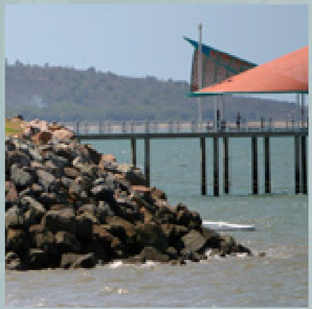
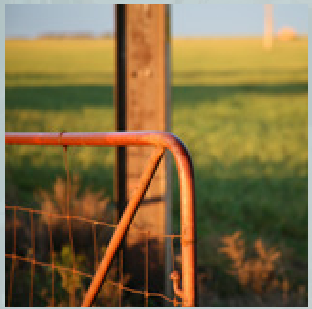
September 2014

Month in Review

HERRON TODD WHITE

Contents





"Safe as"...Strong fundamentals from around the nation

There are times when we all need a great protector – even the 'alphas' amongst the crowd can do with a little downtime so they can hand over responsibility for their security.

Safe is not conservative. Safe is making it to the far side of the park in a particularly competitive game of Red Rover. Safe is triple checking the belay on your zip line. Safe is the last five positions on the board game. Safe is not about avoiding risk all together – it lies in making sure that when you do leap, a few comfy pillows will break the fall if things should go wrong.

A large part of peoples' decision to choose property investment over shares is that tangible feeling of security created by bricks and mortar.

It's solid, dependable and let's you looks upon the asset and says, "Well, if all else goes wrong, at least I have THAT!"

Of course there isn't one quick fix to make sure you're buying wisely. Real estate is a simple term for a complex collection of assets. The options are diverse, and the factors that influence value and rent are just as varied. Getting your head around what sort of property suits your needs and wants, plus the elements that impact it's value, can be overwhelming. Riding the waves of a market will induce a stomach churning sickness if you don't factor in your hypothetical investment Kwells.

This month, our valuers are about to let in you in on the sure fire ways to take some potential sting out of a shakey market by buying right in the first place. It isn't just a discussion of blue-chip property – there are a number of factors in each of our service areas that will help make your property stand up when others fall over. Herron Todd White's team has volunteered, location by location, what to look for in your investments to help secure the portfolio.

For commercial investors, we give the same treatment to the retail sector. Our experts are telling you all about what makes for a good retail buy in your area of interest. It's an overview of the retail types that are consistent performers. We tackle price points and rental details so you can get the geographic nitty gritty on the sector, as well as an overview of how this market is tracking for each of our service areas.

So why not take advantage of our generous nature and read up on the ways you can lock down some solid investments.

And one final tip about safety – don't get complacent. As the great Aaron Sorkin once said, "Just when you think you have the ball safely in the end-zone, you're back to delivering pizzas for Dominos," so watch your back.

QS Corner - Is it worth depreciating older and smaller properties?

Some of the best advice that could be given to first time investors is to start small and don't bite off more than you can chew in terms of what you buy or what you borrow to buy. With interest rates at record lows, it could be tempting to borrow big and over-commit.

Whether you start out in a small apartment or a house on a quarter acre block on the outskirts of town, the bigger and newer the property is, doesn't exactly mean the better it is. Whether for a first time or a seasoned investor on their third or fourth property, the reasons for investing in real estate can vary case by case. However it would be safe to say that the common factor usually is "to make money". Making this dream a reality requires a little effort and financial consideration along the way and a tax depreciation schedule can be one of the most beneficial tools in your investor tool kit.

There is a misconception amongst many investors, property managers and even other property advisors that when it comes to depreciating investment property, only brand new or recently built property can qualify for deprecation, but you'd be surprised how much can be depreciated on older and smaller properties too.

Take for example a typical 1960s unit in a three-level, 12-unit walk up complex comprising 2-bedrooms and 1-bathroom in average and slightly dated condition. On paper you would automatically assume that the property was not worth depreciating and would therefore not qualify for tax depreciation. However you may not be taking into account all the eligible items that can be depreciated and that go towards minimising your tax liability.

Chances are, in older style units, houses, commercial and industrial buildings, certain items have been replaced or upgraded over the years, such as hot water systems, carpets, kitchen appliances, window treatments and smoke detectors to name just a few. All of these items qualify and all contribute to a worthwhile amount of depreciation which is often overlooked. If the property has had a renovation the chances of more items qualifying for depreciation are greater still.

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

Commercial

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COMMERCIAL

New South Wales

Overview

Retail carries risk – and it's the sort of risks you cannot control. Big swings in the economic fortunes of this country, and worldwide, often hit both sudden and hard. Technology in the sector has made buying online about as easy as crossing the road. All sorts of influences can impact a retail investment's bottom line.

This month, our Herron Todd White commercial team has had a look at what makes a safe investment in our country's retail sector. Each office has also given a terrific overview of their retail market, so you can become a little better informed.

Sydney

Retail conditions for Sydney have improved notably in the first half of 2014. Supported by a rebound in the NSW housing market, retail spending strengthened to above average levels. Seasonally adjusted NSW retail turnover rose by 8.8% in the year to June 2014 (ABS), well above the trailing ten year annual growth rate of 4% for the state. In particular, spending in the cafes, restaurants and takeaway food retail category has shown strong results in both short term and long term measures. Retail turnover in this category has grown by 24.5% (seasonally adjusted) in the year to June 2014 and averaged 6.1% compound annual growth over the past ten years (ABS). Comparatively, retail turnover in the clothing, footwear and personal accessories and household goods categories grew by 4.1% and 3.9% annually over the ten year period.

While retail conditions have generally improved for most retailer types in Sydney over the past year, the retail environment has become particularly supportive for food based retailers located within Sydney's major town centres. Major town centres have become a focus for new high density residential developments and are underpinning growth in the consumer base for nearby retail businesses. As a result, these areas are attracting a high portion of retailer demand from food related businesses. Analysis of leases recorded by Leasing Information Services, a provider of online retail leasing data, shows that approximately half of the new retail leases that have been signed in Sydney's main retail strips from 2013 to date have come from retailers of eat in and takeaway food. Such observations provide grounds for us to view food related retail assets as possessing good investment fundamentals.

However, as expected, there are further prerequisites that would make a retail asset stack up to what we would view as a relatively safe investment. Preference would be drawn towards areas of Sydney that have long proved their ability to attract steady retailer demand, as well as maintain above average rents and capital growth prospects. Town centres that we view as fitting these criteria include Manly and Chatswood in Sydney's north; Burwood,

Balmain and Newtown in the inner west; Hurstville and Cronulla in Sydney's south; and Cabramatta in Sydney's outer west. While areas such as Burwood, Hurstville and Cabramatta may be viewed as less trendy or glamorous retail locations, these areas benefit from strong leasing and owner occupier demand from businesses that cater to consumers of multicultural goods and services. Average prices for your standard 80 to 100 square metre retail shop in these areas are relatively high compared to the broader market and prospective purchasers should expect to pay in excess of $1 million for good quality retail assets within this size range.

Further to locational factors and retailer type, several other factors are worth considering when determining the soundness of a potential retail property investment that has already ticked these boxes. Retail properties with a strong retail tenancy profile and a long remaining lease term (or weighted lease expiry for a multi-tenanted asset) are more favourable. Investors should also diligently assess whether the current passing rent is significantly above market, as such assets hold potential for a drop in terminal value (and result in hindered capital growth) should the rents need to revert back to market on lease expiry, prior to resale. With this in mind, we believe that purchase of good quality suburban retail assets at analysed yields of around 7% or above present good scope for yield compression (hence capital growth) when resold in the future, provided that market conditions further improve.

Canberra

Retail facilities were established in the older suburbs of the ACT in a hierarchical manner, starting with neighbourhood centres in each suburb generally adjoining the local primary school and anchored by a small general store and upwards of six or seven specialty stores such as bakeries and butcheries. The next level was the group centre which incorporated a supermarket, upwards of 15 to 20 specialty shops and office suites for local professionals. The regional centre was the ultimate link in the retail chain incorporating not only specialty shops, but upwards of three supermarkets and two department stores. Discount department stores crept into the regional centres and indeed in a number of group centres. This hierarchy served the community well for a number of years however the neighbourhood centres gradually began to fail as the anchor general stores were too small to compete with the ever expanding supermarkets in the group and regional centres. The model is still being utilised in the newer areas of Gungahlin although the neighbourhood centres are closer to the group centre model and are designed to cover a wider and larger population. Some neighbourhood centres in the older suburbs are being revitalised but these are usually centres where the general store is sufficiently large enough to compete on service and product line availability to survive. Examples include Melba, Cook and Yarralumla shops.

Where are the investment opportunities?

The regional centres are tightly held with owners such as Queensland Insurance (CBD Canberra Centre) and Westfield (Belconnen Mall and Woden Centre). Leda operates the Tuggeranong Centre. Ownership of the retail facilities in the Gungahlin Centre is fragmented. The only sale which has occurred recently in this sector is the Riverside Plaza in Queanbeyan, a 22,000 square metre centre with supermarkets and Target department store. It was sold by AMP for circa $62.5 million at a yield understood to be close to 8%. Opportunities in this sector seldom come to market however if available would command great interest due to the relatively high disposable income apparent in the ACT.

Group centres seldom come to the market although individual elements are traded at a local level. Most of these centres are owned in separate strata elements and individual shops and offices are traded on a reasonably regular basis. The opportunities presented are generally purchased by local investors or owner-occupiers.

Neighbourhood centres seldom trade in one line although the ten units comprising the Isaacs Centre sold recently for $1.64 million showing an initial yield of 6% which will rise to 10% when vacancies of 168 square metres on the lower level are occupied. The Centre is anchored by a small supermarket of 153.3 square metres. The purchaser was understood to be a local investor.

A number of the units in the Torrens shops are being offered for sale in one line as well as individually.

Shops in the Nicholls Centre, excluding the supermarket, are for sale as individual units or in one line at prices which would suggest a net yield of circa 6.25%. The individual price range is $525,000 to $625,000 and the total in one line price is $2.2 million. We suggest this will be of interest to the local market.

The Homeworld Centre is a mixed use facility with a substantial retail element supported by an Aldi supermarket and Dan Murphy and Dick Smith outlets, with a total area 12,245 square metres of which 3,739 square metres is located at first floor level and is leased in one line to the Federal Government on a lease expiring in July 2020. The purchase price was

$31 million, showing a yield assuming full occupancy of circa 11%. Vacancies were running at close to 16% of the retail area. Sentinel Property Group, an unlisted trust based in Brisbane, was the purchaser.

Overall Canberra does not offer many retail investment opportunities however if a major centre was offered to the market we would anticipate substantial institutional interest.

Illawarra

After a prolonged period of static conditions there are signs that the retail property market is starting to recover as exhibited by an increase in sales and increased appetite of investors attracted by yield arbitrage. Purchasers are still looking for assets with strong lease covenants, while market demand thins out considerably for properties with prices higher than circa $2 million.

> Rents remain stagnant with no evidence of any broad increases, while vacancy rates have stabilised.

The Wollongong CBD continues its transformation with the mall refurbishment works moving forward while this quarter will see the completion of GPT's West Keira shopping centre development. The most significant development in the Southern Highlands is the Coles redevelopment in the Bowral CBD with site works underway.

A notable transaction in the Wollongong LGA occurred in July 2014 for the Rockmans tenanted retail property in Corrimal for $1.06 million, showing an analysed market yield of 7.74% and a rate of $2,494 per square metre of lettable area. In the Southern Highlands the May 2014 sale of the Westpac retail branch along Bong Bong Street, Bowral has been the highlight at $5.09 million reflecting an analysed market yield of 6.5% and a rate of $6,680 per square metre of lettable area.

Newcastle

This month in our retail discussion for the Newcastle market we'll rest the GPT/Urban Growth proposed development, we won't mention the Urban Renewal projects or the State Government's promised spending on the new light rail system. We definitely won't talk about the disastrous state of local politics - no ICAC investigation speak here – although we should note that the local retail market has its eye on all of these issues. Today we'll speak about safe retail property investment.

We'll use two recent sales to illustrate two different iterations of the word "safe" at different levels of the retail market and what that means for rental returns. The Dockyard is a local well known watering hole located on a high exposure corner at Honeysuckle. It's pretty much the best retail location for a pub and restaurant in the CBD. If you go to Honeysuckle, it's very difficult to avoid The Dockyard - you basically walk through the joint to get to any of the other restaurants and cafes on the Boardwalk. According to advertising, the current tenants are on a new five year lease and have a strong trading history over the past eight years – a long time in the hospitality game. This property sold for a yield of 8.5% with 3% annual rental increases built into the lease. At this value level, this is about as strong and safe as you get and for a mere $4.4 million the investor will see an 8.5% annual return.

At a different level of the retail market, the brand new Woolworths at Medowie has sold with a fresh 20 year lease in place to the strongest tenant you're likely to get. This property recently sold prior to auction for a yield of 6.5%. A much lower yield than The Dockyards sale in percentage terms, however the 20 year lease indicates a safe as houses investment for a long time with the potential for turnover rents in the future. Oh, you'll need to spend $18.9 million for a property like this. So in very general terms, as the risk increases, so does the yield and this applies to every level of the market from entry level to shopping centres. Risk can come in the form of location, demographics, property, tenant, exposure and surrounding development and all of these factors will play a role in the value and yield of retail property.

NSW Far North Coast

The commercial retail market on the NSW North Coast continues to prove difficult. This is generally due to national and international issues which affect confidence in the market place. There is generally downward pressure on rents, with increased vacancies and increasing prevalence of rental incentives such as rent free holidays. There remains reasonable demand for properties with a strong national tenant profile and weak demand for local based tenants or secondary stock.

Byron is showing signs of recovery with strengthened yields and positive signs for the domestic tourist market which is likely to be boosted by a weakening Australian dollar and strong media attention on terrorism and airline fatalities. Byron Bay continues to have strong market appeal with prime locations showing relatively stable rents and good demand from tenants and investors alike as it tends to be well held and relatively resilient to broader economic conditions.

The Ballina retail rental market has generally been described as being in a state of flux. The Ballina CBD has experienced a very weak retail sector as a result of the closure of the Woolworths supermarket in River Street in 2011 and a shift in spending to the shopping centres away from the traditional CBD. The redevelopment and re-opening of the Woolworths complex in 2014 has become a significant feature for this locality as it creates attraction and has lifted the profile and appeal for tenants and the general public alike. The central retail arcade (Wigmore Arcade) is also set to be refurbished. This area is currently under-performing with a number of vacancies creating uncertainty in what was traditionally the strongest retail section of the CBD. It is expected that the completion of Woolworths, the proposed new large chemist within the Cummings Retravision building and the refurbishment of the Wigmore Arcade will boost the Ballina CBD and result in some gains in rents and ultimately value.

The Lismore retail market has also had some significant changes over the past four years with falls in rents of up to 40% after the global financial crisis. We have seen a steady increase in rents since the beginning of 2011 to a more stable level. We believe Lismore is still in a state of flux with significant uncertainty in the Lismore CBD which has been exacerbated by the closing of Target Country, Williams shoe store and Crazy Clarks variety store, all relatively large retail spaces. These vacancies are likely to put downward pressure on rents and result in higher yields being demanded by investors as uncertainty increases. Market activity is centered on owner occupied space at the lower end of the market with limited investor sales over the past 12 months. An example of an investment sale that is considered good buying in Lismore is 50 Magellan Street, a multi tenanted building (two shops, one restaurant) that recently sold for $210,000, showing an analysed yield of 8.27%. Other owner-occupied sales below $350,000 have tended to indicate yields from 6.5% to 7.5%.

Ultimately stable long term tenants are the key to value for investors. Purchasing vacant or partially vacant properties which are then leased up to long term tenants will at this time add value. However competing with owner-occupiers to follow this purchase and lease up process is fraught with danger as the yields being shown by owner occupiers are lower than the yields being demonstrated by investors.

Coffs Harbour

The local Coffs Harbour retail rental market is under pressure with a high level of vacancy and downward pressure on overall rental levels. Many of these vacancies are within the main commercial strip centre. Despite the concerns over the retail rental market, the limited available market evidence within the city centre is displaying a firm level of yields. A secondary located multiple occupancy building recently transacted at a 7.4% analysed yield. The property had dated presentation and required upgrade but was soundly leased to long term tenants on an overall rental of $310 per square metre.

As with most commercial investments, the major investment decisions are centred on location, quality of the building, security of tenancy and the terms and conditions of the lease. Of increasing local importance is the access or proximity to car parking.

The market appears to be seeking prime bulky goods retail outlets with long term leases to national tenants. Recent sales have ranged from 7% to 8% as opposed to older buildings with local tenants which have been exchanging at 9% to 10.5% yield.

Victoria

Melbourne
Statistics released by the Australian Bureau of Statistics indicate that retail turnover across Australia recorded positive growth with retail trade increasing by approximately 4.7% nationally in the 12 months to May 2014 and in Victoria by 4.3%. It appears that there has been a slight overall improvement in consumer sentiment. The food sector (cafés, restaurants, supermarket, grocery and liquor), household goods, clothing and soft goods saw increases in growth, while furniture, footwear and accessories saw a decline.

Strip Retail
The majority of prime retail strip precincts in Melbourne are continuing to experience increasing vacancy rates. The hardest hit retail strip has been Bridge Road, where it is not uncommon for three or four shops in a row to be for lease. Chapel Street in South Yarra, Burke Road in Camberwell and High Street in Armadale have also been reported to have reached their highest vacancy levels in five years. Retail strips that have defied this trend include Church Street in Brighton, Acland Street in St Kilda, Glenferrie Road in Malvern and Toorak Road in South Yarra. Despite vacancy issues, well located properties in prime strips are continuing to sell on low yields with strong demand from investors. If vacancies continue to grow, rents may decrease and yields may then soften as this may be perceived as an increased risk in the eyes of investors.

The Melbourne Central Business District (CBD) retail market is going through a transitional phase in accordance with the gradually changing trend in CBD demand drivers. This change has a major effect on the face of CBD retailing and the performance of CBD retail assets, which have been a consistent performer within the retail market. Some of the key factors affecting this change are:

1. Changes to legislation for longer trading hours.

- In late April this year late night week day shopping in the Melbourne CBD was extended to at least 7pm. The new times affect all stores located in a two-block area from La Trobe Street to Bourke Street Mall. This initiative has helped drive retail spending within the Melbourne CBD.

