April 2014

Month in Review

HERRON TODD WHITE

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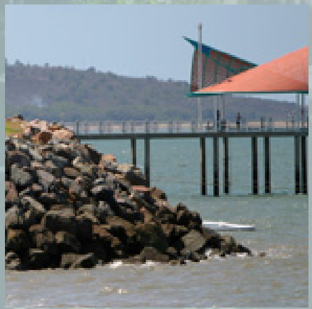
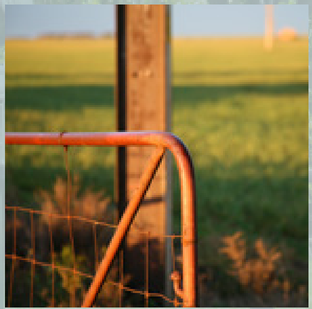

Build it! Construction could be a hero

There's a bit of doom and gloom post-mining boom in the land of Oz. Opening up the financial pages reveals talk of our mining led mega-economic good times suffering a hangover – it's an almost depressive bout of self-doubt. The once glorious star of the nation's balance sheet is becoming human and we're looking for the savior.

While this might be overly dramatic, those with a voice are keen to see what lies beyond the mines. To many, manufacturing doesn't look like much chop as a step-in. Ask those in Victoria now having to consider their future and they'll tell you – you either reskill or reassess your retirement plans. Well there is one thing that we do make that can't be bought over the internet from low-labour-cost countries and that can't be shipped to your address by a remote control drone – and that's housing.

Bricks and mortar, literally, is once again the tangible asset class on which we may all end up relying. Plenty of pundits amongst our property markets are willing to step forward and highlight construction as the industry to pick up mining's slack and keep the balance sheet in the black. It creates jobs, turns over cash flow and keeps a roof above everyone's head. Construction may well prove to be "where it's at" in 2014.

Construction can be a broad housing church when you considerate it in terms of our nation. With climatic extremes, cost of living variations and relative housing affordability all coming into the mix, one man's low set brick and tile is another man's castle, depending on where you are.

This month, the kind folk of Herron Todd White are looking to provide some up-to-the-minute information on house and land packages from all corners of the nation. We've got them donning their hard hats and strolling across this country's sites to determine what it costs, where it's best and how it's performing. We've summarised major estates, determined who's buying the new stock and seen if rental returns are worth the price of admission for investors. Finally, our team take you on a journey into the future as they give their feelings on how this asset class looks set to perform.

And don't feel left out if commercial property is your thing – we've got you covered as we put industrial real estate under the microscope. It's finally time for the heavy lifting sector of the commercial markets to have their place in the sun as we give you the rundown on what's ahead for industrial property over the coming 12 months.

So whether you swing a hammer or wield a mobile phone, we've got the information to help you in all walks of real estate life. A go-to source of independent advice that will have you building upon our experience to create a strong financial foundation. Be sure to give us a bell and let us know how we at Herron Todd White can be a useful tool in your property utility belt.

QS Corner - Keeping records for investment purposes.

If you own or are thinking of owning an investment property, it's soon going to be very important to be efficient and organised at filing records and keeping them for awhile. The Australian Taxation Office (ATO) makes it very clear that you must retain records of your rental income and expenses for five years from 31 October or, if you lodge later, five years from the date you lodge your tax return. The ATO can go back further than five years if they suspect fraud and if at any point you are in a dispute with the ATO relating to your rental property, you must keep the relevant records until the dispute is resolved.

It is important to organise these records in a manner that ensures they are ledgible, safe and accessible. The ATO looks unfavourably upon missing documents and as a result hefty fines may apply. So we do advise you to take the time to organise your records in th event they are required to be produced.

When owning a rental property, any money earned or spent on the property needs to be recorded and filed, no matter how large or small the sum.

Records such as bank statements, a statement from the managing estate agent outlining the rental income and expenditure, a copy of the lease agreement, council rates and insurances along with copies of all receipts for any repairs, and maintenance must be retained. So if you've spent money and claimed it, then you must keep the receipt or statement - for five years.

Keeping adequate records for your investment property also means that you must keep adequate records in relation to Capital Gains Tax (CGT). This is vitally important because you will need to work out and prove any capital gain or capital loss when a CGT event happens. The ATO makes it clear that these records relate to your ownership and all the costs of acquiring and disposing of the property. Another really important reason to have all of your CGT documents in order is to make sure you do not pay more CGT than is necessary.

Just like keeping records for the money spent and earned on an investment property, if you are to void any penalties, you must keep records of everything that impacts your capital gains and capital losses for five years. Most investors understand that upon the sale of an investment property they may incur a tax liability in the form of Capital Gains Tax (CGT). This is payable if the investment property was acquired after September 19, 1985 and also if the property was gifted.

The Australian Tax Office (ATO) outlines that "a capital gain - or capital loss - is the difference between what it cost you to get an asset and what you received when you disposed of it". Sometimes there may be confusion as to the period CGT is calculated on. If for instance, the property in question was your principle place of residence and then it became an investment property, a property valuation is needed to establish a base date for calculating CGT.

Herron Todd White is ideally placed to undertake valuations for Capital Gains Tax purposes whether it's for current market value or a retrospective market value. We can also prepare a Tax Deprecation Schedule at the same time for the same property, providing you with two reports from only one inspection on your property, saving you time and money. Please feel free to contact us at enquiry@htw.com.au for further information.

Commercial

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New South Wales

Overview

The industrial sector has a flexible entry price-point for most investors. If buyers are keen to add industrial property to their portfolio, then it isn't difficult to find a shed and sign a contract. Where most will come unstuck is being under-informed on the market and where it's heading.

Month In Review has provided our thoughts on the 2014 office and retail markets previously, and now its industrial's turn. Our experts are keen to let you in on how this market is performing and what you can expect as the year progresses.

Sydney

Several factors paint a positive picture for the performance of Sydney's industrial property market in the year ahead. Firstly, it is widely believed that the worst for Sydney's industrial property market has now passed. Surveys conducted late 2013 by the Australian Property Institute showed a consensus view that all capital city industrial markets along the eastern seaboard have passed their cyclical troughs, with the Sydney market furthest into an upswing.

Coinciding with this consensus view is the recent strengthening in Sydney's housing market, as well as strong population growth through interstate and overseas migration, both of which are increasing the local consumer base for goods and services. This is positive news for the performance of industrial property in Sydney, as increased household consumption drives more demand for industrial space in a market, which currently holds relatively limited supply.

While the level of industrial supply in Sydney has been well managed, further supply constraints have been placed by planning authorities working towards meeting demand for housing. To help meet housing demand, a portion of Sydney's underutilised industrial sites have become rezoned for urban development, placing a higher concentration of demand for Sydney's prominent industrial precincts in nearby areas.

Looking ahead, we expect several factors to continue to impact the performance of Sydney's industrial market in 2014. With the interest rate environment expected to remain low in the coming year, private investors seeking higher returns than low yielding passive investments, such as term deposits, are expected to continue to look for commercial property (such as industrial) to add to their investment portfolios. Low commercial lending rates are also expected to continue to ease costs for owner-occupier purchases, increasing overall buyer demand for industrial stock in Sydney.

However, while there are several factors pointing towards positive performance of Sydney industrial property, there are also some headwinds being encountered. Business conditions and business sentiment which steadily improved in 2013 have again become fragile and may negatively affect future space requirements by industrial users. Additionally, after improving significantly through 2013, consumer sentiment has also dipped sharply in the beginning of 2014, which can potentially place a negative impact on demand from providers of warehousing and distribution of retail goods.

Canberra

Overall the market has been quiet in this sector since the election in September 2013 however there are glimpses of activity which suggest the worst may be behind us.

A significant site in Mitchell sold for $3,492,500 in November 2013 comprising an area of 11,480 square metres and equating to a rate of $304 per square metre.

Other sales which have occurred in the past four months include two sites in the New West Industry Park in Hume, namely Block 9 of Section 29 (12,853 square metres) and Block 6 of Section 29 (7,671 square metres) for respectively $140 per square metre and $142 per square metre. Both blocks are eligible for a rebate under the Environment Sustainable Design (ESD) scheme initiated by the ACT government, announced on 13 October 2013, to encourage environmentally sustainable design. The maximum rebates are $115,000 for a block in excess of 10,000 square metres and $75,000 for a block in excess of 5,000 square metres and less than 10,000 square metres. The rebates are based on the ESD initiatives undertaken at each site – clear criteria are incorporated in the ESD. There are seven initiatives which include:

1. Building Fabric
2. External Elements (Landscape)
3. Materials
4. Indoor Environment
5. Energy Services
6. Water Use
7. Transport

The payments are made at time of construction or on completion of construction. Although the rebates are not substantial it does indicate that the ACT Government is serious in their encouragement of sustainable development in the commercial/industrial sector.

Country NSW

Industrial property markets across regional NSW remain flat limited by both supply and demand. Mining which was a major driver in markets such as Orange and Mudgee appears to have softened with reduced expansionary activity. Increased vacancies in Orange are placing downward pressure on rental levels.

Sales evidence suggests firming yields in line with interest rate falls however values remain steady with downward pressure on rental levels. Sales in 2013 indicate investment yields in the order of 8% to 9% depending upon the strength of the lease covenant. Owner-occupiers competing in these markets can secure property at or below replacement cost.

Dubbo and Bathurst industrial markets remain flat with a steady supply of industrial land available for sale under $70 per square metre. Relatively speaking this land is cheap and places a ceiling on capital growth in these markets.

There have been announcements from large manufacturing plants in the central west of reductions in work force and/or closing operations. These include Electrolux in Orange with over 500 workers being stood down in 2016 together with a reduction of about 110 workers at Simplot and 100 workers at EDI in Bathurst.

Newcastle

We're expecting some market change in the industrial sector in the Newcastle and Hunter region in the coming year. At present the area is a little low on good quality, well tenanted property in key industrial precincts. These types of properties have seen some value increases and minor yield compression in 2013 and our research indicates investors are ready to buy the right property at the right price.

We can't see the secondary/speculative end of the market moving much, if at all during the rest of the year, further widening the gap between quality properties versus secondary stock.

> We've already seen an uplift in buyer enquiry for smaller strata sheds to be purchased in super funds by owner-occupiers.

Local agents also indicate a lack of stock in this market segment. Such demand may lead to an increase in industrial building approvals, which have been relatively low in the past few years. These fundamental market conditions indicate potential value increases are possible during 2014. Rents are still relatively stagnant, further indicating yield compression, especially for small strata property which is dominated generally by the owner-occupier.

The wait and see mentality that has dominated the market for the past five years may be lifting and we see potential for some value increases in certain industrial market segments in 2014.

Victoria

Melbourne

Foreign purchasers eye industrial property

The Melbourne Industrial property market is stable but with slow price growth. The yield premium between primary and secondary property is increasing as prime yields tighten. Yields for prime industrial properties show signs of falling into the 7% to 8% range in 2014. Investors from China and South-East Asia continue to inject cash into both local residential and commercial property markets. Historically prime and A-grade office assets have been the most popular commercial investment vehicle to foreign purchasers. Evidently, office was the most popular commercial asset class in 2013. However, we believe that there is limited prime and A-grade office space in Melbourne currently and that competition for such assets is strong as private overseas investors have to compete in a limited market against major institutional purchasers and superannuation funds. Subsequently, foreign purchasers have set their sights elsewhere, and speculation has it that they have hopped back onto the industrial property bandwagon.

E-commerce Boom

The strengthening e-commerce sector has meant that demand for storage space has also risen. According to national research, Australians who don't buy something online in an average three months period are now in the minority. Online sales are now totalling over $24 billion with increasing year-on-year percentage growth. It can be expected that demand for warehousing in the medium to long term future will continue to rise alongside growth in online shopping.

What will the future of the closure of Melbourne's car manufacturing industry mean for its industrial property market?

Institutional investors whom have little direct exposure to the automotive manufacturing industry are likely to feel the impact of the closures of Toyota, Ford and Holden. Small-scale private investors and owner-occupiers however are more likely to feel the financial consequences of the closures, particularly those located around Toyota, Ford and Holden's manufacturing facilities (i.e. Campbellfield, Altona and Port Melbourne).

Warehouse space for large car manufacturing is specialised. Subsequently it is thought that some of the floor space previously used by the automotive industry may be redeveloped for alternative uses, increasing future development site potential for obsolete Toyota, Holden and Ford manufacturing sites.

Demand for storage and pre-delivery space is expected to increase, as the nation becomes more dependent on overseas car manufacturing.

Warehousing for storage space will typically be the space to watch in the medium to long term, as demand will also come from the e-commerce sector.

The strengthening e-commerce industry, demand for warehousing from retailers and the automotive imports industry are just a couple of reasons why industrial sales and leasing can be expected to do well in 2014. Low interest rates and a lower Australian dollar in 2014 than the past twelve months will also provide a favourable investment environment for the investment class.

Notable Industrial Sales

25 Strzelecki Avenue, Sunshine West

Sold 1 September 2013 for $8.5 million with a net lettable area of 10,467 square metres and an annalysed yeild of 8.8%.

Comments: The site is located with an Industrial 2 Zone (IN2Z) under the Brimbank Planning Scheme on an irregular parcel of land. The site has an approximate 116 metre frontage to Strzelecki Avenue.

Erected on the property is an office/warehouse built in 1997. Warehouse accommodation is single storey.

The office to warehouse ratio is 10.75%. The site coverage ratio is 28.7%. The surplus land has been assessed at 14,500 square metres. To calculate this surplus land on site, we have adopted a site coverage ratio of 60% based on the expected site coverage ratio for similar properties in the same location.

Investment Sale. The property is fully leased to Bitzer Australia Pty Ltd. Leased on a commencing net rental of $748,150 per annum plus GST with outgoings of $71.48 per square metre and annual CPI increases. Lease commencement date 1 July 2013. (Wale 6.33 years) The rental has been apportioned as $53 per square metre for warehouse, $100 per square metre for office and $10 per square metre for surplus land. The commencing rental used in this analysis is deemed to be within market levels and has been adopted for analysis purposes.

1651-1657 Centre Road, Springvale

Sold 19 February 2014 for $10.695 million with a net lettable area of 10,987 square meters and a analysed yeild of 8.42%

Comments: The site is located within an Industrial 1 Zone (IN1Z) under the Greater Dandenong Planning Scheme. The allotment is of regular shape and has frontage to Centre Road of approximately 194 metres.

Improved on site is a metal deck concrete tilt panel office/warehouse built circa late 1990's. The surplus land has been assessed at 5,044 square metres. To calculate this surplus land on site, we have adopted a site coverage ratio of 45% based on the expected site coverage ratio for similar properties in the same location. The office is approximately 6% of the total building area. The office/warehouse is approximately 37% of the total site area.

Leaseback investment sale. The property is fully leased to Mainfreight on a five year lease that will commence upon settlement. (WALE 5 years). The commencement net rental will be $900,000 per annum plus GST, which equates to $82 per square metre with component rates of $70 per square metre for warehouse, $137 per square metre for office and $15 per square metre for surplus land.

The commencement rental is deemed to be within market levels albeit at the upper end of a market rental range and has been adopted for analysis purposes.

Murray Riverina

There have been a couple of recent sales of smaller scale factories at levels lower than the cost of replacement notwithstanding the dated nature of some of the propreties offered to market. An up coming auction will be an interesting test of the market for a property leased to internal company Wika (rental will tick over to approximately $117,095 per aannum in August 2014). Outside of this property activity has been limited to smaller holdings (sub $400,000) suitable for owner-occupation for tradesmen and local businesses.

The future propsects will largely be linked to domestic construction activity along with the strength of the food manufacturing sector.

South Australia

Adelaide

Adelaide's industrial property sector continues to slowly recover from the protracted weak economic climate following the fallout of the GFC. While some sectors have good underlying fundamentals keeping institutional, private investors and owner-occupiers interested, there has been limited opportunity to acquire high quality industrial property across all price points in recent years.

> The most active sector of the market falls in the sub $5 million category, where owner-occupiers are most active.

Some areas are supported by private investment however there has been varied levels of depth within that purchaser group. This is despite early signs of improvement within the leasing market through 2013, however there remains a lack of urgency from market participants with incentives increasing and rentals either flat or reducing across most sectors.

Adelaide's inner north western industrial precinct remains the most sought after given its strategic positioning in relation to the CBD, port and major transport routes. The South Road Superway, South Australia's first elevated roadway, is as good as complete with northbound lanes opening in March while southbound traffic has had access since January. Only some minor landscaping remains to be completed. After nearly three years of detours and delays, the completion of the superway will be very and will improve access and travel times along the north-south corridor.

-(Insert photo here)-

There are two significant variables likely to have impact on the industrial market in the next 12 months.

Primarily the fallout from the Holden plant closure is fresh in investors' minds. The actual closure is not due to occur until 2017. As is often the case with such announcements the expectation is often worse than the reality and the impact is felt in the lead up.

While the impact on the southern industrial localities was minimal after the Mitsubishi plant closed, the fallout from Holden has the potential to be far greater. Tonsley (Cloveley Park) had long since stopped being a manufacturing hub and the businesses supporting the car manufacturing industry had the remaining Holden plant. This was coupled with it occuring within a more buoyant property market.

In this case there is already numerous economically obsolete manufacturing facilities in and around the northern industrial localities, which is also experiencing an extended period of subdued activity with weakened confidence. It's this weakened confidence that is likely to see the worst period of inactivity across the next 12 to 24 months. However astute purchasers maybe be able to secure good quality properties with solid fundamentals and leasing covenants with good returns, particularly as low interest rates are likely to be around for some time.

The second variable is the fallout from the State election. This has caused a level of stagnation within the market for several months now which is typical in the lead up to elections. At the time of writing South Australia remains without a majority government nearly one week after the election. While at this stage Labor is seeming the more likely winner, they will require the support of one independent. The significance of this on the South Road infrastructural project seems mute; both parties have policies involving the improvements of what is a required piece of the transport infrastructure. The major differential appears to be which portion is completed first. Whether it is the Darlington end, surrounding the northern end of the newly expanded Southern Expressway (Liberal), or the portion surrounding Torrensville, 'Torrens to Torrens' (Labor).

The improvements would be welcomed by all and will both improve access to key industrial localities such as Edwardstown, St Mary's and the planned Tonsley development which is in its very early stages. While any development will be long and inconvenient during its construction, the end game will be good for the inner southern industrial precincts.

So in summary the next 12 months is unlikely to reveal any major market correction, recovery or conversely collapse, but hidden within the relative stagnancy is likely to be opportunities for long term investment in areas with strong underlying fundamentals. The hedonistic days of fast turnarounds and big gains are well and truly behind us. Most market participants are familiar with that, but it seems too few are willing to take head of the golden rule in investment.....buy in a bad market. To quote Warren Buffett "be greedy when others are fearful and fearful when others are greedy".

