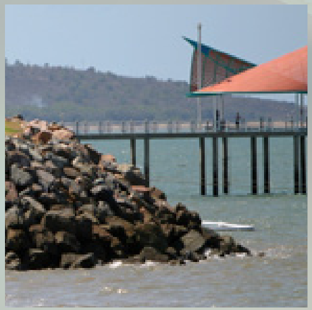
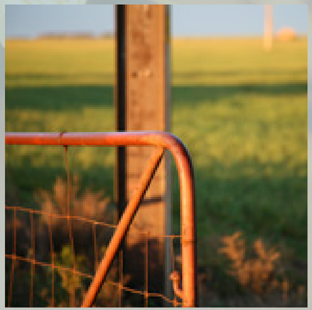
December 2014

Month in Review

HERRON TODD WHITE

Contents





2014… The year that was

"The two most joyous times of the year are Christmas morning and the end of school." *Alice Cooper*

"The office Christmas party is a great opportunity to catch up with people you haven't seen for twenty minutes."
Julius Sharpe

As summer has rolled around, have you, at some stage, found yourself sitting on your deck, listening to the day melt into night and enjoying a cool beverage, before glancing sideways and thinking, "I really should get around to taking down those fairy lights from last year"… Well don't, because your ambivalence is about to be rewarded.

Yes folks, it's December. Retailers have been telling you for the past six months – Christmas is approaching, but you wouldn't listen. Now this festive season has sprung upon you like a three-toed sloth. You see it coming and ignore its slack advance only to wake up one morning and realise the chance to buy very thoughtful gifts for friends and family has passed you by. A quick trip to Aldi might be in order!

The other great celebration this year will revolve around marking the end of 2014 and saying g'day to 2015. There's always a momentous build up although most people over the age of 30 don't celebrate beyond catching the fireworks on TV from the comfort of a Jason recliner – too much hassle, too many crowds and who wants to even think about hailing a cab at 1:00am!

Despite this appalling display of anti-social behavior, the New Year provides an opportunity for reflection. It's a chance to gaze back and assess. Did we keep any of our New Year's resolutions? Any? At all? Not one hey?! You're not alone.

Now is the time for us to also muse upon the Australian real estate market over the past 12 months. There were some stunning highs, particularly in our largest capital, as well as a few false starters and a couple of sluggish performers. It was certainly a year of expectation among some participants. It looked like we were beginning to forget the dry post-GFC period and gain confidence. That was true for some locations, but unfortunately not for all.

We are celebrating year's end here at Month In Review in our traditional fashion. By looking back at the year that was and providing you with a rundown on what stood strong, and what fell over. It's also an opportunity for us to produce our own report card. Regular readers would know that each February we do a "Year Ahead" issue where we give our hit predictions for the coming annum. Our offices must then face the music in December by looking back at their calls and marking their accuracy with the benefit of 20/20 hindsight. How did your local Herron Todd White office fare? Now is the time to take a look.

It's an end of year celebration and commercial property doesn't miss out on its chance to be waltzed around the floor. This month, the retail sector gets a go. It's your opportunity to get a great retrospective on the year in the retail market – what moved, what didn't and which camp did your investment fall into?

So there we are, property tragics. Take a stroll through this month's edition and feast upon all the good and bad of 2014, but don't dilly-dally on your plans for property in the coming year. Call our team at Herron Todd Whiten ASAP because Christmas 2015 is just 13 months away!

Merry Christmas to all and the happiest of New Years.

"What I don't like about office Christmas parties is looking for a job the next day." *Phyllis Diller*

"A Christmas Nightmare: going caroling for your neighbours, and Simon Cowell is one of them." *from a cartoon by Whyatt.com.au*

QS Corner - Tax Depreciation Schedules for commercial owners and tenants

An owner of an investment property is eligible to claim Tax Depreciation against their taxable income as long as the asset is used for income producing purposes, whether it is a commercial, residential, industrial rural or retail property. A common misconception is that Tax Depreciation Schedules only apply to or are only prepared for residential properties but did you know that non-residential properties qualify for depreciation as well?

Non-residential properties include commercial, rural, retail and industrial properties such as commercial office space, retail premises, industrial warehouses, large rural properties, pubs, clubs and hotels and caravan parks. In addition to claiming depreciation for eligible capital works deductions, there is also an extensive array of plant and equipment items that may be claimed. Applicable assets for commercial property are specific to the type of industry or business being conducted from the premises.

As well as commercial owners, commercial tenants are permitted to claim a deduction for depreciation based on the fit-out of the premises.

The fit-out includes any plant and equipment asset or structural improvement that has been added to the premises that was not included in the initial lease and is not owned or part of the landlord's asset register.

For instance, if a vacant retail property previously occupied by a clothing store is fitted out for a new restaurant at the expense of the incoming tenant, such a refurbishment will include eligible deductions for depreciation, whether structural improvements or plant and equipment.

Where things may get a bit complicated is the specifics within the lease agreement. For example, does a make good assessment at the end of the lease mean you can leave the premises as is or must it be returned to its original condition? The question that needs to be asked is who owns what and in what condition is it specified that you leave the premises in. This will determine whether the landlord or the tenant is the one eligible to claim the remaining depreciation of the assets,.

Our experienced team of Quantity Surveyors here at Herron Todd White are also registered tax agents who specialise in both commercial and residential property. Our service is offered Australia wide with over 60 offices including most regional areas. For further information or to organise a quote, please email our Quantity Surveying Division at tds@htw.com.au.

Commercial

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New South Wales

Overview

Retail is a sector that had been struggling up until this year. There were all sorts of economic hurdles that made making a dollar a bit tougher in this market. That said, there are a few markets around Australia that enjoyed some more positive news in the past year.

In this month's edition, we take a look back at the retail sector for 2014 and discuss the highs and lows from around the nation.

Sydney

Sydney's retail property market has been shaped by several key influences in 2014. First and foremost, retail spending has recovered convincingly, driven by the current buoyancy in our local residential sector. Testament to this is a marked increase in NSW retail turnover for household goods monitored by the Australian Bureau of Statistics (ABS), of which Sydney is a major contributor. Rolling 12 month growth in spending within this category has exceeded 20% in six of the seven months to September 2014 (ABS, seasonally adjusted). Additionally, retail turnover for discretionary goods and services has shown notable improvement this year, particularly within the cafes, eat-in and takeaway food services category. Furthermore, spending in clothing, footwear and personal accessory retailing strengthened earlier in the year, with this category also recording double digit rolling 12 month growth for the majority of the first half of the year. These trends confirm that the long awaited broad-based recovery in consumer spending has begun building momentum, a trend Sydney based retailers have long been waiting for.

Secondly, the highly anticipated next round of store openings by big name international fashion retailers have taken place in 2014, continuing a revitalisation of retail offerings to Sydney consumers. Following the recent opening of our market's first Zara and Topshop stores, H&M and UNIQLO have now both opened their first Sydney stores in AMP Capital's newly redeveloped Macquarie Centre. An additional UNIQLO store has also opened in MidCity Centre, on Pitt Street Mall. With several new international entrants progressing towards opening stores in Sydney over the coming years, we are expecting to see a further globalisation of retailing in Sydney.

Another key theme seen in 2014 is an improvement in vacancy rates in our suburban retail strips. Suburban retail vacancy has improved with the expectation by retailers of a recovery in retail spending, driven by the recent strength in the housing market. A recurring sight has been an increase in new furniture and homewares stores, in some cases within suburban retail strips traditionally dominated by fashion retailing. However, we acknowledge that a portion of the recent fall in vacancy has also come from an increase in short term leases and pop-up/

concept stores which can tend not to be a true indicator of underlying tenant demand.

Despite improved demand, retail rents (on face terms) held fairly stable throughout 2014 and incentives have remained a common feature in new lease deals. Nonetheless, buyer demand for suburban retail shops in Sydney has benefitted from steady interest from owner occupiers and private investors. Through the year, we have observed some solid prices being paid for well positioned retail assets by these buyer types, with the purchases being supported by the low commercial lending rates offered by lenders throughout the year.

Canberra

The calendar year 2014 has not seen significant activity in the retail property sector. We have reported previously the availability of a number of individual shops in Nicholls and Torrens and to date no sales have been completed. We are advised that Karabar Shopping Centre in Queanbeyan has been sold. This centre is anchored by a Super IGA but details of the transaction have not yet been recorded. 30 Morrisett Street Queanbeyan, which comprises a Kmart on the ground level and Essential Energy on the upper level, is on the market with a net income of circa $2.54 million and an anticipated price of around $30 million. It is understood that although there is interest, no sale is imminent.

We have previously reported that Ikea had secured a site. A sod turning was held in October and completion is expected in November 2015. The new Ikea store will be the only significant increase in retail space in the market over the next 12 months.

Canberra has the highest ratio of shops to population in Australia and with the reduction in size of the public service, retailers are understandably feeling the pinch.

The ACT's level of unemployment rose in the last quarter but is still enjoys the lowest level of unemployment in Australia. Anecdotally we are advised that retailers in the major shopping malls are finding the market very tough and although customer numbers in the malls are reportedly increasing, customers are not spending at the same rate. There is genuine concern in the community about job security. We would expect that increasing savings and reducing mortgages take precedence over discretionary spending.

We see no significant opportunities in the market at present however if one of the major malls was offered to the market it would be keenly sought after.

South East NSW

The biggest news story of 2014 in the Illawarra is the continued transformation of the Wollongong CBD represented by the completion in October of GPTs West Keira Shopping Centre and the removal of fencing surrounding the Crown Street Mall refurbishment works. The most significant development in the Southern Highlands is the Coles redevelopment in the Bowral CBD which is progressing well.

Sales activity increased throughout the year with a notable increase in appetite from investors who are attracted by yield arbitrage. However, purchasers are still looking for assets with strong lease covenants, while market demand thins out for properties priced higher than circa $2 million.

A notable transaction in the Wollongong LGA occurred in July 2014 - a 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 commencement of the 6,700 square metre shopping centre redevelopment in Bowral in September 2014 by owner Coles Property Group will see a new single level facility opening in quarter two of 2015. Coles purchased the ageing centre in 2011 for $14.75 million

The May 2014 sale of the Westpac retail branch along Bong Bong Street, Bowral has been another 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

2014 has been a turbulent year for the City of Newcastle. Over the past 12 months, Newcastle CBD has seen cranes in the skyline and scaffolding around buildings, a sight not seen in Newcastle for many years. Over the past 12 months, the construction of the Newcastle Law Court in Hunter Street commenced, the redevelopment of derelict sites like the Lucky Country Hotel and The Star Hotel have been completed, approval to build the University of Newcastle "NewSpace" campus was granted (scheduled to commence construction in 2015), and many residential apartment developments across Newcastle have been approved which have seen a high level of interest from purchasers looking to buy into the Newcastle CBD.

The much debated GPT development for a shopping centre and high rise residential apartment buildings in the Newcastle CBD has also been proposed.

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

In recent months there have been some negative revelations with the ICAC investigation leading to the resignation of the NSW members for Newcastle and Charlestown and the resignation of the Lord Mayor. The state and local government by-elections have seen the Labour Party win all three seats. A NSW Parliamentary inquiry has also been launched to investigate planning decisions in Newcastle to terminate the rail line at Wickham and plans to build light rail. Works to remove the heavy rail line are scheduled to commence on Boxing Day. All these recent events have sparked the debate over the rail line once more.

Overall, 2014 has seen some positive movement in the retail sector. What the future will bring is uncertain. Hopefully the recent events will not dampen the positive growth seen in Newcastle over the past 12 months and the retail sector in the Newcastle CBD will continue to improve over the coming year.

Victoria

Melbourne

Going, going, gone... The Melbourne retail property market improves as a range of factors including a record breaking cash rate, weakening Australian dollar and improved consumer sentiment drive an overall improvement in retail market conditions.

Competition for quality assets is still very strong with demand surpassing the current available stock. This is most noticeable within the Central Business District (CBD) and some of Melbourne's prime retail strips. Well located properties with strong lease covenants are attracting good demand however secondary properties in outer or secondary locations have proved difficult to sell and lease. Yields have firmed within the CBD market, mainly due to limited supply and strong competition among investors, while yields for secondary assets have either remained stable or in some instances have increased.

Vacancy rates across some of the major Melbourne retail strips have risen over the past year, to their highest levels in seven years.

As an example, the vacancy rate in Fitzroy Street doubled along with net rents falling from $1,100 per square metre per annum to as low as $500 per square metre per annum in some instances.

Although some retail strips are experiencing increased vacancy rates demand from investors remains relatively strong. This demand is driven by three major factors: record low interest rates; the strength of the residential property market; and relatively strong foreign investment. While interest rates remain low and property values stable, consumer sentiment has begun to improve along with discretionary spending. This increase in discretionary spending has been mainly directed towards cafes and restaurants. Foreign investment is still relatively strong within the Melbourne retail market with foreign investors mainly focussed on regional centres and prime CBD retail assets.

At present there is a two tiered market regarding rents. Retail strips affected by the previously mentioned vacancy increase are now experiencing rental decreases as tenants have more options and therefore a better position to negotiate. In some cases, rents have decreased by 30% to 40% in Melbourne's major retail strips, mainly due to prominent long-term tenants vacating upon lease expiry. Once the rents return to their equilibrium level, vacancy rates are likely to decline as tenants jump on seemingly cheap rent. Nevertheless, the overall rental growth rate has remained relatively stable over the past year and the strong investment demand for retail property is being based on other characteristics such as potential for development and longer-term growth prospects.

Some of the major events in the retail sector in 2014 include the opening of Emporium Melbourne which includes 220 retailers and 20 flagship stores, together with an increasing number of international retailers entering the Melbourne retail market in recent times. These include H&M, Uniqlo and Brooks Brothers. 2014 also saw a number of large assets sold, including The Block Arcade with was sold in April for $80 million.

Online trading has an increasing share of total retail expenditure, which is in part influencing the current changing retail tenancy mix, whereby fashion retail outlets are vacating and food and hospitality tenants tend to be moving in. If the recent fall in the Australian dollar continues we will most likely see a reduction in online spending and an increase in foreign travellers both of which in turn will boost retail sales.

Overall the Melbourne retail property market has performed quite well over the last year.

Mildura

The retail sector in Mildura has remained relatively stagnant during 2014. While a number of existing businesses have moved into larger (or in some cases smaller) premises, the net result has not reflected any great change. The best performing sector in terms of occupancy levels remains the café/restaurant sector, while there still appears to be challenges for traditional small retail businesses. The Mildura Mall, which was redeveloped several years ago, still has a number of empty shops and there is downward pressure on rents in this traditionally prime area.

South Australia

Adelaide

Adelaide's retail sector has endured another difficult year. Local economic conditions, in combination with cost of living expenses are contributing to a change in discretionary spending habits which is having a major impact on the retail sector. This is also at a time when online shopping is becoming ever more popular. This shift has even seen Australia Post re-inventing parcel delivery and pick up to better match consumer needs and to capitalise on the increased market for parcel delivery driven by online sales.

Throughout the year vacancies have increased across all the traditional major shopping strips, including Rundle Mall and Rundle Street in the CBD and Norwood Parade at Norwood, King William Road at Hyde Park and Jetty Road at Glenelg.

Retail figures recently released for the September quarter show that there was a small increase in turnover during the year which is certainly positive news in the lead in to Christmas

In the short term it is difficult to see any of these conditions easing and our expectation is that the retail sector will have to continue its struggle for a while to come.

To finish the year off we are going to have a look at some of the more interesting retail developments that either occurred this year or are in the pipeline. In no particular order:

All ground works of the Rundle Mall redevelopment have been completed in time to welcome Father Christmas to the Magic Cave.

The modernisation and refurbishment of the Myer flagship store in The Myer Centre was completed a few months ago. The Myer Centre was completed in 1991.

There is a $35 million upgrade currently underway of Adelaide Central Plaza and its major tenant the David Jones store. The ground floor is being rebuilt and other levels will be refurbished.

The Churchill Centre, a mixed bulky goods and large format retail centre, opened on 6 July with the first Coles superstore in Adelaide.

The first Costco store opened its doors on 19 November at the Churchill Centre. There is also a Costco petrol station at the site. The annual membership fee to shop at Costco (and to buy their petrol) is $60.

Tiffany and Co opened its seventh Australian store and its first in Adelaide along North Terrace on 15 November.

The first Masters store to open in metropolitan Adelaide in due for completion in December 2014 and is located adjacent to Ikea at Adelaide Airport.

In October the department store Harris Scarf returned to Colonnades after a two year absence. Colonnades also submitted a development plan to council for a $52 million expansion including a Masters and Aldi supermarket. Construction is due to start next year. Colonnades was built in 1979 and last upgraded in 2003.

A $300 million expansion into South Australia by Aldi was announced with plans to initially build 11 stores at locations including Seaford Heights, Hallet Cove, Woodcroft, Noarlunga, Kilburn, Parafield Gardens, Blakeview, Gilles Plains, Salisbury and St Agnes. Construction recently commenced on a distribution centre at Regency Park.

The $60 million Playford Marketplace development anchored by a 4,200 square metre Woolworths and with 18 specialty retailers located at Munno Para had a sod turning ceremony on 16 November to mark the start of construction on the site.

A $50 million redevelopment of Coles supermarket and existing stores in Norwood Village has gained development approval and is set to begin construction some time next year.

A $30 million redevelopment of Gilles Plains Shopping Centre will see it double in size and include an Aldi supermarket and Dan Murphy's liquor store. Development plans have been approved and construction is set to begin either late this year or early next year.

