August 2015

Month in Review

HERRON TODD WHITE

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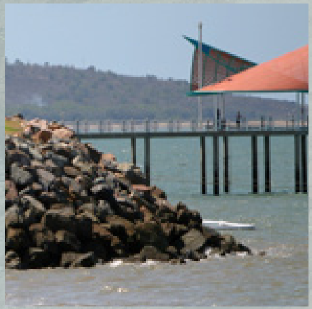
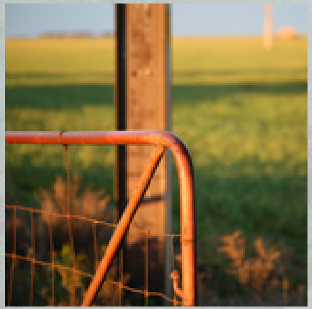




The building price is right!

It's been an interesting few years in property markets around the nation. Some buyers have run fast and hard towards southern capitals.

Others have fled the regionals, while a few continue to sit and wait. All this multidisciplinary activity shows that Australia is a market that can't be described by one simple blanket commentary.

One of the big events in our economy has been the decline in the once stellar mining industry. There are any number of tradies who packed up shop in their big capital home cities and made their way to mineral centres. There was plenty of money for those willing to adopt the "some weeks on, some weeks off" lifestyle. This golden run of monied dirt meant there were plenty of boosts to budgets and a big dose of immunity from overseas economic strife.

Fast forward to 2015 and we're at a bit of a cross roads. Resource prices have softened, our favourite overseas Asian economy has slowed and some big projects have been relegated to the back-burner. In this environment there are many looking for the next saviour. Well folks, Australia's got talent, and that's in the form of construction.

Our construction industry is attempting to pick up the slack with many of its representative bodies keen to get the ears of their relevant governments so as to boost building in whatever way possible… and why not? A fair chunk of change flows from constructing things and there's certainly an Aussie identification with the singleted tradesman loading up a ute with a dog in tow and heading off to a building site.

Residential construction is a major component of this national industry too. Even if you set aside the extraordinary number of new unit developments throughout our big cities, there are plenty of large scale estates sitting on the fringes. Guess what's going onto those thousands and thousands of vacant allotments –that's right, good old bricks and mortar - and most consumers are keen to know exactly what it costs to get one of these beauties onto their site.

This month, we've decided to take a look at residential construction in a little more detail because, frankly, we have the track record that allows us to be a pretty well informed and independent observer of what's happening. Our offices around Australia are going to tackle the cost of building homes throughout the land – from your standard low set three-bedroom, one-bathroom brick-and-tile right through to those palatial dream pads that set hearts aflutter and heads spinning.

In addition, we are going to run a little comparison. For long term readers of the Month in Review, we covered this very topic way back in May 2009. It was a terrific overview of construction costs. This month we're looking to update the data and see how far things have come since way back then – an incredibly useful tool for anyone with a keen eye on real estate (which would actually be you if you've already managed to make it this far into the issue).

In the Commercial section this month, get ready to tackle the industrial sector. In keeping with the residential theme, we'll have a look at where new industrial development is occurring in your area and what it costs to build. Are there particular suburbs or regions that are seeing growth in new construction? We also have a chat about construction costs for industrial property across all classes – from sheds to … well… really big sheds. How the market is performing and how the cost of labour and materials is tracking.

So here's a chance to not only become your local area expert on the cost of building a home, but an opportunity to while away a few hours in the lunch room with your colleagues keeping them spellbound with your intimate knowledge of how construction costs have moved since 2009. You'll be the life of the party with hordes of fans forming a circle and hanging off your every word… but don't come unstuck just when you've won the ear of the room. Keep your local Herron Todd White office on speed dial (best marked "Property Geniuses" on the iPhone) and give us a quick call to get even more info on your local real estate.

QS Corner - Saving tax tips for your investment property

With the 2014/2015 financial year behind us, investors begin to look forward to returns they can claim from losses attributed from owning an investment property. All year, investors diligently keep their records, hold onto receipts, pay bills and make sure that every dollar spent on their investment property is accounted for. They then take all this information to their accountant to lodge their tax return and wait for their claim payment.

Just like claiming a car allowance, by nominating a PAYG (Pay As You Go) tax withholding variation every year, you can claim your investment tax offset upfront too.

This tax scheme allows you to vary the amount of tax you pay up front and basically distribute the estimated lump sum savings that you would normally get at the end of the financial year throughout the financial year, resulting in regular tax savings with every adjusted pay your employer makes rather then waiting all year for a lump sum.

This is a relatively easy exercise that is done at the start of the financial year. The first and most important step is to find out if this scheme is suitable for you and your financial needs and circumstances. Talk to your accountant and work out if this PAYG variation will work to your benefit and see if they can help you lodge the required ATO paperwork. The current PAYG withholding variation application 2016 is available online. Talk to either your accountant or the ATO to find out more. Once your application is accepted by the ATO, you can benefit from a reduced tax deduction from your payer. With a PAYG variation you will still need to see your accountant at the end of the financial year to see if your estimated tax offset needs to be adjusted, so keeping your records throughout the year is still as important as ever.

Many investors don't have an up to date Tax Depreciation Schedule (TDS). Both residential and commercial owners don't realise that they can benefit from a TDS. Many clients that we deal with say that they don't need a TDS because their accountant is already deducting or depreciating something for them, or their property is too old or too small. In reality only a qualified professional is able to do a TDS for an investor.

Unless they have physically inspected and are appropriately qualified to depreciate your property, your accountant could be incorrectly claiming deductions. This means you could potentially be missing out on thousands of dollars of legitimate tax deductions annually. You wouldn't let an unqualified doctor give you an online assessment or an unqualified mechanic give you a verbal appraisal on your car without seeing it first. The same goes with your investment property. You are entitled to claim the appropriate amount of depreciation on your property and a TDS is the only way that you can legitimately make that claim.

For obvious reasons the newer the property the greater the return, but older and smaller properties still have some depreciation left. No matter how small the amount, any amount of depreciation is better than none and if you have recently made an improvement to your property make sure you get the report updated in order to maximise your return.

Herron Todd White is more than a property valuation firm. We are fully qualified and accredited property advisors in all areas and class of property. If you or someone you know needs tax depreciation advice on an investment property, please contact us at tds@htw.com.au. We have fully qualified Quantity Surveyors ready to help.

Quantity Surveying

Commercial

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

The building industry is looking to become the major sector of our economy and this includes industrial. The success of industrial development is, of course, a direct reflection of industrial property performance overall.

This month, our offices around Australia have had a look at where new industrial development is underway and the cost of constructing these sheds. It's a ready guide on where new builds are breaking ground for industrial holdings.

Sydney

Industrial property in Sydney has seen an increase in demand and therefore increases in capital values. Improving demand drivers for industrial space including retail and wholesale trading volumes, a strong housing market and improved road and rail infrastructure have put upward pressure on average industrial rental rates and capital values in recent years.

For industrial strata units in particular there is limited upcoming supply while demand, particularly from warehousing and distribution operators, has continued to improve. In addition sitting tenants are finding purchasing more attractive than renting.

New Development

The majority of new industrial development is taking place in newer land release areas that benefit from proximity to major infrastructure and roads. In particular recent approvals appear to be in areas such as Horsley Park, Gregory Hills, Wetherill Park, Erskine Park, Eastern Creek and Prestons. Much of the development in these areas is large scale distribution and warehousing centres. Also noted is an increase in new development of bulky goods centres and warehousing associated with these retailers such as Masters Home Improvements and Ikea. These areas have large residential subdivisions and these bulky goods retailers are looking to capitalise on this market.

New development in Marsden Park in Sydney's north west is now underway. Linfox, Costco, Ikea and Lindt have all confirmed their places in this new business park.

Development Costs

Development costs are escalating due to an increase in demand, especially for large scale bulky goods and distribution. Growth of the residential construction market has resulted in increased costs across all sectors including the industrial sector. Additionally this strong demand has increased labour costs. Overall the increased demand and relatively stable land prices have maintained the feasibility of new industrial developments with some growth in values also predicted over coming months which will help to maintain the profitability of new developments.

Canberra

The Industrial market is in the doldrums in the ACT region with very few transactions of significance recorded in the past 12 months.

Sales of land in the two Hume subdivisions have been slow with the only sales achieved at a discounted price. Recent sales in Paspaley Street and Couranga Crescent in Hume have been concluded at between \$129 and \$140 per square metre of site area. These prices are well below the \$200 per square metre achieved some five years ago in the same area. In Fyshwick, the ACT's premier industrial location, recent land sales are running in the range of \$275 to \$300 per square metre, again well below that achieved some five years ago when prices were well north of \$400 per square metre.

We have observed in the past that premises with long term leases to secure tenants sell if offered to the market at relatively low yields. A recent example is the sale of 51 Aurora Street in Queanbeyan for $2.66 million at an initial yield of a low 4.69%. The lease was to the NSW Government with a term of five years plus options. We note that the market again will be tested late in July with the auction of a Dan Murphy's outlet in Queanbeyan on a 15 year lease and the Sportsman Warehouse property in Whyalla Street in Fyshwick on a ten plus ten year lease. We would anticipate yields well below 7% may be achieved.

South East NSW

The industrial property market has shown some signs of improvement over the past 12 months after the stagnant conditions that have plagued the sector largely since the GFC.

> Local industry is benefiting from port related activity at Port Kembla with Kembla Grange evolving into a significant vehicle transportation hub.

Transportation and logistics are filling the void left by the decline of the traditional heavy manufacturing sector, noting there has been recent media speculation that BlueScope is considering closing its last blast furnace unless it can reduce its cost base. The evolution of the sector to light industrial uses is likely to continue into the future. Other headwinds include the scaling back of production at local coal mines and the restructuring that is expected to continue at the major mining companies.

Positives for the industry include a stable state economy led by a strong housing market and construction sector, out of area investment including foreign capital committing funds to large residential projects, government sector infrastructure projects proposed and currently progressing in the region, the rejuvenation of the Wollongong CBD and an overall improvement in business confidence.

Speculative development remains limited in this asset class with most projects being owner developed and specific to a certain use. Some small business park complexes have been developed or are proposed at the fringe of the Wollongong CBD and in the suburbs, however this activity is scarce as the cost of site acquisition and construction typically restricts the margin to less than required to entice developers.

Overall, we expect the market to continue on its current trajectory and for the most part remain neutral throughout 2015.

Newcastle

We're witnessing an interesting dynamic in the Central Coast and Hunter industrial market at present. The Central Coast market has been in the doldrums for a very long time and now that market conditions have improved somewhat, vacant land is less overstocked and selling activity has improved. The value levels have not improved and while the vacant industrial market remains overstocked in most industrial localities on the Central Coast, we don't expect values to increase.

These market factors, coupled with steady but not outlandish construction cost increases, mean that in some cases it's more cost effective to buy cheap land in estates like Somersby and construct a purpose built industrial facility rather than purchasing an older shed that may not suit the needs of the occupier.

We've seen a real increase in owner occupier construction in estates such as Somersby. We also note there are very few buildings of any size (say over 5,000 square metres) for sale on the Central Coast, further pushing the requirement to purchase land and construct new premises if the demands of the business activity of the owner occupier require more space.

There is very little industrial zoned land in the West Gosford industrial estate and the last vacant land sale has shown strong value growth. This is the exception on the Coast as areas including Wyong, Tuggerah, Morisset and Somersby still have high levels of vacant land, although these are finally being bought up somewhat. Even the Wadalba Enterprise Precinct has seen a development blitz after long periods of limited sales activity. The estate is now even graced with a MacDonald's restaurant and 7-Eleven Service Station.

As interest rates remain low, construction costs are relativity low and land rates are stagnant, we've seen an increase in owner occupier construction activity on the Central Coast. This increase in activity is helping to realign the supply demand imbalance.

Victoria

Melbourne

While demand for industrial property has somewhat strengthened in the past 12 months, leasing activity in this market continues to stabilise. As a result, incentives have remained relatively high at between 15% and 35%. Yield compression continues for prime grade industrial development with yields for secondary development generally stable. Vacancy rates have been higher in 2015 with tenant demand appearing insufficient to meet the flow of new supply and levels of existing vacant stock.

In the face of this, building approvals have increased, pointing towards continued higher levels of industrial supply in the medium to long term. Approvals led by the warehouse sector reflect the rebound in the transport, logistics and distribution industry generally fed by the increased trade and activity of the Port of Melbourne, relative affordability of land, good access to available labour, excellent road linkages and a strong supply of available industrial land within Melbourne's main industrial precincts.

The flow on effect is the strengthening demand for new logistic and storage development within Melbourne's established western suburbs, including Laverton North, Sunshine West, Altona North and Derrimut which are all well accessed by Melbourne's West Gate Freeway, Princes Highway and Western Ring Road.