Queensland

Brisbane

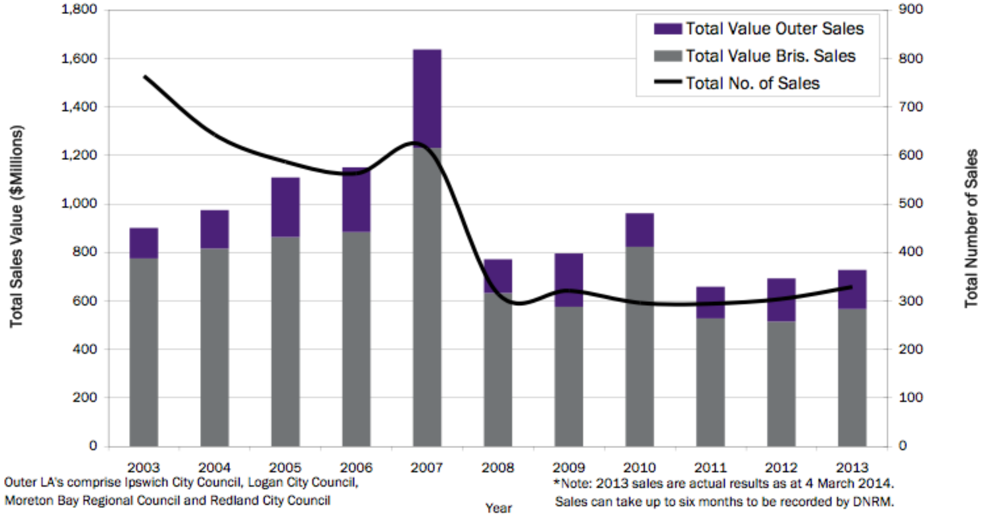
The Brisbane industrial market demonstrated signs of vigilance throughout 2013 showing little improvement from a lacklustre 2012 and 2011. The graph below illustrates the number of transactions have remained fairly flat over the past three years, however the number of transactions did improve over the last quarter of 2013 as buyer sentiment improved post federal election.

Since the global financial crisis (GFC), the market has forced greater disparity between prime and secondary stock as investors and owner-occupiers compensate for the increased risk of buying secondary stock. We believe this shift in attitude will continue into 2014 as investors desire modern, low maintenance assets which require no capital expenditure in the short term, coupled with good lease terms (minimum three years remaining) to quality tenants. These prime industrial assets will continue to attract strong interest due to the lack of new stock and we will continue to see yields range between 8% and 8.5%.

On the other hand, vacancy levels will increase for secondary style assets and this will place further downward pressure on the secondary market. We believe this should provide good buying or leasing opportunities for owners or tenants who are looking to upgrade and can't afford prime stock. These groups definitely hold the power when it comes to negotiating on secondary stock and good deals can be made.

Industrial rents for primary assets have remained fairly stable over the past three years which typically range between $100 and $130 per square metre net per annum (assuming a standard office to warehouse ratio of between 10% and 25%). Increasing vacancy rates coupled with the limited growth in rent for prime properties have forced rentals for secondary properties to decline in the order of 5% to 10% and now reflect rates between $70 and $95 per square metre net per annum. In our opinion, rentals are likely to stay stable for prime stock and this will place further pressure on secondary stock rents and we may see the rental range for secondary stock expand.

Brisbane and Outer LA's Industrial No. of Sales and Value of Sales 2003-2013*



Outer LA's comprise Ipswich City Council, Logan City Council, Moreton Bay Regional Council and Redland City Council

*Note: 2013 sales are actual results as at 4 March 2014. Sales can take up to six months to be recorded by DNRM.

Commercial

The slowing in the resource sector and negative press circulating around Qantas and the car industry has created a somewhat murky outlook on the Australian economy. Further negative press may raise questions regarding the stability of the Australian economy which could dent buyer confidence and ultimately create caution in the market place. However, as the Queensland economy is forecasted for growth and interest rates likely to remain at similar levels in 2014, we believe this should have a positive impact on buyer sentiment and we should see the Brisbane industrial market remain stable but vigilant in 2014.

Toowoomba

The long awaited Toowoomba Bypass has finally received State and Federal Government funding commitment to allow the project to commence, with construction scheduled to begin in early 2015. This vital infrastructure project is a critical part of an overall vision to see Toowoomba develop as a leading transport and logistics hub and integrates with the proposed inland rail, Charlton Wellcamp Industry Zone and the Wellcamp Airport being developed by Wagners. It is expected that these projects will be the catalyst for a series of new industrial projects over the next decade.

Early signs of yield compression is evident in the market, with a recent contract over an industrial facility in Wellcamp leased to a national tenant on a 15 year initial term, reflecting a passing yield of 7.15%. This is well below previous yields for lower priced properties on standard three to five year terms, which have been reflecting yields in the range of 8.25% to 9%.

Limited supply of small to medium vacant industrial lots within Toowoomba should see values firm throughout the year and may provide incentive for new infill estates to emerge.

Sales and leasing activity is continuing in the Surat Basin Industrial Park at Chinchilla. QGC recently purchased three lots near the entrance to the park, with a combined land area of 19,066 square metres and have lodged a development application for a logistics hub. New market leading rentals continue to be negotiated with companies associated with the coal seam gas sector, in effect creating a two tier market.

Gold Coast and Tweed Heads

The year has started well with a dose of optimism in the industrial market supported by a notable increase in volume of sales since November 2013. This could be the catalyst for the upturn that the market has been looking for, after a prolonged period of ups and downs, with more downs than ups. For many local businesses, trading performance has improved and some are expanding. This has created renewed demand for industrial space.

Investors and end users continue to show strong interest in the Yatala Enterprise Area which consists of the suburbs of Ormeau, Yatala and Stapylton in northern Gold Coast. During this reporting period for our Month in Review, Yatala recorded the highest sale price for an industrial property which is a 3,820 square metre warehouse on Blanck Street , Motorway Business Park, Ormeau. It sold for $5.25 million reflecting a rate per square metre of $1,374 on the floor area. This is almost similar to the $1,321 per square metre for 100 Lahrs Road Ormeau that sold in July last year. The 9.8% passing yield compared with the 8.66% yield for 100 Lahrs Road also indicates stability in industrial values.

The corridor between the north and south Yatala Exits on the Pacific Motorway (M1) has been the most active market for the Yatala Enterprise Area.

Other areas like Stapylton and the ‘green field’ region from Pearson Road to Sandy Creek Road were generally quiet. Sales of stand-alone factories and warehouses within the $1 million to $3 million bracket included a brand new industrial building on Motorway Circuit in Motorway Business Park for $2.25 million, an older factory on Emeri Street for $1.04 million, a modern warehouse/office at Gassman Drive in Access Business Park for $2.195 million and 2 Rom Street in Yatala Industrial Estate for $2 million. The last sale was a metal clad industrial building sold under receivership. When analysed on a rate per square metre basis, the results basically indicate moderate rising values. No 6 Motorway Circuit is a brand new factory that sold for $1,470 per square metre, which is almost similar to the sale price of 50 and 26 Motorway Circuit which were sold in 2011 at $1,458 and $1,454. 13 Gassman Street analysed to a rate of $1,395 while the property at Emeri St shows $1,253 per square metre. The evidence is supporting a slight increase in value compared to the 2012/2013 period and a return to the level of 2010/2011.

In Central Gold Coast, there were several sales of stand-alone factory buildings in the $1 million to $3 million price bracket.

In Burleigh Heads, a property sold for $2.536 million after drawing strong interest from investors. The property had been on the market in the past few years with very little interest, even with an asking price at $2 million. Only after the vendor leased the property to two strong tenants and relisted, it managed to garner the attention of many prospective investors under an expression of interest campaign, with the final price providing the investor with a good return of 8.52% per annum.

A freestanding industrial factory at Dover Drive in Burleigh Heads that was purchased for $3 million in 2010 has been successfully resold for $3.715 million. In this case the owner made a capital gain, however this sale was achieved on the back of extensive refurbishment to the building that was undertaken in 2011. An analysed yield of 8.4% is returned based on the agreed leaseback rent to the vendor for a short time.

For properties below $1 million, there were a couple of sales of sheet metal clad industrial sheds in Burleigh Heads and Tweed Heads in the region of $800,000 and a few sales of large strata units in Burleigh Heads and Nerang for between $800,000 and $900,000. There were also two strata units in the Coomera Marine Precinct that recorded sale prices of $675,000 and $1 million.

Generally, small industrial strata units are being sold from $180,000 up to $475,000. Small units of less than 100 square metres are achieving about $2,000 to $2,400 per square metre while the more abundant 200 to 400 square metre units are between $1,400 and $1,700 with older units at a lower rate of $1,200 per square metre, more or less.

While buyers of large freestanding buildings are focusing on the Yatala region, there remains an overstock of small units on the northern Gold Coast and this has dampened the selling prices to a certain extent. Sale prices are mostly stable in the $1,200 to $1,400 per square metre level, although there are a few special purchases at about $1,700 per square metre. In other parts of the Gold Coast, the general price level is between $1,300 and $1,800 per square metre of floor area.

The light at the end of the tunnel seems to be getting brighter for the Gold Coast industrial market and the return of investors into the marketplace is a good sign that the market could be turning the corner. At this time the available sales are still indicating falls in value for some and marginal increases for others; which is understandable as there is still a significant amount of unsold stock to be taken up before vendors can regain some of their bargaining power.

A search for properties for sale on the internet will reveal many agents are still inviting offers for vendor's consideration; a sign that the competition is still keen or the response for their marketing campaign has been weak. Nevertheless there are indeed sellers who are testing the market with higher asking prices compared to a year ago. With the better market sentiments some may actually achieve what they seek.

Sunshine Coast

The overall outlook for industrial property for 2014 remains relatively subdued, mainly due to the high level of supply of vacant land. Across the overall Sunshine Coast there remains a high level of developer stock with over 120 lots currently available ranging in size from 2,000 square metres to over 3 hectares. This high level of supply is predominately noted in the Caloundra and Coolum areas with limited stock in the established Kawana and Kunda Park industrial precincts.

> The Kawana precinct in particular is an interesting case and could fight the negative sentiment noted throughout other areas of the market.

The new Private Hospital has just opened within 3 kilometres of this precinct with construction underway on the new Sunshine Coast University Hospital adjoining the private facility.

Over the past 18 months we have noted a gradual reduction in vacancies in this area, though at reduced rental levels to previously noted. However this area is showing less vacancy than other areas and if there becomes increasing demand from service providers associated with the new hospital precinct, then we may begin to see some rental growth along with value growth.

Construction levels are also beginning to improve slightly and this is typically a good sign for our industrial market, which caters for a number of smaller owner operators. Traditionally our industrial market follows the construction industry, with smaller owner operators and service providers taking up the majority of the space. The downturn in the construction industry has led to far increased vacancy levels as smaller operators move from the area and no longer require space.

Rockhampton

The outlook for sales levels and rentals in Rockhampton's industrial market are anticipated to remain relatively flat throughout 2014. Investment yields are forecast to remain stable, and in line with other property sectors investors remain particularly sensitive to WALE and tenant strength.

The growth area to watch is the Gracemere Industrial Area (GIA). Gracemere is located about 10 kilometres south west of Rockhampton. Completion of stage 1 of the $75 million, 25 hectare industrial estate known as 'Gracemere Industrial Park' by the Gibb Group is expected shortly, Toll NQX have begun construction of their logistics facility, and other local businesses including Schwarz Excavation and CQ Quarries have purchased land sites. Logistics is expected to continue to be a major sector in the industrial market in 2014 as both Toll and Followmont are due to complete new facilities shortly.

Local and state governments have invested heavily in recent years to establish Gracemere as an industrial hub to help support Central Queensland's long term industrial requirements. This investment included the construction of an overpass providing direct access to the GIA which is suitable for use by road trains.

A new planning scheme is anticipated for both Rockhampton City and Livingstone Shire in 2014. The new Rockhampton plan is likely to unlock additional industrial areas around Gracemere. We anticipate that supply levels will remain high during 2014. Appetite for vacant land to build new warehouses/ facilities may be dampened by the recent increases in council infrastructure costs.

Mackay

The industrial property market in Mackay slowed in mid to late 2012 on the back of a softening and volatile coal industry. Mackay's industry base is primarily focused on infrastructure and maintenance support of coal mines located in the Bowen Basin, and the Hay Point and Dalrymple Bay coal loading facilities located to the south of the city.

The demand for industrial property in Mackay from investors and tenants remained subdued throughout 2013. This trend has continued into the first quarter of 2014.

Due to lower coal prices and a volatile economic climate, the mining industry is becoming increasingly focused on controlling costs, which is flowing on to local businesses. Some businesses have seen large reductions in revenue resulting in reduced net profits, while others have been forced to close their doors. This has increased the risk of tenants defaulting on rent.

There is an increasing volume of vacant industrial warehouse/workshop property in Paget. There is no recent rental evidence to suggest a softening in rental values; however we consider that there is strong potential for rents to soften in the short to medium term future, depending on the future direction of the coal industry.

Due to the uncertainty and heightened risk in the industrial property market, demand from investors is low. Local commercial marketing agents report very little interest in most property types. There has been very little sales activity in 2013 and the first quarter of 2014.

In late 2013 some developers discounted the sale prices of a small number of vacant industrial lots to try and increase sales rates in a period of low consumption. This discounting however was not widespread. Owner-occupiers appear to be the most active buyers in the market; however this is predominantly for properties at values of less than $1.5 million.

The year ahead for industrial property is shaping up to be uncertain, both in terms of sale volumes and new lease commitments. However there were a number of pre-commitments by large companies, for purpose built facilities which from all reports are still proceeding and will come online in 2014.

The market is unlikely to improve while the coal industry remains unstable.

Hervey Bay

In relation to the broader industrial and commercial market in the Fraser Coast locality we note that most of the sales activity is in the sub $500,000 bracket for owner-occupied and smaller scale investment properties. The market is very slow yet stable, however demand is very specific to location, building quality and strength of tenant. Properties that are leased currently have a higher degree of marketability than vacant premises.

More specifically the market for industrial land is very weak with limited demand for an over supply of developed industrial lots throughout Dundowran and Urangan. There have been very few sales of vacant lots in the Hervey Bay Airport Industrial Park over recent years and there does not appear to be any major employers seeking larger scale industrial premises. As a direct consequence, there is negligible demand for industrial units and developed vacant land.

Rental demand is showing a similar lack of demand. There is currently an oversupply of strata unit space in the Pialba Industrial Precinct with lessors currently asking in the range of $60 to $80 per square metre net for one year terms. Most of this space is sub 300 square metres. Until this supply level diminishes, rental rates in the more fringe Hervey Bay Airport

Industrial Park and Dundowran localities will be negatively impacted.

Gladstone

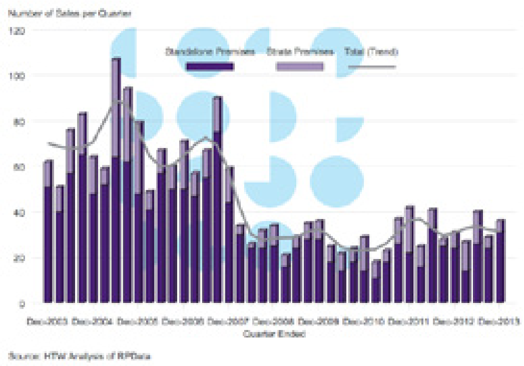
The Gladstone industrial real estate market is intrinsically linked to the ongoing activity within the major liquid natural gas (LNG) projects being undertaken in the region.

Heading into 2014 we consider market conditions to be volatile for all market sectors, with potential for price vulnerability due to the weakened local economy, this relates to the peak workforce numbers linked to the construction of LNG projects being reached. During the following 12 months we may see a slight increase in yield rates and a slight decrease in rental rates.

Townsville

Economic circumstances will continue to dictate the state of the Townsville industrial market during 2014. Over the past 12 months sales activity in the industrial sector has been modest, albeit at a consistent level. The majority of activity has occurred in the $250,000 to $750,000 price range and in 2014 this is likely to remain the most active price bracket.

The start of 2014 has seen the sale of two larger scale industrial properties, one to a local investor and the other to an out of town investor. It is likely that investors will remain the major players in the



industrial market going forward and are chasing increased returns from property so that adequate dept cover ratios are maintained. Property which therefore offers good security of cash flow will likely be particularly sought after.

Yields have been steady over the past 12 months with the most recent transactions for prime grade property being negotiated in the 8% to 9% bracket; with secondary and/or larger scale properties (with a more shallow market depth) now achieving 9% to 10% plus. Generally speaking an 8% yield is required to attract investors.

Overall the industrial markets remain flat. Confidence has been slowly increasing and interest appears to be extending across a wider variety of industrial asset classes. However the market can at best be described as static with sales levels and prices remaining low due to a lack of buyer commitment.

Cairns

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

We believe yields for industrial premises at present analyse in the 8% to 9% range, from the 6.75% to 7.25% range evident at the market peak, though well leased investments to national tenants will still show sub 8%. Commercial agents advise limited availability of good quality stand-alone warehouse stock with reasonable demand for these types of premises.

Strata titled industrial warehouses are also limited in numbers to both sell and lease.

The tight serviced industrial land supply situation that previously existed was alleviated with the state government introducing 37 additional lots to the market at Woree in 2009. The state government lots were initially slow to sell in line with the slow market conditions, with only six sold between 2009 and

June 2013, but our understanding is that following a price reduction a further eight to ten lots have since been placed under contract. Nevertheless we would maintain that industrial land is adequately supplied for the foreseeable levels of demand.

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

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values over the short to medium term. The outlook for the next 12 months should see the market tighten as little new stock has been brought onto the market. A recovery in the vacant industrial land market in Cairns may depend upon a more widespread recovery in the local economy which appears to be underway.

Northern Territory

Darwin

There is a reasonably sized industrial sector in Darwin, mainly of smaller scale property servicing the local population. Manufacturing is virtually non-existent, so we have been sheltered from many of the woes currently being experienced by southern colleagues.

> However in recent years, there has been a growth in the supply of larger scale industrial property, partly associated with improving transport infrastructure at the rail and port, and for servicing the burgeoning oil and gas industries.

The $34 billion Inpex project is expected to add nearly 20% to the Territory's GPD. It is still in the construction phase and there were expectations when it was announced that this would boost all areas of economic activity with a consequent flow-on effect on demand for industrial accommodation.

However, in practice the project has had a much lower impact on local property than was originally envisaged. In the industrial sector, rents and capital values have remained relatively static for the past three years. It is our expectation that this trend will continue for the next 12 months in the Darwin industrial sector.

One of the other reasons we are not expecting a huge change in the market is that there is now a wide a range of choice of new industrial estates in town as there has ever been. Any increase in demand can be satisfied relatively quickly by new development, thus maintaining the status quo for rents and values.

Most of these estates are owned and developed by locals who, historically have not dropped land prices in times of low demand, rather they have just held the land until their price is met. This has served to hold the market up over the years and, barring a major economic catastrophe, we do not see this situation changing over the next 12 months.

Western Australia

Perth

The level of vacant space within the Perth industrial market has continued to track upwards over the past quarter. Total available industrial space is 287,661 square metres as at January 2014, which is higher than in March 2012, and is 85% higher than the low point reached 15 months ago of 155,210 square metres.

The greatest increases were seen in the northern industrial suburbs (i.e. Wangara, Malaga, Landsdale, Neerabup) up 24% and south (Bibra Lake, Kwinana, Naval Base, Cockburn, Henderson) up 38% while the east recorded a 4% reduction in vacancy with five properties absorbed (totalling 22,395 sqaure metres) outweighing six new available properties (comprising 19,624 square metres of Gross Lettable Area).

The level of available space within warehouse and manufacturing facilities has increased over the past quarter with manufacturing increasing from 65,687 square metres to 82,364 square metres (29% of total available space). At the same time available warehouse accommodation has increased from 187,257 square metres to 205,297 square meters to represent 71% of total available space.

> The proportion of prime stock to secondary stock reduced over the past quarter.