The first Krispy Kreme store in South Australia opened on 15 July on Port Road at West Croydon. This manufacturing facility with a drive through service is open 24 hours a day, seven days a week. The second store opened in the CBD on Gouger Street on 15 November. A third store on Port Wakefield Road at Bolivar is in the pipeline to open next year.

Grill'd opened two stores this year at Norwood and on Rundle Street in the city.

Ben and Jerry's is set to open an ice cream shop in the Hoyts cinema complex at Norwood early next year. There is also a suggestion that they are looking to open a store along Rundle Street.

Queensland

Brisbane

The Brisbane retail property sector has seen steady economic progression throughout the first three quarters of 2014. This has resulted in an overall increase in sector confidence. Progression can be partially attributed to the low bank interest rate which as at 5 November 2014 remained at 2.5% and has not changed since August 2013. Research conducted by the Australian Bureau of Statistics also shows that Australian retail sales turnover rose 5% in September 2014 compared with September 2013. This figure exemplifies that current consumer sentiment has had a positive effect on the condition of the wider retail property market.

So far in 2014, investors have shown a strong interest in the sub $5 million market resulting in firming yields. These yields typically range between 6.5% and 7.5% for properties in prime locations, with properties in regional and neighbourhood locations having a higher range of 7% to 8.5%. The discrepancy in the yields of these three types of retail property promotes the importance of location in this asset class. An example of how retail property yields in Brisbane are firming is the sale at 163 Alawoona Street, Redbank Plains (see table). On the other hand, retail centres with a higher price point over $5 million are generally achieving slightly softer yields between 7.5% and 8.75% again depending on the location. A notable sale which occurred recently is the retail shopping centre located at 71 Astley Parade, North Lakes which is also summarised below.

Address	Sale Date	Sale Price	GLAR (m2)	WALE (by income)	Analysed Yield	Rate ($/m2)
163 Alawoona Street, Redbank Plains	1 June 2014	$3,650,000	491	3.31 years	6.89%	$7,434
71 Astley Parade, North Lakes	23 August 2014	$15,200,000	3,257	6.89 years	7.72%	$4,667

In conclusion we believe, given the available evidence, Brisbane retail property has been steadily improving throughout 2014. Properties in prime locations continue to be in high demand from tenants and investors alike given the income security these properties offer. However, despite yields having firmed over the past 12 months for properties in secondary retail locations, they are still considered an inferior asset class and should be analysed and assessed thoroughly by any potential purchaser.

Toowoomba

The Toowoomba retail sector appears to be relatively active with a number of new developments recently completed.

Developments completed in 2014 include two neighbourhood shopping centres in the suburbs of Drayton and North Toowoomba. The Drayton Shopping Centre opened in early 2014 and is anchored by a Woolworths supermarket and has 11 specialty stores. Northpoint Shopping Centre opened in March 2014 and is anchored by a Coles supermarket and has over 2,000 square metres of specialty stores and a medical centre of 850 square metres. An Aldi supermarket has been constructed on a site adjacent to the new shopping centre.

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

Bunnings Hardware has purchased the former Toowoomba Foundry site with the intention of developing a second store in Toowoomba. The site is located on the northern fringes of Toowoomba's CBD and has a land area of over five hectares. The proposed development is expected to be challenging due to potential heritage and contamination issues.

Other proposed developments include a small centre anchored by Subway and The Coffee Club on the corner of Ruthven and Alderley Streets in Kearney's Spring and a fast food centre located on the corner of Cohoe and Herries Streets in East Toowoomba.

Retail rents in general have remained relatively static, although market leading rents may be achieved within the new and proposed developments.

The low interest rates have resulted in a strong demand for retail properties by investors. However, the lack of supply of quality, fully leased properties has limited the number of investment sales and has resulted in a slight firming of net yields.

Major 2014 retail sales of note in Toowoomba include:

- Officeworks, Hume Street - March 2014 - $7.475 million (7.03% net yield)
- Northpoint Shopping Centre – November 2014 - $36.5 million (reported fully leased yield of 7.6%).

Gold Coast

As we have reported throughout the year, all signs are pointing in the right direction for the Gold Coast retail market but we are still likely to witness a few speed bumps along the way.

Our summary of the current retail situation is:

- Surge of demand for good quality assets with national tenants and a high weighted average lease expiry (WALE);
- Increased number of international (predominantly Asian) buyers;
- Wide gap in yield and value levels between prime and secondary assets;
- Resurgence of rental demand in coastal strips, in particular Gold Coast Highway between Mermaid Beach and Burleigh Heads for cafés, restaurants and bars;
- Substantial amount of development in the northern growth corridor, including Coomera City Centre, Pimpama Junction, Red Edge Centre, new Finnegan Way complex, Coomera Town Centre.

Retail investments have always been popular. Yields for these properties were hit hard during the downturn but quality investment stock with strong lease covenants is enjoying strong demand. This is resulting in yield compression as 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 million. A modern style mixed use development including 7-Eleven service station, four retail shops and one standalone commercial tenancy. Reflects an analysed market yield of 7.38%.
- Kortum Drive, Burleigh Heads – sold in February 2014 for $8.55 million. A totally refurbished showroom property leased to Fantastic Furniture. The sale represents an analysed yield of 8.34%

In addition, some highly sought after prime assets have sold below 7% in recent months. This level of yield has not been since before the GFC.

However, the yields for secondary properties generally sits at over 9% so it is very important for owners to critically examine where their property sits in the marketplace.

Rental rates vary dramatically depending on size, location and exposure.

- Beachside tourist areas - $1,000 to $1,500 per square metre and up to $4,000 per square metre in Cavill Avenue;
- Burleigh Heads - $600 to $800 per square metre;
- Gold Coast Highway retail strip - $300 to $600 per square metre;
- Convenience and neighbourhood centres - $400 to $800 per square metre;
- Showrooms - $250 to 350 per square metre.

It is worth noting that retailers in Southport and Surfers Paradise were hit hard by the Gold Coast Rapid Transit construction. Works are now complete and these areas are on the steady road to recovery.

There are several other major projects underway or in the pipeline.

The extension of Pacific Fair at Broadbeach is finally underway. On completion, this will be the largest centre in Queensland with 150,000 square metres of GLAR and a full line Myer and David Jones, new Target, relocated Coles, new Woolworths, new cinemas, dining precinct, 420 specialty stores, 6,500 parking spaces, plus other major draw cards.

Robina Town Centre – further extensions with Zara recently opened and construction underway to relocate Coles to a new larger store along with 35 new specialty stores and more decked parking. Further commercial sites are still available

Coomera Town Centre – approved by Council. Once a decision is made to proceed, the retail centre will be built in one hit, with supporting development to be built in stages to meet demand of the growing population. The centre will have 73,000 square metres of GLAR on completion comprising department store, three supermarkets, two discount department stores, four mini-majors, 15,000 square metres of specialty stores, cinemas and a dining precinct. Infrastructure requirements have caused a halt to any immediate progress

Despite the confidence shown by the big end of town, smaller retailers report difficult trading conditions as consumer and business confidence remains fragile despite record low interest rates and an improving residential property market.

The latest Westpac Melbourne Institute of Consumer Sentiment rose by 1.9% in November from 94.8 in October to 96.6 in November. The report notes that this is an unsurprising but disappointing result. The index is 12.5% below its level of a year ago and there have been nine consecutive months where pessimists have outnumbered optimists.

This is the longest run of pessimists outnumbering optimists since the GFC and before that the recession of the early 1990s.

The report notes that the prospects for Christmas are not encouraging.

So, once again, we report mixed messages.

On one hand, quality investments are in demand and selling well. On the other hand, retailers are doing it tough in the face of weak consumer confidence.

Sounds like more of the same to us.

Happy Christmas.

Rockhampton
The retail sector in Rockhampton remained relatively flat throughout 2014, with vacancies for retail remaining stable for space in both the CBD and inner north areas. Some tenancies that remained vacant for extended periods have since been leased, with owners meeting the market with increased incentives

and slightly lower rental levels on some occasions.

Generally, rental levels have remained stable throughout the year, however incentives have increased and it is becoming more common for rent free periods of up to six months in new lease negotiations. There is reduced demand for larger and older tenancies as well as tenancies located away from main retail precincts. Rentals within fully occupied retail centres in high exposure localities, and centres with strong ASX listed anchor tenants have generally been achieving retails of between $450 square metres and $600 square metres gross per annum.

Investors appear to have remained active with good enquiry for well presented retail centres providing good tenant profile and mix, as well as strong WALEs

or unexpired lease terms. However, there have been few significant retail investment sales during the year to test this market. The most significant retail sale in 2014 is the sale of an IGA anchored centre located in Emu Park which had significant vacancies associated with the specialty tenants. This was a distressed sale at a price of $7.1 million which we have analysed to a market yield of 10.16%.

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 the lease, current vacancies and general investor sentiment.

The end of 2014 will see the opening of the ground floor retail accommodation of the Empire apartments. This will provide 952 square metres of restaurant space to this precinct.

Mackay

The Mackay city centre traditionally undertook the major retail role however retailing 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 with the last major shift of retail occurring during the most recent Canelands expansion in late 2011. CBD retail stores have largely been taken up by commercial office space although some retail shops remain. The area has also taken on more of an entertainment and dining precinct.

The Mackay Regional Council has embarked 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 and restaurants and new franchise juice bars and dessert stores. In addition to this, 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.

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 has been limited interest from investors. 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 cashflow.

On a positive note, Bunnings has completed construction of a new warehouse in Paget, to the south of the CBD, and will complete construction of a new warehouse in Richmond, north of the CBD, by early 2015. The downside to this is that Bunnings will reportedly vacate its existing Greenfields store, which will result in an increase in supply of vacant bulky goods retail floor space.

Gladstone

There has been little activity in the local retail market in Gladstone over the past few years. Rents have remained fairly stable and there have been very limited transactions.

> Yields softened slightly over the course of 2013 and early 2014 and vacancies remain relatively low.

A notable transaction that occurred in 2014 was the sale of the Calliope Central Shopping Centre. The centre commenced trading in 2007 and comprises a Supa IGA tenancy of 1,526 square metres and 12 specialty tenants totalling 1,387 square metres. The sale price was $11,500,000 and reflected a passing yield of 8.27% and an analysed yield of 9.08%. There was minimal vacancy at the time of sale however there was some balance land available for further development.

Hervey Bay

The main event in the retail space over the past year was the 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 1,681 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 has remained relatively flat. Vacancies have increased slightly as tenancies run out leases and relocate into Stockland. If vacancies outside of the main centres increase further, asking rates in the secondary locations could begin to fall. Asking rates between $200 and $350 per square metre with leasing incentives and rent free periods continue to be common. This indicates that lessors remain willing to negotiate to lease a premises. Yields are difficult to track with only one sale in the quarter of a convenience centre in Tinana, Maryborough reflecting an analysed yield of 8.94% at a sale price of $1.8 million.

Townsville

Over 2014 the retail sector forged ahead with new developments across the Townsville area, however sales activity remained low with a few transactions taking place predominantly in the strip (secondary) retail market and fast food facilities.

The CBD has seen a number of new retail tenancies take up occupation in Flinders Street along with the opening of City Lane and City Arcade. The developer Lancini Group has recently purchased another CBD property close to the City Lane / City Arcade development with plans to demolish the existing building and construct an interconnecting retail hub between City Lane, City Arcade and this new building. A new 780 seat cinema and restaurant complex in the Honeycombes Central Village has also been constructed.

A number of other retail expansions is occurring including a new McDonalds restaurant within a new mixed use development in the CBD, makeover of the Cowboys Leagues Club in the CBD, expansion of the North Ward Shopping Village to accommodate a Coles supermarket, expansion of the Fairfield Waters Shopping Centre to cater for a new Kmart store, a new bulky goods and homemaker land estate to open at Fairfield Waters and potential for a second stage within North Shore.

The market remains price and yield driven with the sub $2 million market the most active. Properties with strong anchors are reflecting yields in the 8% to 9.5% range with sale volumes remaining low. Rental rates over the year have continued to see landlords meeting the market by way of strong incentives and inducements rather then any changes to face rents.

The retail landscape continued to evolve over 2014 and some positive headway was made in bringing retail back to the CBD with the addition of new developments and concepts, however there remains plenty of supply available both for lease and sale across the market.

Cairns

The Cairns retail market had 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 perceive the Cairns retail market to have passed through the bottom of the cycle during the course of this year, the limited recovery so far means that the retail property market remains relatively flat. 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 passed bottom.

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 which rarely come onto the market.

Northern Territory

Darwin

The Darwin retail sector struggled through 2014 in much the same shape as at the start of the year. However some important events may signal a shift in the focus of retail in the Greater Darwin area in the coming years.

In the CBD the sale of the old Woolworths site at the corner of Knuckey and Smith Streets to a local developer will have an important bearing on the future of CBD retail. This 3,800 sqm property has lain idle for some years and is prominently located opposite The Mall. It is the logical site to develop a major attractor for the CBD. To date there have been no public proposals for its redevelopment which may or may not include retail, commercial and/or residential components. The recent decision by the NT Government to scrap building height restrictions in the CBD (subject to aircraft safety issues) may also be a factor in the redevelopment of the site.

The demographic centre of Greater Darwin is inexorably shifting to the south-east: mainly because there is no other direction it can go.

The historic centre of Darwin retail - Casuarina Square - is located in the northern suburbs and its dominance will come under threat with this population trend. There is considerable competition at the bigger end of town to service the needs of the south-east corridor, which includes Palmerston and the Rural area. Coolalinga is off to a head start and for anyone who has not ventured down the track at all recently it is worth taking a drive to see just how that centre has grown and will continue to grow over the next few years. The existing Woolworths centre on the western side of the highway will be complemented by a Coles/Kmart complex on the eastern side and there is already a bulky goods type development, a service station and the inevitable McDonalds in place.

On the way back, check out the Gateway site just before the flyover at the Stuart Highway exit. Earthworks are well advanced on construction of the new regional shopping centre there, which is going to put considerable pressure on trading conditions in the existing Palmerston CBD. Neighbourhood shopping centres are also under development in the Palmerston East suburbs of Rosebery and Bellamack to service the burgeoning population in those suburbs.

All these developments will change the structure of retail in Darwin, bringing it closer to the population in the newer growth areas of the city and creating a greater level of competition, especially in terms of larger shopping malls, than there has been in the past. Of course, owners of existing properties such as Casuarina Square will continue to re-invent their investments so that their trading levels are maintained as well.

We wish everyone a happy Christmas and look forward to a prosperous 2015.

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. There is an increasing trend towards tenants on short term leases, holding over and pop-up style shops.

The biggest demand for space came from entertainment or food related retailers. Over the course of 2012 and 2013, 19,000 square metres of retail accommodation was added within the Perth CBD retail precinct in the developments at Raine Square, Brookfield Place, Fairlanes and Queens Riverside. There is currently no new retail space under construction in the Perth CBD, however a number of areas are undergoing redevelopment, including 2,264 square metres at Carillon City and 2,930 square metres at Trinity Arcade, as well as the Treasury Building which has just over 1,500 square metres of pre-committed retail (mainly hospitality related). Multinational retailer H & M is rumoured to be in negotiations for space in the Hay Street Mall. If this is true, they will join Top Shop and Zara and will take up space adjacent to Top Shop on the Murray Street Mall.

The City of Perth Council has also initiated a new project, City Laneways Enhancement, which is a long term plan to revitalise laneways in the city. This is a directive of the "Forgotten Spaces – Revitalising Perth's Laneways" strategy which has been adopted by Council. Overall this project aims to encourage greater use of these valuable inner city spaces, stimulate commercial interest and reinvigorate the atmosphere. It also follows the successful enhancement of Wolf Lane several years ago. To revitalise these spaces, local artists will be engaged to create murals and other artwork. The only negative is the increased proliferation of small bars and cafes which drives up competition, thus increasing failure rates.

Perth City Link Project is a $2 billion project expected to deliver boutique office, retail and residential space to the Perth CBD market by 2016. Around 24,000 square metres of retail, hospitality and commercial floor space will be added to the market as part of this mixed use development. Three new precincts will be developed including Horseshoe Bridge Plaza, King-Lake Street and The Arena. This project is expected to form an important link between the city's main retail hub and Northbridge's entertainment, food and nightlife environment. Construction is well underway, with the towers in the Kings Square sector due for completion by late 2015.

Total retail vacancy in the Perth CBD area has remained largely unchanged in the 12 months to July 2014, decreasing only 0.4 basis points to 12.9%. There was a large increase in vacancy in King Street

which jumped 11.4% over the year to 18.2%. This is largely due to the excessively high rents being charged in the precinct which is forcing a number of local retailers to relocate to more affordable locales. A total of eight clothing retailers closed shop in the area in the 12 month period. However this increase was offset by decreases of 3 and 4.2 basis points in CBD malls and CBD arcades, to 3.9% and 13.4% respectively. The decrease in vacancy in both malls and arcades is likely to be due in part to the redevelopment and refurbishment going on around the city.

Most projects are due to be completed by 2015 and this is expected to result in a subsequent reduction in the retail vacancy rate. The decrease in vacancy in malls is also likely to have been affected by a number of stores being removed from the market for refurbishment or redevelopment purposes. Over the 12 months to July 2014, a total of 20 shops in malls were taken offline. The decrease in vacancy in arcades is largely attributable to an increase in both "Services" and "Other" retailing offerings. The "Other" retail areas vacancy levels experienced only a minor adjustment, increasing 0.5 basis points to 14.6% in July. The "Other" retail areas experienced the largest increase in shopfronts over the 12 month period, increasing by 87 stores to a total of 581.

