakened by some 10% to 15% over the past 12 months which will increase the cost of imports and will eventually be passed on to the consumer.

Job security concerns are a major issue for consumers who have become more conservative and are changing their spending habits. This includes the increased use of online retailers and reducing household mortgage debt. Discretionary and luxury spending continues to be affected with few signs of recovery in South Australia and this has particularly impacted the traditional retail strips of Adelaide and to a lesser extent the suburban shopping centres anchored by major supermarkets. Some retailers are now changing business practices and incorporating on-line stores to add to their physical retail presence.

Fashion retailers have been hit the hardest as evidenced by the growing number of vacancies along Rundle Mall and extended periods for re-leasing. Rundle Place still has major vacancies and backfilling of vacant tenancies is slow, being exacerbated by the disruption caused by major infrastructure works along The Mall. However, there has been some new leasing activity during the early part of 2014 albeit at reduced rent levels.

The Rundle Mall works (with the western section completed and work on the eastern part now having commenced), the upgrade of the Myer Centre, including the Myer store (with only the ground floor of the Myer store left to complete), the upgrade of the David Jones flagship store within the Adelaide Central Plaza (which has commenced) coupled with the major state financed projects - the Adelaide Oval redevelopment and the Torrens Footbridge, which are both near completion; the new Royal Adelaide Hospital and associated buildings; the extensions to the Adelaide Convention Centre (which are now well advanced); the completion of the Bendigo and Adelaide Bank Office tower and new hotels under construction (Mayfair, Ibis and Quest King William South) provide a platform for growth in the near future.

In the suburbs particularly along King William Road which is known for high end fashion, well known names are starting to disappear from this location and long periods of vacancies are being experienced. Similarly the same effects have been felt along the Parade at Norwood and along Jetty Road at Glenelg. Vacancy rates are increasing mainly for larger tenancies with few new tenants in the market. This climate for downward pressure on rentals is continuing within these established localities and is expected to continue through to the end of 2014. Fashion tenancies are being replaced by cafes and food tenancies.

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

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

The outlook for 2014 is for continued weak fundamentals but a sustained rebound in consumer confidence may lead to improvement in retail trade. Rentals however will remain at lower levels with increasing levels of incentives and further vacancies anticipated. Investment yields are expected to remain soft and investors will be more inclined to invest in retail centres with good anchor tenants with strong cash flows.

Mount Gambier

At this stage, it appears unlikely that there will be any significant growth or change in the current market conditions. If anything we anticipate some negative movement in occupancy levels for smaller owner occupied operators, given the declined state of the property market across the board. While there is tentative enthusiasm surrounding volatility of employment rates, we are yet to see sales evidence which reflects this. Retail in particular is considered the most volatile of our market sectors, given the lower confidence in consumer spending over recent quarters. Currently there is an oversupply of properties available for purchase and lease, with the stronger trading operators negotiating incentive conditions and in some instances, reductions in rent for upcoming reviews. Regional economic indicators will weigh heavily on this market.

Queensland

Brisbane

The retail sector has experienced varied levels of economic progression over the past year. However, the final quarter saw an overall decrease in retail property transactions mainly due to a lack of quality stock on the market. Additionally, agents have reported greater levels of enquiry for sales over the past 12 months. Prior to that, demand had significantly decreased as a result of the global financial crisis. There are some early signs that the current low bank interest rate environment is beginning to firm yields.

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

The sub $5 million market remains in strong favour with investors, resulting in yields remaining relatively firm and ranging between 7.5% and 8.5%. An example of this is the sale of 80 Ipswich Road, Woolloongabba on 9 August 2013 which sold partially leased to eight tenants (with one vacancy) for $3.85 million at an analysed yield of 7.97% and a rate of $3,782 per square metre of GLAR. Additionally, there is an indication that sub $5 million properties are becoming more attractive to private investors with the sale of a retail property located at 730 Sandgate Road, Clayfield, which sold fully leased to six tenants in November 2013 for $4.92 million at an analysed yield of 6.7% and a rate of $8,052 per square metre of GLAR. Retail centres with a higher price point of over $5 million are generally achieving slightly softer yields between 7.75% and 9%. This is due to a smaller pool of investors in this market. For example, a retail centre at 6 James Road, Beachmere sold on 16 October 2013 for $8.25 million at an analysed yield of 8.8% and a rate of $3,324 per square metre of GLAR. The centre is anchored by IGA and sold partially leased to 14 tenants with one vacancy and a licence to an ATM.

The Brisbane retail market is considered to be stabilising with prime locations being in high demand from tenants and investors. Secondary retail properties should still be analysed and assessed carefully.

Gold Coast

2014 is set to be an interesting year for the Gold Coast retail market.

The prevailing low interest rate environment and improving market conditions in the capital cities has given a boost to market confidence resulting in a resurgence of buyers entering the retail investment

market. This was particularly evident over the latter part of 2013. Early signs are indicating that this demand should carry through into 2014.

However, the old saying "one bitten twice shy", reigns true for the investment market and purchasers are showing a strong preference for well located properties with strong lease covenants. There remains a significant variation in yield and value levels between primary and secondary properties and it is evident that properties that do not tick all the boxes are still being severely discounted.

Quality investment stock is becoming exceedingly difficult to come by as owners are still reluctant to sell at the bottom of the property cycle. However, the surge in demand for quality investment stock is providing opportunities for vendors to ensure a quick and easy sale at yield levels that would have been otherwise difficult to achieve 12 months ago.

A few notable sales that have transpired in the past six months include:

- Ashmore City - $37 million, 8.44% initial yield
- Airport Central (leasehold) - $8.75 million, 12.67% initial yield
- 130 Scarborough St - $3 million, 10.49% initial yield
- BBQ's Galore, Bundall - $1.77 million, 7.75% initial yield
- Petbarn, Bundall - $2.75 million, 8.35% initial yield.

There are a number of retail propositions being taken to the market over the next few months which will help provide a better guide to the market direction over the course of 2014. Some more notable properties that are currently available for sale include:

- Fantastic Furniture, Kortum Drive, Burleigh Heads – net income approximately $745,000 per annum
- Lots 104 and 106, Pivotal Point, Southport – combined net income approximately $260,000 per annum
- 86-90 Bundall Road, Bundall – future redevelopment site.

Notwithstanding the positive sentiments in the investment market, retail spending is improving at a comparatively slow pace. This will continue to have a dampening effect on the prospects of any rental growth for the foreseeable future.

Pacific Fair commenced demolition works in January 2014, with the 42,700 square metre redevelopment due for completion in 2016. AMP has successfully secured a number of international retailers which will pave the way for a new era of retailing on the Gold Coast and will provide formidable competition for Robina Town Centre which has been dominating the Gold Coast's retail market over the past five years.

Also of significance is the imminent completion of the Gold Coast Transit project which is due by mid 2014. The completion of these works will ease a burden on retailers in Southport and Surfers Paradise and is mooted to be a catalyst for further development.

Sunshine Coast

The Sunshine Coast retail economy is based primarily around the tourism market. This have been very soft over the past three years as a result of a number of primarily macroeconomic factors such as the GFC and the high Australian dollar, which has made overseas travel far more appealing than domestic holidays. The Sunshine Coast gains the majority of holiday makers from the local "drive to" market, meaning typically within a 300 kilometre radius. The other high impact on our tourism market which has been very much out of control has been the weather.

Over the past 12 months, the weather gods have been far kinder to the Sunshine Coast tourism market than they have to the vast remainder of Queensland which has suffered crippling drought.

The long periods of sunshine, particularly during peak holiday periods, has seen occupancy rates increase throughout the region which has resulted in better trade for our retail markets.

This has resulted in a slight drop in overall vacancy across the main retail strips of Noosa Heads and Mooloolaba and also in secondary areas such as Maroochydore, Coolum and Caloundra.

We have noted some strong sales in these strips, mainly those with national tenants in place. Sales include the ANZ Bank in Bulcock Street, Caloundra in late 2013 for over $3 million and a yield of circa 8.3%. There have been few recent sales in Mooloolaba after some good sales in mid 2013 in the 7% to 7.5% range. There are also currently unconfirmed reports of sales in Hastings Street.

The main shopping centre within the area, Sunshine Plaza, is looking to commence construction on their expansion which is to include the first David Jones store for the area.

All of these factors mean that there is some optimism that 2014 may be the year that commences the recovery of the retail market on the Sunshine Coast.

However, tempering all of these factors is that local retail tenants and business, still have limited confidence at present and remain very cautious. We are noting a number of leases that have short terms and option periods with tenants very uncertain as to their ability to maintain trade. Until this confidence returns, it will be difficult to see across the board improvement within the retail market.

Toowoomba

The Toowoomba Retail market remains relatively steady in the sub $600,000 price range while properties in the larger investment market appear to be more active. A number of larger developments that were under construction during 2013 have reached the initial stages of completion. The Drayton Shopping Centre opened its doors to the public towards the early stages of 2014 anchored by a Woolworths supermarket along with a number of smaller specialty stores. The development continues to undergo further construction to include a number of larger tenancies to the rear of the complex as well as finalising access and egress points at its frontage to Drayton Rd.

A new Aldi store has opened for trade adjoining the newly constructed Northpoint shopping complex with construction nearing completion within the complex, anchored by a Coles supermarket. The remainder of the centre is to accommodate over 2,000 square metres of specialty stores and a medical centre of 850 square metres.

Bunnings Hardware has formalised their purchase of the former Toowoomba Foundry site with plans now lodged with local council for a $43 million dollar development over five years including an 18,130 square metre Bunnings building, 481 car parks and a food and drink outlet. The site is located on the northern fringes of Toowoomba's CBD and has a land area of over 5 hectares. The proposed development is expected to be challenging due to potential heritage and contamination issues.

Developers QIC have begun plans for a $330 million redevelopment of the Grand Central and Garden Town shopping Centres to include the Toowoomba library and a landscaped community garden area with the demolition of the library underway in the early stages of 2014 and development due for completion September 2016.

Major sales of note in 2013 include the sale of 'Toowoomba Plaza', a Coles and K-Mart anchored centre for a reported $58 million and 'Wilsonton Shopping Centre', a Woolworths and Coles anchored centre for a reported $54 million at a net passing yield of 8.03%.

Rockhampton

For 2014, it is anticipated that the retail sector in the Rockhampton region will continue its current trend in both leasing and sales markets. More recently, there has been an increase in vacancies for retail space in both the CBD and inner north areas and reduced demand for larger and older tenancies as well as tenancies located away from main retail precincts. In order to secure tenants, incentives including rent free periods and fit out allowances are becoming more common as tenants have more bargaining power than in the past. Within many retail

Commercial

centres, owners are prepared to reduce rentals and offer substantial incentives in order to secure strong tenants.

Buyers of retail buildings and centres in the current market are becoming less sensitive to price point and more focused on factors including the property's WALE, mix of tenants (local versus national), strength and size of an anchor tenant and the location of the property. Yields for properties in the Rockhampton region that offer a mix of national and local tenants with a larger supermarket anchor tenant and longer WALE are more keenly sought after and a yield differential of up to 3% can be found between similar centres with and without a strong national supermarket tenant as anchor.

While we do not consider there to be a significant movement in the yields for quality investment retail property, we anticipate that buyers will demand a much higher yield for properties with low WALEs, vacancies and poor tenant mix, given the associated risk in the current market.

Gladstone

The Gladstone retail market is intrinsically linked to the ongoing activity surrounding the major liquid natural gas (LNG) projects in the region.

There has been little activity in the local retail market in Gladstone over the past few years. Rents have remained fairly stable and there have been very limited transactions. Yields softened slightly over the course of 2013 and vacancies remain relatively low.

We consider market conditions will remain generally stable however there is potential for price vulnerability and some market volatility due to the weakened local economy in relation to declining workforce numbers for the construction of LNG projects.

Mackay

The Mackay city centre traditionally undertook a major retail role, however the retail centre was decentralised with the construction of Canelands Shopping Centre in the mid 1970s. While the retail function of the city centre has continued to deteriorate, these tenancies were largely taken up by commercial office space or entertainment and dining venues (restaurants, cafés, takeaway outlets, etc). Demand for this type of tenancy has recently softened in line with the slowdown in the coal industry and the consequent deterioration in the local economy.

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

Bunnings has recently confirmed its intention to construct two new stores at Richmond (Mackay Bucasia Rd) and Paget (Archibald St) with the existing Greenfields / Mount Pleasant store to be closed. The timeline for these projects is uncertain however the construction of the Beaconsfield store is likely to further fragment the bulky goods market in the Mackay region.

> It is considered that 2014 will be a period of volatility in the retail sphere.

Continued job insecurity has the potential to curtail consumer spending and uncertainty surrounding the future of the coal industry may constrain further retail development. The loss in confidence in the local economy has the potential to impact on existing rental rates and yields for retail centres in the region.

Hervey Bay

All reports are that construction of Stockland Hervey Bay is proceeding well and has passed the halfway point, with completion anticipated in late 2014. The reported $115 million redevelopment will generate in excess of 250 jobs and on completion the centre will occupy approximately 35,000 square metres.

New retailers announced include fashion stores Cotton On Mega, Factorie, Black Pepper, Autograph, Ally Fashion, Katies and Crossroads as well as Go Sushi, Kick Juice and Muffin Break, Specsavers, Michael Hill Jewellers and EB Games. These new retailers will join major tenants Kmart, Coles, Best and Less and Harris Scarfe. A second development application has reportedly been lodged to build a cinema, supermarket and more specialty stores, which could also be completed this year. Asking rental rates are reported to be around $1,100 per square metre net.

Demand for esplanade front property remains slow with asking rates between $250 and $450 per square metre. Leasing incentives and rent free periods are now very common and in a market of increasing supply, necessary to attract a tenant. Similar to 2013, maintaining occupancy during this time should be a focus as vacant properties are difficult to lease. Sales volumes of retail premises are low making it difficult to form a basis of comparison.

Townsville

This year will see continued expansion in the retail sector including the completion of the 'City Lane' redevelopment in Flinders Street, which will accommodate nine fashion and dining outlets including a variety of restaurants, cafes and bars.

We are also likely to see completion of a development known as 'Central Village' which is currently under construction and forms part of the Central Masterplanned development. On completion this complex will be anchored by a 780-seat Birch Carroll and Coyle cinema on the top floor. Other retail draw cards committed to the precinct include Hog's Breath (which is returning to a CBD location), Max Brenner (a new franchisee to Townsville), Guzman Y Gomez, Crave Café, Serendipity and Global Burgers. Completion of these two CBD located developments will provide a new eating, dining and entertainment precinct for the city. We are also likely to see construction of the first Masters hardware store in Townsville.

Over the past 12 months, the Townsville retail market has welcomed new high profile franchises including Pie Face, Guzman y Gomez, Nike, Ribs and Rumps and Zarraffa's.

Recent retail transactions are reflecting yields of 8% to 9% for stronger food and service based centres with strong anchors, but are widening to 9% plus for those centres with vacancies and/or other cash flow issues.

Due consideration remains focussed on income growth potential and the overall quality and security of the income stream and lease covenants. The year ahead in our retail sector is likely to remain 'steady as she goes', as the overall economic conditions continue to improve.

Cairns

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

There was an increase in vacancy levels in the retail sector resulting from a number of business closures attributed to the tough economic environment during the GFC. However the increase was a relatively mild increment to the high levels of long term vacancies in some areas that pre-dated the downturn. High exposure CBD space remains reasonably well occupied with vacancies most noticeable in the lesser exposure locations and on the CBD fringe. Rents have remained generally stable, showing ranges of $600 to $800 per square metre per annum for prime CBD space and $1,000 to $1,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade. However recent signs are that CBD prime rents are starting to strengthen, which may well be proof that the market has bottomed.

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

Northern Territory

Darwin

We all know the site. For the last decade, we have all admired it and wondered what it could be. The site in arguably the most important position in the Darwin CBD has remained vacant and deteriorated before our eyes.

> Property development is all about dreams and vision. It only takes one man (or company in this instance) to stand up and say "I will pay the price".

Stand up Gwelo Group! We salute you for daring to pay the price ($23.1 million) to purchase the ex Woolworths site of 3,800 square metres on the corner of Knuckey and Smith's Street. It's a record price at $6,078 per square metre for a Darwin CBD development site but who out there is to say they are wrong?

The one thing I have learned is that CBD areas, no matter whether in capital cities or regional towns, define the culture and environment of a region. Why you may ask? Well simply because the first place a visitor, whether for tourism or business, visits in any region is the CBD. It is the flagship by which we are measured, make no mistake about that. First impressions are lasting impressions and if a CBD is run down and in disrepair then the perception is bad. If a city centre is a hive of activity with people and new buildings and cranes then the perception is good. Activity creates perpetual motion. It feeds off itself. All the marketing in the world won't help if the CBD is not right.

Many years ago we made the mistake that many other cities have made - we allowed Casuarina Square shopping centre to be developed outside of the CBD. I understand why (which is very simple) and that is that large sites capable of development for a shopping centre are difficult to amalgamate within a CBD as traditionally the land lots are smaller in area. However the result is always the same - the CBD environment, particularly retail stores, suffer as customers flock to larger facilities such as Casuarina Square. These are some of the other cities that have made the same mistake: Canberra (before Canberra Central was developed), Cairns, Townsville, Mackay, Newcastle, Lithgow and Maitland to name a few.

The impact can be decades with a struggling CBD as is the case with Darwin CBD which has missed having a major anchor tenant for the Mall (and the CBD as a whole) despite solid annual growth in worker and residential living population numbers.