Although there was an increase in available prime space of 12,696 square metres to 142,219 square metres, larger additions in secondary space (22,021 square metres) saw the proportion of prime Gross Lettable Area fall from 51% to 49% of the market during the past three month period.

Research noted that 11 leases greater than 2,000 square metres (excl. Design and Construct) covering an area of 38,381 square metres during the three months to January 2014. The majority of this take up was recorded in properties under 4,500 square metres with ten of the eleven properties absorbed falling within this size range.

There remains competition within the pre-lease market from developers. Approximately 80,000 square metres of pre-lease supply is expected to be added to the Perth market over the next 15 months. The majority of resulting backfill space will stem from secondary buildings, which is likely to see a rise in secondary vacancy as the year progresses. Enquiry has tracked along at the subdued levels experienced in previous periods.

For investors, core yields are estimated to remain stable during 2014 with average prime yields from 7.5% to 8.5% generally for property in the sub $10 million bracket. Secondary yields are between 8.75% and 10%.

Industrial rents are estimated to remain largely unchanged during 2014. Prime average rents are circa $110 per square metre and in secondary industrial locations, the average rents are circa $90 per square metre.

South West WA

The slow down in the construction phase of the mining boom throughout 2013 is likely to see a slight downturn in larger industrial building activity in the Perth industrial market, and to a lesser extent, this will have a flow-on effect to the local industrial markets. However there are some indications that industrial building activity within the South West of Western Australia's industrial markets had already begun to slow slightly in the past 12 months, and land values have also fallen slightly, based on recent land sales.

Demand for industrial rental properties is also considered to have decreased slightly based on discussions with agents active in the market. There is a reasonable stock of industrial properties currently for lease. As a result extended letting up periods could be expected, and there is likely to be downward pressure on industrial rental levels.

While the market appears at the bottom of its cycle and prices have generally stabilised, it still remains a buyer's market. There has been a small, but steady, volume of sales transactions in 2012, however 2013 saw a number of mortgagee sales in some of the South West industrial areas at below market value which created a false downward trend in values. Buyers therefore appear more willing to bide their time and wait for a bargain.

Without any real impetus for heavy industrial, the industrial markets across WA's South West are likely to remain relatively weak throughout 2014, with limited activity likely in either the sales or rental markets.

Residential

Overview

The construction industry is starting to gain momentum, according to reports. There have been a few analysts looking to see if we can continue to accommodate population growth through building, and the economic benefits it might bring to the nation.

This month, we've asked our offices to break down where residential is being built in their service area. They've also given a heads up on how the sector is performing and where it's likely to head over the coming year.

Sydney

Greater Metropolitan Sydney

There is a substantial amount of residential development planned and currently underway in western Sydney. An area the size of Wellington, New Zealand is planned for development in the north west of Sydney, while an area the size of Canberra is planned for redevelopment in the south west of Sydney. These areas have been identified as growth precincts and have been strategically planned to accommodate not only residential areas but employment and recreational areas. Development is underway in both precincts and will continue for up to 30 years.

Due to limited information available concerning these new areas we have investigated the surrounding new developments. Popular developments include The Ponds and Jordan Springs in the north west, and Oran Park and Catherine Fields in the south west.

Entry level 4-bedroom family homes are on offer from approximately $700,000 upwards in The Ponds, and from $480,000 in Jordan Springs. In the south west, a family 4-bedroom home can be purchased from $500,000 in Oran Park and $520,000 in Catherine Fields.

These areas attract a similar pool of buyer types: young families, investors and new home buyers wanting to take advantage of government incentives. While these outer suburbs provide a lower entry point for modern housing in Sydney they also provide a wide variety of pricing with a recent sale reaching over $1 million in The Ponds. Resales in these areas are limited due to the vast majority of properties being built for owner-occupation.

Currently the demand for new housing is strong with potential buyers camping out for days to secure a block in the new releases. This is due to the supply of land being tightly controlled by the developer, low interest rates, and government incentives for new dwellings.

Overall the new developments have been well received, although we note that any change to the interest rates, government incentives or land supply will alter demand and potentially pricing in the future.

Coastal Sydney

New land releases are rare along the coast in Sydney, which is why the Greenhills Beach land release, situated in Sydney's south between the suburbs of Cronulla and Kurnell, has seen strong demand since the first release in 2011. Lot sizes ranged between 550 and 800 square metres and, depending on the stage release date, land size and position within the estate, the majority of lots sold for between $700,000 and $1 million.

While there were a small number of house and land packages offered in the estate, the majority of sales were of vacant land only.

Project home builders have been prominent in the estate, with typical two storey homes having construction costs of between $400,000 and $600,000, depending on size and level of finishes.

The typical buyer in Greenhills Beach has either been those upgrading from their first home or those closer to retirement age, who are looking at moving into a low maintenance home within close proximity to Cronulla beaches, restaurants and cafes.

A small number of homes within the estate have now reached completion and two of the grander builds having recently sold in January for $2 million and $2.45 million. These two properties were purchased as vacant land in 2011 for $875,000 and $855,000 respectively. While these prices are likely to represent the upper end of the market within Greenhills Beach, demand and sale prices are likely to be strong across the board in 2014.

New trends

More generally across many parts of suburban Sydney, the new home construction industry is being boosted by the increasing popularity of duplex properties.

Older brick, clad and fibro homes are being demolished in order to build two new dwellings on the one lot.

This is providing somewhat of an urban renewal in some suburbs as well as providing additional housing stock in built-up areas with existing infrastructure.

Sections of Sydney in particular where this trend is increasingly popular include the local government areas of the St George district, Parramatta, Bankstown, Blacktown and Holroyd. Regulations concerning appropriate land size, building style and density are required and vary between councils but generally the market demand for these new properties is driving the supply.

Typically the original property is purchased by a small scale developer and the end product generally includes two semi detached properties with 3- to 4-bedrooms, 2-bathrooms and single garage. Smaller courtyard gardens are included and the properties are sold complete with floor coverings and landscaping. Buyers benefit with a brand new home but without the perceived headaches of the building process. As many are within established areas, access to infrastructure and mid metropolitan locations are the primary drivers.

Canberra

New home construction activity within Canberra and surrounding NSW areas continues into 2014. Areas of activity include the Lend Lease Springbank Rise development in the ACT suburb of Casey, in the suburbs of Crace, Forde, Bonner and Ngunnawal in the north Canberra district of Gungahlin; in Wright and Coombs in the Molonglo Valley developments in Canberra's west; and activity in West Macgregor in the district of Belconnen in Canberra's north west. There is limited new construction occurring south of the lake as there have not been recent land releases to allow new construction to occur in these areas in recent times. Local NSW development continues in the CIC Googong township located just outside of the Queanbeyan city and in the rural residential townships of Bungendore and Murrumbateman.

Generally value points have been in line with the land purchase and the construction cost, however in some instances where a premium has been paid for the land, the total cost of land and building may not directly equate to the end value. Additionally over capitalisation may occur where high quality improvements are constructed in areas marketed towards entry level purchasers. The market has generally paid more for land in the Molonglo Valley subdivisions as these estates are slightly more centrally located with larger lot sizes while the more affordable land options are available in estates on the outskirts with smaller land holdings.

Building construction costs will range depending on the size of the build and quality of construction, but generally start at $1,350 per square metre for the more affordable options and may rise to between $2,000 to $2,200 per square metre for higher quality homes. Economies of scale generally show higher build rates for the smaller floor plan designs.

There is a trend towards first home buyers entering the entry level new home market with various concession schemes and incentives available. Unique to the ACT is the 'land rent' scheme created to allow first home buyers to borrow funds to build, live in and own a new home while renting the land component from the government at a more affordable rate. Other drivers include the ability to design a specific floor plan as required, and a strong desire from younger purchasers for new and modern inclusions. Granite and stone benchtops and ducted air conditioning have become standard as opposed to luxury inclusions.

Entry level price points are generally sub $550,000 while higher new home prices start at $600,000 with a top price point rarely over $1.2 million. In addition to first home buyers, existing home owners are active, and may decide to sell their established home, purchase a good quality block and design and build a new home to meet their specific requirements. Investors are less active in the new home market as they do not receive the benefits from the schemes and incentives received by the first home buyers and rental returns are often not as appealing as in other property sectors.

Generally rental levels achieved are higher in the more centrally located estates in line with the higher values while superior rental returns are achieved in the lower price point areas. DHA are active in most of the developing areas noted. Proximity to shopping facilities, schools and other services are the main drivers of the new home rental market.

Illawarra

The major land estates in the Illawarra region are selling well, at or near their asking prices with strong demand for vacant land. These estates include: Brooks Reach; Horsley; Seacreast Estate at Flinders; Shell Cove; McCauley's Beach Estate at Thirroul and Brooks Terrace Kanahooka, Dapto.

Brooks Reach, Horsley land varies from around $150,000 for the smaller 250 square metre to 300 square metre blocks and up to $260,000 for the larger 1,200 square metre blocks. Some rebates apply to these sale prices. The majority of these blocks are for single use residential purposes only and not duplex development. The majority of these blocks are near level regular shaped lots. In Seacreast Estate Flinders the most recent stage, stage 10, vacant blocks are selling for around the $250,000 mark for a near level to easy sloping lot with parkland views on a 550 square metre site. Larger blocks and potential duplex sites are selling for closer to $300,000. The new land releases in Shell Cove, closer to the new development of the marina, are selling for around $340,000 with distant ocean views on near level sites of 550 square metres. There are predetermined duplex sites in Shell Cove. McCauley's Beach estate shows an average sale figure of mid $400,000 to low $500,000 for vacant blocks. Brooks Terrace shows land sales at around the $240,000 mark with some offering distant water views.

The cost to build a new home in these new estates varies depending on the site and the builder of choice. Project style homes, consisting of 4-bedrooms, 2-bathrooms and 2-car garage are approximately showing a tender price of around $250,000.

The market in all these new estates is very strong for both vacant land and for new homes as advised by local agents. Affordability is the main driver for the majority of people buying in these areas, being predominantly first home buyers made up of younger couples looking at starting a family. Some of these estates, such as Horsley, Flinders and Shell Cove also cater for older couples looking to purchase a new home on a smaller block (250 to 350 square metres) considering downsizing to a 3-bedroom, 2-bathroom and 2-car garage home duplex site. There are not many investors in the market in these estates. Developers are advising that they are building mostly for owner-occupiers, although agents note that there is always good rental returns for new modern homes.

The outlook for these new sites is already showing good signs of capital growth. They are built close to local amenities and on the whole are well designed.

But the most attractive feature is their affordability. Developers are busy and advise that their off the plan projects are selling well.

Southern Highlands

In the Wollondilly residential property market the main new estate is the Bingara Gorge residential community estate at Wilton. Price points are in the $400,000 to $700,000 range, and prices have started to improve. We are seeing a mix of buyer activity from home occupiers to investors. Currently the rental market is steady. This area is influenced by both Sydney and Wollongong. The outlook is for steady capital growth over the next few years.

The Southern Highlands residential property market is also on the increase, the main recent residential subdivision is the Renwick estate near Mittagong. There is also the new Darraby Estate in Moss Vale and there is active construction activity through the entire region.

Generally price points are in the order of $450,000 to $1 million. The main buyer activity is for home occupiers, but there is also an increase by investors. Additionally there has also been an increase by self managed superannuation funds. Rental levels are currently steady. The Southern Highlands is also influenced by the Sydney property market. The outlook for the Highlands is for steady capital growth for the next few years, especially at the lower end of the market. This trend should filter up to the middle and prestige markets too.

Southern Tablelands

The Southern Tablelands, in particular Goulburn is steady to increasing. There have been several new/modern residential estates in Goulburn, including the Belmore estate, Merino Country estate and the Mistful Park estate. Construction activity has been steady and price points are in the $380,000 to $500,000 range for completed homes. This market is influenced by local buyers, Canberra commuters and Sydney investors. Rental levels are steady. The outlook over the next several years is for a steady to increasing trend.

While there is good construction activity for new homes, there is also the trend of renovating older character homes. This is particularly common in Bowral and in Goulburn, where there are well located older style properties that are refurbished and usually sell for a premium post renovations.

There is an additional trend for construction activity in our region, which is to build a new home on rural residential land. For the Highlands, a completed home on 2 hectares (5 acres) can sell from $700,000 to $2 million. Obviously there are bigger properties up to 80 hectares (200 acres) which sell for more. In the Tablelands, this trend has also been evident; 10 hectare (25 acre) properties can sell for $400,000 to $900,000. This market has been steady and may start to increase again soon.

Newcastle

Newcastle has long been slated as a natural growth corridor with various plans outlined that indicate the population of the wider Hunter area is likely to increase significantly over the next 25 years. Many people however question where the associated infrastructure and investment will come from to allow this growth to occur.

The Hunter Expressway is nearing completion and should be open by the time you read this. This piece of infrastructure should significantly decrease the travel time for many people who commute daily from Newcastle up to the mining areas of the Upper Hunter Valley.

Many of the subdivisions that are currently occurring lie in close proximity to the Expressway, which hope to benefit from the convenience it will offer.

It is likely to open up the Hunter Valley for many people as the trip back from Singleton, which normally is around an hour and a quarter, can take almost double the timeframe during busy periods.

However the main inhibitor to growth at present is the sluggish performance of the mining sector and lack of investment and employment that is occurring. The subdivisions up around Gillieston

Heights through to Branxton and beyond are feeling the impact with many previous purchasers being predominantly investor looking for great returns that were prevalent 12 to 18 months ago. These returns are not being realised and as a result there are many vacancies evident when driving around the streets.

It's a slightly different story closer to Newcastle with the bullish Newcastle market driving a growth in land prices. The perennial favourites of Fletcher and Cameron Park are enjoying increasing prices for land which until recently have been limited for the best part of a decade. Land prices are nudging $230,000 to $250,000 whereas previously $220,000 was the limit. Prices in Fern Bay are even stronger with sales in the high $200,000 area being achieved.

Standard project homes construction prices generally start at around $1,100 per square metre while the higher end of the range is somewhere around $1,550 per square metre. Although it's always important to understand what is included for the money. At the lower end you might struggle to find any landscaping of note or fly-screens and carpets. When making an allowance for these items separately you could easily end up spending another $250 per square metre to provide them to a reasonable standard. The rates at the upper end are generally 'turn-key' with little to do after handover except personalise the property.

Mid North NSW Coast

This month we will look at where people are building new homes in the mid North Coast.

Late last year and this year we have been discussing the pick up in the market along the mid North Coast. This increase in activity is not solely in the established areas. Many residential estates located close to more established towns and so we are seeing a real pick up in activity and this is resulting in an increase in the vacant land prices.

While we have seen modest improvement up and down the coast the more densely populated Port Macquarie has seen the largest up swing.

Port Macquarie has a number of residential estates including Sovereign Hills, Banksia Grove, Brierley Hill and the newly released Ascot Park to name a few all seeing increased activity. Not only from local builders, but from first home buyers, young families and people new to the town all making the choice to move to these estates generally on the periphery of the town.

This increase in activity has seen the median price for vacant land within these estates start to increase.

The median price for consecutive quarters reflects this;

Period	Median Sales
Quarter 1	$196,250
Quarter 2	$200,000
Quarter 3	$202,500
Quarter 4	$209,250

The rise in vacant land sales has lead to an increase in building approvals. This has resulted in local builders work significantly increasing which is a positive sig following a few years of minimal new construction work.

Another estate that has shown signs of revival is Harrington Waters. A renewal of signage, increased advertising and a pick up in the market have all attributed to a noticeable increase in activity and a stabilising of prices in this area.

With the pick up in the new house market keeping many people in towns up and down the coast busy and no signs of it slowing we can only hope that it continues into the future.

Albury / Wodonga

The focus this month is on the noted building approval upswing that appears to be occurring throughout much of the country.

The Albury Wodonga region is experiencing renewed confidence in development. It began prior to the 2013 federal election in which developers who had placed future stage works on hold due to the then uncertain economic climate, began to start up their machinery and lay new roads.

Many new lots have been created and buyer uptake has been remarkable compared to the previous few years. Notable estates have been Riverside in Killara, Fairway Gardens and Ettamogah.

The NBN is a strong selling point for many new estates as much of the established suburbs of Albury Wodonga won't receive this option for some time.

The average selling price for a lot of 650 square metres is about $115,000 which once developed with a standard dwelling derives a market value around $380,000 making it reasonably affordable for the average family income in this region.

Some developers provide a 5% rebate if the land sale is completed on or before settlement date. This sweetener has assisted with some developments selling quicker than others that don't offer this incentive.

We are seeing building contracts on average around $230,000 for a standard 4-bedroom, 2-bathroom dwelling of 165 square metres of living and a 2-car built-in garage. This has been a fairly static build rate for a flat site contract over the past two years.

We estimate there is a 20/80 investor to owner-occupier ratio with the current building volume. Many of the investors are from out of town, who have purchased package deals based on good rates of return compared to metropolitan levels.

Overall the building scene in this region is on a confident trajectory toward good stable growth after some very patchy periods recently.

Leeton

Construction acitivity in the MIA is mixed at the present time. Construction for investment has strengthened in recent months in contrast to the owner-occupier sector which is experiencing a slow down in activity. Leeton Country estate is leading the charge with a significant number of house and land packages being constructed for the investor market. Dwellings are typically single level of brick veneer construction with 4-bedroom, 2-bathroom accommodation, a double car garage under the main roof and living areas of 140 to 150 square metres. Construction costs are around $1,300 to $1,350 per square metre. On completion weekly rentals of $320 to $ 330 per week are being achieved and market values are around $300,000. The opportunity for capital growth in the short term is not great, but tenancy is not an issue with a shortage of rental accommodation relative to supply.

Construction activity for the owner-occupation sector remains a more challenging environment. The big houses are still going up but not in the volumes they were previously.

> The downturn in the market has meant established homes are offering very good value for money competition.

The new build sector is struggling to keep a lid on rising costs. Construction costs in this sector are exceeding $1,500 per square metre without being excessive on the bells and whistles variations. No particular residential estate is leading the charge in activity.

Victoria

Melbourne

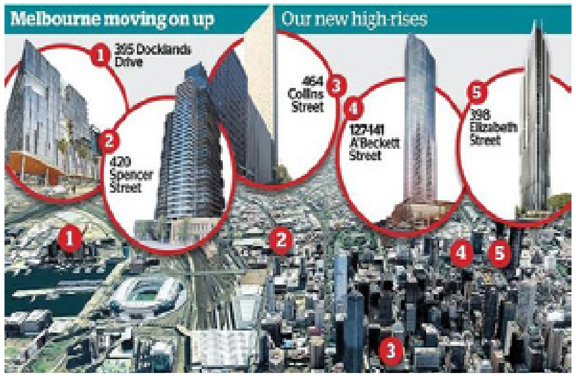
Uncertainty is surrounding the Australian economy with rising unemployment paired with a reduction in manufacturing and mineral industries. We are looking for which industries have the potential to pick up the slack left behind and limit the economical downfall that has been caused by recent events.

Many are looking towards the property industry which has made a bright start to 2014 after experiencing a positive second half to 2013. The number of building approvals has increased in recent times and so this month we will look at where it's happening.