In contrast, around a third of all new development in 2015 is expected to be delivered in Melbourne's northern industrial suburbs. The relocation of Melbourne's fruit and vegetable market towards the later part of 2015 to Cooper Street, Epping, has already seen increased demand for land and an influx of speculative development for both standard office, warehouse and cold storage facilities within the immediate area.

In addition, the Melbourne Airport precinct is continuing to drive new supply. A vast supply of land north west of the Essendon Football Club Training Facility has recently become available. Of note is the new Toll Holdings warehouse in the Melbourne Airport Business Park which is nearing completion and will add around 70,000 square metres to current stock levels.

As in the west and north, demand for both larger warehouses, distribution centres and other transport and logistics facilities has increased in the south-east where developers are responding to tenant and occupier requirements. Available greenfield land throughout such suburbs as Keysborough, Dandenong South, Lynbrook and Cranbourne West will continue to be sought at moderate levels. An example is the pre-lease by Adairs of a warehouse in Atlantic Drive, Keysborough of approximately 6,700 square metres, with the facility to be completed this year.

Developers continue to be buoyed by the affordability of land within Melbourne's outer industrial regions and the relatively low construction costs which have generally remained stable over recent years, with rates ranging from $530 up to $880 per square metre of building area. Rates towards the lower end of the range are generally for basic warehouses with standard fit out of up to ten metre clearance with metal clad walls.

Small warehouse shell units with basic kitchenette and toilet amenities also attract development costs towards the lower end of this range.

Development costs towards the upper end of the range are generally incurred for high standard fit out warehouses of up to ten metres clearance, with precast walls and sprinklers. Large scale warehousing and distribution centres with specific tenant requirements will also see costs at the upper end of this range.

Truck or storage hardstand areas with appropriate tonnage capabilities, drainage and line markings generally cost between $100 to $125 per square metre of land area.

Given the relatively low cost of land, moderate construction costs and stable demand for well located developments with sought after attributes, new construction in the short to medium term is still considered to remain feasible and moderately attractive to developers, many being underpinned by tenant pre-commitments, which is a critical element for a developer.

Mildura

The cost of construction of industrial buildings has increased significantly in recent years, driven by higher steel prices and also a trend to higher clearance heights and better office fit outs. Owners and tenants typically now expect a higher standard building than was commonly built 20 years ago.

The cost of building a medium height warehouse (say 4.5 metre clearance) with steel cladding is now around $450 per square metre, with higher rates applying to office and showroom areas. High clearance warehouses, especially if built with concrete tilt panels and wide spans, can cost closer to $700 per square metre, with the price obviously influenced by the building's size and level of appointments.

Buildings with a high standard of fit out are mostly purpose built for a particular tenant or owner occupier who are prepared to pay a higher than average rent or construction cost in order to get the resulting standard of building.

Vacancy rates remain relatively low for better standard industrial properties in Mildura and this has contributed to a number of existing businesses choosing to build new premises in recent times.

South Australia

Adelaide

GM Holden manufacturing's planned closure in 2017 and the uncertainty surrounding the Ssbmarine construction industry are well publicised contributors to the flat conditions and negative sentiment within the South Australian economy.

Additional factors such as the recent announcement of the Leigh Creek Power Plant closure, a slowdown in the mining industry occurring in South Australia's north due to reduced commodity prices, have all contributed to rising unemployment in the state.

Based on the Australian Bureau of Statistics (ABS) in July 2015, the South Australian unemployment rate has reached above 8.2%, being .06% above the May result representing a 15 year high and is well above the national average of 6%.

The impact has resulted in a general lack of activity or willingness to commit to industrial construction projects that often have payback periods spanning multiple property cycles.

The most recent major industrial subdivision was in Edinburgh in metropolitan Adelaide's mid north. The Edinburgh Parks industrial estate was created in 1997 when the Australian Government decided to sell off circa 70% of the defence-owned crown land surrounding the RAAF Edinburgh Base and the Defence Science and Technology Organisation (DSTO). The area now accommodates defence contractors, automotive component and parts manufacturers (supporting the Elizabeth G.M. Holden manufacturing plant), and other industries such as a major Coles distribution centre.

Despite the lower land values compared to other established industrial precincts Edinburgh Parks has been slow to get absorbed with the majority remaining vacant.

More generally construction costs have grown slowly over the past five years with labor material cost increases being a contributing factor. The reduced number of projects has resulted in the tendering for construction projects being highly competitive. The recent cost increases are being absorbed by builders through contracted profit margins. It is mooted that this practice was a significant factor in Tagara Builders recently being placed into liquidation despite its reported $70 million worth of active projects.

There is a relatively high level of civil construction planned specifically the South Road works occurring between Torrens Road and the Torrens River as well as the extension of the Southern Expressway across the Darling intersection. On completion this will pave the way for the planned non-stop north south corridor along South Road.

In an attempt to stimulate business and 'unlock the entrepreneurial spirit' the SA government announced in it's 2016 budget that stamp duty would be abolished for commercial property transactions by 2018. This is welcome relief to a sector that is in need of a little help.

Queensland

Brisbane

The Brisbane industrial property market and more particularly, the land market, has experienced a low level of activity in the past three years due to the lack of appetite for development and high land prices.

Steady demand from tenants has not been matched by additional supply after the development and financial markets became extremely conservative from 2008. The lack of suitable alternatives has driven greater owner-occupier activity within the market. The preference of developers is still to obtain a pre-commitment before contemplating development, although there is still a clear rental gap between existing and purpose built accommodation, and the decision to speculate remains rare.
The primary reason for this is that industrial developments are simply not feasible. In order for the trend to swing the other way, the market would need to witness a spike in rents and a drop in land values. While this is not likely to happen in the short term for smaller sites, larger sites have experienced a downward trend in the past three years.

Work continues on the port expansion at Fisherman Islands, with Legacy Way (formerly Northern Link) which is a tolled road tunnel that connects the Western Freeway at Toowong with the Inner City Bypass (ICB) at Kelvin Grove has recently been completed. Both these major projects will have a positive impact on the distribution of goods, locations of warehouses and transport times in Brisbane.

Throughout the latter half of 2014 and first half of 2015, it would appear that several large institutional groups are again actively seeking land as there are very few prime industrial assets on the market and to fill investment mandates. These groups have turned to developing the product instead. Further, we are also aware of large developers sacrificing development margins to secure a pipeline of work until conditions improve (particularly for those with construction arms) or alternatively sacrificing development margins to secure prime industrial assets and grow 'funds under management'. Suburbs with large parcels of flat land near major transport routes such as the Gateway and Logan Motorways are Brisbane's prime industrial development land.

Highlighting the lack of development, the only major areas of late have been Radius Industrial City and South West 1 Enterprise Park in Berrinba. In addition to the South Western Corridor (Larapinta, Parkinson and Berrinba) development area, Brendale has seen a range of activity. The suburb has experienced an increase in development in the past five years with the most notable subdivision by Investa.

Development costs for industrial buildings range depending on the size, internal height, construction materials and office to warehouse apportionments.

To comment on specific designs is too difficult but rather a range of $650 to $1,000 per square metre of building area is appropriate for new builds. The preferred construction in the market is for concrete tilt panel external walls with a clear span warehouse and sheet metal roofing.

Toowoomba

The Charlton/Wellcamp Enterprise Area (CWEA) is a large greenfield industrial development precinct located approximately 15 kilometres west of the Toowoomba CBD. It is seen as the preferred location for major industrial development within the Toowoomba region.

The proposed second range crossing and Toowoomba Bypass (construction to commence in late 2015) is to meet the Warrego Highway near

Commercial

the industry precinct and will offer good access to the Warrego, Gore and New England Highways. The proposed inland rail network is also planned to integrate with the precinct and as such ATEC, a rail freight company has purchased large holdings of land for future development.

To date the only project to fully commence in the CWEA is FK Gardner's Whitmack Industry Park. This project was undertaken via an infrastructure agreement whereby the developer paid for the provision of required infrastructure to provide fully serviced industrial lots. The project's viability was underpinned by pre-commitments to two poly pipe manufacturers, one via a presale of a completed lot for $9 million and the other on a design and construct lease-back basis. Subsequent commitments have been reached with companies such as Boral, Saxon and Savanna Pipes.

FK Gardner has also recently purchased another approved subdivision previously known as the Charlton Industrial Estate (32.6 hectare site with approval for 12 lots). This development will be underpinned by the construction of a BP and KFC anchored service station on a lot with frontage to the Warrego Highway.

The new Wellcamp Airport has been constructed to the southern end of the CWEA and commenced operation in late 2014. The Wagner Group has also proposed development of a large 300 hectare business park surrounding the airport. It was recently announced that Schlumberger, an international oil and gas services company, has been secured as the first occupant of the business park. The majority of the business park's bulk earthworks were completed during construction of the airport which should enable reduced development timeframes once approvals are received.

Gold Coast

Construction of new industrial buildings in the Gold Coast are mostly concentrated in the northern region comprising the suburbs of Ormeau, Yatala and Stapylton. This is not surprising as the largest supply of industrial sites for the Gold Coast, big or small, has come from this region in past years. Land prices here are comparatively cheaper than other parts of the Gold Coast, although in recent years they have been rising and in some cases have almost caught up with land prices in Central Gold Coast.

Industrialists love this area also because of the easy access and good connections to major transport routes and ports. In recent years, this area has provided the catalyst for new construction activity spurred on by the successful implementation of the Construction Kickstart program initiated by the Mayor in 2012/2013. The significant number of modern factories and warehouses built and owned by national companies that have selected Yatala to be their distribution base have further enhanced the image of the area. On the other side, the older industrial areas from Molendinar to Burleigh Heads are saddled with old buildings that are becoming obsolete and less preferred for development. Recent additions of large industrial buildings in Yatala include Markwell Foods Cold Storage on Lahrs Road in Motorway Business Park, JJ Richards engineering and steel fabrication factory in Central Park Yatala and Caterpillar distribution centre on Elderslie Road.

Another area with new construction activity is at Harrington Street in Arundel. Building activity within the estate has predominantly been undertaken by owner occupiers, however, we are aware of two buildings that have been constructed for the purpose of leasing and holding as a passive investment and one strata titled complex that has been constructed by a developer and is currently for sale. There are also a few new developments in Molendinar including a multi-unit complex on Industrial Avenue. The industrial estate of Gaven Central on the Pacific Motorway also has its fair share of new industrial buildings constructed at Newheath Drive by end users.

Construction costs for modern industrial buildings of concrete panels generally varies from $700 to $1,000 per square metre of gross floor area. The final cost can go up to the $1,400 to $1,700 per square metre bracket with the inclusion of office fitout plus incidental costs such as infrastructure charges imposed by Council, consultant fees, etc. In the past three years, construction costs have only risen by an average of 0.9% per annum.

During the second quarter of the year, the market in the southern region from Burleigh Heads to Tweed Heads was dominated by small industrial strata sales with prices ranging from $180,000 up to $615,000.

John Duncan Court in Varsity Lakes and Ramly Drive in Burleigh Heads appeared to be the sought after locations for this sort of property. There was one sale of $1.375 million for an industrial building at Dover Drive with two tenancies while an industrial hardstand of 3,367 square metres on Hutchinson Street sold for $297 per square metre. In Robina, a 2,645 square metre modern industrial building at Energy Circuit sold for $6.425 million. The property is leased to an indoor trampoline recreational centre yielding 8.09% to the investor.

In the central region, the number of strata unit sales in Molendinar was small with prices ranging from $185,000 to $230,000. There were also a few sales in Helensvale, the most significant of which was the sale of two units in one line for $1.114 million. The units sold to a buyer who owns the rest of the units in the complex, hence there is an element of special interest in this purchase. Another active area is at Harrington Street, Arundel where four modern strata units sold from $265,000 to $398,000.

Similar to the market in the central region, the market up north has performed moderately. There were only a small number of strata unit sales in Ormeau and Yatala that were priced between $250,000 and $495,000 but there were a few significant sales of larger properties, including three industrial buildings for $1.26 million, $2.4 million and $3.2 million. A 2.76 hectare industrial block located on Pearson Road sold for $45 per square metre while another englobo land of nine hectares on Rotary Park Road, Alberton sold at the market rate of $23 per square metre.

The market activity demonstrates that the Gold Coast industrial sector is not stagnant but is growing moderately. Owner occupiers will continue to be the mainstay behind the growth but we envisage investors and developers will be playing stronger roles in the near future when the stock for rent or sale falls to a level that would result in an uplift to values. Despite the abundance of industrial sites, new industrial subdivisions have emerged. These include the 127 hectare Empire Industrial Estate in Yatala, the 26 lot Steele Park Industrial Estate in Logan Village and a proposed 7 hectare industrial zone forming part of the Pacific View Estate in Worongary which will have 3,500 homes. These new areas could change the direction of industrial construction activity in the next ten years.