2. Redevelopment of CBD retail centres and increased presence of international retailers

- 20 August 2014 marked the official opening of the Emporium Shopping Centre. Offering more than 200 shops, the centre is fully leased with the exception of a minority of stores yet to open. The state of the art shopping complex owned by Colonial First State Retail and Singapore's Government Investment Corporation has rejuvenated the Lonsdale Street retail block. The ground floor consists of well-known international and high-profile national brands, while high end international brands such as Coach and Kate Spade front Lonsdale and Little Bourke Streets. Emporium has been a local success, receiving creditable reviews by the media and the general public. Emporium has provided much needed prime retail space in the city for international retailers who have been scouting Australian stores for

leasing opportunities. International brands that have set up flagship stores in Emporium include Uniqlo, Topshop, Brooks Brothers, Braun Buffel, Coach, Chanel and Adidas.

This influx of new brands has also been a major driver for redevelopments as developments are refurbished in order to accommodate branding needs and requirements.

3. Growth in residential development within the CBD

- The increase in high density living and the significant rise in the number of residential high rise developments within the CBD in recent years has been highly supportive of retailing within the CBD. With the increase in residential population, the need for retailing increases and this has had a positive effect on the retail market performance within the CBD.

4. Melbourne is a worldwide tourist destination

- Melbourne has become a worldwide tourist destination with an increasing need to become more competitive in the global retail market. Just this month, The Economist Intelligence Unit's Global Liveability Index rated Melbourne the world's most liveable city for a fourth consecutive year, outscoring Adelaide, Sydney and Perth in the top ten. The award comes after Melbourne was ranked by world renowned travel magazine, Conde Nast Traveller, as the world's friendliest city.

Recent CBD retail sale

Shop 1, 250 Flinders Street, Melbourne sold on a record passing yield of 3.55% at auction on 15 August 2014. Leased to Backpackers World Travel on a six year lease that commenced in July 2010 with 4% annual increases, the 38 square metre retail shop sold for $2.33 million (or $61,316 per square metre of building area) on a passing net rental of $82,800 per annum, equating to $2,179 per square metre net per annum. This sale indicates the continually strong performance and demand for CBD retail assets and sold well above the reserve price.

Good buys within the area

This is a relatively subjective topic, however the introduction of the reformed zones in Victoria which was implemented on 1 July 2014 offers new opportunities for developers and investors to develop or invest in new retail developments.

A summary of some of the changes affecting retailing are as follows:

- The business 1, 2 and 5 zones have been replaced by a new commercial 1 zone. This zoning allows most types of retail uses without the need for a planning permit;
- The business 3 and 4 zones have been replaced by a new commercial 2 zone. This zone allows multiple retailing and commercial uses, including small supermarkets up to 1,800 square metres, while shops and supermarkets greater than 1,800 square metres are subject to permit applications to Council;
- All existing floor space restraints on retail and office floor space will be removed in the new commercial 1 and 2 zones;
- Small supermarkets up to 1,800 square metres will be permitted within the industrial 3 zone;
- Extensions to small strip shops for additional retail development will be permitted where they are within 100 metres of an existing activity centre.

Examples of some positive impacts of these changes and opportunities that may occur due to this change include:

- Given that a retail shop is now a permissible use and the cap on floor space has been removed, the flexibility for retail development in business 2 and 5 zoned lands has increased.
- As retail shop use is now permissible subject to a permit on business 3 and 4 zoned land, the flexibility for retail developments and opportunities within these zones is likely to increase.
- There is the potential for an increase in the number of smaller scaled supermarket developments within more zones.

Murray Riverina

With the exception of centrally located properties in the central Hare Street precinct, there are real gains to be made by attracting national retailing tenants when it comes time to sell. This can be done in a variety of ways but most commonly through local agents or alternatively making private approaches to businesses where a gap in the market is identified. There has been some activity for redevelopment or owner occupied properties of late though most agents are reporting a challenging selling environment.

South Australia

Adelaide

Weak local economic conditions are set to persist in at least the short to medium term, with unemployment currently at the forefront of many people's minds. Only this week Arnott's announced 120 jobs at their Marleston biscuit plant are to be lost over the next 18 months and Inghams announced that their turkey processing plant will close in December which will see another 79 jobs go. With ever increasing cost of living pressures it is easy to see why discretionary spending continues to tighten.

The retail sector has been particularly hard hit, facing not only tough economic times but the changing face of retail.

With online stores ever increasing in popularity, even when the Australian dollar improved above parity with the US dollar allowing retailers to reduce prices to try to improve sales many consumers used the accessibility of overseas stores to purchase equivalent products at even cheaper prices. In Adelaide, bricks and mortar stores are unable to offer the range shoppers can find online and where as in the past there wasn't any option but to buy local, the internet has changed this forever. Online shopping is open 24 hours in the comfort of your own home and products get delivered to your door. It is easy to see that stores without an online presence are finding it more and more difficult to compete.

As such the South Australian retail sector appears to be facing an extended period of consolidation that is expected to continue, at this stage, well beyond 2014.

In general, sales transactions have been fairly limited with rental rates and yields continuing to soften across most sectors. Leasing activity has been somewhat volatile since the latter part of 2008 with a weak 2009, slight improvement in 2010, a weaker 2011, a slight improvement in 2012 and followed by weaker sentiment during 2013. There are noticeably more vacancies occurring within strip shopping precincts and incentives have increased within certain sectors. It appears as though with in the leasing market rentals generally peaked in the period of mid 2006 to late 2008 and have not shown any significant growth within the past two to three years. Many escalations in rentals have been by predetermined mechanisms by a factor of the movement in the Consumer Price Index (circa 2% to 2.5% per annum) or by a fixed increase typically between 3% to 5% per annum. These mechanisms have generally outperformed the market with many rentals still below pre 2007 levels.

The most consistently performing retail investments are considered to be those located in the traditional blue chip retail locations of Rundle Mall and Rundle Street in the CBD, Jetty Road at Glenelg, Norwood Parade at Norwood, especially those with secure long term leases to recognisable national tenants. As such these properties tend to be tightly held and highly sort after when (only very rarely, as in less than one per annum) released to market. These three locations have had noticeable increases in vacancies over the past few years; however, in the long term all of these retail precincts are expected to recover in line with improving economic conditions. Prices for these properties are upwards of $1 million and historically yields are fairly stable are around 6% to 8%.

On a positive note Rundle Mall is now getting closer to finally being complete after being in various stages of upgrade since March 2013, which has obviously impeded access to all stores at various stages of the upgrade and more than likely kept some shoppers away. Completion is expected towards the end of October in time for Christmas shopping. Myer also had it's grand opening the other night after completing the modernisation and refurbishment of their flagship store located in The Myer Centre along Rundle Mall.

Queensland

Brisbane

The Brisbane retail property sector has seen steady economic progression throughout the first half of 2014. This has resulted in an overall increase in sector confidence. Progression can be partially attributed to the bank interest rate remaining low which has in turn created a stable platform for firming yields. Research also shows that the annual retail sales turnover growth was 4.9% which is well above the long term average. This further demonstrates how well retail properties are faring in the current economic environment.

In the first half of 2014 the sub $10 million market remains in strong favour with investors resulting in firming yields which range between 6% and 7.5% for properties in prime regional locations and 7.5% to 8.75% for sub-regional and neighbourhood locations. The discrepancy between the two types of retail property highlights the importance of location in this asset class. An example of how retail property yields in Brisbane are gradually firming is the sale of 2138 Sandgate Road, Boondall which sold on 1 May 2014 for $3.98 million at an analysed yield of 7.74% and a rate of $4,201 per square metre of GLAR. The property is commonly known as 'Boondall IGA Supermarket' and is single tenanted by IGA with a term certain of 7.78 years.

Retail centres with a higher price point over $10 million are generally achieving slightly softer yields of between 7.50% and 8.75% depending on the location. This is due to a smaller pool of investors, being local private syndicates, high net worth individuals or institutional funds. A notable sale during the first half of 2014 is the retail centre located at 157 Oxley Station Road, Oxley for $34.62 million at an analysed yield of 7.58% and a rate of $4,881 per square metre of GLAR. The property is anchored by Woolworths which commenced trading in July 2013 on a 20 year term. The complex sold partially leased to 16 tenants with five vacancies and a WALE (by income) of 11.04 years.

In summary, we believe that the Brisbane retail property market has been steadily improving in the first half of 2014 with prime locations being in high demand from tenants and investors. Secondary retail properties should be analysed and assessed thoroughly.

Darling Downs

Due to the historically low interest rates, local selling agents are reporting strong demand from commercial and retail property investors. Properties with good quality tenants on long term leases are in short supply and are usually sold quickly when offered to the market. Properties without long term tenants are considered far less appealing to investors and generally see a softening of the expected yield.

Retail investment opportunities in Toowoomba can vary over a number of different property types and

price points. A summary of these different sectors is as follows:

- Entry level retail investment often consists of small stand alone shops in suburban areas. This type of property generally contains secondary quality tenants (usually attracted by lower rental levels) and is often secured by short term leases only. Due to a high number of buyers in this price bracket (often these properties are similarly priced to residential properties), the yields achieved are often lower than would normally be expected.
- The CBD retail market offers investors opportunities between $400,000 and $3 million, with the variance due to size and location within the CBD. In general this sector offers local quality tenants (the major national retail groups are located in Grand Central Shopping Centre), usually secured on shorter term leases. There has been

Commercial

increased activity in this sector over the past 12 months due to the lack of supply of blue chip investments.

- Convenience and small bulky goods centres generally sit in the $2 million to $10 million price bracket and are usually very tightly held with few sales recorded. A sale of note in this price bracket was the Toowoomba Officeworks which sold in an off market transaction for $7.47 million at a yield of 7.03%.
- The higher end retail investments include larger bulky goods centres and supermarket-anchored shopping centres. These investments usually sit at a higher price point and are often bought by larger institutional investors. There has been recent activity in this sector with the sale of Toowoomba Plaza, a Coles and K-Mart anchored centre, for a reported $57 million and Wilsonton Shopping Centre, a Woolworths and Coles anchored centre, which sold for $54 million.

Gold Coast

The Gold Coast property market remains subdued, but is now pointing in the right direction with an increasing amount of evidence indicating a steady recovery.

The volume of sale transactions has shown significant improvement in the latter part of 2013 and first half of 2014. The improving market sentiment has been clearly evident at recent auctions that have witnessed higher than average attendance rates, abundance of bidding activity and clearance rates that have not been witnessed for several years.

Against this backdrop, there remains a significant variation in yield and value levels between primary and secondary properties.

The consistent performers over the past few years have been neighbourhood retail centres, particularly those anchored by a major supermarket chain or service station. Such properties have maintained good occupancy rates and rental levels have generally remained fairly steady.

While yield levels for these properties were hit hard in the market downturn, quality investment stock with strong lease covenants are enjoying strong demand. This is resulting in yield compression and has been evidenced by several recent transactions including:

- Bronberg Plaza, 138 Slayer Avenue, Bundall - sold in May 2014 for $14.4 million. A neighbourhood retail complex comprising 13 specialty retail shops plus an IGA supermarket, 7-Eleven service station and balance land. This represents an analysed market yield of 8.05%.
- 341 Hope Island Road, Hope Island - sold at auction in August 2014 for $6.77. A modern style mixed use development including a 7-Eleven service station, four retail shops and one standalone commercial tenancy. This reflects an analysed market yield of 7.38%.

Quality investment stock, however, is still being tightly held and the inequality between supply and demand is forcing some investors to also canvass the market for secondary investment stock.

This is providing sellers with a unique opportunity to divest properties that have been otherwise difficult to sell in years gone by, while the yield premium attributed to secondary properties is providing buyers with an excellent return on investment.

Examples of these high returns on investment are typically seen in strata title premises which have a narrow range of potential uses and limited, if any, redevelopment prospects. A few notable transactions include:

- Lot 106 Pivotal Point - sold in July 2014 for $1.612 million. A strata titled restaurant with a new 10 + 5 + 5 year lease in place. Reflects an analysed yield of 8.87%.

- Wings Day Spa, Surfers Paradise – sold at auction on 15 August 2014 for $850,000. A strata titled, purpose built day spa subject to a new 5 + 5 year lease. Reflects an analysed yield of 10.4%.

As more and more investors gravitate towards quality assets, it highlights the importance of maintaining focus on the key fundamental in real estate of location, location, location. Coupled with a good tenant profile, this will ensure that buyers entering the market are best positioned to make the most of the improving Gold Coast retail investment market.

Sunshine Coast

The themes of a strong retail property investment on the Sunshine Coast have not changed much over the past three years. These have typically been around location, preferably in one of the main retail strips, overall size and frontages and strong tenancies.

The best performing retail properties in this regard over the past three years has been in the Mooloolaba Esplanade and Hastings Street precincts. There have been a number of sales in that time with good quality national and long term local tenants in place, typically at yields below 8%.

The most difficult aspect at present in trying to work out fair value for a retail investment relies on the question of what is a fair market rental. We have noted an increase in the level of incentives for retail tenants over the past 12 months across all locations, with longer term tenants looking to have some rental abatement or reduction in return for new longer term lease covenants. This has been across all locations, with vacancy levels generally considered to be high at present, although there has been very little increase in vacancy in the past six months in many locations.

We have also recently seen a strong retail sale of a bulky goods type holding with a ten year lease to Supercheap Auto and two smaller tenancies to national tenants on three and five year leases, which has contracted after an expressions of interest campaign for a reported price of circa $3.8 million, which represents a circa 7.2% yield. This is further evidence of the strong yields being paid currently for retail holdings of good quality, in good locations with strong national lease covenants in place.

Rockhampton

The retail sector in Rockhampton has been relatively flat in recent times, with an increase in vacancies in retail space in both the CBD and inner north areas and reduced demand for larger and older tenancies as well as tenancies located away from main retail precincts. However investors are still active for well presented retail centres providing a good tenant profile and mix, as well as strong WALEs or unexpired lease terms. Generally, more modern retail centres in this region with strong anchor tenants such as ASX listed retailers appear to be performing well, with low vacancies and higher rental rates associated with any adjoining specialty tenancies. There are however some exceptions in weaker markets such as Emu Park. Rentals within these anchored centres and other retail centres in high exposure localities are generally between $450 and $600 per square metre per annum gross. In recent years, retail centres that have been strata titled and offered to the market individually are now poorer performing centres, with higher vacancies and reduced rental levels and are generally less secure investment options.

In terms of price point, the most recent significant retail sale was an IGA anchored centre located in Emu Park which had significant vacancies in the specialty tenancies. This was a distressed sale at a price of $7.1 million which we have analysed to a market yield of 10.16%. More locally within Rockhampton, a retail centre located on Farm Street with a lesser profile anchor tenant sold for $2.975 million in September 2013 at an analysed market yield of 12.73% and with a WALE of 3.08 years.

While some investment opportunities exist across the retail sector, many of these properties are experiencing extended sale periods due to various factors including time remaining on leases, current vacancies and general investor sentiment.

Gladstone

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

There has been little activity in the local retail market in Gladstone over the past few years. Rents have remained fairly stable and there have been only limited transactions. Yields softened slightly over the course of 2013 and early 2014 and vacancies remain relatively low.

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

Mackay

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

The Mackay Regional Council is embarking on a redevelopment and revitalisation project for the city centre to try to stimulate activity for retail businesses. The project will include new footpath layouts, alfresco dining and modern landscaping and art features.

There has been some renewed interest in the CBD since mid 2013, with the completion of a number of new bars, restaurants and new franchise juice bars and dessert stores. In addition, lease pre-commitments have been agreed for two retail spaces on the fringe of the CBD for a Mexican bar and restaurant and a new barber shop. These investments show that there is still confidence in the hospitality market.

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

Taking into account the slowdown in the local economy and the increasing retail space now available throughout the city, there are likely to be very limited opportunities to pick up a good buy for a retail asset in the Mackay area. The region is likely to see further easing in rental levels as a result of increasing vacancies and therefore most investors would be cautious about the security of future cash flows.

On a positive note, Bunnings has commenced construction of new warehouses in Paget to the south of the CBD and Richmond to the north. The downside to this is that Bunnings will reportedly vacate the existing Greenfields store which will result in an increase in supply of vacant bulky goods retail floor space.

Hervey Bay

Hervey Bay is all abuzz with the recent opening of the extension of Stockland Hervey Bay. A significant number of national brands have come to town including Muffin Break, Go Sushi, Kick Juice, Kmart, Cotton On Mega, Harris Scarfe, Best & Less, Dusk, Specsavers, EB Games, Katies and Michael Hill. Stockland Hervey Bay is now almost twice its original size and includes more than 100 specialty stores, a 500-seat cafe style food court and 1681 car parking spaces. Asking rental rates are reported to be around $1,100 per square metre net.

Outside of the shopping centres, Hervey Bay's retail market is heavily influenced by the tourism dollar and demand for esplanade front leasing space remains slow. Asking rates between $250 to $450 per square metre with leasing incentives and rent free periods are now very common with one recent negotiation showing just over $160 per square metre net, well below any previous rates. This indicates that lessors are still willing to negotiate to lease a premises. Recent sales activity in the retail sector is limited however two significant transactions include the $2.7 million sale of a Foodworks anchored convenience centre at Craignish, analysed to reflect a yield of 9.84% and Officeworks in October 2013 for $6.55 million with a passing yield of 8.89% however analysing to reflect a yield of 7.23%.

There are also reports that Aldi has secured a site adjoining the Urangan Central Shopping Centre which is to also include a second McDonald's outlet for Hervey Bay.

Townsville
The better performing retail investments in the Townsville property market at present are the modern suburban neighbourhood convenience centres, particularly those located in areas of expanding populations, along with the purpose built fast food buildings with drive through service access.

These types of investments with strong anchors are reflecting yields in the 8% to 9% range with gross rental rates generally between $450 and $650 per square metre depending on the size and facilities offered by the tenancy.

Retail in Townsville's CBD continues to evolve with the recent opening of City Lane, a Melbourne inspired laneway redevelopment project undertaken by Lancini Group. This day and night laneway precinct featuring four restaurants and bars is a first for the city. The concept has been well received and the second stage of the redevelopment project, City Arcade, is due to open in late September. This is a mixed use development with a food court, retail and attached multi level office building and provides a pedestrian link between Flinders and Sturt Streets. The office building is due to open later this year and will reportedly be occupied by the James Cook University teaching and student service centre, which will assist in bringing increased activity to the CBD.

The Honeycombes Central Village cinema complex is also nearing completion and will encompass a five theatre, 780 seat Birch Carroll and Coyle cinema along with new to Townsville retailers Max Brenner Chocolate Bar and Guzman y Guzman and returning tenancy of Hogs Breath Cafe. Once completed, Central Village and the nearby Snap Fitness and Comfort Food Deli precinct will together provide 14 cafes, restaurants and dining outlets.