What's this got to do with the ex Woolworths site?

This site is the epicentre of the CBD. Whatever is developed must reflect its importance as the anchor site of the Darwin Mall. It is certainly my view that this is the site where the new two to three level Myer store should have been developed. (Myer has committed to Casuarina Square expansion plans, or have they?)

If not Myer, which other anchor to the Mall could be on this site? How can the NT Government and Planning Authority assist the Gwelo Group? Whatever assistance is given will be cheaper than subsidising retailers and promoting the Darwin CBD for the next decade.

Let's get it right. Think big not small and if you finish somewhere in between you can claim victory!

Western Australia

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

The biggest demand for space comes from entertainment or food related retailers and in the CBD of Perth, international retailers are most active.

TopShop recently announced its entry into the Perth market which follows the announcement that Zara is to open a Perth CBD store as well.

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

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

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

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

New retail trading laws introduced in August 2012 have allowed Sunday trading to occur for all general retail shops, including major department stores and supermarkets between the hours of 11 am and 5 pm. The decision on whether to open on a Sunday remains with the retailer. Some of the smaller retailers receive no benefit from opening on Sundays. Generally however, major retail centres are reporting an average of 20,000 additional visitors as a result of Sunday trading and an 80% take-up of opening by retailers.

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

The focus for the remainder of 2014 will be for retail asset owners to continue to manage their assets, working closely with retailers to maintain occupancy.

South West WA
Discussions with property professionals in the retail sectors of the main towns of the south west of Western Australia have indicated that the coming year looks like being a continuation of the same. Word on the street is that retailers are still doing it tough with plenty of people around buying cappuccinos and light lunches but still reluctant to spend on the bigger ticket items. The saving and debt reduction mentality drummed into the average consumer following the GFC continues to limit the overall consumer spend.

The retail centres of Bunbury, Busselton, Dunsborough and Margaret River tend to be relatively tightly held and there have been very few transactions over the past few years. One notable exception was the sale of The Bunbury Forum for $137.075 million purchased by Challenger Life at a cap rate understood to be 6.5%. This 22,376 square metre centre is considered to be one of the best performing sub-regional shopping centres in Australia.

Rents are likely to increase at CPI at best however market rents are likely to remain stable. Retails rents in the shopping centres in the greater Bunbury area are possibly the exception to the rule here however rents on the street fronts could potentially be going backwards with more vacancies likely for those shops in poor locations or in poor condition or both.

Last year also saw the development of a number of Woolworths stores in Busselton, Margaret River and Manjimup in particular. These have given some new life to these areas however the feedback is that rents in the smaller shops associated with these developments are considered to be very expensive and asking rents may need to be reduced to ensure vacancies are filled. There is likely to be less development of this type in 2014.

The Margaret River retail centre now appears to be expanding outwards away from the main drag towards the new Woolworths and also along Fearn Avenue. This is likely to keep retail rental growth at bay in the short term.

Otherwise there is likely to be little change in the retail sector during 2014.

My advice to those in the retail sector would be to find a good barista and wait for confidence to return.

Residential

HERRON
TODD
WHITE
RESIDENTIAL

Overview

Middle markets are the sector that telegraphs when property is genuinely on the up. Low priced property often moves first, but when trade up family buyers start competing for real estate, then you know growth is well and truly setting in.

This month, our offices analyse how second homebuyers and investor sectors are performing, and where they're likely to head in 2014.

Sydney

Throughout Sydney, buyer demand for 'trading up' is mixed with local agents generally dividing buyers into three categories; those looking to meet their growing family needs and to position themselves in key areas close to quality schools, shopping and transport hubs; others who are more concerned with higher quality residences to suit their lifestyle; and some with the goal of renovating or refurbishing for future capital growth.

Given the vast assortment of property levels within the Sydney market, this month we have concentrated on some key districts and had a number of our valuers report on what they are seeing on a daily basis within their geographic patches.

City east and CBD fringe

Within the inner east and CBD fringe, trade up markets are considered to be within the $700,000 to $1.2 million range. Purchase options for this price point are varied, but are typically average to high quality 2- and 3-bedroom units, as well as basic to average 2- and 3-bedroom terrace dwellings and townhouses.

For units within the trade up market, 2013 saw strong gains fuelled by strong rental yields combined with a scarcity of quality product. We witnessed particularly high demand and premiums being achieved for ground floor units with patios or access to communal gardens and top floor units with roof terraces or with the opportunity to buy attic space from the stratum. This is particularly evident in suburbs with sought after primary school catchment areas including Edgecliff, Woollahra, Darling Point and parts of Darlinghurst and Surry Hills.

For dwellings, traditionally resilient suburbs of Paddington, Darlinghurst and Surry Hills witnessed increased buyer activity throughout the year, seemingly snowballing as the year continued with properties selling well over the reserve becoming the norm. This trend has continued into early 2014. Frustrated potential buyers may look to areas still undergoing gentrification such as Woolloomooloo and western parts of Redfern. Western Redfern can offer larger blocks ideal for extensions and additions, while Woolloomooloo has a relatively large stock of dilapidated terraces ripe for refurbishment. The scarcity of available floor space within the eastern city and CBD fringe will see purchasers become increasingly savvy at identifying opportunities to squeeze every square metre with clever conversions and flexible footprints.

Capital growth in the trade up market looks set to continue throughout 2014, fuelled by continued spill over from investor activity at the lower price points, strong rental yields, low levels of quality stock and increased demand from stubborn buyers looking to stay within the iconic inner city suburbs. While demand has remained relatively steady at high levels, the pace of growth will be ultimately dictated by how much stock comes onto the market throughout the year and how stakeholders react to any changes in interest rates and future borrowing conditions.

St George

The St George area has seen stronger growth within the last six months with rapidly increasing prices towards the end of 2013 and good results at auction including some record prices being achieved. Despite the usual slow start in January, with many vendors selling at the end of 2013, agents are already reporting high levels of enquiry in the early part of the year with the strong market of late 2013 likely to continue.

Focusing mainly on Blakehurst and Sans Souci, we are finding the typical trade up buyer to be a young family looking to upgrade to a larger house, duplex or townhouse from either a unit or townhouse.

Buyers appear to be looking for an original or slightly updated house where they can do the renovations themselves.

Typically, these buyers are looking in the $1 million to $2 million price range for houses, with townhouses and duplexes from $700,000 to $1.2 million depending on age and accommodation.

There have been a few new unit complexes completed in Ramsgate within the past 12 months which have been popular with investors as well as those looking to downsize. High demand for this type of stock has seen these units achieving premium prices, with 2-bedroom units in some cases, achieving prices in the high $600,000s.

A new development under construction in Sans Souci known as The Jameson has a mixture of 1-, 2- and 3-bedrooms units and will appeal heavily to the investor market.

Sutherland Shire

There are two sets of trade up markets in the shire - first home buyers looking for their second home, and young expanding families looking for a larger family home.

Young couples looking to upsize to their second home are being increasingly pushed out of the market as the entry level price point in most of the southern suburbs has increased steeply in the last quarter. Hot spots for affordable homes that still provide bang for your buck include the likes of Loftus and Engadine where the entry level price point is around $600,000. Others looking to upsize closer to the beach may consider 3-bedroom villas or townhouses around Caringbah which range from $625,000 to 700,000.

Expanding families are looking to trade up to something bigger such as the modern 4-bedroom renovated project homes around Gymea, Caringbah and Woolooware which range from $1 million to $2 million and are popular with those looking for larger parcels of land with a pool, multiple living areas and modern finishes. One of the most notable hot spots for the trade up market is the shire's newest subdivision of residential land 'Greenhills Estate' with house and land packages starting from $1 million for the smaller single level homes and the larger two storey dwellings starting from $1.4 million.

Investors have continued to show interest in the lower price points with rental returns remaining strong. With multi million dollar upgrades underway for Westfield Miranda, the unit market has seen a spike as a result of investors looking to capitalise on potential growth around the hub. Good investment opportunities buying off the plan in the newest medium density apartment complex, Woolooware Bay, has been well received with local investors snapping up the chance to buy in the new complex. Stage one is due for completion in late 2015 to early 2016.

Hills District

A popular area for growing families to trade up is the Hills District in north west Sydney. Its popularity is evidenced by the sustained growth achieved in the past six to 12 months attributed to low interest rates, increased consumer confidence and low supply levels. Additionally the quality schools, shopping precincts and construction of the north west rail link provide an extra bonus for families wanting to find a larger dwelling in these suburbs and settle in. The price point for a trade up house in this area is $800,000 to $1 million. What you get for that money is a typical 4-bedroom 2-bathroom dwelling often with a pool on a medium sized block.

For those within the Hills market, a key goal is to trade up to the surrounding semi-rural suburbs including Kenthurst, Dural and Galston. Typically two hectare allotments, the choices vary between full bush or fully cleared and arable. The quality of housing varies as does the wish list of the families relocating there, be it for the quality of housing, horses or motorbikes for the kids or the privacy. Value ranges in the acreage market start at $1.5 million and regularly exceed $3 million. However the market can be fickle and while prices have seen steady growth lately, those investing in acreage should only be doing so with medium to long term goals in mind.

As the Sydney median price hovers around $700,000 many young families are unable to afford the larger house alone, so a larger dwelling with self contained accommodation provides an option for young families willing to share the cost and living space with parents, grandparents or other relatives.

A common problem for people trading up is that they are unable to afford a house in the area in which they currently rent or own a unit. The only alternative is to expand their search and consider alternatives in suburbs further out. House and land packages within new developments have become increasingly popular with first home buyers and young families, with many prospective purchasers camping out waiting for land to be released. These suburbs on the outskirts of Sydney provide affordable brand new family homes within close proximity to services.

Canberra

Low interest rates and a soft market have provided scope for first home buyers to enter the market over the past 12 months. Changes to the first home buyers grant have also influenced the property types new buyers prefer, with the trend more evident in newer constructions. This month we take a look at buyers looking to trade up, investors or second and third home buyers alike. Here's where we are looking and why.

Narrabundah has forever been the perennial sleeper suburb in Canberra's inner south. With extensive development through the Kingston Foreshore, some of the pockets through lower Narrabundah provide relatively affordable prices for property with such close proximity to major thoroughfares and social hotspots. Over time we expect the dated dwellings through this locale to be improved, enhancing appeal for surrounding properties.

The inner north also provides some good opportunities for buyers to enter the market at circa $530,000. With constant greenfield development pushing northern Canberra further out, ease of access into the city and proximity to local shopping strips has proven to hold reasonably strong prices through the inner north over a relatively difficult time in the Canberra market.

For more modern products, Molonglo Valley provides easy access to major transport routes and good surrounding development and local amenities, creating a good environment for people looking for a new property in the $500,000 plus price bracket.

The Canberra property market has shown signs of strength in the period since Christmas however there are still good opportunities for people looking to upsize. As always, take your time and do your research and there is every chance you will find the right property.

Illawarra

The Illawarra property market has continued to surge in early 2014 with agents advising record sale prices and the busiest start to a year in over a decade. Driven by low interest rates and a limited supply of properties on the market, new home owners and investors are playing a significant role in this upward trend.

One of the most common trade up buyer in the region is the first home buyer who bought a residential unit in the Wollongong CBD over the past three to five years, made some capital gain and is now looking to purchase a dwelling in the nearby suburbs in order to have a larger living space but also remain close to the CBD, University and local beaches. Suburbs such as Balgownie, Fairy Meadow, Keiraville, Gwynneville and Towradgi are currently experiencing a boom period. A 3-bedroom house in one of these suburbs can be purchased between $480,000 and $550,000.

Further north, suburbs such as Helensburgh, Austinmer and Thirroul are attracting trade up Sydney buyers looking for a sea change and also more affordable and larger housing – 'more bang for their buck'. These suburbs are in close proximity to Sydney, enabling a shorter commute to work. An older 4-bedroom home in Helensburgh can be bought for around $600,000.

In the southern part of the region, the new subdivisions in Shell Cove, Flinders and Horsley are also a common trade up market.

The prices in these suburbs are also showing good growth. Government incentives combined with well priced building blocks (some with good rebates), allow families to trade up from their old family home to a more modern property and still be located close to all local amenities such as the new Stockland Shellharbour, schools, rail and major road links.

House and land packages in Shell Cove, Flinders and Horsley are around $500,000 to $600,000. With low interest rates continuing, the market appears to be strong. First home buyers are either seeking units off the plan or modern family homes in new subdivisions. Investors are also seeking to cash in on low interest rates by either selling their previous investment unit or buying a unit in a new complex in order to seek greater rental returns in the Wollongong CBD.

Southern Highlands

In the Southern Highlands and Wollondilly precincts, residential property market prices have started to improve. There is good activity for buyers who trade up. Typically buyers trading up around the Picton region tend to purchase larger modern homes on large blocks (1,500 square metres to two hectares), with prices ranging between $500,000 and $1 million. Similarly in the Wingecarribee region, trade up buyers focus on larger homes on larger blocks. Prices are in the order of $600,000 to $1.5 million. Typical areas where this occurs are Bowral, Mittagong, Moss Vale and Burradoo. These buyers are usually looking for more space for the kids and some want to experience more of the Highlands' rural lifestyle where they may keep a horse, chickens and vegetable gardens etc. There is also a trend of buyers purchasing older homes to renovate in well located positions like Old Bowral or in Mittagong.

Investors tend to focus on modern homes in Bowral, Mittagong or Moss Vale. Price points range between $500,000 to $800,000 with a rental range of $500 to $1,000 per week. The property market at the lower and middle price bracket is increasing. We anticipate that this trend should continue in the short to medium term.

Southern Tablelands

In the Goulburn area, the property market has been steady to increasing lately. Trade up buyers usually build or purchase a modern home. Prices are in the order of $400,000 to $600,000. There is also a trend of purchasers wanting a smaller rural residential property around two to 20 hectares within 20 minutes drive of Goulburn. These rural lifestyle properties vary from $350,000 to $750,000. There is also a trend of trade up buyers purchasing a well located character home with a view to renovating. These properties are usually purchased for $300,000 to $400,000 and when renovated would sell for $400,000 to $600,000. We also expect a continued increasing trend in the Goulburn property market in the short to medium term.

Overall the snapshot of the property market in our Southern Highlands-Tablelands region is very positive.

Newcastle

By and large Newcastle and Lake Macquarie has seen good growth over the past two years. What started originally as a severe rental shortage has translated into increasing demand from home purchasers. The buyer profile appears to be split across both occupiers and investors. In most markets, agents have reported a shortage of stock available for sale. Instances of properties selling well in excess of list price are commonplace.

There appeared to be a pause in rentals towards the middle of 2013 with "for lease" signs lasting longer than the obligatory day as was previously occurring. In fact seeing "for lease" signs is always a sign the market has fallen. In a hot market the agents never actually get around to putting the signs up. Indications are that rentals are again strong with asking prices often being exceeded to secure the property.

This all translates into rising prices across all price points in the market. From entry level to prestige, the trade up cycle is in full swing. That's why it's difficult to highlight where it will occur next while sitting in the middle of a cycle. Primarily because everything looks expensive when it sells for more than you think!

If we were to pinpoint good locations to invest we would primarily look for the "ripple" suburbs. What is a "ripple" suburb? It's a suburb that lies next to an area which has recently seen good levels of growth. As an example Wickham / Maryville has seen great levels of growth over a sustained period and prices in these suburbs are now considered to be quite high relatively speaking. Several years ago these suburbs were close to Hamilton which has traditionally been a Newcastle powerhouse suburb. Wickham / Maryville prices were, back then, quite cheap in comparison and investors who purchased three or four years ago have seen year on year growth.

So taking this further, which suburbs lie in close proximity to Wickham / Maryville and haven't as yet kicked? Islington would be a prime candidate. Historically this suburb has been poorly received but has recently started to show signs of changing the old reputation. Prices can only go up given the prime central location it occupies. You could make the argument that Tighes Hill is also likely to benefit, although equally you could make the argument that it has already shown good levels of growth. For us, it's a tweener.

Mayfield is also a suburb that has lagged behind others in prestige and capital values over the years and some of the prices being achieved now are eye watering if viewed through the sepia-toned eye spectacles of history. While not generally achieving the prices of neighbouring Waratah and Georgetown, the prices are relentlessly increasing.

Those investors chasing rental returns are still advised to identify suburbs with capital values towards the bottom of the range as the rental returns generated by these properties are well above average. When combined with the current capital growth of these properties, it is a double pronged winner for wealth generation.

Investors looking to grow their portfolios in the Gillieston Heights to Singleton growth corridor would do well to canvas local opinion and make judgements

as to whether the area is ready to recover or whether it is still a weak market. Regular readers will know where we stand and the signs are still the same as previous. To summarise for those that are late to the party: significantly falling rents, lack of tenants in the market, increasing supply of developer stock and more land releases occurring on a monthly basis. It should be noted that Huntlee is starting to be marketed at Branxton which has the capacity to add hundreds, if not more, lots to the marketplace over the medium term.

As always there is no right answer to this topic but any investor or owner-occupier needs to do their homework and understand their reasons for purchasing.

Central NSW Coast

We suspect that much like many regions along the eastern seaboard, the Central Coast region of New South Wales has certainly been a busy place to be in property of late. The beginning of this busy period seemed to coincide with the Reserve Bank meeting and Federal Election in September 2013 and has continued.