South West WA

The retail sector in the South West 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 and while vacancies are increasing in the Busselton and Dunsborough CBDs, 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 are very few vacancies.

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

Residential

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Overview

There's nothing quite as accurate as those calling Saturday's game on the Monday after – the vision in crystal clear.

Every December we take the chance to give you a rundown on market performance from the previous year, and 2014 is no exception. As always, our offices must also dissect their hit prediction from back in February to see how accurate they were.

Sydney

The Sydney residential market has continued to be extremely strong over the past 12 months. Amazingly we have seen prices go from strength to strength with demand far in excess of supply. Investor activity continues to be rampant, taking advantage of record low interest rates. Let us discuss various price points in the Sydney market and how each has performed over the past 12 months.

Under $1 million

In the past 12 months, Western Sydney has seen consistent growth showing little sign of slowing. Earlier this year we predicted that the sector was to continue to grow with a potential cooling towards the end of the year if interest rates rose. We were half right in this crystal ball prediction - supply is continuing to outstrip demand, driving up prices, but interest rates have not moved and the region has continued to grow with no signs of slowing.

The main drivers for growth this year have been low interest rates, limited stock and high demand. The tell-tale signs of a strong market are long lines at open homes and people camping out to secure land in new land releases around the Sydney fringes from Camden to The Ponds in Blacktown.

We alerted readers to areas such as Seven Hills and South Penrith within the Blacktown and Penrith LGAs for growth as they provided lower entry points with close proximity to services. Seven Hills had seen 24% growth in the 12 months to July 2014 according to Australian Property Monitors (APM).

We touched on suburbs such as North Rocks, Cherrybrook and Castle Hill with house prices between $700,000 to $1 million representing good buying. APM notes that these suburbs have increased 27%, 19% and 21% respectively in the 12 months to July 2014 with no signs of slowing in the second half of the year. These suburbs have continued their growth as demand has not slowed for areas with good fundamentals.

First home buyers can still purchase a new family sized 4-bedroom 2-bathroom home for less than $600,000 but they will have to look to the outskirts of Sydney in the Camden LGA suburbs or in Oran Park, Gregory Hills or Leppington. The construction of the second airport at Badgerys Creek, the south west railway and surrounding employment and

commercial hubs will continue to drive demand for this area. The supply of land is controlled by developers and they will continue to monitor supply and demand to ensure the continued success of their estates.

$750,000 to $1.5 million

Most areas have experienced between 10% to 15% growth in the past 12 months with most properties under $2 million moving ahead in leaps and bounds.

Simple supply and demand issues have been the major driver in this price bracket. Selling agents from all across metropolitan Sydney have the same complaint of lack of supply while demand is at an all-time high. Major contributors to this demand are continued record low interest rates and increased competition from overseas buyers and investors.

Investors are now making up a record percentage of buyers, especially in this price bracket, leaving many first-time home buyers and owner occupiers completely priced out of the market.

City fringe suburbs such as Botany, Alexandria and Hillsdale, which were previously industry based are now undergoing urban renewal projects capitalising on zoning changes from industrial use to high density residential. This follows in the footsteps of Waterloo and Zetland which underwent transformations in the past ten years and continue to do so. With proximity to city and improved infrastructure projects, these communities are adding to the much needed supply in the right localities for the high demand from overseas buyers, investors and first time buyers. Inevitably this is putting upward pressure on prices of existing units and dwellings up to and including the $2 million price range.

Over $3 Million

In general terms, the Sydney prestige residential market has been considered a buyer's market since the impact of the GFC was felt in late 2008.

Market conditions and value levels weakened significantly for higher value property throughout the general prestige residential market from 2008 onwards due primarily to the impact on economic and financial instability.

Over the past 12 months, the prestige market has shown very early signs of market recovery.

We have recently noted a limited increase in both buyer interest and transaction activity through higher values in the prestige residential market.

Confidence in the prestige market is slowly re-emerging, with moderate signs of a market recovery.

Recently, forces including a fluctuating equities market, continuing instability in global economic conditions, low levels of business and consumer confidence and overall business conditions continued to foreshadow prolonged weakness in prestige residential market performance.

During 2014, uncertainty surrounding the impact of the Federal Budget appeared to stall the prestige market, though market conditions in this sector appear to have commenced a recovery.

While traditional prestige residential localities across the Sydney metropolitan area showed an increase in transaction activity during mid to late 2013 and into 2014, we would consider this is reflective of a general perception that the bottom of this market has been reached, combined with improvements in the share market, the implementation of the Significant Investor Visa and cheaper Australian dollar.

While we note the official cash interest rate was reduced to a new record low of 2.5% in August 2013, we consider interest movements have reduced impact on prestige residential market performance.

Specifically, market conditions for higher value prestige apartments throughout the Sydney CBD, inner east and eastern suburbs, and Lower North Shore areas has remained relatively weak and thinly traded since the impact of the GFC was felt in late 2008.

Demand for premium apartments is largely driven by overseas buyers, and empty nesters seeking to downsize from the family home.

With recent weakness in the prestige dwelling market, these empty nesters have been unable to secure a premium price for their existing homes resulting in reduced demand in the prestige apartment market.

Over the past six to eight months, the market for prestige dwellings has shown early signs of recovery, with increased sales activity, and selling agents indicating ongoing strengthening in demand. Combined with the impact of the weakening Australian dollar, there appears to be early signs of flow-through market strengthening into the prestige apartment market.

Canberra

Throughout 2014, the market has continued to trend at a steady pace. Relatively low interest rates remain as a key driver.

Land supply throughout 2014 has remained strong with land releases in Molonglo Valley in Woden and Weston and Moncrief, Lawson, One Tree Hill and Spring Bank Rise in Canberra's north. This new supply has been met with stable demand, with many buyers tending towards constructing new dwellings with high quality inclusions. Choosing the new housing option gives buyers options and choice at a relatively affordable price point. Within the established housing market, recent strong activity in the sub $750,000 sector has been noted with well located properties providing modern accommodation being sought after.

Traditionally spring provides some uplift to the residential market with strong activity occurring before the end of the year. The recent local government announcement to offer a buy back scheme to ACT home owners affected by Mr Fluffy Insulation is expected to increase demand in the short term with additional purchasers and renters likely to enter the market.

Overall 2014 has been a year of stability in particular market segments, however, the unit market is feeling some effects brought on by strong supply levels. The Canberra residential market is complex with many factors interacting to affect demand, supply and ultimately price.

At this stage we expect some improvement in the overall market with most demand to occur for housing in the lower to mid price brackets and stable conditions at the higher price levels. Volatility in prices will continue in various markets as sellers and buyers readjust to conditions.

Illawarra

The Illawarra property market has exceeded all expectations over the course of 2014 with the boom market conditions continuing throughout the entire year. We have seen the property market strengthen continually as the year has progressed. Generally speaking, a property purchased at the start of the year should be worth at least 10% more by the end of year 2014. Low interest rates coupled with a limited supply of properties on the market have combined to achieve some record house and unit prices across the Illawarra region. Local agents have advised that the 2014 year has been the strongest performing year since late 2003, early 2004.

As alluded to earlier, one of the main drivers for the Illawarra property market experiencing the current seller's market conditions is the current near record low interest rates. Major banks are offering five year fixed loans at less than 5%. These low interest rates benefit both the investor and first home buyer, resulting in some fierce competition for properties. Agents have noted that many properties during the 2014 year sold well above asking prices with strong bidding taking place at most auctions. Valuers have also noted that properties are selling at the upper end of market parameters. The region is increasingly coming onto traditional Sydney buyers' radars with the median prices being more realistically affordable to many people.

There have been many highs during the year that highlight the strong market activity in the Illawarra region. 2 Norman Street Mangerton sold at auction for $3.6 million in May. Developers of vacant land sales in the new estates of Brooks Reach Horsley, Seacreast Estate Flinders and Shell Cove have also noted that their sales activity has been strong and selling at asking prices. This is also the case with new unit developments with many selling for the asking price off the plan. The Vantage complex in Gladstone Avenue Wollongong has sold all four towers.

At the start of the year we predicted that the market would continue to strengthen however would show

signs of slowing during the latter stages of the year. This has not occurred. The market has not slowed. If anything we are seeing increasing demand for properties and strong sale activity. We expect the normal Christmas and New Year slow down and eagerly wait to see how the market returns in 2015.

Southern Highlands

After several subdued years, the Southern Highlands and Wollondilly residential property markets have improved. The market under $1,000,000 is performing very well. We have seen steady increases throughout 2014. The market over $1,000,000 has also started to improve in the past several months. This trend is apparent across all of the towns and villages in the Southern Highlands region. From our February issue, our predictions for 2014 have eventuated.

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

New construction is mainly in the establishing new subdivisions such as Renwick-Mittagong and on the outskirts of Bowral and Moss Vale. There has also been an increase in investor activity throughout 2014.

The prestige and upper end of the market steadied in 2014 and is just starting to improve.

Southern Tablelands

At the beginning of 2014 the residential property market in the regional city of Goulburn improved slightly and for the majority of the year, has been steady. From our predictions earlier in the year, we were more optimistic, that the market would continue to increase as the Highlands has. However the market steadied. Crookwell has been steady, with a slightly increased buyer enquiry rate. The rural residential property market has also been steady.

Over the past several years, there has been an increasing level of Canberra commuter activity in Goulburn. As the Canberra market saw a reduction in pricing and rental levels, many of the Canberra buyers and commuters have returned to Canberra. 2014 saw a lift in Sydney investor activity in Goulburn that replaced the Canberra commuter influence. This has assisted the market in the region to remain steady.

Newcastle

Earlier this year we provided our predictions on what would become of the 2014 property market. How did we go? Well, we eventually listed our crystal ball on eBay however were discouraged to find that nobody was bidding. What does that say? Perhaps that you don't need a crystal ball to see what would happen this year (although we should have predicted the no-sale with the very crystal ball we were trying to sell).

Interest rates remained on hold throughout the year, and this was expected as the RBA gave no indication that there would be a rate rise in the short to medium term.

If you have been following our column this year, you will note that the mining sector in the Hunter region has not improved which has had a detrimental effect on property values and rentals throughout the Maitland, Cessnock and Singleton LGAs. With the Hunter Expressway also completed in March, the demand for property in these areas has further decreased as many properties rapidly became vacant due to the bypass workers finishing up. This has put an increase in pressure on the investment market in these areas, with rents dropping a further $40 to $50 per week. This is in addition to a decrease of up to $70 per week during 2013.

There was a bit of uncertainty earlier this year as to what 2014 would hold for the Newcastle property market, given that 2013 was such a strong year. Many nay-sayers said that the heated market will be short lived, although others felt that there were noticeable signs for continued growth. Earlier this year our prediction for 2014 was that we would see some consolidation throughout this period. Were we right? Well we don't want to say yes, but... yes. We have seen the high levels of demand and low levels of stock of 2013 continue throughout this year, causing values to maintain their peak. The new housing sector in particular has continued strongly throughout the year, with Fletcher being the dominant location for new constructions.

Low to medium priced properties, both houses and units, have achieved strong growth throughout the year, particularly in and around the Newcastle CBD, with suburbs like Adamstown, Hamilton and Merewether all being strong performers. According to RP Data, the median sale price for houses in Adamstown was $455,000 in January 2013 and $542,250 in January 2014. This increase was noticeably consistent throughout the rest of 2014.

At the upper end of the property market, high-value properties (over $1 million) have also had their moment, although only two residential sales above $3 million were recorded in Newcastle, the highest being $3.5 million in Merewether which occurred in March.

Overall, property in Newcastle performed well in 2014 at all levels of the residential spectrum. Tune in early next year for our predictions for 2015.

NSW Mid North Coast

This month we are looking back at our February 2014 predictions for the residential property market for the Mid North Coast.

At that time we noted that both values and sale rates were starting to increase. We are pleased to say that trend has continued throughout 2014, with the larger coastal towns throughout the region all having rising demand and values through most market segments in varying degrees. Recently there has been an increase in demand and a lack of listings or stock available in the lower to mid segments of the market. This has caused values to rise in these segments as competing purchasers drive values up.

However, the higher value, prestige and rural property markets in the region have all continued to remain slow throughout the year. A combination of an oversupply of product available for sale and limited demand have combined to produce generally static values.

In February 2014 we also noted that the investor market was heating up and we can now advise that this has been correct, especially in the lower value segments for houses and units. As noted last month, this has been especially evident in Port Macquarie, as the road workers for the Port Macquarie to Kempsey Pacific Highway Upgrade arrive in town. The ensuing rental shortage and rapidly increasing rents have increased investor yields which has had investors snapping up as many low to mid value houses and units as possible to take advantage of this.

We also noted that the low interest rates have helped fuel the residential market across the Mid North Coast and these record low rates have continued throughout 2014, which has in turn continued to fuel the low to medium sectors of the property market.

So, to summarise, in February we were optimistic that 2014 would be a better year for residential property than the preceding years and we are happy to say that this has been the case over a large segment of the market.

Hopefully it will continue well into 2015.

Finally, to all our clients and readers of the Month in Review, we wish you all a very merry Christmas and a prosperous 2015, from all of us at Herron Todd White on the Mid North Coast.

Bathurst / Orange

2014 saw a continued increase in the stock of new dwellings in both Bathurst and Orange. Sales of new dwellings maintained strong prices. Sale prices for vacant land in Bathurst saw new highs even as the supply of new land releases in Kelso continued.

With interest rates remaining unchanged and no significant corrections occurring in Sydney, there has been a steady continuance, particularly in Bathurst and surrounding areas. Over the colder months Lithgow became a little dormant in terms of activity, however evidence suggests that the recent warmer weather has brought out a mini rush of buyers. Orange has seen a little more of a bumpy ride.

In Orange new properties have maintained solid sale prices, however the tide that raised a lot of properties of lesser quality has receded and rents and values for these properties have returned, a situation similar to that three to four years ago. For example a fibro 3-bedroom cottage that may have been earning $300 a week rent is more likely to be about $220 these days. The previous high demand, most notably from the mining sector, masked the deficiencies of such properties.

Given the reduced demand over 2014, investors have been withdrawing from the market which has seen the beginnings of a mild snowball effect in some sectors.

Quality, well located properties continue to do well and, like Lithgow, the warmer weather at the end of the year has seen some increased activity.

There have been other developments in the region significant for the local market, or more accurately a case of what has not happened in 2014.

The expected new Local Environment Plan has yet to surface. No news as to when that might happen.

There was no news in 2014 regarding when the majority of the population will be connected to the NBN, but we've got along fine with ADSL.

And there were no water restrictions in the area over 2014 as rain, while patchy, seemed to come just as it was needed. There were no major indications of any returns to drought conditions. Merry Christmas and a happy new year to all.

Victoria

Melbourne

The year 2014 has been red hot in the residential sector of Melbourne. When comparing median house prices from those of 2013, the results are as expected, jumping a staggering $91,000 in the median housing price, with an annual growth of 16.34% for the year to date (REIV). Although the Melbourne market is considered second only to Sydney in terms of price growth, the results have shaped a well-supported and firming market.

When discussing the hot spots of Melbourne for the current year there is no doubt the inner east takes the cake. Using the prestigious suburb of Hawthorn East as an example, the median house price of the suburb is sitting at $1.49 million with only 49% of properties in the area being single residential dwellings (APM). The demand is just as high as the

prices with 83.3% of properties being cleared at auction. Closely following this year was Balwyn North with a medium house price of $1.35 million, an annual increase of 27%, reflecting the competitiveness of the area. This area is very popular with the Chinese community with its emphasis on one of the top performing state high schools, Balwyn High. The eastern freeway allows for easy access in and out of the city further placing emphasis on the supremacy of the inner east.

Although the inner east has been dominating the residential market this year, there has been major interest in the inner north attracting many developers and investors. With the infrastructure surrounding the universities, the area is becoming a hot spot for students and young renters. Northcote is the prime example of such a trend, with 38% of people living in the suburb aged between 20 and 39. High density areas do however have the potential for supply to be above demand, as seen in Melbourne's CBD.

In the outer suburbs such as the outer eastern suburb of Forest Hill, the price of housing is also increasing. Forest Hill has also had a phenomenal 87.6% auction clearing rate causing the area to be a hit for both young first home buyers and the older retirees. Forrest Hill and surrounding suburbs are becoming more and more accessible. As the Melbourne population increases, so too does the rural urban fringe and such suburbs are becoming further developed and are changing rapidly into higher density areas, with a resulting greater need for infrastructure.

In the north west of the city, developments are going up left right and centre. This area is a massive hot spot for developers as the land is still relatively cheap. In Greenvale, the Providence and Orchards and Gardens developments have set the trend. This has then spread further into Craigieburn which has seen vast developments by Aston and Stockland. Covering masses of land we are seeing a change in the area and the need for more infrastructure will continue.

One of the major issues on the economic side of property is the inability of first home buyers to afford property or obtain loans. Due to Melbourne's real estate becoming increasingly expensive and somewhat unaffordable, first and young home buyers are being forced to either rent or buy much further out than desired. This is an issue that has been highlighted this year with many of the inner city properties being competitively purchased by private investors or developers, causing more money to be brought to auction and thus very much pushing housing prices up.