Sunshine Coast

We have started to see improvement in overall conditions in the industrial market on the Sunshine Coast. This has included the commencement of construction of smaller strata titled complexes, primarily aimed at the owner-occupier market.

There are few vacant sites remaining in Kawana and Kunda Park, with the majority of this construction noted in the Caloundra area over the past 12 months. The stratas are typically 100 square metres to 200 square metres in size and are typically being priced from $1,850 per square metre up to $2,300 per square metre.

There are still a few developers actively participating within this market and any development is typically presale led.

There are no larger sheds or stratas being constructed on a speculative basis currently with larger sheds only being built with a tenant on hand.

The main reason for this is that the cost of buying existing sheds of over 1,000 square metres is typically far below the cost of buying the land and building the shed.

Overall construction costs have remained relatively stable over the past three years with limited increases noted. Generally costs range from $700 per square metre for stand alone sheds and are over $800 per square metre for strata titled complexes.

Gladstone

The industrial market in Gladstone has continued at much the same pace over the past six months, with limited sales and leasing activity. The downturn in local mining industries has resulted in small mining related businesses closing their doors, leaving small sheds vacant and difficult to lease. There appears to be continued demand by the bigger players in this market, with new leasing transactions occurring

within areas around Callemondah. Rental amounts however have come back significantly from market peaks and tenants have increasing bargaining power. We are aware of some new leasing negotiations which have included incentives such as rent free periods.

The flattening of the industrial market appears to have slowed expansion of new industrial precincts. Of mention is the Chapple Street Business Park which is now complete after a long construction period. There are 26 lots in this estate located on the fringe of the Hanson Road precinct. The lots range in size from 1,000 square metres to approximately 4,100 square metres. Agents report that lots have begun to settle, however five lots remain unsold with reduced demand. We anticipate that current market conditions will slow future development of industrial land until the current supply is absorbed and there is less risk associated with finding tenants for new premises.

Hervey Bay

The industrial market in Hervey Bay has continued at much the same pace over the past six months, with limited sales and leasing activity. The continued lack of demand has resulted in a high volume of small strata unit sheds remaining vacant and difficult to lease or sell. Leasing rates are volatile and sometimes erratic depending on lessor circumstances. There is very little construction and what is being built is generally owner occupied.

Looking forward, with few market drivers the market is likely to remain stagnant over the next six months. Rental rates are likely to remain low with very attractive terms and incentives on offer due to strong competition amongst landlords to attract a tenant.

Rockhampton

2015 has seen the continued development of the Gracemere industrial precinct after Toll established its new logistics facility within the area in 2014. Re-zoning of broader industrial areas and the amendment of long and heavy vehicle transport routes will encourage further consolidation of industrial land uses in the Gracemere industrial area and this will create some market activity as participants secure the more desirable sites. The sales rate of developed industrial land within the most recent estate has been very slow with sales achieving $130 to $150 per square metre for heavy to medium industry land and as low as $90 per square metre for light industry sites, of which there has been a much greater level of supply.

The Livingstone Shire has released Stage 1 of the Gateway industrial estate on the western fringes of Yeppoon, co-located with the Pines residential estate and in the same vicinity as earlier industrial estates. The first stage of nine lots has been listed for sale at prices from about $110 per square metre. The estate has delivered four lots from 2,100 to 2,600 square metres; three lots from 3,700 to 4,100 square metres and two larger sites of 1.2 and 2.6 hectares. Three of the four smaller lots are reportedly under contract and the two larger lots are reported to be under offer.

There have been few new industrial land releases in Rockhampton and demand is moderate. Most sales are of existing stock at sale prices between $110 and $150 per square metre in the established industrial areas of Kawana and Parkhurst. Some buyers are cautious of potential infrastructure upgrades that may be required by council as part of any future development approvals.

As with many Central Queensland industrial markets, the slow down in coal mining has dampened demand for industrial land and this is likely to continue through 2015.

Townsville

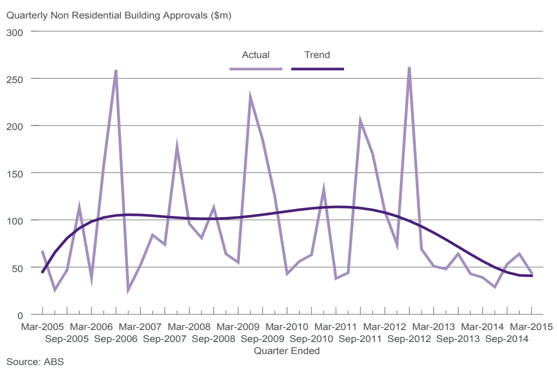
The industrial market remains at the bottom of the market cycle lacking confidence and exhibiting uncertainty. The market has been stationary at this stage of the cycle for a number of years now and coupled with the softening in the mining industry, has resulted in limited new industrial properties being constructed. From what we are seeing, development that is occurring is primarily on a design and construct basis.

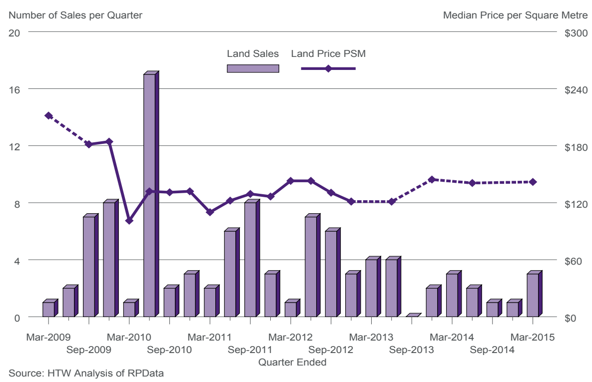
Non-residential building approvals have reduced considerably over the past two years, reflecting an absence of big ticket construction approvals over that time. The public sector has accounted for much of the slowdown over the past two years, with non-residential building approvals attributable to the public sector reducing from $232 million in the twelve months to March 2013 to just $31 million in the twelve months to March 2015. Private sector investment for the twelve months to March 2015 totalled $161 million, down from $224 million in the twelve months to March 2013.

The industrial land market remains dormant as a result of limited demand in the current economic environment.

There is a plentiful supply of industrial property for sale, much of which emanates from reluctant vendors who would not otherwise be selling in the current market environment. This contributes to the construction of new industrial property proving not to be feasible in the current market environment.

Broadly speaking construction costs fall within the range of $850 to $1,100 per square metre depending on location, functionality and ratio of office to warehouse component.





Commercial

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. Though we now perceive the industrial market to be entering a recovery phase, industrial property development remains slow.

Improved industrial property sales also remain slow at levels well below the 2007 peak, with prices steady. Commercial agents advise limited availability of good quality stand alone warehouse stock with slow to reasonable demand for these types of premises. Strata titled industrial warehouses are also limited in number to sell or lease with similar limited demand. However rents have recently begun to claw back some lost ground as the economy has slowly improved.

The vacant industrial land sale market is especially quiet with limited sales activity. The median vacant industrial land price in Cairns peaked at $295 per square metre in 2009 but has been around $200 to $250 per square metre for sales over the past four years. Our overall assessment is that industrial land is adequately supplied for foreseeable levels of demand.

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values for well leased properties over the short to medium term. The market has been gradually consolidating to the start of recovery stage and the immediate outlook is for further consolidation and improvement in the year ahead. A lack of new stock should see availability tighten as we move through 2015. A recovery in the vacant industrial land market in Cairns will continue to depend on more widespread recovery in the local economy which appears to be underway.

Though industrial development in Cairns is at a virtual standstill in the present market, our views on indicative construction costs for new industrial property types are shown in the following table:

Type	Size (square metres)	Cost ($ per square metre)
Tilt concrete warehouse	1,000	$1,100
Metal deck warehouse	1,000	$850
Tilt concrete warehouse	3,000	$1,050
Metal deck warehouse	3,000	$800
Showroom warehouse	1,000	$1,200

Northern Territory

Darwin

The Berrimah region is experiencing the highest level of construction growth of Darwin's industrial areas. Its location on the highway midway between Darwin and Palmerston and the availability of larger sized unconstrained blocks (in comparison to older areas such as Winnellie) are factors in its selection as a suitable location for many businesses.

The Berrimah Business Park is the most visible of these industrial areas. Travellers along the highway have seen it grow from a bare paddock three years ago to a subdivision with numerous industrial developments from larger scale single sheds to strata unit complexes.

It is now being complemented by the adjoining Darwin Corporate Park which is increasing the availability of office space in this precinct.

> Of all the Darwin property markets, it is fair to say that the industrial market is performing best at present.

Rents have held relatively stable over the past few years and demand for industrial accommodation is expected to be maintained well beyond the construction phase of Inpex. The completed LNE plant will require significant regular maintenance which can be supplied from these areas.

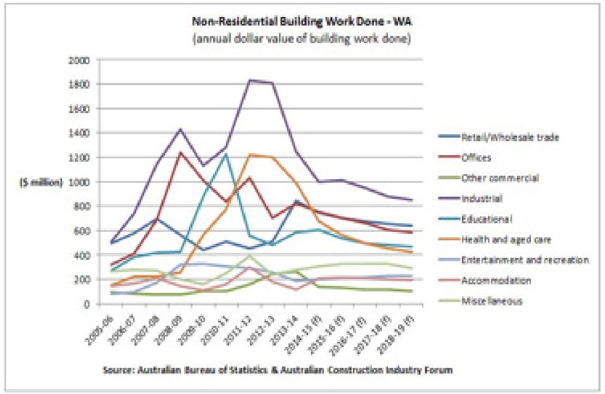
As with the property types, construction costs for industrial buildings is high in comparison with other capital cities. Depending on the construction involved, costs in the order of $1,000 to $1,200 per square metre are common. Coupled with the price of land, it is very difficult to justify industrial development on an investment basis. We are seeing most (but not all) such development being undertaken by owner occupiers seeking to satisfy their own accommodation needs and who are not as driven by short term property investment returns.

Western Australia

Perth

From a relatively high level, the Australian Constriction Industry Forum expects the dollar value of work done on commercial buildings throughout Western Australia to continue to drop back from respectable levels of $5.3 billion to $4.634 billion in 2014/15 before falling further to below $4.0 billion by 2017/18. Soaring levels of office vacancies amid falling demand for space from resource clients is not exactly helping in the office sector.

Activity on industrial buildings will fall, as will that on health and aged care as work on hospital projects in Perth drops back.



To the right is an outline of current market conditions and the outlook for the state regarding residential construction, non-residential building, engineering construction, and construction industry employment and construction industry tender prices:

Current construction costs for industrial buildings in Western Australia:

Type	Estimated Cost per square metre
High Bay – precast concrete tilt panel, metal roof, small office and amenities, no ventilation, no fire sprinklers	$685 - $740/m2
Offices and Showrooms	$1,720 - $1,855/m2
Maintenance Workshop – large span for heavy use, brick walls, metal roof, service pits, small office, no ventilation, fire sprinklers	$1,260 - $1,355/m2
Large span, heavy industry use - Office/Factory – two story offices face brick and glazed external walls, standard finishes, air-conditioning, no lift, no fitout. - Factory large span	$1,810 - $1,950/m2
- Framed and metal clad walls - Brick external walls - Precast concrete tilt up	$950 - $1,025/m2 $975 - $1,050/m2 $960 - $1,050/m2

Residential

Overview

As construction ramps up its responsibilities in the Australian economy, it's timely to take a look at how much it actually costs to build a home in our nation. Locational factors can come into play where the accessibility of material and labour as well as the nuances of design and taste will impact the rate per square metre.

This month, the residential teams gives a rundown on house building costs in each of their areas. To keep it interesting, they've also drawn comparisons with costs in 2009 to demonstrate how these figures trending.

Sydney

The Sydney property market is going from strength to strength and with established dwellings in some locations hotly contested, one option for those looking to improve their portfolio or even to enter for the first time is to build their dream home. This month we have looked at some trigger points of what is available; what the range of costs and fit-out include; the locations and the appeal.

Project homes

Originally project homes represented entry level dwellings, however more and more the term is catering to those that are onto their third or fourth 'project'. With products ranging from modest 3-bedroom single level dwellings to double storey 4-bedroom homes complete with media rooms and alfresco areas, the number of builders willing to complete your dream and the options available are near endless. Multiple sites exist within the Sydney region as purpose built 'exhibition villages' with a variety of styles, budgets and floor plans to suit most price points.

Entry level project homes

Typically found in the newer estates on the fringes of the metropolitan area, entry level project homes generally range in size from 140 square metres to 200 square metres. These homes are generally typical of the estate with the price point ensuring neighbouring properties are completed to a similar standard.

Common basic designs typical of new estates such as Edmondson Park, Gregory Hills, Oran Park and Leppington in the south west and Caddens Ridge, Jordan Springs and Mardsen Park in the west include a single level, 4-bedroom, 2-bathroom face brick/rendered dwelling with tile/colourbond roof and double garage.

