July 2014

Month in Review

HERRON TODD WHITE

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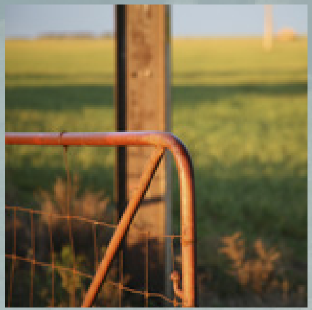

Lazy Half Million - 2014

"Money, it's a gas!"

Pink Floyd, Dark Side of the Moon, 1973

Well hi-de-ho! Care for a spot of croquet? Perhaps just 'chez lounge' yourself beside the jacuzzi and take a tipple of 1907 Heidseick to wash down that Beluga Sturgeon my good fellow!

Oh to have the wherewithal to fulfill every whim. Not all of us need it to be sure but every now and again it's nice to dream as if money were no object and you could find the readies to make a major purchase by simply slipping your hand down the back of the divan and gripping onto a great stack of cash. It's those non-working dollars and cents that are sitting all lackadaisical and unproductive that we are focusing on this month dear reader. So how do you get a slack-jawed lazy half million to work? Not surprisingly, we think property is the way to go.

While it's easy to wax lyrical pretending times are so good that you have $500,000 lying around doing naught but burning a hole in the pocket, the fact is that half a million just isn't worth what it used to be and that can mean as recently as 12 months ago in some places. There's any number of capital-city punters from mid-2013 who missed out on putting their dollars to work only to find out that it's now more expensive to buy real estate.

In each year's July edition of Month In Review, we tackle the question head-on, and 2014 is no different. What should you do with a lazy half million dollars in today's market? Each of our offices have had a hard look at the bricks and mortar in their patch and tried to answer where you should put your hypothetical dollars, what you can buy and how they think it will perform.

To make things interesting, we've also asked one and all to look back to their answers from July 2013 when they took on this very same poser. It's a compelling frieze of the times comparing one to the other – a real show of where everyone's market is tracking.

If you want the good oil on commercial property, this month it's the industrial sectors turn. It's a timely reminder of how this part of the commercial landscape is tracking as we tick past the EOFY. Is confidence rising in industrial? Interest rates are low but are predicted to go higher as economies around the world continue to firm up, so is industrial property investment set to get stronger in Australia? What are the best opportunities in the industrial sector right now? Is there more competition from buyers? How are vacancies? Are rents rising? All

questions worth pondering as we get you fully informed.

So get those dollars toned up and work-ready. Herron Todd White is full of suggestions on how to make your money jump on the financial treadmill and start sprinting. Just make sure you take time out of your busy social schedule to request Jeeves give us a tinkle on the telephone and have a good old chinwag with the property professionals who know the market best.

Tally ho!

Feature

EARTHTRADE
SPECIALISTS IN OFFSET SOLUTIONS
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Earthtrade - Specialists in Offset Solutions

Following on from the article in May's MIR, this month we explore a case study on the delivery of a biodiversity offset.

To recap, Australia has environmental legislation at the Australian, State and Local Government level that require offsets for impacts to the natural environment these cannot be avoided when development activities are undertaken; this includes the resources, infrastructure and property development sectors.

These offsets are referred to as biodiversity offsets and are located on either the developer's land or a third party's property. The offset becomes an encumbrance on the title of the property. The impact of these encumbrances can provide an opportunity but pose a number of challenges, including an agreement to lodge the offset must be obtained from the parties that have a registered interest in the property.

Carbon offsets are regulated by the Australian Government, who have determined that Australia reach its emissions reduction target, through a Direct Action Plan, to efficiently and effectively source low-cost emissions reductions and improve Australia's environment. This will be done primarily through the Emissions Reduction Fund. Carbon offsets are about reducing emissions and/or sequestering carbon and storing it via vegetation, soil etc. There are some important differences in the establishment, term and legal and governance requirements of the two offset types. In this issue, we explore a case study around a biodiversity offset. In next month's article, we will explore carbon offsets in more detail.

EARTHTRADE
SPECIALISTS IN OFFSET SOLUTIONS
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Biodiversity Offsets - Case Study

When a development is undertaken, a biodiversity offset may be required to counterbalance unavoidable, negative environmental impacts that can result from developing a project. These can include impacts to vegetation, habitat for protected species, wetland and marine areas.

Over the past decade, the resource Australian sector has provided the predominant demand for biodiversity offsets due to the site development or the infrastructure associated with their projects.

We anticipate and are already witnessing the impacts of these legislative triggers on the recovering development industry as the greenfield residential, commercial and infrastructure project sector gains momentum. To better understand how an offset is required and implemented, we will look at a recent coal mining operation that engaged Earthtrade to satisfy legislative offset requirements.

Our client had obtained an approval for an underground coal mine to be developed in Central Queensland. As part of their operation they had identified that they would be impacting on the 'Endangered' and 'Threatened Ecological Communities' of brigalow and natural grasslands.

As a condition of their Environmental Approvals they were required to locate a suitable offset that compensated for the impact on these communities at a ratio of 1:5 (for every 1 hectare of clearing, 5 hectares of offset vegetation was required). This resulted in an offset of nearly 400 hectares being required.

Earthtrade, using their existing extensive landholder network, located a property owner in Central Queensland that operates a successful beef cattle and cropping business from his 16,000 hectare property.

Earthtrade suggested this property as the preferred option for the client, as the land owner had both of the protected vegetation communities that required offsetting present on the property. The potential offsets were located on parts of the property that the owner did not intend to clear in the future, and therefore would have a minimal impact on the farming operation and business returns.

This approach of having the offset continued on one property, and in an area that the owner had not planned to develope, enabled cost savings for the client.

Earthtrades extensive network of property owners who are interested in offsetting, allowed us to locate a suitable offset quickly and efficiently. This in turn saved our client time and money in being able to negotiate one contract with one landowner, rather than needing to deal with multiple landowners to satisfy their approval conditions.

Earthtrade prides itself on its ability to not only achieve an outcome that meets the regulatory requirements, but to also achieve a good ecological outcome for the vegetation communities impacted. We are also commited to ensuring that the outcome is economically viable for our client and is effectively balanced with the agribusiness requirements of the landholders providing the offset.

QS Corner

It is generally estimated that only about 30% of residential investment properties are currently being depreciated, resulting in the majority of investors over paying their income tax because they are failing to claim their entitled depreciation allowances.

What exactly is a Tax Depreciation Schedule? Quite simply it is just a report that identifies the depreciation for the wear and tear of a property. Similarly to the way that you can claim wear and tear on a vehicle used for income producing purposes, you can also claim the depreciation/wear and tear of your investment property against your taxable income.

The Australian Tax Office allows you to depreciate your investment property, a bit every year, as a deduction against any income generated from the property. These deductions essentially reduce the tax payable on assessable income which allows you to claim back money that would otherwise go to the tax man.

In residential property there are two types of tax depreciation allowances available; they are the depreciation of Plant and Equipment which relates to items within the building like ovens, dishwashers, carpet, air-conditioning, hot water systems etc, and Building Allowance, which is basically for the bricks and mortar component of the main building. Depending on when the building was built you can either claim 4% (July 1985 to September 1987) or 2.5% (September 1987 to current) of the historical building capital cost.

The Australian Taxation Office recognises that a Quantity Surveyor is the recognised profession to undertake an assessment of building costs to be used in depreciation. In order to produce tax depreciation schedules, the provider must be a registered tax agent with the Tax Practitioners Board, Herron Todd White's quantity surveyors all have this qualification. It should be noted that accountants, valuers, real estate agents, solicitors and the like do not have the experience to undertake the preparation of estimates to be used in depreciation schedules.

If you are a property investor make sure that you do not become just another statistic and miss out on unclaimed depreciation.

Herron Todd White employs Quantity Surveyors who are all registered Tax Agents and members of the Australian Institute of Quantity Surveyors, so quality assurance is guaranteed. Our Certified Practising Valuers can also assist with capital gains tax and stamp duty valuations in addition to the standard market valuations.

Simply email your name and contact details to tds@htw.com.au and we will be in touch to either give you a quick quote or answer any questions you may have. All fees are 100% tax deductible, the choice is simple.

Commercial

HERRON
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WHITE
COMMERCIAL

New South Wales

Overview

We've clicked over into another financial year after receiving what many are describing as a tough Federal budget. Sitting in the shadow of possible rate movements, it's timely that we should take a look at the industrial sector. It's a part of the commercial landscape that's accessible to most players with everything from a simple shed through to major complexes. Our team at Herron Todd White is about to give you the news on how this market is performing, and where it is likely to head moving towards the end of the year.

Sydney

Industrial property has been widely tipped to lead a recovery in commercial property performance as our economy improves. Recent editions of the API Property Directions Survey summarise views that industrial property in Sydney, as well as Melbourne and Brisbane, has progressed the furthest into a cyclical upswing compared to the other commercial sectors. Performance indicators published by sources including IPD Australia also indicate that industrial property is at an advanced growth stage compared to the other commercial sectors. The Property Council/IPD Australia All Property Index indicates that total returns in the industrial property sector outpaced the office and retail sectors for two successive periods, generating 11.3% total return over the 12 months to March 2014, up from 9.6% recorded in the prior 12 months.

The trends highlighted by the API and IPD Australia are reflected in our view of Sydney's industrial market. We view rental levels for industrial space in Sydney to have broadly increased over the past two years, with most of the growth occurring in the past year, and led by Sydney's Inner West, South and Lower North Shore markets. Factors such as urban renewal and rezoning of lots to higher density residential use are constraining growth in industrial stock levels in these areas, meaning a higher concentration of demand is becoming focussed on established industrial sites within the areas.

On the other hand, a significant portion of new supply is expected to complete in the central and outer west regions of Sydney in the coming years, along with planned improvements to road and rail infrastructure. The addition of new supply and growing demand for warehousing and distribution in the regions should provide support for a broad uplift in Western Sydney industrial rents down the track, provided that vacancy doesn't rise significantly.

Recent assessments of analysed yield ranges for commercial property are indicating that sales of industrial properties in some areas of Sydney have been stronger than the other commercial property types in some markets. Our assessments indicate that the lower end of analysed yield ranges for non institutional grade industrial property in Sydney's Inner West, Central West, and South subregions are

currently slightly tighter than the lower end of the range for non institutional grade office assets in those markets.

Looking ahead, the short to medium term outlook for Sydney industrial property is positive. While some growth drivers for industrial property have shown recent strengthening, we expect a broader pickup in demand to occur down the track as Sydney's construction, warehousing and distribution industries expand further. Deloitte Access Economics forecast NSW private construction investment to grow by 8.9% in 2015, before slowing down to 2.6% growth in 2016 and recovering to 5.2% growth in 2017. International import and export volumes in NSW are also forecast to strengthen in 2017, reaching 5.3% and 6.1% annual growth respectively.

Canberra

The Industrial Market located in the Australian Capital Territory has seen relatively little activity post change of Government in September 2013. Indeed the inactivity is mirrored across all commercial market sectors.

Sales of industrial units sell relatively regularly in most of the industrial sectors - Mitchell to the north, Fyshwick to the east and Hume to the south. The buyers are generally owner-occupiers who are taking advantage of low interest rates to secure their operations future. Sales in this sector of the market are broadly in the range $300,000 to $1 million.

Larger sales do occur although infrequently. Examples include:

- 8 Sheppard Street an industrial facility with support offices of 1,660 square metres on a land parcel of 5,871 square metres sold for $2,200,000 in May 2014 showing a yield of circa 9.9% with a short WALE of 1.7 years. Sale yet to settle.
- 51 Dacre Street Mitchell is recorded as sold for $3,492,500 with a settlement date of February 2014. The property has very limited improvements and a site area of 11,480 square metres which indicates on land area a rate of $304 per square metre.
- 23 Sawmill Circuit sold with a settlement date of March 2014 for $907,500 with a site area of 5,000 square metres which equates to $181.50 per square metre. This sale is below that achieved in December 2012 when 12 Sawmill Circuit with a similar area sold for $220 per square metre.

Overall the market is quiet and there are few transactions to judge the state of the market. However from the evidence available industrial land values are either static or declining marginally upwards of 15%. Well leased buildings still command strong interest and if offered to the market with a WALE in excess of say seven to eight years. This situation mirrors the more traditional commercial office market.

The strength of the market lies at the low end for owner-occupation and at the higher end where strong leases are in place. The rental market is again weak however demand for well constructed buildings suitable for document storage is apparent from government.

South East NSW

The industrial property market has shown signs of improvement over the last six to 12 months with an increase in sale volumes, demonstrating improved confidence after a prolonged period of static conditions. Most sales have been to owner occupiers in the sub $2 million range however investment transactions are starting to increase as investors are enticed back to the market by yield arbitrage and a common view that the market has hit bottom. Generally demand does taper for properties priced higher than $2 million. The improvement in investor appetite is demonstrated by the recent sale of the One Steel tenanted site (10+10 year lease) along Five Islands Road, Unanderra for $6.061 million reflecting a rate of $919 per square metre of GLA and a yield of 9.1%. Nonetheless investors are still driven by strong lease covenants and long term income security.

Rents are currently stable and local agents are reporting an increase in enquiry levels, particularly for smaller to mid sized efficient warehouse tenancies that are well located.

It is our view that the market is still at the bottom end of the cycle with continued weakness in the manufacturing sector and scaling back in mine production holding the market back. The shining light continues to be centred around port activity and the flow on effects for warehouse/distribution type facilities and land holdings in close proximity to the port and with good access and proximity to arterial roads.

Newcastle

The Newcastle and Hunter markets have been resilient through the recent economic downtown. The strong mining and resources industrial has kept the local economy buoyant through difficult times. The more recent reduction in coal prices, however, has lead to a reduction in mining activity across the Hunter, leading to many job losses across the mining sector. This is a major concern, with the full effects from job losses yet to be seen. This has the potential to have negative flow on effects in the Hunter properties markets, especially in residential estates west of Maitland and industrial property throughout the region.

Although the mining downturn is a concerning factor, the industrial market across Newcastle and the Hunter has shown some signs of strengthening over the past six months. Yields have compressed for properties with good lease covenants in place and more sales and leasing activity has been evident. We note, however, the recent strengthening of parts of the industrial market is widening the yield gap between good quality well tenanted properties and secondary property which remains in a weak market state. The strengthening of the investment market has not yet flowed through to the owner occupier market. Industrial land sales in the area have been stable with land releases in Beresfield, Cardiff and Bennetts Green experiencing moderate levels of enquiry and sales.

In April, the Port Stephens council approved a development application for the expansion of the Newcastle Airport. This expansion is estimated to cost $80 million dollars and double the size of the existing terminal. There has also been the development approval for a 95 room Mecure Hotel to be built on Williamtown Drive. This coincides with the release of the Williamtown Aerospace Centre, an industrial estate to service the Newcastle Airport. Stage 1 of the aerospace centre is under construction with Lockheed Martin Australia signed up as the first tenant. The development at the Newcastle Airport is predicted to create many jobs across the construction sector as work ramps up in this estate.

Victoria

Melbourne

The era of Industrial Property

The yield premium between primary and secondary industrial property in Melbourne 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 show interest in Melbourne's commercial property markets with both local and overseas investors seeking increased exposure to the industrial property sector.

> Agents advise that the volume of industrial property transactions have increased significantly over the past 12 months.

Industrial assets with good access to major arterial roads, access to ports and local markets will benefit from expected yield driven increases in value over the short to medium term. Industrial property development and sales activity is forecast to outweigh other sectors within the property market over the medium to long term as demand for logistic centres increases and supply falls.

Prime Industrial Assets

Prime freehold assets within established industrial precincts in the south-eastern suburbs can achieve capital value rates ranging from $950 per square metre up to $1,250 per square metre of gross building area dependent on a variety of factors including location, tenant quality, lease tenure, asset size and access.

Secondary assets within these precincts will achieve a range of $600 per square metre to $1,000 per square metre of gross building area. Net effective rentals in the prime industrial sectors currently range from $70 per square metre to $90 per square metre, with secondary rentals in the range of $50 per square metre to $65 per square metre. Prime yields have stabilised somewhat over the last 12 months and generally sit within the range of 7.5% to 9%, with secondary yields in the range of 9% to 12%, however we expect some yield compression for prime industrial investments will emerge over the next 12 months Institutional Demand for Prime Industrial Assets There has been increasing interest from both foreign and local institutions for prime industrial assets across Metropolitan Melbourne. One of the reasons for this increased interest in the industrial sector could be due to the limited supply of good investment options in other investment sectors, such as prime and A-grade office buildings, which have historically been highly sought after as property investments. This lack of investment options has caused some Institutional investors to look at industrial assets. Additional reasons could be because of the relatively high yielding income streams that prime industrial properties can offer their investors. Whereasprime office properties in the Melbourne Central Business District generally yield between 4.5% to 5.5%, as aforementioned, prime industrial property generally yields 7.5% to 9%, which is however expected to tighten in the medium to long term. Demand appears to be strongest for modern industrial assets in prime locations leased to national tenants on long term "triple net" leases. These investments tend to be fairly straightforward passive investments particularly when compared to prime office investments often with multiple leases.

Industrial Land

Industrial land for sale in prime locations with ready access to major transport linkages are fairly difficult to find in the current market. Developers and investors are tending to employ medium-term investment strategies by acquiring secondary assets with short lease profiles with a view to redevelop at a later stage.

Below are indicative industrial land rates in some of Melbourne's industrial precincts.