Ballarat

The residential market has performed reasonably well in the Ballarat area over the past 12 months.

Riding on the back of a very strong year in the Melbourne market, Ballarat has shown a similar style of growth, if at a lesser level overall.

The Ballarat market is split into four distinct sections outlined below.

The A grade inner ring properties are dwellings within three kilometres of the CBD. These properties, usually Victorian or period style, are found in suburbs such as Ballarat Central, Lake Wendouree, Soldiers Hill and the northern section of Newington. These properties have performed the strongest over the past 12 months with agents' reports and sales analysis indicating growth from 4% to 7%. This is due to the scarcity of these dwellings and the perennial demand for well located period property.

The A grade middle ring properties are those in fashionable areas within three to five kilometres of the CBD. These areas include Insignia Estate in Alfredton, Lake Gardens and Newington. These areas predominantly contain modern dwellings built in the past three to five years. This section of the market has been less buoyant over the past 12 months due to the greater supply of land in the areas and its susceptibility to fluctuations in construction costs. This section of the market has shown limited growth from 1% to 3%.

The B grade middle ring properties are in the less fashionable areas within three to five kilometres of the CBD. These areas include Lucas, Alfredton, Delacombe and Sebastopol. These areas predominantly contain modern dwellings built in the past five years. This section of the market has shown little growth over the past 12 months due to the supply of land significantly outstripping demand. The market is assisted by investors who purchase in these areas for the rental return. While this is sustainable at present, if demand for rental properties in the area falls or the laws surrounding investment property ownership change, the market could potentially be flooded with B grade rental property, causing significant depreciation to this asset class.

Rural Residential Properties. These are properties from one to ten hectares in size within 15 to 20 minutes drive of the CBD. The results of this section of the market are notoriously fickle. However we have noticed that areas to the south and east of Ballarat have performed better than those to the west. This is due to the proximity to Melbourne and the ability of the owner to commute to the capital or even Geelong. Additionally properties with a pleasant outlook or views attract good interest. The better performing areas in this section have been Buninyong, Gordon, Lal Lal and Bungaree. Some lesser performing areas have been Haddon, Snake Valley and Smythesdale.

The big surprise in this area has been the apparent success of the Insignia Estate. This is a residential estate around four kilometres of the CBD, close to the golf course and Lake Wendouree. Blocks within the estate of around 600 square metres with no views to the golf course were selling throughout last year at $280,000.

Many market participants felt this price was very strong and was due to the heavy marketing of the land and excitement about the estate which would prove difficult to maintain.

However the past 12 months have shown that the sale prices of the blocks have not dropped off but have been sustained and shown growth in some cases largely due to good management of the estate which has created confidence in the developer and the success of the end product.

Horsham

The Horsham residential property market started the year with great confidence. Strong prices were being paid by many and well presented houses were selling after limited marketing. Prices were set to improve significantly with auctions realising prices sometimes well above reserve. This market heat continued through the first half of the year on the back of confidence in the surrounding farming region that had a great start to the season. This first six months saw a 3% to 4% increase in Horsham's median house price with most of this stock being in the $150,000 to $250,000 price range.

The turn of the new tax year followed by below average rainfall put the brakes on local buyers' confidence with far lower volumes of sales in the second half of the year and fewer sales of properties over $300,000 which caused a significant drop in the year's overall capital growth statistics. Values have since levelled out with buyers now more cautious and bidding more reserved. The residential market is expected to remain relatively static in the short term.

Mildura

During 2014 we have seen greater buyer activity and rising sale prices, however this improved demand has been most noticeable in the median price point. Both the lower and higher value segments have remained subdued.

Both owner occupiers and investors in Mildura seem to be drawn to homes in good condition with 3- or 4-bedrooms. Prices for this type of home, which are typically in the range of $200,000 to $400,000, appear to have increased by around 5% to 10% during the past year. This improvement is not surprising and follows an extended period of relatively stagnant conditions. Buyers appear to have responded to a combination of low interest rates and greater confidence in Mildura's economic outlook.

Demand for homes in poor condition, of small size or inferior position has been mostly stagnant. The price generally falls in the sub $200,000 bracket and buyers appear to have chosen to overlook this segment.

We have seen no discernible increase in demand for prestige homes. These homes are typically of above average size, often have frontage to or views over the Murray River and an above average level of appointments. Those sales which have occurred have tended to show no increase over previous levels. We seem to be a long way off seeing any records broken.

One of our predictions at the start of the year was that due to low subdivision activity in 2012 and 2013 there would be an increase in value for serviced lots and this seems to have eventuated. We have seen comparatively strong prices paid for lots in both residential subdivisions (lot sizes typically from 600 square metres to 800 square metres) and in rural residential subdivisions (lot sizes of 4,000 square metres).

Gippsland and Latrobe Valley

We didn't give any predictions in February, so instead we will look at the trade up market in this area.

The low to medium priced sector within the Gippsland and Latrobe Valley regions has seen an increase in sales activity throughout the year. However, although the number of transactions has increased, values have remained steady. Latrobe Valley has seen the largest levels of activity throughout August to December especially.

Examples of trading up in these areas include:

1. First home buyers in the $150,000 to $200,000 bracket now seeking family homes in the $250,000 to $300,000 bracket, generally 1980s to 1990s brick veneer found in the older areas of town.
2. Owner-occupiers seeking second investment properties have also been attributed to the above price groups.
3. Beach area prices in East and West Gippsland have softened in price and are now considered more affordable as a second home or upgrade.

Baw Baw Shire

Within the Baw Baw Shire over the past 12 months there have been two main forms of trading up. Firstly the second home buyer seeking a newer, larger, better equipped home on a residential allotment. The second type is the move out of town buyer, who is looking to occupy the acre block on the edge of town or to the larger outlying rural property.

The market has remained stable throughout the year with prices in the $350,000 to $400,000 price range up to the $1 million plus rural residential market.

Vacant land appeared to have a slight increase towards the end of 2014, but on closer inspection it was revealed that rebates and incentives were being applied by developers, as this wasn't showing on contracts of sale for the land and it was almost undetectable.

House prices in the area have remained fairly stable, but the sales seem to be increasing slightly, which would indicate consumer confidence.

The number of building permits for construction of new dwellings is around the same as at the same time in 2013.

Overall, 2014 in the Baw Baw Shire (West Gippsland) residential area was relatively stable.

East Gippsland

Like the Latrobe Valley, East Gippsland has experienced increases in sales activity throughout 2014. Some months throughout the year have been stronger than others, however prices have remained steady overall. The markets within Sale and Maffra have strengthened throughout the year. This could be attributed to increased employment relating to construction of the Longford Gas Conditioning Plant and the refurbishment of the East Sale RAAF Base.

A number of recent residential subdivisions has seen increased house and land packages being acquired, such as Shannon Waters Estate on the western fringe of Bairnsdale. Second home buyers in East Gippsland are moving from entry level properties to purchase land and building of new houses in the low $300,000 range.

The preference for rural residential properties has also increased in areas such as Nicholson, Wy Yung and Eastwood.

Queensland

Brisbane

At the start of 2014 there were property participants salivating at the thought of Brisbane's future. We'd been watching the hot, hot, hot run begin in Sydney through the end of 2013, and everyone believed it was Brisbane's time to shine – affordable real estate, great weather and coming off a low base.

There were plenty of signs from on the ground too. Agents were feeling the love with multiple open-home lookers and more than a few auction results that were pleasantly surprising for the vendors.

We decided to point towards the blue-chip locations when making our picks for 2014. Stay within coo-ee of the CBD and buy house and land if you can. It's fair to say these thoughts proved true to form.

Another pick from our office is that you shouldn't expect to see across-the-board runaway growth – in fact our team said about 5% for the year would be handy. Well guess what – our city saw somewhere around 6% overall, so don't we feel like clever clogs!

Low interest rates continued to bolster investor activity and returns, particularly in built up areas where supply was limited.

As for markets to be cautious of, we were continuing to shy away from areas beyond the 20 kilometre radius. These suburbs really do need a super-hot market in the city to start radiating out, so any calls of growth in 2014 would have been premature and, once again, we were pretty much on the mark.

Rural residential was another market to be tentative of. It's always a sector that's hard to move when things aren't steaming along. Demand remained fickle with long sale periods and broad price negotiations.

We said trade-up property within 10 kilometres of the city would be worth the investment and this market certainly didn't disappoint. Buyers opened their purse strings a little when it came to homes priced between $1 million and $2 million in the magic 10 kilometre radius. Even if you didn't see outrageous fortune, your purchase certainly looked a little more savvy 12 months down the track. We also said that if this figure was beyond your available dollars, then putting yourself 10 kilometres to 20 kilometres from the city was your best shot. You would have seen a couple of percentage point gains in value in most cases – hopefully there'll be more to come.

We were also liking renovation stock and as long as you paid market value and kept the upgrades on budget, you probably did just fine with these properties when close to town.

We predicted the new Cityplan would bring about a rush on development and that came to pass as well. Sites are now pricing up and some developers are paying a premium for them, so good on those that managed to jag something and gain approval very early in the year.

Finally, let me quote you from our February edition directly.

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

We may have been wrong about Obama's dining habits, but pretty much nailed it on all other fronts.

While valuers often claim not to have a crystal ball that allows us to see into the future, we in the Brisbane residential office feel we've come pretty close to scoring 100% on our predictions for 2014. Bet you can't wait to see what we say for 2015 in the February issue of Month In Review.

Merry Christmas and Happy New Year to all.

Toowoomba

2014 has seen the strongest residential property market performance for Toowoomba since the GFC. The property market has experienced a continuation of the upswing demonstrated in 2013. Sale prices and volumes have reflected consistent growth in nearly all sectors of the residential market and development activity remains at high levels.

While nearly all suburbs and property types have reported positive capital growth over the past 12 months, albeit to different extents, it is the sub $400,000 price bracket that remains the most active. This is due to its relative affordability and broad appeal to first home buyers, renovators and absentee investors alike.

New house and unit development on small lots of less than 400 square metres has intensified in suburbs such as Glenvale and Kearneys Spring and remains driven by absentee investors. Despite being an untested product in the traditional Toowoomba market and rising speculation about the possibility of an oversupply, development activity remains stable as the quantity of stock entering the market is being taken up by the level of demand and vacancy rates remain at below 2%.

Prior to 30 June 2014, the increase in new unit development was undoubtedly encouraged by the discounted infrastructure charges associated with the Temporary Urban Consolidation Incentives Policy implemented by the Toowoomba Regional Council to stimulate medium density development in existing urban centres.

Also demonstrating a positive trend is the prestige market, despite being the last residential sector to show signs of an upswing, three sales in excess of $2 million were executed in 2014.

There has been a slowing in the Chinchilla and Miles markets as an influx of supply has stymied growth. This is a result of reduced mining activity as many projects move from the construction phase to the operational phase and the non resident workforce is reduced. As such, rental vacancies have risen to circa 19% in Chinchilla and 25% in Miles which has given rise to concerns for investors.

In 2014, the Toowoomba property market has performed in line with expectations and is likely to continue recording a period of positive growth in all sectors into the near future.

Gold Coast

Overall, 2014 has been a good year for residential property on the Gold Coast when compared with the previous few years. 2014 has been a year of property recovery, at least in part, across most market sub groups.

The year started strongly with many local real estate agents reporting low listing stock and increased buyer demand putting upward pressure on values.

The sub $500,000 price bracket for both houses and units was the hottest market on the Gold Coast in 2014 with a significant increase in both first home buyers and investors, buoyed by record low interest rates and property prices coming off a low price base. Generally, we have seen an increase in value levels from 5% to 15% in this price range.

Over $1.5 million, the sales volume is on par with what we saw in 2013. This is in contrast to the volume of sales for property between $1 million and $1.5 million which has increased 16% for the same period.

> Strong buyer interest and sales activity is being generated in the existing waterfront and beachside housing markets.

The year has also seen the near sell out of Soul in Surfers Paradise and Oracle at Broadbeach resulting in a significant reduction of stock levels of new highrise units.

New or near new houses are achieving a premium over older style houses especially if the property ticks all the buyer's boxes.

The prestige market is slowly improving with buyers still being fairly fickle.

We have also seen a return of the interstate buyers, mainly from Sydney and Melbourne and a growing influence at the higher end from Chinese investors.

A brief summary of our local areas:

Northern Gold Coast: Overall, residential real estate in the northern corridor between the Gold Coast and Brisbane performed well throughout 2014. Following on from a positive end to 2013, interest has remained strong throughout the year with sales agents complaining of a lack of stock, which has in turn caused values to steadily increase.

Suburbs such as Pimpama, Ormeau Hills and Coomera have fared best throughout the year with the addition of infrastructure such as local shopping centres and schools making them popular for both investors and owner occupiers. New and developing estates in these suburbs have enjoyed high levels of demand for vacant residential allotments.

The most popular property type in the northern corridor is still the 4-bedroom, 2-bathroom house with a double car garage. Values have increased roughly 10% for this property type. This is in line with the predictions of February's Month in Review, so it looks like we got it right!

There are still issues with new product, particularly townhouse units, being sold at prices in excess of market value. However, this can be attributed to sales to investors of properties sight unseen and is not reflective of how the local market is tracking.

Central Gold Coast

Throughout 2014, the property market in the central suburbs of the Gold Coast ranging from Main Beach to Mermaid Beach and out to Nerang have enjoyed some of the best market conditions experienced in the last few years. We have seen prices increase for well-located dwellings thanks to a lack of supply, low interest rates and positive market sentiment.

Properties purchased around the bottom of the market in late 2012 have seen some significant gains on resale under the current stronger market conditions. The best results have been for residential dwellings with water frontage, located near the beach or presented to a high standard.

Some notable sales are:

31 Allawah Street in Bundall. This property is an entry level 3-bedroom, 2-bathroom dwelling with 1-car garage and pool. The property is a dry block with no water frontage. It originally sold in February 2012 for $425,000 in fair condition, resold in September 2013 for $481,000 in updated condition and more recently it sold in October 2014 for $575,000 in a well presented state.

12 Francis Street in Mermaid Beach. This property is a large, modern, 4-bedroom, 3-bathroom dwelling located in a prestigious beachside locality. It sold in March 2013 for $1,300,000 and more recently resold in March 2014 for $1,450,000.

In relation to waterfront, there was a sale of vacant land at 45 Sir Bruce Small Boulevard in Benowa that transacted in February 2013 for $850,000 and has now resold in June 2014 for $905,000. The block is 930 square metres with a near level build site and has 22 metres frontage to the Nerang River.

In terms of the unit market, confidence has increased however the capital gain has not been as significant when compared to dwellings. Generally, price levels for units are still well below the levels seen during the peak of the market in 2007 and 2008.

The affordable end of the market has been a consistent performer across all suburbs with owner occupiers and investors looking to add to their portfolios. The top end of the market over $1.5 million has seen a modest lift in the number of transactions however market conditions remain relatively tough and we still find that vendors need to be realistic and competitively priced with other prestige areas to achieve a sale.

In the February edition of the Month in Review, we provided a forecast for 2014 and it would appear that we were on the mark predicting bullish market conditions.

The fortunate buyers who bought at the right time, will have seen their assets grow in value.

Southern Gold Coast

Overall, 2014 has been a good year for residential real estate in the Gold Coast's southern areas. Market activity has been quite strong with most properties listed at realistic levels selling quite quickly.

One of the shining lights is Palm Beach. Real estate agents are continually advising of properties selling within days and weeks, not months. Most agents have very limited stock to sell. The housing market, from the cheapest to most expensive, has seen the most improvement this year.

There has been a recent sale at 88 Parnki Parade, for $1.251 million. The house is an older style lowset dwelling situated on a 1,161 square metre lakefront allotment, and with duplex zoning. In total, there have been at least ten sales over $1 million this year in Palm Beach.

At the other end of the scale, 26 Twenty Fourth Avenue, Palm Beach sold this year for $490,000. This is a small, older style, 2-bedroom cottage on a 405 square metre residential choice zoned allotment, with the land value apportionment being $4 million. These cottages were selling for this type of money back in the peak of the market in 2007 and 2008.

On reflection, our February predictions appear to be on the mark, with gradual improvement in market conditions throughout 2014 along with increases in value levels. We can only hope that 2015 is just as strong, if not stronger.

Sunshine Coast

From the solid foundations laid in 2013, the Sunshine Coast property market has continued to improve. Demand generally has improved and sale volumes are up. People seem to be making decisions and doing things, as the continued construction of the Sunshine Coast University Hospital helps confidence. However, when we break down the specific market sectors we start to see some inconsistencies.

The housing market has been strong in the lower value bands. This started at first in the sub $500,000 on the coastal areas and sub $300,000 in the hinterland towns. These value bands and values have started to increase as supply levels decline. The prestige market however continues to be patchy. In the entry end of this market, say up to $1.5 million, activity has been pretty good with some improvement in values. Above this level buyers thin out and are very discerning only wanting a property that suits their needs.

As mentioned in previous Month in Reviews, the land market has improved significantly with developers pre-selling stages in advance. We believe a combination of a shortage in existing housing stock and the general improvement in confidence has been a strong driver. The reduction in lot sizes has allowed the price of land to be reduced significantly which has really helped with the market appeal and affordability. The construction of multi tenanted houses (3-bedroom house with a 1- or 2-bedroom flat) and duplexes continues to be popular with investors however the market depth remains unknown with limited re-sales, especially for the multi tenanted houses.