CBD

February 25 dubbed 'Super Tuesday; was a historic day for the planning of inner Melbourne with five new residential projects approved for various locations around the CBD. These include;

- 395 Docklands Drive – 18-storey, 360-unit tower
- 420 Spencer Street – National Trust-recognised where the building's facades were to be kept and protected during demolition and construction of 438 apartments over 38 storeys at a cost of $70 million.
- 464 Collins Street – $100 million office apartment tower, will be 55 storeys high and is opposite the Rialto.
- 127-141 A'Beckett Street – will be transformed with two towers. The largest a 63-storey, 632-unit tower will reportedly cost $164 million and will replace a series of shop fronts and a car park.
- 398 Elizabeth Street – a strip of shop fronts will be replaced by 466 apartments over 55 storeys, at a cost of $135 million.



Source The Age Website

The five towers will reportedly cost $557 million and will create more than 2,000 apartments, with claims it will create up to 4,000 jobs.

High volumes of new product are being offered to a market already suffering from an oversupply of similar product due to the rapid increase of international investment, specifically Chinese investors. These purchasers are paying a premium for off the plan product, pricing out the 'mum and dad investor and first home buyers.

Middle of the range 2-bedroom off the plan apartments are usually priced around $550,000 to $600,000 with 1-bedroom off the plan apartments priced around $400,000 to $450,000.

The oversupply of product is also applying downward pressure on rents due the numerous options up for rent. Investors can expect a yield of around 4.5% compared to 5.5% three to four years ago. With properties being sold above market levels investors cannot expect to see a capital gain on their investment in the near future.

Inner East

A surge in building approvals can be attributed to Asian buyers, specifically the Chinese families' focus on desirable homes near prestige schools and within the school zone. Many families are knocking down existing homes to build grand new ones causing extraordinary growth in these areas.

Many houses built around the 1950s in parts of Balwyn and North Balwyn are reaching their expiry date and not adding a lot of value to the land. People are now buying them, knocking them down and spending big money to construct a grand new home, specifically in the style french provincial.

Figures from the Real Estate Institute of Victoria show 45.8% growth in Balwyn, 22.2% growth in Balwyn North and 23% growth for Mount Waverley in the past year. The median house price in Balwyn currently sitting at just over $1.5 million.

With such a sudden surge in property price, wealthy investors or owner-occupiers in the plus $1 million bracket are the target market in these areas.

In a high end market, investors can expect a yield of around 2% to 3%. But don't expect growth at this rate to continue as it is not sustainable. Prices will plateau or even pull back depending on Asian investment, but overall expect these areas to perform well in the medium to long term as they have favourable attributes which appeal to many buyers and investors.

Outer West/North

As has been the trend in recent years, development in the arc spreading over the outer west up to the outer north is still a high contributing factor to building approvals and sustaining the construction industry.

With numerous housing estates spreading over this vast area, the main developers include Stocklands, Lend Lease and Australand to name a few. These are developers providing work to numerous building companies such as Metricon, Port Davis, Henley and a wide range of other builders who provide house and land packages mainly aimed at young family owner-occupiers with one to three kids with low to medium income, and to a lesser extent investors with second homes from neighbouring suburbs.

Source HTW - Housing Estate currently being developed

Standard price points in these subdivisions are include;

- Low to medium - $300,000 to $350,000; land sizes 300 to 400 square metre with 120 to 150 square metre homes; 3- to 4-bedrooms, 2-bathrooms.
- Medium to high - $350,000 to $400,000; land sizes 350 to 500 square metres with 150 to 220 square metre homes; 3- to 4-bedrooms, 2-bathrooms.
- Average residential lot price of $190,000.

The market at present shows a 29% increase in the number of residential projects being marketed on Melbourne fringes since 2006 with approximately 160 active projects in 2013 (reported by Oliver Hume Research). Developers continue to offer rebates and incentives to customers with the rebates ranging from $10,000 to $15,000 for each land sale to help stimulate the market. It is evident these large scale developers are committed to developing the city fringes throughout 2014 and beyond.

Currently the market looks to have peaked and steady with average prices coming back by up to 10% on previous years. Demand continues to be steady underpinned by low interest rates. Negatives have included the reduction of the first home buyers grant; and as estates grow there is greater demand placed on improving road infrastructure as traffic flow on major arterial roads for those working outside of the estates cause typical early morning traffic congestions.

Capital growth in the short term looks unlikely. At present there is steady rental demand offering yields of 3% to 4%.

Source Herron Todd White – Housing Estates currently being developed Top image; Mappleton, Lower image; Sherbourne

With a surge in building approvals paired with low interest rates, it is good news for the construction industry as it will play a positive role in sustaining and creating jobs for the Victorian economy. But with large scale economic issues impacting the whole country, don't expect a vibrant construction industry to pick up the windfall left behind from the big industry being the mining sector.

Sources: The age website and REIV

Gippsland

East Gippsland

Shannon Waters estate in Bairnsdale has sold out and stage 1 and stage 2 are currently being marketed for sale. Blocks cost from $90,000 to $100,000. Typical building costs for 3- to 4-bedroom brick veneers range from $200,000 to $250,000. Volumes are very modest. These properties are mostly being purchased by locals as well as some interstate investors. There is also a higher niche in the market in this subdivision with builds costing between $300,000 and $400,000.

West Gippsland

Waterford Rise and Chesterfield Estate in Warragul are two successful new developments in the Baw Baw region. Entry level for these estates is in the $300,000 to $320,000 range with the majority in the mid to high $300,000 range. The higher end for these estates is between $440,000 and $500,000. Typical building costs range from $190,000 to $ 280,000. These areas are also appealing to investors, and there may be some signs of a slight oversupply of rental properties in the area. Most rentals in this market are yielding in the 5% to 6% range.

Mildura

Residential building activity peaked in Mildura in around 2009, and since then has declined somewhat, in part due to weaker economic conditions and in part due to a shortage of developed lots. For many buyers it has proved more attractive (and cheaper) in recent times to purchase an established dwelling than to purchase land and have a new home constructed.

As we have previously commented in this publication, relatively few new residential subdivisions have been released in Mildura during the past three years. Not surprisingly, this reduced supply has followed through to increased lot prices. The price being obtained for a typical 700 to 800 square metre lot has increased from around $80,000 to $90,000 in the past 18 months.

A similar increase has occurred for lots in rural residential subdivisions, and prices for 4,000 square metre lots in these subdivisions have increased from around $130,000 to $145,000 in the same period.

Starting prices for house and land packages on a 700 to 800 square metre lot in Mildura are in the vicinity of $300,000 and range up to $400,000 for larger houses with greater features. Buyers at the higher end are almost always owner-occupiers, while buyers at the cheaper end are more likely to be investors. In fact the most active builder in the past 18 months has been building new houses solely for 'out of town' investors. The homes being constructed are relatively plain, but have been readily occupied by tenants.

> Purchasers are attracted by a combination of strong tenant demand, comparatively good rental returns, low interest rates and attractive depreciation allowances.

Local buyer confidence appears to be improving, and we now expect to see a greater willingness on the part of owner-occupiers to have new homes constructed.

Murray Riverina
Two major subdivisions are currently underway including McSwains Road in Echuca and the next stage of Winbi in Moama, existing developments in Moama include the next stage of Lake View Estate along with several smaller private developments on Merool Lane.

Supply of existing lots in Echuca is relatively tight though demand has likewise been subdued over the past 12 month period.

Build rates typically range between $1,000 to $1,100 per square metre of living for bulk builders while custom builders can get up to $1,500 plus per square metre. In addition to these there are costs associated with garages and other sttributes which might cost in the order of $35,000 for a new dwelling. On this basis a standard residential dwelling of 200 square metres is likely to cost in the order of $235,000 to $255, 000 exclusive of paths, landscaping and window furnishings.

Most builders are owner-occupiers combined with the odd speculative build by local builders. On balance there should be an increase in overall build in Moama on account of the new land coming onto the market from the Moama LEP which was adopted in 2011 while the market might be a little tighter in Echuca.

Queensland

Brisbane

Brisbane's revival continues and the ongoing confidence in property will be one key economic driver as this year progresses. As a capital, we have fed off the regional mining boom. Anyone with major mineral digs out in the nether reaches on the state invariably had a head office based in the big smoke. As this sector of the economy finds itself weakening, there are quite a few property participants touting construction as the savior.

At a recent presentation in Brisbane, demographer, Bernard Salt, was pushing some big population growth for major cities around the nation in 2014, and Brisbane was firmly amongst his favourites. If we see this goodwill translate into actual gains, then the rest of the year should firm up nicely for those in property.

In the southeast there are a number of major integrated developments that provide the vast majority of house and land packages for the region. If you're north, then Northlakes has to be on the radar. A planned rail extension will only add another infrastructure arrow to its quiver as building continues on this mega-estate. South of the CBD the major projects are around Waterford, but probably the most significant of all is the Springfield project in the city's western corridor. With commercial hubs, a very big shopping centre and comprehensive educational facilities, anyone keen to do a brand new house and land package in this region will most definitely have visited a display village or three in this project.

Despite a strengthening market generally, Brisbane remains comparably affordable when you consider Sydney or Melbourne. The same can be said for our major estates. Brisbane people lament the traffic and travel times when it comes to rush hour, but few probably understand how tough it is in a city like Sydney.

In our town, you can still get yourself a new house on a recently developed allotment at a reasonable price. Waterford will allow you to get into 3- to 4-bedrooms for anywhere from $300,000 to $450,000. Springfield has a broad range of construction types and land sizes available, with blocks from 200 square metres right through to 1,000 square metres, and prices for house and land range from $300,000 to $600,000.

House construction in major estates is reasonably low. Economies of scale are popular with the same builder attending to multiple sites within close proximity. In addition, buyers are generally price sensitive and will be careful about the cost of fit out. In these estates, expect to see homes built for as low as $150,000 on the small, flat blocks in Waterford, up to $250,000 in Springfield. Obviously construction costs can be substantially higher, but at these prices, buyers can achieve a basic but functional level of fit out on completion.

Right now, the market is undoubtedly firming. There's increasing levels of demand, although there's still quite a lot of stock available or about to come on line. New stock must also continue to be price sensitive as competition comes directly from established homes within the same estates. If buyers are able to deal with a dwelling that's a few years older, they can avoid some of the new-car margins that are often built into a house and land package.

Brisbane, like many other capitals, would like to see an increase in the number of owner-occupiers taking up residence in new estates, but the fact is investors mostly drive the current market. The concern for locals is that many buyers are from interstate.

The warning is always to stump-up for the airfare and personally inspection your new investment. It pays to be informed. Rents haven't been improving a great deal over the past year, and some agents are reporting a cooling in rental re-let prices.

As for the future, there's probably limited capital growth in house and land over the medium term as stock is plentiful, but values don't appears likely to go backwards. The upshot is that if you're keen on this market, now might be the best time to do some research and get in.

Toowoomba

A period of uncertainty has negatively impacted the construction industry across Queensland. Recently Toowoomba has demonstrated an upturn in development activity which can be attributed to a combination of low interest rates, the Great Start Grant and positive movements in property price and sales activity. Additionally the Toowoomba property market has experienced heightened interest from absentee investors as the 'gateway to the Surat Basin'.

There is very limited land available for development within the parameters of the Toowoomba city and therefore, the majority of residential development opportunities lay on the outskirts of Toowoomba and in smaller satellite suburbs such as Glenvale, Middle Ridge, Highfields, Gowrie Junction, Kearneys Spring, Cotswold Hills and Westbrook.

Historically Toowoomba land is dominated by a prominent local land developer, Clive Berghofer. As a result demand for vacant residential land often exceeds the supply in Toowoomba and subsequently, when released, new estates are sold very quickly.

A few of the current developments underway include; Highfields North stage 3 which has sold out in short timeframe with stage 4 soon to be constructed. Westbrook stages 1 and 2 are nearing completion and are expected to be available early April. Kearneys Spring stage 3 has completely sold out with stage 4 to be released in October 2014.

Recently Toowoomba's western fringe has experienced growth in the sales of englobo residential development sites predominately spurred on by absentee investors.

House and land products associated with the new estates in the western suburbs of Toowoomba are often a conventional layout with 4-bedrooms, 2-bathrooms, brick veneer and colorbond roofing. The amendments to the Toowoomba Regional Council Planning Scheme in 2012 allow smaller lots for new subdivisions.

An example of a residential development which has been marketed as an investor type product with house and land packages available is Parkview Estate in Glenvale. The lot sizes range from 350 square metres to 700 square metre home sites which are considered considerably smaller than residential land previously available within Toowoomba. However stage 1 is nearly sold out reportedly to investors and stage 2 is currently for sale which demonstrates substantial investor interest.

Medium density development has undergone significant growth across Toowoomba after the Toowoomba Regional Council Planning Scheme changes provided an opportunity for higher density development in the 'Residential Choice' and 'Urban Consolidation' zoning. This scheme now permits higher density development particularly in areas considered appropriate for subdivision and medium density development.

Medium density unit developments are currently undergoing high levels of construction in response to a 50% infrastructure discount offered to developers who have their unit project approved and completed to frame stage by 30 June 2014. We have experienced an unprecedented influx of unit project with 520 units currently under assessment planning or construction phases across Toowoomba. A present, developers are trying to capitalise on current infrastructure discount and we anticipate that small scale development will continue to progress. Should it slow down, we anticipate the local council will implement another incentive to continue the growth of units in Toowoomba.

The rental market in Toowoomba has continued to reflect a consistently strong market with a low vacancy rate of 1.9% as at January 2014.

This positive feature of the Toowoomba market provides a good basis for investment of brand new houses and units. However according to Cordell's Connect development and construction database the competition for brand new units is continuously increasing and may provide potential for an oversupply should the demand not meet the supply.

Sunshine Coast

The Sunshine Coast economy is largely dependant on the health of two industries; the tourism and construction. If these two industries are lagging then there is a tendency for this mood to spread through the whole economy like it had for the proceeding years up to 2013. Since the beginning of 2013 and with commencement of major infrastructure projects such as the new Sunshine Coast University Hospital combined with improvement in the tourism sector, the local economy has had an injection of confidence. Sales volumes for both existing houses and land have improved significantly with construction activity also increasing.

In the tough years from 2009 through to 2012 estate developers tried a number of things to help to move stock. The biggest change that happened in that period was the reduction in lot sizes that allowed the price of land to be reduced significantly. This had the impact of price pointing a completed property at a level where there is significant interest. An example of this is a property in the Stockland Development at Bells Reach that we valued in 2012; an allotment of 122 square metres with a land price of $88,000 and the building contract for a 2-bedroom home at $165,000. The whole project cost $253,000. We do anticipate speculation as to the benefits, but when you look at it there are some positives. This property provides freehold title and is an alternative to a unit and also is an affordable entry point into the property market for a first home buyer.

Other estates where the land sizes have reduced, but not as much as above, are the Stockland developments at Brightwater and Birtinya Island and the FKP estate at Peregian Springs. All three of these land subdivisions have been selling well with lot sizes tending to be around the 300 to 600 square metres. Previously the house and land packages were difficult to stack up however as the market has improved this has righted itself. The price point for 450 square metres of land with the home is typically $460,000 to $480,000. We also note that there are some infield land subdivisions that are also achieving good sale rates on the back of the market improvement.

When looking at who is buying this product it would appear that there is certainly a combination of both owner-occupier and investor. There is a feeling that investors are significant with self managed super funds and normal investors being active in the marketplace. The concerns going forward include the amenity of these areas and that the mix of owner-occupied out to investor be right. If the mix is skewed to far in the direction of the investors with a significant number of properties being rentals in these small lot/high-density areas, the amenity of the area could be adversely impacted.

What we are starting to notice in various estates is the increase in the number of duplexes being constructed that are also increasing densities. These appear to be aimed solely at the investor market in a hope to improve rental returns.

The world has changed. The market at this point in time is significantly better. The days however of going into a large land subdivision with all the lots being traditional 600 square meters to 800 square metres are long gone. This higher density style of living appears to be here to stay. Right or wrong, lets face it, high density living is common place in capital cities. Maybe we need to adapt to this in the regional areas.

Gold Coast

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 and/or 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 vendor 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.

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 and 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 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-Runaway Bay areas. Cheaper and older housing is available in Labrador-Biggera Waters-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 is 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, 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, secondhand 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".

Rockhampton

The growth corridor of Rockhampton is on the northern fringes in areas known as Norman Gardens and Parkhurst. These areas are offering a number of opportunities in different estates. The main estates in these areas consist of Forest Park, Riverside, Crestwood, Varsity Park, Paramount Park and Paramount Crest. There are also new estates being established in both of these suburbs that will offer further opportunity for those looking to build.

Standard homes in the Rockhampton area are generally on ground brick or rendered dwellings consisting of 4-bedrooms 2-bathrooms and double lock-up garage. An entry level dwelling of this type would range between $400,000 and $450,000. Larger homes of a higher standard generally start around the $500,000 mark in the more preferred estates.

The typical cost for a standard home in the area starts around $1,000 per square metre depending upon the quality and range of fixtures and fittings being provided. Homes being constructed to a higher standard and improved with a broader range of fixtures and fittings can expect to pay around $1,350 per square metre and above.

The market for house and land in these estates has been steady. Owner-occupiers are typically building their second or subsequent home of an above average quality in the better regarded estates spending upwards of $500,000. First home builders and investors are more active in the standard quality areas starting at $400,000.

The rental market has been steady in recent months, with a slight increase in vacancy rates starting to trend.

Gladstone

The Gladstone area has seen a significant increase of new home construction over the past three years contributing to the current oversupply and softening in market conditions. There has been a general weakening in demand for accommodation since early 2012 as the LNG plant construction approached its peak construction period.

Although the rate of construction of new homes has slowed significantly over the past 12 months, construction of new dwellings are still progressing in a number of developing residential estates in the Gladstone area predominantly along Kirkwood Road and some larger estates within Calliope and Boyne Island. Standard new 4-bedroom 2-bathroom house and land packages are now selling along Kirkwood Road upwards of about $450,000 for 600 square metres plus size allotments.

Heading into 2014 we consider market conditions will continue to be volatile for all market sectors with potential for further downward pressure due to increasing supply, decreasing demand and the weakened local economy in relation to the peak workforce numbers linked to the construction of LNG projects being reached. Information provided by Bechtel indicates that there are currently just over 11,000 workers currently working on gas projects in Gladstone.

Of these approximately 51% are local with the remaining 49% being FIFO/DIDO workers most of which are housed in workers camps on Curtis Island.

The remaining are in local housing that is rented by companies.

The 11,000 strong workforce is considered to be at the peak. We cannot determine with any accuracy how long the peak workforce will be present however it is estimated that it will start to decline mid 2014 with the projects predicted to be complete by approximately the end of 2015. The estimated operational workforce for the LNG Projects is between 1,200 and 1,400 which is considerably lower than the peak construction workforce.

Vacancy rates are currently at 8% which indicates there is still a large level of stock to be absorbed in the rental market. Given the volatility of the current market conditions, investors should be looking at long term investment only with limited potential for capital grow in the short to medium term.

Mackay

Mackay has a number of new estates developed over the past few years, offering a wide variety in land size, building size and value for money. Estates like Richmond Hills, Miraflores, Premier Gardens for example have been marketed traditionally at the owner-occupier market. Land in these estates range from low to mid $200,000s with good quality larger dwellings being erected. Homes in these estates and similar estates across Mackay usually sell in the mid $500,000's up. Other estates such as Woodlands estate in Andergrove offer smaller allotment size with the express purpose of providing affordable housing. New detached 3-bedroom dwellings on small allotments (around the 300 square metre mark) can be found for between $350,000 and $400,000.