Region	Size (Square Metres)	Land Valuer Range (Per square metre)
Northern (Campbellfield, Somerton	3,000 to 8,000	$140 to $200
	10,000 to 20,000	$105 to $ 140
	20,000 to 40,000	$100 to $140
Eastern Bayswater, Clayton, Mulgrave, Mount Waverley)	3,000 to 8,000	$250 to $450
	10,000 to 20,000	$200 to $300
	20,000 to 40,000	$150 to $250
South-Eastern (Dandenong South, Carrum Downs, Hallam Precinct)	3,000 to 8,000	$200 to $350
	10,000 to 20,000	$150 to $225
	20,000 to 40,000	$150 to $225
Western (Trunganina, Derrimut)	3,000 to 8,000	$150 to $180
	10,000 to 20,000	$110 to $140
	20,000 to 40,000	$105 to $140

South Australia

Adelaide

There is a mixed outlook with the industrial property market within Adelaide. The impact of the previously high Australian Dollar has filtered through the economy with major manufacturers ceasing to be competitive and forecast closures will have negative impact on the Australian economy.

> A change of Federal Government in September 2013 has seen a reluctance to continue funding assistance packages of major industries notably, G.M. Holden and SPC Ardmona.

Recent news of the impending closure of the remaining car manufacturers circa 2017 is negatively impacting upon the local manufacturing industry, and South Australia in general is set to face further challenges ahead with little if any economic growth forecast and unemployment rates currently worsening.

The number of sales has fallen dramatically over the previous three years and sales within the last year have been spread somewhat evenly between the five main industrial precincts, the Inner North, the Outer North, Inner South, Outer South and Inner West. Smaller, owner-occupier groups remain active in the market for properties within the sub $5 million range and a lack of properties being offered for sale in the higher priced brackets has resulted in limited activity from larger buyer groups in the market.

In regards to leasing, agents are reporting that Industrial leasing demand decreased over the past 12 months however there were certain sectors that improved.

Rents are reported to be stable within the Inner south, outer south and outer north while rents within the Inner North and West have risen with the logistics and transport sectors driving this demand which is considered to be an on flow from the popularity of online retail.

Prime industrial net rents were reported to range from $75 to $140 per square metre per annum within the Inner West and between $70 to $110 per square metre per annum net for industrial buildings in the north west. Net rents within the South West ranged between $75 and $125 per square metre per annum net and $60 to $85 per square metre per annum in the north.

Vacancy rates over the whole of the market are reported to have tightened however two precincts, the outer north and the inner west vacancy rates have risen. The Inner West is traditionally a tightly held market and the increase in the rate is reportedly due to three additional properties being offered to the market over the last six months. Incentives in the market have increased with agents reporting levels at 10% to 15% and in some instances as much as 22%.

Major events that we consider are affecting the industrial market include;

- Holden ceasing production in Adelaide from 2017 and intended closure of the Elizabeth Plant.
- Aldi and Costco coming to Adelaide with both companies planning to construct distribution centres within Regency Park and Kilburn respectively.
- Construction of a new TAFE facility at Tonsley with the closure of three nearby TAFE campuses.
- The South Road Super way is now complete with the north bound lanes opened mid-march 2014 and the south bound earlier in January. The construction of the super way will improve movement of freight along south Road between Grand Junction and Regency Road.
- "Torrens Road to the River Torrens- South Road upgrade" and the "Darlington South Road Expressway upgrade" (recent federal government budget approval is expected to have both projects fully commencing in 2015 and completion by 2018), the "Duplication of the Southern Expressway" (near completion).
- Improvements to the Freight rail line, involving its separation from the passenger line, at both Goodwood and Bowden.

Queensland

Brisbane

While we consider the Brisbane industrial market to have stabilised, the completed sales results for 2013 look to be an improvement on the previous two years, which is a positive sign for the market. This progression can be partially attributed to the low bank interest rate environment and Queensland's strengthening economy.

Prime industrial assets continue to attract strong interest with yields generally ranging between 7.75% and 8.5%. There is competition between buyers for prime assets with strong tenants and lease covenants. Yields for secondary assets are much softer and sit between 8.75% and 11%. The discrepancy between prime and secondary stock shows investors are continuing to seek modern style properties with strong lease covenants, thus reducing risk.

Industrial rents for primary assets have remained fairly stable over the past three years and typically range between \$100 and \$130 per square metre net per annum (assuming a standard office to warehouse ratio between 10% and 25%). Secondary assets have experienced a decrease in rental value of between 5% to 10% and now, generally fall between \$75 and \$95 per annum net.

Vacancy rates within the Brisbane industrial market continue to stay low as steady tenant demand continues to operate in a market which is relatively devoid of new stock. Secondary buildings account for the majority of vacant space as users gravitate to more modern premises reinforcing the need for new development. The resistance for this new development is a factor of high land values and rents not making the development feasible.

The best opportunities for purchasers in the industrial sector are for properties with 'value add' opportunities. This can refer to properties with low site coverage which allow for further development and properties with poor lease expiries which sell for soft yields and have stronger lease terms or rental uplift negotiated after the sale date.

In summary the outlook for the industrial market is positive with an increased amount of activity since the federal election coupled with the Queensland's strengthening economy and low interest rates. While a firming in values is not likely, increased activity is sure to encourage more owner-occupiers and investors to re enter the market.

Gold Coast and Tweed Coast

The industrial market continues to strengthen with most agents reporting positive signs in the market and increasing confidence from both agents and sellers. With properties selling faster, the amount of stock for sale is dwindling; however, we can say that this would draw out those that have been refraining

from selling to now confidently enter the market with the hope of achieving the price that they want.

Despite the spike in activity and market sentiment, it might be too soon to expect any significant increases in value. Agents are receiving better enquiry rates and, consequently, stand a better chance of achieving a sale in a public auction or within a normal marketing period. This is in marked contrast to the prolonged campaigns from a multitude of agents of the past years, but nevertheless, recent sales of standalone industrial factories/ warehouses and vacant industrial sites are showing either stable values or slight increases in value. The slight increase could be a precursor of things to come, and, if there is no letup in the current trend, increased competition amongst buyers that could provide enough evidence of rising values in the second half of the year.

Currently, industrial land values are still hovering in the range between $200 and $300 per square metre for small sites and between $150 and $200 per square metre for larger sites. An 8,664 square metre vacant site in front of the Yatala Brewery was sold at auction for $1.025 million reflecting $118 per square metre as raw land suitable for an industrial development. This state owned property has a wide road frontage of 220 metres and good exposure. A smaller site of 5,000 square metres at the Old Pacific Highway, Yatala, which has been utilised for truck storage, is under contract for $250 per square metre. A small property with 2,000 square metres of land improved with a sheet metal clad industrial shed and a refurbished dwelling has been sold for $820,000, with the underlying land value analysed to $240 per square metre.

On a really positive note, we can report that the "round" building on The Pacific Highway at Ormeau has finally been sold.

Regular commuters along the Pacific Highway will recall that this is an uncompleted office and warehouse that has been on the market for years. It has a total land area of 7.33 hectares and has finally been sold for $8,325 million to Zupps, the car dealers.

At one stage, it was reported to have been under contract for $15 million. Other sales include that of a 1.23 hectare parcel in Arundel for a rate of $204 per square metre, and a 5 hectare site sandwiched between the Old Pacific Highway and the Pacific Motorway in Yatala, for $70 per square metre.

There appears to a fair spread of market activity across the Gold Coast. For freestanding industrial buildings, there were three sales in Molendinar for $1.045 million, $1.23 million and $1.9 million, a sale in Ashmore for $1.025 million, one in Burleigh Heads for $1.4 million, one in Coomera for $1.005 million and one in Currumbin for $2.5 million. These prices did not indicate any increasing trend but were stable at market rates from $1,000 to $1,400 per square metre of lettable floor area. The exception was the Coomera sale at $1,750 per square metre, however, this property has some showroom usage, being in a mixed use area with highway exposure.

Market movement for strata industrial units are, however, showing some signs of market recovery leading to price increases. A local selling agent who has completed the sale of all units in a new project in Molendinar indicated that they were achieving prices reflecting rates of $1,750 to $1,900 per square metre of floor area. However, older units in the same suburb remained stable at the $1,200 to $1,400 mark.

Units in the price range of between $300,000 and $500,000 make up most of the activity in this sector. The lesser number of sales for the more affordable $150,000 to $300,000 bracket could suggest a diminishing amount of stock for sale and buyers having to take the larger units. These sales are showing a rate per square metre ranging from $1,400 to $1,600 generally. A limited number of small units of less than 200 square metres sold at the higher level of $1,450 to $1,750.

Exceptions are a brand new small street front unit in Helensvale that was sold for $2,350 per square metre and a 103 square metre unit in Currumbin for $1,940 per square metre.

In the months ahead, we are expecting new supply of industrial buildings to enter the market as a result of various land sales that occurred in 2013 and 2014. Even now, construction activity is on-going, particularly in the Yatala/Ormeau corridor. Even though the market is improving, it is still dominated by owner occupiers and a stronger push coming from private investors would be needed to keep the market moving forward, otherwise a level of stagnancy may eventuate when the owner-occupiers' demand has been satisfied.

Toowoomba and Darling Downs

The Toowoomba industrial market has remained strong as local Council commence construction on major infrastructure investment throughout the city.

National funding has now been secured for construction of the anticipated Toowoomba Range Bypass however it is predicted that it could be up to three years before construction is complete. The finalisation of the bypass is expected to improve heavy vehicle access in and out of Toowoomba and boost appeal of the Charlton/Wellcamp industrial precinct. Development in this precinct has already commenced with stage one of Witmack Business Park completed and construction of the airport and Wellcamp Business Park also commenced. Vacancy rates have increased slightly in 2014 following a low vacancy period during 2013.

Rental rates rose on the back of low vacancy rates through 2013 however as vacancies rise into 2014 rents have stabilised.

Investors have become increasingly active in the local market offset by a decline in activity from owner occupiers. With vacancy rates higher than this time last year investment buyers have been limited by supply of appropriate properties with long term tenants in place.

A recent contract crash has seen a large industrial investment property in the Charlton/Wellcamp area go back on the market with a 15 year lease in place to national tenant, Nufarm.

Further west, the Surat Basin Industrial Park in Chinchilla has gathered sales momentum with a number of properties now under construction, however a large proportion of purchasers, if not all, are closely linked to the activity in the CSG industry. Similarly, the Roma One Industrial Park, currently under construction, will rely on the continued performance of the CSG industry with those buyers with the ability to secure contracts with energy companies likely to invest in the estate.

Rockhampton

Activity in Rockhampton's industrial sector has slowed in recent times in line with reduced confidence in mining sectors. While sales activity has been relatively flat within Rockhampton's industrial precincts, we note increased sales activity from both investor's and owner occupiers within the new industrial precinct of Gracemere. Owner occupiers in this precinct have been active up to $2.5 million, evidenced by a purchase by an owner occupier of a 3.8 hectare transport depot in Gracemere. A recently completed overpass providing good highway access for large transport vehicles into the Gracemere industrial area has encouraged development within this precinct. Allotments within a newly developed estate with full services are due to be settling at prices up to about $150 per square metre of site. Smaller allotments in older established industrial areas of Gracemere have recently sold at about $75 per square metre.

Investors are still active in the Region across the industrial sector, but are sensitive to occupancy, WALE, tenant profile, and particularly the tenant's reliance on the mining sectors. We note a recent investment sale within an established industrial precinct of Rockhampton which reflected a yield of about 9.3%, at a price point of about $4 million. This sale involved a 10+5+5 year lease back to a national tenant. There are currently few investment offerings for sale in this sector and at this price level.

Rentals remain steady within industrial precincts of Rockhampton and we do not anticipate increases in the short term. Recent leasing negotiations in Gracemere indicate confidence in this locality, with rentals for modern industrial premises achieving gross rentals of about $170 per square metre gross per annum.

Gladstone

Owner-occupiers are and have been the most active in the market for the past 12 months. The volume of sales has steadied over the last 12 months and is expected to remain stable for the remainder of 2014.

After a long period of having limited supply of industrial/commercial land available in Gladstone, the Chapple Street Business Park is nearing completion after an extended construction period. There are 26 lots in this estate located on the fringe of the Hanson Road precinct. The lots range in size between 1,000 square metres and approximately 3,400 square metres. Ten of the lots are due to settle on completion of construction with prices ranging between $200 and $300 per square metre.

Rentals remain steady within the industrial precincts of Gladstone coming off the back of increases over the last few years.

We do not anticipate any increases in the short term. Vacancies remain stable.

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 half 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, whilst 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 limited recent rental evidence to suggest a noticeable softening in rental values. However we consider that there is strong potential for rents to soften in the short to medium term future.

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 although properties with a strong lease covenant are an exception to this. There have been a number of sales since late 2013 which have indicated there is still some demand from owner occupiers for quality properties.

The remainder of 2014 for industrial property is shaping up to be uncertain, both in terms of sale volumes and new lease commitments. The market is unlikely to improve while the coal industry remains unstable.

Hervey Bay

Owner occupiers are and have been the most active in the market for the past 12 months. The market is slow yet stable with supply still out weighing demand. Investment demand is specific to location, building quality and strength of tenant.

More specifically the market for industrial land still remains 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 which are also considered to be oversupplied. Some recent owner occupier activity in the Pialba industrial precinct has seen contract entered into which reflects $1633 per square metre of ground floor area or $1,338 per square metre of total area included fully fitted out mezzanine office area. The one investment sale that has occurred over the past three months analysed to a WALE of 3.57 years with a yield of 8.43% at a purchase price of $685,000.

Rental demand remains slow with a lack of demand. There is currently in 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.

Townsville

Economic circumstances continue to dictate the state of the Townsville industrial market.

> Industrial activity remains patchy with some transactions in strata unit industrial product over recent months.

Buyers remain slow to commit in the current market environment with the majority of sales appearing to be in the sub $750,000 range. Average yields for mainstream industrial property are nudging down due to the reduced frequency of stressed sales with yields over the past 12 months 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.

The industrial land market remains quiet with an absence of buyers, and there remains an oversupply of vacant available industrial lots. Our latest HTW Industrial Land Survey indicates a stock of 104 industrial developer lots available for purchase as at the end of March 2014.

With the industrial market at best biding time, there is an air of expectation about the market but it is by no means translating into action. We would normally expect the industrial market to follow the capital city markets where improvements are now underway, but the ripple effects are not yet flowing through and the market remains slow.

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

The Barack Obama and Tony Abbott announcement that the two countries had reached agreement for an increased US military presence in Australia and particularly the Northern Territory confirmed what many of us suspected was going to occur.

In my view the positives and flow on effect to the commercial and residential property sectors in the medium to long term cannot be understated. Now we wait as we did with the Inpex project.

I was here for a period in 1999 to 2002 when talk of the oil and gas impacts were discussed, but many, including myself, just could not see it happening as it was being sprouted by all and sundry. Last year I returned back to Darwin for the first time in ten years and the development that has occurred is greater than what was envisaged. Will it be the same with this new defence stimulus? I think so.

The scenario reminds me of Townsville in the early 2000s when the "planets aligned" being the second generation of kids had become adults, the defence force relocated a Battalion from Richmond NSW, and tourism was bubbling along. Retail rents in Townsville were higher than in Brisbane driven by the "every fortnight" wage of the military personnel and the limited supply of shopping centres. New corridors of residential development opened up in unheard of places. New improved amenity was demanded by public. Townsville made the quantum leap and became the leading city in the north of Queensland.

Darwin Business Park

Western Australia

Perth

A key feature of industrial investment sales within Perth during 2013 and into 2014 has been the benefit of long term leases providing a stable return.

Yields are generally in the range of 7.5% to 9.5% for freehold industrial investments depending uponsize, location, age and capital value.

Stricter lending requirements including increased borrowing costs and lower loan to value ratios continue to have an impact across the market on owner-occupiers, developers and investors which has added to an increased level of caution in the market.

At present, demand remains predominantly from private investors who are seeking investments that appear to be "good value for money" and are placing strong emphasis on initial passing yields rather than reversionary yields.

The industrial investment market can be divided into a number of segments based upon price and the whether a property is likely to be purchased with equity or debt finance:

- industrial investments below $2 million;
- industrial investments between $2 million to $10 million; and
- industrial investments above $10 million.

As the capital value of the investment increases, the cost of borrowing becomes an increasingly significant factor and the potential purchaser base diminishes causing a further softening in yields.

There have been several sales in the $2 million to $10 million bracket, however sales of prime industrial properties recently constructed with good lease covenants have been limited. Investment sales in this segment have typically been of older industrial stock.

Investment grade industrial properties above $10 million are tightly held in the Perth market, predominately by wealthy private individuals and companies who are long term investors.

There have been very few modern, securely leased industrial assets above $10 million put to the market over the past three years. Based on our discussions with selling agents there is strong demand for modern, securely leased industrial buildings.

We would also comment that the industrial yields are currently closer to their long term averages thanat the height of the property investment market.

Sales activity continues to remain soft, with high net worth individuals and private syndicates being the most active investors within the industrial market.

After five consecutive quarters of increasing vacancy within Perth's industrial market, total available space as at April 2014 was 276,572 square metres, representing a marginal decrease from 280,150 square metres in January 2014. However, this remains 78% higher than the low point (155,210 square metres) reached 18 months ago. It is expected that backfill space will continue to increase vacancy levels as pre-leased warehouses are completed.

Absorption levels improved from the previous quarter with the bulk of activity stemming from medium sized tenants (2,000 square metres to 4,000 square metres). Large tenants (10,000 squers metres) remain cautious when deciding on leasing requirements.

The proportion of available manufacturing stock (compared to warehousing space) decreased from 29% to 23% of total available accommodation over the past quarter, representing 63,112 square metres.

Of the remaining 213,460 square metres of warehousing space available on the market, the majority (119,216 square metres) is located in the east.

In the three months to April 2014 prime vacancies increased by 17% to 157,436 square metres. In contrast, secondary space contracted by 18% falling to 119,136 square metres. As a result, the proportion of prime vacancy increased from 48% to 57% during the quarter.

The level of vacant warehouse space increased by 7.9% during the quarter and now totals 213,460 square metres.

South West WA

Overall market conditions are considered weak for Industrial property in the south west of Western Australia, with limited demand due to low purchaser confidence as investors and business operators face financial constraints, and continue to be concerned over the state of the economy.