The unit market, like the prestige housing market, also remains patchy. We have seen an increase in sales volumes, however this is very much area and property specific with units in smaller, near to beach complexes suited to owner occupier or permanent rentals being the best performers. Notwithstanding more sales, median prices have been stagnant at circa $345,000 for the past three years and sales generally are hard to make. Units in larger complexes with high body corporate or operating costs remain hard to sell. New developments remain hard to value in comparison with re-sales.

Rural residential properties also remain patchy as they represent a lifestyle choice to buyers and as such appeal to a select sector of the market which is wholly discerning. Personal preferences, presentation and motivation of both the purchasers and vendors can impact heavily on the ultimate sale price and can result in wider parameters than those experienced for more traditional residential properties. It is still typical to purchase properties below replacement cost.

Rockhampton

On review of the year that has been, the residential market in the Rockhampton region was fortunately mostly predictable with just the odd surprise thrown in.

Rockhampton itself is still experiencing a number of house and land packages in fringe residential localities being marketed aggressively to non local investors. In February, we predicted this would result in higher vacancy rates and lower rental prices. This has come to fruition with a noted increase in the Rockhampton vacancy rates across the board. Our local Herron Todd White Rent Roll Survey has shown vacancy rates jumping from 4.9% in April to 6.2% in May 2014 and rates have been fluctuating between 5% and 6% since that initial sharp increase.

Also earlier in the year we made comment regarding the demand for vacant land within North Rockhampton, with centrally located estates performing quite well. In the later half of 2014 we have seen two relatively high profile estates taken to the market with interest being limited. This has been an unexpected turn in our local market with these estates considered to be reasonably priced and offering a marketable product.

Development of both Empire and Southbank on Victoria is now drawing to a close with demand remaining strong throughout the construction period. Southbank on Victoria has had resales starting to occur with one reported resale showing a 19% increase for a 2-bedroom, 1-bathroom unit since the sale off the plan in late 2012.

The most notable, non predicted aspect of our local market has been the recent decline in sales activity in Rockhampton. This has led to a decline in levels of value in some market sectors. There appears to be a lack of confidence in the market in the past few months, which has been surprising given the consistent low interest rates and the city's relative affordability. Rockhampton has experienced mining associated service industries downsizing the scale of

their operations. As a result, job security is proving to be a concern for owner occupiers, and also for investors because of higher vacancy rates.

Gracemere appears to have stabilised throughout the year with vacancy rates steady between 5% and 6% (down from 10%). Buyer demand is still weak as expected. There has been no change in the local resource market which was the driving force behind the Gracemere boom in 2011 and 2012. The opening of the Gracemere Industrial Area has had no quantifiable impact on the residential market as expected.

The Capricorn Coast market remained largely unchanged from 2013 with existing units, prestige housing and sloping vacant land market sectors being the weak performers on the Coast. Level, easy to build on allotments in new estates have been well received by the market and even pushing prices to the upper limit of what is considered reasonable. The Great Keppel Island redevelopment was a major announcement for the region in 2013, however there has been no notable progress to date and as a result, no flow on effects in the local housing market.

Construction has commenced on the beachfront unit development known as Salt however it is yet to be determined whether these unit prices will be sustained on completion of the development and beyond.

2014 has been a mostly steady year for this region with the weakening sales activity in Rockhampton proving to be the most difficult to anticipate earlier in the year.

Mackay

Wow, how fast has 2014 gone by? It's hard to believe another year has passed already. So how did Mackay residential fare and how were our predictions at the start of the year? In February we wrote....

"So what's in store for 2014? We think the market may continue on its current trend with falls in property values over the first half of 2014. The difficulty is trying to predict how far they may go. We think reductions will not be as significant as seen in other resource towns such as Gladstone, although this heavily depends on the recovery of the mining industry. There may be isolated pockets within the Mackay market that are more impacted than others. For example some areas of the northern beaches which have been marketed to investors over the past few years and are predominantly investor rental properties may be hit harder due to falling rental levels and increasing vacancy rates. We think the rental market may not recover from previous highs for quite some time due to the increased supply of house and land packages flooding the rental market and the increasing numbers of fly-in-fly-out workers."

Well, with 20-20 hindsight, I would say we got it exactly right!! The market continued to fall throughout 2014. We think value levels since February are down about 10% across the board with some areas faring a little better and some areas a little worse. One area highlighted above that has fared poorly is the pockets of the northern beaches where there is an over supply of rental and investor product. Due to falling rents we have seen values fall in these areas at a greater rate. One saving grace in these estates is that many dwellings were packaged with rental guarantees so a large number of dwellings are not listed for sale, with investors holding their nerve for the time being.

Rental vacancy rates and rental values have continued to fall as highlighted in February. Mackay has gone from having a very low vacancy rate (below 1%) a few years ago to now having one of Queensland's highest vacancy rates. Rental values have also fallen significantly during this period.

So, it hasn't been all good news for the Mackay market in 2014. So here's hoping for a better 2015 and a return in confidence to the Mackay residential market. On behalf of the whole Mackay team, we would like to wish all our clients and friends a very merry Christmas and new year period and we look forward to working with you all again in 2015.

Gladstone

The Gladstone market has remained subdued over the course of 2014 as predicted in February this year. The year has seen further decreasing property values and rents with vacancy rates showing signs of stabilising at around 5.2%.

Construction of new homes in modern estates has continued to soften over the past year with local purchasers being most of the market activity in this market sector. Very little investor interest has been seen over the course of 2014.

The worst affected market sector in Gladstone has been residential units with the current large oversupply having an impact on marketability and selling prices with very little activity during the past year.

Vacant land is also in large oversupply with local agents indicating they are having very little interest and seeing very little market activity.

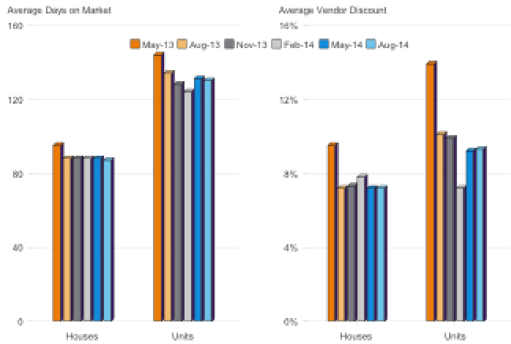
Older style homes in more central locations have continued to be the most active market sector with some early signs of stabilising being seen.

Townsville

The momentum at the end of 2013 and the initial start of 2014 fizzled out during the year. Although we started the year at the state of recovery stage, some sectors of the residential market have performed poorly over the year and have almost reverted to bottom of the market conditions.

The end of 2013 and beginning of 2014 saw activity on a gradually increasing trend, however sale volume increases petered out as a result of wavering business confidence, employment uncertainty and rising unemployment rates. The region continues to experience high unemployment levels over and above the state average. Median house prices have fallen throughout the year, however we believe that this is due to compositional changes rather then softening value levels.

Over the year the average time on the market and vendor discount have remained relatively stable for houses with vendor discounting having increased for units.



Source: HTW Analysis of RPData

The volume of established unit sales has gained a little pace over the year, although median prices for established units fell by around $15,000.

Rental vacancy rates continued to climb during the year, trending at 4.5% in January 2014 and as at October 2014 trending at 5.5%. This has resulted in downward pressure on rents, with the median rents reducing by around $10 per week for units and $20 per week for houses since the start of 2014. Over the year we have also seen the introduction of rental incentives including rent free periods or give-aways to entice tenants to properties. This is something we have not seen before in the residential rental market.

Overall 2014 was a disappointing year for the residential market, which started the year with positive signs, however economic factors have placed a handbrake on this momentum.

Cairns

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

Our February predictions have generally come to pass. The property market has quickened in pace during 2014, characterised by increasing sales volumes and a gradual depletion of property for sale, but it remains at the start of recovery phase and is by no means yet booming. Prices by comparison have nudged only marginally higher, with the latest median house price reaching a trend level of $380,000 in September 2014 compared to $375,000 at the start of the year. The median unit price has likewise edged to a median level of $206,000 in September 2014, compared to $202,000 at the start of the year. House prices during 2014 typically regained or exceeded the peak market levels achieved in 2008, but unit prices remain shy of previous peak levels.

Though rental market conditions have remained tight during 2014, rental vacancy trends in Cairns have nevertheless been moving higher in recent months. Our measured rental vacancy trend rates stood at 2.3% for houses and 3.2% for units in October 2014, compared to the 2.1% for houses and 2.5% for units prevailing in October 2013.

Over the 12 months to September 2014 the weighted average median rent has increased from $365 to $380 per week for houses and $265 to $270 per week for units.

Building approvals for the construction of new dwellings have picked up pace during 2014, with an 18% increase in the building approvals trend between January and September 2014. Furthermore August 2014 heralded small beginnings for new unit construction, with approvals during the month for six new units to be constructed, the first new unit approvals to hit the market since August 2012. However, despite these increases, building approvals are still at comparatively low levels, highlighting the very low base from which they have come.

South Australia

Adelaide

Looking back to the predictions that we made in February this year it appears as though our crystal ball was in fine form. Though admittedly we were fairly conservative with our predictions.

We believed that the property sector would show slow and steady improvement throughout the year and that the housing market would not improve by more than 5 percent and this really has been the case. At the end of the day it is fair to conclude that that Adelaide's residential property market was very stable throughout 2014 and in many respects uninteresting.

It appears as though as we suggested even though there are many encouraging signs that have in the past been early signs for a more marked recovery that currently there is just too much uncertainty surrounding the current local economic situation and that overall this is holding back the property market.

As interest rates remained steady over the course of 2014 this potential game changer remained on the shelf and for that Adelaide's property market certainly let out a collective sigh of relief. Currently we don't even want to think about the implications that an increase to the cash rate may have on our local property market, especially over the festive season, so we'll save that discussion for next year!

Auctions returned as a selling method and clearance rates were often above 60 percent indicating that more often than not those active in the market were genuine buyers and sellers and that they were willing to meet the current market. Occasionally properties even exceeded expectations.

The number of sales transactions was up overall in comparison to 2013 and during the year the number of days on the market and amount of vendor discounting both slowly decreased.

We mentioned that the outer southern suburbs would perform solidly over 2014 and it appears that demand was constant in these areas especially in light of the two major infrastructure works that reached completion during the year. Capital values have also shown some improvement throughout the year.

The opening of the duplication of the Southern Expressway was very much welcomed by those who reside and/or work or even just travel through the outer southern suburbs. After a significant period of disruption due to the major infrastructure works commuters are now experiencing reduced travel times with predictions of around 10 minutes saved each way.

Infrastructure works to extend the existing railway line from Noarlunga to Seaford and electrify the whole line at the same time were completed in the first half of 2014, also improving access via public transport and reducing existing travel times to these suburbs.

These outer suburbs offer what would be considered more affordable housing and the mix of established and developing suburbs provides a wide selection of property type. In line with population growth within these locations there have been numerous shopping centres anchored by a supermarket and a discount department store completed in recent times with more in the pipeline. The outer southern suburb of Seaford Heights is thought to be the location of the first Aldi supermarket in SA and Colonnades is also about to undergo a $52 million upgrade.

Not to mention that the outer southern suburbs are located close to the coastline with easy access to local beaches, this certainly adds to the appeal of these locations.

There has been an ongoing commitment to continue to improve the North South corridor through metropolitan Adelaide in stages, however election promises resulted in a conflict of interest with the Federal Liberal government promising the $620 million Darlington Upgrade, a 2.3 kilometre section of road between the Southern Expressway and Ayliffes Road at Darlington, and the State Labour party promising the $896 million Torrens to Torrens Upgrade, a 3.7 kilometre of South Road between Torrens Road and Torrens River. Instead of a battle over which project was to commence first, an agreement was reached in which both projects will run concurrently and commence works towards the latter part of next year. This is a great result for SA, providing jobs and stimulus to the local economy, and definitely not what we expected to occur.

Of note is the continuing investigation of vapour intrusion by trichloroethene (TCE) into a number of properties in Ash Avenue and Chestnut Court at Clovelly Park. Since the end of 2008 residents have been advised against using any ground water after it was found that contamination had occurred from the former Mitsubishi Motors and Monroe industrial sites adjacent to these properties. After ongoing testing halfway through this year the residents from a number of properties, the majority owned by Housing SA, were advised to relocate as a precaution whilst the investigation into the source of the TCE contamination (ground water or soil) was finalised. These results are expected to be released before the end of the year. However there has been significant concern by all residents in the local community over the potential risk of contamination to this area in general and therefore the risk that it may pose to health and safety and also the effect that it would have on property values in the general area. Agents have reported that buyers are currently very apprehensive about properties that are considered to be possibly at risk of contamination.

These last two occurrences were beyond the realm of out crystal ball.

In summing up 2014 we would suggest that Adelaide's residential property market remains remarkably steady and resilient given the negative sentiment currently surrounding local political and economic conditions.

Mount Gambier

With two months still left of this year, sales are approximately 7% higher compared to 2013. This is a good indication that the market has improved. However, sales are still not at levels seen in 2009 and 2010.

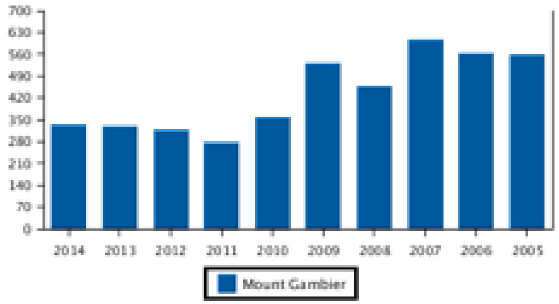
The increase in the number of sales could be from the roll out of $10.46 million to the region's forestry sector from the state government. The funding is expected to underpin around $20 million in new projects and employment within the industry will therefore be more secure, creating more confidence within the region which is positive for the property market.

There has also been talk of a new bioplant coming to the region, which will create more jobs and again, result in an increase in demand in the housing market.

Looking back at our predictions for 2014, we began the year with a little more ease then we did coming into 2013, with the property market beginning to stabilise after a couple of years of decline.

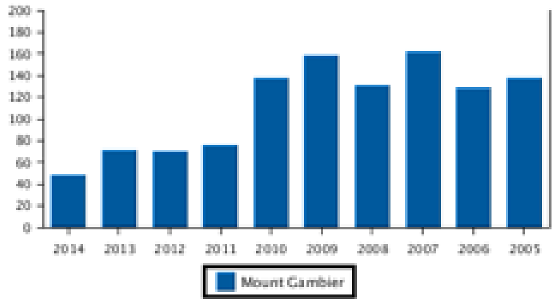
While the market is stabilising there are still no economic indicators that look to improve the current economic state to an extent which could see house sales volumes rebound to what we saw back in 2009 and the preceding years shown in the chart below. House sales are still most popular within the $200,000 to $250,000 price range, with very few sales occurring over the $400,000 bracket. In previous years, unit sales were most popular within the $75,000 to $100,000 and $175,000 to $200,000 price ranges, however this year they were most popular within the $100,000 to $125,000 and $200,000 to $250,000 price ranges. Very few unit sales went above $300,000 which is showing no real market for a high quality unit.

House Sales Per Annum



We predicted that land sales should continue on similar to 2013, but are not likely to be similar to 2010 and preceding years. Looking at the graph below it can be seen that while land sales didn't reach as high as 2010 and earlier years, they have also slightly dropped since last year.

Land Sales Per Annum



At the beginning of the year we expected a similar year to 2013. This is correct however we did see a slight increase in sales from the previous year.

Tasmania

Hobart and Launceston

After experiencing a quickening pulse around the middle of the year the Tasmanian property market appears to have been treading water during 2014 with the existing property market displaying similar conditions to that reported earlier in the year. The south has experienced the most buoyant property market in Tasmania (and has the most diverse employment market) while the north's market has been steady with regional markets remaining oversupplied. This steady as you go year is reflected in Tasmania's economic data as released by the Government.

Unemployment levels are currently 0.2% lower than at the year's start of 7.2%, the nearest alignment to national unemployment levels since 2011.

At the commencement of 2014 it was hoped that the state election, extension of the First Home Builders Boost and state government employment initiatives would stimulate Tasmania's flagging economy.

The incoming state Liberal Government is still grappling with balancing the books and future growth pathways as Tassie's economy transitions from traditional industries such as forestry and mining to agriculture, tourism and education sectors. Tassie has more pain to come however, in this regard Tasmania is at the head of pack as some other states are yet to fully realise their transition from industries that have been important contributors to their economy.

The very generous First Home Builders Boost that has been up for grabs in 2014 for those first home buyers purchasing a newly constructed dwelling or building their own home has facilitated higher volumes of land sales and building applications relative to 2013 however stimulation has not been at the hoped for levels. The newly constructed dwelling market has seen some capitalise on the grant during 2014 with premiums being paid for new dwellings however the generosity of this offer is being scaled down after 31 December 2014. With most first home buyers' attention being diverted to newly constructed homes this year, established property in the first home buyer price bracket has been ripe for investors. Good gross rental returns have been maintained as the rental market remains steady and interest rates remain historically low.

Tasmania has been in the spotlight recently as a world class destination offering world class accommodation, wine and spirits, gastronomic and cultural experiences alongside its natural features to explore all wrapped up in a clean, green environment. With international attention focused on Tasmania, (particularly with the Chinese Presidential visit) and its burgeoning agricultural, food and tourism industries, Tassie's future has exciting potential.

Northern Territory

Darwin

2014! Wow what another year for the greater Darwin residential market. Construction and land releases have been the major drivers once again.