On the back of these retail investments, it was recently announced that the Cowboys Leagues Club located in the CBD will undergo a $6.5 million makeover. This will be the first revamp in 13 years and will include a refurbished restaurant with a woodfired pizza shop and a new Coffee Club café to the Flinders Street frontage. The top level is proposed to be renovated for office use with new stairwells and lifts.

In addition to the above, over the past few months we have seen a number of other retail tenancies open in the city centre which all bodes well for bringing some vibrancy and activity back to the retail sector in the city centre.

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

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

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

Northern Territory

Darwin

Stuart Highway Land - Just Keeps Getting Better:

We can see the 'herd' moving with a particular emphasis on Stuart Highway exposed sites with retailers and businesses now realizing supply of these sites is becoming limited. There are several properties under contract with settlement in the next few months.

Historically market values of Stuart Highway land was its highest from the CBD out to Winnellie. That dynamic is now changing with Berrimah Business Park anchoring the geographic centre of Darwin and the under construction Coolalinga Retail shopping centre anchoring the eastern end in the rural residential areas. With large subdivisions planned at Berrimah Farm and East Palmerston (e.g Zuccoli) vehicle traffic will only continue to increase and this is the key attraction for retailers.

Tiger Brennan Drive while offering a second alternative route to the outer eastern suburbs has very limited supply of industrial or commercial land given it is mostly low-lying undevelopable land or held in ownership by the Northern Territory Government or the Crown.

Western Australia

Perth

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

The biggest demand for space comes from entertainment or food related retailers.

In the Perth CBD, international retailers are most active with TopShop recently announcing entry into the Perth market which follows the announcement that Zara is to open a Perth CBD store as well.

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

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

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

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

New retail trading laws introduced in August 2012 have allowed Sunday trading for all general retail shops, including major department stores and supermarkets, between the hours of 11 am and 5 pm. The decision whether to open on a Sunday remains with the retailer as some of the smaller retailers do not receive any benefit from opening on Sundays. Generally however, major retail centres are reporting an average of 20,000 additional visitors as a result of Sunday trading and an 80% take-up of opening by retailers.

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

South West WA

The retail sector in the south west of Western Australia continues to struggle on the back of pressure from the still relatively high Australian dollar, internet sales and the propensity for the consumer to reduce debt rather than spend.

Vacancies continue to appear in the Bunbury CBD. Vacancies are increasing in the Busselton and Dunsborough CBD's but the impact appears to be less apparent.

The stand out performer in the retail sector is in the Margaret River CBD. Retail rents in the main strip in Margaret River have remained relatively high, however there appear to be very few vacancies.

If you are currently game enough to invest in retail then the Margaret River retail market in the south west corner of the state is the pick of the bunch currently.

Residential

HERRON TODD WHITE RESIDENTIAL

Overview

'Safe as houses' isn't a flippant term. Property buyers like their tangible assets, and there is something comforting about owning bricks and mortar. It is, however, an investment and subject to market influences beyond our control. With this in mind, wouldn't a check list of the fundamentals that help secure property values and demand be useful?

Our offices from around the country have tackled this issue and put together the key drivers that make property a safe investment in their service area – pretty handy stuff for all readers.

Sydney

Investing in the Sydney market in recent months has been the domain for the quick and cashed up, mostly due to the limited stock, low interest rates and improved consumer confidence resulting in strong interest from potential buyers and record sales. On any given Saturday at the open homes of quality, well priced property, droves of people inspect and offers are made. Put simply when you've had to meet and potentially exceed your budget to secure the property, you must ensure that the property you are purchasing has strong fundamentals. As the months go on, properties with solid fundamentals will be least affected if the market turns. We believe the solid fundamentals include location near services and amenities including strong transport links, quality of the improvements and position within the suburb.

Within metropolitan Sydney, transport infrastructure is becoming an increasingly important fundamental as the population continues to grow. For home buyers, understanding this fundamental issue is vital in making a decision on where to make a safe purchase. One of Sydney's biggest infrastructure projects, WestConnex, is due to commence construction in 2015. The purpose of this is obviously to ease congestion and it will enable access from many suburbs to other areas of Sydney that were not previously easily accessible. It is proposed to link Sydney's west, city, south and airport. This project is going to be a huge driver of property growth in the future. Suburbs such as Burwood and Strathfield will benefit greatly from the project which will help to avoid the diabolical Parramatta Road and would present great and safe buying opportunities.

Investors are also attracted to areas where transport infrastructure is strong or is earmarked for future projects. The proposed CBD and South East Light Rail will connect the CBD to inner east suburbs. With the addition of close proximity to the CBD and university, this solidifies the inner east suburbs as an extremely safe investment opportunity. Surry Hills and Randwick in particular are suburbs where investors seeking a safe and stable prospect will look to put their money.

Areas where some of the fundamentals have been improved or enhanced include suburbs along the

north west rail link such as Cherrybrook, Castle Hill and Bella Vista. These suburbs have been waiting for a rail link for over a decade and since the announcement, values have been improving.

On the outskirts of south western Sydney will be Sydney's second airport at Badgerys Creek. This will be surrounded by the south west growth centre providing new employment opportunities, arterial roads and new residential suburbs. These fundamental services will complement the new residential subdivisions and ensure investment stability in the future.

Shopping centres in Sydney have always been a fundamental driver of property demand for investors and owners alike. Westfield Miranda Fair is currently undergoing a massive $450 million upgrade and is expected to be a great shopping facility. This redevelopment is likely to attract people to the area and we have already started to see a slight increase in the Miranda unit market. It now presents a safe buying option for investors and owners as we expect to see solid growth due to the increased convenience and fundamental development. This follows the trend set several years ago with the rebuild of Top Ryde which saw significant increases in values of surrounding properties, the construction of the Rouse Hill Town Centre which services an ever increasing neighbourhood and the refurbishment of Macquarie Centre in North Ryde with several new multi level unit buildings opposite that are near to completion.

Overall the Sydney property market has enjoyed a sustained period of growth over the past 12 to 18 months.

With values rising, first home buyers are put under increasing pressure to be able to afford properties in their suburbs of choice.

Decisions must be made whether to rent for another 12 months and save a higher deposit or expand their search to a wider area. Both investors and owner occupiers are competing to secure the sales and generally it's the cashed up buyer with finance ready to go who wins. For both investors and owners alike, identifying those fundamentals that will deliver a location that suits their particular needs will ensure a very safe and strong investment for the future.

Canberra

The Canberra residential property market is currently experiencing a period of steady supply and demand which is transcending into relatively stable market activity. Purchasing relatively affordable standard residential property in central locations that are in line with the current median house price of around $540,000 is a safe strategy. The current market conditions are predicted to continue over the short term, however some areas are predicted to provide good capital growth above standard market growth over the longer five year plus period.

Suburbs noted include Hughes in the Woden and Weston Creek district and Page in Belconnen. These established suburbs provide reasonably affordable housing on standard to large residential blocks with good proximity to schools, shopping facilities, parks and employment centres.

Narrabundah has forever been the perennial sleeper suburb in Canberra's inner south. With extensive development through the Kingston Foreshore, some of the pockets through lower Narrabundah provide relatively affordable prices for property in close proximity to major thoroughfares and social hot spots.

Over time we expect the dated dwellings through this locale to be improved, enhancing appeal for surrounding properties. The inner north also provides some safe opportunities for buyers to enter the market. With constant greenfield development pushing Northern Canberra further out, properties with ease of access into the city and proximity to local shopping strips have proven to hold reasonably strong prices through the inner north over a relatively difficult time in the Canberra market.

For investors, the safe areas mentioned above provide opportunities for capital growth over the longer term, however the rental returns on price may not be as positive compared with the returns available from the medium density housing and unit markets.

Illawarra

The Illawarra has seen reasonable growth in the past 12 months in all sectors and there is a sense in the market that it will continue, particularly in the below $600,000 price bracket, according to our reading of recent sales and advice from agents.

Affordable housing has had a blip from the lows of late 2008 and early 2009, but there are few suburbs where it is possible to get something in the sub $300,000 range.

In the south in the Shellharbour LGA there are still some older houses under $400,000 but these are getting hard to come by as well. This is a big change from three years ago when properties could still be bought for under $200,000. We all wish we had bought some then. 2529 is the postcode here.

As usual it is always the lower end of the market that moves first and sees the better percentage increase in value. Never forget the low end of a market in the better located suburbs. You will be a clear winner when the whole market moves.

The mid range has remained strong during the past year and we have seen the $700,000 to $850,00 range show a bit more strength, depending on suburb of course. This is the second home buyers sector and those who bought four years ago have seen some genuine increases, particularly around the northern beaches. Suburbs such as Figtree, Keiraville, Balgownie, Fairy Meadow, Corrimal, Woonona and Towradgi have experienced some good growth in values in this time. 2519 is the postcode here.

At above $800,000, the depth of buyers drops off but there is still reasonable activity and some good strength. Over $1 million, there are still some good sales but properties in this bracket are generally thinly traded, although this is changing. The major influences in this sector are interstate investors and Sydney buyers looking for an upmarket house close to the beach but within commuting distance of Sydney. Bulli, Thirroul, Austinmer, Coledale and Stanwell Park are all attractive to this buyer sector.

Kiama and Minnamurra are also included in the southern parts of the region. We may see genuine strength in the upper end market in the near future but generally these are one offs here and there.

Let's look at some good long term growth sectors in the Illawarra market.

In our view this lies in the lower ranges - affordable ($500,000 to $600,000) in a desirable location, that is north or close to Wollongong CBD.

For units, we see CBD units close to the beach, university or hospital in the range of $300,000 to $450,000 as being a good bet for the future.

What offers the average buyer the best chance of growth over the medium term? Pick up an older home in a good location (close to Wollongong or the beach) where the majority of the value is in the land... worst house in the best street etc. Don't go for the new project home in a fringe location. Remember that only the land increases over time, not the improvements – a tried and true adage in real estate. Forget about having all the mod-cons when buying your first house. Buy a shack on the best land you can – it will serve you well in the long term.

If someone called our office looking to spend a reasonable amount of money but didn't want to sit on the property forever, we would direct them to the inner suburbs close to employment centres of Wollongong, Shellharbour or Kiama LGAs.

The average buyer's profile in this sector is mixed and includes investors and first home buyers, but increasingly we see small builders and amateur developers invading the market.

Overall, the Illawarra property market has remained quite steady especially in the low and mid range, while both the prestige and affordable markets appear to have remained cautious. The outlook for the Illawarra property market appears to be in a steady but not spectacular growth mode. If interest rates rise there will be some fallout and values may ease.

Southern Highlands

The residential property market in the Southern Highlands under $1 million is performing well and continues to firm. It would be fair to say that at this stage of the cycle, opportunities are now starting to appear following the market hitting bottom approximately one year ago.

The over $1 million bracket has reached the bottom of the decline and is now steady. Some caution is still evident at this value level, however sentiment is starting to change to be more positive in general. Some properties at the upper end of the market can be overpriced, however if vendors are serious about achieving a sale, then they tend to meet the market over time.

In the Southern Highlands property market, good fundamentals for home owners and investors alike include well located and renovated character homes that are in close proximity to town centres like Bowral, Mittagong and Moss Vale. Modern homes situated in East Bowral, Mittagong and Renwick and Moss Vale perform well.

To maximise broad market appeal in the Highlands, owners should buy or build single storey homes as there is an above average proportion of retirees and older buyers active in the region.

Easy access to the Hume Highway (Sydney to Canberra Freeway) is also a good fundamental. The Renwick and Mittagong area is within short driving distance of the freeway and is sought after by Sydney commuters.

The Southern Tablelands offers more affordability to potential buyers with lower price entry levels than the Highlands. Goulburn, with a population of around 24,000, has a steady workforce and is also a popular country holiday destination. The Goulburn market has seen good capital value growth over the last several years and is currently steady.

Well located and renovated older style homes that are within walking distance of the city centre are sought after by home owners and investors. Canberra commuters usually target the south-western side of Goulburn for general proximity to the Hume Highway. Also modern homes in the new residential subdivisions perform well.

Small villages throughout the region such as Crookwell and Taralga are also steady.

Newcastle

So you've come to Newcastle and you're looking for a safe property to spend your hard-earned moolah on? But you're unsure what to look for? No worries! We're here to give you the lowdown so you have the know-how with your safe property buying.

So you're an owner-occupier? And you want to purchase a home to live in yourself? Let's discuss a few simple fundamentals of your new safe house.

Of course, there is a large list of localities within which you could buy in Newcastle (and a very, very, VERY large list of suburbs we cover in our patch – Lake Macquarie, Maitland, Cessnock, Singleton, Port Stephens, Dungog). However, for all intents and purposes of safe buying in this column, we would like to stick with Newcastle. So where will your Newcastle new castle be? Glad you asked! Stick within a five kilometre radius of the CBD and you'll likely stumble, trip and smack your head on a safe property! Suburbs such as Adamstown, Kotara, New Lambton, Waratah and Mayfield can offer you the locational benefits of a safe investment, including being close to shopping facilities, beaches, hospitals and schools.

Many years ago, houses were the safe go-to for families given the size of standard dwellings being able to cater to family needs. However these days it is common for strata units and townhouses to offer the same space and features as houses, often for a lower price. That's not to say that houses are now a thing of the past. Both can offer similar fundamental locational and size qualities to suit most people's budgets and needs. In other words, we think that houses and units are both safe options for investing those dollars.

If you're interested in investing, a house or a unit or townhouse within the suburbs listed above are also safe options, particularly if you're looking for capital gains. The demand for rental properties in these areas is quite strong given their proximity to employment hubs and affordability.

To finish off, housing and units in Newcastle are strong performers at present, particularly in the suburbs we mentioned previously where there have been known increases in prices in the past 18 months. However, there are very early signs that would indicate that a flattening of these prices is on the cards. So proceed with caution.

NSW Mid North Coast

This month we are loosely looking at safe property, that is properties or areas with good fundamentals and potential capital gain along the mid north coast. Most residential properties in the region have been showing increases in value and demand over the first half of 2014 with some segments of the market performing better than others.

For the owner-occupier, the areas to look at are the more tightly held beachside suburbs which have good demand, limited supply and at present appreciating values. These areas with good fundamentals such as close proximity to the beach and limited stock on the market are considered to be safe properties, meaning that no matter what stage the property cycle is at, they will still attract plenty of attention. These areas include the strip between Flynns Beach and Lighthouse Beach in Port Macquarie as well as the coastal towns of Lake Cathie and Bonny Hills and further south around Forster to Blueys Beach.

For the investor, the lower value units and villas are currently in good demand throughout the region. Due to the tight rental market, these lower end properties are currently receiving excellent rental returns and have the ability to gain value over the next few years.

Lower value investment dwellings in less sought after areas further from amenities are also currently obtaining good rental returns, although the potential for longer term capital growth in this segment is more limited.

As noted in the last few editions of this report, the local property sector on the mid north coast is still in a state of growth, however the rate of increases (in both sales and values) appears to be steadying somewhat. We have noted significant growth in residential land developments and estates in and around Port Macquarie at present, with developers selling new land as fast as they can be released. A large percentage of these vacant land sales appears to be to local and regional builders who are reporting high demand for new homes at present.

NSW Far North Coast

Yamba

The coastal village of Yamba with a population of 6,000 plus is considered to have long term future potential for growth. Yamba is located approximately 180 kilometres or two hours drive south of Tweed Heads on the Gold Coast. The area has steadily increased in development over the past 20 years due to improved road access and more community facilities. A major residential estate is planned for the West Yamba area with an additional arterial access road through to the main shopping precinct. In addition, a new Pacific Highway route is planned for the Clarence Valley. This is expected to increase the appeal of the Clarence Valley coastal areas including Yamba. Superior access from Coffs Harbour in the south and to Byron Bay and the Gold Coast in the north are expected to reduce travel times and increase real estate demand.

Ballina and Lennox Head

Generally speaking everyone loves the beach. It is considered a great time to enter the residential property market in East Ballina and Lennox Head due to the current soft market conditions. The short commute time between Lismore and East Ballina enables university students (traditional tenants in this area) and employees to travel between the two. The capital outlay required to enter the market is higher than the surrounding suburbs west of the beach in Ballina (including Ballina Heights) however the potential for future capital gain is far superior.

Lismore

The primary ingredients that provide good fundamentals for home ownership and property investment within the Lismore City, Casino and Kyogle town areas are the consistency throughout. This includes location close to the CBD, schools and other education centres, shopping facilities, medical services and parks and recreational facilities.

Public transport rarely features in such regional towns and cities as it is limited in service and the general population prefers the flexibility of private transport.

From a property investment angle, such fundamentals can be enhanced by forward thinking actions of the local authority, for example, Lismore City Council's draft policy on s64 and s94 levies for secondary dwellings to encourage the development of affordable housing and rental accommodation within close proximity of the CBD.

If adopted, the discounted fees for proposed dual occupancy or granny flat development may provide the kick for property investment and improved rental return for private property developers as well as more suitable and targeted accommodation, for example, 2-bedroom flats or units for senior citizens within close proximity of the CBD or student accommodation near the university.

Coffs Harbour

The Coffs Harbour local government area represents a solid market for the owner-occupier or investor due to the basic fundamentals of location and access, supply and demand.

Firstly, location. Coffs Harbour is one of the largest regional shopping and industrial centres between the Gold Coast and Newcastle, well positioned on the mid north coast of New South Wales approximately 550 kilometres north of Sydney and 440 kilometres south of Brisbane. The town provides high order services and facilities including shopping, professional services, education including tertiary facilities, an expanding health industry, hospitals and a jet airport with daily links to Sydney.

Access to the region is via the Pacific Highway which has been upgraded to the north with the completion of the Woolgoolga bypass road and the Sapphire Beach to Woolgoolga upgrade early this year. To the south of Coffs Harbour, the Warrell Creek to Raleigh upgrade including the Urunga bypass also commenced in early 2014. These upgrade initiatives have benefited the region through reduced travel times, driving development on the outskirts of Coffs Harbour in places such as Moonee, Sapphire and Emerald Beaches and further north to Woolgoolga and Corindi Beach while providing medium to long term employment which has bolstered the rental market. The provision of a jet airport with daily links to Sydney is also attractive to the tourist and local markets.

Demand is being driven by population growth within the Coffs Harbour LGA traditionally seen as a destination for retirees and, more significantly, families moving from the southern regions looking for a more affordable and relaxed lifestyle. This is expected to continue into the future, further driving development on the outskirts of Coffs Harbour in places such as Bonville, Boambee East, Sapphire Beach, Moonee Beach and the North Boambee Valley. The appeal of the area is a reflection of the climate, attractive nature of the locality with its many

beaches and diversity of housing product close to the coast with good regional facilities provided. These features make the area a popular tourist destination with various large scale resort developments located within the northern section of the town.