The fall in iron ore prices is having a significant affect on the mining sector, and as a flow on affect to the mining services sector, which is in turn is affecting the Perth industrial market. It is anticipated that this is likely to have a flow on affect on the local industrial markets in the South West region. There are some indications that industrial building activity within the South West industrial markets has begun to slow, with land values falling slightly based on recent land sales. The Past 12 months have seen fewer sales (ignoring storage strata units) in the industrial markets in the South West.

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, and as a result extended letting up periods could be expected.

Freemantle Harbour

Residential

Overview

Every year in July we take a hypothetical half million dollars and ask our offices to give their advice on where investors should be looking to spend it. 2014 has been an interesting year in a number of centres where price movement have been dramatic – in both directions. This month's issue provides a very informative snapshot of the market and how it has tracked over the past 12 months, while also opening a few windows on future growth.

Sydney

While many buyers may have given up hope of investing $500,000 (or less) in Sydney and gaining a first home or neutrally geared asset, opportunities do still exist, if you know where to look. In this submission we would like to discuss the options for those looking for completing different lifestyle/ investment options – the inner city studio or a house on the metropolitan fringes.

A prime area for such an opportunity is Sydney's perennial overachiever, the Eastern Suburbs. Specifically the inner eastern corridor from Surry Hills, through Darlinghurst to nearby Potts Point, where you can still purchase studio and some 1-bedroom units for under $500,000.

Units in this area are highly appealing to first homebuyers due to the trend for inner-city living and the potential to add value through renovations, with prices in the Council of the City of Sydney increasing (on average) over 15% last year according to RP Data. Furthermore, rental returns are strong, with many such units providing $500 to $600 per week.

Savvy investors are looking for units that are within close proximity to student hot-spots, the CBD and public transport. The new South-East rail link from the CBD to Randwick and Kingsford is set to run through Surry Hills, therefore signalling future price increases in the area. Smart first home buyers are seeking tired period style units that they can breathe new life into and reap the capital gains. Furthermore, those units with parking spaces, and under strata title show the most potential for appreciation up and out of this price bracket.

It is the popularity of inner city living, period style properties and incoming transport infrastructure projects that area contributing to the gentrification of Sydney CBD's eastern fringe and is therefore leading to renewed growth and continued interest in the area from both first home buyers and seasoned investors.

A lazy $500,000 in western Sydney provides both families and investors options for detached family homes, modern units and properties with future growth potential.

Whilst their more eastern cousins struggle to find any property within $500,000 that more then two

people can fit in, Sydney's west has a variety of options for the savvy purchaser.

Suburbs surrounding Blacktown and continuing west along the M4 corridor provide numerous options for families wanting detached housing on decent sized blocks. In particular suburbs such as Blacktown, St Clair, Colyton and St Marys are located within close proximity to transport hubs and arterial roads. These properties would range from $420,000 to $500,000 with a rental return of $420 to $500 per week

Unit buyers will find for the same money they are able to purchase an older 2-bedroom unit in Parramatta or Westmead, with more value to be had in Westmead.

In the south west, suburbs that provide options for house buyers include: Mt Pritchard, Edensor Park, Bossley Park and Fairfield, with a wider variety of units and townhouses to choose from. Some of these properties may slightly exceed $500,000 and rent for between $410 to $500 per week.

Further south, brand new three bedroom house and land packages can by acquired for less than $500,000 in the developing suburbs of Oran Park, Gregory Hills and Catherine Fields. These suburbs represent excellent value for money and potential for future growth when considering the upcoming development of Sydney's second airport at Badgerys Creek and the investment in infrastructure with the new train line at Leppington and associated road upgrades.

Investors will tend to head towards the Penrith region as detached housing on medium sized blocks provide opportunity to add a granny flat and increase the overall rental income.

While prices have jumped from last years predictions we believe the Penrith LGA still provides medium term growth opportunity due to the proximity to a major university, hospital and transport hubs, as well as being within a short commute to the employment areas surrounding the proposed second airport at Badgerys Creek and the industrial hub at the intersection of the M7 and M4 Motorways.

Since the last time we spoke about the circa $500,000 range in Western Sydney, prices surged between 8% to 15% depending on the suburb as per APM property monitors. Despite the high level of growth seen in the past 12 months, the west is still head and shoulders above the pack in regards to housing affordability in the Sydney metro area and as the median house price continues to climb more people will consider western Sydney as a viable option due to the affordable housing, established employment areas, education areas and improved transport links.

Canberra

The median sale price in Canberra as at March 2014 was $531,500 for standard residential housing whilst over the same period for medium density accommodation it was $410,000.

The fact that the median house prices in Canberra were the only capital city to record a decline in this figure (-1.6%) represents the market adjusting to economic conditions, namely the uncertainty created as a result of the forecasted Federal Budget cuts. However, the likely continuation of low interest rates due to the reducing threat of significant inflation should continue the steady trend in the Canberra residential market as a whole.

The best performing district and most prudent investment decision in Canberra at the $500,000 price point is Belconnen, which depending on the suburb in this region, is approximately 10 kilometres north from the Canberra CBD.

Belconnen reversed the trend of negative growth in terms of house median sale prices in the year to Q1, 2014, represented by a 1.1% increase in this figure from $486,250, to $491,475.

This symbolises the underlying demand for this area, fuelled by the access to major arterial routes, public transport, and amenities – including Westfield Belconnen; as well as employment/retail hub and the University of Canberra. The demand for rental properties in the Belconnen district is driven largely by the University of Canberra. This is crucial for investors seeking properties with the capacity to fetch good yields regardless of macro-economic factors.

Another option for investment with a budget of $500,000 is the Tuggeranong district, however, the closer proximity to the Canberra CBD, along with greater accessibility to infrastructure and services in Belconnen, makes it a more attractive option for investors, due to the greater potential for medium to long term capital growth.

How did last years suggestions perform?

- Last year's suggestion was to invest in the

Belconnen district, when armed with $500,000 and quite clearly the same recommendation has been reached this year.

Would you consider buying the same property again?

- Yes, this is represented by the 1.1% growth in median house prices in this period, when the Canberra market as a whole dropped by 1.6%.

So it's a look at what's happening at this price point, and where it's likely to head in the future.

- Given the access to infrastructure, employment, education, services and amenities, as well as its relative proximity to the Canberra CBD, capital growth is likely to remain stable over the medium – long term in Belconnen.

Illawarra

The Illawarra property market has continued its strong growth over the course of 2014, albeit at a slower pace in the last couple of months. Many local agents are advising that competition has become less fierce in some sectors of the market with buyers showing greater objectivity when making the purchasing decision. $500,000 doesn't buy you much these days in and around the Wollongong CBD but lets have a look where the money should be spent.

Following on from this boom period experienced from late 2013 and into 2014, $500,000 is now purchasing you the buyer significantly less compared to that of the beginning of 2013. You can pick up basic and dated homes in the more desirable suburbs where work is required; however capital gains can be made through renovating and refurbishing these properties. As indicated last year we still believe suburbs close to the Wollongong CBD, University and local beaches is where the $500,000 would be best spent. In the outer ring suburbs such as Fairy Meadow, Towradgi, Gwynneville and East Corrimal you can pick up a basic home, however in a good location where capital growth is evident, renovating and extending is likely to result in more value. This is also evident in coastal suburbs south of Wollongong such as Shellharbour Village, Warilla and Windang where older and basic homes are selling for $450,000 to $500,000, however these too are fast becoming out of reach for under $500,000. Purchasing a home in the northern suburbs localities such as that of Austinmer, Woonona and Bulli is close to unobtainable for under $500,000.

This figure is nearing around $550,000-$600,000 for an older home close to local amenities but not necessarily close to local beaches and public transport.

In the Wollongong CBD new 2-bedroom units can be purchased for around $450,000 to $500,000. These are seen as good investments as far as rental returns go, and are attractive to first home buyers and investors due to the rebates and government grants offered. Older 2-bedroom units around the Wollongong CBD can be purchased for around $350,000 and are also viewed as a good investment and have produced steady capital growth over the last couple of years.

Purchasing land and building in the new land releases of Shell Cove, Flinders, Haywards Bay and Brooks Reach Horsley are viewed as a good way to spend $500,000. These areas have seen strong capital growth over the past 12 months.

Land can be purchased for $250,000 and another $250,000 to build a new modern 4-bedroom and 2-bathroom home located close to schools and parks in a new estate; great for young families.

Southern Highlands

Prices in this sector across the Southern Highlands are on the move... Under $500,000 in Bowral, will obtain mainly semi-modern or modern townhouses around the $450,000 to $500,000 price range. In East Bowral, which comprises predominantly semi-modern project homes, an investor could pick up a 10 to 15 year old 4-bedroom home for $450,000 to $500,000, however these sales are pushing beyond $500,000 in the main now. Rentals would be in the $450 to $550 per week range. In Moss Vale and Mittagong, a modern project style home can be purchased in the $450,000 to $500,000 range.

Southern Tablelands

The Southern Tablelands offers more choice and affordability to potential investors with lower price entry levels than the Highlands. Goulburn, with a population of around 24,000 has a steady workforce and is a popular country holiday destination. Due to the high real estate prices in Canberra and Sydney, we are seeing Canberra commuters and Sydney investors, increasingly purchasing investment properties in Goulburn.

Depending on dwelling/land size and the quality of the home, for between $390,000 and $500,000 you could purchase a new/modern home and rent it out for between $400 to $500 per week. Looking at options for capital growth, an investor could purchase an older style dwelling for between $250,000 and $350,000, renovate and onsell and in the main expect a normal return on investment.

Another option in Goulburn for the savvy investor would be to purchase multiple residential units or townhouse/villa properties for between $150,000 and $250,000 each and rent them out for between $200 to $300 per week. An investor could purchase two or three of these properties for under $500,000. This market has shown good capital and rental growth over the last few years and is still slightly increasing.

Compared to last year, our value levels have increased by around 10%. From our suggestions from July 2013, we would focus on the above sectors.

Country New South Wales

One of the main benefits drawing investment and people to the Bathurst/Orange region is the idea that the same amount of money in a regional city will buy you a bigger and better residential property than in a capital city. This is undeniably true on a sheer comparison of size, and has only become more pronounced in the past few years as increases in property values in Sydney have made capital gains in the region appear modest in comparison.

Overall the Bathurst and Orange markets share many similar characteristics. It is speculated that the region is affected by the Sydney market, but not to the same level of percentage change at the same pace and timing. With prices in Sydney falling for the first time in years, despite interest rates remaining at record lows, will we see a corresponding adjustment in this region, and if so, when? Or will the recent momentum continue in a sign that the region has "decoupled" itself from any automatic influence of the Sydney market? Let's have a look at what $500,000 can get you around here.

This year in Bathurst a circa 2007 rendered brick veneer dwelling with 4-bedrooms, bathroom, ensuite, built-in double garage, 207 square metres of living area, 40 square metres of outdoor area, inground pool, on a 1,001 square metres block sold for $489,000.

In Orange a circa 2008 brick veneer dwelling with 4-bedroom, bathroom, ensuite, built-in double

garage, 214 square metres of living area, 38 square metres of outdoor area, on an 847 square metre block sold for $472,000.

If you've ever measured your house you'd know that 200 square metres is pretty substantial, and is about 22 squares in the old language. The $400,000 to $500,000 price bracket is continuing to grow in size as new development, typically comprising 4-bedrooms and 2-bathrooms as outlined above, increases available stock, and renovated inner urban dwellings benefitting from higher land values remain in good demand. New properties above $500,000 are less common and this is a significant benchmark in the market, both real and psychological perhaps.

A quick search of RPData by postcode over the past three months of the distribution of sales is reflective of the residential market as to availability and activity. (Direct comparison between Bathurst and Orange may not be possible based on the below figures due to differences in geographical size).

Bathurst Sales - (March 20 to June 20 2014)

Sale amount	Amount of Sales
$500,000 plus	16
$400,000 to $500,000	25
$300,000 to $400,000	52
$200,000 to $300,000	29
Total	174

Orange Sales - (March 20 to June 20 2014)

Sale amount	Amount of Sales
$500,000 plus	16
$400,000 to $500,000	19
$300,000 to $400,000	35
$200,000 to $300,000	31
Total	130

The $300,000 to $400,000 price bracket dominates the market and not coincidentally is reflective of the majority of our work volume. Units typically would be included in the $200,000 to $350,000 price brackets. First home buyers can be found predominantly in the $200,000 to $300,000 bracket.

As properties in the $400,000 to $500,000 price bracket become more mainstream as median income levels rise, analysis of these sales indicates that purchase prices more or less continue to reflect building costs. There is a significantly reduced size in the market for properties above $500,000, and sales prices can often reflect additional value for money on a rate per square metre basis above this point for new and renovated dwellings.

The residential property market in Orange is currently experiencing an analysed affordability differential not just in regard to price bracket but also age. In 2012 to 2013 rents in Orange peaked as rental availability reduced severely. This coincided with significant construction projects in the local mining industry. The available yields attracted local and interstate investors. The construction phase has since been completed and rents have returned to more historically consistent levels as availability increases. A quick search of realestate.com shows 315 properties available for rent in Orange which is a relatively high number. As investors seek to leave the market this has resulted in some over-supply in established residential dwellings, and increased affordability for dwellings built pre-2005. This does not seem to be the case for new properties with purchasers often still willing to pay a premium. Resale properties in new estates continue to show good prices.

So, with $500,000 in my back pocket what would I do with it? On the rental side of things I wouldn't have too much trouble buying a couple of slightly dated 3 bedroom dwellings within either town. Detached houses, even for renters, continue to be more broadly popular than units.

In Orange I would be tempted to buy a vacant block in stage 3 of Poplars Estate (850 square metres to 1,146 square metrea available) for $150,000 and build the house of my wife's dreams.

In Bathurst it's hard to find a parking spot on a Saturday morning along the rejuvenating social strip along south Keppel Street. A circa 1900 brick dwelling within walking distance comprising 3-bedrooms, updated kitchen, single detached garage, on a 645 square metre block sold for $353,500 leaving plenty for a new bathroom, laundry, and incidentals.

NSW Mid North Coast

This month we consider the best properties to buy, up to $500,000. Hopefully the astute investor/ purchaser heeded our comments in our July 2013 report invested in the market then. But for those still with "a lazy $500,000" your money will not go as far this year, however there are still some good opportunities available.

During the first half of 2014, we have seen increasing demand and values for residential properties on the mid north coast, especially in the larger coastal towns throughout the region.

Rents within the region have also been increasing at a rapid rate, with high current demand for rental properties and increasing rents.

This has seen returns for residential properties improving at a higher rate than their increases in value.

Centrally located properties in both units and dwellings are popular, and rental returns on the lower value product (mostly units up to $300,000) appear to be the best at present. In some areas of Port Macquarie a residential unit may cost you $250,000 and you will get a rent of up to $300 per week. This often means that these properties are "positively geared" from purchase.

Increasing values means that the beachside suburbs are starting to achieve prices generally over the $500,000 mark, so purchasers will be now looking at the less central and recently developed areas further from the coast and beaches.

The new residential estates are going strong, and are expanding rapidly with developers struggling to keep up with demand for new lots at present. A basic house and land package can be purchased for about $450,000 to $500,000.

So, your $500,000 will now buy you less than last year, and based on the current demand and value increases in the region, your $500,000 will most likely buy you less if you wait until 2015.

Newcastle

Heading back a few years ago, if you had $500,000 to spend on a property you might be looking at areas in and around inner-city Newcastle. Heck, if you had $500,000 you might have even fetched a couple of investment units in these areas, with change left over. However with the strong state of the current property market, the sad truth is that $500,000 won't get you a lot of bang for your buck in Newcastle anymore.

Let's not put away your $500k just yet, though. In suburbs past the inner-city radius, such as Waratah, Mayfield, Georgetown and North Lambton, $500,000 is going to set you up comfortably with a decent home and a bit of spare change if you're lucky. And with rents anywhere up to $450 per week being paid, these areas are as popular with investors as they are with owner-occupiers.

If you're not fussed about living close to the city and don't mind a 20 minute drive to the beaches, the rapidly expanding areas of Fletcher and Maryland might be an option for you. That half a million dollars that you're just busting to spend will no doubt find you a generous near-new home in one of these increasingly popular areas.

If you're a prestige buyer looking for your dream home in Merewether, Bar Beach and surrounding beach-side suburbs of Newcastle, you might need to dig a bit (or a lot) deeper into that pocket full of money, as the going rate for these types of properties is generally well above the million dollar mark. On the contrary, if you have only got $500,000 to spend, you can find small units within these suburbs and within your price range.

Last year in our column about how to spend a lazy half million, we mentioned that Nelson Bay and its surrounding areas are worth your consideration, and we are sticking with that. In areas like Anna Bay, Soldiers Point and Salamander Bay in particular, you can score a decent home with your half-million, although most other suburbs within the Port Stephens LGA can offer this as well... Did we mention that it's definitely worth pondering?

Based on the growth in values we have seen in the past 12 months, if you hang on to your half a million dollars for another 12 months, you can expect that - particularly in the Newcastle LGA - your money might not buy you as much as what it can today.

Victoria

Melbourne

In the June 2014 reserve bank meeting, cash rate is kept at 2.5% for the tenth consecutive month. With record low interest rate, it may appear to be a good time for investors and first home buyers to break into the property market. The home prices, however, continue to soar. Melbourne dwelling value surged by 2.1% in the March quarter, with a marked increase of 8.6% compared to the same quarter in 2013. Housing affordability is now the hot issue as incomes fail to keep pace with the growth in property prices. Most of the inner suburbs have a median house price over $500,000. What property can we purchase in Melbourne with a $500,000 budget?