The Darwin CBD and inner suburbs continue to expand at a rapid rate, the completion of a number of large residential developments which include but are not limited to, The Avenue, Kube, Kim on Smith, Soho, Zen, Wharf 2, Catalina and City Central have added more than 800 new apartments into an already very established market. This has had an immediate impact on the market with rental rates easing and the demand for existing older stock clawing back. If you ask the tenants in the market "it's about time". With Darwin hitting headlines in early 2014 as the most expensive city in Australia to rent, the respite in the market has been welcomed.

Residential land sub-divisions have been the other headline grabber in 2014.

Muirhead, Durack Heights, Bellamack, Johnston, and Zuccoli have continued to sell very well through the year. The land releases have stimulated construction again easing the demand for existing dwellings in the northern suburbs and Palmerston. Owner occupiers and investors have equally shared the spoils within these markets, which has also eased rental pressures and vacancy rates.

As with most other states and territories the first home owners were left further behind in the Darwin market, with median house prices peaking at over $600,000 in the northern suburbs and $550,000 in Palmerston, with those on a shoestring budget being priced out.

Coolalinga was arguably the surprise packet of 2014. The Gwelo development on the edge of Darwin's rural area was very well received in the market, with duplex styled units breaking the mould of acreage only style dwellings, and the uptake has been excellent. Close access to road infrastructure, and a shopping centre were real positives for this development. Further off the plan residential sales and commercial construction suggests that this location has more to offer.

Turning our eye back to February 2014 we predicted that "All indicators point towards continued steady growth into 2014 for the Darwin and greater areas residential market".

This was a slight mixed bag, the land releases enjoyed growth in both volumes and prices throughout the year, while the new and existing units have seen a firming of prices. Existing dwellings have also firmed while modern dwellings have remained popular.

For all those in the Top End we wish you a Merry Christmas and encourage you to prepare well for the cyclone season so we can discuss your property in 2015!

Western Australia

Perth

According to the latest data published by the Real Estate Institute of WA, the average number of selling days for residential real estate in the Perth metropolitan region for the September 2014 quarter was 57 days, remaining stable from the previous quarter. The median house price is $540,000 which is a reduction from $550,000 from the previous quarter reflecting softening market conditions overall. The number of properties listed for sale has increased by 19% over the previous 12 months and appears to be tracking towards longer term averages. As predicted, the residential real estate market is displaying signs of a softening trend. The market has been quite patchy throughout 2014 and while reductions have been seen in the median price of many typical first home owner and investor suburbs, some mid-tier locations have been relatively stable with some continuing to show capital growth as a result of many changeover buyers.

Source: *http://reiwa.com.au/The-WA-Market/Perth-Metro*

North of the river, most mid-priced suburbs have shown a stable trend while some outer lying suburbs have shown a slight reduction in values however in general, most locations have held their prices. A slight decline in developer activity has also been seen north of the river in suburbs within the City of Stirling (eg Balga, Westminster, Nollamara), while Scarborough has shown strong investor demand partly due to proposed rezoning. Demand for properties with proposed rezonings throughout the City of Joondalup has stabilised from the high level seen in late 2013 however stock levels appear to be stable.

Throughout the eastern suburbs (eg Victoria Park, Como), a softening of buyer demand has been seen which has resulted in more stock, although prices have held ground in most suburbs. A similar scenario has been seen throughout the City of Canning although the market within this particular precinct has been quite inconsistent. While some suburbs such as Ferndale are still attracting high buyer demand, some lower priced suburbs such as Canning Vale appear to have peaked, declined slightly and are now stabilising. Further south towards the City of Kwinana, demand has softened slightly in line with the broader market however some suburbs such as Wellard and Parmelia have shown stable growth.

The Perth prestige residential market has continued to show stagnant market conditions and while some western suburbs have recorded strong levels of capital growth, in general the demand for high end properties remains subdued.

The Perth rental market appears to have softened earlier in the year and has stabilised in most areas. However vacancy rates in some locations continue to increase especially in suburbs with higher levels of sales and rental stock.

South West WA

As we come to the end of the year, we get the chance to reflect on how close to the mark our predictions were in February. This year it appears we were reasonably close, in that the prediction was for a gradual increase, perhaps increasing at a greater rate in the second half of the year, than in the first. While the market has strengthened and values have increased over the past 12 months, we probably saw stronger growth in the first six months rather then in the later part of the year as predicted. That being said there is a good equilibrium between supply and demand and the market in general is considered healthy.

This has been driven from the bottom of the market, with sales to $500,000 being the majority. However, throughout the year we have seen a flow on effect to the higher priced properties as many of the sellers of the sub $500,000 market have been looking to trade up.

Agents have been reporting throughout the year that they have received steady enquiry from prospective purchasers. The buyers have been prepared to commit (as opposed to what was happening in previous years), mainly on the back on of an increase in confidence within the overall market.

Throughout the year the purchaser profile has started to change from being a market driven by FIFO workers relocating to the region to a market which sees the return of first home buyers, investors and holiday home purchasers particularly from the Perth metropolitan region.

Further, we have seen a stabilising in building activity. Throughout 2012 the new housing market had been very slow as evidenced by significant incentives being offered by most of the project builders. In 2013 many of these incentives remained but the new home market rebounded on the back of an overall decline in the available stock of established homes coupled with several new land releases. This has continued throughout 2014 with several new land releases coming to market and a significant increase in the number of new home approvals.

So a reflection on the year that has been reveals that our predictions were reasonably close as the market has continued to move forward with confidence from the lows of 2012 to a market that is stable and healthy.

Rural

Overview

Well this month I set a task for the team to consider the where the relative value may sit within the grazing industry across the regions of Australia. We all understand dollar per hectare and the direct comparison of overall value land and improvements when looking at smaller (and at times) larger holdings. The issue for some however is that the answer of overall value applied to a property with an agricultural use is, what does that mean for the return one could assume?

So what I asked the team to do is consider some of the sales and ranges that the properties have sold at when considering the productivity assessment based on the assessed sustainable carrying capacity for the underlying animal type. As a general guide Northern Territory, Kimberly and Queensland for cattle work on a dollar per adult equivalent $AE. New South Wales, Victoria, South Australia and Western Australia generally apply dollar per dry sheep equivalent. Coastal and high rainfall regions talk in dollar per breeding cow area. The unit measure makes sense to the local markets in which they report but it does make it relativity difficult when trying to compare across regions, states etc.

A summary of the information is represented in the table below and further details are held within the individual entity updates. Now this is not a full statistical assessment of all sales analysed nationally and was not intended to be. It is however interesting to get a sense of the value ranges within each region which provides another basis for relativity to other assets in the same market. This unit measure is widely accepted in New South Wales, Queensland and Northern Territory but less so Southern and Western Australia.

Summary of Productivity assessment by region

Region	$ per DSE Range		$ per AE Range		$ per Breeding Cow	
Northern Territory	**Lower**	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Northern NT			325	665		
Southern NT			340	660		
Queensland						
Northern Gulf			400	1400		
North Downs Country			1400	1726		
Southern Downs -Western Grazing			1000	1650		
Northern Roma Scrub Country			3000	4000		
Dawson and Arcadia Valley			3500	4000		
Highland Scrub			3000	3400		

Region	$ per DSE Range		$ per AE Range		$ per Breeding Cow	
Downs Country - Longreach			2200	2700		
New South Wales						
Western Division	140	300				
North Coast					3700	4500
Tablelands	400	500				
Victoria						
Western Districts and SE SA	300	350				
Larger parcels and lighter country	270	300				
Western Australia	source: Department of Agriculture and Food WA					
High Rainfall North	260	435				
High Rainfall South	256	610				
Medium Rainfall North	560	760				
Medium Rainfall South	230	295				
Low Rainfall North	315	420				
Low Rainfall South	235	290				

The main message for readers is that to generalise about a dollar per hectare or dollar per DSE/AE/BAV can be dangerous when assessment is done from afar based on one sale which is extrapolated to then be the representative value point for all assets in the district.

This concludes our 2014 rural update and on that note I would like to wish all our clients and readers a Merry Christmas and Happy New year. On the back of hopefully some good rain and an increasing confidence in market demand for our quality products along with investment dollars should see 2015 as a year that promises allot of interest and opportunity.

The 2015 rural market update for Queensland will be held in Brisbane on 26 February at the Royal Inn on The Park. Bookings for this event will open early in January so keep that date free. The New South Wales and Victoria updates will be schedule in the new year.

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NSW North Coast

The NSW North Coast is traditionally focused on store weaner beef cattle production. Local weaner sales are well sought after for purchasing of young stock to finish by tableland and western slopes and plains graziers with higher protein pastures. As such sales of cattle grazing properties are based on the breeding cow area as this is the most dominant cattle grazing land use.

The forestry management investment scheme operators Forest Enterprises Australia Limited (FEA), Willmott and Great Southern were major buyers of cattle grazing land during the decade 2000 to 2010. Some of this land has been resold to the cattle grazing land market. FEA by far was the major buyer during 2000 to 2010. FEA land remains unsold at the moment despite being put to sale by expressions of interest in late 2013 and early 2014. Very dry seasonal conditions being experienced currently, relatively poor cattle prices and to whom and for what purpose the FEA land will be sold is impacting the cattle grazing land market sector.

Sales in 2014 of ex-Willmott property included Geragarow Station south of Grafton, a 1,657 hectare cattle breeding property with Orara River frontage which sold for $1.7 million. This sale has light sandstone soils more suited to breeding than fattening. There are minimal structural improvements. This sale indicates about $4,250 per breeding cow area land value based on the advertised carrying capacity of 400 breeding cows. There are a large number of lots that would have dwelling eligibilities and this may have attracted some interest from purchasers. Another ex-Willmott property, Jackybulbin Station, a 476 hectare cattle breeding property, sold for $1.4 million. This sale indicates about $4,100 per breeding cow area land value based on the advertised carrying capacity of 300 breeding cows. Structural improvements included a house without mains power and a machinery shed. This property is located within reasonable proximity to the popular beach locations of Iluka and Yamba.

In 2013, two larger cattle grazing properties on the Mann River near the junction of the Clarence River sold. Hanging Rock Station, a 1,331 hectare, 600 cow breeding area property sold for $2.3 million. This indicates about $3,700 per breeding cow area land value. Carnana Station, a 1,113 hectare, 750 breeding cow area property with 300 hectares suited to cropping of soya beans and other crops sold for $3.1 million. This indicates about $3,700 per breeding cow area land value.

Also in 2013, further to the north near the Queensland border Brookvale Kooreelah, a 3,433 hectare cattle grazing property sold for $4.85 million. Structural improvements include two cottages, cabin and cattle yards This indicates about $4,500 per breeding cow area land value based on 1,000 breeding cows.

Closer to the coast and rural residential areas near Kyogle, Mundoo at Stratheden, a 418 hectare cattle grazing property sold in April 2012 for $2 million. This sale includes a brick dwelling, sheds, yards and a 540 megalitre water licence. This sale property indicated $5,833 per breeding cow area land value for 300 breeding cows.

There have been a number of smaller cattle grazing property sales also.

On the NSW North Coast cattle grazing land values over the past two years for the larger grazing properties have been mostly in the range of $3,700 to $4,500 per breeding cow land value with higher value levels achieved for smaller blocks and properties closer to coastal and urban areas.

Mildura/Sunraysia

Sales of New South Wales Western Division grazing properties have indicated a continual strengthening in land values over the past decade. Purchasers have mainly been existing landholders wishing to acquire nearby properties to provide greater economy of scale, however during this period there has also been a number of buyers from higher rainfall areas who have capitalised on the rising land values in their districts to acquire a larger operation in the Western Division.

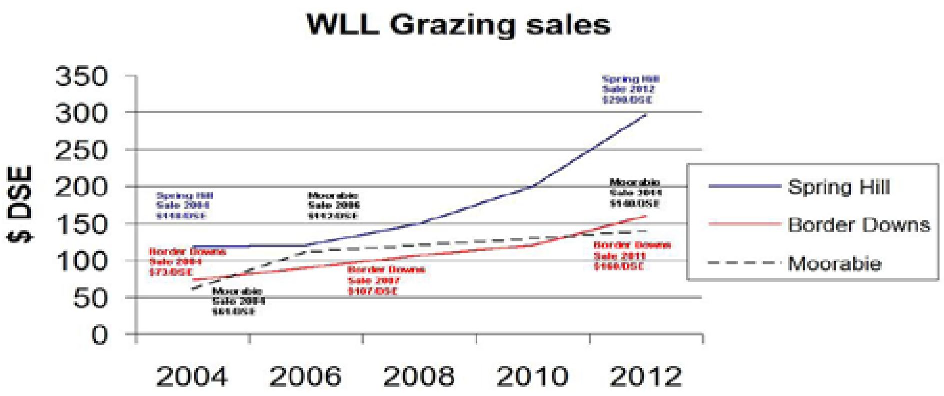
Other factors which can be attributed to strong rises in values include the increased harvesting and sale

of feral goats providing a significant income stream to many properties noting that the market for feral goats has remained consistently good for much of the past decade.

A sample of re-sales shown below that have occurred over the past decade or so clearly illustrates the strong growth in values both on a dollar per hectare rate and on a dollar per dry sheep equivalent for this market sector.

The Western Division has traditionally been used for Merino sheep breeding enterprise, however the wool industry has languished over much of the previous 15 years and had offered comparatively poor returns compared to meat production. This resulted in a significant reduction in the number of Merino sheep being run in the Western Division and an increase in the number of cattle and meat sheep breeds such as Dorper and Damara. The change to these drought resistant sheep breeds and the marketing of lambs as being certified organic has significantly improved gross returns to many of the Western Division properties.

As mentioned last month the dry conditions have not had an impact as yet on demand with good results occurring with several holdings being offered and selling for or under contract at firmer values than previous levels.



Horsham

Grazing country in the western districts of Victoria and south-east South Australia has been overshadowed in recent years by the demand and talk of cropping land. Grazing land in this area in the mid 2000s had been achieving values as high as $430 per DSE. Similar land now presents good value at $300 to $350 per DSE and the larger parcels and lighter country displaying rates in some instances as low as $230 per DSE with most buyers in the market looking to purchase at rates of around $270 to $300 per DSE for grazing land. This makes grazing land in western districts and the south east again look attractive as buyers are ever conscious of the cost of production. Grazing values appear to be towards the bottom of the market in this area and are expected to see increased demand in the future.

Southern Queensland

The grazing country within Southern Queensland has been greatly impacted by the crippling drought that now affects approximately 80% of the State and has done so for the past two years. Some of the most obvious impacts noted are those in far Western Queensland, where the lack of rain and extreme record heat has put extra stress on the limited pastures and watering points and consequently livestock. Despite the present climatic conditions, the market is currently showing some renewed confidence, with a number of sales transactions within the Quilpie and Cunnamulla regions. We are aware of the recent settlement of "Yambutta" comprising a 40,232 hectare Grazing Homestead Perpetual Lease (GHPL) and Pastoral Lease plus additional Permit to Occupy country located to the east of Eromanga. The property sold for $3 million inclusive of plant and equipment. Another pending sale is that of the 18,987 hectare holding "Gibberoo" that surrounds the rural village of Toompine. The property has reportedly made sub $95/hectare overall. Based on the evidence in the western grazing country analyses of these sales reflect an Adult Equivalent Value range (ex-structures) of between $1,000 to $1,650 per AE. The higher rates are reflective broadly of the more productive open Mitchell Grass Downs or Channel country and alternatively the lower range reflective of generally Mulga Woodlands.

Further east, generally the quantum of evidence is greater however there is also a plethora of properties offered to the market. More recently there have been a number of properties put to the market under receivership scenarios in the Surat to Moonie areas. To a degree this has put extra pressure on those properties to achieve a sales result where there are numerous holdings available, within a marketplace of limited buyers. North of Roma, it is believed that the gas resource sector is still influencing the market to some extent, where companies such as QGC and Australian LNG have acquired properties to form part of their operational hubs. Those transactions that have occurred, north of Wallumbilla and west of Wandoan, have reflected significant premiums over and above the mixed grazing marketplace. Recent non gas related evidence of properties include "Lorraine" a 6,516 hectare holding which sold for $9,340,000 in June and "Pine Hills", that is yet to be formally confirmed sold, comprising a 2,411 hectare Freehold property plus an additional 1,958 hectare of Special Lease country. These recent sales demonstrate the disjoint in values between those transactions for the continued agriculture use and those for a special use. Generally the northern Roma scrub country reflects a range of between $3,000 to $4,000 per AE, with the lighter forest blocks considered to reflect a reduced AE value. To the south-east of Roma the AE value rate can become a less accurate method of comparison as many of those holdings have various degrees of mixed farming finishing or broad acre country. Property sizes can also influence both the rate per hectare and AE value ranges.