Due to the geographical features of the area, supply is generally located to the coastal or fringe Coffs Harbour localities with steady volumes available. The northern beach localities of Sapphire Beach, Moonee Beach, Emerald Beach, Sandy Beach, Safety Beach and Corindi Beach all have modern residential estates which have been developed over the past two to three years. These suburbs are well located in terms of access to beaches and the recently upgraded Pacific Highway, which has significantly reduced travel time to Coffs Harbour where major services and shopping is available. To the south of Coffs Harbour, the suburbs of Boambee East, Bonville and North Boambee Valley see new residential development being undertaken which appeal to both retirees and families due to the location close to central Coffs and beaches.

In general these basic fundamentals support the Coffs Harbour LGA as a solid investment opportunity offering diverse property outcomes supported by a range of lifestyle choices, services and good regional access.

The strong growth in demand from buyers has been driven largely by investors who are looking to take advantage of consistent long-term capital growth offered by residential property.

Areas such as the northern beaches are traditionally strong with retirees and families due to the close location to the coast and easy access to services at Coffs Harbour or Woolgoolga.

Centrally, the older established beach side localities of Diggers Beach, The Jetty and Sawtell have a mix of residential properties available appealing to a wide variety of purchasers from the first home buyer looking for units located close to beaches under $250,000 to the high end beach front properties in excess of $1 million.

The region to the south of Coffs Harbour encompassing Urunga, Valla, Valla Beach, Nambucca Heads and Macksville are experiencing a surge in activity driven by the influx of road workers for the start of the Pacific Highway upgrade between Warrell Creek and Raleigh, seeing strong rental and buyer demand under $350,000 which is expected to be maintained over the construction period.

Dubbo

The property market in Dubbo is still going strong with good auction clearance rates and record prices still being achieved. Investors are heavily active in the market particularly with new homes, taking advantage of greater tax deductions available on new properties and record low vacancy rates. The new medium density unit complex known as La Dolce, located opposite Orana Mall, is proving popular with a large number of units already sold off the plan. This estate offers two or three bedroom units with all external improvements (including artificial turf) included in the pricing. These types of low maintenance estates are ideal for investors.

Other medium density sites such as those available in Delroy Park Stage 11 have also been popular. All blocks in this stage have been sold off the plan to builders and investors. The allotments purchased by builders are now being marketed as house and land packages, targeting investors in particular due to the small size of the allotments (around 450 square metres). This area has been popular due to its close proximity to the new Delroy Park Shopping Centre, comprising Woolworths, Australia Post, a chemist and other specialty stores.

For investors on a lower budget, older style unit and duplexes are also good investments. In the past 12 months there have been over 50 recorded unit or duplex sales with a median price of around $230,000 (*source: Pricefinder*). Units located in Central or South Dubbo are still the most sought after with purchasers often paying a premium for those within walking distance of the CBD.

Bathurst / Orange

If you're planning to buy in the Bathurst/Orange region there are a few things to consider to try and future-proof your investment.

If your budget can stretch to a few acres out of town, the market within say a 15 kilometre radius of the closest major centre generally has more consistent market demand. This includes the area around Mt. Canobolas near Orange which is well known for its dark red volcanic soils. Within this radius there is interest from a range of potential purchasers from retirees to professionals who work in town. It is a reasonably short drive that one could do even at a moment's notice. Beyond this distance, you might need to start planning a weekly shop for groceries.

Access to that little rural property is also an important consideration. If you can get to the front gate and up to the house in a sedan then you just tripled the amount of people the property would appeal to if you decided to sell in the future. If you thought property was just a popularity contest, then you were right. I've seen weekenders with pristine wilderness and lovely flowing rivers, but I had a sore neck from driving down the track to the place. Just imagine what it would be like if we had a spot of rain.

Now that you've arrived, have a look around at what you're standing on. Without being overly simplistic most buyers are looking for gently undulating grass land with a smattering of box and gum trees and a well placed homestead. If there is water on the property in the form of a creek (that doesn't flood) and some views then you're on pretty good ground. Don't get me wrong, there is a large market for hilly bush blocks, usually to hunt the nasty critters that lurk in these areas. The problem is the market can be fickle for these properties depending on the economic conditions at the time.

If everything is going well it is a good idea to then consider future development. We are trying to avoid what is called being built out. This is particularly important on the fringe of town where subdivisions are currently going ahead at a reasonable clip. As an individual property owner we often have no ability to control these things except to look for natural barriers to future development such as flood plains, or to buy within an established rural residential area where the natural amenity of the area prohibits further subdivision.

If we are looking to purchase in town the important things to consider will be different. Unlike in Sydney, proximity to transport such as a railway is not nearly as important and can actually be somewhat detrimental. Railways are often associated with industrial activity and not as a means of getting from one town to another.

I would suggest purchasing a dwelling of at least three bedrooms but preferably four. This is what the vast majority of the market is looking for and there may even currently be an over supply of 2-bedroom dwellings for the market.

If you're fortunate enough to come across one for sale it might be a good idea to purchase a property to the rear of another property, commonly known as a battle-axe, particularly in a central location. The vast majority of older properties that originally had larger, deeper blocks, have been subdivided at the rear and are very popular because they provide a secluded area, usually backing on to the rear of other properties, and are close to town, with the benefit of a modern dwelling. If you prefer the older style character dwellings, then they generally hold their values even in the slow times, particularly if they are renovated and in good condition. Ironically I would then suggest looking for one without subdivision development at the rear. Good luck.

Victoria

Melbourne

Property is generally considered to be one of the safest forms of investment. This is due to a number of fundamental reasons common to all residential property markets. First off the property market can be very forgiving when compared to other forms of investment such as shares. Over time the rising tide of the property market will cover up flaws in the initial purchase. Furthermore you can mitigate a lot of the risks of property investing through insurance, such as landlord and building insurance. Although property is susceptible to macroeconomic influences, it differs to that of the share market in that you are in direct control of your investment. Property allows you to have control and make decisions such as renovations, which will directly affect your return on investment.

Along with these fundamental factors there are also influences that are unique to certain areas in Melbourne that make some regions a safer investment choice than others. For example there has been a strong café culture in recent years, which only seems to be getting stronger. Properties purchased within walking distance of these amenities (some would say necessities), would not only benefit on sale day but also experience greater rental demand. This has been evident in areas such as Footscray and Brunswick, both of which have a strong café culture and have been gentrified in the past few years.

Investors looking for a safe option may want to stay clear of Melbourne's central business district. Overseas investment has led to an increase in demand for new apartments. In turn developers have flooded the market and in some areas supply will be greater than demand. This is not to say that all apartments should be avoided.

Apartments provide investors with a lower entry price point compared to houses and can deliver a better yield. Look for apartments that are close to Melbourne's metro system as public transport is becoming increasingly important. Boutique developments of fewer than fifty apartments may fare better both in terms of capital growth and vacancy rates as there is less competition.

Home owners have a different mindset to that of investors and therefore owner-occupiers generally have a different set of search criteria. A safe purchase would be located in proximity to infrastructure such as shopping, schools and parks. Established suburbs such as Bentleigh, Mount Waverley or Ivanhoe would generally be a safer option in terms of property value compared to newer areas such as Truganina, Officer or Clyde. These newer suburbs are affected by additional market forces such as first home buyers and therefore more prone to short term market fluctuations.

It all comes back to location. Regardless of the property type it will be a safer investment if it is also backed by underlying positive location characteristics. This is especially true for properties in an area that has features that cannot be replicated or manufactured elsewhere. Melbourne's bayside suburbs such as Brighton, Elwood and Sandringham all have median property prices above $1 million due to their proximity to the beach as well as the CBD.

Melbourne's property market is extremely complicated and diverse.

By following the fundamentals along with our tips on the Melbourne market you can be sure that your next property purchase is as risk free as possible.

Murray Riverina

The local market has been really buoyant over the past six months with many agents reporting a lack of stock. This has been particularly prevalent in the Highlands Estate in Moama which is white hot with several houses now selling above their cost of replacement and no further land to be released in the development. Nevertheless the investment market has traditionally offered good opportunities for entry level investors (sub $250,000) who might be able to achieve yields in excess of 7% at some locations with limited work. Other investment options include newer dwellings which can offer safe returns when combined with tax depreciation schedules which can be discussed with your local valuer.

Queensland

Brisbane

Brisbane has a history of being one of Australia's most unexciting capital city markets – in a good way! We have had periods of extraordinary growth and painful loss, but the extreme value waves Brisbane ride are often dwarfed by more dramatic capitals. In the past, Sydney has also provided a beacon on where our market could be going – it's like we get a 'heads up' on whether our property prices are about to run fast or stumble, which can be fairly handy. Even amongst these more subdued rises and falls however, it's nice to know that you money is safe, and there's no doubt Brisbane has a few fundamentals that should be on every conservative property buyer's tick-list.

Firstly, try and stay within 10 kilometres of the CBD. You can run the stats from any angle you like, but there's no denying being as close as possible to the city takes a whole heap of risk out of your property purchase. The closer the better really – mostly it should only be price that's your hurdle here.

Next – transport. We are a spread out city and we like our cars, but that means we also get our fair share of traffic. Being close to transport infrastructure is a big plus. If it's easy access onto a major roadway, that's great, but being near a train station is gold – particularly if you're an investor looking for renters.

Add in lifestyle facilities within a rule-of-thumb five minute walk. We've discovered our alfresco and cafe culture over the past few decades and now no self-respecting listing would fail to advertise its easy access to great coffee and food.

Schools can make or break a suburb, so if you're in the catchment of a terrific little educational facility, it will bring in demand for your home. A number of Brisbane's public schools that perform well above average are responsible for surges in gentrification, and highly regarded private schools are surrounded by solid real estate.

Hubs – by this we mean conscious town planning efforts to create new centres for population and related services. Mt Gravatt and Chermside come to mind. Mostly concentrated around a major shopping centre, these areas will see increasing amounts of higher density residential development and comprehensive commercial being created – all helping to boost established property prices.

For investors, make sure you're close to tenant drivers such as universities of hospitals. This means your property will rarely be vacant, helping to create strong set-and-forget real estate.

An example suburb where safe-as-houses fundamentals play their part is Greenslopes. This suburb typically provides 1980s units with larger living areas than newer units, and it's close to all necessary services and infrastructure, making for good demand from buyers and tenants. Other suburbs that tick the list are Camp Hill and Holland Park which sit within 6 kilometres of the CBD, and have good access to services and transport.

Thinking about some of those suburbs where fundamentals are developing, Coorparoo on our southside comes to mind. The proposed development of the Myer site on Old Cleveland Road may be a new driver with the busway to be extended, a new restaurant and shopping precinct proposed as well as residential units on the way.

A word of caution though – make sure you keep everything in context when looking at your property buy. Just being close to town and great cafes isn't always enough. Take some of the development in South Brisbane and West End for example. New units through those suburbs are getting smaller and with some new developments, there is a point where potential purchasers will think the space is too little or the layout isn't suitable. While people will buy and rent to live in a certain area, the property still has to meet their requirements.

That said, recent market performance for those areas with the right fundamentals has been solid. There's been good demand from owner-occupiers since late 2013. Rentals for investment property have stabilised in the past 12 to 18 months too, and capital growth has been relatively steady over the past 12 months.

Darling Downs

The Toowoomba property market presents an array of attractive opportunities for owner-occupiers and investors with the potential for long term growth imminent.

There is a premium paid by owner occupiers for properties to the east of the Toowoomba CBD such as East Toowoomba, Middle Ridge, Rangeville and Mount Lofty. The appeal of these eastern suburbs is linked to their close proximity to private schools, accessibility to the Toowoomba CBD and in some cases, range views. Consequently, these suburbs have performed well over the past five years, with median sale price increases of between approximately $25,000 and $55,000 or 6% and 14% for houses and are predicted to perform in line with this trend into the future.

Barry Street

Widely portrayed as an investor hot spot, the Toowoomba property market continues to present considerable potential for local and absentee investors seeking capital gains. At present, the demand for investor product – new units and houses – remains proportionate to the supply coming onto the market. There is an apparent preference for properties located within walking distance of the University of Southern Queensland, schools, shops and other amenities, for instance suburbs such as Kearneys Spring and Darling Heights. However, the popularity of Glenvale, in spite of being relatively removed from these facilities, has been subject to a high level of new housing development with sales dominated by investor and builder purchasers.

In Glenvale, small blocks of between 250 square metres and 400 square metres – a mostly untested product in Toowoomba – have been purchased predominantly by absentee investors as part of house and land packages. As such, there have been no resales to date and it is not known how this product will reabsorb into the market in the future, whether an oversupply will occur or similar subdivisions ensue.

For both homeowners and investors alike, the development of the Toowoomba Second Range Crossing is anticipated to positively impact the property market with reduced heavy vehicle movement through the CBD and decreased travel time. While the CBD is still to reach its full development potential, the benefits from this may allow for expansion and improvement in this area. In addition, the completion of the Brisbane West (Wellcamp) Airport will also have a firming impact on the Toowoomba property market by increasing interstate accessibility. Ultimately, these projects are likely to have a flow on effect to the residential sector as employment prospects are expected to grow.

Gold Coast and Tweed Coast

The age old fundamental of location, location, location always hold true on the Gold Coast for safe property buying.

For owner-occupiers, the prime fundamental is a safe and quiet location in close proximity to transport, shops and schools. For investors looking for capital gains as opposed to returns, these locations should provide a reasonable level of growth in the medium to long term. Generally rental demand remains quite strong for houses and firm for units.

The upper north developing residential suburban areas of the Gold Coast such as Coomera, Pimpama and Ormeau depend on the convenience of nearby facilities such as schools, shops, transport and parkland due to being located further away from the CBD (between the Gold Coast to Brisbane corridor).

Generally these developing suburbs are well planned providing necessary infrastructure and facilities within close proximity. Community living is not unusual within these modern suburbs and developers differentiate themselves to create enticing and unique suburban community lifestyles.

These suburbs also benefit from being located close to the M1 Motorway, providing an easy and direct commuting distance to both Brisbane and the Gold Coast.

As these suburbs grow and become more established, steady capital gains would generally be realised in the medium to long term and investors will therefore continue to appreciate a good level of interest from potential tenants.

The market in these areas is partially driven by interstate investors. Most of these areas are affordable when compared to the inner Gold Coast suburbs which provide limited new product. Generally townhouse units located close to major facilities such as schools and shops provide reasonable rents ranging from $320 per week to $380 per week with a good level of tenant interest. However dwellings have also continued to show popularity among tenants and investors alike where rents for a new dwelling range on average between $400 per week and $450 per week depending on various factors. On average, a brand new dwelling can be purchased within the mid $400,000 range.

The opening of the new Woolworths and speciality centre at Pimpama has already become a popular destination for nearby residents and will facilitate future residential estates within the area.

Closer in, two stand out suburbs within the M1 West precinct are Oxenford and Upper Coomera which remain popular because of their relative affordability, proximity to convenience shopping and quality schools.

Within the past 12 months, Oxenford has seen development of the Global Plaza site providing a McDonalds, Bunnings and more recently BCF and Amart Sports. Similarly, Upper Coomera is about to welcome a new Dan Murphys and tavern at the Coomera City Centre on the corner of Days and Old Coach Roads.

Residential owners and tenants often note to our valuers the impact of the significant improvement in facilities over the past two years. In addition to primary schools, Upper Coomera has three high schools (two of which are private) that are well regarded and patronised. Underpinning these facilities is their accessibility by public transport.

Real estate agents in Upper Coomera report very low vacancy rates and limited stock available for sale. With access to the M1 being a major drawcard, Upper Coomera and Oxenford will continue to be popular suburbs for owner-occupiers and investors. It is expected that facilities will further improve and residential development will continue.

Developers note limited development land available which may in the short to mid-term put some welcome upward pressure on values. In both suburbs, sales remain steady in the $350,000 to $450,000 price point to owner-occupiers and investors from interstate.

The northern suburbs of the Gold Coast which include Southport, Labrador, Biggera Waters, Ashmore and Parkwood have all enjoyed a healthy rebound over the past 12 to 18 months driven by low interest rates, positive market sentiment and big ticket infrastructure coming online. These areas are affordable and in close proximity to major and community shopping areas, schools, parks, the Broadwater and Griffith University and Health Precinct including the new hospital.

With much fanfare the light rail has finally kicked into action and at this early stage (and excluding some wayward elderly drivers) has exceeded expectations.

Returning trams from the university and hospital are often full at the end of the day, alleviating concerns that the light rail would go unused. Further extension and integration with the heavy rail is in early planning at this stage but this would be a fundamental driver for capital growth and rental demand in the central northern zone.

Cranes are back in Southport and Labrador with a number of new medium and high rise unit buildings either recently completed or under construction. These include Sapphire, Coast and the final stage of Brighton on Broadwater which is a 55 storey mixed residential and retail tower. Increased population in these hubs will drive the success of the restaurant and café precincts around the Broadwater and the overall appeal of the suburbs.

The central suburbs of the Gold Coast between Miami and Robina through to Broadbeach and Beach Waters and Isle of Capri are the mainstays of the Gold Coast to many and are central to all services, Pacific Fair and Robina Town Centre, Bond University and numerous cafes. All are attracting strong interest with price rises of $50,000 up to $500,000 on some luxury properties. One house on Isle of Capri sold for $1 million more than 18 months ago.

The light rail also touches some of these suburbs and its extension is paramount.

The southern Gold Coast has also seen an improvement in construction projects over the past two years. There is high rise construction at Coolangatta and a large development has been approved at Palm Beach. The Salt Estate at Kingscliff and Casuarina have also seen strong construction activity over this time frame. All these factors should ensure that these areas have continued capital growth in the future.

On the southern Gold Coast there has been a strong resurgence in the property market in 2013 and 2014. The suburbs which have seen the most sales activity and improvement in value levels are Palm Beach, Burleigh Heads and Burleigh Waters. The main drivers for these suburbs are their proximity to beaches, shops and cafes and transport. They are also within close proximity of Gold Coast Airport, John Flynn Hospital and Southern Cross University.

For owner-occupiers and investors, there are still opportunities in these suburbs and also other coastal suburbs further south, as they are seen as being very family friendly away from the hustle and bustle further north.

Sunshine Coast

When looking at the fundamentals of the Sunshine Coast residential property market, it's really pretty easy.

Being close to the coast is going to be your best bet. This is no doubt the case given that these coastal areas in the sub $500,000 to $600,000 value levels have been leading the recovery.