Local public and private infrastructure is one of the most important determinants of property value. Outer northern suburbs such as Bundoora and Epping are well-connected via public transport which provides easy access to the CBD. Bundoora and Epping are 16 kilometres and 22 kilometres north of the CBD respectively. Bundoora is home to RMIT and La Trobe university campuses whereas Epping house the campus of NMIT. A strong demand for housing is expected in both suburbs in the coming years owing to the increase in private and government developments.

University Hill – Ormand Square

Bundoora is currently under transformation. New retail, residential and business precincts are developing in this suburb. The establishment of University Hill, neighbouring RMIT Bundoora campus, offers an innovative mixed-use precinct incorporating residential, business, retail and medical centre. The area provides direct access to the CBD via South Morang train line, trams and buses. Bundoora Square Shopping Centre and University Hill Town Centre are located within the suburb.

Epping is likely to be benefitted from the present and future local developments including the relocation of Melbourne's wholesale fruit and vegetable market to Epping from Footscray. The market currently generates an annual turnover in excess of $1.6 billion. The new market is expected to fully operate in 2014/2015 while the precinct will be fully developed over the next ten to 20 years. A new medical precinct is also developing in Epping Central. In addition to Northern hospital, the Epping Specialist Medical Central and private hospital will serve as the main medical hub for Melbourne's north. Over 26,000 employment opportunities will be created in Epping in the future. The redevelopment of Epping Railway Station and proposed Epping North Public Transport Corridor will improve the connectivity across the neighbouring suburbs. Epping also hosts the sprawling Pacific Epping Shopping Centre featuring more than 230 stores.

The median price for 3-bedrooms detached house in Bundoora is 495,000 while it is $360,000 in Epping. The property prices in these two suburbs are considered to be relatively affordable. The rental and investment demand is strongly supported by close proximity to public transport and amenities, as well as local employment opportunities. Bundoora currently generates an annual growth of 6.5% and a rental yield of 3.5%; whereas the annual growth and rental yield for Epping are 6% and 4.8% respectively. Both suburbs offer promising future capital growth and rental yield owing to the expected population growth in the City of Whittlesea and their convenient location as well as infrastructures.

Western Melbourne suburbs such as Footscray and Maidstone both experienced a capital growth of 4.7% in 2013 with a weekly median advertised rent of $380 and $350 respectively. The Footscray Railway Station and Footscray Plaza Redevelopment and its close proximity to the CBD drive the growth of property price.

It is expected that the western suburbs housing price will continue to experience a moderate growth in the short to medium term.

Horsham

Half a million dollars will buy some of the more prestige residential real estate in Horsham, be it a large modern home in modern surrounding, small acreage or an older renovated home on Barnes Boulevard with Wimmera river views. However, the best performing segment of residential real estate is currently the lower end price points under $250,000. This means that your money is most likely best spent in this lower end bracket where there is greater demand, better returns of 6-8% and more likely capital growth. If you are looking to invest your half a million, buy two homes. Alternatively, buy three units. If you are an owner occupier, buy that dream home with river views. The residential property market outlook continues to improve in Horsham and properties continue to be sold for largely above their asking price.

Queensland

Brisbane

Brisbane has come up again and again in discussion as a great place to invest in 2014. The reasoning has been sound – we always seem to trail a Sydney 'hot run' by a year or two and we've had quite a bit of bad luck in the past four to six years so really, when the catch up comes, many expect it to be grand. It's this self-fulfilling prophesy that has, in some part, played a little havoc with growth. There's no denying the price boom down south brought out the speculative money in Brisbane during early 2014 – perhaps a little too soon and too vigorously. As soon as the Federal budget was released and a bit of hard news had to be swallowed, the market slowed. Cue forward a couple of months and some sectors are cranking once more. It would be nice to see some consistent movement instead of stop-start for a change.

That said, there's an overall feel that buyer interest is good and agents are struggling to find listings. It's that simple psychological rule of economics when times are bad everyone wants out, when times come good everybody wants in. Despite the signs of growth, vendors must be appropriately priced nowadays. It's no good speculating, as a seller, if you hold out for an extra $50,000 and knock back the first two offers, there'll be someone willing to pay your price in three months' time.

Looking at our Month In Review contribution from July 2013 and comparing it today, the difference is definitely around the amount of choice for buyers – or rather the lack of choice. There's no doubt overall competition for real estate has warmed up and you will need to make serious offers in order to land something.

For our lazy half million issue, we stick with our ever tried and true call on what to invest in. Buy a detached house as close to the CBD as possible in an area with the right fundamentals. OK, that doesn't sound anywhere near as exciting as a night in Las Vegas, but you're unlikely to feel a financial hangover with this approach. To narrow down the field, try suburbs about 10 kilometres from CBD. Mt Gravatt in the south, for example, seems strong at the moment particularly around the high $400,000 to early $500,000 price point. It's an easy trip along the South East Freeway to go both to town or the Gold Coast. Both owner-occupiers and investors like the facilities with major retail a central driver. One of our valuers has a family member who just bought in Mt Gravatt East where there were three offers all within $10,000 of each other and within $5,000 of the list price. He says prices are increasing incrementally although there's the odd sale that's well in excess of sales for similar style properties.

Attached housing should once again see you buying second hand units within a very short stroll of the city's centre. $500,000 would easily land you a low rise 3-bedroom unit that could use some love. Perhaps even something in the mid $400,000s in Auchenflower, Toowong, Paddington or Ascot would be a start, and then spend $30,000 to $50,000 making it look awesome.

The lazy $500,000 will also find you something in New Farm or Newstead which are steaming hot locations. You may have to compromise on floor area, but you'll love the café/pub/club scene.

> If you're an investor, this sort of property will never be vacant and you can expect a 4.5% gross yield with some good upside on capital gains.

It will be interesting to see how we continue to track in the second half of the year. If things stay on the move, $500,000 could buy even less in December than it does now.

Gold Coast and Tweed Coast

Across the central Gold Coast there are opportunities for the astute investor or owner occupier to purchase property and feel like they have made a good investment. The question to ask oneself is what to look for, is it to invest for a return or capital gain. In terms of achieving capital gain on the Gold Coast it primarily comes down to how long you can hold the property for. Buyers looking for capital gain in the lazy half million price range might consider looking for houses in well located affordable areas such as

Robina, Varsity Lakes and Carrara. The actual growth is extremely hard to predict and dependent on a lot of factors, but generally if a well located asset is held for the long-term, a good level of growth can potentially be realised.

For the investor the level of return is the key. Due to the higher price point for detached housing in the central Gold Coast area, a potential investor with $500,000 to spend may look to purchase two or more affordable properties to add to their investment portfolio. Multiple one bedroom or studio units in the Surfers Paradise/Main Beach/Broadbeach area can provide a good level of return due to holiday letting. Generally these units are around the $150,000 to $200,000 mark and can have a potential for double-digit rent return. Further afield investors may look for townhouse properties in areas such as Nerang and Highland Park with two or three bedrooms priced around the $200,000 to $250,000 mark. An investor could potentially buy two properties and expect a rental return between 5% and 10%.

Upper northern Gold Coast areas such as Ormeau, Ormeau Hills, Pimpama, especially Coomera and Upper Coomera have shown good and stable growth within the past six months. This growth is mainly focused on the $500,000 market value range and is expected to be steady to steadily improving accommodated by further future development and population growth targeted within these emerging areas. As previously mentioned capital growth is mainly seen for long term investments and well located properties.

From an investment point of view a recently completed 4-bedroom, 2-bathroom and double garage dwellings in Ormeau purchased for $400,000 with an estimated market rent of $400 per week shows a steady rental return of approximately 3 to 4%. Similarly a semi modern 4-bedroom, 2-bathroom and double garage dwelling in Coomera purchased for $500,000 with an estimated market rent of $440 per week and a modern townhouse unit purchased for around $335,000 with a market rent of $360 per week provide a similar estimated rate of return of 3 to 4%.

The investor might see some tax benefit and potential capital gain however similarly to an owner occupier a long term investment would see a steady return. As these emerging communities grow the low interest rates, good population growth and increased infrastructure continue to provide steady to good future capital growth for owner-occupiers and investors alike.

On the northern end of the Gold Coast half a million dollars can get you a choice. The most popular choices it seems at present are new house and land packages in the developing Hope Island estates or Parkwood and Arundel areas. For example half a million in Parkwood could get you a semi modern

4-bedroom, 2-bathroom house on a reasonable 700 to 800 square meter block. However in these areas the home will be in mostly original condition which is ok for investment purposes or perhaps you would prefer to cross over to Arundel where for the same money you will get a similar newer home by roughly ten years.

In recent months Parkwood, Arundel and parts of Labrador have been the best performing suburbs which have almost certainly been on the back of the ongoing development of the 'Health and Knowledge Precinct'. Arundel entry level price point is circa $375,000 and Parkwood circa $425,000. In both of these neighbouring suburbs this will get you a semi modern, 3-bedroom, 2-bathroom detached house in original condition. Detached housing in these areas appear to be the hottest ticket item with astute investors making some serious returns and in some cases up to a staggering 10% for renting each room to students.

In the last few weeks around the release of the federal budget the market seems to have slowed, we envisage the growth will continue but at a slower rate in the short term.

On the southern Gold Coast, we have seen continued strength in the property market in 2014, from the lower end of the market to the upper end. There has been a solid level of capital growth for most properties, but not all, in most locations. It would be unrealistic to expect the same level of capital growth in the next 12 to 18 months as in the last 12-18 months. However, all things being equal, investors should still be confident to invest in property at this point in time.

The best strategy would be to purchase residential properties in the under $500,000 price range in well located areas such as Burleigh Waters, Palm Beach, Currumbin, Tugun, Bilinga, Coolangatta and Tweed Heads.

The rental vacancy rates for housing in these areas remains very low and there are still opportunities in these areas in the under $500,000 price bracket.

There are also opportunities in these areas to purchase duplex units, townhouse/villa units or lowrise units, which can range between $200,000 and $450,000. Rental demand for these types of properties is less than for housing so it would be prudent to factor in a certain level of vacancy.

As you move to the western side of Tamborine Mountain and in to the Scenic Rim and lower Logan City Council areas, there isn't too much that a lazy $500,000 won't buy at the moment. In line with other Gold Coast markets, the questions to ask are the same, is the purchase for lifestyle, capital growth or investment return.

With a few Mortgagee In Possession properties being taken to market in the past months, along with the budget, any perceived gain in the confidence of purchasers has waivered.

The rural market presents a good opportunity for owners that want to establish their rural holding with a 38 hectare partly cleared rural lot selling for $361,000 at Biddaddaba. A blank canvass suitable for a number of different lifestyle uses or a similar sized lot with a "habitable shed" at Flying Fox for $410,000. Maybe Lucerne production and a hobby farm is more of interest and if you head south of Beaudesert, a 50 acre cultivation block will cost you between $350,000 and $400,000. These properties are more suited to the owner market, with the fall in the rural market being up to 30%, astute purchasers are buying these land holdings for more long term investment with the view to relocate further down the track. However, lending ratios and criteria can be a stumbling block and purchasers need to be aware of all of the requirements prior to pursuing this property type.

For purchasers with foresight and wiling to invest more than the initial purchase price, the MIP purchase may tick the boxes for both capital growth and investment return. For example a 4-bedroom, 2-bathroom house on a 10 acre property at Jimboomba sold at auction for $374,000. Whilst the dwelling was in poor condition and required immediate repair to the front and rear deck and updating throughout, once finished this property would return around $490pw in rental income and an improvement in the underlying value.

For the investor, choices are abundant with some investments options including a 3 bedroom townhouse in Canungra selling for $265,000 and returning $290 per week, or an older 3-bedroom, 1-bathroom house in Beaudesert for about the same outlay and return. But be wary, newly constructed houses in Beaudesert selling for around $400,000 are only returning $340 to $360 pere week with buyers geared towards the tax benefits of ownership rather than capital growth or rental return.

A 'lazy $500,00' within the Yarrabilba estate covers most property types within the estate from a 3-bedroom, 2-bathroom, single garage townhouse style unit starting at $270,000 (no rental figures available), a 4-bedroom, 2-bathroom, double garage home on 400 square metres for $365,000 renting for $410 per week to a duplex pair with one 3-bedroom, 2-bathroom and double garage and one 2-bedroom, 1-bathroom and singe garage duplex unit for just over the $500,000 mark achieving a combined rental income of $670 per week. Agents report very good interest for each property style with up to 30 applications for each property. Any increase in value within the estate has been generated from the underlying land cost which has been steadily increasing throughout each stage release. This seems to be a win-win area for both the owner and investor.

Overall the south east Queensland and north east New South Wales areas have shown good and steady growth over the past six months with some recent slow down due to economic factors such as the federal budget. However once market confidence picks up again and the interest rates remain low, these areas will provide a good and steady long term investment return and a variety of choice for the astute investor or owner-occupier willing to spend a lazy half million.

Sunshine Coast

Well there are places to spend it, but the early and easy capital growth for housing has passed us by. That beach side of the coastal connector home, particularly the Kawana strip, has increased by $50,000 to $100,000 over the past year and while still our pick of somewhere to buy, you need to pick more carefully because the gains are not likely to be so easily won over the next 12 months.

Those looking for a tree change can still find value in the rural residential market which remains fairly soft, though that future upside magnifies if you can afford to get into the $700,000 to $800,000 range where you really do get a lot of home for your money.

Units in small complexes with low body corporates and near to beaches (typically built in the 1980s) still look good value below $300,000 and up to say $400,000 for the refurbished ones, though this market has been picked over in the best areas like Alexandra Headland and Cotton Tree.

3-bedroom, 2-bathroom townhouses built in the 1990s and within 1 to 2 kilometres of the CBDs can still be picked up from $300,000 to $350,000 and are good opportunities for owner occupiers and investors.

So the easy money has been picked up, but there are still opportunities to buy well into the Sunshine Coast market which is still in the early days of market recovery. You just need to do more homework to buy well.

Toowoomba and Darling Downs

In comparison to July of 2013 it is evident that property prices have demonstrated positive growth.

Demand has increased, outweighing the available supply which has placed upward pressure on property prices.

A typical buyer in the $500,000 plus price bracket would comprise an established resident looking to upgrade or a private investor, given that our median price is currently sitting at $335,000. The $500,000 price point allows for a vast range of opportunity and significant variances in location, size and features. For investors, the sub $500,000 category provides the highest rental returns for residential properties and from this price point the achievable rental return tends to decrease as values increase past $500,000.

Within Toowoomba city parameters, $500,000 could buy you an established, modern 4-bedroom, 2-bathroom house in a suburb such as Middle Ridge or Rangeville with quality fixtures and fittings located within proximity to local schools, shops and parks.

Banksdale Drive

This 4-bedroom, 2-bathroom, 2- car builtin garage house in Middle Ridge is reportedly under contract for $495,000. The house features ducted air-conditioning, open plan living and a covered outdoor entertaining area.

On the eastern side of town, $500,000 could buy you a renovated colonial style house in suburbs such as East Toowoomba, Mount Lofty and North Toowoomba. One would expect to pay between $450,000 and $600,000 for a house in these areas.

The following house is a 1900s workers cottage features 3-builtin bedrooms, updated kitchen and bathrooms, high ceilings, polished timber floors and VJ walls. Currently advertised for sale for offers over $480,000.

Bridge Street Mount Lofty

In the unit sector, we are seeing growth in the prestige unit market. With $500,000 one could purchase a prestige unit or townhouses in the upper end of the unit market in the eastern suburbs of Toowoomba.

For a buyer who is looking to purchase more than one property, with their 'lazy half a million' there are certainly possible choices available. On the western outskirts of town a vacant block of land can be purchased for anywhere between $150,000 to $200,000. Furthermore, these new estates provide an opportunity house and land packages that sit well below the $500,000 price point.

Hume Street North Toowoomba

Older style units in established locations have proven to be a good investment with vacancies rates sitting at a low 3%. These units can range from circa $150,000 to $300,000 depending on age, location and size.

The above 2-bedroom, 1-bathroom, 1-car builtin garage unit is located in North Toowoomba and within close proximity to the Toowoomba CBD. Currently listed for sale for $204,900.

The Toowoomba property market provides an abundance of opportunities for a buyer looking to spend $500,000. While it is difficult to predict the future, we anticipate that properties within these price brackets will provide a suitable investment in the short term.

Rockhampton

For those with a lazy half a million dollars there are numerous opportunities for both Investors and owner occupiers within the Rockhampton Region. With varying degrees of property available depending upon one's preference.

South Rockhampton is predominantly made up of older dwellings with The Range being the suburb in which $500,000 will get you a partly to fully renovated Queenslander/Gable dwelling.

These properties are generally inclined to be purchase by owner-occupiers with easy access to Schools, Shops, Hospitals and Rockhampton Airport.

A number of unit developments along the banks of the Fitzroy River are nearing completion with Empire due to be finished in late 2014 and Southbank also progressing. A mixture of both local and non-locals have shown interest in both developments.

For less than $500,000 you can get a 2-bedroom 2-bathroom apartments and are generally priced between $420,000 to $450,000 with a reported yield of around 4.5%.

There are plenty of opportunities across the Rockhampton region that the owner occupier or investor can spend $500,000, ranging from renovated Queenslanders, newly constructed houses on large blocks within developing estates, and 2-bedroom apartments. In some areas, half a million can also buy more than one property.

Looking at Rockhampton's south side, in areas of The Range and Wandal, the lazy half million would be buying you a renovated/partially renovated, larger dwelling with 4+ bedrooms. This is a sought after area which offers limited capital growth for the short term investors, however owner-occupiers may benefit from improved value over an extended holding period.

Unit developments along Victoria Pde on the south side of the Fitzroy River, including The Edge, Empire and Southbank, have been attractive to local and non-local investors where a two bedroom, two bathroom apartment will set you back around $420,000 to 450,000 and return a reported yield of about 4.5%. Empire is due to be completed late in 2014 and Southbank is progressing as well.

Within new and developing residential estates on Rockhampton's north side, including Forest Park and Paramount Park, sales at the half million mark are generally 4+ bedroom modern homes, on larger 800 to 1000 square metres allotments. Properties within Forest Park and estates closer to Rockhampton have been attractive to mainly the owner-occupier market.