Cost per square metre will dictate the standard of fit out. At the lower end of $1,400 per square metre, the potential owner will receive a modest standard with a laminated kitchen, part wall tiling to wet areas, generic appliances and split level AC. A higher standard is at $1,700 per sqaure metre and at this

level we would expect to see a Polyurethane kitchen with casearstone benchtops, bamboo flooring, higher quality wool blend carpet, ducted air conditioning, full wall tiling to bathroom, and known appliances such as Westinghouse or Bosch.

Regardless of fit out these products are designed to offer a 'turn key' dwelling and generally are completed to a set floor plan with minimal modifications. Prospective purchasers are able to select colour schemes and product finishes from a set range

Custom built homes

Marketed to those that are looking to create a dream family property and more likely to be building their second or third property in a new estate, a custom built dwelling enables the purchaser to have some level of say in the design, colour scheme and choice of fit out including window/door sizes, PC items and ceiling height. Many of the new exhibition villages will include say a street dedicated to the higher end build which are specifically marketed to those people that want a say in the overall package but at the same time only wish for a single builder to manage the entire process.

Typical alterations would include changing floor plans either by internal wall movements; extending the width or length of the entire dwelling or adding additional rooms such as an alfresco living room or theatre room. Any alteration to the 'standard' floor plan is a cost and would be dependent on the offers available at the time. General rates would be in the range of $1,600 to $2,000 per square metres and be dependent on overall agreement at the time of consultation.

Knock down rebuilds

With the prominence of reality programs on building and renovating and the realisation that a premium will be paid for the finished product, home owners are willing to spend more on their construction within established suburbs where the opportunity to buy a new dwelling is limited. Typically the costs will range from $2,500 to $4,000 per square metre as site design restrictions, personal design requirements and council requirements can restrict the options and lengthen the overall construction period. We have found that home builders within the southern and inner west suburbs of Sydney have become well educated; sourcing a high level of finish with imported and locally produced products becoming the norm including the use of stone, hardwood, commercial grade fittings, integrated living areas, external kitchens and extensive landscaping.

You can find dwellings in this range in suburbs like Five Dock, Russell Lea, Drummoyne, Strathfield, Monterey, Sans Souci, Blakehurst, Sylvania, Cronulla and Burraneer. On completion, the floor areas for these dwellings range from 300 to 500 per square metres.

Dual occupancy

With councils relaxing their policies on densities/ multiple dwelling developments we are seeing a large increase in duplexes and dual occupancy developments within many areas of the metropolitan area but particularly within 20 kilometres of the CBD with the original 1960s fibro home on a regular shaped parcel having prime redevelopment potential.

Within Sydney the construction of a cavity brick duplex pair can range from $1,800 to $2,500 per square metre and brick veneer duplex pairs will range from $1,600 to $2,000 per square metre. Typically the floor plan will offer two levels with 3- to 4-bedrooms, 2-bathrooms plus ground floor powder room open plan living room and tandem garage. The market is responding well to this product and we are generally seeing the duplex being sold 'off plan' prior to completion.

Another form of dual occupancy is the 'granny flat' which is constructed in the rear yard of an existing property. A cost effective form of capitalising on larger parcels, this form of development sees both properties remain on a single title. We have found that the typical 60 square metre granny flat will range from $2,000 to $2,500 per square metre comprising 2-bedrooms, 1-bathroom, ceasarstone kitchen bench and lounge/dining area. Specialist firms now cater for this market and quote a typical construction time frame of 12 weeks.

Prestige homes

Prestige homes (generally considered to be those properties in excess of $3 million Sydney metro wide, located either within the eastern suburbs and eastern beaches, lower and upper North Shore, northern beaches, and some waterfront localities in the southern suburbs) are generally considered to provide accommodation of at least 4-bedroom plus 2- or more bathrooms with a minimum of 1-car onsite parking (preferably garage style) and may be single level in design or set over multiple levels depending on the location in question.

Quality of finishes is generally considered to be a good to high standard, with construction rates per square metre generally ranging from around $3,000 per square metre up to around $5,500 per square metre. Construction rates generally remain in line with our 2009 outline rates, with some small increases.

Super Prestige homes (generally considered to be those properties in excess of $10 million, and located mainly within the eastern suburbs and eastern beaches, lower and upper North Shore, and northern beaches) are generally considered to provide accommodation of at least 4- to 5-bedrooms plus 3- or more bathrooms and often with multiple ensuites, multiple formal and informal living areas, with a minimum of 2- car garage accommodation, and in some instances with basement style parking for five cars or more. These homes are generally multiple levels in design, and often with internal passenger lift access.

Quality of finishes is generally considered to be high, with extensive custom finishes the norm. Construction rates per square metre generally range from $5,500 per square metre up to around $9,000 per square metre and higher, reflecting the difficulty of the site topography, quality and scope of the construction and finishes, and imagination of the owner and architect.

Prestige and superior prestige construction includes a mixture of both knock-down and rebuild and renovation/reconfiguration. Renovation/reconfiguration however is more prevalent simply due to the nature nature of the prestige housing markets in the Sydney area.

Post GFC, construction of new homes and renovation/reconfiguration slowed due primarily to the fact that market conditions had weakened, and it was no longer possible to achieve premium prices and higher margins for this new or renovated stock. With recent recovery in the Ppstige and super prestige market, this is no longer the case, with increased transaction numbers, and strengthening value levels, leading to a return to favour of rebuild and renovation.

Canberra

The cost of constructing a new dwelling remains high across the ACT and surrounding regions compared to other major markets across the country. The past seven to eight years has seen significant levels of new development undertaken across the capital, with increases in construction competition appearing to have little impact on the cost to construct a dwelling.

For a new 4-bedroom, brick and tile house, prices typically sit between $1,400 and $1,600 per square metre for a standard level of finish. Any optional extras from there don't come cheap, with many tenders now exceeding $2,000 per square metre. While rates of this level can be supported in added value terms throughout some of the inner suburbs, it can often result in an over-capitalisation in outer, developing areas.

Construction tenders typically appear stronger within the inner suburbs where the market is known to absorb a higher portion of the construction costs. Alternatively a number of property owners in these areas can opt to extend or renovate. This can however quickly become extremely costly with typical extension costs sitting anywhere between $2,500 and $5,000 per square metre, again depending on the extent, quality and scope of works undertaken.

While construction costs remain high across the ACT, quality can be varied. We recommend any property owners looking to engage a builder thoroughly

research previous builds undertaken by the company in order to get a first hand look at the quality of the workmanship.

Quite often, owners may also have to be prepared to engage a more expensive, reputable builder, even if this means the immediate added value may not match the cost to undertake the project.

Illawarra

New land releases are currently in abundance in the Illawarra region thanks to a strong residential property market bolstered by the spill over effect of Sydney buyers seeking affordable housing options with lifestyle quality. Major development precincts in the region include Shell Cove, Seacrest Estate Flinders, Brooks Reach Horsley, Haywards Bay, Redgum Ridge, Figtree and Kanahooka.

Basic house construction in new land release areas consist of single storey and two storey brick veneer or concrete tile or Colorbond roofed 4-bedroom, 2-bathroom homes with 2-car garages. Typically these dwellings comprise 200 to 240 square metres of living area at a construction cost of between $1,300 and 1,400 per square metre.

In Seacrest Estate Flinders and Shell Cove two storey brick veneer or clad and Colorbond roofed 3-bedroom, 2-bathroom townhouse style homes with 2-car garages are popular. Dwelling sizes range from 125 to 160 square metres of living area and average construction costs range from $1,500 to $1,700 per square metre.

The standard of finishes for project homes predominantly differ based on the quality of Prime Cost (PC) items together with site costs associated with the topography of the block. Kitchen and bathrooms commonly include Caesar stone bench top finishes. Big ticket cost increases come with the inclusion of air conditioning, standard of floor coverings and grade of PC items (i.e. Miele, Westinghouse, etc).

Mid range (executive style) dwelling construction costs range from $1,600 to $2,000 per square metre, with the upper range exceeding $2,000 per square metre based on inclusions and site constraints. By way of example, a recent to be erected (TBE) pole frame home situated on a steep block analysed at a construction cost in excess of $2,800 per square metre.

Overall construction costs have steadily increased since May 2009, with an increasing level of competition between project home builders for business. The end result is the client getting bang for their buck with additional inclusions being offered in the standard contract price by the likes of McDonald Jones Homes, Allworth and Clarendon Homes. The competition is fierce amongst project home builders with good deals and packages being offered including ducted air conditioning, 40 millimetre stone bench tops and some ancillary items included.

The building industry is benefiting from the current boom being experienced in the Illawarra region. Low interest rates, well priced vacant land blocks and government incentives and rebates should see the building industry continue at a busy pace.

Southern Highlands/Tablelands

Construction activity and costs have been steadily increasing in the Southern Highlands. Basic new home construction is considered to be the project home. The majority of new project homes are single storey brick veneer dwellings with a concrete tile or Colorbond roof and configured as four bedrooms, two bathrooms and two living areas. The more recent land release precincts of Mittagong, Braemar, Renwick, East Bowral, Moss Vale, Hill Top, Colo Vale and Bundanoon feature this style of development.

Standards of finish in these homes are average to above average and range between laminate to reconstituted stone kitchen benchtops, gas bayonet heating points to ducted gas heating or air conditioning. New project homes cost around $1,300 to $1,600 per square metre. Back in 2009, the range was $1,100 to $1,400 per square metre. Building costs have increased during this time. We consider the cost increase is due to a variety of factors including: CPI; general cost increases in labour and materials; new BASIX requirements (more insulation, rainwater tanks etc) and a tailoring of technology requirements into new home designs (internet cabling, media rooms and home theatres).

> The above average new home is usually brick veneer or weatherboard with a Colorbond roof, 4- to 5-bedrooms, 2- to 3-bathrooms and has a higher standard of finishes than project homes.

Finishes would include stone kitchen benchtops, underfloor or ducted heating, high ceilings, home theatre rooms and double glazed windows. Construction costs range from $1,600 to $2,500 per square metre. New homes (knock down and rebuild) in older, established pockets of the Highlands close to town centres would fall into this above average category.

Prestige properties are predominantly very large homes on acreage. Rates per square metre range from $2,500 to $7,500 per square metre. These homes feature high ceilings, extensive cabinetry, hydronic in-slab or ducted heating, floor to ceiling glass windows, marble or stone benchtop finishes, high end appliances, integrated audio, home automation systems and cinema rooms.

The building industry is quite busy at the moment in the Highlands with generally strong demand for new housing in the region. Additionally there have been several new land subdivisions at Renwick, near Mittagong and the Darraby Estate at Moss Vale, which have bolstered activity.

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

Similar to the Highlands, the majority of new project homes are single storey brick veneer dwellings with a concrete tile or Colorbond roof. Generally offering 4-bedrooms, 2-bathrooms and two living areas, these new homes are found in new residential estates on the perimeter of Goulburn township, such as Merino Country Estate, Belmore Estate and Mistfull Park Estate. The standards of finish in these homes are average to above average and range from laminate to reconstituted stone kitchen bench tops, gas bayonet heating points to ducted gas heating or air conditioning. New project homes would cost around $1,300 to $1,500 per square metre. In 2009, these rates were $1,100 to $1,300 per square metre. Above average and prestige homes are at similar rates to the Highlands. There is strong construction activity in Goulburn.

Newcastle

An article of this type really doesn't feel right unless we utilise a liberal dosage of gross generalisation. So let us commence with many general, sweeping statements which ignore outliers or things that go against trend. Let us, if we may, lump many things together into one theme. In fact, let us, if you will, create a column the likes of which is the equivalent of a generic project home with build costs of say $1,550 per square metre for a full turn key package.

The fringes of Newcastle and outwards are seeing a glut of housing under construction. This is on top of new estates being released and new stages in existing estates adding to the stock available. When we say fringes, we are talking Cameron Park, Fletcher, Fern Bay and West Wallsend. New estates and new stages are constantly being upgraded to allow project home builders to refine and tweak their many packages.

Generally speaking a turn key type proposal will be in the order of $1,400 to $1,700 per square metre for a basic style of home with a floor area of around 150 to 160 square metres, attached double garage, small alfresco and basic landscaping. Landscaping would likely see some Colorbond fencing, concrete driveway and some turf. Inclusions could include predominantly laminate benchtops, split system air conditioning units and vertical blinds. It would be fair to say that many of these offerings are targeted towards the investor. Many of the rooms are compact, finishes are designed for longevity and not necessarily fashion and yards appear easy care. This has risen from approximately $1,100 to $1,300 per square metre several years ago.

The prestige end of the market can practically write its own price.

We have seen building rates of up to $5,000 per square metre for luxury homes with sites that have building constraints. If the site is moderately contoured or even steep the earthworks alone can significantly increase the building rates across the board. Add in an architecturally designed pool on a site like this and structural engineering works are a massive impost on the build costs. Like anything bespoke, the cost is always going to be higher on a comparative basis than something effectively bought off the rack.