Much of the activity centred around what traditionally has been the first home buyers end of the market, or in our region, the sub $450,000 market. Interestingly, we noted a lot of jostling between would-be first home buyers and investors, with the latter being the most successful and real estate agents found themselves unable to source new stock to satisfy the demand.

As a consequence, values in this segment have increased and many sellers have moved up the real estate ladder. This month, we will take a look at where these people are buying and why. Based on the increase in activity and instructions received by us, it seems extra attention is being given to various localities across the region (north, south and middle) and include areas like Terrigal, Bateau Bay, Umina Beach, Woy Woy, Woongarrah and Erina.

Generally, the common factors in these purchases include larger and newer homes, superior ground improvements, 'better' areas and proximity to beaches and/or shops. We have also noted that some sellers (now purchasers) have also opted for lifestyle acreage properties in areas like Jilliby, Holgate and Erina Heights.

Perhaps a good example of trade up buying can be seen in Erina. A residential area close to Erina Fair Shopping Centre, Erina commercial area and not far from the beach has seen a spike in the number of properties sold since late 2013. Prices paid in the area include $630,000 for a well presented circa 2005, 4-bedroom with double garage, onground brick and tile dwelling to $710,000 for an equally well presented circa 2005, 4-bedroom with double garage, two storey brick and tile dwelling with in-ground pool.

These are just two examples of what we see as typifying the trade up buyer market and as we look to other localities such as Terrigal and Woongarrah, a similar theme is noticed in the buyers' wants with the only real variation being the price points in these areas. Umina Beach, Woy Woy and Ettalong Beach are located at the southern end of the region. They have enjoyed a good level of sales and price growth for several years now and just seem to keep reinventing themselves. Since the latest surge in real estate, a slight move away from the lower end of the value spectrum has seen the next segment move up in popularity. At present we are seeing more activity in the renovated home and dual income property markets.

By dual income properties, we are referring to established dwellings with detached flats. On this point, we are seeing a number of new, detached flats being constructed in this area under new development control guidelines.

All this is good news for sellers, real estate agents and mortgage providers. No one can deny the need for sustained activity in the real estate sector and growth is no doubt good.

It remains to be seen whether the well publicised problems that arose out of the last bull market will recur.

We tend to think it's inevitable if things keep trending upwards.

Mid North Coast

Last month we discussed what 2014 has in store and this month we will focus on those who are already in the residential market and are looking to 'trade up' or to purchase a second property for investment.

Locally, as noted in earlier reviews, we have commented on the increasing sale rates and values within the lower value residential sectors on the Mid North Coast (sub $400,000). This section of the market has been particularly active of late with a large proportion of buyers comprising small mum and dad or first time investors, many who are local.

Agents are reporting a significant lack of listings and properties available for sale, with multiple buyers on the same property resulting in shorter selling periods and little to no negotiation of price.

We have also started to see an increase in sales and values in the mid value sector of the region ($400,000 to $600,000). Many of the purchasers in this sector are locals trading up from their first homes as well as families moving to the area.

This sector has been slightly quieter than the lower value sector but is now also starting to heat up.

There is still good value to be found, especially within the established areas of the mid north coast towns.

Building activity and construction of new dwellings have substantially increased over the past two months in the rapidly developing estates in the more established coastal towns.

We expect this increase in demand, sale rate and values to continue during the next six months.

Lismore

The NSW Far North Coast residential trade up market (one step beyond the first home buyer market) comprises a wide range of product with various price points situated within the different localities.

The majority of trade up buyers within the NSW Far North Coast are typically families due to the following:

• needing larger space to accommodate a growing family

• change of job which requires moving to another area and using this as an opportunity to acquire a superior property

• personal preference to relocate to a perceived 'superior' location after spending time in an area that may have been initially suitable for a first home purchase due to its affordability, but not necessarily favoured.

The other types of trade up buyers within the NSW Far North Coast include retirees and professionals whose employment is based in a major regional centre (such as Lismore) however they want to reside in a coastal location (such as Lennox Head, East Ballina or Yamba).

Within the localities of Lismore City, Casino and Kyogle, the type of property preferred by a trade up purchaser is an established modern style home comprising 4-bedrooms, 2-bathrooms with a double garage. Typically, the previous house would have been somewhat smaller or older. Units within these localities are very rarely sought after as a trade up option unless they are large, brand new detached product on a strata title which typically has a value in the range of $350,000 to $400,000 in Goonellabah or $270,000 to $325,000 in Casino or Kyogle.

The type of property preferred by the trade up purchaser within the coastal localities of Ballina and Lennox Head is also an established 4-bedroom, 2-bathroom home with a double garage.

Within the coastal township of Lennox Head, trade up buyers generally represent long term tenants who have been residing within the locality and have moved from either Sydney, Melbourne or Brisbane. These trade up purchasers are mostly looking for product within the village locality which offers an improved lifestyle component due to the proximity of village facilities and beaches. However, due to the premium prices still being asked for within this precinct of town, the next option for trade up buyers is the 'hill' locality outside of the village CBD. The prices being paid for this trade up product are generally within the range of $550,000 to $800,000. Due to the improving market conditions and increased rates of sale within Ballina and Lennox Head over the past six to nine months, there are reduced levels of stock available for the trade up buyer with a budget between $550,000 and $800,000. However, there remains higher levels of stock and reduced buyer demand for properties with asking prices between $800,000 and $1 million, particularly within the Lennox Head locality.

The most favorable property type for the trade up buyer within Byron Bay is also a more contemporary home located within close proximity to the Byron Bay CBD and beaches. However, the price point for this product is generally between $700,000 and $1 million and there is currently limited stock available. There has also been increased sale activity from trade up buyers in the prestige $1.5 million to $2.5 million price bracket since the Christmas period.

A noticeable development within the NSW Far North Coast is first home buyer residential property purchasers within the younger generation (i.e. Gen-Y) attempting to skip the traditional first home buyer product and the resultant future trade up process. This is being achieved by purchasing vacant land and building a new dwelling. This is occurring within subdivisions located within Goonellabah and Ballina. The total cost of this product is generally between $425,000 and $550,000. This is of concern in a market which has yet to show any real increases in property values and where first home buyers are possibly over-extending their financial positions with the possibility of capital gain unlikely in the near future.

The key issue facing most potential trade up buyers within the NSW North Coast is unrealistic expectations of vendors wanting to sell their homes and also the difficulty encountered by trade up buyers trying to sell their existing homes in the lower end market. There remains a limited number of first home buyers actively looking in the market. Any significant reduction in the potential trade up buyer's property value will ultimately have a negative effect on the affordability of the trade up property.

The NSW North Coast residential market is showing evidence of increased activity and sales rates. The increase in volume of sales throughout 2013 to the current time has generally been concentrated in the lower and middle market price point segments or what we consider to be the trade up market. However, is should be noted that the increase in the number of transactions has not translated to an increase in sale price levels.

Recent sales evidence suggests that buyers remain hard nosed in negotiations and are acutely aware that market conditions remain challenging for vendors and there is a general expectation that sale prices will reflect good buying compared to historic peak market levels. The current market conditions across the North Coast are still giving potential purchasers better bargaining power to secure a trade up property at historically discounted prices.

Coffs Harbour

Within the Coffs Harbour locality the most sought after property for trade up purchasers is a modern style home comprising 4- to 5-bedrooms, 2- to 3-bathrooms with a double garage. In Coffs Harbour trade up buyers are looking to the new estates such as The Lakes at North Boambee Valley, or one of the smaller new enclaves within Coffs Harbour and Bonville. Price ranges in these estates range from $475,000 to $650,000. The northern beach suburbs of Sapphire Beach and Korora also have developing modern estates which are attracting trade up purchasers within the middle to upper price range of $600,000 to $800,000.

Woolgoolga located 45 kilometres north of Coffs Harbour sees the trade up purchasers again moving to the more modern beachside estates such as Safety Beach where 4- bedroom, 2-bathroom, double garage homes sell for $475,000 to $600,000. The factors common to all these areas are proximity to major facilities and beaches. The higher priced market ($800,000 plus) remains very subdued with oversupply of stock and limited local demand.

The southern localities of Urunga, Nambucca Heads and Macksville have lower price levels with trade up buyers looking in the $400,000 to $550,000 range, again generally aimed at the more modern homes with larger living areas plus 4-bedrooms and 2-bathrooms.

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Dubbo

With record low interest rates and a strong property market in Dubbo we are starting to see families 'trading up'; most often this is from their first home to a larger family home. These 'trade up' buyers are usually looking to spend within a range of $350,000 to $450,000 on their new homes, which typically gets them a 4-bedroom, 2-bathroom semi-modern family home on a standard size block of land. With strong demand for investment properties in Dubbo they are then generally able to sell their 'first home' to investors or retain for their own investment purposes – typically these are unit/duplex style accommodation or 3-bedroom dwellings in the $200,000 to $300,000 price bracket.

We are, however, also seeing families trading their family homes for the opportunity to build their dream home or upgrade to a more prestige dwelling. These 'trade up' buyers are generally middle aged couples looking for larger, newer dwellings, typically 4- to 5-bedrooms, often with pools, in well regarded locations. They are targeting areas such as Grangewood Estate (with easy access to the golf course) or Southlakes Estate with varying land sizes to suit different needs and budgets. We have seen an increase in residential property sales above $550,000 in recent months; we believe this is a result of these 'trade up' buyers upgrading while interest rates are low.

Central West NSW

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

> Traders are reporting tough conditions and rent reductions are occurring as a result of market reviews and new lease negotiations.

An increase in rent free and fit out contributions is also prevalent.

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

Victoria

Melbourne

The second home buyer trade up market is centred on a price range between $550,000 and $850,000. Demographically these markets are predominantly professional couples in their 30s to 40s often with children trading up from their first homes to family homes or superior locations.

This market is focused around the middle and inner suburbs of Melbourne. The middle ring suburbs provide larger allotments with larger houses and more amenities, while inner suburb trade ups provide smaller allotments and housing traded off by better locations and period housing. The middle and inner suburbs of Melbourne continue to show strong growth as indicated by the final quarter of 2013.

> Popular suburbs for the second home buyer market within Melbourne include Seddon, Coburg, Blackburn and Oakleigh.

Second home buyers with families are attracted to suburbs of good location and access to good schools with larger lot sizes and houses. School zoning and performance can strongly influence the demand for suburbs within this market and increase demand on properties within these zones. Suburbs within the middle ring and inner ring are predominantly well serviced by the Melbourne public transport system as well as shops, conveniences and the CBD.

Trade up properties in Seddon are typified by 400 to 500 square metre allotments with 3-bedroom double

front Victorians. The median sale price for the suburb is $812,500 with 62.7% of properties in Seddon owner-occupied. Seddon has experienced strong growth and is in the top 20 for suburbs for the December 2013 quarter.

The Coburg second home buyers market can be generalised as providing 1920s Californian bungalow style housing with 3- to 4-bedrooms on a 350 to 450 square metre allotment. Owner-occupiers account for 68.5% of Coburg property owners. The median house price in Coburg is $671,000.

Blackburn second home buyers within the $550,000 to $850,000 price bracket could expect to achieve a 3- to 4-bedroom circa 1960s home on a 650 to 750 square metre allotment. The median house price for Blackburn is $790,000 and 77.9% of properties are owner-occupied. Oakleigh has a median house price of $830,000 and buyers in the second home market could expect to purchase a 3-bedroom, 2-bathrooms, circa 1950s style house on 550 to 650 square metres of land. Just over 70% of Oakleigh properties are owner-occupied.

Gippsland and Latrobe Valley

The low to medium priced sector within the Gippsland and Latrobe Valley Regions has seen an increase in sales activity in recent months. However even though there has been improvement in demand, values remain the same as 2010 and 2011 values, with no significant increases in the past couple of years. Examples of trading up in these areas are:

1. First home buyers in $150,000 to $200,000 bracket, now looking for family homes in $250,000 to $300,000, generally good but older parts of town. eg. 1980s to 1990s brick veneer.
2. Owner-occupiers now looking for a second investment property, are more than likely in above price groups.
3. Beach area prices in east and west Gippsland have come back in price and are now considered more affordable as a second home or upgrade.

Baw Baw Shire

Within the Baw Baw Shire area there are two main styles of trading up; firstly the second home buyer who moves to the newer, larger, better equipped home on a residential allotment. The second main type is ‘the move out of town buyer’, who is looking to move to the acre block on the edge of town or to the larger outlying rural property.

Around Warragul and Drouin this market begins in the $350,000 to $400,000 price range up to the $1 million plus rural residential market. Those who step up to rural residential areas often become members of the downsizing market as they hit their 60s and 70s and find the larger properties too much to maintain.

East Gippsland

Currently second home buyers in Bairnsdale are moving from entry level properties to purchase land and building of new houses in the low $300,000 range.

Over the past two years interstate investors have been active in building within new subdivisions in Paynesville and are also now building in Bairnsdale. An investors typical build is a standard 3-bedroom brick veneer dwelling with owner-occupiers going for 4-bedrooms with more bells and whistles and in locations with convenience for childcare and schools.

The market has picked up somewhat but from a low base with house and land packages becoming more popular. The forecast is for this market to continue at low to moderate levels.

Mildura

The median house price in Mildura is around $250,000, and in simple terms people trading up in their standard of housing will most likely be selling an older home at below or around this level and buying a house in the above $300,000 price bracket. The cost of buying a new home starts at around $300,000.

Buyers wanting to trade up are considered to fall into three categories. The first group are people, who out of financial necessity start off with a basic home and then when their situation improves, decide to buy a better standard home. The second group are people who either are looking for a larger site (ie a rural residential experience), greater proximity to the river or a property with room for a pool or larger shedding. This category of buyer will be prepared to spend more than $400,000 – and up to $1.5 million to buy a property with the features they are looking for.

The third group are generally 'empty nesters', who decide to sell a larger family home and buy a modern, compact dwelling with lower maintenance requirements – which will generally cost between $300,000 and $500,000. For some people this will involve a higher cost, but for many, the cost of the transaction will be either neutral or cash positive. As we mentioned in last month's edition, Mildura draws in retirees from a wide area, and so some buyers in this category will be selling elsewhere and moving to Mildura.

In recent times, the greatest investor activity has involved buyers looking to acquire modern, low maintenance dwellings – generally at a price point of around $300,000. We haven't detected any trend for investors to trade up. They will generally use their equity in their existing property to assist in buying an additional investment property.

Queensland

Brisbane

There continues to be excitement in our market for sellers. Just stopping in to check out an open home can result in a joint experience amongst many. We appear to be in the first, qualitative stages of a moving market where listings are getting bought up within very short time frames and there is a growing fear of missing out amongst potential purchasers. While we are still waiting for this to translate into solid value gains across the broader market, there's certainly energy amongst well priced property that's closer into town.

As far as the trade up market goes, it's normally the next sector to move in our patch after the cheapies have been snapped up by the first home owners and entry level investors. Our families buying their second home are about community, educational options and space. Given Brisbane was relatively affordabe in 2013, there was plenty to choose from but the sector appears to now be moving up.

Trade up buyers in Brisbane are usually around the $600,000 price point if they're first home owners stepping away from their bachelor/bachelorette unit. If you were already in a detached home because you decided to begin a family early and needed the space, then you are trading up into a 4- or even 5-bedroom dwelling at around $800,000 in mortgage belt Brisbane. In both instances, the buyers prefer to be within six to 12 kilometres of the CBD. The fact is, the closer you are to the busy centre of town, the more you'll obviously pay.

Speak to anyone who's moved here from out of town and there are two things they note as parochial questions Brisbane locals always ask each other:

1. North or south of the river?
2. Which school did you go to?

Both are normally determined by your parents. While either above or below the river line is fine, certain schools are starting to drag owners into areas. If you look at Brisbane State High School in West End, there will be any number of students from families who moved into the area specifically so their offspring could attend. It's been a public facility that has seen plenty of OP1 results in its senior years, and its reputation is probably adding thousands of dollars to property throughout the catchment.

There are also flow-ons when something new is tried. Wellers Hill State School has started a ground breaking bi-lingual Japanese immersion program from year one and the Principal reports it was vastly oversubscribed. Dig a little deeper and you'll find a few families who decided to move into the catchment so their youngsters could take advantage.

Some specific suburbs for trade up buyers around he traps include Coorparoo, Camp Hill and Holland Park. These southside localities offer good quality homes and decent size blocks. For $600,000 to $750,000, you'll land yourself a 3-bedroom, 1-bathroom detached dwelling in average to good condition.

If you're willing to spend $800,000, then it'll be 4-bedrooms and 2-bathrooms. North of the river the bigger money is heading to locations like Ashgrove. These communities are grounded in the local schools which all have great reputations. It's a beautiful area but you'll pay for the privilege with trade up buyers spending over $1 million in most cases.

The other staples trade uppers look for are the traditionally convenient transport options and lifestyle facilities. As mentioned, demand is building in this sector with agents reporting strong interest and multiple offers on properties. As supply continues to tighten, expect prices to begin moving higher and, as one of our valuers says, in many cases the trade up market is our most robust market sector of all.

Toowoomba

The Toowoomba property market has demonstrated median price growth in the past six months as a result of improving confidence and the influence of both local and absentee investors.

We see activity in the investor market with buyers looking at second investment properties. These still sit in the sub $400,000 bracket where rental returns are strong. Those investors looking for their second investment property often look for properties that feature low maintenance dwellings that are well located within close proximity to local amenities. These properties are readily available in the suburbs of Glenvale, Wilsonton, Darling Heights, Kearneys Spring and Centenary Heights.