Supply has been drying up with price increases being experienced.

The Sunshine Coast University Hospital is the coast's largest infrastructure project. There are 12 cranes on the horizon which has instilled some confidence in the marketplace. A couple of ways that this is working for the market are not only the employment benefits but also the improved health care. It is this improved health care that is hard to gauge as any improvement in health care will make the coast a pretty attractive place for people to retire to. Combine this with the large ageing population and the demand in the market may also increase substantially.

The other main infrastructure project of the Maroochydore Town Centre is helping the marketplace in that area, but it is some time before it will really gain momentum.

When looking for property, you want to find something that is not able to be replicated easily. Hence buying as close as you can to the coast or a property providing good views is always a good idea. If you can do that, then you are off to a good start.

Rockhampton

The characteristics that constitute good fundamentals in the Rockhampton region in terms of location and property types for home owners and investors alike include investing in solid locations that appeal to a broad market sector, whether it be close proximity to local services such as the CBD, suburban shopping facilities or quality schools, and ease of transport. Investors in particular have the added basic fundamental of receiving a solid return. This may see the lower price point areas such as Depot Hill or Rockhampton City appeal with a stronger annual return than median to higher priced localities such as Wandal, Allenstown and The Range on the south side of the city and Norman Gardens and Frenchville on the north side.

With regard to safe property types, again a property style that will appeal to the broader market such as 3- or 4-bedroom homes, with appropriate car accommodation would appeal to home owners, while investors chasing a solid return may be more drawn to duplexes or sets of flats, thus increasing yields and lowering the risk of vacancy periods.

2014 sees construction of two major riverfront apartment complexes known as Empire and Southbank on Victoria. These units have been selling well off the plan and cater to a market sector with a limited supply, as there are only three existing similar apartment complexes which have proven to be very tightly held in recent history. Given the evidence that this product type is well received in the local and wider Central Queensland market, these apartment complexes are expected to also provide good fundamentals in terms of location and rental returns. While any short term capital growth is expected to be nominal, over the long term this property style is anticipated to perform well.

The Rockhampton Regional Council has a draft town plan currently available for consultation, likely to be adopted in late 2014 and early 2015. The adoption of the new town plan may see property investors and developers able to more easily identify any development potential in their property or a specific area by way of adoption of the QPP Zone Category (Low Density, Residential Stables, Low-Medium Density and High Density Residential Zones) leading to more investor confidence. Aside from this, there are no major foreseeable changes to fundamental drivers in the local region.

Current performance of the Rockhampton residential market was steady during 2013 except for low lying areas that were affected by flood water in January 2011 and again in 2013. To date in 2014, market activity has been bordering on static with a number of good buys noted in recent months. Should this trend continue, we may experience a slight decline in the market. Further, vacancy rates have crept up in the past six to 12 months, slightly above the usual 2% to 3% range experienced over recent years. An increase in the number of house and land packages for investors in North Rockhampton may contribute to this trend continuing through the remainder of 2014.

Rental levels are also starting to show a slight decline over the last quarter while property in the higher price bracket of $600,000 plus has seen a recent flurry of activity, with levels of value remaining unchanged.

Gladstone

The residential market in Gladstone is currently decreasing and has been since late 2011 and early 2012. The worst affected market sectors are currently vacant land and units due to over supply. Most of the market activity is currently in the $200,000 to $400,000 price bracket for older style homes. This is considered to be the most stable market sector, minimising risk involved with current investment in the Gladstone market. However, any investment in the Gladstone residential market should only be considered as a long term investment as capital growth is considered to be limited in the short term.

Hervey Bay

Hervey Bay is renowned for its family friendly beaches and this feature is usually an attractive drawcard when buyers are looking to purchase property in the area. Given the beach itself stretches at least ten kilometres and encompasses five suburbs, prospective purchasers are fortunate with a wide variety of property to choose from within a short distance of the ocean. Suburbs located along the Esplanade include Point Vernon, Pialba, Scarness, Torquay and Urangan.

Property located within a short distance of the CBD and beach is usually a popular option for both owner occupiers and investors. Properties offering these features have typically experienced very short selling periods providing asking prices have been reasonable and within market parameters. Agents have reported a mixture of enquiry from local and out of the area buyers, with steady demand for property located close to the ocean.

There is a wide variety of property types to choose from ranging from dated, older, basic dwellings to modern executive homes on lots usually up to 1,100 square metres. Depending on the quality and type of improvements, selling prices start from $220,000 with limited activity over $600,000. This popular beach trend is expected to continue with gradual capital growth going forward.

Mackay

Good fundamentals to stick with in the Mackay market are location, location, location. The areas that appear to be holding up in the Mackay market at the moment are the inner city suburbs within five kilometres of the CBD. These properties need to be neat and tidy and well maintained. They can be your older Queenslander style dwelling or your more modern dwelling - there appears to be no difference as to the preferred style of property. The price ranges are high $300,000 up to $500,000.

Executive style dwellings are showing a slight fall in values in the inner city locations. The outer suburbs and the small village style suburbs are showing greater signs of values decreasing with values falling 10% and upwards.

Investors also need to be looking in inner city locations and the properties need to be well maintained. Rents have fallen in the Mackay area with significant drops in the rental values in the northern beaches area. This in turn has had a flow on effect to all the rental values in Mackay, however the inner city suburbs appear to be holding a little better showing smaller reductions in rent.

Mackay is driven by the coal industry and with the downturn in the industry there has certainly been an effect on the property market. Not only that but with fly in fly out (FIFO) work gaining momentum it will be interesting to see how the market will proceed.

There is talk that a new mine (Carmichael Mine) will be up and running in the near future. This may have a positive effect on Mackay if the mine employs locally, but if it is another FIFO it will certainly not help the Mackay locality.

Safe as house tip - if purchasing in the Mackay area then choose a close inner city location with a well maintained property.

Not so safe at present are units. Unit values appear to be tough for the home owner and the investor. We have four high rise complexes under construction or near complete. Once these are all completed there will be a large supply to choose from so a buyer's market is predicted.

Townsville

We consider the middle class suburbs within a five to ten kilometre radius of the city centre to provide good long term investment opportunities.

Over the years we have seen increased infrastructure and facilities by way of suburban and neighbourhood shopping centres, fast food outlets and improved public transport and road networks, which have aided in increasing the fundamentals of many established suburbs.

When looking at a property to buy within this five to ten kilometre radius it depends on budget, style of home (older or more modern) and location of your employment as determining factors. Another factor to consider is the social issues within the suburb.

The inner city areas of Belgian Gardens and North Ward provide a high level of drivers to make them desirable areas including close proximity to The Strand (beach), the city centre and restaurants and cafes. As a result of these desirable attributes this area has a higher entry level price.

If you are looking towards the older Queenslander style of housing, the areas of Hermit Park, Pimlico and Mundingburra generally provide a price point entry from the low to mid $300,000s for a neat renovated dwelling on a traditional sized allotment.

The more modern suburbs of Idalia, Annandale and Douglas comprise mostly low set masonry block homes with price entry for a 4-bedroom, 2-bathroom home with double garage from the high $300,000s.

If looking to build, the northern beaches estates generally provide a very high level of infrastructure including shopping centres, medical centres, cafes, aquatic centre, schooling and day care, fast food and Bunnings Warehouse. Again depending on budget there are also some land estates closer to the CBD such as Fairfield Waters, which have well established modern facilities.

These same suburbs and considerations would apply to investor product. For a more risky investment, the suburb of Kelso has some very low price entry property. Historically we see a large price gap between Kelso and other suburbs when the market is at the bottom or start of the property cycle, however this gap shrinks when the market reaches its peak, providing good potential for capital gains. We do highlight however that this is a more risky investment with potential for greater falls and requires buying and selling at the right times in the property cycle to achieve this capital gain. Townsville is currently experiencing high vacancy rates by historical standards and this is putting downward pressure on rental rates, which may affect the return on investment.

Cairns

Cairns moved to the start of recovery phase in late 2013 and has been consolidating its position there since. However most of the action so far in the Cairns recovery has been in increased volumes rather than increased prices.

In the last recovery in the early 2000s, it took three years of increasing volumes before prices started to substantially move. In the current recovery, we've now had the three years of increasing volumes, but average price rises of only about 6%. However if history repeats itself, the good news for property owners or the bad news for future property buyers is that rising prices are now in store.

Further evidence of a strengthening housing market is that the supply of properties for sale is shrinking. Even so, there's a lot of latent stock out there from people who have been wishing to sell for some time but have been deterred from doing so by the state of the market and prices. Once prices start to rise and in particular once they get back to the levels of the previous peak, we'll see a lot of that stock come onto the market.

Other market metrics are moving positively. The average number of days on the market to achieve a sale is reducing, meaning properties are turning over quicker. The average vendor discount – the differential between the price at which a property is first listed and its ultimate selling price – is also shrinking.

The new unit market is still in the doldrums with an almost complete absence of new unit construction over the past five years and all four major unit developers having gone into receivership. However indications are that unit development is starting to revive with a number of development applications before Council.

South Australia

Adelaide

The universal fundamentals that contribute to solid capital growth in the long term remain pivotal when it comes to trying to find what would be considered the safest property options within Adelaide's residential market.

Location, location, location.....

How many times have we heard that before? Well in Adelaide at the end of the day location is highly significant. So where is this location? Inner suburbs close to the CBD, especially those to the east and south, remain the most popular and the most obvious suburbs from within these locations are Parkside to the south and Norwood to the east.

These suburbs have wide appeal and traditionally have been two of the most popular suburbs in Adelaide. Both are older established suburbs located close to major shopping strips, including Norwood Parade and Burnside Village to the east and Unley Road and King William Road to the south, and have established dining and entertaining precincts, popular cafes and good private and public schools, not to mention easy access to the city. Both of these suburbs offer a cosmopolitan lifestyle that remains sought after.

Another significant driver of the popularity of these suburbs is the diversity of property types on offer, with both old and new, small and large and almost everything in between available. There really is almost something to suit anyone and accordingly there is a wide price bracket between the least and most expensive. A 1- or 2-bedroom unit would start at around $250,000 and large detached dwellings are easily upwards of $1.5 million. Generally older style detached character dwellings on allotments of 500 to 1,000 square metres remain the most popular style of property type, however modern dwellings with open plan living and purpose built to suit current lifestyle requirements, including reduction in yard size and more formal outdoor living spaces, have definitely been gaining in favour in recent times.

Even with the popularity of these suburbs and the ongoing gentrification that has been occurring over the past 30 years or so, there are still properties available at all levels that have renovation, extension or upgrade potential. This appeals to the ever growing number of DIYers who can look to enter into these suburbs in a lower price bracket and then upgrade accordingly. This also appeals to many buyers as the property can be upgraded or extended to suit the exact requirements of the purchaser while adding to the capital value of the property in the process.

The suburb of Parkside, which is just a short stroll across the parklands from the city, consistently registers on realestate.com.au as one of the most searched suburbs in Australia and has finished in the top spot on more than one occasion over the past 18 months. This is a clear indication that there is significant and constant interest from buyers looking to purchase property in this suburb which is not only good news for those considering selling but is also good news for those who already own property in Parkside because this demand means constant upwards pressure on property values.

> The suburb of Norwood also regularly appears as one of the top ten suburbs in this list, confirming its popularity as well (don't forget this is an Australia wide survey).

All of the appeal of living within these locations remains the same regardless of whether someone owns their property or is a tenant and as such both owners and investors are active in Norwood and Parkside. Solid tenant demand for these inner city locations directly translates to low vacancy rates and consistent increases to rental rates. Competition between investors and purchasers at the lower end of the price bracket for these suburbs which is around $300,000 to $550,000 generally translates to steady capital value growth in the medium to long term due to ongoing demand. Yields are often more conservative in these locations at generally around 3% to 4% gross however the lower yields are due to the expectation that capital growth will be solid over the medium to long term.

It is also worth noting that in Adelaide the value of a property is very much linked to its general amenity and overall appeal and that this comes down to the individual property on offer. Property across the road from or adjacent to a busy, noisy or other detrimentally affected site will generally not gain in capital value at the same rate as similar properties away from such things. Obviously land value itself within these suburbs is the greatest contributor to overall capital value and unlike buildings which can be demolished or redeveloped, land cannot be moved or reshaped.

Currently property in both Norwood and Parkside appear to be performing pretty much in line with the Adelaide property market in general. Overall property value within these suburbs has now risen above the previous peak in the market which occurred back towards the latter half of 2010 and is expected to continue to show 3% to 5% growth per annum over the next year or two. As with all suburbs less than ten kilometres from the city, there appears to be a shortage of quality stock on the market and properties that are priced to the current expectations are selling fairly quickly when released for sale.

Having specifically chosen to name a few suburbs, we also want to make a point that residential property in Adelaide has traditionally performed solidly in the long term over a long period of time and aside from potentially some of the most outer suburbs we are not really expecting this long term outlook to change. We are just suggesting that the closer to the CBD the property is, the safer those potential long term gains may be.

Mount Gambier

A good fundamental in Mount Gambier in terms of location is to be in close proximity to town within a sought after location. This is to be generally positioned within the lake's dress circle area. This is a well established area which is in close proximity to the central business district, the Blue Lake and sought after schools such as Reidy Park Primary School and Tenison Woods College. Many houses within this area feature views over town and have larger than average allotments.

Property types within the lakes area which prove to be sought after and tightly held are character dwellings of circa 1890 to circa 1950. These property types have proven to hold their value during tougher property cycles in comparison to other less sought after types.

Typically, the eastern side of Bay Road with streets such as Ferrers Street, Reginald Street and Lansell Street have proven to be the most popular part of the dress circle. However, the western side of Bay Road with streets such as Shepherdson Road, Power Street and Lake Terrace West have seen an increase in popularity as there is the opportunity for owner occupiers and developers to purchase cheaper property within a well sought after location to develop and renovate. This area is zoned to popular schools and is also in close proximity to town.

Capital gains in Mount Gambier have been limited over the past few years since the market dropped back and we are only beginning to see a stabilisation of values now. With a large supply of land on offer it is unlikely that we will see a rise in values across most sectors of the market until we see employment and population growth. The best chance for capital growth would be within the dress circle lakes location and areas in close proximity to the central business district, local schools, the new hospital and the university.

In recent years the property market in Mount Gambier and the southern region of South Australia has been in decline. Demand for property weakened, the number of sales occurring declined and as a result values also softened. Today, confidence has somewhat returned to the region and with the continued low interest rates and some government incentives, demand for property in the region has improved. The number of sales occurring increased during the beginning of this year in the first quarter, the second quarter dropped off, however July has returned to above average sales levels. Although there has been an increase in sales, there has been little movement with regard to values.

Tasmania

Launceston / Hobart

The passage of time post Global Financial Crisis has shown that in Tasmania centrally located properties have best held their capital values coming off these historic lows. Therefore location close to the central business district would be a consideration for the Tasmanian property market.

Southern suburbs that may appeal to the investor due to their central location and capital growth over the past decade are West and North Hobart. Purchase prices of older style, 2- to 3-bedroom, 1-bathroom homes in these suburbs start at around $410,000 with 2-bedroom units listed from$230,000.

Due to the first home builders boost, investors are also attracted to areas on Hobart's eastern shore where they can construct dwellings that attract first home buyers eligible for this grant.

Tranmere is a suburb on Hobart's eastern shore that is fast growing, located 15 minutes from the city, is heavily owner-occupied and popular with families. These factors may be an indicator for long term growth prospects.

Similarly in the north, Launceston suburbs that offer both a central location and achieved good capital growth over the past decade are Invermay and West Launceston. Turn of the last century style homes with 3-bedrooms and 1-bathroom in Invermay can be purchased from $159,000. Older style 2-bedroom units in Invermay can be purchased from $139,000.

In West Launceston, 3-bedroom, 1-bathroom homes are available for just over $200,000 and 2-bedroom units start from upwards of $180,000.

Happy hunting.

Northern Territory

Darwin

Good property fundamentals within the greater Darwin market are those which are transferable to other locations - access to major transport, shopping centres, entertainment, schools and the CBD. The drivers and purchasers within the various markets have been both owner occupiers and investors for some period now.

The northern suburbs and Palmerston have been a constant favourite for owner-occupiers.

Given the number of schools, sporting facilities and level of local amenity, it is quite obvious to see why. The CBD continues to be driven by investors. Ideally, tenants are looking to be close to the action of the nightlife and entertainment options offered within the CBD. As a result, investors in the market have been able to capitalise on strong rental returns and very low vacancy rates.

With the distinct lack of residential land available within the greater Darwin region, we will continue to see steady growth within the inner suburbs as land becomes even scarcer and the urban sprawl heads further south down the Stuart Highway. The development of Tiger Brennan Drive over the past five years has seen the rural residential area experience sustained growth in land values. The access to Darwin CBD and Palmerston city centre for work and recreation has made the rural area a far more viable option for occupants willing to commute.

Demand for land within the greater Darwin region is very unlikely to cease for some period. As such we consider that detached dwellings are likely to be the safest bet moving forward. With a good parcel of land and potential to subdivide or redevelop into the future, there will be many options for both the astute and the risk averse investor. After all, they are safe as houses.

Alice Springs

Alice Springs enjoys the benefit of having great services and having most property within easy reach of the CBD, with good access to the public bus system and schools. After having a period of consolidation in the market, it can be difficult to select the areas that will be the next to show strong growth, however the suburbs with more affordable housing (under $500,000) should provide more sustainable growth over the medium and long term. In this category, those suburbs include New East Side, Sadadeen, Gillen and Larapinta. Given that the past 12 months has shown a small decrease in the median house price in Alice Springs of -1.71% following a consolidation period with generally low or negative growth, these lower priced suburbs are showing good relative value for owner occupiers and also investors with gross rental returns available of in excess of 6%.

Western Australia

Western Australia
According to REIWA the Perth median house price continued to climb throughout 2013 and reached $550,000 by the December quarter, remaining unchanged by the March quarter of 2014. After experiencing this level of growth, the extent to which the recent decline in market activity seen in many Perth suburbs may be seasonal is an arguable topic. The June quarter of 2014 saw the vacancy rate climb to around 4% although the number of listings in many investor suburbs remained relatively low.

Although these signs may suggest that the Perth market has reached its peak in the growth cycle, there are certain fundamentals that make for safe property buying in order to provide long term growth. Such factors include easy access to transport and local amenities, being within ten kilometres of the CBD, walking distance to the beach and close to employment hubs (just to name a few).