NSW Central Coast

Although limited compared to some regions around the nation, the Central Coast is not entirely starving when it comes to new and developing residential estates. The challenge we face is the continuity of supply and it's not that the region hasn't the land available to develop new estates but more so the will or inducement to do so. But that's a story for another day.

Those estates that have enjoyed new releases bring with them many instructions to provide early valuation advice to the lenders for new housing and accompanying those instructions are details of what is being constructed, to what specification and at what cost - otherwise known as Building Cost Indicators.

We pride ourselves as an organisation that gives our clients not only the latest information available and learned by us, but historical information and how the market is trending. Even the most casual watcher of real estate would agree that the real estate market is moving rapidly, but we often overlook a fundamental aspect of the industry's drivers – building costs.

While very careful not to name names, we can share the information gathered over time and provide an indication of current building costs within our region.

Basic Project Style Dwellings

By far, most of the new home construction activity in our region is occurring within the Warnervale Release Area toward the northern end of the region. This includes the suburbs of Woongarrah, Hamlyn Terrace and Wadalba.

We see a large representation of new home builders here along with house and land package specialists. The homes provided are most often referred to as project homes. Think standard, basic entry level onground brick and tile dwellings with 4-bedrooms, 2-bathrooms and double garage on a reasonably flat or near level parcel.

Recent contracts we have seen for project home builders indicate a starting point of $1,150 per square metre of living and garage area for a raw building without floor and window coverings, air conditioning etc, but it is more generally expected to be around the $1,250 to $1,350 per square metre.

As specifications, finishes, inclusions, sizes and layouts move beyond the basics, our records indicate that building rates also move upwards and we see rates starting at around the $1,400 per square metre mark and quickly escalating to $1,600 per square metre and beyond once the buyer makes changes to suit their individuality.

House and Land Packages

House and land package deals are coming in at around the $1,400 to $1,450 per square metre mark which sounds like good value as long as the buyer expects to settle for a slightly more compact (smaller) dwelling of around 140 to 150 square metres with a generic level of floor and window coverings, finishes and colour palettes that have been preselected - in other words, an off the shelf type product. Homes of around 135 square metres are coming in at around the $1,600 to $1,700 per square metre mark.

These rates may vary slightly up or down depending on land quality, contour and BASIX requirements. Interestingly though, in the currently strong market, we have noted that building cost rates for some house and land package specialists have shown a little inconsistency and we wonder whether this is demand driven or a rise in labour and materials costs not yet seen by others.

Private Builders
Private builders are unable to compete on price within the project home builder market as they build homes designed and suited more for the individual. The ability to order or buy in bulk by the project home builder just isn't available to them – it's a different market entirely. Many argue that prospective home builders using private builders get the home they are prepared to pay for and there is a certain truth in that argument, but it comes at a cost. Seldom do we see private builders' costs fall below the $1,700 per square metre mark with floor and window coverings, air conditioning, driveway and landscaping to be added.

Architectural and High Specification Homes
We don't get to see all that many building cost indicators for architecturally designed homes in our region and we suspect this is due to the fact that those able to afford them usually have a lesser need to rely on mortgage finance.

The profile of those having homes designed by architects and constructed by contractors considered to be in the master builder category are owners of beachfront or other waterfront properties or certain rural residential areas.

The builders of these homes are distinctive in their approaches to their projects, in fact they are more like project managers than the average project home builder and when visiting their building sites, suspicious stares are replaced with genuine handshakes and an accompanying tour of the project. The sub contractors of these builders are also more likely to be wearing socks with their work boots.

The differences are also obvious in the types of materials used, level of finishes seen, light and spatial use, colour palettes etc. There is most often an interior or exterior designer involved in addition to the builder for these types of builds and the standard of the finished dwelling is just as obvious.

This comes at a cost though and from the projects we have seen, building costs will nearly always start above the $2,500 per square metre mark with some homes finishing at around $4,000 per square metre.

Granny Flats
Let's look at granny flats and second dwellings. They have been around for a while now and have grown in popularity with the passage of time. Some property owners have taken advantage of the town planning legislation available to them and have constructed a second dwelling in their backyards. Most often, they are separately rented and while the property is usually unavailable for subdivision and separate sale, the income received has proven handy to owner-occupiers and attractive to investors.

The typical granny flat or second dwelling has one, sometimes two bedrooms, bathroom, laundry and combined living, meals and kitchen area with parking available somewhere off the street to keep within the rules.

In our region, the granny flat or second dwelling option has been more popular in some locations than others with The Peninsular areas of Umina Beach, Woy Woy, Blackwall, Booker and Ettalong Beach leading the way.

Some suburbs at the northern end of the region, such as Killarney Vale and Gorokan, have also been trending towards this option.

A sure sign that the granny flat or second dwelling sector is here to stay, or depending on who you're talking to, a passing fad, is the increasing number of building contractors focusing on this type of construction, judging by the vehicle and trailer signage and ads in the classifieds.

Possibly due to their size of around 60 square metres, the projects we have seen indicate there is limited flexibility in design with this product and construction costs generally range between $1,800 and $2,000 per square metre.

Rise in Building Costs

For this month's review, we are also comparing the cost of building today with the costs recorded in 2009.

Interestingly, we are seeing that generally, the cost to build a standard project home in this region has remained pretty much the same over this time with little identifiable exception. It seems unlikely, but we are confident that this is the case. We are constantly hearing someone rattling on about business efficiency levels, cost savings, production output etc and because we don't see the home building industry as a slowly evolving one, this may be the reason building costs in this segment have remained fairly constant.

We would also be confident that like any other industry or sector, clients and customers are more aware of their position in the marketplace which leads to greater bargaining power and ability to keep a lid on costs.

That's generally the case for the project home and house and land package segments and while we would love to provide an insight into the rise, if any, for higher end building costs, we have an insufficient data sample at this time. We suspect however, that like other segments of the home building industry, there has been little increase in costs since 2009, but we will keep a close eye on this over the next few years.

NSW Mid North Coast

The Mid North Coast market over the past 12 months has been characterised by a shortage of quality stock and strong demand from both investors and owner occupiers, resulting in capital appreciation as a function of rental increases and strong yields.

This has caused a on flow effect to building rates within the residential market with building activity and costs increasing for renovations and new constructions.

Signs of increased building activity have been most evident within Port Macquarie residential subdivisions such as Ascot Park, Sovereign Hills, Brierely Hill and Emerald Downs, with other small infill subdivisions closer to the Port Macquarie CBD being almost exhausted.

Typical onground, brick 3- to 4-bedroom, 2-bathroom houses with tile or Colorbond roof and built-in 2-car garage generally cost from $1,300 (120 square metres of living area) to $1,400 per square metre to build exclusive of outdoor entertaining areas. Such houses generally have laminated kitchen benchtops and standard PC items.

Mid priced onground brick 4-bedroom, 2-bathroom houses with tile or Colorbond roof and built-in 2-car garage generally cost from $1,400 (200 square metres of living area) to $1,600 per square metre to build exclusive of outdoor entertaining areas. Such houses generally have higher or raked ceilings, stone benchtops and mid range PC items.

With the increase in demand for the rental market, new residential homes with granny flat and dual occupancies have become more popular within new subdivisions. These consist of 3-bedroom, 2-bathroom and double garage and an attached 2-bedroom, 1-bathroom granny flat with onsite parking. Building rates for theses have been higher than the normal house due to additional PC areas. Rates range from $1,400 to $1,900 per square metre depending on the quality of the build.

High end architectural style houses that are generally well located with ocean or canal views have seen building rates from $1,800 to $3,000 per square metre.

Generally these houses have high quality finishes, open plan living, high ceilings, in built cabinetry, additional bathrooms, butler's pantry and multiple levels with a floor space of upwards of 250 square metres.

Albury/Wagga Wagga

In recent years the Albury and Wagga Wagga new housing market has been steady. Nothing too exciting to report. Generally costs to build a new house in Albury were cheaper per square metre than in Wagga Wagga. Rates were approximately $1,000 to $1,200 per square metre in Albury compared to $1,100 to $1,300 per square metre in Wagga Wagga for similar types of dwellings.

The past 12 months has seen a relatively large increase in demand for new housing. This has pushed up prices in both Albury and Wagga Wagga with rates reasonably similar for both regions at between approximately $1,200 and $1,500 per square metre. This increase in demand has also seen an increase in builder options with smaller individual builders buying vacant land and building spec houses as well as being contracted to build.

Areas that appear to have seen the biggest surge in new housing are Boorooma, Bourkelands, Forest Hill, Gobbagombalin and Lloyd in Wagga Wagga and Glenroy, Hamilton Valley and Thurgoona in Albury.

It will be interesting to see whether the new APRA lending rules curb the recent large increase in demand in these areas in the short term and what effect they will have in the long term. Time will tell but lenders and buyers alike should probably be more cautious looking forward.

Leeton/Griffith

So how much does it cost to construct a single level, brick veneer dwelling in the Leeton/Griffith area? A basic 4-bedroom, 2-bathroom dwelling will run between $1200 and $1400 per square metre. Smaller dwellings of around 130 square metres run closer to $1400 per square metre and generally feature laminate bench tops, wall mounted split system air-conditioning and part wall tiling in bathrooms. These dwellings are the product of choice for developers and a large number of turn key properties being constructed in Griffith and Leeton at present.

Owner-occupiers generally like a few more bells and whistles, such as raised ceilings and door heights (a more recent trend), ducted reverse cycle heating and cooling, full wall tiling in bathrooms, bamboo flooring, brand name appliances, soft closing kitchen cabinets and the new must have, the butler's pantry. Depending on how heavy handed on the tick list you go, the little extras will push up rates to $1400 to $1600 per square metre and dwelling sizes generally range from 230 to 260 square metres.

If you like extras on your extras such as CBUS, glazed windows, solar power, automated window furnishings, sound systems, security systems and commercial ovens that are better than your girlfriends', your rates enter the $1,600 to $1800 per square metre band. Construction costs have increased in all segments of the market. The same entry level dwelling will cost $200 per square metre more than it did in 2009. It is more difficult to get a precise cost increase on middle market as costs have increased but so too has the level of inclusions. Caesarstone was considered a point of difference in 2009 but in 2015 is a general expectation. The volume of prestige builds has declined since 2009. The increase in building costs and lack of vacant sites available in sought after residential locations have resulted in an increase in the number of people acquiring and renovating larger, older homes.

Bathurst/Orange

Construction in Bathurst and Orange has seen a sustained expansion over the past three years. This has been in line with an increase in the local population and a continued desire for new homes as subdivision land becomes available.

As construction has increased so has the number of builders and building firms. This has effectively resulted in building costs remaining steady over this time. On a macro scale this is consistent with relatively limited growth in inflation and incomes.

Local building costs are generally lower than quoted in Rawlinson's or Cordell's construction cost guides. This means that replacement costs quoted by insurance companies are often above what might be the actual cost to replace in the local area.

Building costs for average brick veneer dwellings can range from $1,200 to $1,500 per square metre on an analysed living area basis. It is typical to find dated dwellings or dwellings of inferior construction below this mark, yet it is rare to find the market stretch beyond this point despite the possible inclusion of above average furnishings such as glass light switches or a fully kitted media room.

Where this established norm can fall short is for double brick dwellings. There are very few new dwellings of such construction in the local area. On the east coast of Australia the raw materials for such construction are less available leading to the preference for brick veneer. This has resulted in an even more pronounced separation between what the local market is willing to pay for such a dwelling, more in line with the above quoted construction costs for a new brick veneer dwelling, and what an insurance company would quote as the cost to rebuild.

Dubbo

Housing construction in Dubbo is booming at present due to the high volume of vacant land sales which have occurred in the past six to 12 months. Such is the demand that many land sales are occurring off the plan with a delayed settlement of three to six months (or more) depending on the stage of construction. This means the majority of local builders are booked up months in advance which is pushing construction costs higher than ever before.

A typical 4-bedroom, 2-bathroom, brick veneer dwelling with double garage now costs between $1,250 and $1,450 per square metre to construct. We are seeing some construction costs as high as $1,600 per square metre and still some as low as $1,100 per square metre, depending on size and quality of fitout.

There is still strong demand from investors for new homes which is resulting in builders and developers offering house and land packages. Most house and land packages are targeted at the investor or first home owner market and range from $350,000 for a 3-bedroom, 2-bathroom dwelling with single garage on a dual occupancy site up to $450,000 for a 4-bedroom, 2-bathroom dwelling with double garage on a standard sized residential allotment.

Record low interest rates are definitely assisting with the housing construction boom and we are seeing many more high cost and prestige dwellings being constructed, particularly in the Southlakes and Grangewood Estates, due to affordability. A two storey dwelling comprising 5-bedrooms, 5-bathrooms, a triple garage and inground pool under main roof (621 squares metres in total) was recently constructed by a local builder for $700,000.