For brand new investor product we are aware that the number of house and land packages available in Toowoomba is growing rapidly as development in Westbrook, Cotswold Hills and Glenvale continues to progress. The house and land packages have attracted investors in the developing estates across Toowoomba. This investment product has not always been a common product until recently and while it is considered an ‘untested’ product, the sales activity that has occurred is dominated by absentee investors.

The upgrade market comprises established circa 1970s to 2000s homes in town, to larger, newly built or building their own houses on larger lots in satellite suburbs such as Highfields, Westbrook and Hodgson Vale. Prices start around $400,000 to $550,000.

The following 4-bedroom, 2-bathroom, double lock up garage, Hodgson Vale home is located on a 4,803 square metre block and features high ceilings, separate office and ducted air-conditioning. This property is advertised for sale at $500,000.

Hodgson Vale House

The introductory level buyers often upgrade from are the more affordable suburbs such as Glenvale, Harristown and Darling Heights to suburbs such as Rangeville, Middle Ridge and East Toowoomba, which generally accommodate higher value homes.

The following 4-bedroom, 2-bathroom, double lock up garage, modern, Middle Ridge home is located in a 707 square metre block and features open plan family, living, dining and ducted air conditioning. This property is advertised for sale at $529,000.

Middle Ridge House

Upgrading buyers are known to seek out colonial style older dwellings that convey renovation potential. However, the scale of these projects can often lead to excessive renovation costs that are out of the realm of the upgrade buyer.

Smaller homes with potential for painting and kitchen and bathroom upgrades are generally more appealing to upgrading buyers. These homes can be found across the more established suburbs including Newtown, South Toowoomba, North Toowoomba, Mount Lofty, Rangeville and East Toowoomba.

We are observing young investors stepping into duplex, triplex unit developments to capitalise on the strong demand for new units at present. There are 515 units currently in the development pipeline across Toowoomba, which may lead to an oversupply if demand softens.

Overall, the Toowoomba market is continuing to demonstrate stable growth. Those upgraders are active in the $350,000 to $500,000 price sector and investors are active in numerous price sectors operating across Toowoomba.

Gold Coast

The Gold Coast property market is Movin' on up!

Among other drivers of the market, the strengthening Brisbane property market has influenced the Gold Coast property sector with investors looking to the Gold Coast for a good investment that is set to strengthen.

> Demand for most residential asset classes has firmed, however, it is apparent many property owners who are re-financing have expectations that values have increased.

Unfortunately this is not the case in most bar the inner sought after suburbs, and in part, is a result of public mis-interpretation of sometimes overly positive media / agent information.

Interestingly there has been a decline in property listings which has created increased buyer demand and on occasion, offers over the listed price. Prospective buyers have less power to negotiate the listed price while agents are experiencing shorter marketing periods. Agents also report that in some instances vendors are increasing the asking price of their properties mid-campaign which is jepardising potential sales.

The Gold Coast rental market is tightening and the Real Estate Institute of Queensland figures show vacancy rates have fallen from 2.2% in September 2013 to 1.9% in December 2013. This is mainly due to the strong population growth and job growth in the construction and tourism industries making new accommodation high in demand. The upcoming Commonwealth Games have also created new jobs within the infrastructure industry.

Local agents are reporting that they are seeing signs of strengthening demand for residential housing in the central areas of the Gold Coast and sales activity has improved considerably over the past six to 12 months. It appears that a lack of listed stock and increased buyer activity is putting upward pressure on property values in some locations.

Some of the areas which seem to be fairly sought after or could be considered as 'hot spots' at the moment are Broadbeach Waters, Isle of Capri and Benowa. Residential dwellings in these suburbs have traditionally always been in good demand, however, at this point in time, local agents have noted that opportunities to purchase a home are quite limited for buyers and it is quite evident that demand is heavily outweighing supply. Due to the strong interest in these areas, it almost appears that finding a 'bargain buy' might be quite difficult.

In general, most property classes from Mermaid Beach to Main Beach have improved in demand recently with the exception being detached housing over the $1.25 million level and highrise units over $850,000. Buyers seeking property in this price range seem to have more time to assess the market and conduct out their own research prior to entering negotiations. However, buyers looking to buy near the entry level.

From an investment perspective, investors are preferring to purchase affordable units in the beachside locations. The typical entry level for a second-hand 2-bedroom unit can range between $250,000 and $350,000 within Surfers Paradise. The market for new units has struggled over the past few years but seems to be stabilising due to the limited stock available now.

The options for investors in the northern boating/Broadwater suburbs are many and varied, limited only by the borrowing capacity of the individual investor. Most property classes are experiencing good levels of demand with the only exception being higher density development of lowrise and mediumrise apartments around Hope Island, Paradise Point, Hollywell and Runaway Bay. There is some hope for these types of units, however, stock levels remain uncomfortably high.

The looming completion of the Gold Coast light rail and recent opening of the new Gold Coast regional hospital has focussed the attention of many investors around the hospital precinct (which is also to contain the upcoming Commonwealth Games athlete's village) and along the route of the light rail. Astute investors have been paying up to $300,000 to $350,000 for duplex units and $425,000 for modern townhouses/villas in these areas. Housing is being purchased in a wide price range depending on age and quality, generally up to $500,000. There may be some cheaper properties still available however most vendors are well aware of the growing demand and are able to achieve good prices.

Second home buyers have a good choice of property depending on their requirements. Most growing families needing room for children etc. if looking for a bigger yard and a more bedrooms will have to be prepared to pay between $450,000 to $700,000 for a detached house built from 1990 onwards in the Coombabah, Hollywell and Runaway Bay areas. Cheaper and older housing is available in Labrador, Biggera Waters and Southport areas with more emphasis needed on potential renovation and/or extensions. For more well healed second home buyers, Hope Island offers good quality housing for a price.

The housing sector is currently outperforming the unit sector within the affordable Northern M1 Gold Coast to Brisbane Corridor.

A good example of this being a semi-modern dwelling in Eagleby is expected to achieve a price range of $300,000 to $330,000 with a rental range of $360 to $390 per week. Agents have also experienced dwellings above the $500,000 price range starting to trade up within areas such as Eagleby, Mount Warren Park and Beenleigh.

Sale contracts sighted indicate that first home owners are purchasing dwellings in the $350,000 to $450,000 in Oxenford, Maudsland, Upper Coomera, Eagle Heights, Mount Tamborine and undertaking new builds to the same levels mainly in Upper Coomera, Oxenford and Willow Vale. Interestingly the new builds tend to be on smaller lots (circa 400 square metres and smaller).

In the second home buyer market, acreage is very popular with existing homes generally achieving $550,000 upwards depending on land contour, dwelling size, condition and extent of ancillary improvements eg pool, tennis court, paddocks, dressage arenas, stables, dams and bores. Those purchasing land on which to build, see blocks typically ranging from $350,000 to $500,000. Once dwellings and ancillaries are added to the land purchase extent values can comfortably top $800,000 plus. For standard dwellings, those upsizing tend to be spending $530,000 plus now, with recent sales showing circa $630,000 which would have been unheard of even 18 months ago.

Investors are demonstrating a preference toward re-sale or second-hand properties. This price point ranges from the early $200,000 to circa $450,000. Townhouses and villas are more affordable (body corporate levy dependant) but re-sale duplexes and dwellings appear more sought after. Many of the investors are from outside the Gold Coast with a perception that the value for money appears to be significantly better than in their markets. Locals tend to shop for the more affordable duplexes and dwellings inside the M1, so closer to employment and the beaches.

Generally speaking, prices are growing steadily at present, however, all buyers should not feel pressured to 'buy or miss out'. Making a poor choice out of haste is not the way to go. It should be remembered that buying real estate is a long term investment and buying for short term gain or speculation can lead to losses in the event of a GFC style crash or 'bubble'.

Sunshine Coast

As the Sunshine Coast property market recovers, an increase in activity has been experienced. We have previously mentioned that the well located sub $500,000 housing market has improved significantly with this threshold increasing to $600,000. Values in this sector have firmed with agents reporting that supply levels have fallen. We believe that this will be a bottom led recovery in the property market that will slowly filter through to the upper levels of the market.

By bottom led recovery we mean that with improved confidence in the local economy leading to stronger, more secure incomes, combined with sellers now having the ability to exit out of their current property, is allowing people to upgrade into a superior, higher value property. Previously in the soft market conditions of 2009 through to 2011 there was a problem with a number of contracts being entered into 'subject to' the sale of their existing home. An inability to make that sale stymied the contract, and the flow on effect helped to stall the up grader market even further.

The main value levels that these second home up graders are looking for is typically the $600,000 to $700,000 level up to $900,000 and even $1 million in some cases. Areas and property types can vary from canal / lake front and beachside areas along the coast to rural residential properties located further inland.

There can be some good benefits gained from the upgrade, and not just from living in a better house in a better area. There some economical benefits that some savvy up graders have been able to achieve and in doing so getting some serious bang for their buck through the change over. By this we mean that the higher value level of the market they are buying into has not improved with the same strength as the lower level market they are selling out of. There are still 'good buys' out there, with most still well below replacement cost.

An example of the upgrading in the current climate is a person that recently purchased a rural residential property at the Buderim foothills for the mid $900,000s. This property is on an acre with a large, mostly renovated home in well landscaped surrounds with a swimming pool and a three month settlement. The purchaser had not begun to market their existing property when contracting, but in the space of two weeks of going to open market had accepted an offer at full list price at $575,000.

Rockhampton

The trade up market of North and South Rockhampton differs significantly in regards to the types of properties which are being bought by owners upgrading their current properties.

This month we look at those of us who have or are about to buy their second home or alternatively dabbling in the investment market with a rental property.

Typically Rockhampton first home owners in the past decade have opted for an older highset timber and fibro 2- to 3-bedroom dwelling usually below $350,000.

Now with a few more dollars behind them, some extra equity or a few extra rug-rats taking over the house we are seeing those people moving on up! The new price point for this transition is looking at

$450,000 to $600,000 with buyers on the northern side of Rockhampton taking advantage of some very popular residential estates generally with larger modern 4-bedroom brick homes on allotments above 750 square metres. Forest Park is one estate that seems to be filling this void nicely. Those that are looking for a first time investment are generally looking at a slightly lower price point and with estates comprising more generic housing types quite often being the choice of attack in the areas of Parkhurst and the outer fringes of Norman Gardens.

On Southside a trade up in the market is a property in well regarded suburbs such as The Range and Allenstown from lower areas (Wandal, Rockhampton City, etc.) This type of trade up is usually done by home owners looking to improve their family home in terms of size, location and condition. As investors are not looking for properties which need renovation or constant upkeep these properties are mainly bought by home owners. The buyers of these properties are usually upgrading from a $450,000 property to spending over $600,000. For this price in more well-known suburbs of South Rockhampton buyers will be rewarded with an updated Queenslander with some renovations done to the property.

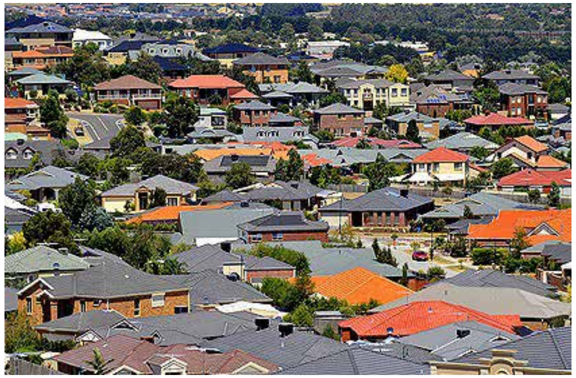
Investor sales have been steady in the new estates of North Rockhampton, such as Forest Park Estate, that are highly regarded and in a better location. Other estates currently being developed in the Parkhurst area are targeted towards investors rather than home owners and provide more generic housing. We predict that these steady sales will continue in the short term. Given the continued marketing to investors in some of the developing estates there is a chance of over supply of the rental market in the months ahead.

Gladstone

The Gladstone market continues to decline after an approximate 12 month period of strong growth from October 2010 until November 2011.

The majority of buyers in the Gladstone market are local buyers with some investors. Established and modern dwellings are the preferred upgrade by many local buyers. Modern suburbs of Gladstone, such as Kirkwood and New Auckland offer modern 4-bedroom, 2-bathroom dwellings for well under the $500,000 price point. These suburbs provide average to good quality, modern dwellings. Older more central suburbs of Gladstone provide smaller and more modest accommodation in the $250,000 to $350,000 price bracket.

Upgrading will appeal more to locals who purchased their property pre 2007 as we are currently



experiencing circa 2007 price levels. All market sectors are struggling with local agents reporting little interest and longer selling periods with considerable negotiations happening across the market.

The unit market is still slowing with limited buyers and increasing supply. Recent prices being achieved for older central stock (circa 1980) as advised are as low as $175,000.

Hervey Bay

There has been some good steady sales activity in the Dundowran Beach and Craignish locality, with the general price range falling between $400,000 to $600,000. Properties tend to offer a good standard of accommodation on larger sites of 2,000 square metres with many achieving good water views to the north. Investors to the Fraser Coast do not appear to favour any particular property type at this time, with a wide range of units, new homes and cheaper dwellings turning over on a regular basis. Property across the board is still regarded as being very affordable, with 'lifestyle' being a major drawcard for the region, particularly from the southern states.

Demand is expected to remain steady throughout the year, with some larger commercial developments nearing completion.

This should stimulate employment opportunities, growth and confidence. Market sentiment appears to be more positive while agents remain upbeat about the forthcoming 12 months.

Townsville

Generally speaking the trade up market includes those looking to larger houses due to an increasing family size or those looking to improve on their current lifestyle due to increased financial stability.

There would appear to be no particular patch for upgraders with overall choice very much dependent on individual buyers. We are seeing those living in the inner suburbs upgrading from smaller 2-bedroom cottages to either larger renovated dwellings in a similar area or upgrading to a larger house and undertaking renovations themselves. This being said, we are also seeing upgraders choosing to stay in their current homes and expand their lifestyle by way of increasing the size and functionality of the house or installing pools etc.

Upgraders from within the modern residential suburbs appear to be generally staying in these areas, or looking to build in one of the newer land estates, which offer high levels of facility by way of shopping, education, recreation etc.

Anecdotal evidence suggests that the change over value for upgraders is generally in the range of $100,000 plus.

With the property market at the start of the recovery phase, second home buyers and investors remain active in the budget housing market. Buyers in this segment are looking at yields while also giving long term consideration to capital growth. Again there would appear to be no particular patch that investors are looking at with some buying older homes at the budget end that can be leased out without any additional capital expenditure and others building newer investment properties, with the view of having tax depreciation benefits, NRAS (National Rental Affordability Scheme) benefits and lower maintenance costs.

Overall the upgrader market appears to be very much an individual choice on preference for modern homes or traditional timber framed homes. Location to city centre and facilities compared to current location appear to be the major factor considered in their move.

Cairns

The Cairns residential property market is at the start of recovery phase, and with property demand from investors and first home buyers remaining quiet it is largely the trade up home buyers that are sustaining the market. This is especially noticeable in the $350,000 to $450,000 market segment where the trade up buyers are moving to or from.

The trade up buyer segment is really of two types, existing locals trading up (or down or sideways) in response to changing circumstances and/or preferences, and people relocating into Cairns from elsewhere.

Locals relocating are doing so for a variety of motivations, whether they are up sizing or downsizing to adjust their accommodation to new family circumstances or taking the opportunity to move to a more preferred location. However the catch with this segment is the ability to sell their existing home, but given that the market is moving again, we are expecting to see trade up buyers becoming even more active.

People relocating into Cairns tend to fall into two classes, the lifestyle and the economic migrants. With the Cairns economy still finding its feet the economic migration component, consisting largely of young singles or young couples or young families moving to Cairns for employment reasons, has diminished. However Cairns still appears to be attracting its fair share of lifestyle migrants, albeit at a slower rate than before. This segment consists typically of the pre-retirement empty nester demographic, looking for a nice place to live but with opportunities for full or part time work if required.

Lifestyle migrants are demanding a variety of accommodation styles, some buying up big as if expecting to be constantly descended upon by the friends and relatives they have left behind, while others are seeking well located unit accommodation with good amenities. The Northern Beaches are often a preferred destination.

South Australia

Adelaide

It is very difficult to clearly define the second home buyer market of Adelaide. If we look at it from the perspective that a first home owner lives in a sub $400,000 dwelling more than eight kilometres from the CBD, then the assumption is that to upgrade they better their location, improvements or both. Location could be improved by moving closer to the city or by relocating to a similar area but with better access to local services, including shopping centres, schools or public transport or improved outlook such as hills, rural or coastal views. The property could be improved by changing to a new or newly constructed dwelling, larger dwelling or allotment or both or a dwelling with better amenity, including open plan and outdoor living, or improved quality.

To trade up from the first home a buyer is possibly looking in the $400,000 to $650,000 range.

So who is the buyer that is currently in the market for their second home? A fairly general snap shot of a second home buyer currently in the market is one who more than likely purchased their first home prior to 2006 and has spent the time since purchase paying down the debt on the property with the help of low interest rates and possibly having dual income. Over this time circumstances have changed and there is a feeling that they are beginning to outgrow their existing property, whether this be due to increasing family numbers, or just generally now having different requirements. There should be some equity in their home due to capital growth over this time and maybe even personal savings in the bank.