Country NSW and North East Victoria

Such a difficult question to answer; however, it is a question that us, as valuers, are asked on a reasonably regular basis and generally, in our answer, we discuss the requirements and needs of our clients because these impact on their perception of what is value. Generally landholders have settled in a particular area due to factors that appeal to them such as the scale, rainfall and country type which fits into a particular plan or goal that they have. When looking at a cross section of Central and Western New South Wales, the breadth of the country type, rainfall and soils is so large that accurate comparison is difficult, for example, we have recently looked at sales in the Wallendbeen area which indicate $5,300 to $5,500 per hectare for well-regarded, generally open cultivation/arable grazing country. While at the same time we have also looked at properties in the far west of New South Wales which would indicate rough values of between $30 and $60 per hectare. For the properties in the western part of New South Wales, we generally look at these holdings on a $ per DSE (Dry Sheep Equivalent) basis which allows us to look at unit production and compare that to different properties. The best value or cheapest $ per DSE would generally be seen in the far western parts of New South Wales and you will see rates generally between $150 to $250 per DSE. When looking to apply these overall production capacity statistics to the higher productive country in the Tablelands and areas to the south such as Wallendbeen, the impact on the cultivation capabilities of the country does skew these figures somewhat; however, generally this higher rainfall Tablelands country obviously has a significantly higher carrying capacity (10 – 15 DSE /Ha as opposed to the western country at 0.1 – 0.2 DSE /Ha) and when this is taken consideration, the apparent dollar per unit production rate paid for these higher rainfall areas is in the vicinity of $400 to $500 per DSE.

Why would someone pay over twice on a unit production capacity for country in the Tablelands area as opposed to western New South Wales?

Therein lies the issue that different people have different perspectives of the value of factors such as proximity to townships, general services, education facilities and the reliability of rainfall for certain areas. The most important and most difficult one to quantify is the reliability of the rainfall and the consistency of that rainfall and how that affects the overall production of holdings.

Generally in New South Wales when working from the western areas across to the eastern areas, there is a sliding scale of agricultural production capacity and values, obviously gaining in both the more eastward one heads. Where the underlying land use begins to change from grazing activities into combined grazing and cultivation activities, we believe this is where some of the best value can be found. Locations such as south west of Nyngan, with open red loam cultivation country, is generally considered reasonable grazing country and marginal farming country; however, it does have high enough rainfall to deliver a bumper harvest in a slightly above average year and previously we have valued properties where the value of the crop in a sale was worth more than the value of the property.

So whilst not providing the definite answer to "the best value", we believe that the cheapest $ per DSE is located in the far west of New South Wales; however, its locational aspects and distance from services and general isolation impact negatively on people's ability to handle and willingness to go there, whilst in the eastern areas, the reliability of the rainfall and the constant production are two of the greatest attractions and in the middle are areas such as Nyngan where the generally lower land value combined with the higher use of cultivation can at times provide significant cash flows almost equal to the asset itself.

Central Queensland

Within the CQ districts the strongest animal units rates are reflected in the Dawson Valley through to the Arcadia Valley (Banana, Moura, Theodore, Rolleston), as has historically been the case. In these areas rates for well developed, highly productive, scrub grazing lands range from $3,500/AE to $4,000/AE. Market options include meatworks at Biloela and Rockhampton, and saleyards at Moura, Biloela and Gracemere.

North of the Capricorn Highway from Dingo through to Moranbah, rates for developed scrub ease a little from the south. Recent sales indicate values for better land in this district t to be in the order of about $3,000/AE. Market options in this area include meatworks in Mackay and Rockhampton, and sale yards in Nebo.

On the Highland scrub values are similar and in the order of $3,000/AE to $3,400/AE, depending on size and affordability. Downs country rates in this area are generally lower ($2,500/AE to $3,000/AE), and again this is influenced by size and affordability. Emerald is a key market centre in this location.

Across the Dividing Range values remain similar although distances to market increase and annual rainfall eases. Recent Belyando district scrub sales have indicated rates around $2,800/AE to $3,200/AE. (Lamorby - $3,077/AE, Cooinda - $3,200/AE)

The Blackall Tambo district remains a sought after areas, although values in this area have eased in line with the broader rural market. Brides Creek is a benchmark sale and indicates a rate in the order of $2,800/AE for a well developed gidyea block. 'Alva' located nearby sold at a similar time and reflects a animal unit rate of about $2,500/AE.

Downs country in the Longreach district has trended slightly below the levels set in the Blackall Tambo area. Recent sales have reflected values from about $2,200/AE up to $2,700/AE. Dry conditions have of late made this a particularly tough market.

North Queensland

There is much talk in the north about the increased demand for cattle and the future of beef given media regarding the FTA with China. There is positive sentiment around the longer term direction for the industry and in turn, the property market.

The end of the year provides the opportunity to take the northern grazing property markets into perspective.

This year the range of northern cattle station breeding beast area rates has ranged from around $400 to $500 per Adult Equivalent (AE) for the Kilclooney and Niall situational type sales to as much as $2,400 for the coastal breeding property, Swan's Lagoon. This is a wide range, especially for breeding country. If excluding Swan's Lagoon, the top of the range lowers by about $1,000 per AE to $1,400 per AE.

Out on the Downs country, the spread has been tighter with a range of $1,400 to $1,726 per AE. The land form has felt the brunt of the drought. Of the transactions that have occurred, there have been varying degrees of vendor circumstances involved and therefore the vendors have had to meet the limited demand of the day.

These two ranges are in stark contrast to that of 2008. This year has been a buyer's market whereas 2008 is often referred to as being the peak of the boom for sellers.

In 2008 the forest breeding range was from $930 to $2,800 per AE for country that is a mixed breeding and backgrounding property (Sommerville).

The higher end priced stations have not repriced as much as the lower priced sales. One of the contributors to this is the vendor circumstances (even receivership sales).

Downs country ranged from $2,848 to $3,289 per AE. It might appear that the Downs country market range has softened substantially. It is important to reiterate that nearly every sale on that land form this year has been affected by the drought (little to no grass) and vendors who have needed to sell that property in those circumstances.

It is interesting to note the increased enquiry for both breeding country and Downs country in the last month or so. There are people doing their due diligence on northern cattle stations (both forest breeding and the odd Downs block). This is a positive sign that potential buyers are showing interest at current pricing levels.

Northern NT

At the date of writing the northern half of the Northern Territory (north of Tennant Creek) has yielded six sales for the year. These included: "Amungee Mungee", "Maryfield", "Mountain Valley", "Killarney/Birrimba", "Willeroo" and "Elizabeth Downs". These pastoral holdings all rely heavily on the live export market through Darwin and this market has obviously strengthened significantly since late 2013. Shipments to almost all of Australia's major live export markets are well above levels they were at a year ago according to the latest industry figures. The confidence that the live export market's revival has generated in the north has lead to these sales which now provide a reasonable grouping of values for the property market to work with. But just how you work with it is critical.

The common unit of value measurement for cattle stations in the NT/Kimberley is the Beast Area Value (BAV) which is based upon the property's sale price (excluding the added value of livestock, plant and equipment) divided by the long term, sustainable, current carrying capacity of a property (generally adopting the 450kg Adult Equivalent or AE as the unit of productivity). Analysing sales on a dollar rate per sqkm or hectare yields in the Top End/Kimberley (and so too in the Alice Springs region) leads to just too great a range of values given the vast differences in ratios of country types and how they are developed between properties. It is important to note that in analysing a pastoral sale back to a BAV (or $/AE) the analyser must maintain a consistent approach to their estimation of current carrying capacity for both the property they are analysing and the property they are attempting to value if using the BAV as the benchmark unit value (and then the necessary adjustments have to be made when applying the market derived BAV). This is critical because if one person estimates their carrying capacity differently to the way another person does, then obviously a different BAV will result. Therefore, if you are comparing a BAV from a recent sale in your district against the BAV your mate came up with, then you had better make sure you know exactly what carrying capacity basis and other assumptions he was using in his analysis otherwise it would be like comparing grapes with watermelons! And if you apply a BAV to the carrying capacity of the property you are valuing and you haven't been consistent with your carrying capacity approach with it, then you compound the error and potentially blow-out or severely under value it. You need to be confident in what the market is trying to tell you through a sale and the only way to do that is to be consistent with your analysis technique.

It is on the above basis that this particular HTW rural valuer has derived the following BAVs from the six northern sales above. Without being too specific, the transactions showed:

- between $410 and $685/AE (improved, bare of livestock and plant) for the traditional breeder type blocks and $1,027/AE for a rare floodplain block.
- Stripping the added value of station buildings and stockyards off of these sales showed the following value range of $325 to $665/AE (ex structures) and $760 (ex structures) for the floodplain block.
- The valuer then stripped back another layer of value which is attributable to the area of country that is largely out of production (ie most likely because it has not yet been developed with stock water) and revealed the following range in values for what we term the Main Productive Area (or MPA). The MPA is generally all that country that is within a 5km radii of permanent water and it ranged from $325 to $605/AE (fenced and watered, ex structures) and $735/AE for the floodplain block.

Looking back a little further to the second half of 2013 there were the three initial sales that kicked off the market after a stagnant sales period lasting over a year. These included "Calvert Hills", "Riveren/Inverway" and "La Belle/Welltree". Comparing these 2013 sales with the six 2014 sales tends to indicate that values (or BAVs) for predominantly live export dependant stations have been bouncing along the bottom a bit. However, we are currently aware of at least four station deals in the final stages of negotiation (or where offers have been accepted) in this region, as well as a couple in the Kimberley that might just show that BAVs are starting to lift (gently, gently) away from that bottom.

Southern NT

That area south of Tennant Creek made up by the Plenty, Northern and Southern Alice Springs districts, has tended to weather the period 2011-13 much better than the northern half , for the obvious reason that this area was less exposed to the live export disaster and could rely on a wider set of cattle market options. Even though the live export suspension negatively impacted most domestic cattle markets, the impact must not have been as significant as in the north. The sales evidence from that region tells the story and included "Horseshow Bend" (Dec 2012), "Dneiper", "Henbury" and "Pine Hill" (Dec 2012). These sales showed: $470 and $880/AE (improved, bare of livestock and plant); $340 to $660/AE (ex structures); and for the MPA $300 to $640/AE.

We note however, that three of the following sales were by adjoining owners and one sale ("Pine Hill") was a receivership sale. It would appear reasonable that prospective purchasers of cattle stations in this region would seriously consider the value levels attained in these sales. The adjoining nature of three of these sales and the distressed sale of "Pine Hill" are now reasonably well known in the market place. However, more sales activity in the Alice Springs region is probably still required to bed down value levels for the region.

Kimberley, WA

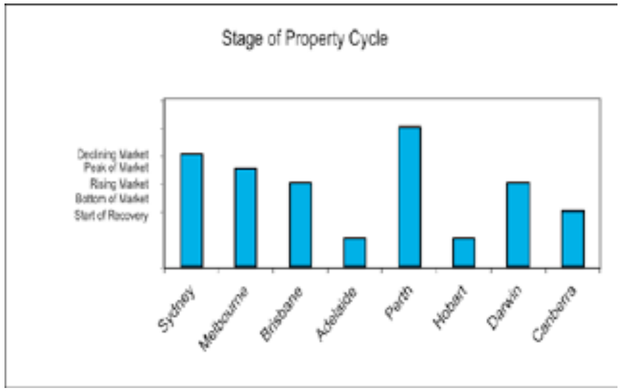
As at the date of writing there had been no sales in the Kimberley for 2014 apart from "Yakka Munga" for which a contract has reportedly been signed after a reported five or six expressions of interest. Details remain confidential at this stage however the reported WIWO price appears strong and reflective of the strengthening market conditions.

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

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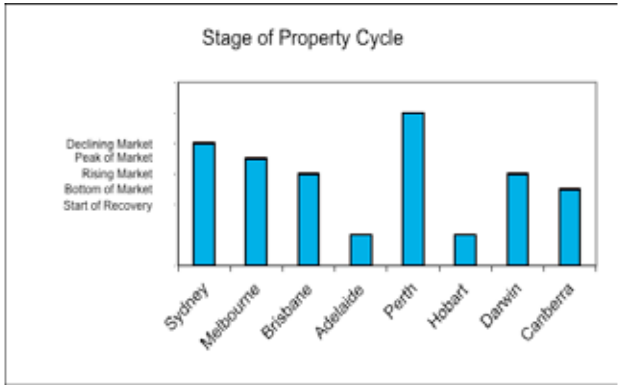

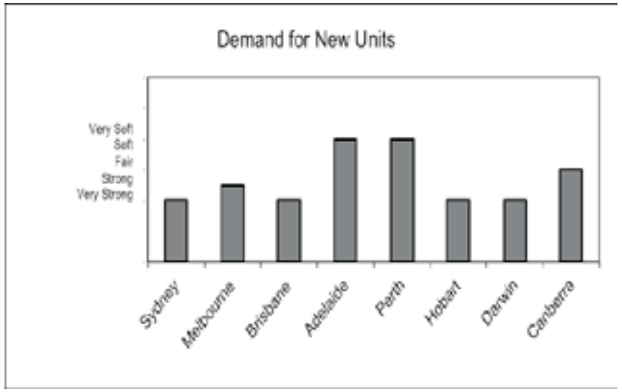

Market Indicators

Capital City Property Market Indicators - Retail

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

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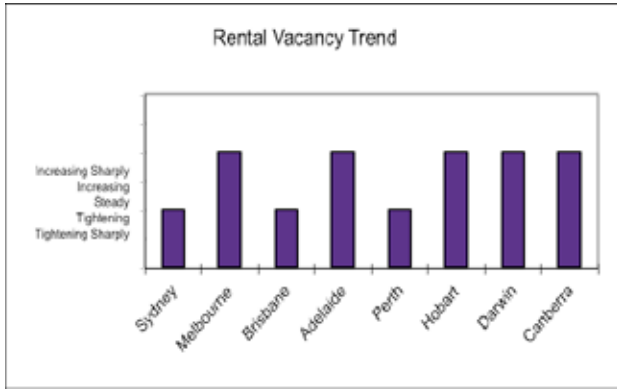

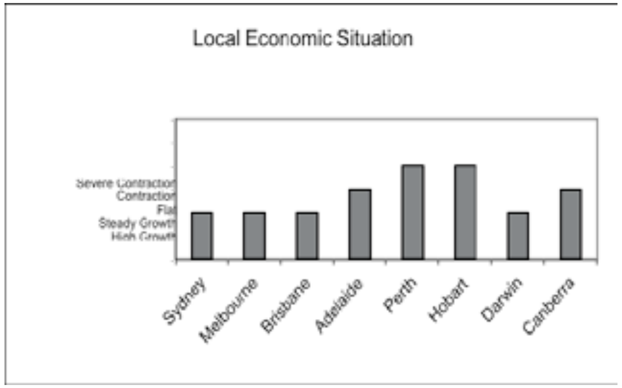

Market Indicators

New South Wales Property Market Indicators - Houses

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

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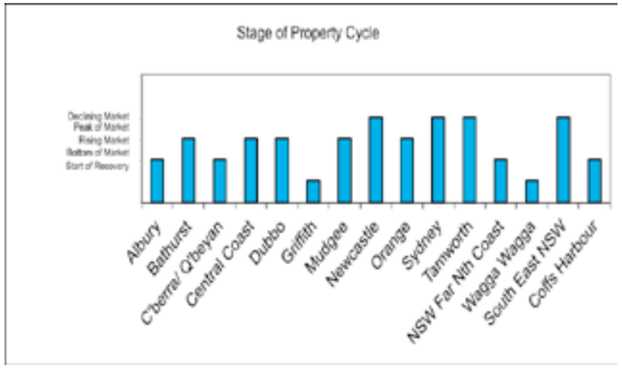

Market Indicators

New South Wales Property Market Indicators - Units

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

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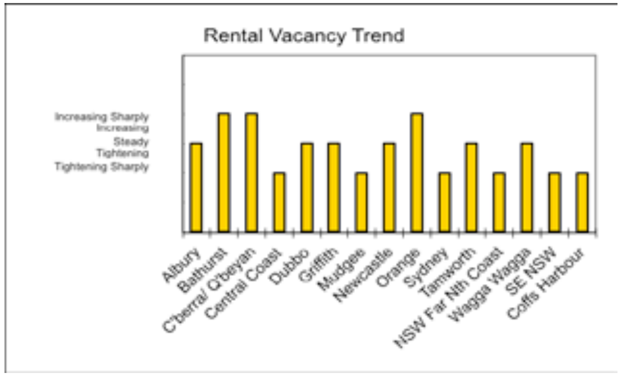

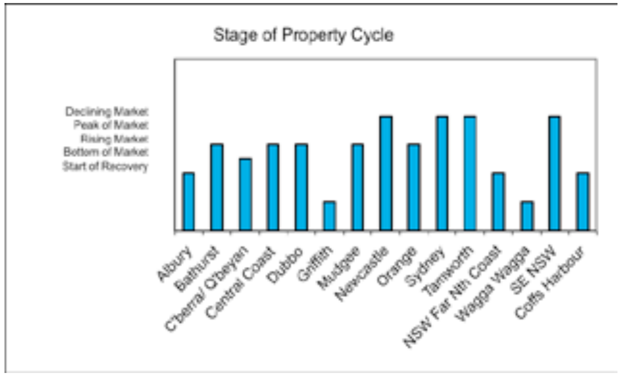

Market Indicators

New South Wales Property Market Indicators - Retail

Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	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	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Declining	Stable	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	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	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	Significant	Significant

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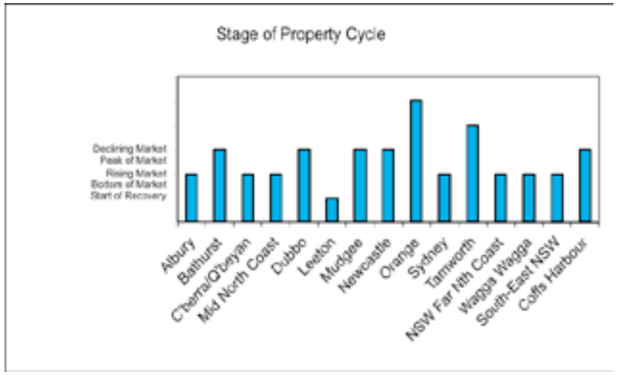