Victoria

Melbourne

A typical house in the outer western residential fringe of metropolitan Melbourne is a single storey 3- to 4-bedroom, 2-bathroom brick veneer dwelling with a concrete tile roof, front porch and an attached double garage. These modern builds are prevalent within developing suburbs such as Point Cook, Tarneit, Wyndham Vale and Williams Landing.

Standard finishes and fixtures for a basic home include a solar panel boosted hot water system, aluminium windows, laminated kitchen and bathroom bench tops, ceramic tile flooring and standard builder's range carpeting or timber-look laminex. A typical price range to construct a basic dwelling with turn key specifications will vary depending on the land area, site excavation and building area. For example a newly constructed dwelling with a building area of say 150 square metres will typically range from $1,000 to $1,250 per square metre for a mid-range quality build.

Current costs are similar to the construction figures in Herron Todd White's May 2009 Month In Review in which construction costs were also stated as typically being between $1,000 and $1,100 per square metre of living area. This is thought to be because of efficiencies created in the building industry over the past five or so years. Drivers of these building efficiencies include construction times being cut down from an average of 16 weeks to 10 weeks due to an increase in pre-fabricated building material being used in construction practices, reduced curing times in the slab (waffle slab) and associated reduced labour costs.

An example of a mid-range quality completed construction is 6 Laurence Way, Tarneit, a 2008 one storey modern, 4-bedroom, 2-bathroom dwelling with an internal living area of 162 square metres. The house comprises ceramic tile and builder's range carpeting, laminate benchtops in the kitchen and bathrooms and an attached double car garage. The 2008 completed property sold in June 2015 for $365,000.

Construction of high end prestige residential dwellings can feature double storey reproduction properties with brick walls, terracotta tiled roofs, timber windows and underground basement parking for several vehicles. The finishes are of very high quality with marble bench tops and tiling, timber parquetry flooring with under floor heating, indoor/outdoor swimming pool and built-in high tech security systems. Construction rates for the high end prestige sector range from $3,500 to $5,500 per square metre, indicating a significant rise from the 2009 report figures of $2,500 to $3,000, indicative of the labour intensity of such builds.

Two examples of high end prestige completed constructions are:

10 Duggan Street, Balwyn North. A brand new neo Classical style 2 storey dwelling with 5-bedrooms, 5-bathrooms and 3-car basement parking. Features include high decorative columns, 6.4 metre ceilings, a crystal chandelier, European oak parquetry, marble gas log fire, cinema and study, pool with water feature, terrace with views over the valley and around to the city skyline. The building area is 608 square metres on land area of 828 square metres. The main building added value rate equates to approximately $4,132 per square metre. Sale price was $4,428,000.

16 Boandyne Court, Toorak. A two level contemporary style, rendered masonry dwelling with 3-bedrooms and study, 3-bathrooms, 3-car underground basement parking with a total living area of 356 square metres and land area of 710 square metres. The dwelling construction was completed in 2015 and sold for $5,500,000 in the same year. Analysing this sale, the main building added value rate is approximately $4,247 per square metre.

Mildura

After a period of relatively quiet building activity from 2010 to late 2013, local builders are once again busy, but not to the extent that they were during the period of government subsidy inflated demand up until 2010.

Building costs have nudged higher during the past two years and the cost of constructing a typical single storey detached dwelling in our region is now around $1,250 to $1,400 per square metre for the living area, with lower rates for garages and external improvements. For this price, an owner will get a relatively standard 3- or 4-bedroom home, containing say 140 to 185 square metres. Higher building rates will apply for dwellings where the floor plan is unusual or there are non standard features.

The equivalent cost of building the same style of home five years ago was in the range of $1,050 to $1,100 per square metre of living area so the annual rate of increase has been pretty much in line with inflation.

One very noticeable trend has been for builders to skew their progress payment schedule more towards earlier payments, presumably to assist their cashflow.

Wellington and Latrobe Regions

Basic house construction for Wellington and Latrobe are single level, 3- or 4-bedroom brick veneers with concrete tiled or Colorbond roofs. Good examples of these are found in Sale, Traralgon and Morwell. Standard finishing at a base level consists of average quality prime cost items and tiled flooring in all areas other than bedrooms. Average cost per square metre is around $1,000 to $1,100. Higher quality constructions from $1,100 to $1,300 per square metre will include stone benchtops, timber flooring and high quality prime cost items. Construction costs also escalate in areas with steeper topography or those with limited or difficult access.

There are high quantities of land available in Traralgon. House and land packages seem to be a popular option throughout the region.

East Gippsland

Construction rates for residential dwellings are similar to other Gippsland localities with the exception being prestige buildings built on the Paynesville canals and in other areas with water views. Costs can be anywhere up to and above $2000 per square metre.

Baw Baw (Warragul/Drouin)

Construction continues in the Warragul and Drouin area with supply keeping up with demand. Construction costs range from $1,000 to $1,300 per square metre for a single level dwelling on a near level block. $1,000 per square metre is a basic product with cheaper fittings such as vinyl flooring, laminate benchtops and split system air-conditioning. $1,300 per square metre usually results in high ceilings, ducted reverse cycle air-conditioning, stone benchtops and high quality kitchen appliances. We have little to no evidence of newly constructed or to be erected prestige dwellings in this area.

Queensland

Brisbane

Brisbane has been an Australian city on the grow for most of the past 20 years and while fortunes may fluctuate occasionally, we've generally had steady construction activity in the sunshine state capital. In addition, our fringe suburbs are dotted with a number of new residential housing estates where a gaggle of uted tradies can be seen competing for a hot pie and chips from the lunch van.

Of course, construction costs through the ages have also varied– the cost of materials and labour certainly ran hot for a while there. Right now, there's strong demand from investors and owner occupiers in many suburbs, particularly along the western corridor through to Ipswich. Springfield Lakes, Brookwater and Bellbird Park, as well as Brassall and Leichhardt, all feature on the list. There's also keen interest in our northern corridor estates located in the suburbs of North Lakes, Dakabin, Narangba, Mango Hill, Griffin and Murrumba Downs. In these areas, first home buyers taking advantage of the building grant incentives compete with investors who are eager to get a piece of our market.

Let's kick off with entry level housing. Here we're talking about a typical low set 3- or 4-bedroom brick and tile abode with reasonable finish plus basic quality, functional fittings and fixtures. Advances in design and materials mean that even at entry level, you're living in a comfortable home. Back in 2009 this property would set you back about $750 to $800 per square metre but nowadays you're between $900 and $1,100 per square metre. On smaller lots, tinier homes are being built and that sees the rate per metre rise. These courtyard style dwellings can cost as much as $1,200 to $1,300 per square metre. For this money, expect laminate cabinetry, Caesarstone bench tops in the kitchen, one light bulb to each room, limited power points and split system air conditioning to the living room only. Outside there'll be a driveway and fencing, but possibly no landscaping.

Step up a little further and you've got stone bench tops, air conditioning throughout, high ceilings and quality finishes. These homes were costing $1,100 to $1,300 per square metre in 2009 and that price is still about the same in 2015. Another $200 per square metre would get you ducted air-conditioning instead of a split system and a higher standard of appliances and finishes.

Getting into the good stuff, a nice contemporary home with a bit of flair is going to come in at around $2,200 to $3,300 per square metre in 2009, and once again, not much has changed since then. This sort of finish will include Miele or Delonghi appliances, Cbus home automation, integrated audio, security systems and fully kitted out media rooms. Hot inner city suburbs have plenty of this housing, particularly on infill allotments.

Moving into your architectural designs and you're unlikely to see anything much below $3,500 per square metre. This will score you quite the contemporary abode or even a high end renovation in some of our most desirable inner city suburbs such as Clayfield, Hamilton, Ascot, New Farm, Teneriffe, Newstead and out to Hendra. As the rate per square metre increases, it typically brings in all the bells and whistles plus high attention to detail in finishes and fixtures.

While there is evidence of strong demand for construction at present, the issue in the outer areas is that there are also established two to three year old properties on the market for sale at a price point lower than the cost to construct new. If construction costs increase, then purchasers, particularly investors, may be more likely to purchase the existing product rather than a new construction. Wait and see.

Toowoomba

The construction of dwellings in Toowoomba continues at a strong pace after a period of rapid unit development and new small lot housing in the western suburbs and continued development of freestanding dwellings in modern residential estates. Standard products include onground dwellings with brick veneer walls, Colorbond roof, 4-bedrooms, 2-bathrooms and 2-car built in garages. These dwellings are typically located in new estates in localities such as Kearneys Spring, Middle Ridge, Glenvale, Westbrook, Highfields and Kleinton and are finished to an average to high standard which includes ceiling fans, split system or ducted air conditioning and even in some instances media rooms and studies. The cost to build this type of dwelling ranges from $1,000 to $1,300 per square metre and is dependent on the quality of finish and soil type. The dwelling below is an example of a conventional dwelling in Kleinton which was constructed in 2015.

In the western suburbs, small lot and unit development intensified in 2014 and 2015. Units in areas such as Glenvale, which are predominantly duplex pairs and triplexes, are constructed to an average standard and are predicted to deteriorate and as such depreciate, at a faster than average rate due to the influence of tenants, as opposed to owner occupiers. These units are onground, single level or occasionally two levels and are constructed of a combination of brick and imitation weatherboard with Colorbond roof. Such units usually comprise 2- or 3-bedrooms, 1- or 2-bathrooms and single car built in garage. Standard finishes include laminate or stone benchtops and in some cases ceiling fans or split system air conditioning. The cost to build per unit is usually between $1,100 and $1,350 per square metre. These units have typically been developed for the investor market, have compact floor areas and appeal to a narrow sector of the Toowoomba residential market. An example of a typical duplex pair is depicted below.

Overall, newly constructed dwellings in Toowoomba vary in quality and size. While the unit market is dominated by investors, we are noting a clear preference from owner occupiers for quality built dwellings.

Gold Coast

The majority of new construction on the Gold Coast is within the growth region from Hope Island north to Beenleigh and west to the Scenic Rim.

Generic project housing varies in price firstly as a result of who the client is and then by the quality of inclusions. Traditional project home companies generally provide better value than house and land investor packages, but not always. Valuation of off the plan housing can be a minefield as rates for very similar products can range from $1,100 per square metre to over $1,600 per square metre. At the end, the valuation assessment (including the land) relies on sales evidence of similar nearby houses, with an allowance made for age and condition.

Looking back to the costs discussed in the 2009 Month in Review, building costs do appear to have increased at the lower end of the scale, but perhaps not a great deal for the prestige and higher quality market.

Hope Island/Helensvale

In Helensvale, estates such as River Links and The Peninsula have been established over the past ten years and most of the vacant sites remaining will be developed in the next few years.

These estates have building covenants which attract architecturally designed and quality project packages that range on a rate per square metre basis from $1,100 to $1,700 for living area. These dwellings will mostly feature attractive mixed cladding, stone benchtops throughout, ducted air-conditioning and often leave landscaping and pool packages outside the building contract.

Hope Island has significant housing construction underway at present with new and developing estates such as North Point and Cova.

These estates have smaller lot sizes ranging from roughly 300 square metres to 600 square metres and therefore attract investors, project builders and turnkey packages.

These building contracts are typically $200,000 to $275,000. Floor plans are usually compact 3-bedroom plus study or 4-bedroom, with bathroom, en suite, double garage and small covered patio. Ground improvement inclusions are basic fencing, aggregate driveway, turfed lawn and water tank. The rates per square metre of living are generally $1,000 to $1,200 which has crept up from our previous review in 2009. Builders and developers have reported that the cost is generally higher due to raw materials costs and green compliance.

Far Northern M1 Corridor
There are numerous new estates in the far northern corridor between the Gold Coast and Brisbane with vast quantities of new dwellings under construction. The suburbs where most of this construction is underway include Ormeau, Ormeau Hills, Pimpama, Coomera and Holmview.

Most dwellings in these suburbs fall into two categories, being either investor stock or owner occupier properties. Investor properties typically comprise a 4-bedroom, 2-bathroom onground dwelling with a double lock up garage and usually have a more average standard of fitout, ie laminate benchtops and cupboards and brick exterior. Building rates per square metre vary widely with some builders taking advantage of unsuspecting investors purchasing properties sight unseen. Costs can range from between $1,000 per square metre to $1,300 per square metre of living area for very similar constructions. Trends worth noting in this investor section of the market are that specifications are starting to upgrade with stone benchtops and render to the street front aspect of the dwelling becoming more commonplace. Additionally dwellings and lot sizes are becoming smaller with the smallest known allotment available being a 213 square metre block in Holmview.

Owner occupier properties, as expected, tend to have a higher level standard of finish with property owners opting for features such as ducted air conditioning, stone benchtops, high ceilings and good quality light fittings. Building rates per square metre are more alike for dwellings built for owner occupation which may point to property owners shopping around and comparing prices from more than one builder. Most dwellings constructed by owner occupiers have analysed building rates of between $1,100 to $1,250 per square metre.