If the second home is purchased closer to the city, then more than likely the property could be fairly similar to the first home, just in a better location, and in this price bracket we are looking at 3-bedroom, 1- or 2-bathroom detached dwellings at around five plus kilometres to the city. Those choosing to upgrade living conditions potentially remain in a fairly similar location and purchase a more modern and better quality dwelling, or one with more living space including 4-bedrooms, 2-bathrooms or other improvements such as outdoor living and/ or a swimming pool. Upgrading both living conditions and location would generally push the price well above $650,000 and probably out of what we are considering to be the second home owners market.

It is worth noting that the changeover costs involved in upgrading from a sub $400,000 property to say a $600,000 property is in the realm of $40,000. This is certainly a significant amount and when considered along with concerns surrounding job security and increasing cost of living expenses it is possibly delaying current first home owners decision to purchase their second home.

First home owners who have bought their property in recent years are more likely to have very little equity in their property due to the recent declining house prices. However in four to five years time with the owners reducing debt and the market slowly rising many will be in a better position to consider upgrading to a second home.

Adelaide's residential property market saw improving conditions through out 2013, including increasing sales interest and activity, a reduction in the number of days on the market and even some minor price improvements. It appears as though most of the market activity is occurring in the sub $650,000 price range and that currently this is being driven by investors.

Investors appear to have returned to the market due to numerous factors in their favour. These include vacancy rates remaining low, rental rates holding steady, interest rates keeping low and predicted to remain around similar levels in the short term, and of course that property prices are currently considered more affordable due to recent declines in capital value and that the property market is believed to have reached the bottom of the cycle and is now starting to show signs of capital growth.

In the $400,000 to $650,000 price range the feeling is that interstate and overseas investors are most active, in comparison to their own local market this price bracket is considered affordable. Local investors may tend to be more interested in the sub $400,000 market with higher rental returns. At this price level they are directly competing with first home buyers.

Mount Gambier

In the Mount Gambier region most of the first home buyer activity occurs for the properties that have a market value of less than $200,000. In that price range ex 'Housing Trust' dwellings are often popular, however their locations are often secondary and can deter some buyers. Otherwise older brick and Mount Gambier stone constructed dwellings built between the 1950s and the 1980s tend to provide a decent level of accommodation, room for a family, however are often quite dated and would benefit with upgrading.

Second homes in the area are quite often newly constructed dwellings. Because of the seemingly endless supply of vacant residential land within the City of Mount Gambier building is a very popular option when residents decide to upgrade. Construction costs of new homes (purchase price of land plus building contract price) regularly occur between $250,000 to $400,000, be constructed of stone, 3- to 4-bedrooms, 2- bathrooms and include a double garage under the main roof.

The next level of a 'trade up' for home owners is the $400,000 plus market.

In the Mount Gambier area these homes will be your larger modern family homes, centrally located character styledwellings on large allotments or perhaps a rural living style property with a few acres of land.

Tasmania

So... you've already bought your first home and therefore don't qualify for Tasmania's generous First Home Builder Boost but you want to move on and dig your roots deeper into the property market. So where do you go?

Hobart

Home owners in the south wanting to trade up might consider the suburbs of Kingston, Lindisfarne and Glenorchy. These suburbs are approximately within a six to 12 kilometre radius of Hobart City. Median house prices for the second home buyer profile (4-bedrooms with 2-bathrooms) in these areas can be purchased from $340,000 upwards.

Kingston is a well serviced, growth suburb that is popular with residential home owners and investors alike and has recently experienced higher sales volumes relative to other areas.

Investors looking to either embark on a building project or purchase a newly built residential property should consider Hobart's eastern shore in suburbs such as Tranmere, Howrah and Oakdowns. Higher volumes of land sales have been occurring in these areas with reported increases in building activity and building contract prices in the south.

Launceston

In Launceston buyers seeking an upgrade could expect to outlay $350,000 to $450,000 to secure a 4-bedroom, 2-bathroom residence. Suburbs where this property type can be purchased within this price bracket include Prospect, Legana and Newnham. While these suburbs are located slightly further out from the city centre they contain a good range of facilities and services.

Investors looking to broaden their property portfolio might consider older style homes in Newnham and South Launceston.

These suburbs contain larger infrastructure such as the University and General Hospital and consequently have good appeal to those in the rental market.

An alternative option for residential property investors seeking above market yields combined with other taxed based incentives are new units that comply with the National Rental Assistance Scheme (NRAS) requirements. The NRAS aim is to generate construction activity while providing affordable housing in well serviced suburbs.

Northern Territory

Darwin

Activity and confidence appears to remain strong leading into 2014, with those looking at trading up being dominant players in the market.

This is considered to be a flow on effect from the higher price point in which many properties are trading within Darwin and the greater Darwin locality. A detached dwelling suitable for a family within well regarded inner Darwin and northern suburb areas start from around $700,000 and essentially eliminate many first home and/or investment purchasers given the lack of affordability.

New residential supply of detached dwellings continues to be a segment of continual growth.

We note new units, particularly within the Darwin CBD, are increasing in supply with some 800 units coming onto the market in 2014. This has increased competition and visibly slowed demand within this market segment. Rental vacancies within the sector are therefore experiencing a slow in growth when compared to the growth experienced toward the end of 2012 and into 2013.

Steady interest and activity in the outer Darwin rural areas has seen strengthening in prices in the rural residential sector, particularly noting strong demand for land suitable as single rural residential house sites.

Rents have not continued to see the huge growth that was experienced in the past 12 months, however have remained steady, with affordability suggested to 'cap' the levels achieved. Affordability will be the under-lying influence to watch into 2014, particularly given the growth seen in the market over the past 12 to 18 months.

Western Australia

Perth

The Perth residential property market is continuing to tighten with the number of homes listed for sale now well below equilibrium at 9,400. Average selling days in Perth is currently 49 and we are seeing multiple offers being made for the same property within days of listing, especially in the first and second home buyer markets.

The flood of first home buyers to the market throughout 2013 resulted in a steady increase in values for both house and land in that sector of the market. And despite the market showing slight signs of cooling in the latter part of 2013, this activity has fuelled the next level of buyers, trade up buyers entering the market.

The median house price for Perth as at September 2013 (latest figures) was $505,000. Perth showed a continued acceleration in house price growth of 5.1% per annum over the preceding 12 months. The hot spots in Perth at the moment continue to be focused around the southern corridor along the freeway in suburbs which have linkages to public transport (train and freeway) and include Aubin Grove, Hammond Park and Beeliar which is first home buyers territory. Houses in these areas listed for sale often attract multiple offers as soon as being placed on the market.

Second and third home buyers are also active. Popular suburbs of Woodlands, Glendalough, Floreat, Duncraig, Rossmoyne and Shelley are some of the stand outs. All these suburbs are located close to some excellent public and private schools, are within 15 kilometres of Perth CBD, close to beaches, shopping and retail amenities.

Woodlands, for example is a leafy and sleepy hollow which fits its name perfectly and was first developed as a residential subdivision in 1961. Situated within a small pocket and surrounded by older suburbs of Doubleview, Wembley Downs and the more recently developed Churchlands, the area was popular from the out set with young families. Drawing them to this location because of its proximity to the industrial area of Osborne Park where many people worked, the beach and Perth City. The area's topography affords good views of the Perth city skyline to some parts. Many of the original homes were solid 3- or 4-bedroom, 1-bathroom 'salmon' brick and tile single level houses on traditional sized lots.

The median house price for Woodlands as at December 2013 was $920,000. There were 73 recorded sales in 2013 through to the end of the year. According to the 2011 census there were 3,967 residents of Woodlands in 1,704 residences.

Schools and even a university campus began to develop in the area and because of that it became even more popular. The area has a strong connection with the Catholic Church, with a primary school, high school, church and convent all located within Woodlands. In addition, there are excellent public primary and high schools as well as one of the state's top private schools, Hale School Grammar which has expansive playing fields. Many of the children who grew up in the area attended one of the local schools depending on their affluence and denomination.

As the original 'pioneers' retire and move away, the suburb is enjoying a transformation.

A 'basic' home on a traditional sized lot (of 700 to 800 square metres) in Woodlands will sell for $750,000 up to $1.1 million, depending in the condition of the home, location within the suburb and potential for city skyline views. The homes are sometimes demolished to make way for new two storey homes, but in most cases, the well built 1960s and 1970s brick and tile homes are carefully restored, rendered and extended.

Frenetic activity occurs when a home is placed onto the market because Woodlands is so tightly held

and given its proximity to the Perth CBD, excellent choice of schools and access to some of Perth's best beaches it is a suburb well positioned for families.

As the area gains attraction due to new building development, we should see a solid increase in the average house price for the area.

So, the focus will be on well located property in close proximity to good schools, transport infrastructure (roads and rail) as well as convenience to retail and hospitality amenity. Thus those areas first developed in the 1960s and 1970s are the areas that the second, and third home buyers will focus on.

South West WA

As we head into 2014 the overall market in the south west of Western Australia remains positive and steady. This is mainly underpinned by strong market activity in the lower end of the market place. As values strengthen in this market segment a flow on affect is caused as home owners of this lower price sector are looking to sell, liquidate there equity and trade up into a better market segment. This leads us to the question, where are those who are selling to first home buyers looking to go for their next abode?

The lower market segment can be defined in the region as ranging from $400,000 and below, the middle market from $400,000 to $600,000 and the higher market from $600,000 and above. As the lower market segment strengthens on the back of affordability, first home buyers, low interest rates and an overall more positive outlook, the original vendors with their new found equity are looking to trade up.

For $400,000 to $600,000 within the south west a purchaser could generally expect a 4-bedroom, 2-bathroom home within a kilometre of the ocean. This is the area where most families are looking to trade up too. By leaving the lower market segment behind they can expect to get a bigger home in closer proximity to the beach life and are getting value for their trade up dollar.

The dream of living close to the ocean fits in line well with capital growth. For example, as the city of Busselton continues to grow at a strong rate, properties close to Geographe Bay will continue to grow in desirability and affluence as the urban sprawl continues to be pushed further away from the coast line. This consequently will result in good capital growth over the medium to long term as an increase in population will lead to stronger demand of a product that has limited scope to increase in supply. As such, this well positioned and limited costal strip would represent a good option for a prospective purchaser looking to trade up.

The middle to higher market segments are performing better than 12 months ago as supply is starting to decrease and stock is being sold from the increasing demand. These markets have stabilised and are now considered to have returned to normal market conditions. We have yet to see the increase in values that can be witnessed in the lower market segment, nevertheless the overall market appears to be on the upwards swing of the property cycle.

Rural

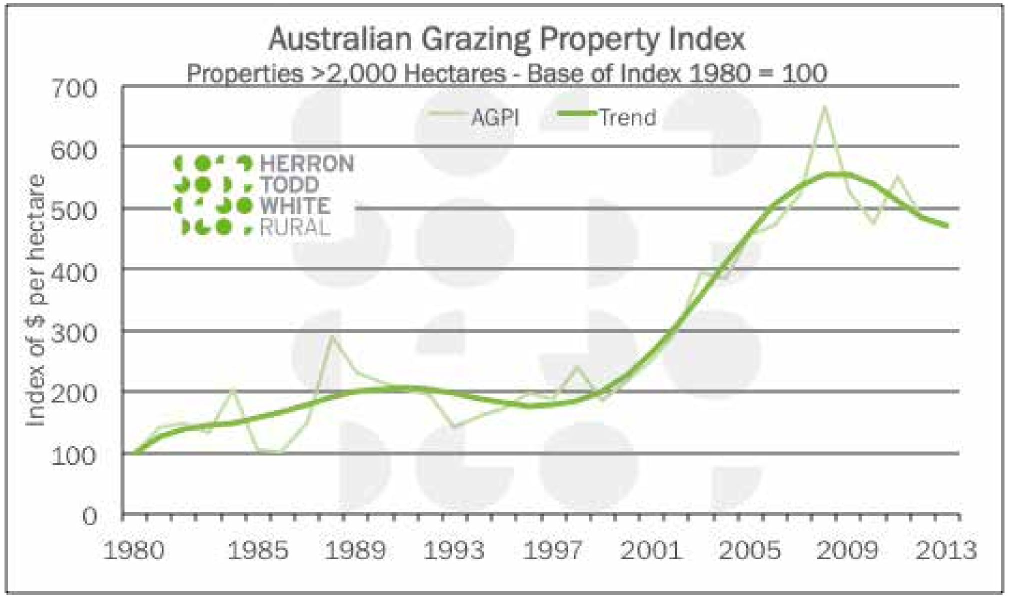
Overview

The year is well and truly underway and across the board the team are working hard to ensure they are meeting timeframes for our clients. It is however also important to mark the occasions that define a business and its culture and such an event was recently held in Brisbane.

Our founder Kerry Herron, 25 years ago along with RM Williams branded a bull with a 'HTW' paint brand to mark the start of Herron Todd White Rural as a division of the broader group. The company origins date back to 1968 when Kerry first started his business out of his house in Rockhampton with his wife Jean as support. Today there are now over 800 people in the company and it pleases me to head up the rural division nationally. The function held in Brisbane on February 27 was a celebration with clients and invited guests as well as many of the rural team from across the country. The photo below was taken to capture the moment and we were pleased to have Kerry along for the night to also reflect on what his vision was back in 1968.

The event also incorporated the annual rural market overview which has been in previous years covered off in a series of breakfast events in Melbourne, Sydney and Brisbane.

The graph below represents the trend of land values nationally as reflected in a median index graph for property sales over 2,000 hectares. The overall trend is still reflecting a negative trend however the rate of decline has moderated. The other key trend this year has highlighted an increased volume of sales reflected across most states. This could indicate that vendors have more accepted the market 'is what it is' and while this is down as a general trend nationally from the peak of 2008 to 2009, it is not reflective in every region. Southern New South Wales is a good example of this. There have been consistent good seasons over the past five years, creating a level of sales activity and value which has seen prices firm in the past 12 months to some degree.



Rural

For a full review of the 2013 update please refer to our website where the presentation has been uploaded.

Rural Director
Tim Lane: 07 3319 4403

Country NSW

The rural market in central New South Wales and northern New South Wales continue to give mixed signals. Discussions with agents are indicating that extremely tough marketing conditions are being encountered. This is predominantly in the smaller sized holdings which would normally be purchased by local landholders looking to expand. Contrary to this though is the interest we are currently seeing in large corporate entities seeking to acquire broad scale cultivation holdings. Currently we are seeing some indications of a developing two tier market due to the differing value matrix perceptions from the local landholder looking to expand and the corporate entities seeking to acquire a foothold in their desired areas.

The local landholder is being pressured by the financial institutions on their serviceability of loans in addition to the equity requirements.

This and the current extreme lack of appetite for debt within the rural industry itself is seeing it difficult to market smaller sized properties that would not be attractive to corporate entities. Generally we see properties below $5 million as the holdings that would be purchased by local entities looking to expand and larger family farming interests.

The larger corporate entities generally do not have borrowings involved and as such their perception of the value of the property and the serviceability of that property are different to the local landholder. A classic example of this is of the recently settled sale of approximately 25,000 hectares to the east of Coonamble which was purchased by a sovereign wealth fund and while exact details of the sale remain confidential our understanding is that the overall sale rate was approximately $2,050 per hectare. This aggregation consisted of 4,000 hectares of red loam cultivation, 7,500 hectares of better quality red brown and some chocolate loam cultivation, 8,900 hectares of heavy black clay loam cultivation and approximately 4,900 hectares of open to light timbered grazing. This aggregation was substantial and was an amalgamation of nine separate landholders and approximately 20 different properties. This aggregation was located on Vatua Lane and north to the Baradine Road and then further up Urawilkie Lane. Overall this sale is in excess of $50 million with the sale equating to approximately $2,600 per hectare for the heavier black clay loam cultivation, $1,900 per hectare for the red brown and chocolate loam cultivation, $1,500 per hectare for the red loam cultivation and approximately $1,150 per hectare for the open to light timbered grazing country. Interestingly enough individual landholders within this aggregation had attempted to market their properties over the previous 24 months without success, however when amalgamated with additional landholders the scale of production available became attractive to the acquiring sovereign wealth fund and as such a sale has proceeded.

The corollary of this are a group of properties called 'Iona', Jude's Creek' and Jude's Park' at Curban New South Wales which is to the north of Gilgandra and south of Gulargambone. These three open general red loam farming blocks varied in size from 518 to 643 hectares. These blocks received a full marketing program and failed to sell at auction, however after protracted negotiations contracts were exchanged with 'Iona' selling for $1.1 million. This property had a large volume of improvements and after accounting for the value of these we believe the sandy loam cultivation on this property achieved approximately $1,150 per hectare. The property 'Jude's Creek' which was 629 hectares sold for $1.08 million. There was a modest homestead and reasonable improvements across the holding and after accounting for these we believe the red loam cultivation achieved $1,400 per hectare. The final block, 'Jude's Park' which is 518 hectares sold for $900,000 and had a modest 1950s homestead, small shearing shed and very basic workshop. After accounting for the value of these we believe the cultivation area on this property sold for $1,450 per hectare. Overall we believe this sale shows a slight softening of values for the area.

The recent rainfall events across the central and northern areas will require further follow up rainfall events to have any long term impact on the market's perception of the longer term seasonal outlook. Due to the timing of this rainfall, further rainfalls are required to enable pasture that will shoot from this to be able to grow into the winter period. Generally speaking, currently we believe the market to be in a tough state for properties sub $5 million with limited interest and current serviceability requirements impacting on prospective purchaser's appetite for debt. While properties above $10 million that have broad scale cultivation capabilities are currently attracting a reasonable level of interest from the corporate sector.