New home construction, particularly in the northern beaches suburbs has been very buoyant throughout 2013. A large number of investor house and land packages were constructed and are continuing to be constructed. A number of non local builders have also moved into the region to construct these dwellings. On the other hand, owner-occupier building has been fairly modest during the same period. The previous building boost grant stimulated a fair bit of activity however the current demand for owner-occupier building has decreased over the past 12 months in line with general slow down in demand and sales volumes across Mackay.

The downturn in the coal industry has had a direct flow on effect to the Mackay residential market. The cancellation of expansion projects, the advent of greater FIFO (fly-in-fly-out) workforces and non renewal of work contracts has been compounded by a vast increase in investor stock (mainly new houses and units) over the past 12 months. This has seen sales volumes decrease and vacancy rates jump from below 1% to in excess of 7% (and far greater in the northern beaches suburbs).

Mackay has one of regional Queenslands highest median house values. Affordability has always been one of the main concerns with the Mackay residential market. Investors were drawn into the market with the lure of high rents achieved on the back of a very strong resource sector. Now that rents have fallen and vacancy rates increased with lower sales volume across Mackay, the prospect of capital growth is seen as limited in the short term future. It is more likely that in the short term there may be some slight reductions in line with reduced rents and demand, although at the moment values are holding up fairly well, with only small isolated reductions (up to 5%) experienced. Everything hinges on how the resource sector and coal mining activities recover.

Hervey Bay

The construction of new residential dwellings in Hervey Bay is occurring primarily in the suburbs of Urraween, Eli Waters and Wondunna. Volume builders are offering house and land packages around $350,000. The uptake of these offers is seeing a mix of local and non-locals. It is considered that the outlook for newly constructed dwellings will be modest growth. This is mainly due to the large supply of land available. There is still a steady demand for rental properties with low vacancy rates.

Townsville

Townsville residential market has around 30 active residential estates and as at our December 2013 land survey there were around 600 residential lots available for sale with a further 700 lots potentially to be released in the next six months.

The largest land estate in Townsville currently is North Shore. This is a master planned estate being undertaken by Stockland and has the services and infrastructure in place including shopping, education, fast food, medical and recreational infrastructure to make it a sought after location for 'middle class' new home construction. Entry level 3-bedroom, 1-bathroom home with single garage on a 200 to 300 square metre allotment generally starts from $280,000 to $300,000. Entry level for a 4-bedroom, 2-bathroom home with double garage on a 400 to

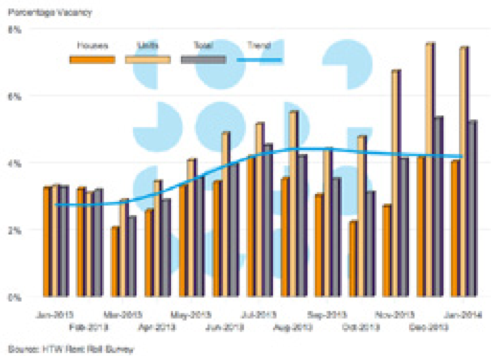
500 square metre allotment generally starts from around $400,000.

Two of the newest land estates released to the market are Cosgrove, which is located at the base of Mount Louisa Hill, and Bluewattle located at Rasmussen. Cosgrove was released in late 2013 and will provide around 2,500 dwellings across a 267 hectare site. Bluewattle is a land estate being undertaken by the Defence Housing Authority (DHA). This estate will yield a total of around 1,300 lots, of which approximately 30% will be DHA homes distributed throughout the development. Price entry for land being offered is reportedly very competitive starting from $115,000.

Arguably Townsville's premier land estate over the past ten years Fairfield Waters has released its final stage with the developers recently releasing their newest estate Fairways. This new release is Townsville's only master planned golf course community and is being undertaken in the suburb of Rosslea. This estate provides lots ranging in size from 350 square metres to 800 square metres.

The Village is an estate being developed by the Economic Development Queensland (EDQ) formally the Urban Land Development Authority (ULDA). This estate commenced in 2011 and upon completion will comprise approximately 850 homes.

New home construction during 2013 saw a high volume of NRAS (National Rental Affordability Scheme) housing come onto the market, which had a flow on effect to the rental market. Vacancy rates are currently at a high by Townsville standards, which in turn is placing downward pressure on rental rates.



The new house market for owner-occupiers is currently soft with a high volume of out of town investors currently driving this new housing sector. The outlook for the new home market is for limited capital growth as the cost of construction did not soften in-line with a downturn in the property market. Short to medium term, the best return will likely be within the established market.

Cairns

Cairns building approvals have increased in trend terms by 47% between January 2013 and January 2014. While this is welcome news it is hardly boom times for the local construction industry given that the increase has come from such a low base. It really means that housing construction has recovered from 20% of 'normal' to 30% over the past 12 months. Furthermore all of the increase thus far has been in house construction, apartment construction; is still non-existent.

The Cairns property market is still in early days of recovery, and with the wet season upon us, property and construction are in their traditional quiet time of the year. Nevertheless both sectors should gain further impetus as the year unfolds.

Land sales have also picked up - coincidentally also by 47% over the past 12 months - but again this demonstrates the depths from which the market has come. In addition we are starting to see land sales taking place in estates that were previously almost dormant as well as higher levels of sales across the on-going estates. Land prices are starting to nudge higher, with the median land price moving to around $125,000 in the southern suburbs and $190,000 in the northern beaches.

In the house and land package market, builders in the southern suburbs appear to be most active in the $350,000 to $400,000 price range while on the northern beaches, house and land activity appears to be more in the $400,000 to $500,000 category. Prime house and land estates include Seaside, North Point, Half Moon Bay and Smithfield Village on the northern beaches; and Silkwood Ridge and Mountain View Estate on the south side. House and land sales are being made to a combination of locals and investors with no real stand-out categories. Builders are just happy for whatever sales they can make in the current climate!

South Australia

Adelaide

The number of residential dwellings built in the metropolitan area showed a slight improvement towards the end 2013 after a noticeable downturn in activity that has persisted since mid 2010.

This increase in activity correlates fairly closely to the availability of the Housing Construction Grant which was offered by the South Australian Government, and provided up to $8,500 for any newly constructed dwelling worth up to $450,000. This grant applied to all new construction commencing between the 15th the 31st December 2013.

It is speculated that now this grant is no longer available housing starts will plateau or even perhaps decline slightly.

The majority of land releases and estates in South Australia tend to be in the outer suburbs and generally aimed at first home buyers. Currently first home buyers are eligible for a $15,000 grant for new homes, as opposed to a $5,000 grant for existing homes on property up to $575,000 in value. While the grant for new homes is ongoing the grant for existing homes expires on the 30th of June this year.

A quick search on the internet for available land returns what appears to be a significant number of estates with lots for sale, especially in the outer northern suburbs. There are seven located in Parafield Gardens; four at Munno Para/Munno Para West, three at Blakeview; and two at Andrews Farm/Davoren Park to mention just a few.

Most property within these estates are sold as house and land packages. Large developers sell generic style housing with the standard dwelling being a 3-bedroom, 2-bathroom and detached with an equivalent area of around 120 to 150 square metres on allotments of around 250 square metres. The packages start from around $275,000 to $300,000. Building costs are $1,100 to $1,200 per square metre for base house and externals and $1,500 per square metre fully finished. The cost of land commences from $130,000 as part of the package.

With the constant supply of new land being released to market this large selection of available land in the outer northern suburbs is starting to show the distinctive signs of oversupply. Demand has slowed and extended selling periods are starting to occur. In an effort to increase market share it has become apparent that there is an increase in incentives being offered by developers.

While this market is aimed at the first home owner, it is currently being driven by investor groups, accountants, private superannuation funds, etc. chasing high rental returns and depreciation benefits. Currently gross returns are around 6% to 8% and are among the highest in the metropolitan area. Yields are sitting above the long term average for the Adelaide market. Vacancy rates are also holding low however caution applies to future rental returns due to potential oversupply, not to mention local economic conditions and the recent increases to the unemployment rate.

With investor activity coming from both interstate and international buyers with limited knowledge it is important to obtain good advice and do your homework when it comes to investing. There are a number of examples where properties have been contracted at levels well above other local sales.

It is worth noting that astute purchasers can find established near new dwellings within these new sub-divisions ready to move into and some at below land and building cost. The expectation is for very limited capital growth in the short to medium term in most of these new estates.

St Clair is a 64 hectare development located around 8 kilometres west of the city on the former Cheltenham racecourse site. Once complete this infill estate will supply around 1200 new homes. It is distinct from the outer metropolitan land releases, due to its proximity to the city and the fact that it is surrounded by well established suburbs. St Clair benefits greatly from being close to existing shopping centres, café and dining precincts with metropolitan beaches only 5 kilometres away. As a result this is reflected in the land price and first home owners looking for detached dwellings within this subdivision have fairly limited options available.

People began moving into completed homes back in 2011. The St Clair Village Shopping Centre, which is anchored by a Coles supermarket with numerous specialty shops and 300 car parks, opened in 2013. A new train station to service the area is under construction and due for completion this year, providing a direct link into the CBD.

Within St Clair blocks of land are generally offered for sale without restrictions on which builder to use and timeframe to build.

Allotments range in size from around 250 to 500 square metres, with 275 square metre allotments currently for sale for $350,000. This price bracket for land is likely to deter the majority of investors where rental return is their investment objective.

This estate is not characterised by house and land packages. Purchasers can buy land and then develop the site with their own choice of dwelling. The cost to build can therefore vary considerably, some of the allotments maybe considered to be over capitalized while others may benefit from capitals gains (due to lower building costs). With the exception of those highly capitalised properties St Clair is likely to show capital gains over the medium to long term. This is mostly due to the location of the estate (both proximity to CBD and beaches), access to public transport and overall local amenity.

Mount Gambier

Mount Gambier has a number of major estates located around the city, currently there is arguably an over supply of vacant land available. The main estates located towards the northern side of the city are Attamurra Heights, Attamurra Fairway estate, corner of Kennedy and Wireless Road subdivision and the Aramanta subdivision. This area has proven popular for residential development however Attamurra Fairway estate has been a bit slower to move with land values higher than most divisions because of the close locality to the golf course. Corriedale Heights is located close to the Mount Gambier Hospital and has been relatively popular. Rosaville estate is on the north western side of Mount Gambier and has been slower moving compared to other divisions on the northern side of town. Lakes Park subdivision is located on the southern boundary has been the slowest moving subdivision with few allotments being sold over the past few years.

The price points that are available within these divisions excluding Attamurra Fairway estate vary; from $75,000 to $120,000 with smaller allotments from 500 squares meters to 800 square metres ranging from $75,000 to $90,000; 800 square metres to 1,000 square metres ranging from $90,000 to $100,000; and allotments from 1,000 square metres to 1,300 square metres ranging from $100,000 to $120,000. Attamurra Fairway Estate is a new premium division with allotments priced above $130,000 for golf course views or a golf course frontage.

The typical cost for home construction in the area for house and land inclusive ranges from $300,000 to $400,000. This range is generally seen as the affordable housing price range for new homes within these estates and will provide 3- to 4-bedrooms, 2-bathrooms and a double garage under the main roof.

The market in the past six months for vacant land has been strong in Mount Gambier because of the government construction incentives. Mount Gambier has had the second most amount of housing construction grants received in South Australia over the past ten years. The market for purchasing a new house in these new estates is not as strong as the market tends to want to build rather then purchase an established home. Purchase prices are rarely significantly greater than land value plus construction costs.

Most commonly new houses being constructed in the residential divisions noted above are by young couples building their first home or family's upgrading to a larger family home.

Investors are tending to build smaller residence on courtyard style allotments. This market has also been stimulated in recent times through the National Rental Affordability Scheme (NRAS).

The rental market for new dwellings is in demand. In recent years rents have increased. A few years ago it was unusual to see a rent of more than $300 per week. Today a modern 4-bedroom dwelling with 2-bathrooms could receive somewhere in the vicinity of $350 per week. Few properties however are achieving greater than $400 per week.

At the end of 2013 the government incentives to build a new dwelling in South Australia finished, and as a result of this there was a large influx of new building contracts agreed to with local builders. Once these new dwellings are constructed it is likely that the market to build new dwellings will soften significantly from what we have seen in the past nine months.

There is no shortage of vacant residential land in the Mount Gambier area. So for many years to come the supply of vacant land is likely to be greater than the demand to build new dwellings. This over supply of land is also likely to prevent any significant increase in land and house values in the short term, unless of course the population of the city rises significantly.

Tasmania

Tasmania
You may have heard we Tasmanians mention (okay, crow about) the First Home Builders Boost (FHBB) of $30,000 currently up for grabs for those either purchasing a newly built dwelling or embarking on a new build available until December 2014.

Government data reports building approvals have increased in Tasmania by 8.1% since January 2013 indicating some stimulation within the construction industry.

It remains to be seen, when the grant concludes at the end this year, how effective Tasmania's greatest opportunity to date for first time builders/new home buyers has been in generating jobs and growth in the construction industry.

Hobart
Purchasers looking to take advantage of the boost would consider the eastern shore in suburbs such as Tranmere, Howrah, Oakdowns and Old Beach. Higher volumes of land sales have been occurring in these areas with reported increases in building activity. Tranmere is a fast growing riverside suburb approximately 15 kilometres from the city centre and has a very high proportion (almost 92%) of owner-occupiers with families. In Old Beach fully fenced, final stage, acreage blocks marketed as premium land with views can be purchased from $110,000. Closer to the city at Oakdowns blocks just over 1,000 square meters are offered for sale at $135,000.

Reportedly in the south, increases in demand for building services have seen a resultant increase in some building contract prices. In contrast, small absolute beach front blocks at Howrah are marketed as starting at $470,000.

Launceston
Prospect, Prospect Vale, Kings Meadows, Riverside, Legana and Newnham are all suburbs of Launceston that have experienced increases in building activity. Vacant land in Legana, Riverside and Prospect have median price ranges between $115,000 to $159,000.

For those who commute parcels of land in the satellite villages of Perth and Longford can be acquired from $84,000.

There is a wide range in building contract prices which appears to be dependent upon the volume of work builders have at any one time. Land prices in some subdivisions have seen recent increases which could be attributed to developers capitalising on the FHBB.

Northern Territory

Darwin

The top end of the Northern Territory is going through somewhat of a residential housing boom with cranes in the CBD, tradies as far as the eye can see, and heavy machinery creating new sub-divisions daily.

The number of residential building approvals in the Territory has increased by nearly 22% in the year to January 2014.

In real numbers this equated to nearly 2,300 residential building approvals in the year to January 2014. (Media Release from Deputy Chief Minister Dave Tollner, March 2014).

So where are these people going? The Darwin CBD has seen massive re-development, so too the outer northern suburbs of Lyons and Muirhead, along with the new Palmerston suburbs of Bellamack, Durack Heights, Johnston, Zuccoli, and don't forget the surprise packet of 2013 and 2014 – Coolalinga.

The magic number is $600,000 for house and land packages in any of these new areas, The list of government grants and incentives for property purchased under this figure is quite significant and can be up to $25,000. When combined with the saving made of not paying full stamp duty (purchase of an existing home) it is obvious why many market participants are looking to the option of building a new home.

The construction of these new areas has seen a significant shift in the size of allotment and the size of the end dwelling. The market has engulfed the smaller courtyard size allotments which are circa 300 square metres, and increase through to country size living allotments which are circa 4,000 square metres. The demand for smaller allotments is a far cry from the 1,200 square metre to 1,300 square metre allotments in the preferred inner city suburbs of Larrakeyah, Parap and Fannie Bay and may further encourage breaking up of these allotments with the Planning Commission.

These new suburbs comprise a cross section of the Darwin demographic; Lyons and Muirhead are 50% occupied by Defence personnel, investors have been active and so to have owner-occupiers looking to build their first new home.

When comparing to our cousins in the southern states, the cost of construction is very high in Darwin. This is driven by extra building regulations for cyclone rating, cost of labour and availability and the ever increasing cost of material. For a new home in any of the aforementioned suburbs, the rate per square metre ranges from $1,600 for internal living up to $2,250. A comparable construction type in Brisbane will be $1,000 to $1,200 per square metre.

The rental market is still quite strong within the newer areas. As at December 2013 the vacancy rate was 3.6% (REINT) for dwellings in the northern suburbs and 4.2% for Palmerston. These locations have eased 1% to 1.5% over the past 12 months to December which is reflective of the new construction.

So where to for the market? At the time of writing, the lag time between purchasing an allotment to title being received is six months, but for any market which is fast moving like the Darwin market, that is far too long. With a lack of land supply, an increasing labour market and limited housing we consider that the market will continue to perform well in the short to medium term. That means more cranes, more tradies and more heavy machinery moving dirt.

Western Australia

Perth

Building approvals and construction activity have been on the increase for some time in the Perth metropolitan market. As with any increase in activity, it is usually in response to positive signs. Those positive signs include; a low interest rate environment; increasing median house prices; strong population growth; a release of capital to the market from banks eager to lend again, a government keen to stimulate activity through any number of initiatives; and a downturn in the resource sector which would usually have an opposite result, but in this case has resulted in a refocus (both of labour and capital) towards the Perth market.

I think we're just a shot away from some trouble. Let me put this into a 'statistical' context for you.

Western Australia's gross state product (GSP) was $243 billion in 2012 to 2013, contributing 16% of Australia's gross domestic product (GDP).

GSP per capita was $98,069, which is 48% higher than the national average of $66,397.

Western Australia's share of the population was 10.9% and is projected by the Australian Bureau of Statistics to grow to 12.2% (3.3 million) by 2022 to 2023.

The construction industry contributes 12% of Western Australia's GSP and currently employs 10.57% of the state workforce (Construction Industry Snapshot, January 2014). The value of residential and non-residential construction work, excluding heavy engineering, in the year to September 2013 increased by 5.22% compared to September 2012.

The housing sector has in recent month recovered with annual dwelling unit approvals to November 2013 at 27,365 or 21,780 houses, compared to a previous peak of 27,181 or 21,947 houses at November 2006 (ABS 8731.05 seasonally adjusted)... just before the you know what.

Furthermore, seasonally adjusted, building approvals for all dwelling units increased by 3.96% between October 2013 and November 2013. There was an 8.97% increase over the three months to November 2013. This was in sharp contrast to a decrease of 42.71% in April 2012 which was partially as a result of changes in the approvals process.

Trend building approvals in Western Australia increased by 26.7% over the 2013 year. Seasonally adjusted, dwelling commencements increased by 3.95% in the quarter to September 2013; however on an annualised basis compared to September 2012 commencements have increased by 37.65%. Perth house prices jumped by 3.3% in the final three months of 2013 with the city recording the second highest price increase in the country. The Australian Bureau of Statistics reported that over the past 12 months, house prices in Perth climbed by 8.7%.

The Real Estate Institute of Western Australia has it on record that they predict the median house price will be $600,000 by the end of 2014. That would mean Perth would be the second-highest median house price for an Australian City, behind Sydney's $655,000.

All of these individual 'statistics' result in a stimulation of residential activity, none more so than the apartment market. What this means is that there is frenetic construction activity. Dwelling prices are rising. Construction costs are rising. The Reserve Bank is beginning to get concerned that the Australian economy is becoming overheated next step, artificial intervention, rate rises.....what happens next?

How short actually are the memories of people? The answer of course is about six years.
As the Rolling Stones sang.....Gimme Shelter!