There is limited prestige residential locations in the far northern corridor between the Gold Coast and Brisbane other than the estates offering allotments with canal frontage in Jacobs Well and Coomera Waters. The standard of finish increases in these estates with rates per square metre reflecting this and generally falling between $1,300 and $1,400 per square metre.

Building costs have definitely increased since our 2009 edition on the same topic. This edition quotes rates of between $900 and $1,000 per square metre.

North Western M1 Corridor
This area is seeing a number of existing estates releasing new stages and the emergence of new estates. Existing estates with new stages include Riverstone Crossing (Maudsland), Highland Reserve

and Coomera Springs. These estates are showing consistent land value increases, particularly Riverstone Crossing. Park Central at Oxenford is a new estate on Kopps Road which has reportedly nearly sold out, predominantly to investors.

New dwellings are being purchased by owner-occupiers and investors alike. For owner occupiers build rates tend to show $1,000 to $1,250 per square metre for a turn key product. Build rates for the larger building firms who offer inclusions such as stone benchtops and air-conditioning remain competitive and within market parameters. Higher levels of inclusions tend to be at the higher end of the scale sometimes even reaching $1,300 per square metre depending on where or in which estate the proposed dwelling is situated. Features such as ducted air conditioning become the norm at this level.

Build rates for investor stock tend to vary greatly between builders. Asking rates tend to range between $1,000 and $1,500 per square metre, some of which are well beyond market parameters. There are often significant differentials between levels of finishes and standards of inclusions which is often attributed to the product being sold to investors. Generally rates adopted for brick and tile entry level dwellings as a turn key product are valued at circa $1,000 to $1,200 per square metre depending on size. An as if complete duplex pair was recently valued at circa $1,050 per square metre of living area which is very competitive. In this area, there is very limited upper end product hence build rates would rarely be expected to top $1,300 unless in exceptional circumstances.

Build costs have increased since 2009 at a fairly consistent rate. It was generally accepted that during the GFC it was land values, rather than build rates which declined. There is still evidence suggesting that people are purchasing existing product below replacement cost.

Southern Gold Coast and Tweed Coast

There are a number of new and developing residential estates on the Tweed Coast at present, and a very small number on the southern Gold Coast. The majority of new construction is in the Casuarina and Kingscliff/Salt precinct in which the majority of properties are to be owner occupied or holiday lock up style homes. Land prices are very strong and in some cases, prices have almost doubled in value since 2012.

For a basic, single level, brick and timber dwelling with metal or tiled roof construction you are looking at a cost of approximately $1,100 to $1,300 per square metre on a gross floor area basis, with project home builders such as GJ Gardner, Perry Homes etc. This cost obviously increases with a higher quality of finish. For $1,100 to $1,300 per square metre, you are looking at laminate cabinetry, stone benchtops to kitchen, laminate benchtops to bathrooms, split system air-conditioning and other basic modern fixtures.

Builders constructing a higher end product are charging much higher rates, in the vicinity of $1,600 to $2,000 per square metre on a gross floor area basis. This may be for an architecturally designed dwelling with voids over living areas, high raked ceilings, ducted air-conditioning and high quality inclusions.

Luxury Housing

New luxury housing construction is on the rise.

This is occurring as demolition and rebuild in the central waterfront suburbs of Paradise Waters, Isle of Capri, Broadbeach Waters, Palm Beach, or the beachside at Mermaid Beach.

New housing on vacant land is most prevalent within the prestige gated estates, Sovereign Island, Sanctuary Cove and Hope Island Resort.

These attract owner occupiers who, with leading architects, design and construct luxury homes ranging in size up to 1,100 square metres. Many of the houses are full concrete construction with basement carparks. Breakdown of building contracts analyse from a low of $1,600 to $4,000 per square metre for the living areas. Generally, construction rates per square metre have not increased markedly over the past five years due to less demand.

Scenic Rim

With two satellite cities in the area, Yarrabilba and Flagstone, and the release of the new master planned community of Oakdale Estate at Beaudesert, the Scenic Rim and Lower Logan area is going through a construction boom at the moment. These types of estates give rise to the standard project builder, however over recent years, the stereotype of a basic, run of the mill house at a fixed rate has changed dramatically.

There are two distinct levels of project builders in these estates. The first is the investment product builder who offers a standard level of finishes typically being basic stone benchtops, stainless steel appliances, ceilings fans, two split system air conditioners and a full turn key product including landscaping, fencing and driveway. Rates per square metre for this style of dwelling typically range from around $1,000 to $1,250 for living area depending on the size of the dwelling and site issues (such as small lots where materials need to be walked in by the trades).

The second project builder is now moving more in to the custom range type of construction. While still offering good rates per square metre and a base series of plans to choose from, the end product is definitely determined by individual taste and budget. Buyers have the option to finish the house themselves with their choice of carpet, main floor area tiling, landscaping and driveways or have the builder complete a turn key product. These dwellings are typically larger than the investment product with more features such as high ceilings, stacking or bi-folding doors to external areas and better quality of finish. The economy of scale kicks in here, with these builders being able to offer a customised product at not much more than a project builder due to the larger living area sizes and the benefit of bulk buying power and negotiation with suppliers. Builders that fit into this category typically have a good presence in the display villages.

Moving on to the more established areas, there tends to be the emergence of the custom builder for second, third and above home buyers who know exactly what they want in their home and want the ability to deal directly with the builder through each step of the process. These homes are typically larger and well appointed with good quality fittings and more creature comforts such as fireplaces, polished timber floors, high ceilings with architectural features, top of the range appliances and an individual look and feel. Rates per square metre vary significantly in this category as some of the project builders are beginning to offer a more customised home for around $1,500 per square metre, but can be in excess of $2,000 per square metre depending on the features and inclusions.

For example, a custom built, midset, Hardiplank and Colorbond, Colonial reproduction 3-bedroom, 2-bathroom home of 188 square metres of living, 38 square metres of outdoor and deck and a 40 square metre garage was contracted at $444,760 and included water tanks and sewerage system. This equates to a rate of around $2,000 per square metre. For a project style, two level, brick and Colorbond home with 4-bedrooms, 2-bathrooms and 271 square metres of living, 33 square metres of outdoor area and a 37 square metre double garage was $385,117 and excluded floor coverings, water tank and sewerage system. This contract equates to a rate of $1,250 per square metre of living area - a lot more home but without the inclusions of the custom builder.

Sunshine Coast

It would appear that construction costs in general for residential dwellings have increased with builders indicating that costs for materials have risen. Labour costs have remained fairly consistent. We have seen some of the workforce that was travelling into mining regions return to the coast employment market.

This would appear to have been good timing given the increased activity on the back of the $2 billion University Hospital currently under construction at Kawana. We note that the strong southern markets (Sydney and Melbourne) have also had an effect on the coast with significant interest from investors as they try to find value and returns.

We have looked at three sectors of housing and how costs have been tracking. The project style dwellings which generally consist of slab on ground houses of brick and tile construction providing 3- or 4-bedrooms has experienced some increases from 2009 with the construction costs ranging generally between $750 per square metre to $850 per square metre based on the total of living area and garage. This has now increased to more like $900 per square metre to $1,000 per square metre.

The middle range of housing generally comprises either a larger slab on ground dwelling (250 square metres) or mid to highset dwelling. These properties have a more contemporary style of design and generally provide 4-bedrooms plus study with higher quality fixtures and fittings including high ceilings, stone benchtops, air conditioning etc. Rates for these dwellings have continued to range between $1,200 to $1,700 per square metre.

The higher end, architecturally designed dwellings have been the sector of the construction market that has continued to increase in construction costs. These dwellings usually comprise various styles between slab on ground, suspended slab and even light weight construction properties. Sizes vary in the vicinity of 400 square metres and above with high quality fixtures and fittings throughout including smart wiring, home automation systems, extensive joinery and stone features. Costs for these dwellings can range from $2,000 per square metre up to however deep your pockets are.

A few years ago there was the ability to buy properties at below replacement cost which didn't allow for any great increase in building costs. As the market has improved and this ability to buy at below replacement cost diminishes, some upward pressure on these construction costs are being experienced. We also note that the rise of small lot housing is making it difficult to gauge costs as the smaller building size results in a much high rate per square metre given the economies of scale.

One interesting issue is whether a property is being purchased as a house and land package or being built by a third party. The difference in building cost can be in the order of 10% to 20%.

Bundaberg

The average cost of building a new house in Bundaberg has remained steady since 2009 when we last looked at construction costs.

A medium quality 4-bedroom, 2-bathroom dwelling with double lock up garage including good quality laminate kitchen is around $1,100 to $1,150 per square metre. These dwellings usually have a total floor area of 180 to 220 square metres and represent the majority of dwellings built across Bundaberg and the Coral Coast. A number of good quality residential estates have been established in Bundaberg and the coastal town of Bargara in the past few years. Dwellings in these estates comprise larger executive style dwellings, with granite/Caesarstone benchtop type finishes, ducted air conditioning, high ceilings and quality appliances.

Construction costs for these dwellings range between $1,250 and $1,350 per square metre and are generally well in excess of 200 square metres of total floor area.

The top end building costs in the Bundaberg region are reserved for the coastal townships of Agnes Waters and Town of 1770. Here, eco style, architecturally designed, multi level homes in gated residential oceanfront estates are being constructed at a cost of over $3,500 per square metre. In a recent example at the Town of 1770, costs were $4,000 per square metre.

The volume of building has increased in the past six months partly due to the current very low interest rates, quality of lifestyle in the region and great affordability of good quality land.

Hervey Bay

Construction activity has increased steadily over the past six to twelve months, with local builders reporting continuous demand. New estates are scattered throughout Hervey Bay offering a mix of dwelling sizes and quality. For the base level construction price of around $1,050 per square metre of main living area, the owner would expect a full turn key package for an onground brick home ranging between 120 and 140 square metres of living area and providing 4-bedroom, 2-bathroom living accommodation with double lock up garage or 3-bedrooms plus study. These properties generally have an average quality internal fitout including laminate cabinets and benchtops, middle range quality appliances, insect screens, basic window dressings, part air conditioning, average quality floor coverings (carpet and tiles), fencing, driveway and turf.

Stepping up to mid level quality, new home owners can anticipate a cost around $1,100 to $1,200 per square metre depending on the size of the home with some up to 180 square metres of living area. Additional features above the base level are likely to include stone benchtops, security screens, air conditioning and superior quality appliances. These homes typically provide 4-bedroom accommodation with separate living areas and media room.

The construction of prestige properties is few and far between for this area, however at the present time there is a large Esplanade dwelling under construction offering a very high quality finish. Rates per square metre sit at approximately $1,650 for main living, with $800 per square metre for balconies and patios. Some of the fixtures and fittings include wood features to entry, frameless glass balustrading, steel mesh security screens and ducted air conditioning.

Some estates located in growth corridors are eligible for incentives such as the Great Start Grant or the Hervey Bay Housing Affordability Incentive Project. Effectively, if these two grants apply within certain conditions, a first home buyer could secure enough funds for a deposit.

Looking back on 2009, costs haven't varied significantly however what has changed is the size of the allotment on which homes are being constructed. Typically 2009 saw estates developed with 600 to 800 square metre lots. Now new estates are being developed with 450 to 600 square metre lots, with higher density living appearing to be a favourable trend going forward.

Gladstone

In the current market, building costs start with the typical project style on ground home on a near level lot with brick walls, Colorbond roof, 3- or 4-bedrooms, 2-bathrooms, driveway and turf. This home would have a living area of about 130 to 150 square metres plus a double garage and a typical building cost of around $1,250 to $1,400 per square metre exclusive of outdoor areas.

Outdoor areas range from basic spanline covered patios with plain concrete floor ($300 per square metre) through to sealed verandahs under the main roofline with patterned concrete or tiled floors ($600 to $800 per square metre).

With land prices for a standard residential lot ranging from $170,000 to $220,000 depending on location, new entry level housing in Gladstone typically comes in around the $420,000 to $460,000 mark.

This is causing multiple issues in Gladstone at present as the added value of the building works are not being recouped by the market. There are multiple sales of near new (less that one year old and never lived in) similar quality homes in Gladstone which are selling for less than the cost of a brand new dwelling.

A mid-level house in Gladstone would be larger and generally between 170 to 220 square metres plus outdoor areas and garage. The quality of these homes is generally above average and features high ceilings, ducted air conditioning and stone bench tops. An on ground brick home on a near level lot would typically cost between $1,400 and $1,500 per square metre exclusive of outdoor areas. Many of these mid level dwellings however are built on sloping allotments with construction of a split level or two storey nature in order to capture views of the harbour or district. This type of home would generally cost up to about $1,800 per square metre excluding outdoor areas.

High end, architectural style houses can take many forms and can cost from $1,500 to $2,500 per square metre to build. Such houses generally have high quality finishes throughout. Floor areas would generally range from 200 square metres (living areas) upwards.