Albury and Wagga Wagga

The Albury region received welcome rain through January with approximately 30 millimetres reported on Saturday the February 15 and similar falls further north at Wagga Wagga. This rain was generally welcomed further south west through dairying and horticultural areas of Victoria, however will have little affect on dry land graziers and grain growers who will be hoping for further follow up rain through late March.

Despite the rainfall, storage dams continue to fall with Hume Dam now at 51% capacity and Dartmouth Dam at 90% both down about 5% at the same time last year. Water allocation markets through Southern Connected Basin has seen a slight easing in value on the back of the recent rainfall to $80 in Victoria and $70 in New South Wales. Permanent water has remained fairly steady with little movement in value apart form Murrumbidgee and New South Wales Murray General Security now trading up to $880 per megalitre.

Agricultural property markets have remained fairly quite in the region since Christmas with few notable sales occurring through January and February.

Larger scale cropping properties are expected to remain in strong demand through 2014, with one of the last notable sales in the Albury District being 'Kismet West' located between Corowa and Howlong. The property comprising 385 hectares, six centre pivots, 972 megalitre bore licence and a comfortable residence. It was purchased by an adjoining landowner in late November for $2.77 million reflecting a fair price of $7,195 per hectare.

In comparison to broad acre cropping properties, grazing properties have been in lower demand with agents reporting difficulties in selling assets in

line with vendor expectations. This is particularly the case for properties set up for cattle grazing with the weak beef prices through 2013 and 2014 having a negative affect on farm profitability. Despite this, there has been a handful of recent sales closer to Wagga including 'Invergloy' located 27 kilometres south east of Wagga Wagga which sold for $3.25 million reflecting $3,600 per hectare and 'Murraguldrie Station' 22 kilometres south east of Tarcutta which is reportedly under offer for an undisclosed price.

Leeton and Griffith

There is subdued interest across all rural sectors in the region. On the back of a reasonable winter crop harvest, summer crop prices are not looking too rosy. Grape harvest is underway although many crops were damaged by a severe frost late last year. Cotton and rice crops are progressing well and should be harvested in the coming months.

There are a number of dryland and irrigated properties getting prepared for listing on the market with lenders looking at their annual laundry list. Buyer demand remains cautious with a dry winter seasonal outlook being talked up and if this does eventuate then there will be restricted irrigation allocations going into next season with restrictions already being experienced this season.

Murray Riverina

Agents are reporting enquiry is generally subdued. The generally subdued market would appear to be a result of the ongoing adverse publicity in regard to the worldwide economy, and adverse publicity regarding the Australian economy.

Two factors that have provided negative sentiment in the market is the dry spring and temporary water price at around $80 per megalitre that is having a negative impact on farmer's short term income outlook. One positive factor is the 100% water allocation for the 2013 to 2014 irrigation season.

Overall, these reasons despite good grain prices and 100% water allocation have resulted in a more conservative approach to investment from all potential agricultural purchasers.

Water

The market for water has been volatile over the past 12 months with general levels declining, and then small spikes in the market influenced by sporadic government buybacks, or at this point in time farmers purchasing water to then sell back to the government as part of efficiency programs. There was very little permanent trade activity through 2011 to 2012, largely as a result of low temporary water prices and the subdued economic outlook. The past 12 months has seen a typical range of $500 to $600 per millilitre water and delivery entitlement (General Security, Murray Valley). However, due to high temporary water prices the market has spiked over the past two months with reported trades of $700 per millilitre water and delivery entitlement.

Mildura/Sunraysia

February has been a month of contrasts with the region experiencing extended heatwave conditions followed up by two to three days of drenching rainfall. Mildura recorded almost two straight weeks of 40 degree plus temperatures in early to mid February, well above the long term average of two days over 40 degrees. Following on from the heatwave was a significant cold front which resulted in widespread rainfall to the region with over 100 millimetres recorded in the Millewa farming region and 70 millimetres around Mildura and Robinvale. While bad timing for grape growers the rain has provided some much needed soil moisture for dryland farmers.

The region's Avocado growers appear to be the worst hit by the heatwave with reports that the Sunraysia Avocado production will be more than halved as a result.

The fresh fruit table grape harvest is in full swing and while the contrasting weather patterns have not been ideal the weather in the week following the rainfall has been kind with ideal cool breezes and temperatures below 30 degrees which is likely to alleviate any significant damage to fruit quality.

The heatwave also did no favours for local citrus producers, however better news was welcomed with the recent announcement that that the tariff placed on Australian navel oranges destined for South Korea will fall from 50% to 30% under the Korea Australia Free Trade Agreement (KAFTA). Citrus Australia has reported that this is likely to result in a much greater chance of expanding our trade into South Korea.

After a period of relative inactivity, there have been sales of two larger horticultural properties in the $1 million plus bracket. A large modern well set out vineyard / orchard (140 hectares) with good improvements located at Gol Gol North New South Walec sold for $2.5 million. The property is planted to wine grapes (49 hectares), dried fruit grapes (22 hectares), older style navel citrus varieties (29 hectares); with the balance suitable for planting.

A significant 73 hectare wine grape vineyard, improved with four sheds at Karadoc has recently contracted for in excess of $1 million. It is planted to 31.5 hectares of red varieties and 34 hectares of white varieties, mostly Chardonnay.

Activity in the dryland cereal market has been mixed with a large holding in the Millewa offered at auction in mid February which was passed in but remains under negotiation. A property 40 kilometres south of Mildura was offered for sale by tender and comprised a 1,891 hectare predominantly arable property with no structural improvements. It sold at strong levels for $1.65 million or $873 per hectare overall.

Mount Gambier

While we are noting a slight increase in the volume of transactions occurring, it would be pre-emptive to suggest this is reflecting a growth in the level of values. What sales are occurring, are indicating a stabilising of current values, but this remains heavily dependant on trading commodity prices and the availability of stock feed. Much of the land located south of the city available for purchase, remain on the market with high asking prices and lengthy listing times.

There has been some strengthening in the rural-living market (acreage under 100 acres), with levels of demand showing a slight increase.

Discussions with agents indicate that realistic asking prices are a major factor when there is good supply of alternative properties available.

Southern Queensland

The market has remained quite static for the start of the 2014 year. At the fore mind for many, are the impact of the extended dry and the likely hood of returning to prolonged El Nino weather events. From inspections conducted throughout south eastern Queensland through to far western Queensland it is undoubtedly the driest period in decades for many. The lack of feed is obvious and those heat waves from Christmas through to early February have dramatically intensified the impact on surface water availability, crop yields and the welfare of the livestock in general. The Abbot Government visiting Longreach in late February to discuss the Drought Assist Package has ironically stirred up some rain clouds and significant falls were received in the immediate area in the vicinity of 150 millimetres.

However further east past Chinchilla falls were less than 25 millimetres. Overall the rains were disappointing to many in the east yet for those that snagged a drop, it has been a savour. The short term impacts of the rain have seen an improvement in the Roma sales and yard numbers have been down. For many farming the rains have come too late to have any impact on potential yields for those that did plant. The reality is harvests this summer will be below par, however because of the lack of grain this will obviously provide some indirect relief with increases in commodity prices. Sorghum price at Dalby at the end of February was $303 per tonne up $4 per tonne on the previous week and the likes of White French Millet is holding at $690 per tonne and Mungbeans at $1,090 per tonne.

On the property market front, sales transactions have been slow. In far western Queensland there has been some activity in the Quilpie and Cunnamulla areas with a foreign pension fund acquiring further country which includes the properties Gumahah near Eulo, Rywanda, Willacora and Tuen Vale south of Cunnamulla and Momondary east of Quilpie. Other sales that have settled and that can now be reported include the Tobermory and Nerrigundah aggregation west of Quilpie for $2.7 million reflecting $18.50 per hectare. Further east sales have remained relatively soft.

There has been a distinct weakening in sales trends by gas and/or mining companies acquiring lands. The landscape however within the Surat Basin is a hive of activity with the construction of gas fields and more intensive 'key' infrastructure sites such as Seven Trees, a property owned by Australian Pacific LNG north of Yuleba.

North Queensland

It's not how much falls, but how it falls! There have been some full rain gauges and some nearly empty ones in the past couple of weeks. In one paddock rain will have been heavy on one side, but not the other.

It's important that industry stakeholders realise that the recent wet week may not have broken the drought. The good news for some is that the total rainfall received in the year to date has been as much as falls in 2013. Unfortunately for others, the season has only just started to break.

Rainfall is but one piece of the puzzle as to how this year will pan out. Commodity markets, movements in the Australian dollar, foreign exchange rates, domestic demand, global demand, input costs, interest rates and wages are just a few other components that come to play in the rural business enterprise.

At present there is much discussion around the Live Export markets and expectations for 2014 quotas.

Agents are busy drafting cattle looking to put decks together to meet market specifications. At this stage, there is a great deal off difficulty in finding animals that fit those specs. Cattle that fall outside these specifications are not meeting much demand on the domestic scene. It is expected that now that it has rained that the cattle will be in spec shortly.

The change in attitude towards the Bos Indicus lines over the past year has been interesting. While the live export demand was low, anything with a black nose so to speak, was sent back to the station that they came from. Cross breds and flat backs were the go.

This year though, with the increase in quotas to the South East Asian markets, the animals with 'content' are back in flavour. This shift in demand in type of animal may bode well for the country types who are only able to produce these animals. Sales evidence indicates that the country requiring the higher Bos Indicus content and not able to cross breed or run Bos Taurus breeds was not in demand while the Live Export woes were in hand.

This is not to say that these country types will 'bounce back' or increase in value (there are other factors at play too), however perhaps this may help towards hedging off the other negative perceptions which are challenging value rates on those country types.

Should the rain continue to fall, then it is expected that demand for breeding stock will be strong as re stockers come to the foray.

This should be good for stations offered to the market, fully stocked.

At this stage there are four stations being actively marketed for auction/tender. These are Swams Lagoon, Niall, Lolworth and Goldsborough. Each property in their own right are respectable stations. Certainly Swans Lagoon is being talked about a lot as it is higly improved following its history as a research station.

Central Queensland

As expected across Central Queensland there has been very little sales activity in recent months, largely due to the continued dry conditions, however some reprieve has been granted in recent weeks with many areas starting to rack up some useful rainfall totals. As some of these dryer patches start to (hopefully) fill in, we expect the number of offerings to increase especially in the western areas.

So far this year one of the only sales has been of the smaller scale grazing property 'Nelson' located just east of Springsure. The 1,546 hectare (3,820 acre) property sold at auction for $1.715 million which equates to around $1,109 per hectare ($449 per acre) which is well below the peak rates of a few years ago for similar good quality developed scrub blocks of this nature.

The upcoming auction of the 5,480 hectare (13,540 acre) top quality scrub property 'Rangeview' located in the highly regarded Bauhinia Downs district west of Moura, we be a good test for current rates of top quality developed scrub country.

Similarly the two separate offerings of the Dawson River mixed irrigation properties 'Girrahween' (494 hectares or 1,220 acreas) and 'Kelinda' (1,319 hectares or 3,259 acres) will be keenly observed by many industry stake holders to provide a gauge for irrigation values in Central Queensland.

Another notable offering to recently come on the market is the mixed grazing/irrigation/dryland/feedlot aggregation of 'Willesley Station' and 'Laurel Hills Station' (32,500 hectares), located in the Belyando/Mistake Creek district north of Clermont. This is one of the more significant offerings in recent years in this region and again will be keenly observed to see what sort of interest in generated.

Northern Territory

Continued strong momentum for live export cattle prices out of Darwin is underpinning the resurgence of interest in the Top End pastoral market. We are aware of a number of forward contracts for steers to Indonesia locked in at $2.30 per kilogram until the end of April 2014. Many pastoralists we have spoken with are very happy with the improved cash flow and we have even heard of one long-time Top End cattleman actually framing his copy of an Indonesian steer contract which shows the record price he's locked in at because he reckons "it's a first and don't know how long until it's the last!

The much improved cash flow position has seen strengthening enquiry for blocks that previously weren't getting a look in. These include smaller scale stations (say, 6,000 AE capacity and less) anywhere north of Daly Waters. We are aware of decent offers to purchase such leases now, particularly those with good wet season access to a sealed road to Darwin. But make no mistake, vendors (nor purchasers) aren't expecting values to rocket away with this increase in demand, and offers still show a significant difference between the market highs reached around 2009. But properties are now selling where they weren't before. The interest mainly comprises local pastoralists who are looking for add-on blocks (again, with wet season access).

We are currently aware of another recent sale of a medium to large scale cattle station located on the Carpentaria Highway. Details remain confidential at this stage however we understand that the buyer was a local with an interstate partner and they are looking to develop the property to its potential full carrying capacity (in excess of 15,000AEs). If the sale is consummated, the value will represent a similar dollar per AE value to values prevailing circa 2006. This is yet another sale (in addition to Riveren/Inverway, Maryfield) that helping to bed down the general perception of pastoral land values in the Top End. While there are generally significant differences between any two pastoral leases in the Top End, there is more comfort now about where values have come to rest and the market now appears confident to step in to make an offer where this time last year they feared to tread. All in all, including the Carpentaria Highway sale above, we are aware of three Top End cattle stations sales currently under contract and two that are in advanced stages of negotiation. We are also aware of another station in the Kimberley that is ever so close to being sold.

Western Australia

Re-investment is a word that has not been heard in many farming communities over the past decade as droughts, price wars and government bans have taken their toll. I have however been recently hearing the word more and more and seen evidence of it while travelling around the Western Australian agricultural regions. In the south west it has been reported by a dairy equipment company that three new dairies are in the process of being built. This is a significant investment (often in excess of $1 million) for those in an industry that has historically seen many members leave, a dairy cooperative collapse and have had farm gate prices reduce.

It is also evident that across a number of more reliable areas in the wheat belt, properties are continuing to be developed with new fences, sheds, water supplies and more importantly soil improvements programs. With continuous cropping programs having the potential to result in depleted soils structures and fertility it is a major part of an operations re-investment program to manage this issue. While drought years and low yield have made this very difficult over the past decade it has been reported than many producers are taking advantage of the good harvest this year and are in the process of extensive liming programs to assist with soil PH and structure.

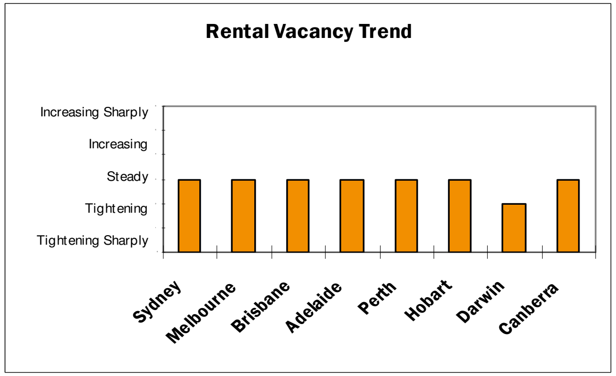
Although to many re-investment in an industry that can be so unpredictable and influenced by factor out of our control may seem insanity (Insanity: doing the same thing over and over again and expecting different results. *Albert Einstein*). It is our opinion that it is evident that confidence is returning to the Western Australian agricultural industry and that those re-investing have the foresight that reinvestment is not about the next two to three years but the next 20 years and the next generation. You could also question what is the alternative option? Run the farm into the ground then give up? While for some this has been an unavoidable end for others the 'Aussie Battler' spirit kicks in and they re-invest.