South West WA

As 2014 progresses it has become apparent the building industry is strengthening as approvals are on the way up throughout the South West. As the market continues on its upwards swing after numerous years of stagnant and weak conditions, developers are finally releasing and developing land. Throughout the South West the localities of Yalyalup, West Busselton, Vasse, Dalyellup, Eaton, Australind and Margaret River in particular are expanding and growing.

Over the past 12 months vacant land values have increased and the current entry point into these estates range from $150,000 to $250,000 depending on the size and location of the properties. As these lots are now starting to sell strongly there is consequently a flow on effect into the building industry. With this increase in demand building contracts have now firmed and started to increase after numerous years of hard competition between the builders vying for the limited market. Current building contracts for these estates range typically from $200,000 to $300,000.

Demand for established homes within these estates is positive with most homes selling within a three month selling period if priced and marketed correctly. The purchaser profile is made up of all segments including first home buyers, trade up buyers and investors all looking to move into the new housing market. Investors have been motivated by a strengthening rental market with yields firming considerably over the past 18 months.

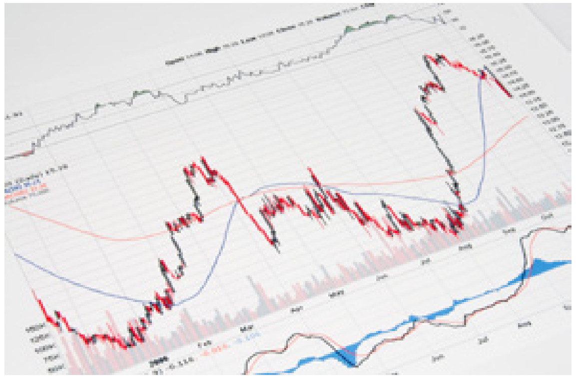
Overall the new home construction industry is strengthening and once again we are on the upwards swing of the property cycle.

Esperance

In an area as small as this (in population), there are only a couple of estates in which construction is occurring. Flinders estate in Esperance is within reasonably close proximity to popular swimming beaches with underlying land values typically ranging between $170,000 and $190,000 while Shoresands estate, a short distance away has seen strong land sales and growth with values now typically realising between $155,000 and $165,000.

Both these estates are attracting the same style of home. Standard 4-bedroom, 2-bathroom configuration with generally two living areas, double garages under the main roof and outdoor alfresco areas are the norm with construction being brick veneer walls and colourbond roofing.

The level of construction has increased over the preceding 12 months to two years. The main driver appears to be pricing with construction costs having reduced over the same period from a typical range of $1,500 to $1,600 per square metre to now sit between $1,200 to $1,300 per square metre for the living area with a pro-rata rate for the garages and outdoor areas. With the established market paying a rate in line with the earlier construction costs, those who built during this time were often coming out over committed when site finishing also had to be factored into overall development costs. At present, the lower



construction rate is seeing those now building at least being able to recover their input in the market.

The construction market here is primarily for owner-occupiers. Very little is done for investment purposes although the rental market is relatively strong and rents can range between $450 and $480 per week for homes costing around $450,000 to $550,000 fully finished, including land. The demand for house and land development remains strong while. Development costs show this to be viable and with a potential shortage of residential land over the next two years if current sales trends continue, there could be a reasonable prospect of moderate growth in values for those building now.

This is in contrast to Hopetoun, a small coastal locality 200 kilometres west of Esperance, that currently has a massive oversupply of vacant land, particularly rural residential property. Construction in Hopetoun is at a standstill with no builders in the town and correspondingly higher costs for building teams to come in. Combined with falling underlying land values from the level of supply being compounded with low market activity, the opportunity to build at a price that gives some return to the property owner is very low.

An alternative in this market is the prefabrication of dwellings in Perth and then having them transported and established on site. From those who have established dwellings in this way the reports are they are proving to be cost and time effective with indications the overall costs are more in line with market realisation.

Rural

HERRON TODD WHITE RURAL

Overview

It sounds simple when we think about requesting a valuation. Simply send an email request, phone call or instruction to a valuation firm, give the property address (on most occasions) and ask for a quote to value the property. I am often amazed at this style of request given the nature of various commodity types and the varied purposes for which a valuation will be used.

I tend to spend part of my week speaking with requesting parties to determine what the nature of the request is, i.e. really trying to determine, for example, for an intensive livestock operation, e.g. Broiler farms, is the request for vacant possession excluding stock and plant, or as a going concern operation which requires a specialised level of analysis of the financial information of the business, the broader industry overview, review of supply contracts if in pace etc.

The other good example of confusion is say where a financier is possibly looking at a forced sale situation and yet requests a market value assessment without outlining the limiting conditions under which a sale may be undertaken, i.e. extremely short marketing period, with property fully de-stocked due to ongoing drought conditions etc. The question of forced sale and the nature of instruction is currently one that Herron Todd White is reviewing and we note recently the API has requested consultation on the basis of these requests. We hope to report some positive outcomes in this area which will provide clarity for the market place in the future.

For now though, if you are seeking to request a quotation for valuation and not quite sure the basis on which you should instruct, please feel free to contact your local Herron Todd White Rural valuer and discuss your requirements so you get the information you are seeking to help make fully informed decisions.

I am pleased to advise of some new recruitments to the rural team. **Carlo Vadori** joins our Mildura office and comes to the group with an extensive background in Viticulture, Horticulture and NSW Western Grazing valuations. Carlo is based in our Mildura office and adds to the local capacity in that region. Carlo also has a background in environmental valuations which is an area that you will hear more about in the future and is an API accredited water specialist valuer.

Simon Altschwager joins the group to be based in Melbourne and covering down to the Gippsland region up to Bairnsdale along the coast. Simon has spent almost 15 years in the industry and has worked within other firms and also his own practice. Simon will cover all general commodity types and will seek to specialise in Dairy, Forestry and Broiler industries within the region and across other parts of Victoria as necessary.

Craig Johnstone joins us in Orange and comes from a family sheep and cropping background in North West NSW. Craig will cover the region around Orange including Bathurst, and partly west of Orange. Craig also has been an agribusiness consultant in a former life with a large regional accounting firm and this added financial assessment brings another focus to valuation in the rural sector. Craig has been involved in the valuation industry since 2009.

I am pleased to welcome all three to the rural team and the additional capacity to deliver services to our clients I am sure will be well regarded. There are other areas across the country that are of interest to Herron Todd White Rural and I hope to be able to announce some more areas of coverage in the future. For now though you can contact any of the guys mentioned via the local office or refer to our website for contact details. www.htw.com.au.

The monthly reports are in and this month we are evidencing some good sales in key regions across the country which may be a sign of some confidence coming back into those market places. As I write this report, it has just started to rain and hopefully a week of good general rain across NSW, QLD and NT may bring another layer of confidence back to these market places. I hope you all get a good soak if looking for one.

Contact Tim Lane (07) 3319 4403
National Rural Director

NSW Far North Coast

Weather

February and March continue to be very dry. This is impacting on almost all agricultural sectors in north eastern New South Wales at present.

Sugar Cane

A cane farm at Dungarubba put to auction earlier this year is now under contract. The crop would benefit from rain and is in some areas declining due to the dry conditions.

Macadamias

Macadamias Direct at Dunoon have recently released 2014 harvest pricing of $3.50 per kilogram nut in shell at 10% moisture and 33 % saleable kernel recovery. The terms are $1.50 per kilogram immediate cash advance and full payment within 21 days. Increased Chinese demand for nut in shell is believed to be contributing to this commodity price. This appears to be a higher price than last year which was broadly about $3.15 per kilogram nut in shell at 10% moisture and 33% saleable kernel recovery.

This commodity price will assist this market sector, although there are some concerns how sustainable the Chinese demand will be on a year on year basis.

A 30.35 hectare macadamia farm with about 4,600 trees (about 21 hectares macadamia trees) at Dunoon was passed in at auction, listed for sale for $850,000 and is now under contract for an undisclosed amount. Another 45 hectare macadamia with about 4,500 trees (about 11 hectares macadamia trees on close row spacing's) and rural lifestyle farm at Upper Coopers Creek is to be auctioned in April.

The macadamia industry is presently working on share farming and leasing schemes.

Summer cropping

The early sown soya bean crops that have benefited from storms appear healthy although the crop potential may be curtailed without sufficient rain with some flowers aborted and rain needed at the pod fill stage. Some crops have been damaged by the dry conditions to the extent that they and are being baled for fodder as they have had insufficient rainfall for grain production.

Soya bean prices are positive with prices quoted at this stage around $600 per tonne for crushing and $640 per tonne for edible grade delivered to silos.

General observations of the rural property market – the buyer's market remains.

Country New South Wales

The rural market in central NSW and northern NSW continues to give mixed signals with discussions with agents indicating extremely tough marketing conditions 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 therefore 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. 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. The 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 subsequently a sale has proceeded.

The corollary of this are a group of properties called Iona, Jude's Creek and Jude's Park at Curban NSW 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. Properties above $10 million that have broad scale cultivation capabilities are currently attracting a reasonable level of interest from the corporate sector.

Albury

Rural sales activity has been relatively slow through March with few notable sales occurring through the district. The main sale of note was 'Murraguldrie Station' a beef cattle enterprise located 22 kilometres south east of Tarcutta which is currently under contract. The marketing agent has requested the price remain confidential, however the price was reflective of the fairly soft market conditions for grazing properties in the district.

Seasonal conditions continue to be relatively dry as many farmers prepare for the winter crop sowing through March and April. Good rains over the forthcoming weeks will be required to assist newly sown crops with up to 50 millimetres predicted for the last week of March which may provide a promising start to the season.

In the irrigation areas allocation prices for New South Wales ans Victoria temporary water has been trading at between $80 to $85 per megalitre. Victoria High Reliability permanent water is trading steady at approximately $1,400 per megalitre in both the Murray and Goulburn systems, while New South Wales General Security water is also steady at $880 per megalitre.

The high demand for irrigation water over the summer has resulted in a continued reduction in water storage levels in Hume Dam currently at approximately 42% (53% same time last year). However Dartmouth Dam, the largest capacity dam in Victoria remains nearly full at 89% (93% same time last year).

Murray Riverina

At this point in time agents are reporting that enquiry is generally subdued across most asset classes; however since January 2013 there has been some improvement that has translated into levels of value remaining steady to a slight rise. The subdued market reflects softer confidence levels in the national and international marketplace more broadly.

One factor that has provided negative sentiment in the market is the temporary water price at around $80 per megalitre that is having a negative impact on farmer's short term income outlook notwithstanding 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.

Mildura/Sunraysia

Activity in the rural scene over the past month includes the completion of the wine grape harvest while the fresh fruit table grape harvest is nearing completion, with only the final pick of the later varieties remain to be harvested. In general the wine grape harvest has been dogged by poor prices, however the majority of table grape growers appear satisfied with the season.

Table grape prices have generally remained firm with reports of some very good late season demand from the Japan and Canadian markets for our white variety table grapes which has pushed prices up for growers who still have some quality fruit to export.

The almond industry in Australia has received a boost with a global shortage leading to soaring prices. The shortage is due to the drought conditions and water shortages in California. California produces in excess of 80% of the world's production and Australia (second largest world producer with 5.9%) is well placed to capitalise on the global shortage noting also that world demand continues to increase for almond products.

Almonds have become Australia's largest horticultural exporter, worth $309 million in 2013. Kernel prices for the current harvest are being forecast to be close to $9 per kilogram, up from around $6.60 per kilogram in 2013 and levels of around $5 per kilogram being received three to four years ago. In addition the in shell price is forecast to increase by $1 per kilogram from the $3.80 per kilogram received in 2013.

With the heat now dissipating after a relatively hot summer in this region, the local dryland farmers are looking to the skies for some significant rainfall in the next two to three weeks to kick-start their cropping campaign.

A recent report from Rural Finance reported that Victorian Farmland values have increased by an average 4.2% each year for the past 23 years. The study tracked the results of about 45,000 sales across the state since 1990. This result shows that rural land values have outperformed inflation over the same period and demonstrates the strength of Victorian agriculture land. It also highlights the potential agriculture land has for the investment market. During the 23 year period there were three distinct trends; commencing with a period of stagnant farmland values in the decade from 1990 to 2000; then a rapid increase in land values up to a peak in 2008; followed by another plateau coinciding with GFC before another gradual rise from late 2012. These trends also appear to have mirrored the local market during this period.

Sales activity for the past month were highlighted by the sale of a large table grape holding at Trentham Cliffs NSW (15 kilometres south east of Mildura) which showed strong levels of over $50,000 per hectare 'dry'.

In addition there have been some recently settled sales of dryland farming land in the Millewa and Mallee which have shown firmer values from previous levels in mid 2013. A couple of recent pastoral sales to the north east of Mildura to occur include Mandleman Station purchased by an adjoining owner while Boree Plains Station was purchased by a Mineral Sands mining company. The water market has also firmed over the past couple of months with reports that the larger parcels offered have been met with strong demand. Current levels reported by Ruralco Water (25 March 2014) show:

- NSW Murray High Security trading for up to $1,720 per megalitre;
- Victorian Murray High Reliability trading up to $1,450 per megalitre; and
- temporary spot price for Murray water in both states is trading around $85 per megalitre.

Southern Queensland

"Better late than never" is an expression that springs to mind with the recent widespread rainfall which has fallen across large parts of Queensland and New South Wales. A break in the season is just what everyone needed as we head into the cooler months. While not all graziers could afford to hang onto stock, those that could will be rewarded with a likely improvement in the market driven by increased competition from feedlot and restocker buyers. Surface water stocks have been replenished as many creek and river systems run for the first time in well over 12 months.

The recent rain has been also boosted prospects for winter cereal and fodder crops as farmers look to plant over the coming months.

The property market has done little over the past month which comes as little surprise given the drought and tough market conditions experienced leading up this rainfall event. It is expected that more properties will be put to market in the short term with a growing portion of these instigated by mortgagees. This is an unfortunate reality facing the rural property market though allows for some good opportunistic buying for those in a position to do so. We are advised of two properties under contract in the broader southern border area. This includes Taraweir which is a mixed dryland farming and grazing property in the Billa Billa district and Hunters Hill near Gore which is a trap rock grazing property. Both properties were under forced sale conditions and had been on the market for an extended period. We are advised that both properties went to contract after auction.

Central Queensland

March has seen the dry spell across most of Central Queensland continue with the Burnett and parts of the Banana and Central Highlands regions now feeling the pinch of the dry conditions.

The key talking point in the rural property market across Central Queensland has been the sale of the well regarded Bauhinia district grazing property Rangeview. This is a top quality scrub block of around 5,500 hectares (13,500 acres). Rangeview was sold by retiring graziers after a sound marketing campaign and reportedly received a high level of interest leading up to the auction, with a number of parties competing at auction, eventually selling to well establish district graziers with other properties close by. For these reasons Rangeview is now regarded as the benchmark sale for top quality scrub values showing around $1,690 per hectare ($685 per acre) or around mid $3,000 per Adult Equivalent.

Following this sale we have seen the listing of a number of other well regarded grazing properties across the Dawson/Arcadia Valley districts, including Rainbow, Lotusvale and Lynora Downs in the Arcadia Valley, and Mount Aldise, Sandra Downs and Billabong in the Bauhina/Moura districts. Agents are reporting there to be reasonable demand from a range of buyers looking to purchase quality properties which illustrates that there is now less uncertainty in the market and buyer confidence is increasing. Despite this reported increase in market activity, we are still receiving reports from some financiers that there is still a degree of pressure on a number of clients struggling with high debt levels.

We are starting to see the first of the western Queensland properties coming on the market after receiving welcome rain in recent months. These properties are now looking to sell with good feed reserves. Many industry stakeholders will be keeping a close eye on the level of interest surrounding these properties.

North Queensland

There has been a hive of activity in North Queensland as the year gets well underway. While most station managers have helicopters booked to start the first round of mustering, the property marketing period has jumped from the barrier so to speak.

Swans Lagoon sold at auction in early March. The sale price was $7.2 million which is $213 per hectare and $2,400 per advertised breeder (3,000) area and slightly less on a Beast Area ($/AE) basis.

The Swans Lagoon sale demonstrates that the market is willing to pay for a well improved, well located property with reasonable country types.

While this is a good outcome for the better classes of property, the market appears very quick to discriminate against stations with any perceived issues be they: location, country types, lack of grass, infrastructure, weeds or vendor situation.

Other stations being actively marketed at the moment include the following eleven stations:

- Lolworth - Mixed wet black basalts, red basalts and forest country station northerly of Pentland.
- Goldsborough - Cape River breeder block to the north west of Pentland.
- Chudleigh Park - Well known large scale operation to the north of Hughenden.
- Niall - Breeding station to the north west of Charters Towers.
- Maryvale - Breeding and backgrounding station to the north west of Charters Towers.
- Glenalvon - Mitchell Grass Downs block to the south east of Richmond.
- Baroona - Mitchell Grass block to the north west of Julia Creek.
- Caleewa - Mitchell Grass block to the north west of Julia Creek.
- Fairveiw - Mitchell Grass Downs block near Kynuna.
- Eyriewald - Block near Winton.
- Kilclooney - Forest breeding country near Mount Fox inland from Ingham.

This is an interesting spread of country types, uses and locations. It is not very oftern that blocks come up for sale to the north of Julia Creek so it will be interesting to see how those two blocks go.

Four of these stations have sold within the last five years. While the marketing period is underway there are some proposed amendments to the Land Act that rural property stakeholders should be aware of. The Bill has yet to be passed however the proposition involves changes to the ownership limitations of Leasehold tenure and the introduction of rolling leases.

The rolling lease concept proposes an automatic renewal of a lease similar to the term of the existing lease. Longer terms can be applied for.

With the changes to who can own Leasehold Tenure, in particular is the Grazing Homestead Perpetual

Lease. These changes suggest that Companies, Trusts, Aboriginals and Family entities will be able to hold this tenure. These changes are designed to remove restrictions to these entities to buying these Leases.

This is interesting, as I can recall a situation where a Downs block near Richmond that fronts the Flinders River was under investigation by a trust for potential purchase for future agricultural purposes. Due to the GHPL tenure, the Due Diligence process did not last long.

So while the property marketing period is underway, changes to the Land Act are underfoot and there are rain clouds in the sky again.

Northern Territory

Last month we mentioned that several NT cattle stations were in advanced stages of negotiation for sale, but still there are no settled sales to report this month as these negotiations continue. In fact we are aware that some vendors are considering whether they sell at all! It would appear that the relatively recent change in fortunes for northern pastoralists is having a bit to do with the "do or, don't I" decision for some would be vendors.

There is an abundance of grass in the north and with the continued strong live export prices out of Darwin (and Broome) looking set to continue pastoralists are finally looking at some solid cash flow. We know of one vendor who has had his Katherine region station on the market for over 18 months and recently landed a good offer to sell it but has now pulled the property off the market for a bit to reconsider.

Compared to the same time last year, he now has options. He can take advantage of the $2.30 per kilogram (+) offered on the Indonesian steer market out of Darwin or choose to make the most of the abundant feed and grow the steer out for another season and sell in the strong live export market to Vietnam which will take a variety weights for slaughter ready cattle. And with projections that the demand from Vietnam will continue at least throughout 2014, he might find he can safely budget for his sales income this year. Last year, if a similar offer to purchase was made, he would have probably sold.