First time property investors should target mid-priced suburbs that have demonstrated steady levels of long term capital growth and where there are very few new building lots. Examples of this include northern coastal suburbs such as Beldon and Heathridge which have both experienced an annual rise in their median house prices of 6.5% and 9.2% respectively. Properties in these suburbs are popular with renters as they offer a high level of social infrastructure such as schools, shops and public transport. Property investors should also seek proposed changes to zonings within these suburbs. The city of Joondalup has released a Draft Housing Strategy which describes ten areas which are earmarked for higher zoning density and buyers have continued to be quite active within these areas. Buying in these areas means that investors are benefiting from any potential premium that developers may pay once the re-zoning takes place. (See http://www.joondalup.wa.gov.au/Develop/LocalHousingStrategy for further details). Joondalup itself is considered to be a central employment hub and has experienced an annual growth rate in its median house price of 6.8%. Local amenities such as the Joondalup Arena, further expansion of the Lakeside Shopping complex, proposed re-zonings to some areas of this suburb and further expansion of nearby shopping complexes such as Currambine Central continue to make this suburb a popular choice for home buyers and investors.

During the past year, these more affordable suburbs in the outer suburbs have performed strongly due to the impact of increased activity by first home buyers and investors. An example includes Armadale where the median house price rose 12.1% over the past year and is currently $320,000. This ripple effect at the bottom end of the market has flowed on to slightly more expensive areas closer to the CBD that are within close proximity of major transport hubs and are not subject to over-supply. An example includes Parkwood, located some 15 kilometres from the CBD and close to Leach Highway, Roe Highway

and the freeway where you can still by a 3-bedroom, 1-bathroom dwelling on around 700 square metres for sub $500,000, in comparison to more expensive suburbs nearby (such as Willetton and Rossmoyne) where a price differential of some $150,000 can be seen.

The ripple effect caused by the increased activity in the lower end of the market is expected to also continue in more expensive suburbs within ten kilometres of the CBD that have traditionally shown stable growth trends. Investors can take advantage of this as you can buy a property well below the median house price of these suburbs to access the stable long term growth and potential short term benefits of the ripple effect still being experienced in many of these areas. An example includes South Perth where the median house price is $1.195 million and where there are a number of apartments priced around $450,000 that offer high rental returns as well as stable long term growth rates.

Whether you are a home buyer or investor, strategically choosing the right property in the right location will enable you to enjoy the benefits of long term capital growth and good return rates.

South West WA

So, if you were looking to invest in the south west of Western Australia, where would be the best areas to invest in for long term capital growth?

That is the question for this month's Month in Review.

A good option for long term capital growth in the area is always along the coastal strip, located on the northern side of Bussell Highway. This strip traverses the suburbs of Busselton, West Busselton, Broadwater and Abbey. This coastal strip is approximately 500 metres in width and runs for approximately ten kilometres along the edge of 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 coastline. This will consequently result in good capital growth over the medium to long term as an increase in population will lead to stronger demand for a product that has limited scope to increase in supply. While the rental return of these investments is generally quite weak, purchasing within this coastal 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 the Bunbury region. Throughout South Bunbury and East Bunbury there have recently been some zoning changes which are encouraging higher development within these areas. Properties with an area 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 and now would be an opportune time to invest for medium to long term capital growth.

A third option would be to head further west of Busselton and invest in Dunsborough. Dunsborough is a very sought after and renowned coastal town. It is located on the edge of Geographe Bay and attracts a higher number of tourists because of its beaches and proximity to the world renowned Margaret River wine region. More specifically, we see the coastal strip that runs from north of Caves Road to the beach as being an excellent area in which to invest. Generally this pocket has residential dwellings positioned on good sized lots ranging from 800 square metres and above and are located in very close proximity to the ocean, stimulating demand. If these properties were to be purchased with a view to being held for the long term, good capital growth could be expected as historically they have performed well.

So, summing up, the coastal strip in Busselton, Dunsborough and development sites within South and East Bunbury are just three options among many opportunities within the south west of Western Australia to invest with a view to achieving long term capital growth.

Esperance

Although an isolated town, Esperance is well catered for with regards the fundamentals of a regional centre and offers a broad range of housing over varying price ranges.

At the lower end of the residential market, Nulsen is hard to go past as a starting point for entry level homes, providing affordable housing and higher returns on investment. For less than $200,000 a fairly comfortable home can be picked up with loan payments generally less than rents and at least there is a starting point into property ownership. From an investment perspective, the home you can purchase under $200,000 could generate $250 to $280 per week in rental income which gives a far better return than the next market level that would see you outlay around $100,000 more for probably only $20 to $30 per week extra in rent.

The reason this area is so cheap, and in fact is probably the most affordable housing in the region, is the history of state housing and some antisocial behaviour. However, primary and high schools are within walking distance as are neighbourhood shopping facilities. The Esperance town centre providing regional shopping, health and recreational services is less than three kilometres away at the furthest point. This area has struggled for sales during 2011 and 2012 with a turnaround in volume and values in the latter part of 2013 and into 2014. This locality is being recognised for its affordability for either owner occupation or investment and the higher proportion of owner occupation is seeing renovations and general improvement of the streetscapes. On a percentage basis, Nulsen is likely to provide the best growth for property at the lower end of the broader market.

At the next level, Sinclair and the older areas of Castletown have a variety of property for the purchaser in the high $200,000s into the early $300,000s price bracket. The homes are generally reasonable brick and tile about 25 to 35 years old on average and at the point where renovations would lift them to the next level. For the new home owner, they again provide a starting point to get into reasonably well priced property with the potential for some capital growth over time especially if maintenance and refurbishment programs are completed. Alternatively, potential rental levels are at the $280 to $320 per week levels for the investor.

The next level up again is the better quality homes within Castletown and West Beach. Typically, these properties are selling between $400,000 and $550,000 and in the current market are returning rentals of between $400 and $500 per week. The majority of these homes still have concessions available for first home buyers, such as stamp duty reprieve, and are located in areas that these purchasers have greater aspiration to live in. From an investor's perspective, while the percentage return is less compared to the lower valued areas, the potential for a better quality tenant and a property likely to have less maintenance issues combined with stable longer term capital growth is appealing.

Rural

HERRON
TODD
WHITE
RURAL

Overview

Welcome to the new financial year and another edition of the rural round up.

This month we have updates on the water market in southern Australia and it is interesting to see the move in water values and the markets view of the cost of temporary water relative to potential returns on offer. The current seasonal conditions with arguably the best Autumn, Winter start in the South for a quarter of a century and yet continued drought conditions in north west New South Wales and Queensland highlight one of the known yet uncontrollable risks in agriculture and why understanding the value of water is so important.

While the dry conditions in the north dominate the news, there is an emerging sense out of the Northern Territory and gulf regions in Queensland that the property market for larger scale developed properties continues to be of interest. This is evident and the number of sales particularly in the Northern Territory in the past nine months which has almost exhausted the corporate style property type.

Talk of the smallest herd numbers in cattle in decades, increased demand from processors and live export, suggest there should be some positive cattle prices when the rains do arrive, hopefully this wet season. From a property value perspective the market will be looking for any price increases to be sustainable to fully underpin upward value movements.

There is still reasonable activity in the rural market from a sales perspective and some of the recent sales have been reflected in this months update which in the main are good sales supporting current value levels in the regions impacted.

On the staff front, I am pleased to welcome Brett Stevens to the Echuca office and Stewart Barlow to the Darling Downs office. Both come to Herron Todd White with over ten years valuation experience and provide more capacity for our business and clients to further provide coverage in their respective regions. A more detailed biography of each will be in next months update. Since March this year the rural business has increased capacity with Simon Altschwager in Melbourne, Carlo Vadori in Mildura, Craig Johnstone in Bathurst, along with Brett and Stewart. If you are needing a valuer in these regions please check out our website for details.

As a business we remain committed to finding good people and increasing our capacity where appropriate, to ensure that we can deliver a quality service for our clients.

Enjoy to rural wrap of from the team and as always I welcome any comments or questions our readers may have.

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Central and Western NSW

The general market continues on its current trend with elevated interest in larger properties mostly in the $10 million plus value range with low and limited interest in those smaller holdings usually associated with local landholders expanding. An example of this was two smaller holdings at Tullamore recently put to auction by Elders of Dubbo.

The first property was Morella which is located on the southern outskirts of Tullamore. This property was 770 hectares in size and consisted predominantly of red grey loams and some lighter soils and a gravel ridge through the western section of the property. A large proportion of this property was dryland cultivation. Morella sold under the hammer for $590,000 which equates to $766 per hectare overall.

The second property to be auctioned on that day was North Star. This is a 1,033 hectare general farming block located to the north east of Tullamore. The property consisted of flat to very gently undulating red and grey loam country and with the property being mostly dryland cultivation. There were limited improvements on this property and it sold at auction for $690,000 which equates to $667 per hectare overall.

While both of these sale prices would be considered at the lower end of generally achieved values for the area we do not believe that this is a pre-cursor of a trend of softening values but more an indication of the condition of the properties when offered to the market and the general lack of standard management due to the fact that the properties had been under the bank's control for a period of time.

There continues to be significant interest in large scale grazing properties in the southern areas of New South Wales, particularly in the area bounded by Wagga Wagga, Hay and Jerilderie.

This is evidenced by the sale of Caroonboon which was listed for Expressions of Interest. This is a 29,500 hectare grazing property south of Carrathool which had been in the same family ownership for approximately 150 years and had very good stands of natural pasture across the property. Whilst exact figures are not disclosed at present, our understanding is that the property has sold in the vicinity of $400 per hectare overall which would be seen as a very strong sale for the area, indicative of the quality of pasture across the property and the current level of interest for larger properties.

NSW North Coast

Very dry and cold conditions with some heavy frosts have prevailed until a rainfall event on 16 August brought between 20 millimetres and 120 millimetres across the north coast. The rain was much needed across the region although follow up falls particularly for graziers will be sought after, which currently appears likely. Frosts have caused damage to sugar cane crops and macadamia nut trees.

A small 22.61 hectare sugar cane farm at Wardell in the Broadwater Mill area has sold for $500,000. The sale included the crop. Two sugar cane farms in the Condong Mill area have also sold to a prominent landholder on off market arrangements. The sugar cane harvest is in full swing but CCS levels, particularly at Condong Sugar Mill, have been disappointing, generally in the 10 to 11 CCS range. Planting will soon be in full swing, although the weather has taken a turn to wet conditions.

The macadamia nut industry is showing signs of increased interest in purchasing farms off the back of improved commodity prices.

A 20.23 hectare avocado and custard apple farm at Dalwood on the Alstonville plateau has sold for $1.33 million. Structural improvements include a 3-bedroom brick and tile residence, double carport and large 12 metre in ground salt water pool. Plantings include a stated approximately 800 avocados and 978 custard apple trees with varieties including KJ Pinks, Maroochy Gold and African Pride. There is a permanent creek with a 74 megalitre irrigation license and pumping facilities to irrigate the tree crops.

Geragarow Station south of Grafton, a 1,657 hectare cattle grazing property, has sold for $1.7 million reportedly to overseas interests. This is a former Willmott Forests property. This sale indicates a value of broadly around $4,250 per breeding cow area. There were very minimal structural improvements. The property has frontage to the Orara River. Soils are light sandstone formation. The property is more suited to breeding than fattening. There are a large number of lots that would have dwelling eligibilities that may have attracted some interest.

Murray Riverina

The market has been relatively buoyant across a spectrum of different property types in recent times with several high end equine properties selling, strong demand for cropping country particularly in the Diggora district and a number of dairy farm sales transacting over the past six month period. Overall levels of value have jumped, particularly for the dryland cropping holdings where there is really good demand in the aforementioned district from several larger landholders. Several sales have now been executed at prices in excess of $2,000 per acre but it will be interesting to see what effect the recent frosts and drier conditions have on buyers' appetites.

Murray Outback

Weather and wine have occupied our thoughts this month.

The Victorian Mallee wheat belt has suffered reported losses of up 90% in some lupin crops. The region was hit hard by five consecutive frosts which delivered temperatures as low as minus 2.4 degrees at Ouyen and minus 3.5 degrees at Mildura.

Lupin crops appear to be the hardest hit as the majority of plants were at the end of flowering stage, severely limiting pod or seed growth. Fortunately damage to wheat and canola crops is expected to be limited due to their earlier stage of growth.

The frost also depleted easily accessible soil moisture, which was bad news for Mallee crops in need of rain. Some rain in mid August in the northern Mallee has given a reprieve to crops which were starting to suffer. As an example the Ouyen area has only received 46 millimetres of rain during the May to July period, when the average is 91.5 millimetres.

Fortunately no serious frost damage has been reported in horticultural crops, despite some growers recording temperatures as low as minus 6 degrees.

The release of the 2014 Murray Valley (Mildura to Swan Hill) wine grape crush survey has indicated only bad news for growers, with prices falling further off an already low base. This region is Australia's second largest wine grape production zone. The size of the national harvest is yet to be confirmed but it is estimated to be slightly below last year's 1.8 million tonnes.

Notable facts from this report include that Chardonnay, while still the largest variety produced in the region, suffered the largest price fall (28%) and now is close to the lowest priced Colombard variety grown in Sunraysia.

Both Shiraz and Cabernet Sauvignon dropped 28% in production and suffered a price decrease of between 17% to 20% from last year.

It is inevitable that given the downward pressure on wine grape prices there will be further growers to leave the industry. There are currently approximately 500 growers in the Sunraysia area, down from around 1,000 about a decade ago.

Select Harvests Ltd has announced purchase of two existing almond orchards in the Riverland and Mildura regions, plus one greenfield development site near Euston. The three transactions will total over A$60 million and reinforce the renewed confidence evident within the Australian industry.

Almond prices have increased significantly in the past two years, largely attributed to severe drought conditions in California, which historically has produced 80% of the world's almond crop.

Southern Queensland

Who says it doesn't rain in August? Some of us may have been guilty of thinking that the season outlook was going to be a grim repeat of the previous 12 months and having no likely break until spring. Surprisingly however, "Hughie" has provided some very welcome relief to far western Queensland, through to the Inner Downs. Falls of between 15 millimetres and 60 millimetres have been widely recorded. Falls around Cunnamulla were reported to be the heaviest daily rain in over 129 years. With the days now becoming longer, the direct grazing benefits have been evident with frosted or dry pastures now starting to recover or at least have sufficient soil moisture waiting for those hotter days for the pasture to thrive. Even though the break has come quite late in the winter cropping season, many of those crops that were evidently stressed should now be a harvest prospect. So what will this mean to the wider market? It will have a potentially positive impact on those holdings presently marketed with crop planted within the Outer Downs region. The now increased likelihood of achieving a harvest will be favourable to those potential purchasers wanting instant or short term cash flow prospects. It will also provide a further level of negotiation rather than marketing a fallow block.

The market is continuing to send mixed signals. Buyers' confidence is still low however we are seeing some auction results achieve well over market expectations in some instances and little or no interest in others.

Within the Roma and Wandoan area there has been some reported sales activity of two properties, on what should be regarded as an arm's length transaction without the influence of gas money. The details of these properties have not yet been formally released however both properties being in excess of 2,000 hectares will provide further benchmark evidence to a market that has been heavily influenced by non agriculture related transactions. Where these sale circumstances have existed, a two, if not three tiered market has been created. There have been a number of coal seam gas companies purchasing land also within the area, with the most notable sale being a 5,178 hectare aggregation north of Jackson for $14.75 million ($1,153 per acre) in April this year. These levels of values would be considered well above par for those wanting to continue as a cattle operation.

Sale activity further east has been generally soft for those mixed farming areas. The tender for the aggregation of properties Nameerah, Yambeen, Warooka and Woodville marketed by Ray White Rural closes in early September. The resultant outcome will hopefully provide a good guide to where the market is at for Inglestone farming and grazing country.

Overall one could say the confidence has potentially improved on the back of the recent rainfalls, however from a very low base.

Central Queensland

Scatter light rainfall has offered little support to the generally dry conditions across most parts of the Central Queensland area. Market activity has been relatively stable over the last couple of month with a steady stream of sales.

The recent auction of 'Lyttle Acres' which is located about 30 kilometres west of Rockhampton failed to realise a result, however the property has now been sold for $1.2 million. The property had a total area of 202 hectare and was developed with about 80 hectare leucaena under centre pivot irrigation, supported by a 319 ML medium priority water allocation. On analysis this sale indicates a value including the water allocations of $5,932 per hectare ($2,400 per acre) or $4,993 per hectare ($2,020 per acre) excluding the added value of buildings.

Also of note was the auction sale of 'Lauriston' which is located 17 kilometre north of Theodore. The property comprises 810 hectares of brigalow scrub soils developed to improved pastures. Fencing, water and building improvements were good and the property also benefited from established bore which are reported to have irrigation potential. Analysis of this sale indicates an improved market rate of $2,372 per hectare ($960 per acre) or around $4,300 per AE. The sale sold at auction with good competition and demonstrates a continued demand for smaller lifestyle type blocks in this location.

Northern Queensland

As the end of year draws near, the stronger cattle market is spurring on a change in sentiment in the north. It is expected that the competition between live exporters, backgrounders and processors may continue to drive this change. Some buyers are offering forward contracts to secure their supply of cattle.

In recent months there has been an increase in property buyer enquiry and inspections of north

Queensland cattle stations. For some graziers, the opportunity may arise to off load a property, re-shape their balance sheet and make plans for the future.

The drought is far from over, yet these are the early signs of a change in the property market sentiment.

Agents report an increase in buyer inspections. The recent sale of Coronation near Charters Towers at auction for $1.58 million which was offered by Elders, certainly was good for the Goldfields. Admittedly this property is in the starter block market segment which is usually supported by off farm income and there is an element of buyer motivation, however it is also noted that this was a receiver sale.

There has been an increase in discussion and enquiry for Gulf cattle stations following the spate of sales in the Northern Territory. Conversations have been around the Gulf offering market access, diversity and secure rainfall.

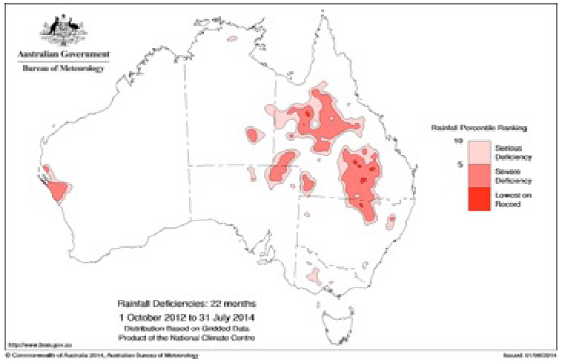
At this stage, there have been no large area sales, however with the market watching the outcomes of the marketing for Mutton Hole and Koolata, it is only a matter of time.