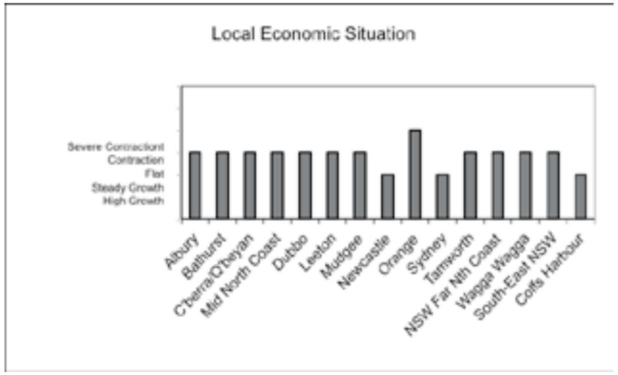

Market Indicators

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	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	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Strong - Very strong	Fair	Strong	Soft	Strong	Strong	Strong	Strong
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady - Increasing	Steady	Increasing	Declining	Steady	Steady	Steady	Steady
Volume of House Sales	Increasing	Steady	Declining	Increasing	Increasing strongly - Increasing	Increasing	Steady	Steady	Steady	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	Occasionally	Occasion-ally	Frequently	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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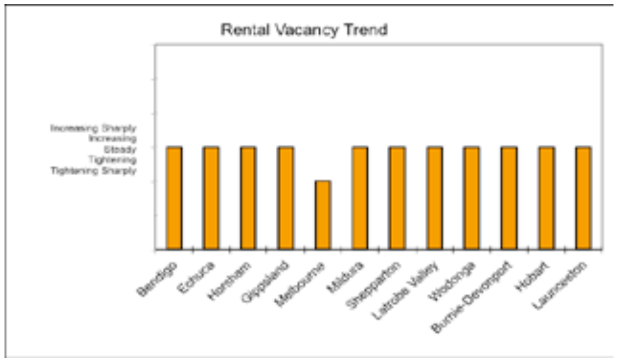

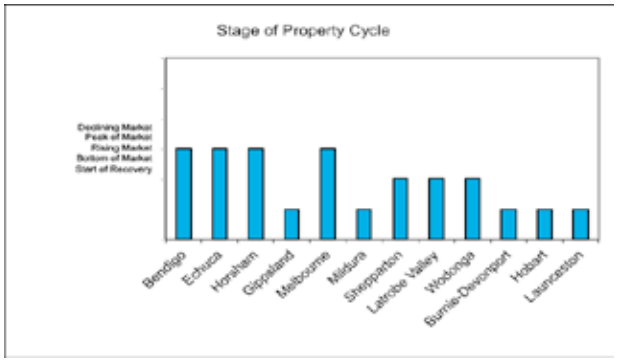

Victoria/Tasmania Property Market Indicators - Units

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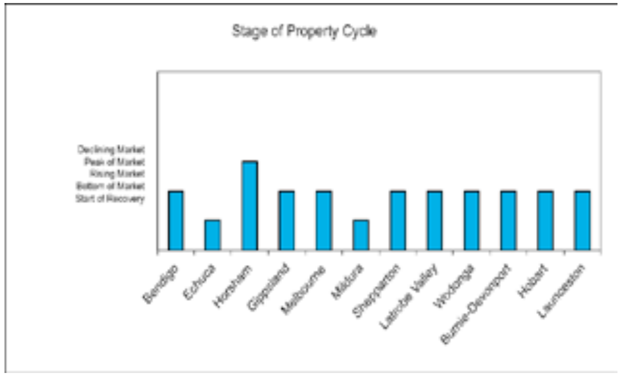

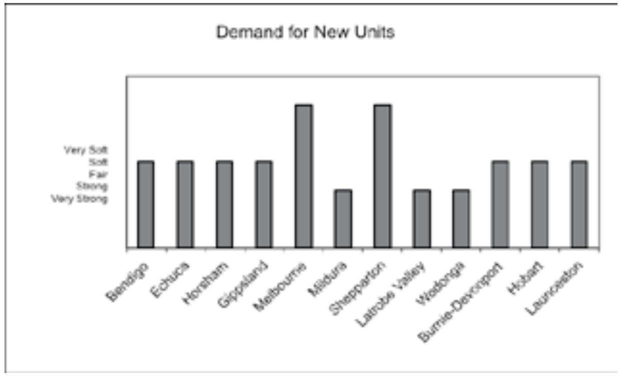

Market Indicators

Victoria/Tasmania Property Market Indicators - Retail

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

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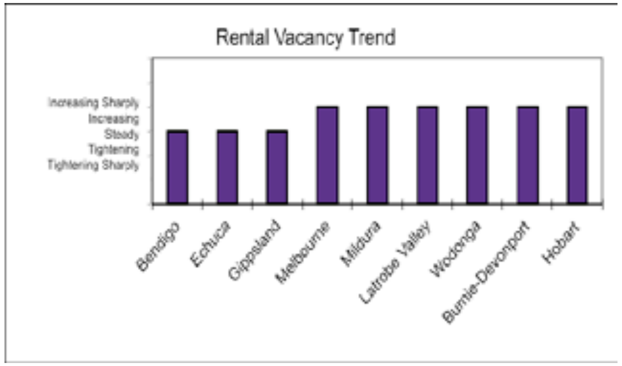

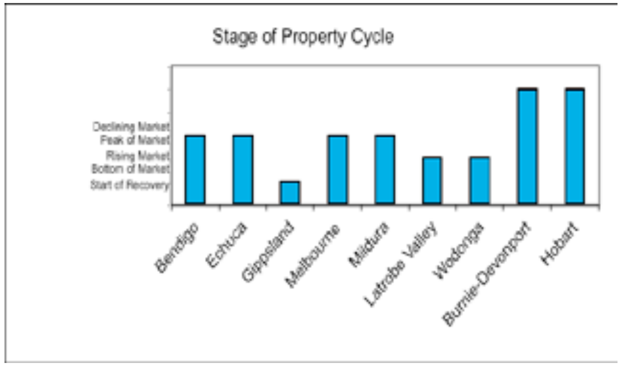

Market Indicators

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

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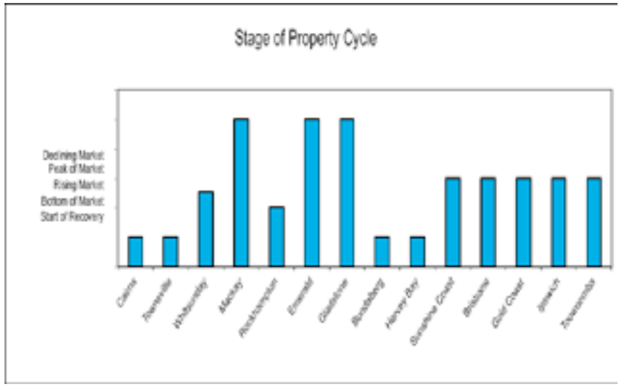

Market Indicators

Queensland Property Market Indicators - Units

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	Balanced market	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	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady - Increasing	Increasing	Steady	Steady	Increasing sharply	Steady	Steady	Tightening	Steady	Steady	Tightening	Tightening
Demand for New Units	Very soft	Fair	Fair	Soft - Fair	Very strong	Very soft	Very soft	Fair	Fair	Soft	Strong	Fair	Strong	Strong
Trend in New Unit Construction	Declining	Steady	Steady	Declining - Steady	Increasing strongly	Declining significantly	Declining	Steady	Steady - Increasing	Steady	Increasing strongly	Increasing	Increasing	Increasing
Volume of Unit Sales	Increasing	Steady	Steady	Steady	Increasing	Declining significantly	Steady	Steady	Increasing - Steady	Increasing	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market - Rising market	Declining market	Bottom of market	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	Occasion-ally	Occasion-ally	Occasion-ally	Frequently - Very frequently	Occasion-ally	Occasion-ally	Almost always	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost always	Frequently	Frequently

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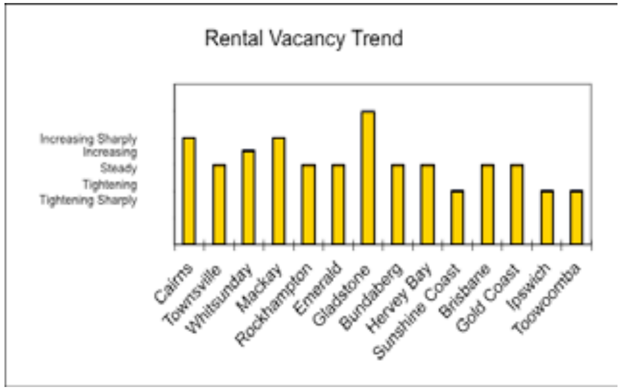
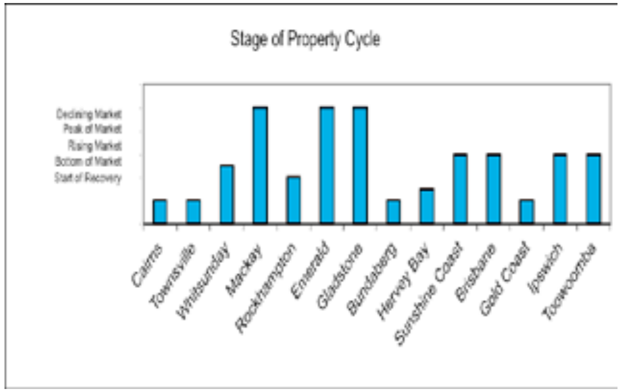
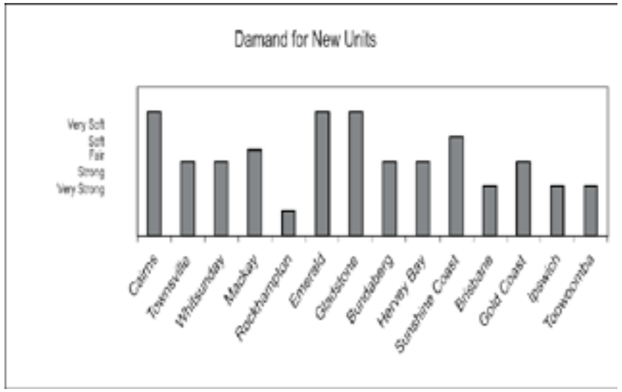






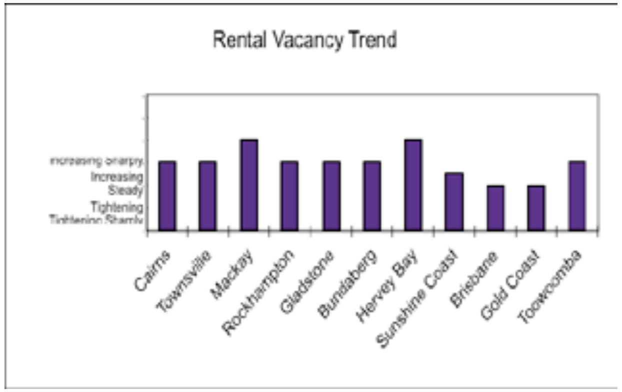
Market Indicators

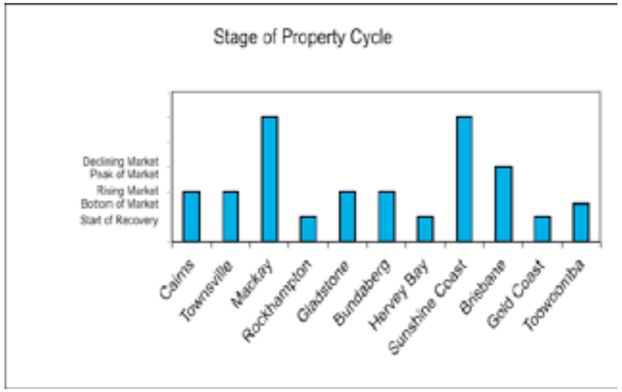
Queensland Property Market Indicators - Retail

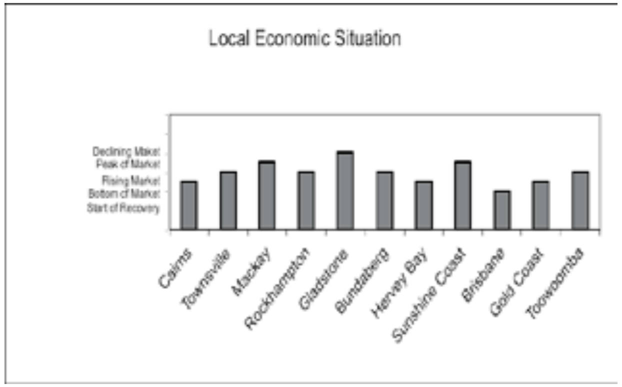
Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of 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	Increasing	Tightening - Steady	Tightening	Tightening	Steady
Rental Rate Trend	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Declining - Stable	Increasing	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady - Declining	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	Declining market	Rising market	Start of recovery	Start of recovery - Bottom of market
Local Economic Situation	Steady growth - Flat	Flat	Flat - Contraction	Flat	Contraction	Flat	Steady growth - Flat	Flat - Contraction	Steady growth	Steady growth - Flat	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

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

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







Market Indicators

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

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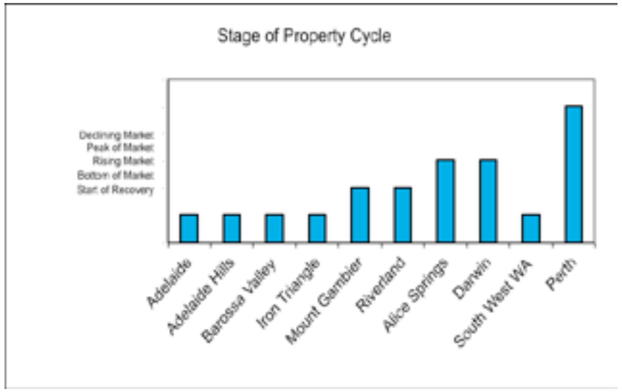
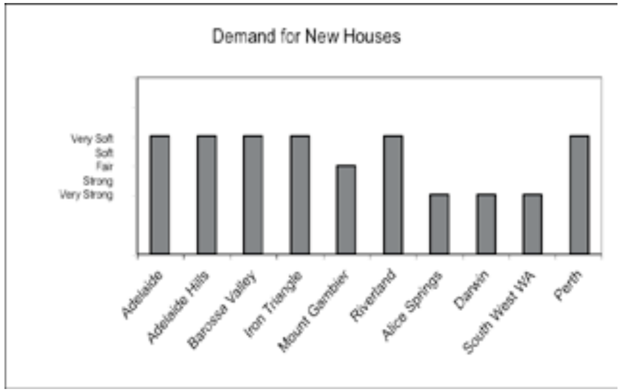
Blue entries indicate change from 3 months ago to a lower risk-rating





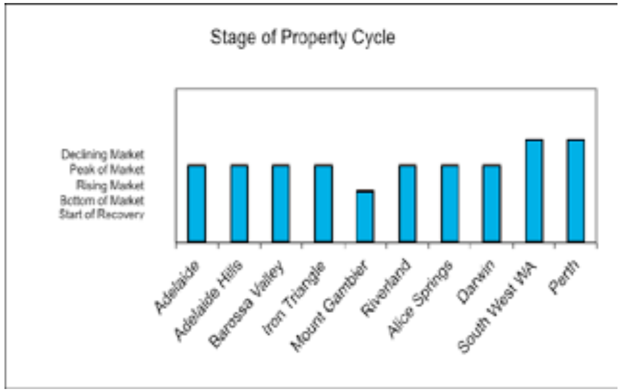
Market Indicators

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

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

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

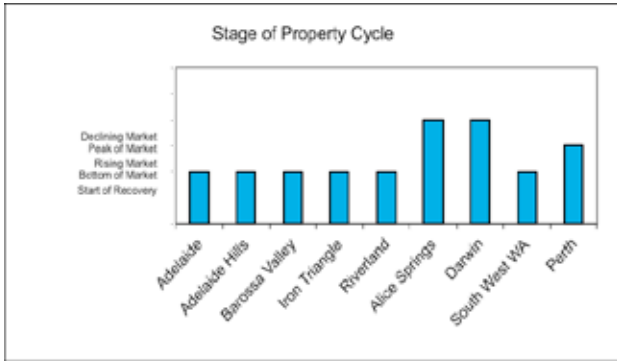
Blue entries indicate change from 3 months ago to a lower risk-rating

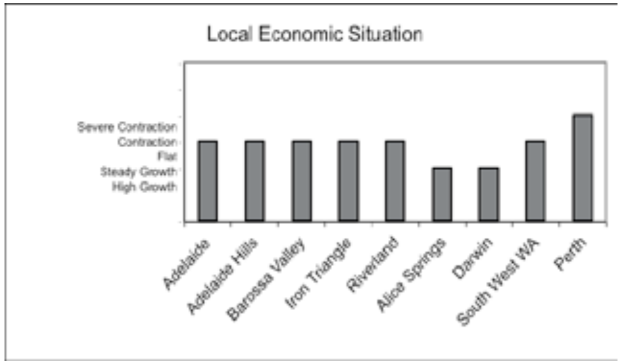


Northern Territory, South Australia & Western Australia Property Market Indicators - Retail

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

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





Market Indicators

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National strength.
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