Looking again at the phenomenal growth in the Vietnam live cattle market, it really has been a godsend for many NT and Kimberley pastoralists over the past six months in particular. At the end of 2013 the prediction for 2014 was a big jump in live export numbers to Vietnam to 40,000 head per annum. Around 40,000 head was already about to be reached at the time of writing (end of March) and live exporters are now conservatively estimating 100,000 head to Vietnam for 2014 and potentially much more than this if the current steep trajectory continues.

In this rural valuer's travels to several regions in the NT and Kimberley over the past two months, reports of 400 kilograms plus cattle heading to Vietnam have been a regular. Bullocks from the Alice Springs regions are also making their way up through Darwin to Vietnam at very healthy prices.

Given the start contrast between the low cattle prices available in the southern and eastern Australian cattle markets, and prices available through live export, the Vietnam live market has been a shot in the arm for a growing number of Central Australian pastoralists.

Newsflash! 'Killarney Station' (5,414 square kilometres including the adjoining 'Birrimba' lease) has reportedly just contracted for sale. Full details are yet to be released however we understand that an Australian based pastoral company has signed the contract for sale WIWO at a price in excess of $35 million with an undisclosed number of cattle (but well below current carrying capacity as we understand it).

Killarney/Birrimba is a well regarded holding located in the corporate dominated Victoria River District (VRD) some 220 kilometres from Katherine with sealed Buntine Highway frontage in a 690 millimetres annual rainfall locality.

The holding was first tested on the open market back in February 2011 when expressions of interest failed to yield a sale (passed in at $30 million). The ensuing two years reportedly attracted a variety of interested parties from both Australia and overseas, however the negotiations appear to have all fallen over for a variety of reasons - until now. The full workings of this deal, including the number and value of the herd included in the sale will need to be assessed before the true value the purchaser has placed on this asset can be considered and the buyer's true motivation for the acquisition understood.

If the sale is consummated by final settlement, it will be interesting to compare with the other recent VRD sale of Riveren/Inverway (October 2013) for any consistency in value rates. Things are definitely back on the move in the Top End.

South West WA

Does technology equal value?

I sat and watched in amazement as my two year old completed puzzles on the iPad and wondered to my wife "what will he be doing in ten years time?" While technology is not new by any means, the application of technology seems to be progressing in leaps and bounds.

This made me think about what technological advances will do for the agricultural industry and will it equate to value. I discussed this with a progressive farmer and his son a couple of months ago and we came up with the following;

- This is not new as we already have GPS, GIS, EM and variable rate technology which is being embraced in some form or an other by a number of farmers in the industry;
- Well managed farms will always achieve a premium in the market;
- Does the use of technology mean that you are a good manager? The application of technology can help you record data, identify problems and manage budgets but if you do not manage this data to achieve your goals or the properties full potential then the value to the business is negligible.

In conclusion we agreed that the current technology is a management tool and it is the application by a good manager to make a business efficient and profitable that has value.

You could argue the answer to the question "Does technology equal value?" is "The correct use of technology has the potential to increase the value of the property." This would be in line with our conclusion in the second point above.

However, this then leads to the questions;

- Would this mean the technology and data would need to be included in the sale of the property?
- Would the cost equate to the increase in value?
- If the property has always been managed well prior to the use of technology what increase could be attributed to the technology and what to the management?

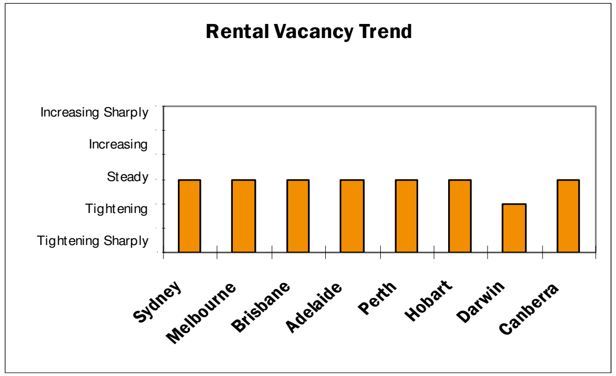
So while it is hard to believe that the use of technology will not become a more prevalent factor in the future of property transactions, it will only be one variable of many taken into account and as always will be dependant upon the management.

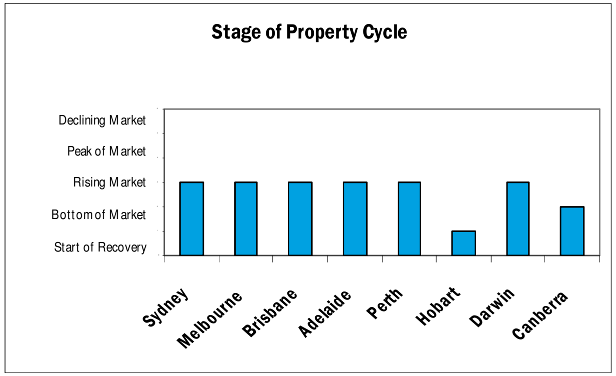
Capital City Property Market Indicators - Houses

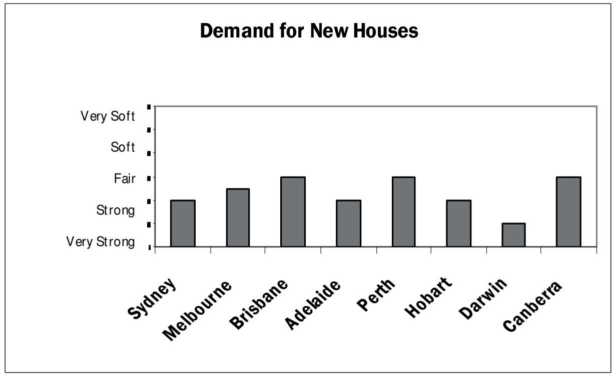
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental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

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

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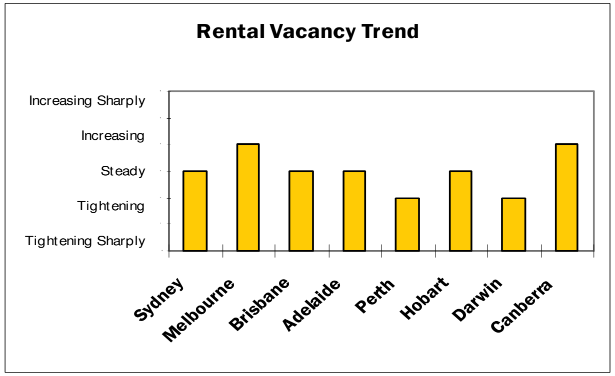

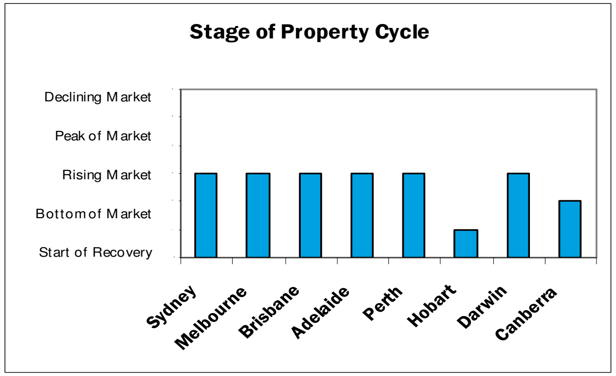

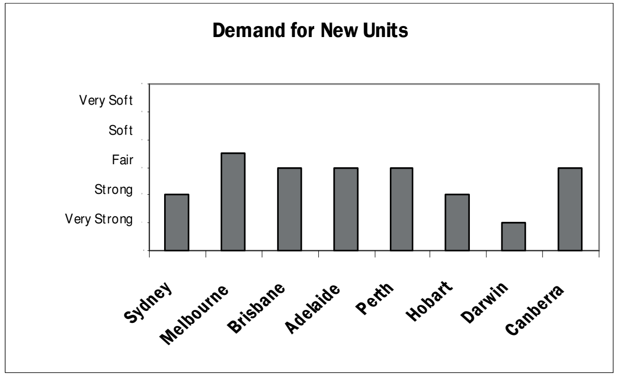

Market Indicators

Capital City Property Market Indicators - Industrial

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

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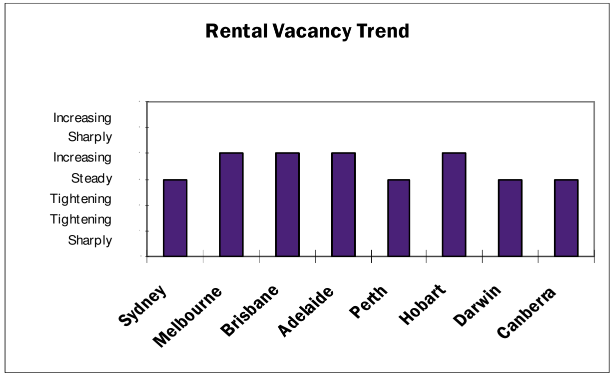

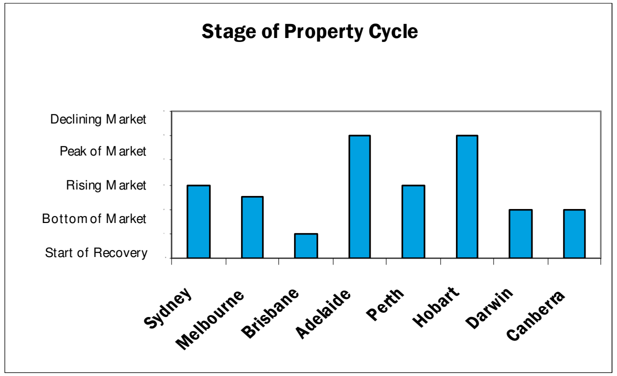

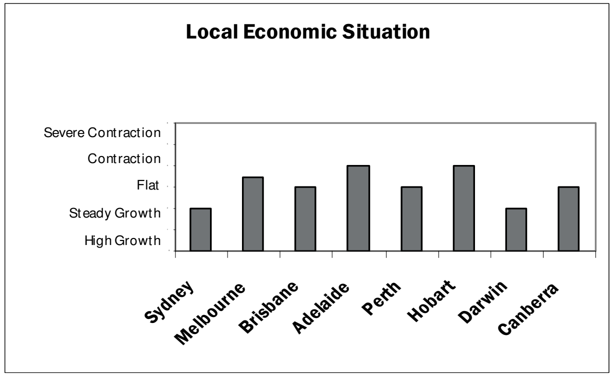

Market Indicators

New South Wales Property Market Indicators - Houses

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

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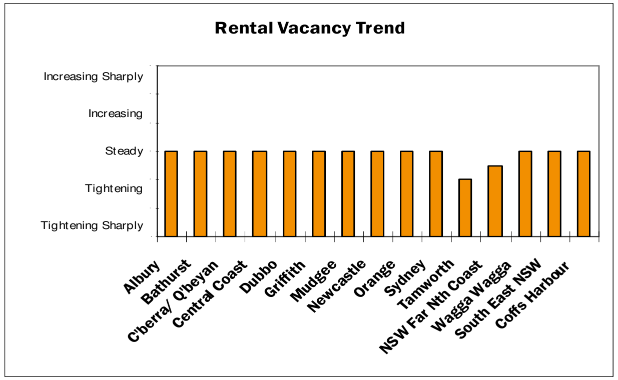

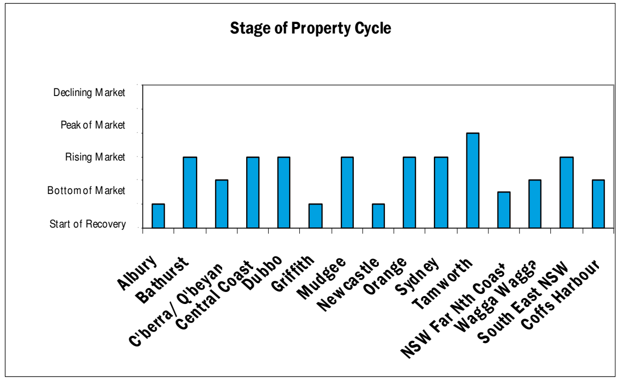

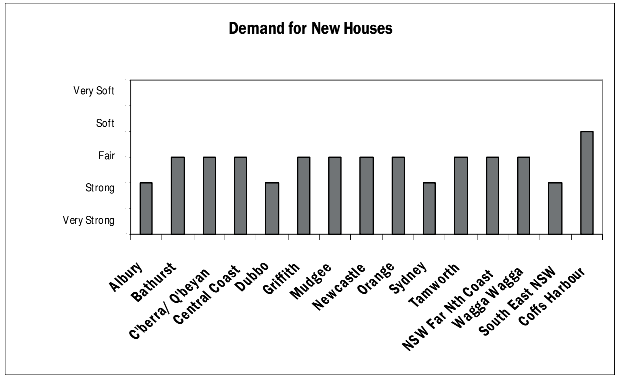

Market Indicators

New South Wales Property Market Indicators - Units

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

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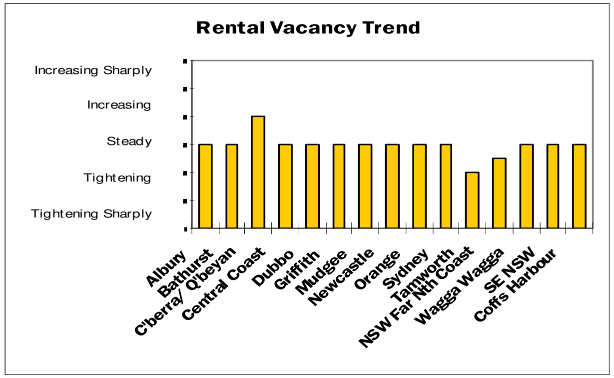

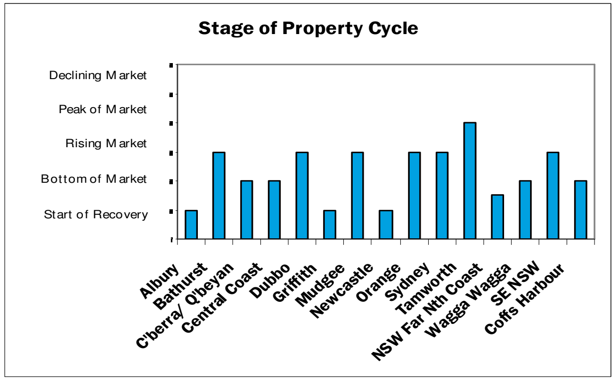

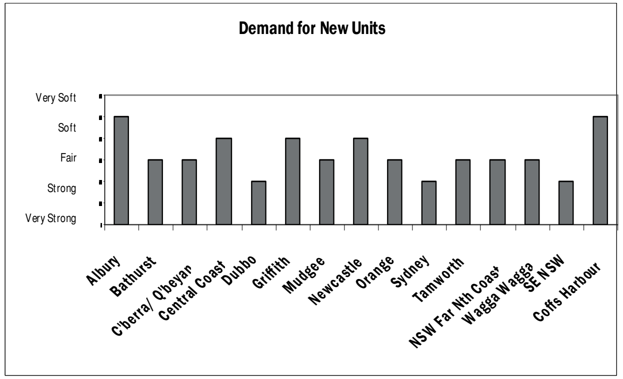

New South Wales Property Market Indicators - Industrial

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

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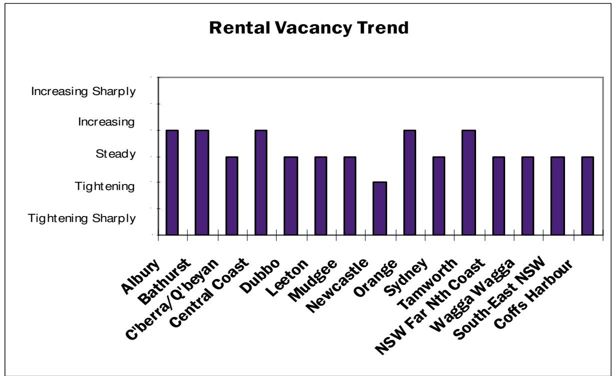
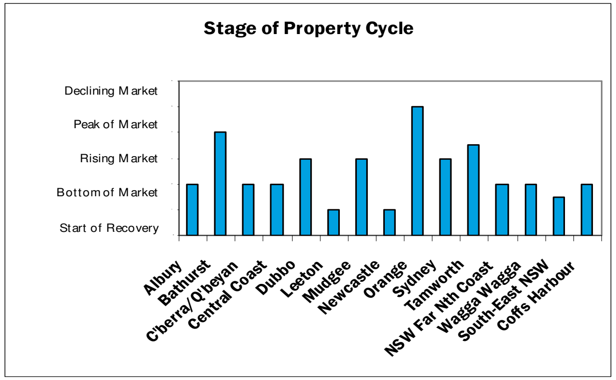
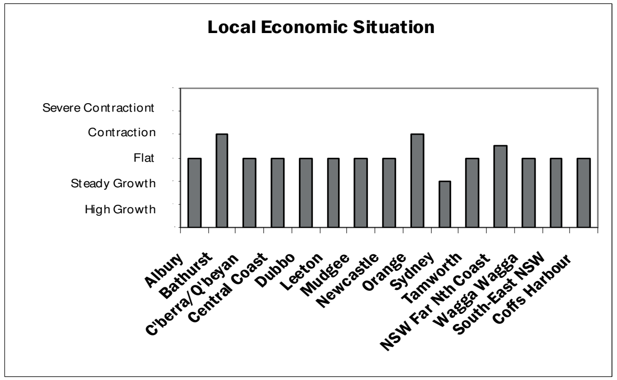






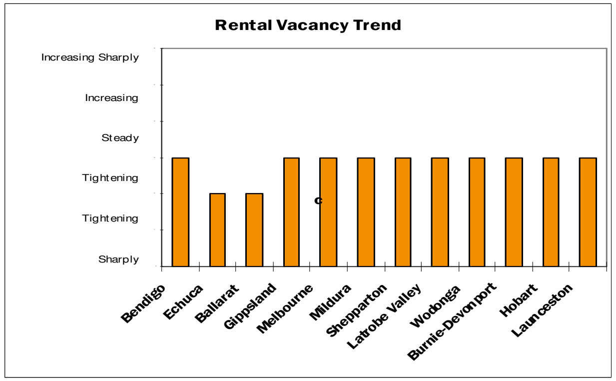
Market Indicators

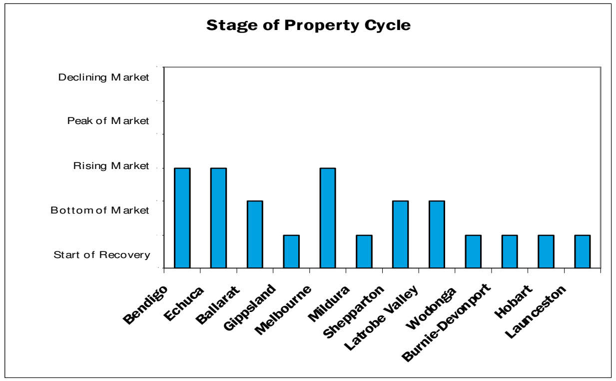
Victoria/Tasmania Property Market Indicators - Houses