Far North Queensland

Extended drought conditions across much of Queensland have seen a continuation of low cattle prices and poor economic conditions for graziers as reduced incomes and higher costs (feed and agistment) have seen several years of below average profitability.

This has led to a lack of confidence in the industry which has seen producers putting capital purchasing decisions on hold to a large extent. This has resulted in a lack of sales volume in the pastoral zone over the past 12 to 18 months and those properties that have transacted have been at value levels distinctly lower than prices achieved in the peak of the most recent property cycle (around 2007 to 2008). A number of properties that have been sold were in some form of financial distress or in the hands of receivers or mortgagees.

There has been reported interest in larger cattle properties from a number of corporate and overseas purchasers with several transactions occurring in the Northern Territory. Key recent sales in North Queensland include Blackdown which was sold after extensive marketing for $4.25 million, Strathleven which was sold bare of stock and plant for $1.85 million and St Ronans, a well regarded Mt Surprise property which is currently under contract reportedly for $5.5 million. It is also reported that Springvale at Lakeland Downs is under contract and other properties currently being marketed include Springfield at Mount Surprise, Mutton Hole at Normanton and Koolatah on Cape York.



South West WA

While it has been widely publicised that the sleeping dragon, aka China, will potentially change the Australian agribusiness landscape forever and that Sino – Australian relationships are starting to be forged, we should not forget other emerging markets in the world. In particular what could be called the sleeping tiger, aka India. With reports that the population of India is growing rapidly and being part of the emerging world economies known as BRICS, there is a potential for Australian growers to be part of the supply chain as this tiger awakens and demand outstrips domestic supply. This could be especially the case for vegetable growers here in Western Australia with reports that between 20% and 40% of the Indian population are vegetarian.

Having done a recent review of the horticultural market in Western Australia it is evident that the market is relatively tightly held with only one large scale operation currently on the market. The competition for land and water in certain locations is considered high as growers compete to expand. Several operations have been developed in the past decade to the north and south of Perth where soil types are suitable, easy transport links are available and irrigation water is available.

Undeveloped properties in these locations have been purchased with the main focus being on water availability and then location and transport links coming in a close second. Water allocations are also in high demand with property sales in some areas for undeveloped land with a water allocation attached attracting values far in excess of previous undeveloped land values paid for that locality. The setup cost for an irrigation operation can be extensive with the reported costs to develop land with fixed sprinkler irrigation systems equating to a third or more of the land value, so purchasing an

undeveloped property can prove to be a significant investment in the future of the industry.

What does this mean for the West Australian market?

With the current horticultural land market being tightly held and further export markets emerging, the horticultural land and water market is considered to have the potential to significantly outperform other agribusiness land markets here in Western Australia, however exploring these markets and dealing with other cultures can take time and does not always yield the results envisaged.

Will West Australian growers be there to feed the sleeping tiger when it awakens? As with dealing with any tigers, we would tread with caution but another market can surely only be a good thing.

Northern Territory

On the back of a disappointing season last year, the mango industry appears to be ready for an increase in productivity this year as a generally good early flowering of plants has sparked increased optimism. Also underpinning increasing optimism in this industry is the medium term prospects of the mango industry obtaining increased access to Asian markets to our north as Darwin's shipping capabilities potentially increase through port expansion opportunities. The market for mango farms in the Northern Territory is very thinly traded and apart from the $14 million sale of the Acacia Hills Mango Farm (mixed Calypso mango and other varieties) near Darwin to foreign investors several months ago, there has not been a notable arm's length sale of a commercial scale mango farm for several years. However, there are presently two notable new listings including Despotis Mango Farm located south of Darwin in the Lambells Lagoon area and Jabiru Tropical Orchards located in the Berry Springs area. It appears that enquiry levels are still a little subdued at the moment and marketing agents anticipate that this may change as the real direction for this year's harvest becomes clearer.

We can now report that the much larger freehold block that was contracted for sale in last month's edition was Edith Springs. This 9,620 hectare had gone under contract in February this year but has recently settled for around $4 million (assessed bare). Edith Springs is a well developed, mixed grazing and hay growing block (with further irrigation potential) north of Katherine. Under the previous owner, the well located property with close access to the Stuart Highway was utilised as a live cattle depot block able to access premium live export cattle prices over the wet season. At this stage we understand that the purchaser, foreign based Benart Livestock Co, will utilise it for the same purpose, however they will not become established on the block until early 2015. The sale of Edith Springs supports the firm perception within the industry that cattle holding blocks along the highway south of Darwin should be well utilised once the AACo abattoir opens up in the near future. AACo has made it clear that they will need to stockpile many cattle on blocks with good wet season access to keep up supply to the abattoir when many of the big cattle stations become inaccessible for road trains over the wet.

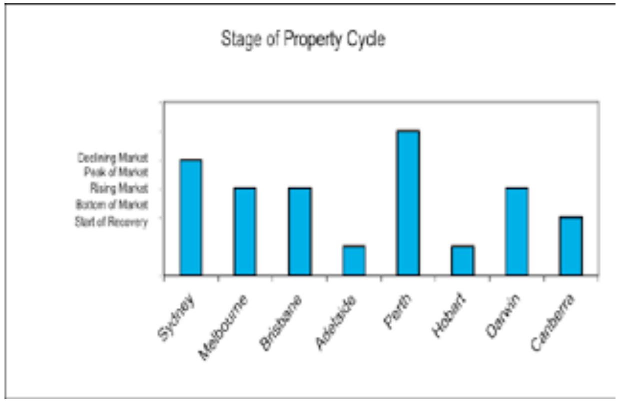
In other news, AACo has reported that it will begin slaughtering in its abattoir at Livingstone south of Darwin next month. AACo has reported in the press that while they have a sizable portion of the first few months slaughter already accounted for, they will be outlining supply opportunities to the pastoral industry as they move forward with production. It will be interesting to see whether some of those northern cattle stations that have good year round access might be drawn onto the market to sell and try to bring out a premium for this potential new demand for accessible cattle blocks, or whether they instead look to capitalise on being able to make some better money out of this new market offered by the abattoir.

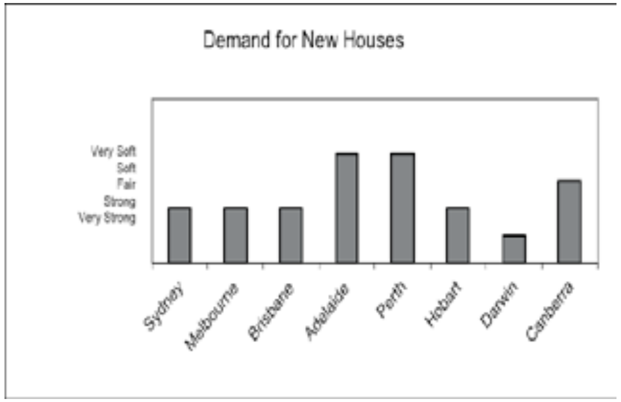
Meanwhile, we are aware of ongoing good enquiry for several large northern pastoral leases. The background for this still appears to be large companies looking to position themselves for the long term as mega cattle producers aiming for the perceived increase in beef demand from Asian countries (with a big emphasis on China).

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	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	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening - Steady	Steady	Steady	Increasing	Steady	Tightening	Increasing
Demand for New Houses	Strong	Strong	Strong	Soft	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	Steady	Declining	Declining	Increasing	Increasing strongly	Steady
Stage of Property Cycle	Peak of market	Rising market	Rising market	Start of recovery	Declining market	Start of recovery	Rising market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never

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





Market Indicators

Capital City Property Market Indicators - Units

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

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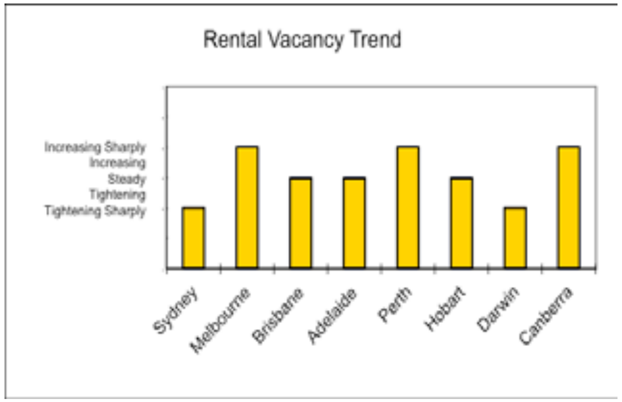

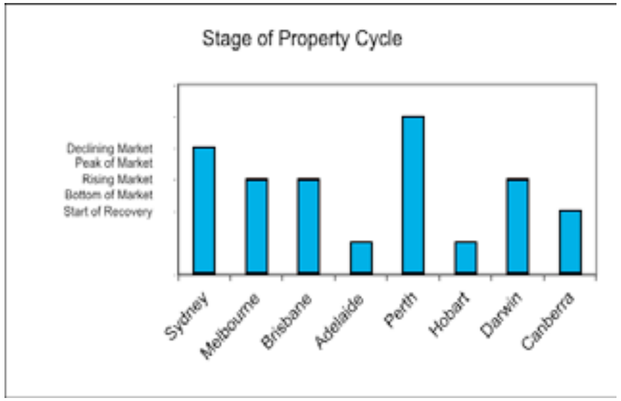

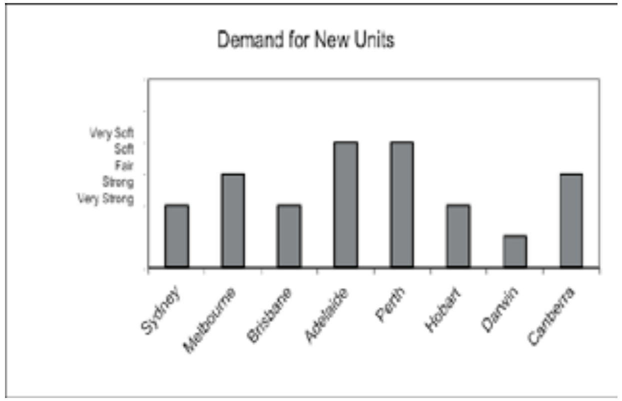

Market Indicators

Capital City Property Market Indicators - Retail

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

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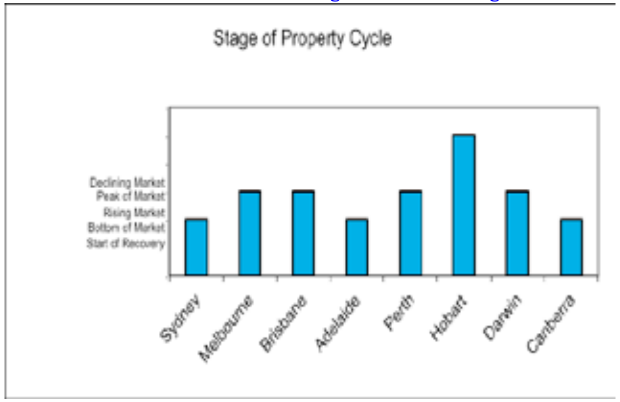

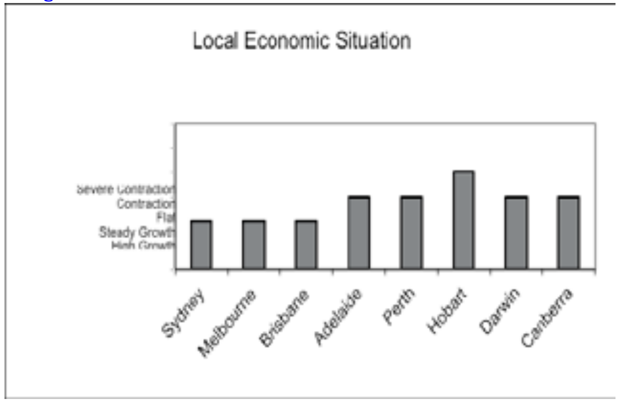

New South Wales Property Market Indicators - Houses

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

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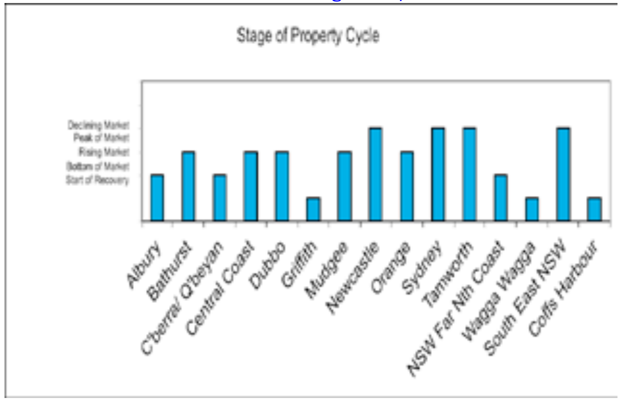

Market Indicators

New South Wales Property Market Indicators - Units

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

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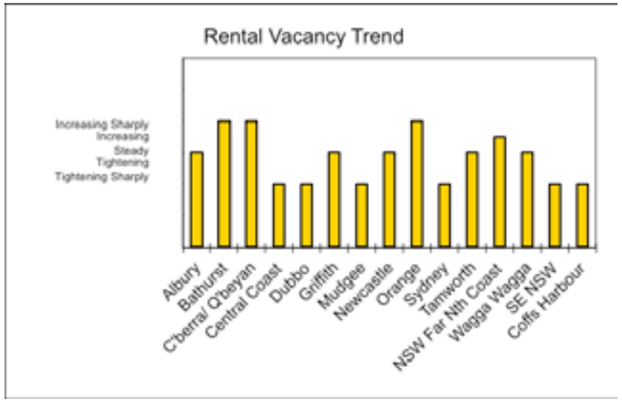

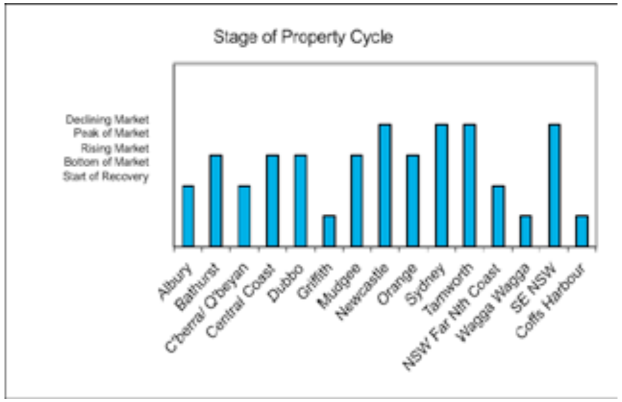

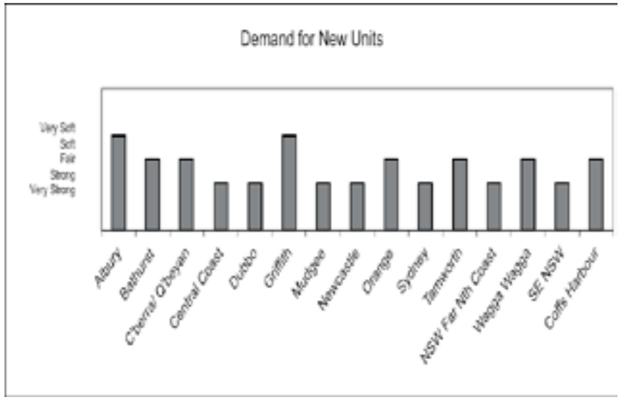

New South Wales Property Market Indicators - Retail

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	North 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	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	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Declining	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Rising market	Bottom of market	Bottom of market	Rising market	Start of recovery	Rising market	Rising market	Declining market	Bottom of market	Peak of market	Bottom of market	Bottom of market	Start of recovery - Bottom of market	Rising market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Contraction	Steady growth	Flat	Flat	Flat	Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Significant	Significant	Significant	Significant	Significant	Significant	Small - Significant	Significant	Significant	Significant	Significant	Large	Significant

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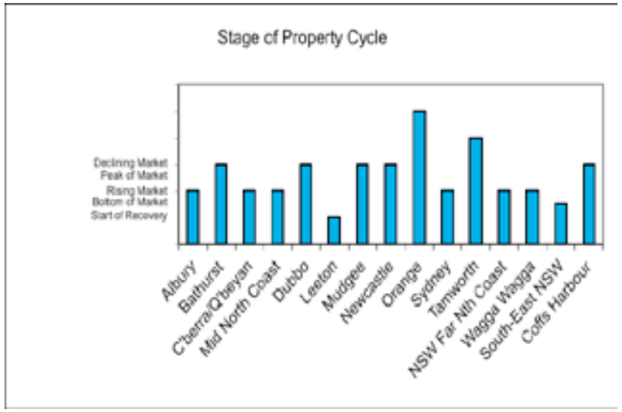

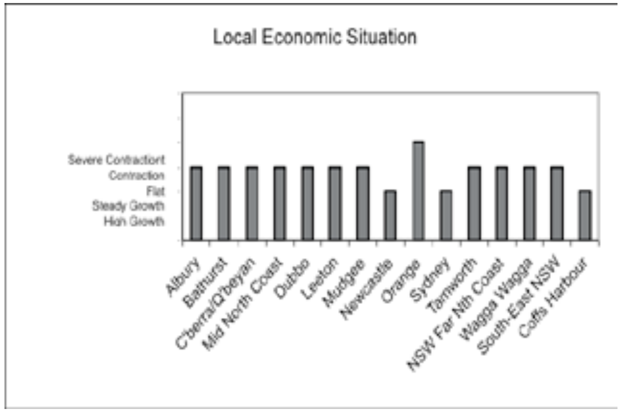

Market Indicators

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	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Tightening - 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	Steady	Increasing	Increasin g	Increasing
Volume of House Sales	Increasing	Steady	Steady	Steady	Increasing	Increasin g	Steady	Steady	Steady	Increasing	Increasin g	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	Bottom of market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequentl y	Frequently	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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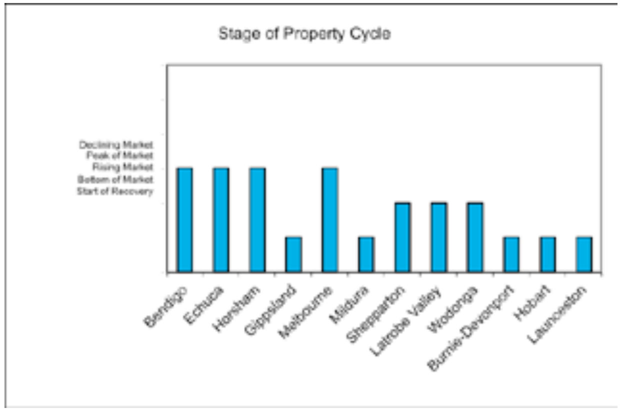