The Capricorn Coast region which is about half an hour's drive from Rockhampton is another market that is worth considering for those looking to invest $500,000. Prestige residential property in this locality fell significantly during 2012/2013 and has since levelled out, however homes in the half a million dollar range has remained steady. For $500,000 a buyer can still purchase a more modern home generally being on-ground with 3- to 4-bedrooms. For the investor rents received on 3- and 4-bedroom homes are similar to that in Rockhampton. The Rural Residential market has been fairly active in this area in the past six to 12 months, however these types of property are purchased by owner-occupiers.

Gladstone

Modern suburbs of Gladstone, such as Kirkwood and New Auckland offer modern four bedrooms, two bathroom dwellings in the $500,000 price bracket. This price bracket will buy an above average size or quality modern home on a good size allotment. Older, more central suburbs such as Gladstone City, West and South Gladstone offer older style homes in the $500,000 price bracket. This price bracket will buy a fully refurbished, above average size and quality home with harbour views.

Rental return on a $500,000 investment in the Gladstone residential market would show a rental return between $450 and $480 per week.

The residential market in Gladstone is currently decreasing and has been since late 2011/early 2012. Current market activity for housing is mostly in the sub $450,000 price bracket which will buy more modest, older style accommodation.

You could buy more than one property for $500,000 in Gladstone however, the location, size/age and condition of the improvements would be compromised. Any investment in the Gladstone residential market should only be considered as a long term investment as capital growth is considered limited in the short term.

The residential unit market in Gladstone is currently in over-supply with local agents advising very little interest in current listings. Current market activity for units is slow and is mainly in the sub $300,000 price bracket with a number of sales under $200,000 within the past six months.

Mackay

So what can you get for the lazy half million? A little bit more than could last year. Rentals in the Mackay area have fallen significantly over the past 12 months with vacancy levels blowing out to over 7.5% (based on REIQ statistics).

The market in Mackay has now much more ‘bang' for your $500,000 than it has in the past five years, with the down turn of the mining industry really showing its effect across the Mackay Region.

In the Mackay market $500,000 can still get you a new and fairly large executive style home in the northern beach suburbs of Blacks Beach, Eimeo, Rural View or Bucasia.

For the same price, new but smaller, 3- to 4-bedroom homes could be acquired in the inner northern suburbs of Glenella, Mount Pleasant, Andergrove or in the newer area of Ooralea to the south.

Older style dwellings in all the established suburbs of Mackay can be found under $500,000, these dwelling being refurbished internally and externally and will usually include shed and/or pool.

Investment alternatives include older style two by 2-bedroom' duplex properties in suburbs such as Mount Pleasant and Andergrove, which would provide slightly higher rental returns compared to executive style housing, and you will also have change in your pocket form your $500,000.

If units are your prefer option there are at present new units available in the Mackay CBD along with units five years young selling below the $500,000, you can also buy a larger unit with Ocean and Harbour views for you $500,000 out at the Mackay Harbour.

Townsville

Rental vacancy rates in the Townsville market have been steadily increasing as a result of weak demand seeing our rental market swing from a ‘tight' to an ‘oversupplied' market in the space of just 12 months. The increased vacancies have been most noticeably in the unit market with forthcoming unit stock still to enter the market.

Median house prices remain steady at around $355,000 with prices starting to pulse in the inner city and inner beachside localities. With this in mind, houses in the inner city localities of South Townsville, North Ward and Belgian Gardens would be desirable location for a $500,000 investment. Houses in these areas are typically older style homes having undergone some upgrading/renovating and are generally more appealing to owner-occupiers.

> Housing investor stock in these areas typically results from owner-occupiers relocating out of town but still desiring to hold onto their properties, hence placing them on the rental market.

The modern middle class suburbs of Idalia, Annandale and Douglas for a $500,000 investment would provide a good quality property of solid masonry construction and would appeal to both owner occupiers and investors. These areas are in close proximity to high employment hubs and offer modern lifestyle facilities including parks, barbecue facilities and walking paths.

From an investor point of view, we are seeing an increase in the number of new duplexes being constructed within the developing residential areas. These are typically two by 3-bedroom layouts providing a dual income stream or flexibility for owner-occupation on one side while still deriving an income from the other side. This style of investment is generally starting within the low $600,000 price bracket.

Cairns

In July 2013 our thoughts were that a $500,000 property investment in Cairns would have secured a well located modern executive style suburban dwelling, or alternatively an above average quality apartment in the Cairns CBD, located on the mid to upper levels of a near new high rise unit development. Indeed the purchaser or investor at this price level would have found a large range of sectors, styles and locations available to choose from. However it would have been hard to spend $500,000 on a new apartment due to the prevailing lack of unit construction.

Since July 2013 the Cairns market has been gaining momentum and entered the 'start of recovery' phase. The market is seeing much stronger buyer demand evident and sales activity has lifted significantly. Properties are selling faster, stock is depleting and previously unsaleable stock is starting to move. The Northern Beaches market has also been stimulated by the proposed $8 billion Aquis resort development, which although still prospective at this stage, is nevertheless generating additional market activity and increased prices in its immediate vicinity.

Prices have typically increased over the last twelve months in the more popular suburbs, but there has been little change in other areas and overall price movements have been relatively modest. While the range of choice may be a little more limited, $500,000 would have very similar purchasing power in today's market as it did in July 2013.

The $500,000 mark in the Cairns market is relative to the current median price level of around $363,000 for an established house (compared to $362,000 as at July 2013) and $193,000 for a unit compared to $191,000 in July 2013.

Our prognosis is for the market to continue its consolidation and for the recovery to become more widespread, as the market continues its progression from a buyer's market to a balance of power between buyers and sellers. For this reason the potential is there at present for astute investment into the Cairns market.

South Australia

Adelaide

Adelaide's residential property market is in a slightly better position than it was 12 months ago. The number of days on the market has reduced, vendor discounting has tightened, sales transactions have increased and in that time there has been around a 3% improvement in median price. It is fair to say that it is no longer the buyers market that it once was.

Investment activity appears to have increased in the past 12 months or so as investors try to capitalise on the current market conditions that see vacancy rates remaining low, rental rates steady, and low interest rates persisting. With the property market in Adelaide having reached the bottom of the cycle investors are now more confident that property will start to see some improvement in capital growth in the medium to long term.

With only a very slight annual increase to median price, $500,000 would still buy much the same as it would have last year. In our approach to investigating what $500,000 can currently buy we are selecting to divide the market into three areas roughly based on distance to the CBD.

Firstly the inner suburbs, being those less than 7 kilometres from the CBD, including Norwood, Parkside, Unley and Prospect to name a few. These are all older established suburbs located close to popular shopping strips and centres, and dining and café precincts. Proximity and access to the city is probably the biggest selling point for these areas.

It is becoming more and more difficult to find property within these suburbs that has a price tag of less than $500,000, however, it can be found and generally for that sort of money will secure an older style 2-bedroom unit or attached cottage/maisonette on a small allotment.

Tenant demand within these suburbs remains high, with very low vacancy rates as a result. Tenant demand should also maintain current rental rates with the potential for slight increases over time.

The current rental rate is around $350 to $500 which would roughly equate to a gross yield of 3.5% to 5%. Properties within these locations are also expected to experience solid capital growth in the long term. Property investment in these suburbs is somewhat akin to blue chip shares.

Within the next zone of 7 to 25 kilometres from the city $500,000 will purchase an older 3-bedroom house on a large allotment (500 to 900 square metres) or a newer 3-bedroom house on a smaller allotment (200 to 500 square metres). As this zone covers a significant area there is a very diverse range of property types and styles available for this amount of money. It is worth noting that when choosing an investment property those close to local facilities and services are likely to be more desirable to prospective tenants. The older dwellings on large allotments have the possibility of renovation, extension or even sub division in the future to increase capital worth. The prospects for solid long term growth are good. Yields in this area vary and would expect the average yield to be in the order Of 4% to 5%.

Suburbs greater than 25 kilometres from the CBD are considered to be the outer suburbs. To the north this would include Elizabeth and Davoren Park. In these and surrounding suburbs it is possible to purchase a basic 2- to 3-bedroom dwelling of 100 square metres on an allotment of 400 to 800 square metres for $130,000 to $200,000. So with $500,000 to spend there would potential to purchase up to three of these properties.

Rental rates vary considerably but can range from $180 to $240 per week which would equate to a gross rental yield of 6% to 7.5%.

Investors chasing high yields have been drawn to this area in recent times and there are concerns of over supply to the rental market. Limited capital growth is expected in the short to medium term also due in part to oversupply of property in general in these suburbs.

In the outer southern suburbs, which include Noarlunga and Hackham, entry level is probably closer to the $200,000 to $250,000 mark for the equivalent property with rental rates of $240 to $290 per week achieved. This equates to a gross yield of 6% to 7.5%.

The outer southern suburbs have appeared to increase in popularity in recent times, this could, in part, be in response to upgrades to transport infrastructure (Seaford Rail Extension and Southern Expressway Duplication which is nearing completion) which are set to improve public transport and travel times to these suburbs. The outer southern suburbs are also located close to the beaches along Adelaide's southern coast line.

With increased demand for properties in this area there is a good prospect for some solid capital growth in the long term and in conjunction with the yields being achieved if a lazy half million just happened to drop into our lap we'll have two thanks.

Mount Gambier

The market has remained relatively stable over the past 12 months with similar market conditions however there has been a slight increase in sales for the start of the year. Our views for capital growth have not changed since last year as well as our opinions for cashflow/yield.

In the South East of South Australia, $500,000 will enable you to purchase practically anywhere within reason. Few dwellings sell for more than $500,000 and demand for property tends to reduce significantly when the market value is greater than $500,000.

The best way to spend $500,000 in the South East of South Australia:

For Capital Growth

In recent years few properties in the area have actually shown capital growth; however some coastal properties have gone against the trend and have increased in value. With an investment of $500,000 you could purchase a property in the Robe or Beachport townships with an ocean view. The better the view the better the investment.

Other areas in the lower South East will need substantial employment growth before any significant capital growth can occur.

For Cashflow/Yield

In recent years the South Australian Housing Trust has been selling off their unwanted 'Commission Housing'. Typically, they are older stone dwelling's constructed in the 1950s and 1960s and include 3-bedrooms, lounge, bathroom and laundry area. In recent years there has been an over supply of this style of accommodation entering the market. At the same time the Mount Gambier market has also softened and the general demand by investors and first home buyers has also weakened. The result is that these 'Commission Homes' are currently good value and show a good return. A semi-detached 3-bedroom stone duplex can be purchased for between $90,000 and $100,000, with achievable rental for these dwellings being around $150 per week currently. Based on this assumption if an investor purchased five (within the $500,000 allowance) they would generate around $750 per week gross and a gross yield of approximately 7.8%. The capital growth would not necessarily be good and the quality of tenant may also be an issue, but the return is pretty competitive.

Tasmania

Hobrart and Launceston

Comparative to most other states $500,000 to spend in Tasmania's property market will give you more "bang for your buck" and likely more choice of property type. Centrally located properties have best held their value in a market coming off historic lows.

In the south, the suburbs of Sandy Bay, North and West Hobart have older style 3- to 4-bedroom, 1-bathroom houses listed for sale within reach of a $500,000 budget. The same money, in these suburbs can buy a 2-bedroom, 2-bathroom modern style unit for those who have a preference for unit living. The budget would need to be extended for those who like to reside in the city centre. Houses on acreage in the south can be purchased for around the $500,000 mark within Acton Park, Richmond and Grove.

Central and East Launceston in the north contain character homes of varying sizes and states of renovation which can be purchased from $450,000. If living by water in a modern townhouse with cafes and restaurants nearby is more your style then townhouse style property fronting Launceston's Seaport is achievable around this price bracket.

Residences on acreage can be purchased in Devon Hills, approximately a 20 minute drive from Launceston from $480,000.

Northern Territory

Darwin

Where to invest $500,000 in the Territory? $500,000 is a good amount for you to get your foot on the first rung of the property ladder or to grab that investment property you have been thinking about.

The owner-occupier markets seem to be increasing in the northern suburbs where as the city seems to be a hotspot for investors because of the high yields on offer with higher demand from tenants for city living.

Let's talk first homes buyers first. Now location is always your first decision and chances are you are looking for a family home, so with $500,000 you must try and get your hands on some land and if you are lucky you will be able to find a free standing dwelling in the northern suburbs of Darwin. Other options are to go out to Palmerton and my pick is the suburb of Woodroffe and if you really want some room to move then the rural area has you covered for that price point. If you need an investment property to help lower your taxable income, then any new unit in the greater Darwin area will do the job nicely.

As far as building a new home in the greater Darwin area, you'll need to secure some land for less than $250,000, and then to scrape under the $500,000 mark you will be looking at building a basic 3-bedroom, 1-bathroom dwelling.

The only real place you can do this is at the Heights Durack or in the rural area. In the short term, rents are still showing good yields of around 6%, however there are a large number of unit developments due to be released over the next few years which may lead to an oversupply situation in the unit market and may see rents recede over time.

Investing in the Top End is a tough at the best of times, with no stamp duty concessions for first homes buyers unless you go new. The Territory housing market has been one of the most rapid growing markets in Australia over the past decade and although it seems to have stabilised recently, with its close proximity to Asia and the opportunities associated with mining and gas projects it can still be a good investment option.

Western Australia

Perth

Buyer confidence has well and truly left the Perth market.

The past six months has seen a drop in the level of activity in the Perth residential market.

The March 2014 quarter results confirm this with a fall in the median house price in Perth to $540,000, down -1.6% from the December 2013 quarter but still up 4.9% from the corresponding period last year.

The number of listings is slightly below equilibrium at about 10,538 but given that 12 months ago it was down at 8,666 this confirms that the market is beginning to slow. Agents are still reporting good levels of enquiries and to the week ending 11 June 2014, there were 639 sales in the Perth Metropolitan real estate market, compared with 851 for the same week a year ago.

At the time of writing, the iron ore price had dipped below $90 per tonne for the first time in two years, and the sentiment in the Perth market is that the major iron ore players who make up a large part of the office occupiers in the Perth CBD will begin to cut back on headcount.

Woodside have already announced a 20% reduction in headcount from their mostly WA based 4,000 staff. Rio Tinto and BHP Billiton are likely to soon follow suit. So, if I was going to park a lazy half million somewhere, I would probably be patient and hold back for a little while as we suspect that the market is about to change in Perth. We do not see that confidence is likely to come back to the same levels we witnessed last year, so if you can bear having $500,000 sitting in a low interest bearing account for a little while longer then now would be a good time to start doing some homework.

There are still areas in the Perth Metropolitan area which are relatively close to the Perth CBD and more importantly, close to rail (Bassendean as an example, which is 11 kilometres east of the Perth CBD) which hold good value for money. Our recommendation is to look at areas like this which is close to public transport links, amenity (shops, cafes), have an ageing population with older housing stock, located on larger, traditional sized lots. These types of areas afford the astute buyer the opportunity for a good longer term play that may one day give you development upside, in addition to the traditional capital appreciation.

Remain patient, because your half million might buy you a little bit more by the end of the year.

South West WA

As we draw into the middle of the year it provides us with an opportunity to step back and ask the question : Where would you park a lazy half million in the South West of Western Australia?

A good option for medium to long term capital growth in the region is along the costal strip located on the northern side of Bussell Highway traversing the suburbs of Busselton, West Busselton, Broadwater and Abbey. This coastal strip is approximately 500 metres in width and runs for approximately 10 kilometres along the Geographe Bay.

As the City of Busselton continues to grow at a strong rate, this well located section of land will continue to grow in desirability and affluence, as the urban sprawl continues to be pushed further away from the coast line. Consequently, this will result in good capital growth over the medium to long term as an increase in population will lead to stronger demand of a product that has limited scope to increase in supply. As such, this well positioned and limited costal strip would represent a good option for a prospective purchaser looking to invest $500,000.

An entry point in to this market is $500,000 and would secure a very basic residence with the vast majority of value being in the underlying land.

While the rental return of the investment would be weak, purchasing within this costal strip would provide a strong opportunity for capital growth over the medium to long term.

Moving 50 kilometres north from the City of Busselton lands the prospective purchaser in Bunbury. Throughout South Bunbury and East Bunbury there have recently been some zoning changes which are encouraging higher development within these areas. Properties of 700 to 900 square metres, which were previously single residential, now have duplex or triplex potential. Property values are starting to gain momentum as these zoning changes are filtering through. Now would be a good opportunity to invest $500,000 for medium to long term capital growth.

The costal strip in the City of Busselton and development sites within South and East Bunbury are just two options among many opportunities within the South West to invest $500,000.

Esperance

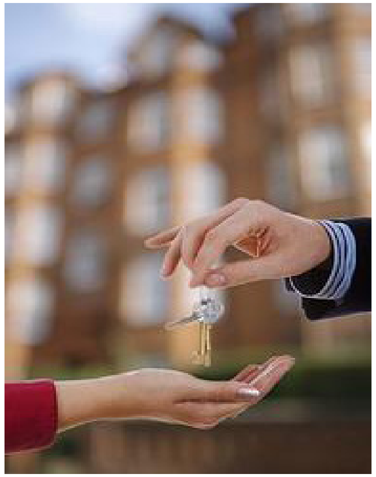
A lazy half million to invest – wouldn't that be nice. An advantage of this region is that sum could buy you quite a bit. A substantial home in the small coastal town of Hopetoun could be purchased, although the potential for capital growth would be very slim, or perhaps 20 to 25 homes in Norseman could come close to soaking up your funds. There may be a problem with ongoing maintenance, erratic rental income and no capital growth to contend with however.

For that sort of money, definitely two, and if you play your cards right, three homes could be purchased in Nulsen which would give the best return on investment in this area with potential rentals of $250 per week on average. Most properties are basic and sound with routine maintenance requirements for buildings of their age, being typically 30 to 40 years.