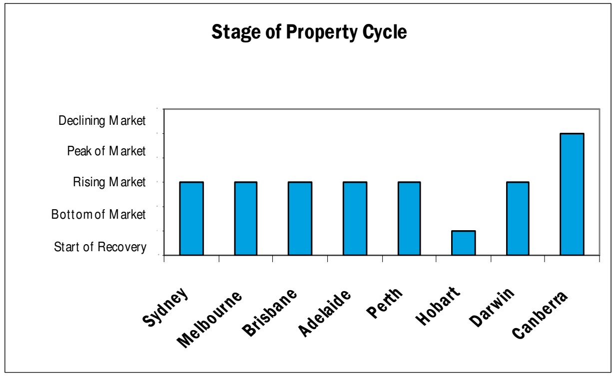
Capital City Property Market Indicators - Houses

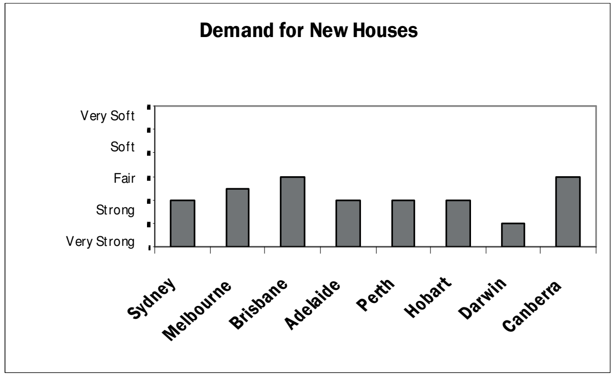
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady
Demand for New Houses	Strong	Fair - Strong	Fair	Strong	Strong	Strong	Very strong	Fair
Trend in New House Construction	Increasing	Steady - Increasing	Steady	Increasing	Increasing	Increasing	Increasing strongly	Steady
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing strongly	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	Strong	Very strong	Fair
Trend in New Unit Construction	Increasing	Increasing strongly	Steady	Steady	Increasing	Increasing	Increasing strongly	Declining
Volume of Unit Sales	Increasing	Increasing - Steady	Increasing	Increasing	Increasing	Increasing	Increasing strongly	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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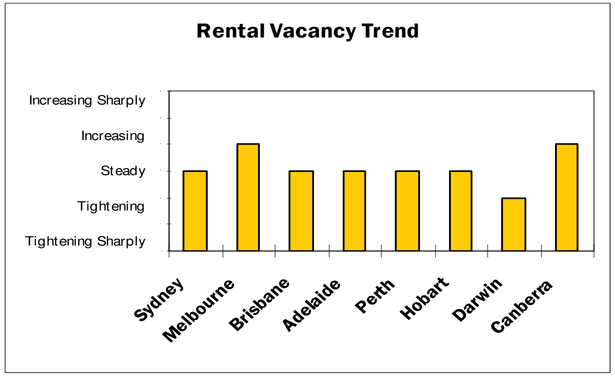

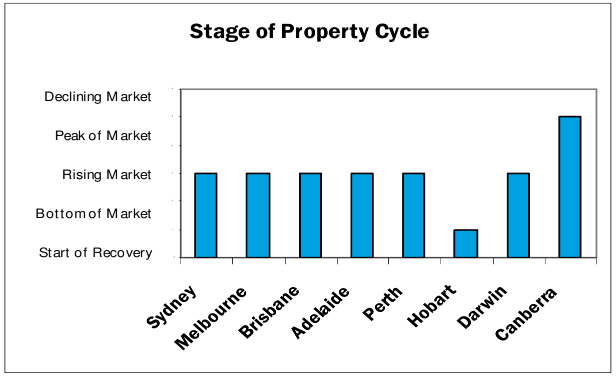

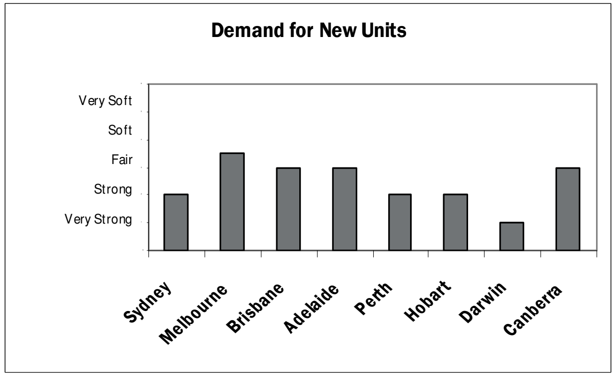

Market Indicators

Capital City Property Market Indicators - Retail

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

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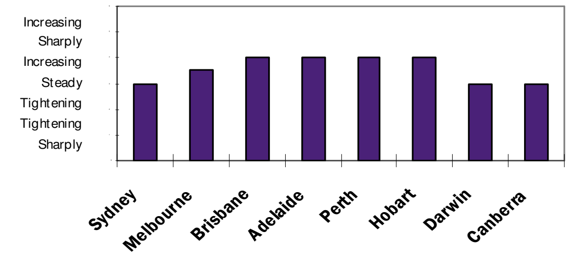
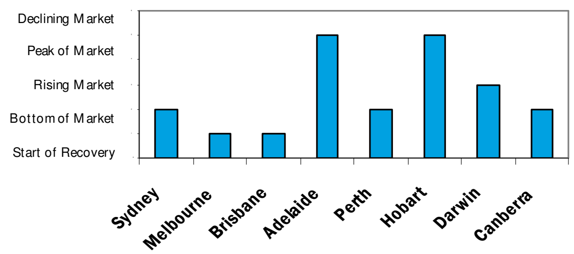
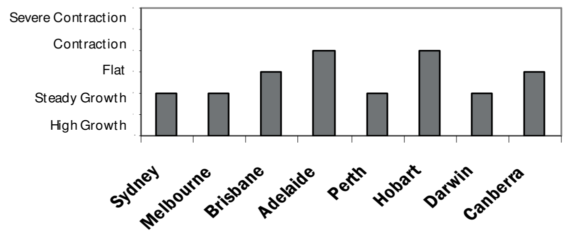
Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation



New South Wales Property Market Indicators - Houses

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

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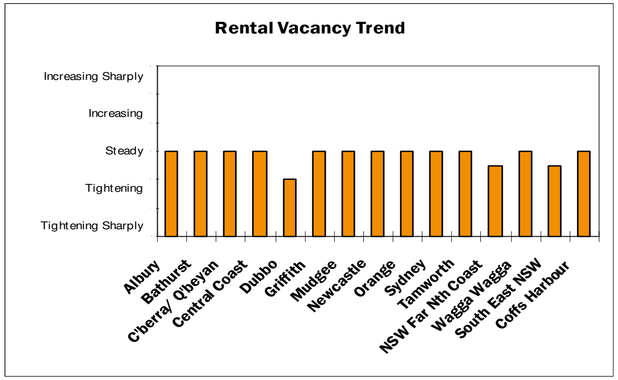

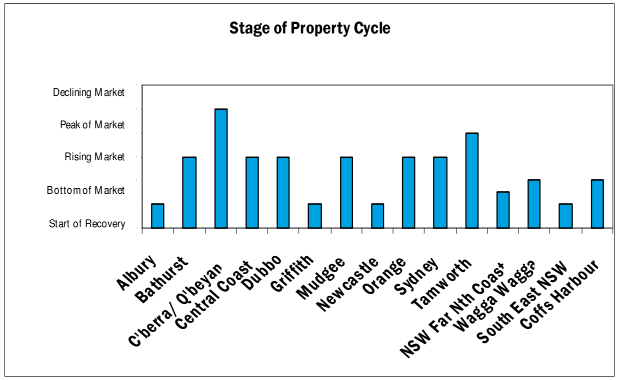

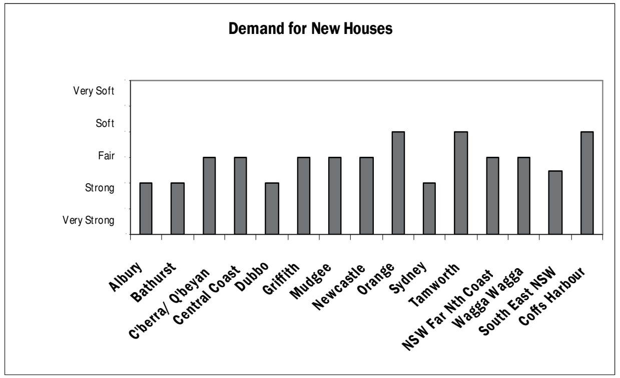

Market Indicators

New South Wales Property Market Indicators - Units

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

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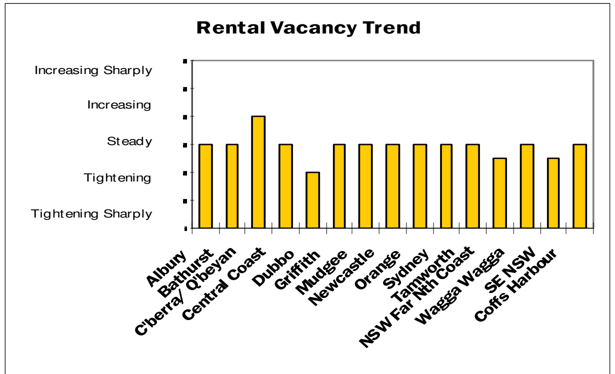

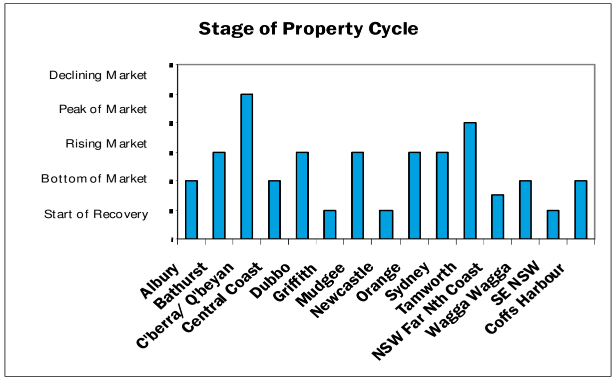

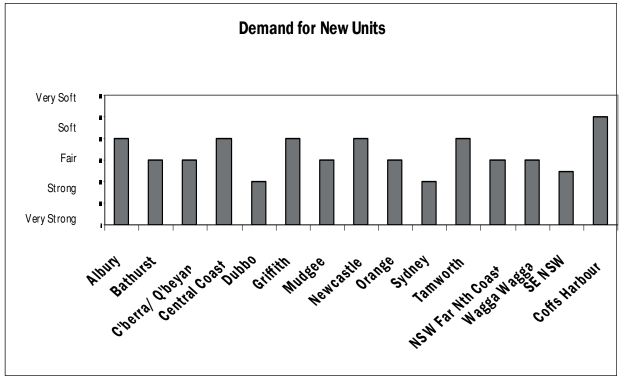

Market Indicators

New South Wales Property Market Indicators - Retail

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	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	Steady	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	Increasing	Declining	Steady	Steady	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Rising market	Bottom of market	Bottom of market	Rising market	Start of recovery	Rising market	Rising market	Peak of market	Bottom of market	Rising market - Peak of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Steady growth	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	Small - Significant	Significant	Significant	Significant	Small	Significant	Significant	Significant - Large	Significant	Significant - Large	Small

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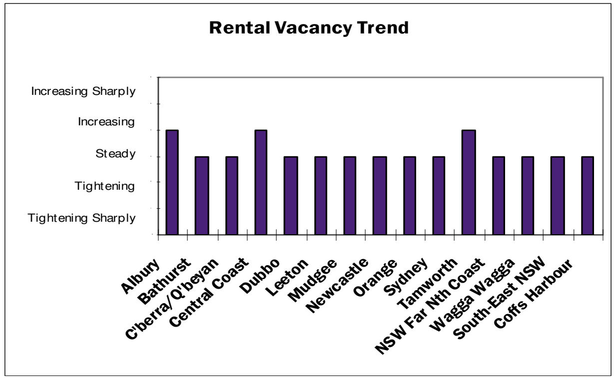

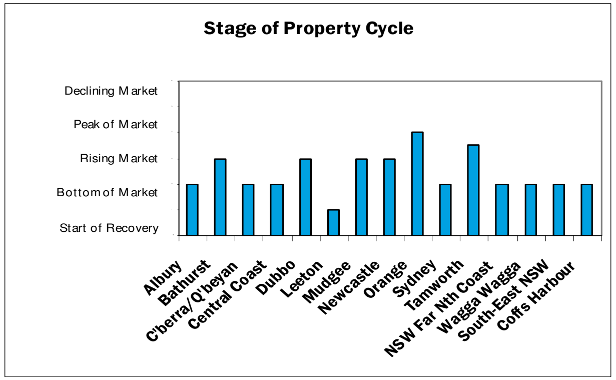

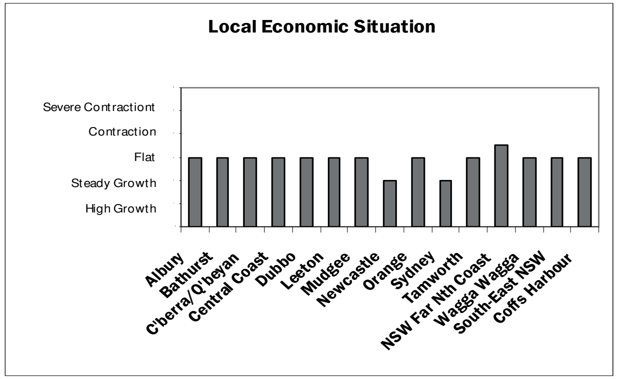

Victoria/Tasmania Property Market Indicators - Houses

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

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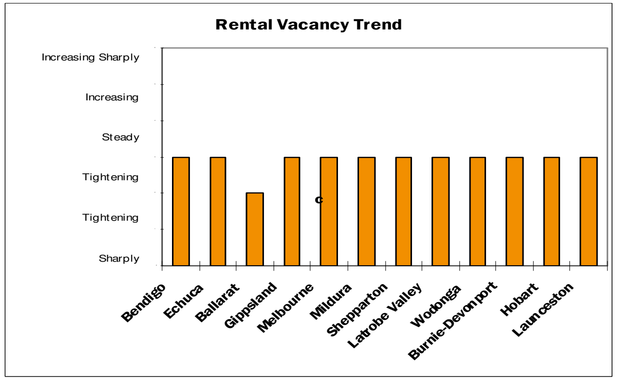
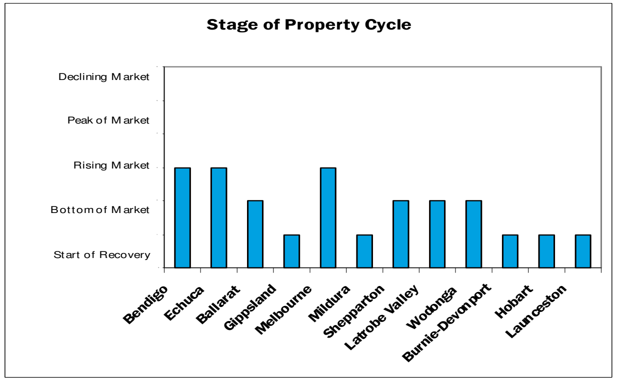
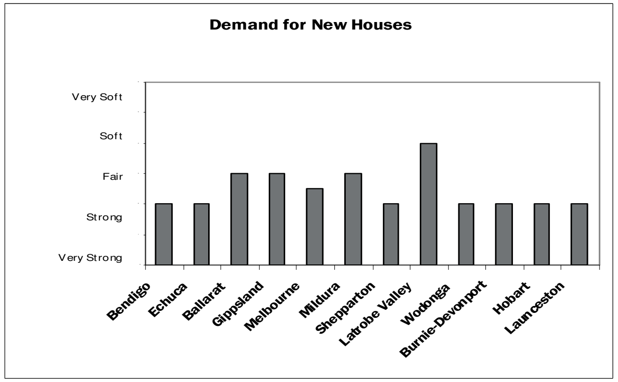




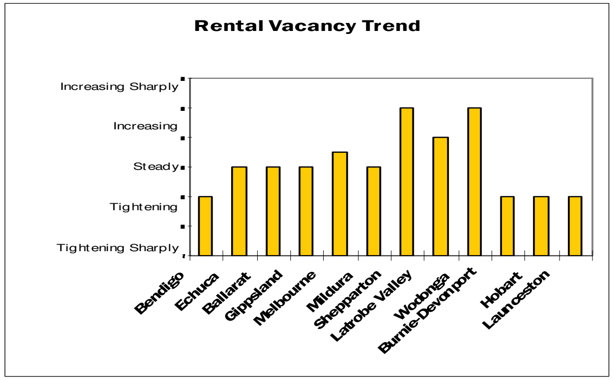


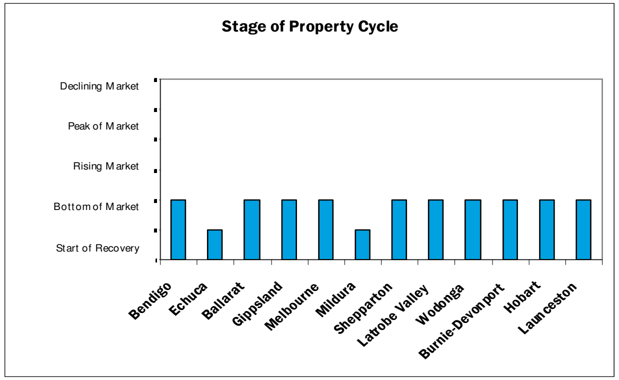
Market Indicators

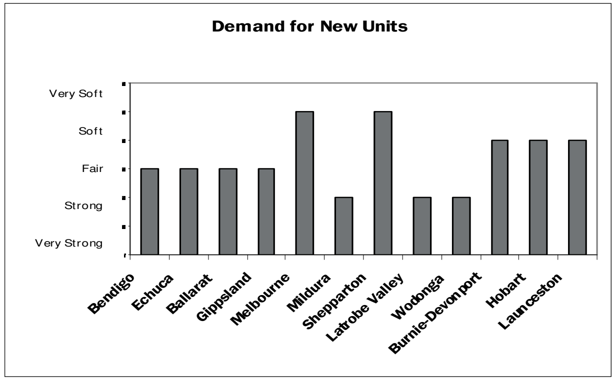
Victoria/Tasmania Property Market Indicators - Units

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

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







Victoria/Tasmania Property Market Indicators – Retail

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	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	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Increasing	Steady - Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Declining	Declining	Declining	Declining	Declining	Declining
Volume of Property Sales	Steady	Steady	Declining	Steady	Steady	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Start of recovery	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market
Local Economic Situation	Steady growth	Flat	Flat	Steady growth	Flat	Flat	Flat	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small - Significant	Significant	Small	Significant	Small	Small	Small