Market Indicators

Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	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	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Fair	Fair	Very soft	Soft	Soft	Strong	Strong	Strong
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing strongly	Declining	Increasing strongly	Declining	Declining	Increasing	Increasing	Increasing
Volume of House Sales	Increasing	Steady	Steady	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	Bottom of market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Frequently	Occasion-ally	Occasionally	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally

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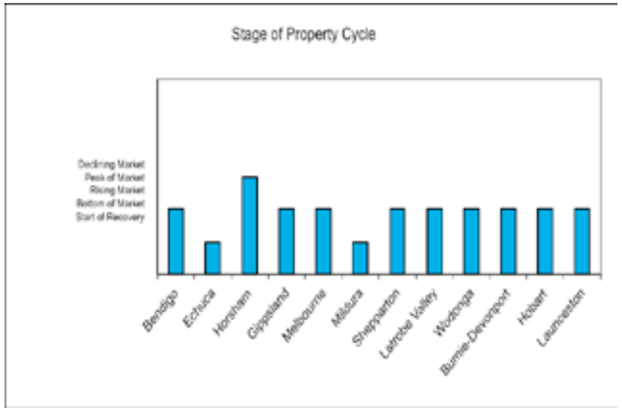

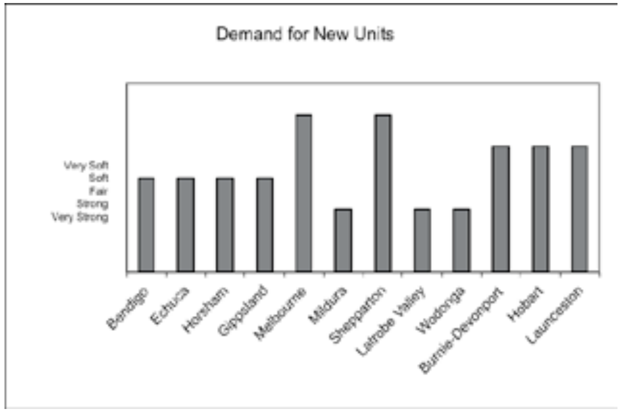

Market Indicators

Victoria/Tasmania Property Market Indicators - Retail

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Latrobe Valley	Wodonga	Burnie/ Davenport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	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	Steady growth	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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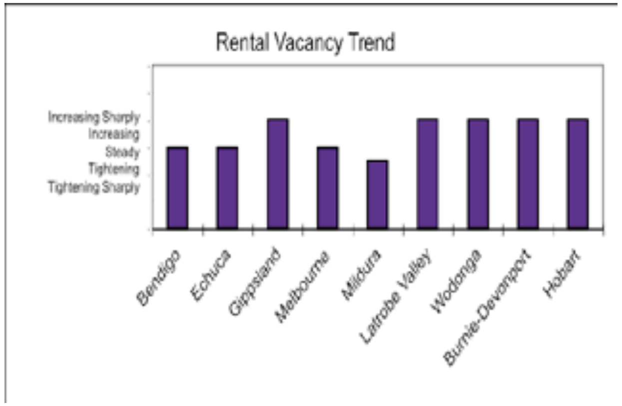


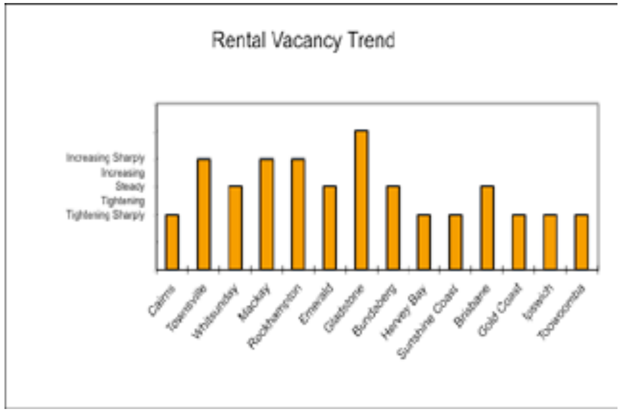
Market Indicators

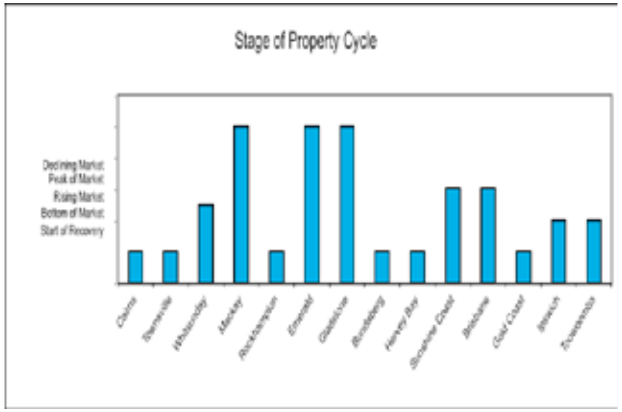
Queensland Property Market Indicators - Houses

Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad-stone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Balanced market	Large 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	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady	Increasing	Increasing	Steady	Increasing sharply	Steady	Tightening	Tightening	Steady	Tightening	Tightening	Tightening
Demand for New Houses	Soft	Fair	Fair	Soft - Fair	Fair	Very soft	Very soft	Fair	Fair - Strong	Strong	Strong	Strong	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Declining - Steady	Steady	Declining significantly	Declining significantly	Increasing	Steady - Increasing	Increasing	Increasing	Increasing	Declining	Declining
Volume of House Sales	Increasing	Steady	Steady	Steady - Declining	Steady	Declining significantly	Declining	Increasing	Increasing - Steady	Increasing	Steady	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	Bottom of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never - Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost always	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasion-ally	Occasion-ally

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

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





Market Indicators

Queensland Property Market Indicators - Units

Factor	Cairns	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	Large over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Large over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Increasing	Steady - Increasing	Steady - Increasing	Steady	Steady	Increasing sharply	Steady	Steady	Tightening	Steady	Tightening	Tightening	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	Increasing	Steady	Declining - Steady	Steady	Declining significantly	Declining significantly	Steady	Declining - Steady	Steady	Increasing	Steady	Increasing	Increasing
Volume of Unit Sales	Increasing	Steady	Steady	Steady - Declining	Steady	Declining significantly	Declining	Steady	Increasing - Steady	Increasing	Steady	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 - 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	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost always	Almost never	Occasionally	Occasionally	Occasionally	Frequently	Frequently	Frequently

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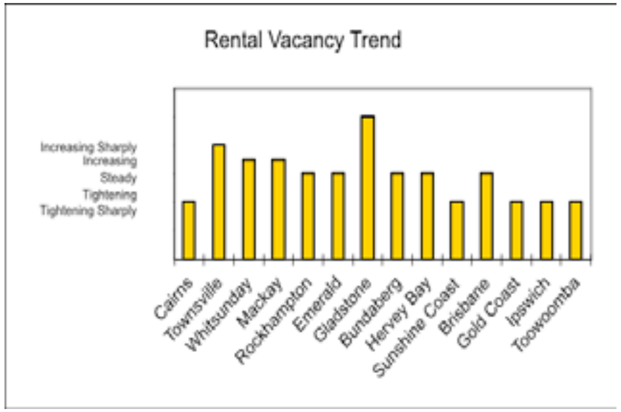

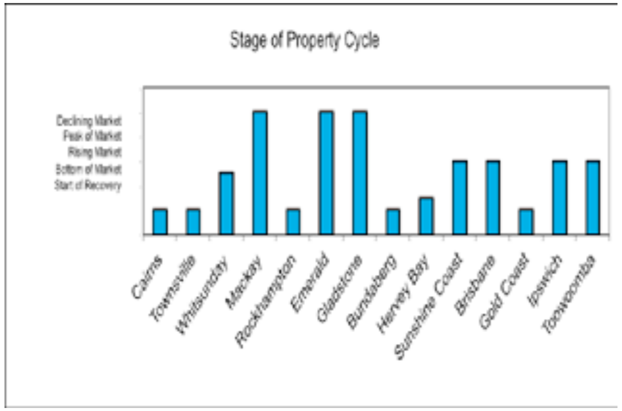

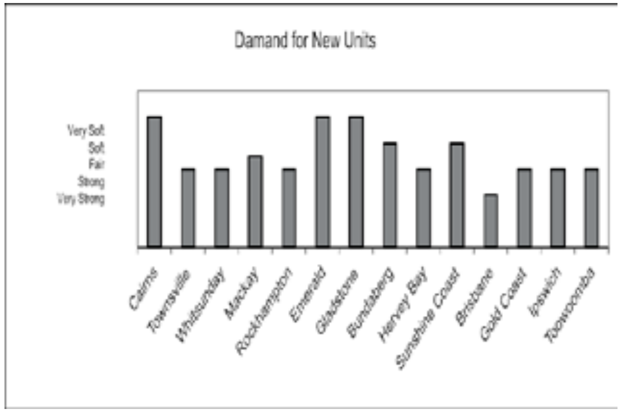

Market Indicators

Queensland Property Market Indicators – Retail

Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	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 - Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Increasing	Steady	Steady	Steady	Steady - Increasing	Steady	Tightening	Tightening	Steady
Rental Rate Trend	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Declining	Increasing	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Increasing	Increasing	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Declining market	Start of recovery	Bottom of market	Bottom of market	Start of recovery	Start of recovery	Rising market	7	Start of recovery - Bottom of market
Local Economic Situation	Flat	Flat	Flat - Contraction	Flat	Contraction	Flat	Steady growth - Flat	Flat - Contraction	Steady growth	Steady growth - Flat	Steady growth - Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small - Significant	Small - Significant	Small	Small	Significant	Significant	Significant	Significant	Significant	Significant

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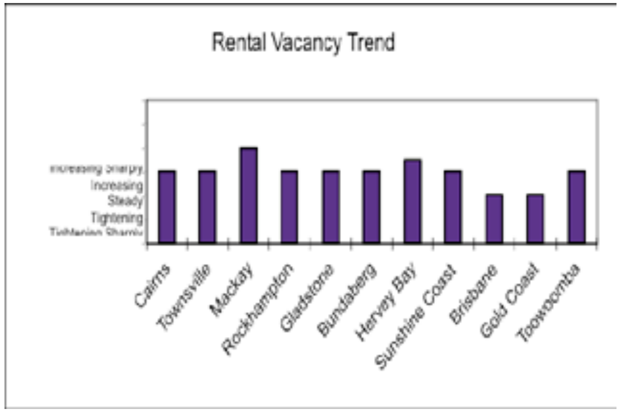

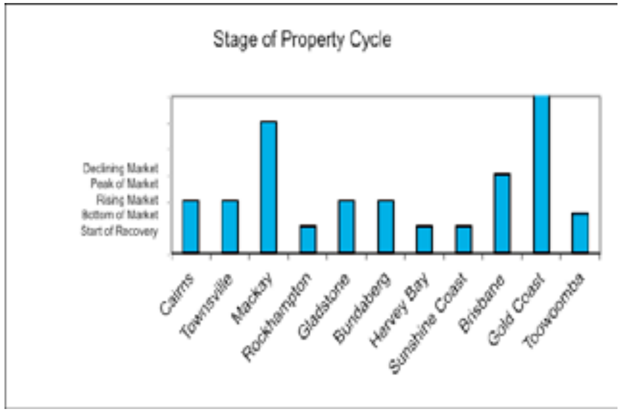

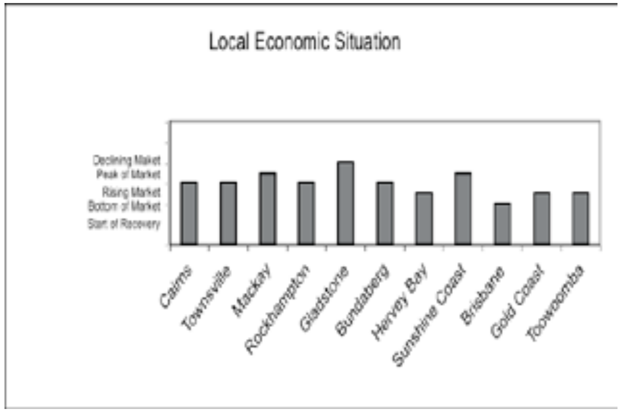

Market Indicators

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

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

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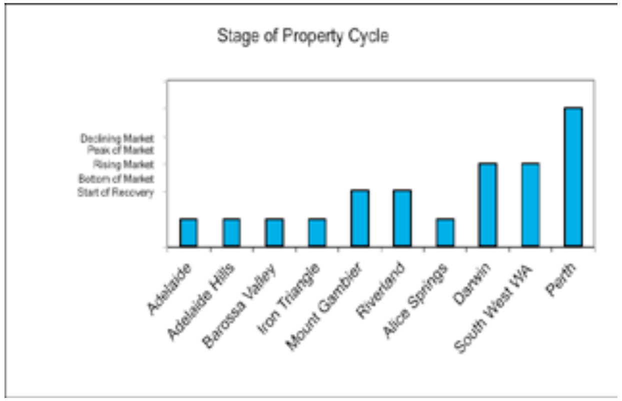

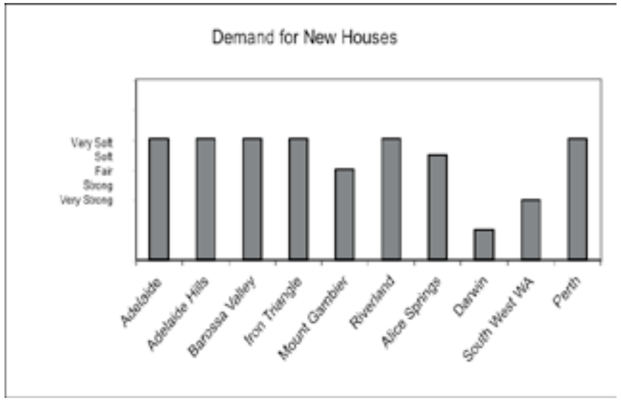

Northern Territory, South Australia & Western Australia Property Market Indicators - Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Steady	Steady
Demand for New Units	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady
Volume of Unit Sales	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Rising market	Rising market	Bottom of market	Rising market	Bottom of market
Stage of Property Cycle	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Large	Large	Large	Large	Small	Small	Small	Significant	Large

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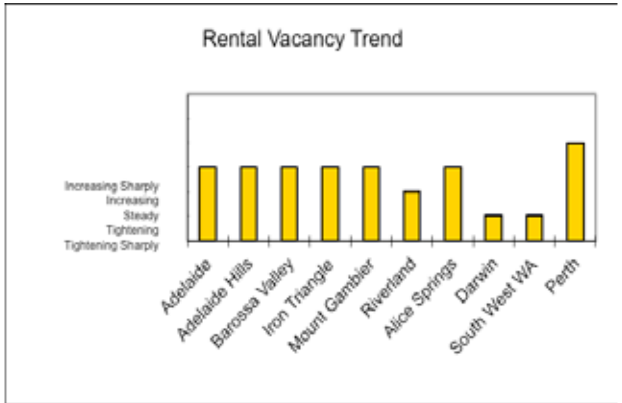

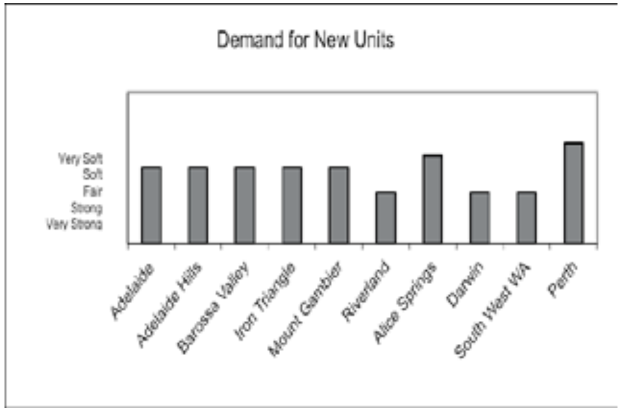

Market Indicators

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

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

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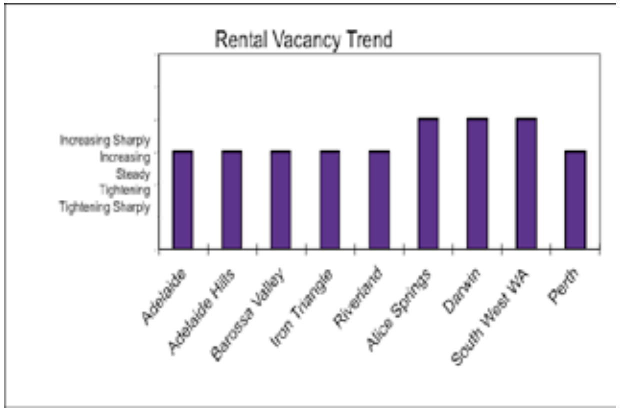

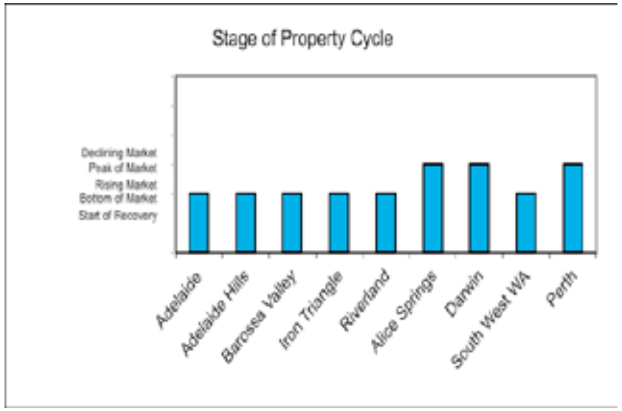

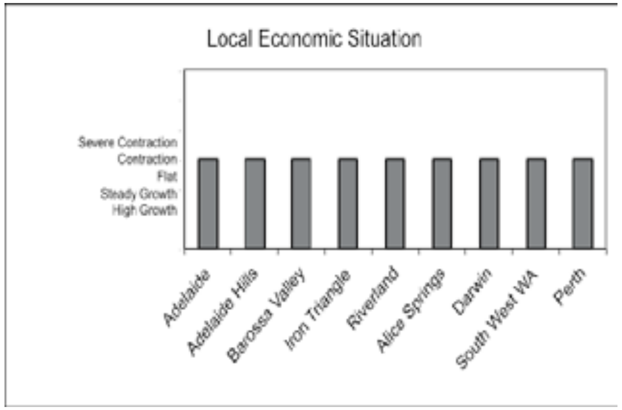

Market Indicators

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