Adjoining Nulsen, Sinclair has a generally better market profile and there may be the chance to squeeze two properties into your $500,000 limit with rental incomes in the vicinity of $300 per week. Alternatively, one property at around $350,000 could still return in the vicinity of $380 per week and leave some change in your pocket.

The lower end of Castletown, being the largest residential suburb in Esperance, is on par with Sinclair and rises from there. A new home with modern construction and finish can still be purchased within the $500,000 limit which should have no maintenance issues and be able to return between $400 and $450 per week. The coastal suburb of West Beach and the central suburb of Esperance itself have similar characteristics to the range offered in Castletown.

The market here has remained virtually unchanged over the last twelve months. This does give some stability for investors and rental levels have remained strong.



Sales volumes are not high but have been consistent. We anticipate the next twelve months will see little departure from this trend.

Therefore, $500,000 in this region can buy a lot be it one property or multiple purchases. The balance is allowing for maintenance and associated issues with older buildings in the lower priced areas offset by potential greater returns compared to the 'set and forget' investment of more modern properties that may have a lower capitalised return but less potential grief.

Rural

HERRON TODD WHITE RURAL

Overview

It is interesting to see the roll out of the separation of land and water across the eastern states of Australia over the past ten years and the implications of this. Queensland is currently implementing this separation which started in New South Wales started in 2000 with most water areas within New South Wales currently having a water sharing plan in place.

Previously all water licences were managed under the 1912 Water Act which effectively indicated that any water entitlements were part of the land and accordingly, when you purchased a property any irrigation entitlement was innately attached to the parcel purchased.

As such, we believe that there were large volumes of water attached to parcels of land that were not being utilised to the fullest extent as, at times, the particular owner was not interested in irrigation or alternatively was unable to fund the development to utilise the water asset.

The New South Wales Water Act 2000, which was not implemented until 2004, began the process of identifying parcels of water as separate entities rather than attached to the particular property. This proved a painful process for many bore water users. Part of the separation of the two assets involves determining what a maximum extractable limit is able to be extracted from the aquifer so that long term use will not have a negative effect on the aquifer itself. This involved the reduction in allowable extractions for many licences, however we do believe that this also ensured the long term viability of these aquifers.

One of effects that appears to be developing over time from the implementation of this separation of land and water is the freeing up of the asset to be utilised wherever is the highest need within that river system or aquifer, more generally in the river system. As such, these assets that were previously not able to be utilised for lack of capital or desire, can now be transferred to an area that does have the demand. The result of this would be that the division of these two assets results in a greater sum of value as opposed to the assets joined together.

In addition, there are now properties within river systems in New South Wales that are fully developed for irrigation and effectively have no associated water entitlement. All requirements are sourced on the temporary water market and, while there are not a great number of properties in this situation, it is a developing trend we are seeing more requirements sourced on a temporary basis than utilising capital to secure a large asset such as a water licence.

It will be interesting to see how this develops in Queensland as they do have unique irrigation systems utilising large overland flows and this will be a difficult task for the Queensland Government to implement. We have however seen the positive results in New South Wales albeit with a lot of pain involved initially, will this translate into the same positives in Queensland.

Scott Fuller
Standing in for Tim Lane National Director, Rural.
(07) 3319 4403

Southern NSW & North East Victoria

As discussed last week, it would appear that a large parcel of farming country to the south of Nyngan has transacted. This property, called Komoora, consists of approximately 3,700 hectares of red loam cultivation country. It is well improved with modern machinery sheds and grain sheds with multiple silos. This sale appears to have transacted approximately $1,050 per hectare overall which, as discussed last month, would indicate some solid demand for this open dryland cultivation country. This would be seen at odds with the general market at present.

Herron Todd White had the pleasure of presenting some valuation trend figures to a gathering of New South Wales rural real estate agents recently in Dubbo and it was interesting to note that the general consensus is that the market is tight with a general appetite for debt at low levels. One interesting point that did arise from this discussion from a number of agents was the lack quality properties available. When a well-regarded property with good improvements and water development is offered, there is generally reasonable demand, however the balance of the holdings in the market within most areas of central New South Wales in which we opperate, currently would be considered as struggling to gain levels of interest that enables sales to transact in a normal timeframe of three to six months. The previously mentioned sale is a classic example where, we understand that negotiations were ongoing for two to three years prior to the transaction being undertaken.

A very well improved property called Wilbertree was offered to the market in Dubbo via auction. This property had an above average size and well-presented homestead, very well-maintained improvements and had red and black basalt soils. The property was approximately 600 hectares and while passed in at auction on a vendor bid of $2.1 million, we believe negotiations are ongoing.

The property know as Wilbertree is an interesting example of the way that the market perceives value for holdings. If viewed as a general agricultural production entity values would be lower, however the very good proximity to the large population centre of Dubbo and the style of the accommodation opens up a window of alternate purchasers who are generally high net worth individuals seeking that rural retreat. Accordingly there is a perceived premium paid on a dollar per hectare rate for these properties.

As previously discussed at the end of the irrigation season, generally there are slightly decreased levels of interest which is natural. This has resulted in the Lachlan Valley seeing the latest transactions at $380 per megalitre, which is down from where we felt it was at $400 per megalitre in the previous month. This same sentiment has transferred through to the Macquarie Valley with current General Security per megalitre rates at $1,150 per megalitre which was down from $1,175 to $1,200 per megalitre previously. We expect that in both the Lachlan and Macquarie Valleys increase in activity in temporary trading will begin to be evident as growers look to formalise and lock in required water volumes for the coming season.

We note that the large Milton Downs/Boocarrol Aggregation is currently being marketed and our investigations indicate that the level of demand for inspections of this very large aggregation which consists of over 40,000 hectares of broad scale farming country to the north west of Narrabri has been very high and that multiple inspections have been undertaken.

This is a complete reflection of our perception of the market at the stage where we believe that there are more qualified purchasers in the market for

properties in the $20 million plus range than there are for the general family farm in the $2 million to $4 million range. Having said that, the scale of Milton Downs/Boocarrol is so large that there would be a limited number of corporate entities that would be able to afford this in a single holding. We have noted the marketing campaign has allowed for a possible sub-division of the property to enable various purchasers to acquire smaller sections if required. This will be a significant test of the market, however we believe that this sale should set close to bench mark levels for dryland cultivation country to the west of the Newell Highway which is generally seen as a dividing line in value.

One of the more notable sales that occurred in June 2014 is that of Snowball at Gundagai, New South Wales. This is a 1,268 hectare mixed farming property which sold before auction at an undisclosed price to a district farmer. Additional sales throughout

June include North Broadway, a 426 hectare grazing property at Holbrook and Sloane, a medium sized cropping holding near Corowa. Both of these properties sold above vendor expectations, however the prices remain confidential. The recent rainfall as well as solid livestock prices appear to have buoyed confidence in the local farming sector which is flowing through to increased sales volume and solid sale prices in some regions.

New South Wales and Victoria water markets have continued to remain strong, with a shortage of permanent entitlements in most trading zones evident. Murrumbidgee General Security Water is currently in high demand, now trading as high as $1,000 per megalitre with most trades now above $900 per megalitre. This reflects an increase in value of over 10% over the past six months which has been driven by the growth of cotton production along this river system. High Reliability permanent water in Victoria is trading steady at between $1,450 and $1,500 per megalitre in both the Murray and Goulburn systems.

Murray Riverina

Agents are reporting enquiry is generally subdued; however since January 2013 there has been some improvement that has translated into levels of value remaining steady to a slight rise. The generally subdued market would appear to be a result of the ongoing adverse publicity in regard to the worldwide economy, and adverse publicity regarding the Australian economy.

An excellent autumn break combined with a very good rice harvest is seeing some movement in the sub $1 million to $1.5 million bracket.

Levels of value for water continue to rise with General Security water below the Barmah Choke on the Murray River trading for $800 to $900 per unit up from $650 to $750 per unit some 12 months ago.

Murray Outback

Winter is well and truly upon us in the Sunraysia region with very cold weather finally arriving in late June with the first hint of frosts along with the cold south westerlies rolling through.

Dryland farmers have completed their sowing program with crops well established and generally good optimism among growers. As with all seasons, the final outcome will depend on rainfall in the spring months.

The citrus harvest is in full swing with the majority of the fruit from this region being packed for export to the key Japan, China and USA markets. Yields are reported to be slightly down, and there is higher than average levels of blemish as a result of excessive wind in the early growing season, however the strong export demand is expected to result in good returns this season.

> Chinese demand for first class fruit is strong this season, and this is contributing to a shortage of fruit for other markets.

The resurgence of the Avocado industry in the region may hit a snag with some reports of a forecast bumper harvest with predictions of 65,000 tonnes to be harvested in Australia. This will inevitably result in prices well below the record prices received in 2013. Reports that New Zealand are also in for a bumper harvest also puts a dampener on spirits of local growers.

We thought it worthy to provide some commentary from a recent Sunraysia Agribusiness Summit held in Robinvale which featured speakers from the various major industries of the region. The summit reflected on failed industries including the Pomegranate industry in this area and also on the success of in particular, the two other 'superfood' industries – Olives and Almonds. Both of these industries emerged in the mid to late 1980s in this region and after shaky starts are now major world players in their own right and are both highly suited to the soil and climatic profiles this region provides.

We have provided commentary on the almond industry in past editions, so a focus in this edition is on the success of the Boundary Bend Limited (BBL) Olive Oil enterprise.

BBL Olives is regarded as Australia's premier olive producer and is the largest olive grove owner in the world.

After a tough initial few years BBL has flourished over the past decade and in 2009, after the collapse of Timbercorp MIS Scheme, BBL acquired the Timbercorp olive groves at Boundary Bend and Boort (6,000 hectares in total) and haven't looked back since. The flagship of BBL is its Extra Virgin Olive Oil, and last year BBL processed 77,000 tonnes of Olives and extracted 13.5 million litres of Extra Virgin Olive Oil. Of note is that BBL has 18% of Australia's olive tree plantings but produces and markets almost 60% of all Australia's olive oil from these orchards.

Europe produces 80% of the world's olive oil, 50% of which is not edible before it is processed and refined. Extra Virgin Olive Oil is edible straight from the fruit.

Major rural sales activity in the local region has been quiet which is typical for this time of year. However there have been two strong sales of dryland cropping country, one in the Underbool/Torrita area in the Victorian Mallee, whilst Wild Dog Station in NSW has contracted at strong levels and comprises a 13,873 hectare holding 50 kilometress north of Mildura of which 3,000 hectares comprises arable cropping land with a further 1,500 hectares at varying stages of being cleared for cropping.

Southern Queensland

The start of winter has been warmer than usual with some patchy rainfall over parts of Southern Queensland. While there have been some better falls the predicted rainfall has fallen short of providing the necessary moisture for planting cereal crops over large areas. The conditions have however prolonged the growth of many summer grasses following March rainfall which has been particularly beneficial in some of the western regions.

The cattle market has been relatively steady with average to above average yardings in Roma. Those graziers that have been able to get winter fodder crops in have taken advantage of a market which is still down on previous years. The feedlot markets have been at near capacity for an extended period which has reduced demand and blown out delivery time for cattle bought directly from farm and placed pressure on the cashflows of many farmers.

The property market has done little over the past month which carries on from previous months. 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. Recent sales include Howqua north of Moonie and Boolarwell west of Goondiwindi. Recent sales to the north include Brides Creek, Blackall and Lotus Vale in the Arcadia Valley. These sales reflect dollar per hectare rates well down on what may have been achieved during the peak of the market in 2007 and 2008 though reflect current market conditions. Until we experience some better seasons and an appreciation in the commodity markets this is unlikely to change.

Far North Queensland

There has been limited transactional activity across all rural sectors in Far North Queensland during the first half of the year and indeed poor returns and outlook for the cane and cattle sectors has dampened enthusiasm amongst produced to make large capital investments in property.

Indeed a number of sales that have occurred, particularly in the sugar cane sector have been for smaller areas for addition into existing nearby operations rather than sales of large standalone farms.

An extended wet season has seen a delay to the cane crush with Tully, Mossman and South Johnstone Mills all expecting to process significantly higher volumes of cane than in recent years with almost all forestry plantation land now planted back to cane. The banana industry continues to consolidate with smaller growers leaving the industry and a preference for expansion into the Lakeland and Mareeba areas away from traditional areas such as Tully and Innisfail.

Horticulture still shows a preference for limes and avocadoes which have shown good returns in recent years and there appear to be a small resurgence in ti-tree oil production. These industries have expanded at the expense of mangoes with competition from the Burdekin Territory driving a number of smaller producers into alternative crops.

NSW North Coast

Very mild winter conditions. The soya bean harvest is essentially.

The sugar harvest will commence at Condong sugar mill on 23 June. The current forecast tonnages for the respective mill areas are Condong 375,000 tonnes, Broadwater 576,000 tonnes and Harwood 375,000 tonnes.

This is a total for NSW of 1,326,000 tonnes. This is well down on industry records and reflects recent wet years and a dry summer in 2014.

An avocado and custard apple 20 hectare macadamia farm on the Alstonville plateau has reportedly sold.

A small 129.9 hectare cattle grazing block at Culmaran Creek has sold for $465,000. This property last traded in 2008 for $637,000. This represents an indicated value reduction of about 27%. Graziers in the local area are keenly interested in the outcome of the sale of Forest Enterprises Australia Limited in Receivership sale of forestry land that was formerly cattle grazing land. There is some anecdotal evidence of local cattle graziers purchasing land on the north western slopes and plains of NSW to incease scale in lower value localities.

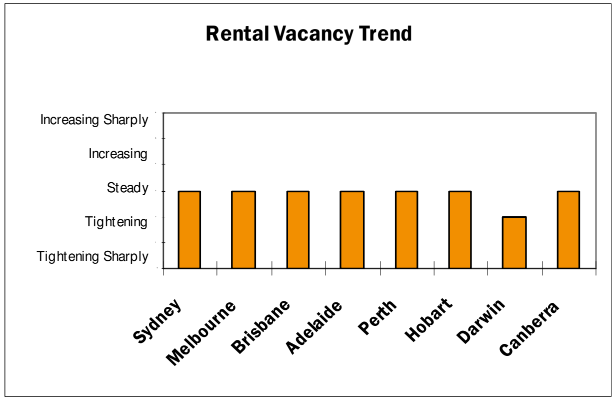
The market generally continues to be a buyers market.

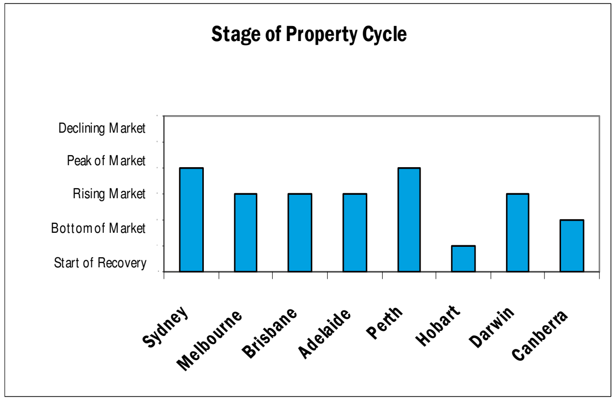
Capital City Property Market Indicators - Houses

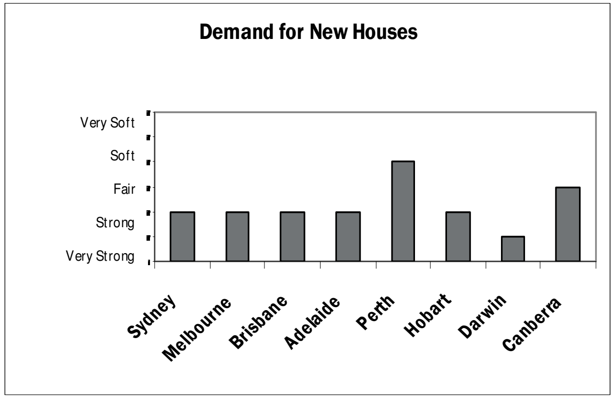
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Severe shortage of available property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

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

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







Market Indicators

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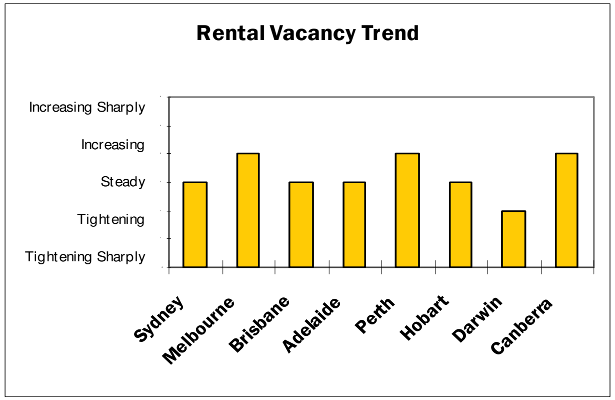
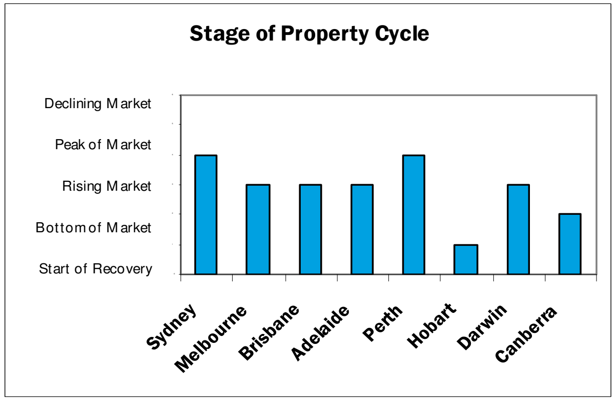
Capital City Property Market Indicators - Units