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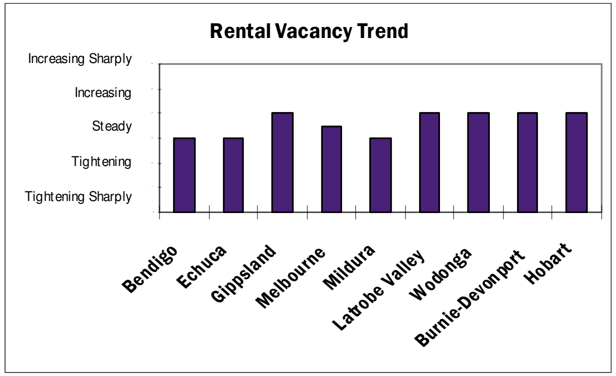
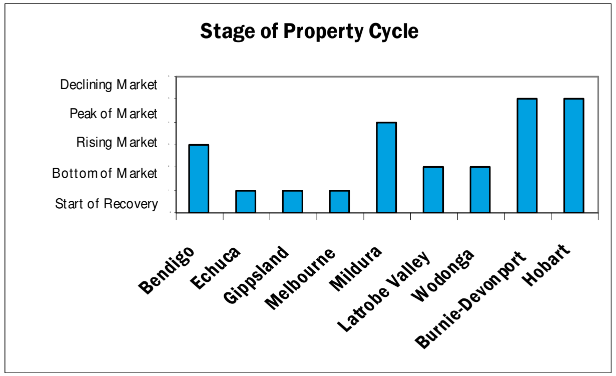
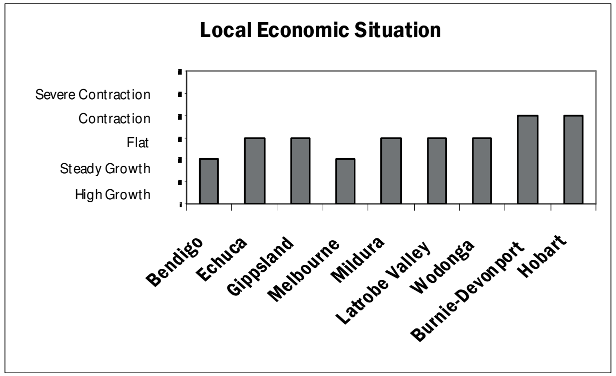






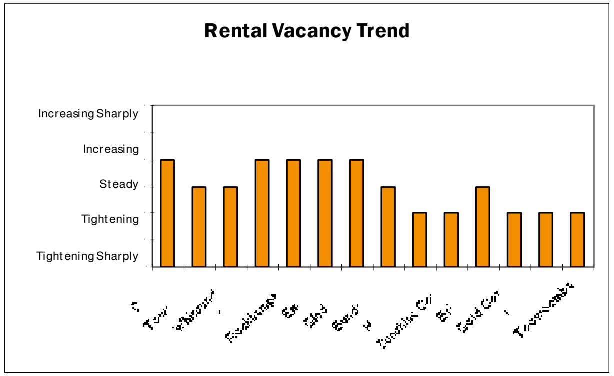
Market Indicators

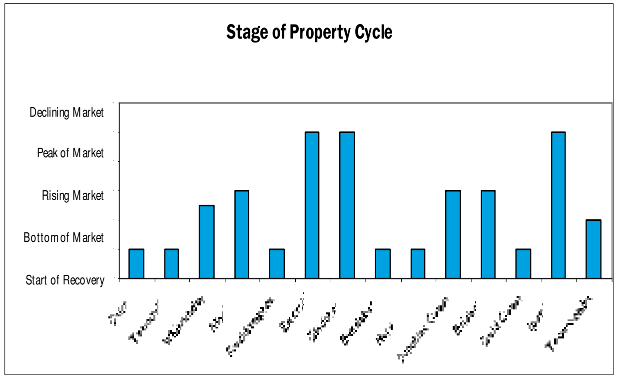
Queensland Property Market Indicators - Houses

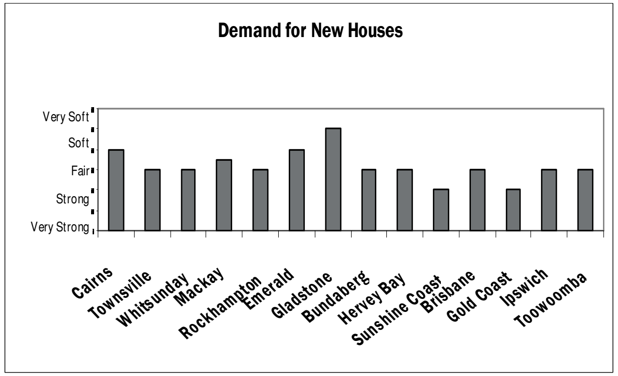
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced 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	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Steady	Tightening	Tightening	Steady	Tightening	Tightening	Tightening
Demand for New Houses	Soft	Fair	Fair	Soft - Fair	Fair	Soft	Very soft	Fair	Fair	Strong	Fair	Strong	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Increasing	Steady	Increasing	Steady	Increasing	Steady	Declining
Volume of House Sales	Increasing	Increasing	Steady	5.5	Steady	Declining	Declining	Increasing	Steady	Increasing	Increasing	Increasing strongly	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	Start of recovery	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





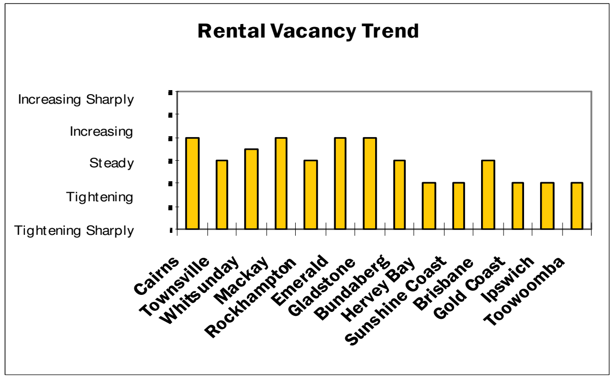


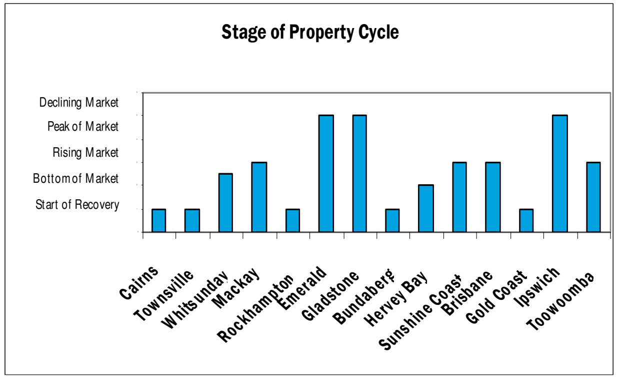
Queensland Property Market Indicators - Units

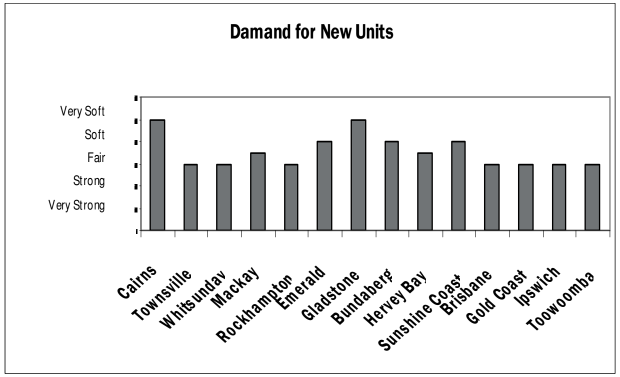
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced 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	Increasing	Steady	Steady - Increasing	Increasing	Steady	Increasing	Increasing	Steady	Tightening	Tightening	Steady	Tightening	Tightening	Tightening
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Fair	Soft	Very soft	Soft	Soft - Fair	Soft	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Declining	Steady - Increasing	Steady	Steady	Steady	Declining	Declining	Steady	Declining - Steady	Steady	Steady	Steady	Steady	Increasing
Volume of Unit Sales	Increasing	Increasing	Steady	Steady - Declining	Steady	Declining	Declining	Steady	Increasing - Steady	Increasing	Increasing	Increasing strongly	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	Start of recovery	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	Frequently	Almost always	Frequently

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

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







Market Indicators

Queensland Property Market Indicators - Retail

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

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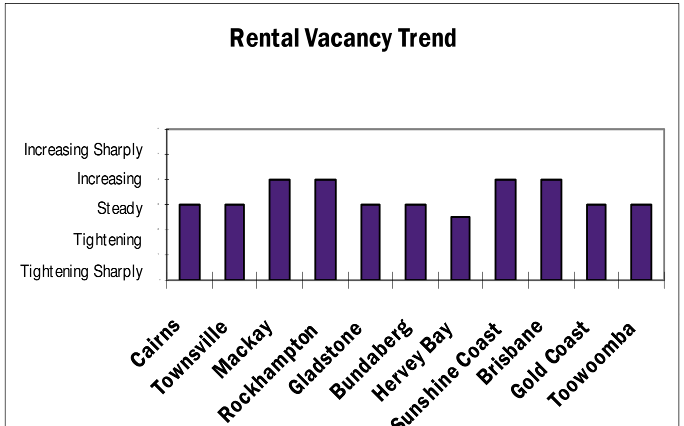

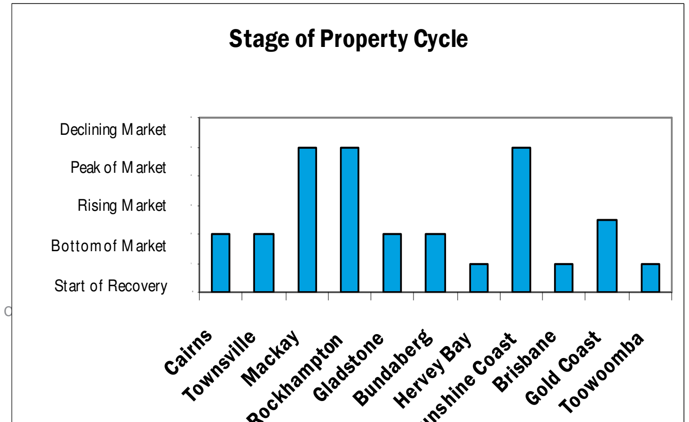

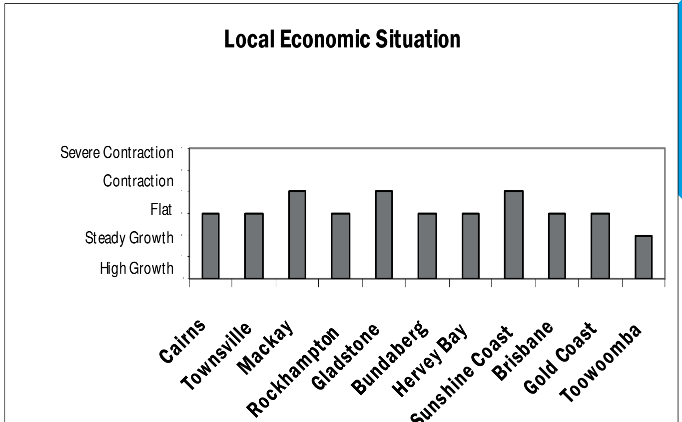

Market Indicators

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

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Steady
Demand for New Houses	Strong	Strong	Strong	Strong	Fair	Soft	Very strong	Very strong	Strong	Strong
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Bottom of market	Bottom of market	Rising market	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	Occasionally	Occasionally	Almost never	Occasionally

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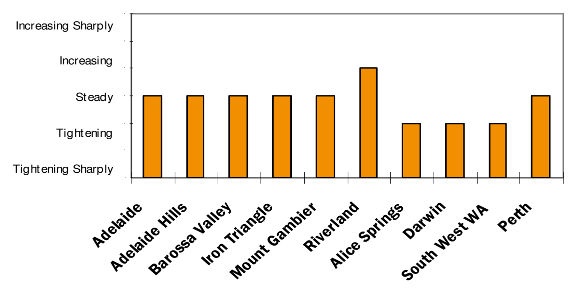
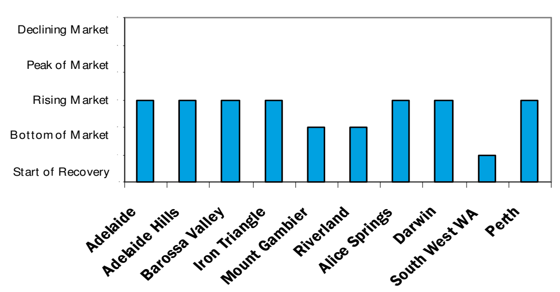
Blue entries indicate change from 3 months ago to a lower risk-rating

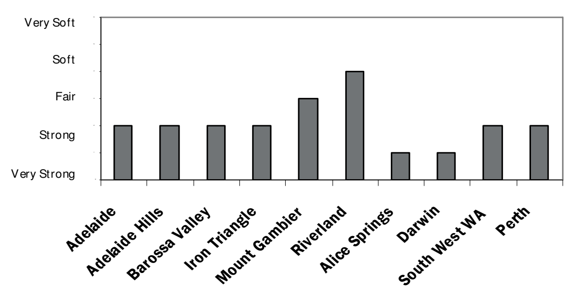
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses



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

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Very strong	Very strong	Strong	Strong
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Declining	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing
Volume of Unit Sales	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Bottom of market	Bottom of market	Rising market	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	Occasionally	Occasionally	Almost never	Occasionally

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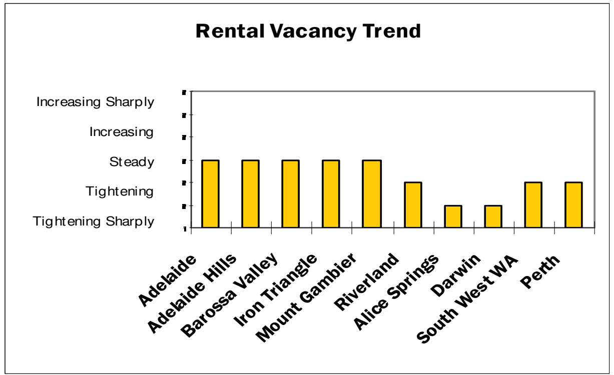

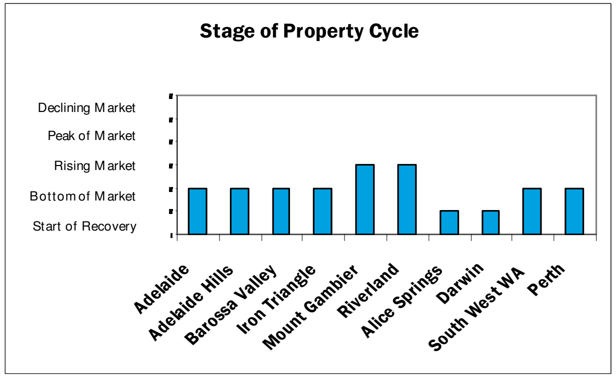

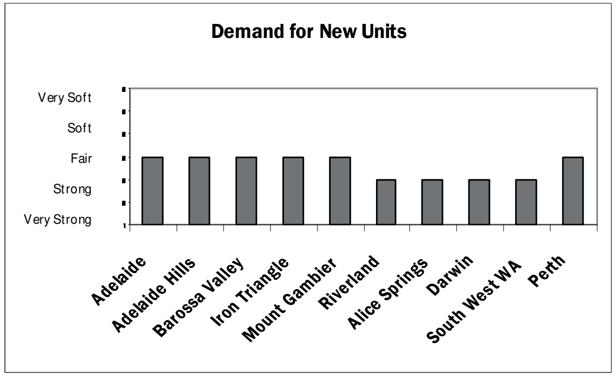

Market Indicators

HERRON TODD WHITE

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

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

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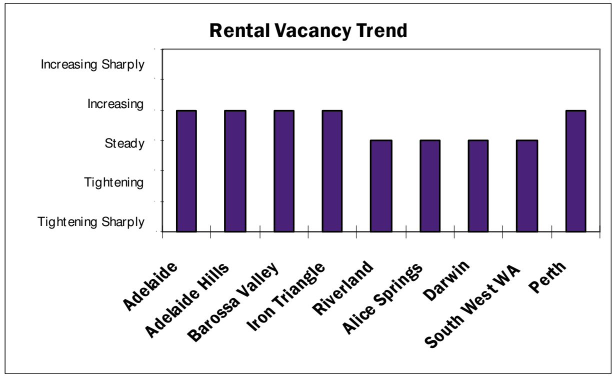

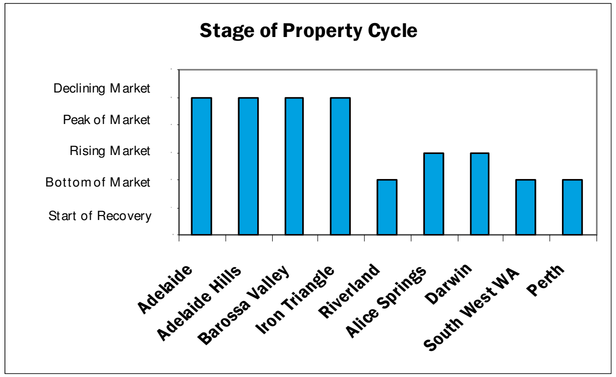

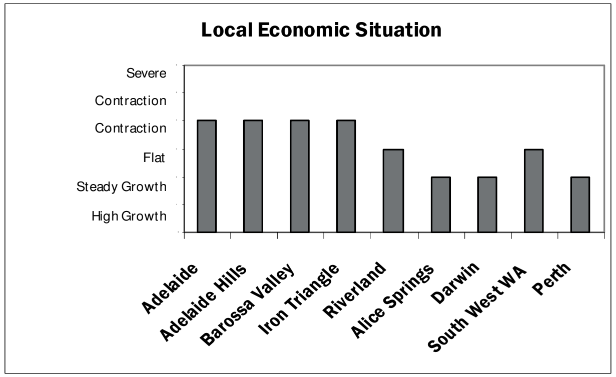

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