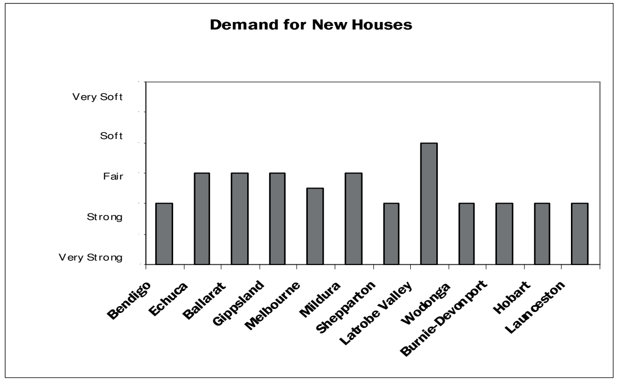
Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Tightening	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Fair - Strong	Fair	Strong	Soft	Strong	Strong	Strong	Strong
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady - Increasing	Increasing	Increasing	Declining	Increasing	Increasing	Increasing	Increasing
Volume of House Sales	Increasing	Steady	Increasing	Steady	Increasing	Increasing	Steady	Steady	Declining	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	Start of recovery	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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

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







Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Ballarat	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Tightening	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	Declining	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	Start of recovery	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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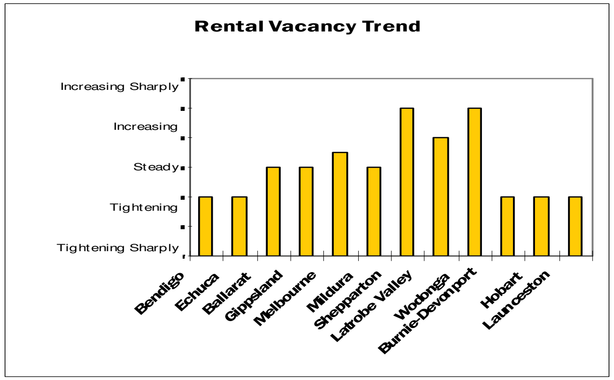

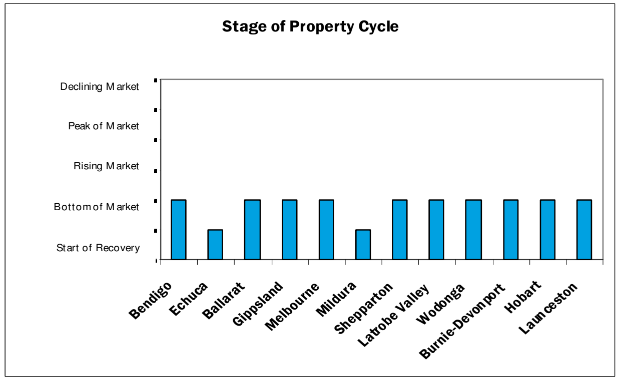

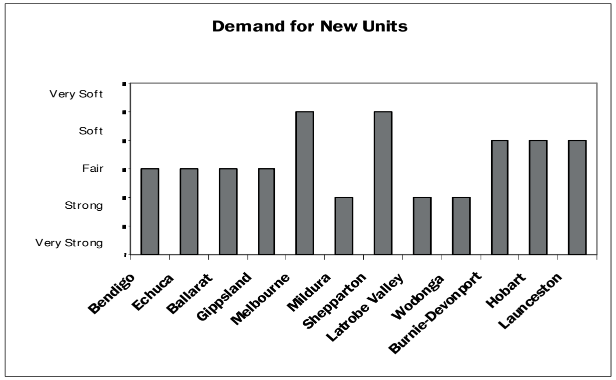

Market Indicators

Victoria/Tasmania Property Market Indicators – Industrial

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

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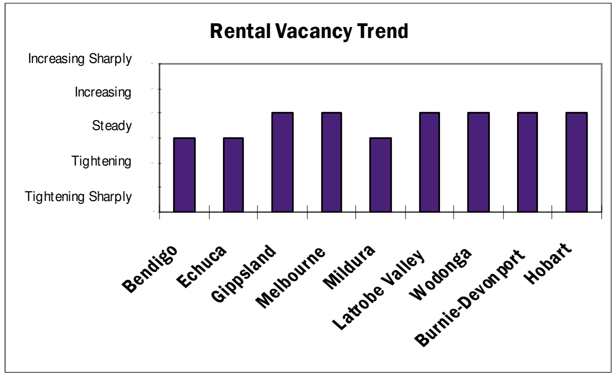

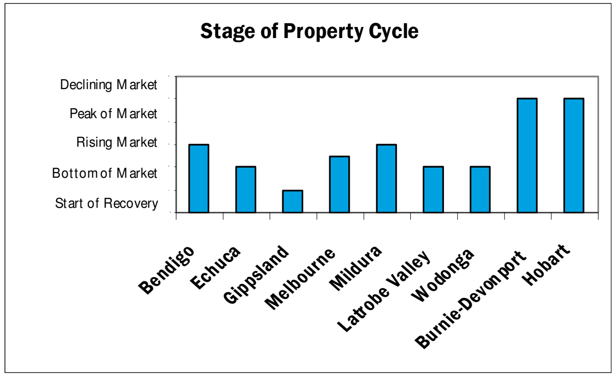

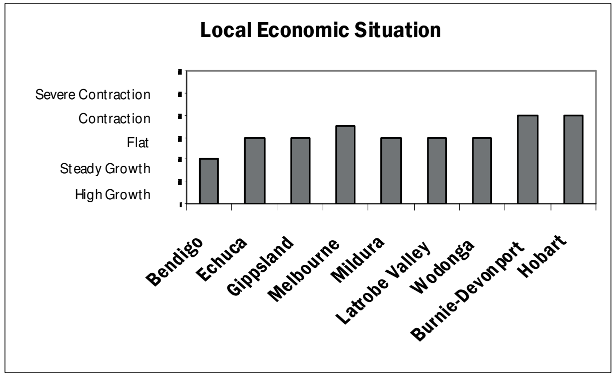

Queensland Property Market Indicators - Houses

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

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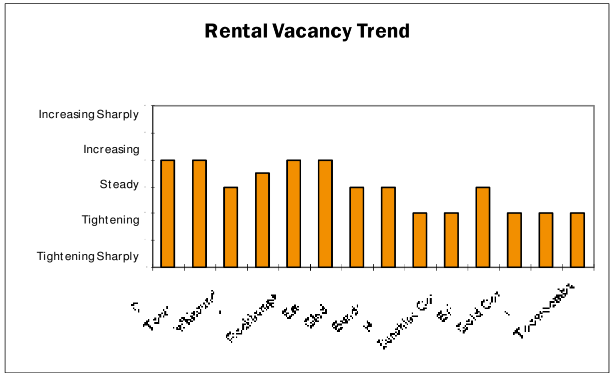
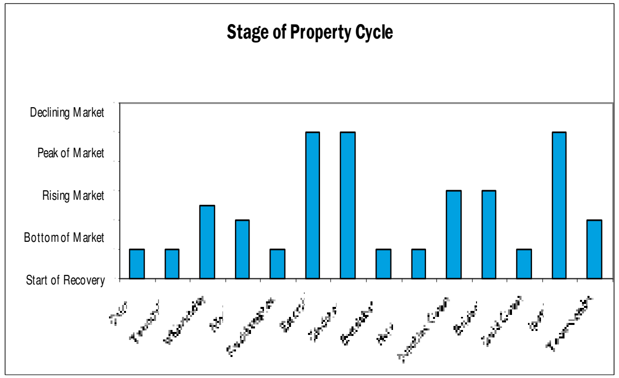
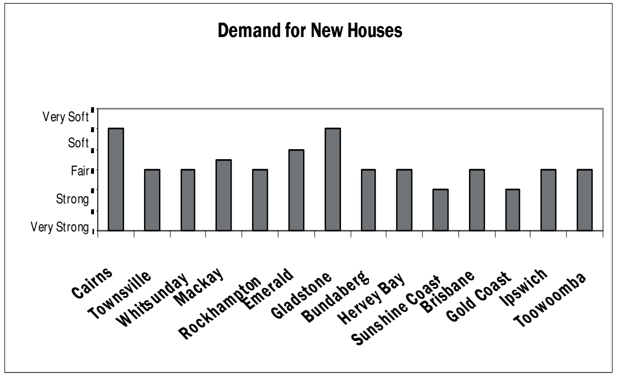
Blue entries indicate change from previous month to a lower risk-rating







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	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	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	Increasing	Steady - Increasing	Steady - Increasing	Steady	Increasing	Steady	Steady	Increasing	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	Bottom of 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	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large 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

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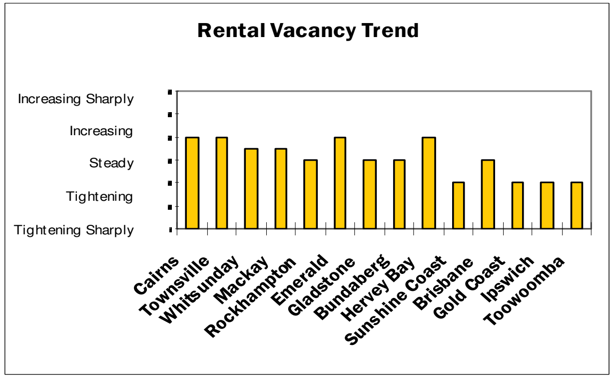

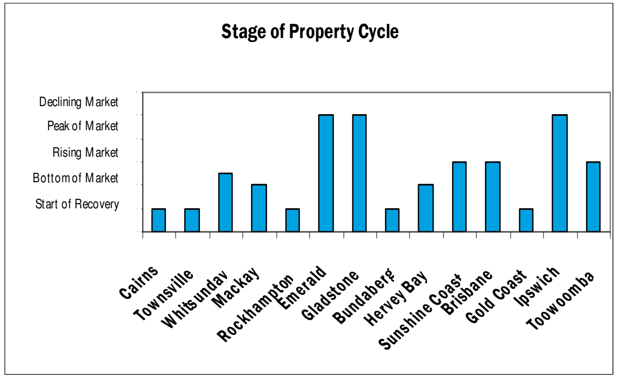

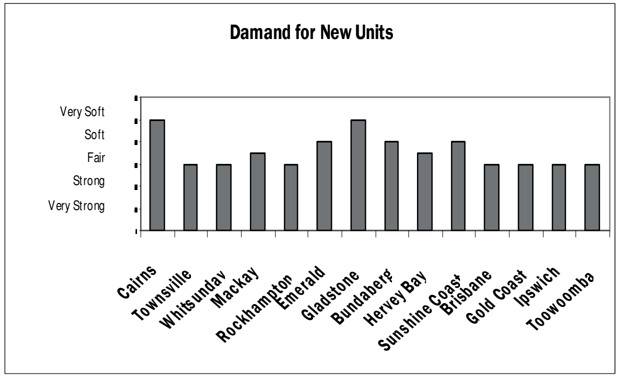

Queensland Property Market Indicators - Industrial

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

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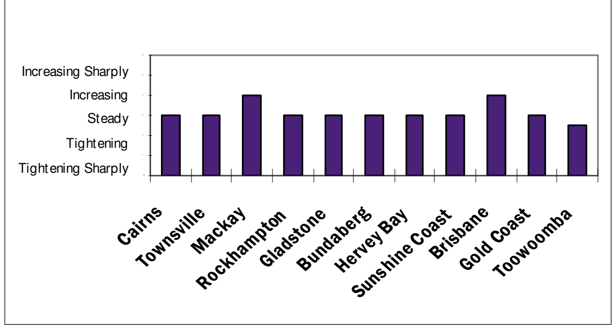
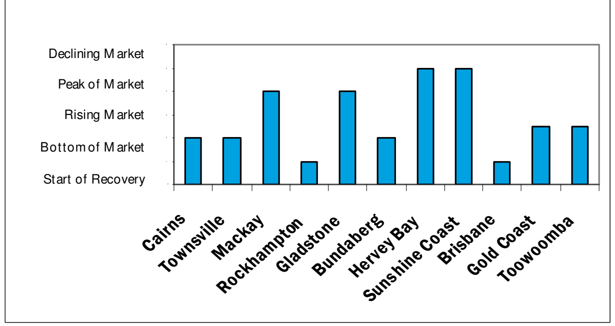
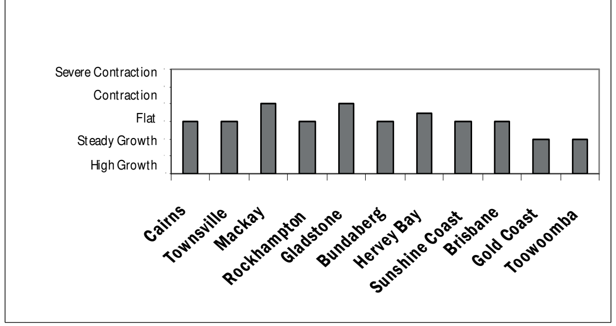
Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation



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	Balanced market
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	Fair
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing
Volume of House Sales	Declining	Declining	Declining	Declining	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Steady
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	Frequently

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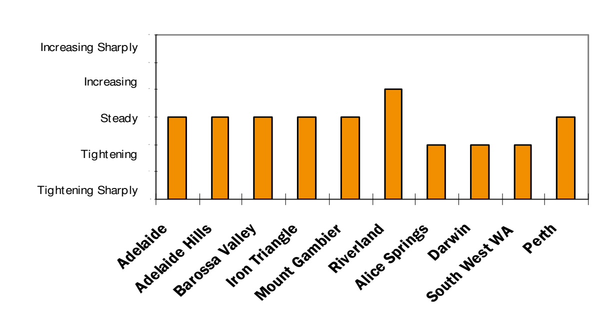
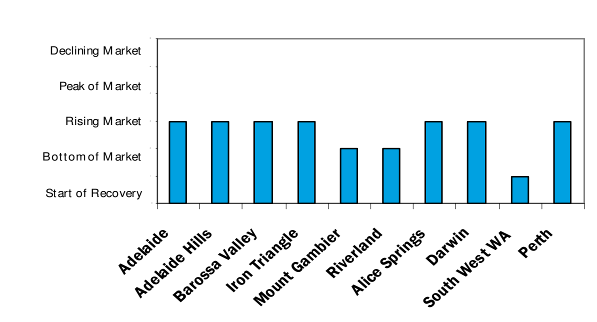
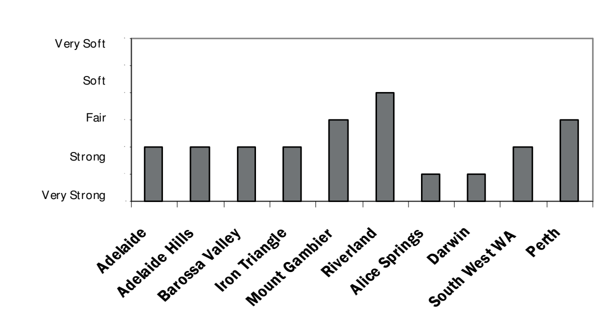
Rental Vacancy Trend



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	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Tightening
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Very strong	Very strong	Strong	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Declining	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing strongly
Volume of Unit Sales	Declining	Declining	Declining	Declining	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Steady
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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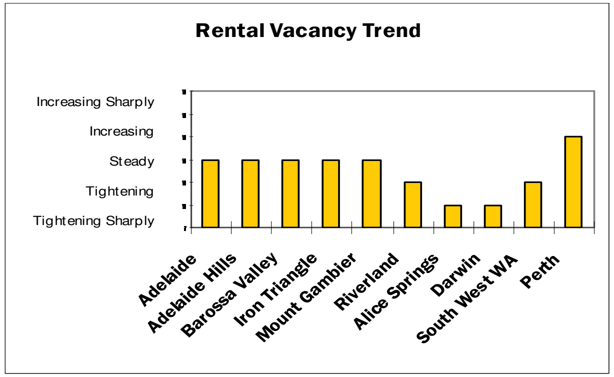

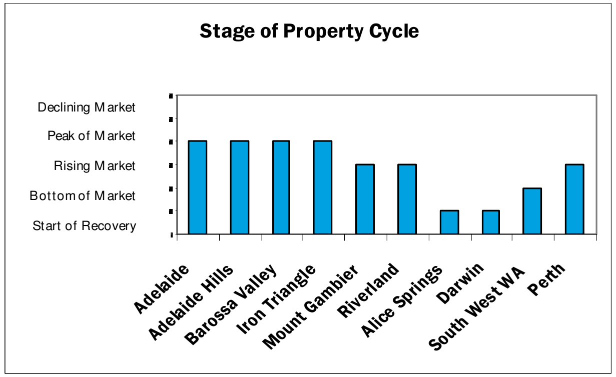

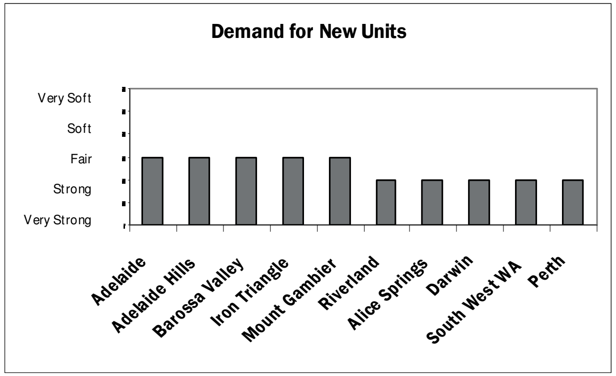

Northern Territory, South Australia & Western Australia Property Market Indicators – Industrial

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

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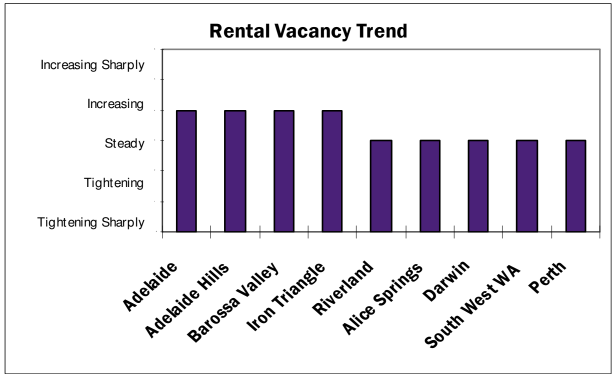

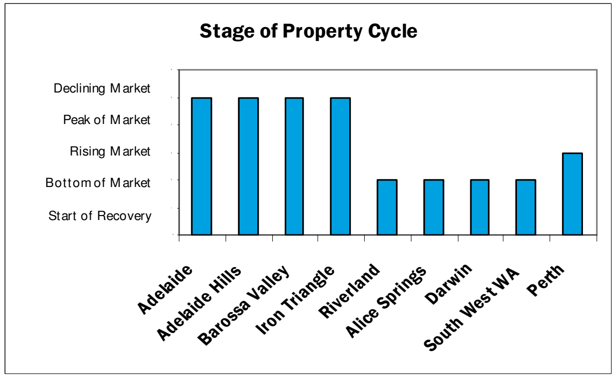

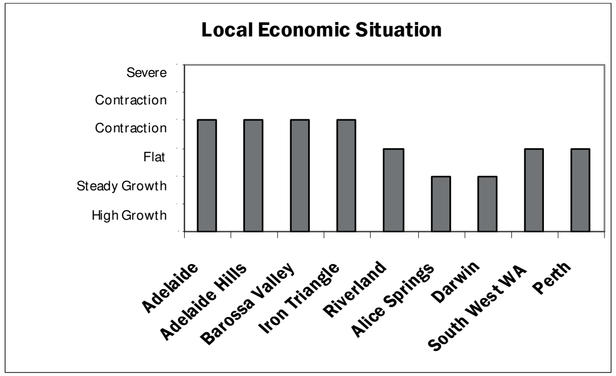

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