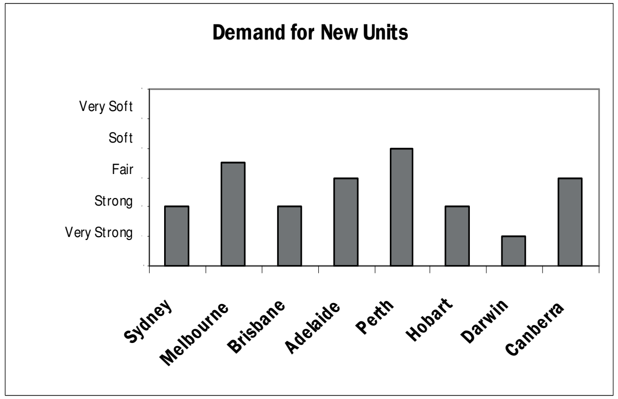
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Increasing	Steady	Steady	Increasing	Steady	Tightening	Increasing
Demand for New Units	Strong	Soft - Fair	Strong	Fair	Soft	Strong	Very strong	Fair
Trend in New Unit Construction	Increasing	Increasing strongly	Increasing	Steady	Increasing	Increasing	Increasing strongly	Steady
Volume of Unit Sales	Steady	Increasing - Steady	Increasing	Steady	Declining	Increasing	Increasing strongly	Steady
Stage of Property Cycle	Peak of market	Rising market	Rising market	Rising market	Peak of 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

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







Market Indicators

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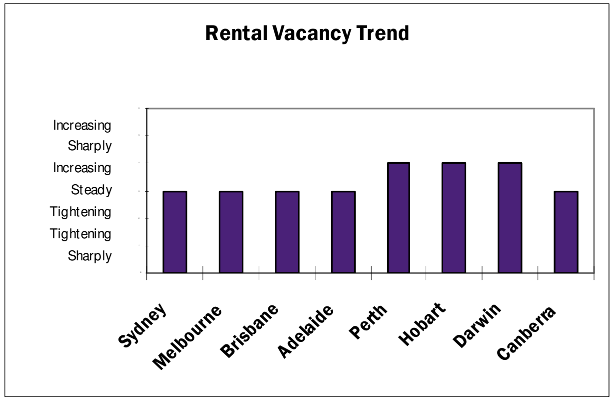
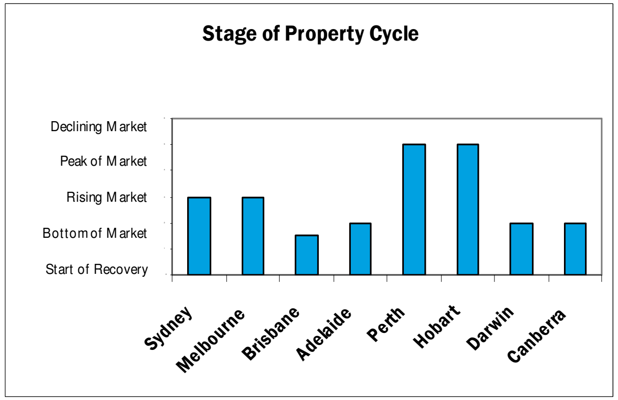
Capital City Property Market Indicators - Industrial

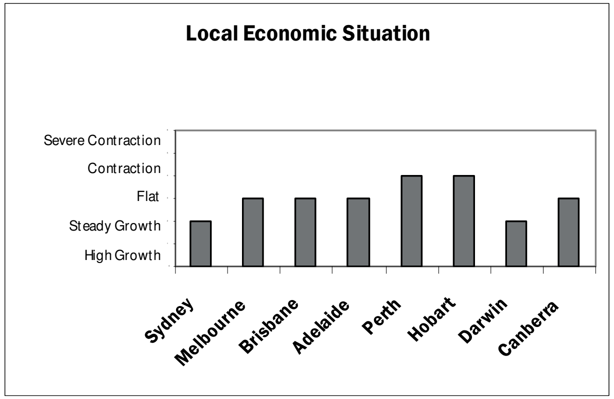
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand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

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

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







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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	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Increasing	Steady	Tightening	Tightening	Steady	Tightening	Steady	Increasing	Steady	Tightening	Tightening - Steady	Steady	Steady	Tightening
Demand for New Houses	Strong	Strong	Fair	Strong	Strong	Fair	Strong	Strong	Strong	Strong	Strong	Fair	Strong	Strong	Strong
Trend in New House Construction	Increasing	Steady	Steady	Increasing	Increasing	Steady	Increasing	Increasing	Steady	Increasing	Increasing	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing - Steady	Steady	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Rising market	Bottom of market	Rising market	Rising market	Start of recovery	Rising market	Peak of market	Rising market	Peak of market	Rising market	Start of recovery - Bottom of market	Start of recovery	Peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently	Frequently	Occasionally	Occasionally	Occasionally - Frequently	Occasionally	Frequently	Occasionally

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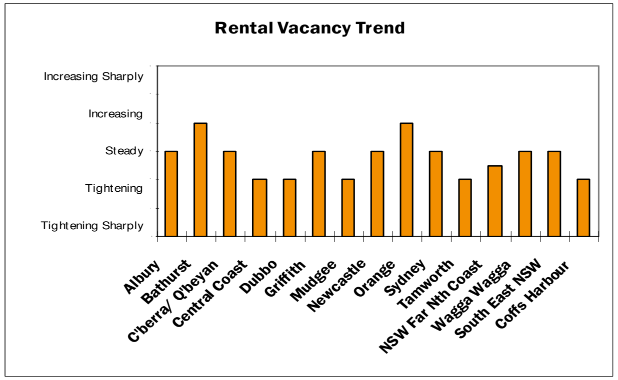

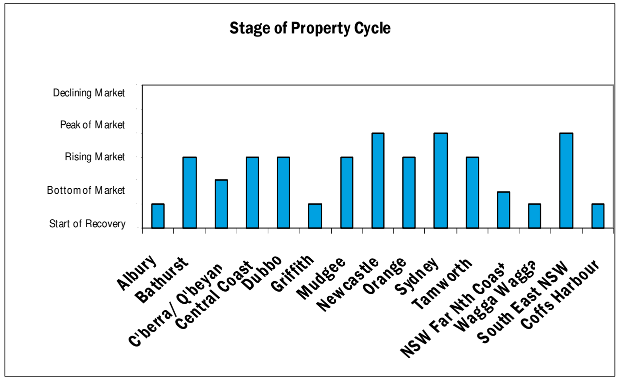

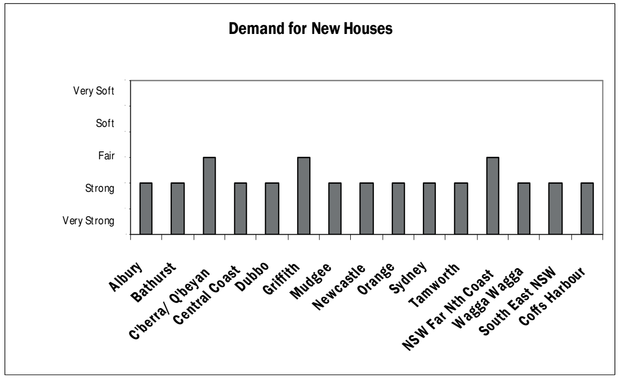

Market Indicators

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New South Wales Property Market Indicators - Units

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

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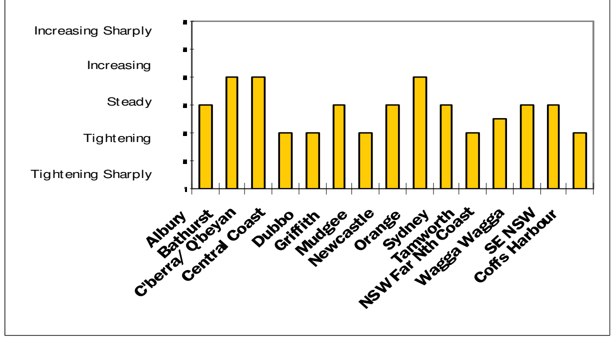
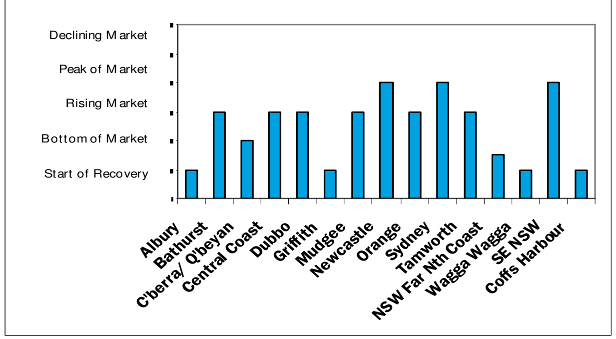
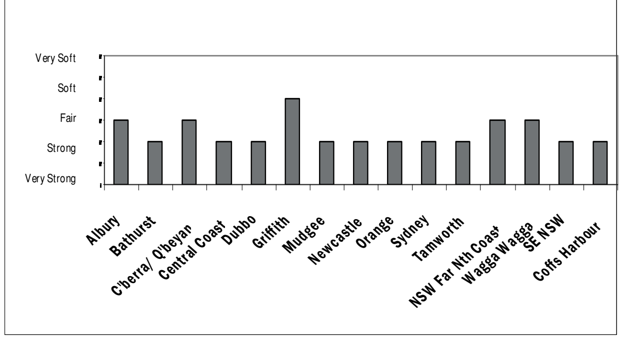
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units



Market Indicators

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

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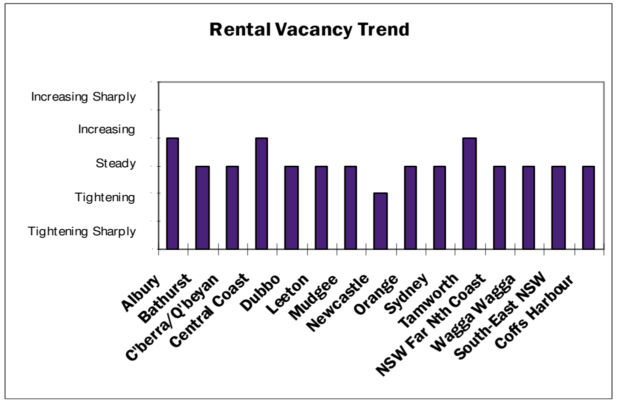

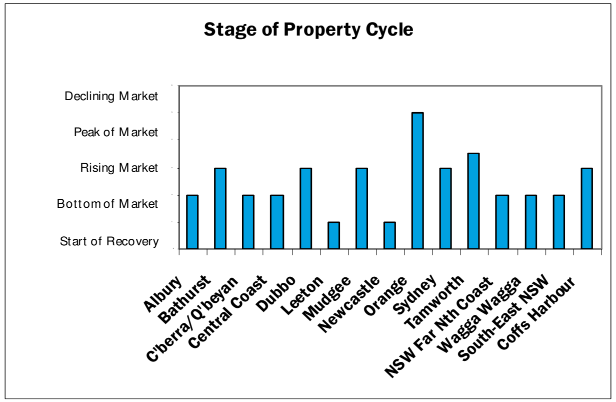

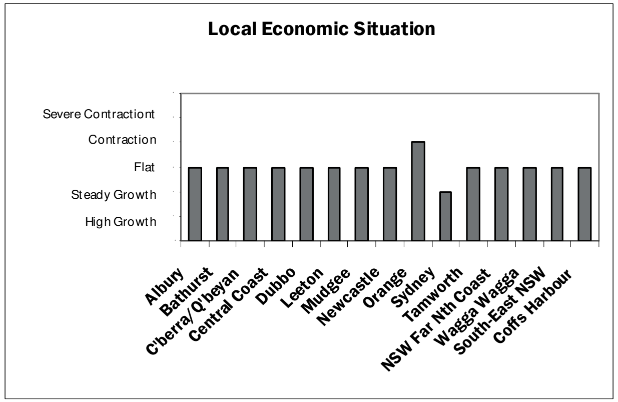

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Victoria/Tasmania Property Market Indicators - Houses

Factor	Bendigo	Echuca	Horsham	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	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Strong	Fair	Strong	Soft	Strong	Strong	Strong	Strong
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady - Increasing	Steady	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	Rising 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	Occasionally	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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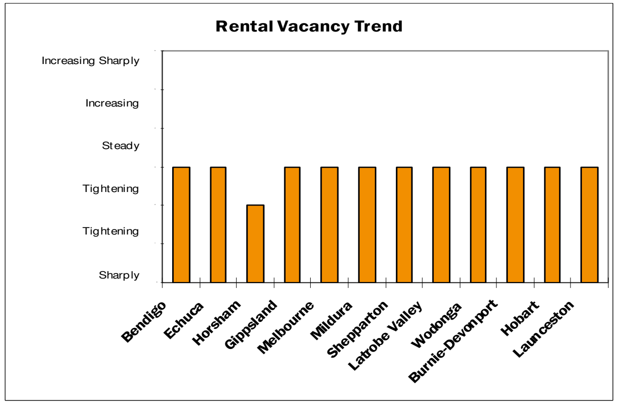

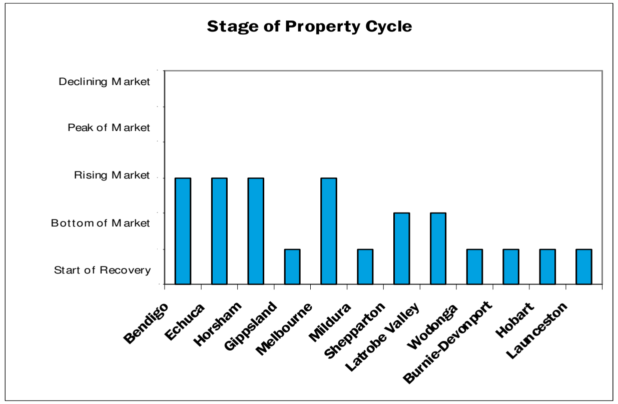

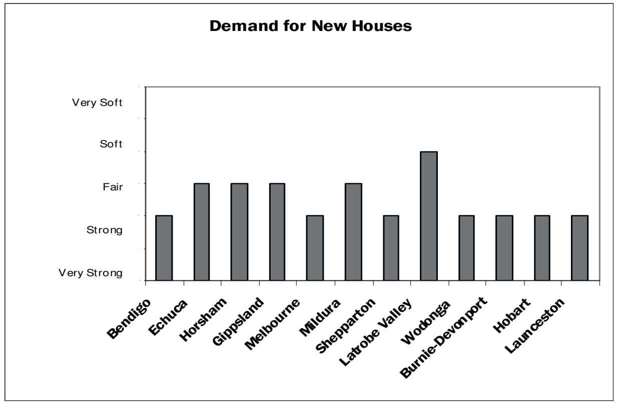

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Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Horsham	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Wodonga	Burnie / Davenport	Hobart	Launceston
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	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Soft	Fair	Fair	Soft - Fair	Fair	Very soft	Soft	Very soft	Strong	Strong	Strong
Trend in New House Construction	Steady	Declining	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	Rising 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	Frequently	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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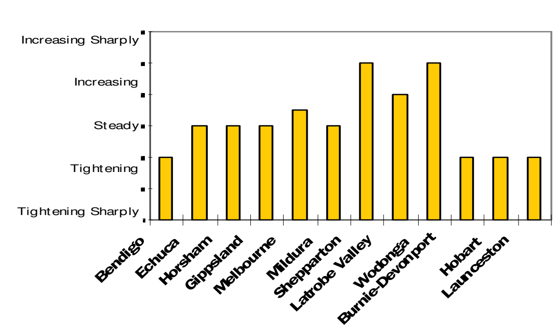
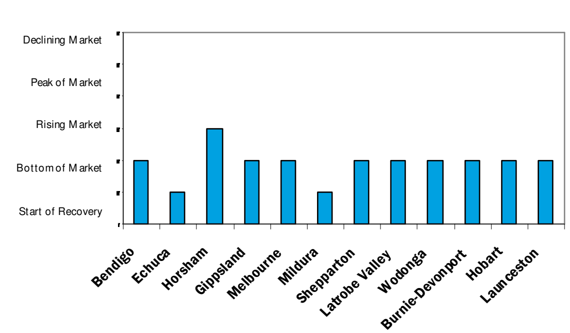
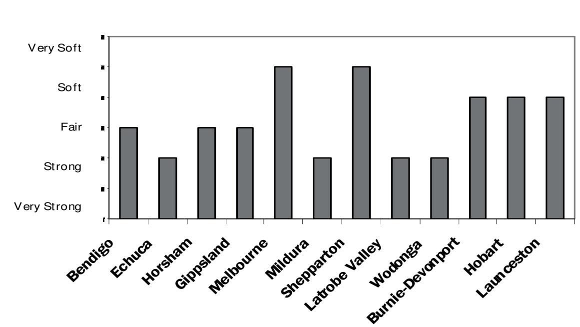


Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

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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	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	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable - Increasing	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	Rising market	Start of recovery	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	Flat	Flat	Flat	Contraction	Contraction	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Significant	Small	Small	Significant	Small	Small	Small

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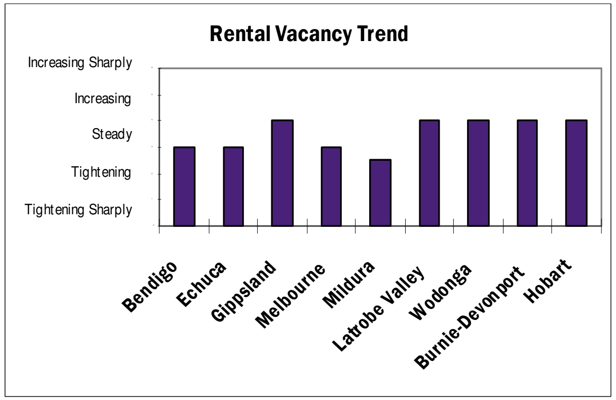

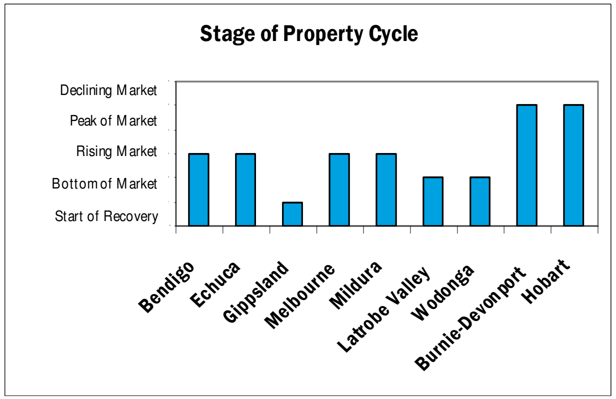

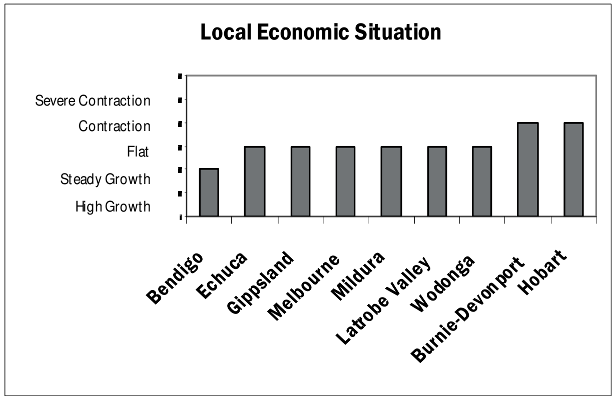

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Queensland Property Market Indicators - Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	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	Large over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady	Increasing	Increasing	Increasing	Increasing sharply	Steady	Tightening	Tightening	Steady	Tightening	Steady	Tightening
Demand for New Houses	Soft	Fair	Fair	Soft - Fair	Fair	Very soft	Very soft	Fair	Fair - Strong	Strong	Strong	Strong	Strong	Fair
Trend in New House Construction	Steady	Steady	Steady	Declining - Steady	Steady	Declining	Declining significantly	Increasing	Steady - Increasing	Increasing	Increasing	Increasing	Increasing	Declining
Volume of House Sales	Increasing	Steady	Steady	Steady - Declining	Steady	Declining	Declining	Increasing	Increasing - Steady	Increasing	Increasing	Steady	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Declining market	Start of recovery	Declining market	Declining market	Start of recovery	Start of recovery	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	Almost never - Occasionally	Occasionally	Occasionally	Occasionally	Almost always	Almost never	Occasionally	Occasionally	Occasionally	Frequently	Occasionally	Occasionally

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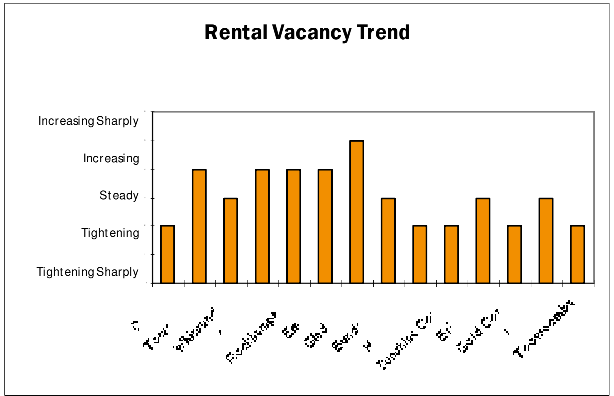
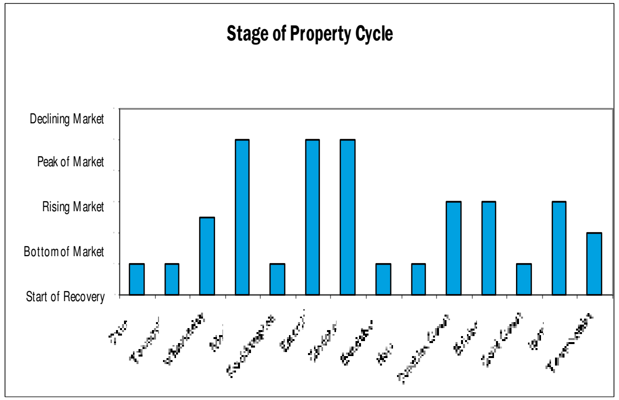
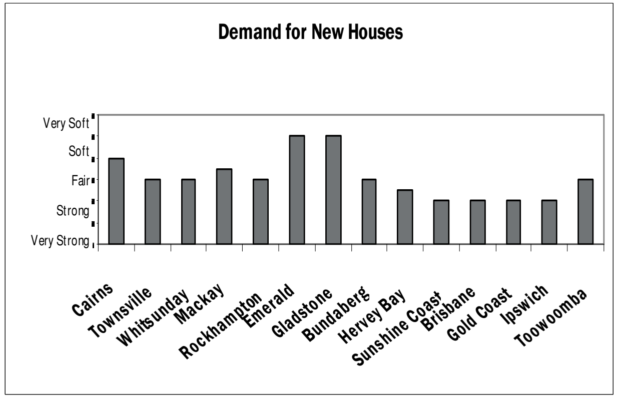


Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

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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	Large over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	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	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady - Increasing	Steady - Increasing	Steady	Increasing	Increasing sharply	Steady	Steady	Tightening	Steady	Tightening	Increasing	Tightening
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Fair	Very soft	Very soft	Soft	Fair	Soft	Strong	Fair	Fair	Fair
Trend in New Unit Construction	Declining	Steady - Increasing	Steady	Declining - Steady	Steady	Declining	Declining significantly	Steady	Steady - Increasing	Steady	Increasing	Steady	Increasing	Increasing
Volume of Unit Sales	Increasing	Steady	Steady	Steady - Declining	Steady	Declining	Declining	Steady	Increasing - Steady	Increasing	Increasing	Steady	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Declining market	Start of recovery	Declining market	Declining market	Start of recovery	Bottom of market	Rising market	Rising market	Start of recovery	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost always	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasion-ally	Frequently

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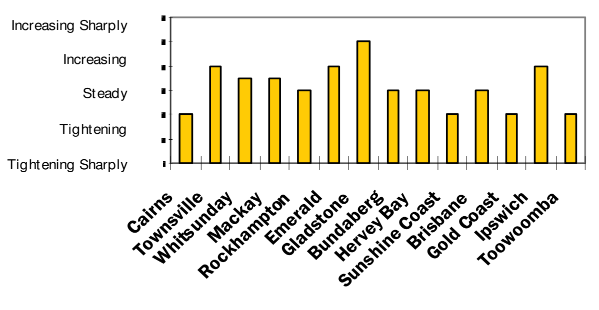
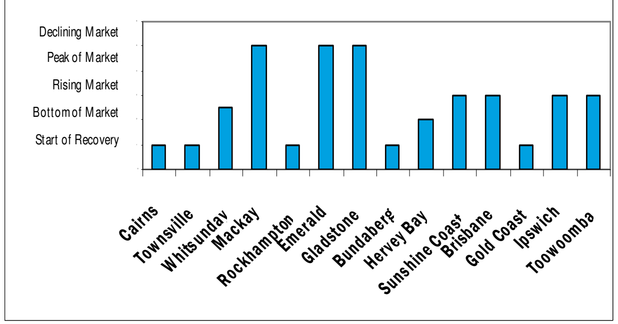
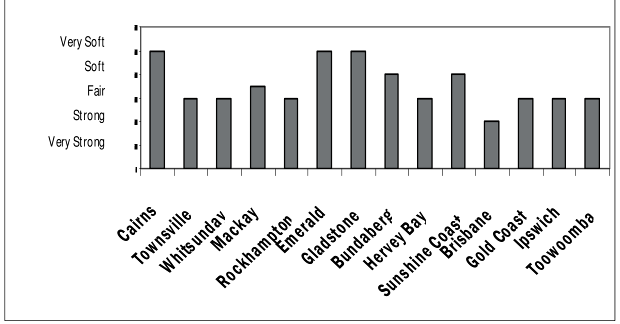
Rental Vacancy Trend



Stage of Property Cycle



Damand for New Units



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

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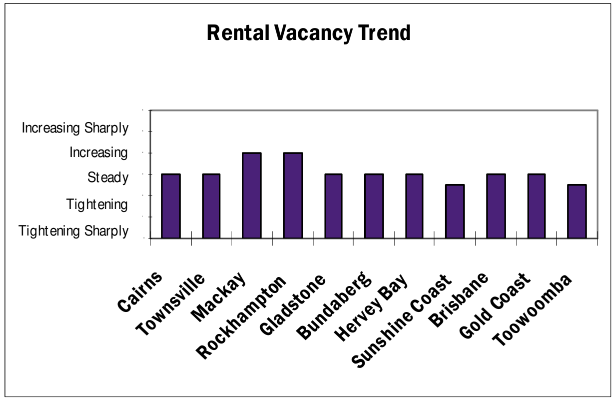

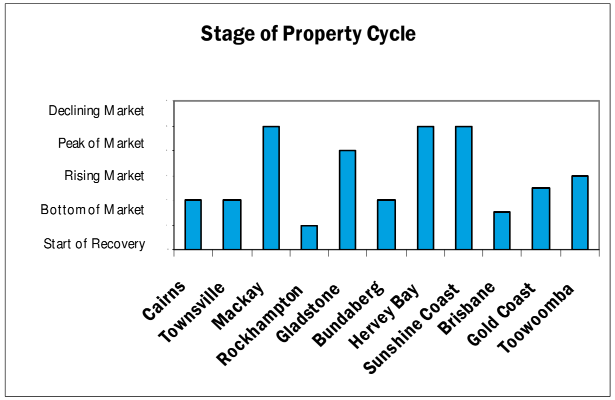

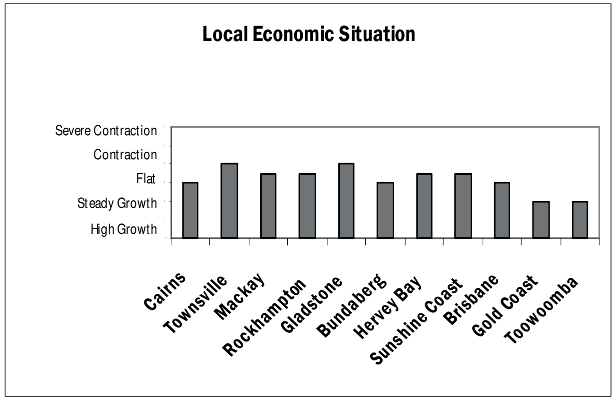

Market Indicators

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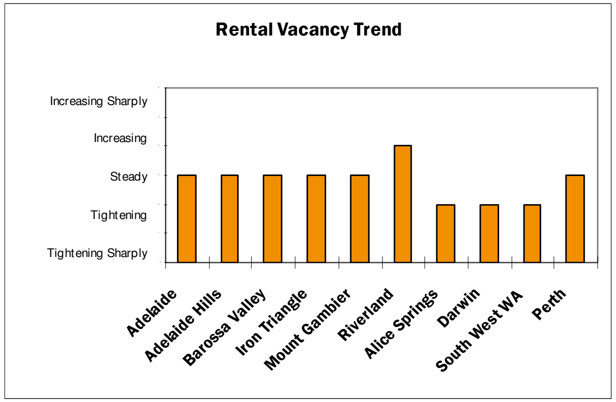
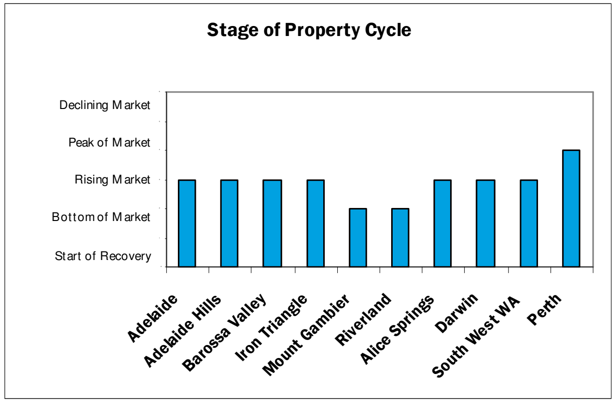
Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

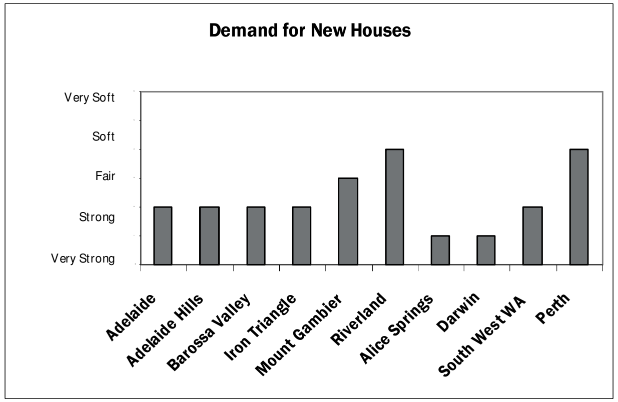
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available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

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

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







Market Indicators

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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	Severe 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	Increasing
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Very strong	Very strong	Strong	Soft
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Declining	Steady	Increasing strongly	Increasing strongly	Increasing	Increasing
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing strongly	Increasing strongly	Increasing	Declining
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	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Almost never	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally

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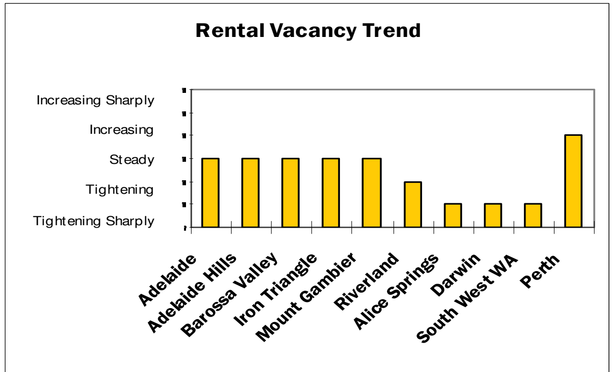

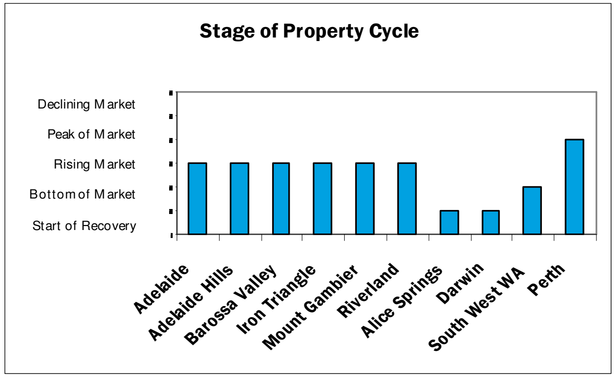

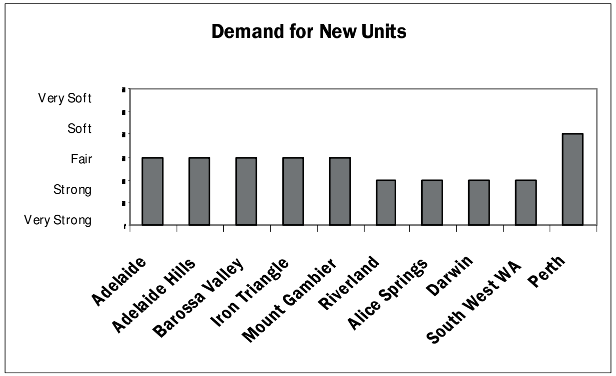

Market Indicators

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

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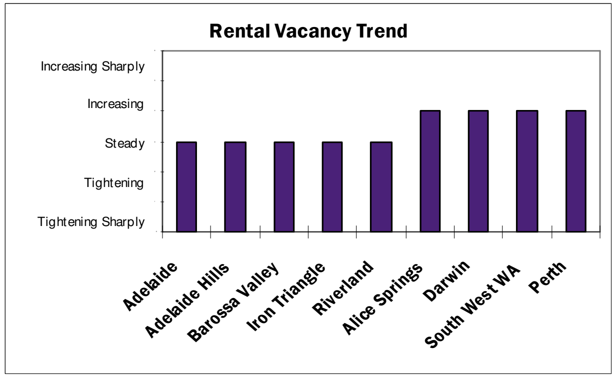

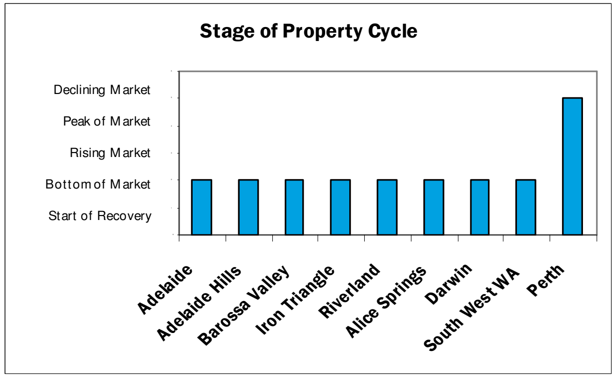

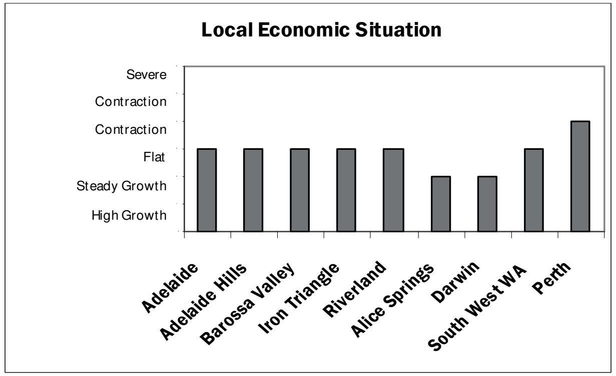

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