Throughout 2011 and 2013 Gladstone was inundated with out of town builders who came in to make a quick buck from the extreme housing shortage that enveloped the city during the most recent resources boom. These builders undercut local builders by as much as 20% in some cases and also guaranteed a completed product in a much shorter time frame. Many of these builders no longer exist and owners are now starting to see the effects of what a quick and cheap build buys. Many well known local builders struggled through this boom due to their reasonable costings and more than one has since departed Gladstone.

Anecdotal evidence seems to suggest that building prices in the Gladstone region have been fairly steady for the past 12 months with only minor fluctuations in some costs. The volume of building has slowed significantly and may lead to reduced building costs in the future. This will of course depend on how quickly the current oversupply in the region is absorbed.

Rockhampton

In the Rockhampton region, the areas where examples of basic construction styles are seen is generally in fringe residential areas such as Parkhurst and Gracemere as well as on infill sites or small lots subdivided off larger land parcels in older established areas such as Park Avenue, Berserker and Koongal. On the Capricorn Coast, this construction style is more widespread to most of the beachside suburbs where close proximity to the beach is the feature of the area, rather than ocean views.

For the standard construction price of around $1,350 per square metre, new home owners would expect a full turn key package for an onground brick or rendered masonry block home with Colorbond roof, providing 4-bedroom, 2-bathroom living accommodation with double lock up garage.

These properties generally have average quality internal fitout including laminate cabinets and benchtops, average quality appliances, insect screens (some local builders will include security screens), basic window dressings, part air conditioning, average quality floor coverings (carpet and tiles), fencing, driveway and turf.

Stepping up a level in quality to above average quality fitout, new home owners can anticipate a cost of around $1,400 to $1,500 per square metre depending on the size of the home. At this rate, you would typically be dealing with a smaller, owner operated, local builder and would end up with again, an onground brick or rendered masonry block home, with Colorbond or tile roof providing 4-bedroom, 2-bathroom living accommodation, sometimes with a study, second living room and double lock up garage. These properties generally have above average quality fitout such as high gloss laminate or two pack cabinetry with laminate or stone benchtops, better quality appliances, security screens and doors, full air conditioning, high ceilings, full height wall tiling to bathrooms and a more generous allowance for light fittings and floor coverings. Driveways are often included in this price, however turf and fencing is often not included in the building contract price. This style of home is more likely to be located in the newer estates within popular suburbs of Frenchville and Norman Gardens, as well as our park residential areas on the northern fringe of Rockhampton (Rockyview and Parkhurst in particular). There has been little development of this style of home in other areas of the region in recent months.

In the prestige market sector, construction costs start to vary widely, anywhere from say $1,500 to over $2,000 per square metre depending on the style of the home and the slope of the allotment.

Recent examples include:

- A home on The Range of split level design, providing over 300 square metres of living area plus patio and garage areas reflecting a construction cost of $1,850 per square metre which includes driveway, paving, timber decking, floor coverings, air conditioning, security screens, and an eight metre inground concrete pool with glass fencing.
- A home in an elevated North Rockhampton locality of two storey design, providing over 200 square metres of living area plus outdoor and garage areas reflecting $2,400 per square metre on a steeply sloping allotment. Specifications include a PC allowance for all cabinetry of $55,000, painting, floor coverings, part security screens, light fittings, ceiling fans, central vacuum system, solar power system and heaters to outdoor area.
- A home in a popular beachside suburb on the Capricorn Coast, constructed of three level design to maximise available ocean views and providing over 250 square metres of living area plus patio and car areas, reflecting $1,900 per square metre which includes painting, floor coverings and ceiling fans. This building contract had a number of excluded items including kitchen appliances, air conditioning, blinds and curtains, turf, landscaping, fencing, driveway and paths.

In the Rockhampton region, properties with building costs in the average and above average categories are generally well received in the market. In the prestige market sector, building costs are often not fully realised by the market and added value of the improvements are often significantly less than the construction costs.

Haven't times changed since 2009 when we last covered construction costs? In 2009 basic construction costs were analysing out to a mere $1,000 to $1,100 per square metre. The obvious cause of this increase over the past six years is the increased cost of materials. This cost increase is also relative to the above average and prestige home building costs.

The Master Builders Association reports building approvals for Rockhampton have been lower to date in 2015 compared to the end of 2014. We consider this to be reflective of the current market conditions where confidence levels are lower than usual despite the record low interest rates and relative affordability in our region.

Mackay

In Mackay, a standard new dwelling generally consists of rendered masonry block construction with either Colorbond or tile roof. Some other construction materials, such as light weight composite clad or rendered blueboard are used, however with the added cyclone ratings required, the majority are rendered block. Standard costs for these dwellings range between $1,300 and $1,400 per square metre. These can be found in numerous estates both north and south of the river.

Stepping up in class, costs for architecturally designed dwellings on steep slopes or with high end fitout start at around $1,500 per square metre and can rise to up to $3,000 per square metre.

Back in 2009 we reflected how building costs for an average quality rendered block construction dwelling would set you back about $1,300 per square metre. Not too much different than today. The big difference is the market conditions. Building costs rose from 2009 on the back of the mining boom, building grants and the like to be sitting somewhere between $1,400 and $1,550 per square metre by 2012. Building approvals in 2012 were sky high. Building approvals for the 2012-13 financial year were 1,806 (or 151 approvals per month) which was a 31% increase from the previous year's figure. 76% of all approvals were for new houses. Building approvals for the 2013-14 financial year equated to 1,257 (105 per month) which demonstrates a reduction in approvals of 30% from the previous financial year. Building approvals for the 2014-15 financial year to date (April 2015) are 407 (41 per month) and clearly demonstrate that building activity has declined sharply.

For the first time in a long time, builders are now offering incentives with building contracts. It is common place to see upgrades such as stone benchtops, air conditioning, and upgraded floor coverings included in standard building contracts. One local builder is even including a free 36 square metre Colorbond shed with every home built. The slow down and falling values in the general Mackay market have had an effect on builders and this is considered to continue to affect builders and prices for the short term future at least.

Whitsundays

In the Whitsundays, there are two main types of construction being slab on ground and pole or highset dwellings.

Slab on ground dwellings are mainly rendered masonry and or Hardiplank, Hardiflex or Colorbond walls with Colorbond or tile roof which are usually constructed on level lots or lots that have had a building pad cut and filled.

This type of dwelling is found in suburbs such as Cannonvale, Jubilee Pocket, Cannon Valley and also on rural residential lifestyle lots.

The rate for this type of dwelling is between $1,400 and $1,600 per square metre depending on the quality of inclusions and finishes to the dwelling.

Pole or highset dwellings are usually constructed on sloping lots to take advantage of views, with the footings being steel and the walls being Hardiplank, Hardiflex or Colorbond with Colorbond roof.

This type of dwelling is found in all suburbs in the Whitsundays. The rate for this type of dwelling is between $1,700 and $2,600 per square metre depending on the quality of inclusions and finishes to the dwelling and of course the site and the slope rating.

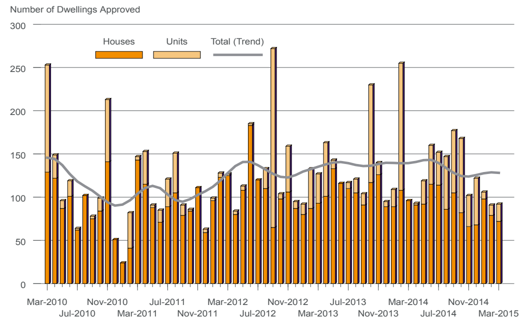
The building market in the Whitsundays is steady at the moment with most builders advising that they have work ahead of them for the next six months.

There is a good mix of these types of dwelling located in and around the Whitsundays.

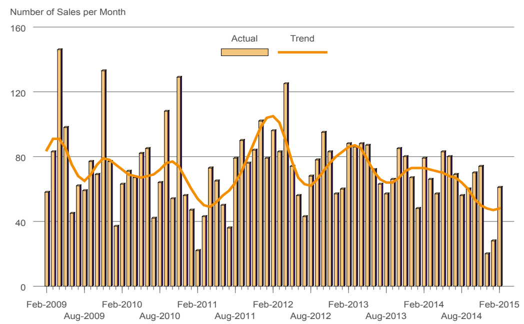
Townsville

New home construction in Townsville has tapered over the past 12 months with the average number of house approvals per month down on the levels observed during 2013 and mid 2014.

Vacant land sales have also tapered during 2014 and into 2015 stemming from subdued economic conditions and a wide price differential between new versus existing housing retarding the economics of new home construction.



Source: ABS



Source: HTW Analysis of RPData

Current construction costs for a basic level low set masonry block dwelling offering 3- or 4-bedrooms and 1- or 2-bathrooms, garage, driveway and turf have a typical build cost of between $1,300 and $1,400 per square metre across the entire dwelling. These homes typically have main living areas of 110 to 125 square metres plus patios and car accommodation. This provides for a budget entry level new home of approximately $360,000 to $380,000.

Mid level houses are generally larger in size (150 to 200 square metres of main living area plus patios and car accommodation). These homes typically have a higher level of finish with a build cost around $260,000 to $300,000 ($1,300 to $1,400 per square metre across the entire dwelling). A package for a mid level entry home typically costs between $410,000 and $460,000, however it should be noted that the overall cost of new home construction is highly dependent on the underlying land value.

The higher end architectural homes have construction costs typically within $1,400 to $1,800 per square metre over the entire building. These homes are mostly found in the higher order residential locations and generally afford views of some kind. Packages for this style of property are typically in the order of $800,000 to $1,200,000 depending on location.

Construction costs on a rate per square metre basis over the past five to six years have increased by around $100 to $200 per square metre. The general feel is that this has transpired due to input costs.

Cairns

Within Cairns current building costs start with the basic level dwelling of a project style lowset home on a level lot, rendered masonry block, Colorbond roof, 3- to 4-bedrooms, 2-bathrooms, garage and driveway. This home would have a living area of 120 to 150 square metres, a total building area including patio and garage of 180 to 220 square metres and a typical building cost of around $1,100 to $1,300 per square metre across the entire dwelling. With land prices for a standard residential lot starting at about $125,000 to $165,000 depending on location, new entry level housing in Cairns generally comes in at between $350,000 and $400,000.

A mid-level house in Cairns would be larger (180 square metres of living plus patio and garage to give a total area of 240 square metres), better finished, have split system air conditioning and stone benchtops and some choice provided on fitout. It would have a cost to build typically of around $300,000, or $1,200 to $1,400 per square metre across the entire dwelling. Coupled with an allotment price in the mid-quality areas of about $180,000 to $220,000 this places the total cost of a new mid-market style house at about the $475,000 to $525,000 mark.

High end architectural homes in Cairns would have building costs of $1,500 and above per square metre of living area with fees and consultants charges excluded from this rate.

The general feeling is that the market is reasonably competitive with a number of larger operators covering the project home market, making it difficult for smaller players to compete due to their lack of administration and cost control. Building prices have not increased greatly in the past five to seven years, mainly due to the stage of the market cycle.

South Australia

Adelaide

Building costs have risen steadily over the past five years with the primary drivers being rising labour and material costs, increasing red tape, and increasing cost of environmental and regulatory compliance. There are limited government grants on offer and market demand for new housing has been relatively slow. Investors are providing some support for the building sector both in the detached and medium density markets.

New housing construction is largely occurring in the outer northern and southern suburbs and that market is dominated by generally budget housing and large scale project developers.

There is some infill development occurring in the western suburbs and a significant project due to start in the next year or two. This is the redevelopment of the former home of South Australian Football formerly Football Park and surrounds. There will also be a significant redevelopment occur in the eastern suburbs on 44 hectares within former health facility grounds in Glenside. Both of these developments are in the early stages of planning but are expected to be mid to upper range housing projects.

In terms of building costs there are three main brackets being, lower end at around $1,250 per square metre and much of this development is in the outer suburbs. Middle suburbs are tending to be developed with better quality housing with an average cost being about $1,600 per square metre but costs vary greatly with the variation in standard of fittings. Upper level housing is highly variable with prestige projects costing up to $5,000 per square metre, but the average from what we are seeing is around $3,500 per square metre.

Upper end housing tends to occur within a 3 kilometre range of the city and along the coastal strip from Seacliff to Largs Bay.

Housing demand in the outer suburbs, and in particular in the northern suburbs is expected to be soft in the coming years due to the closure of several manufacturing plants. It may follow that cost of lower end construction may remain steady rather than rise in the next couple of years.

Mount Gambier

A basic house construction within this region will be stone and Colorbond with 4-bedrooms, 2-bathrooms, a double garage under the main roof and include an alfresco/pergola.

This basic construction generally includes laminate benchtops and cupboards, basic carpet, ceramic floor tiles, ducted gas heating, kitchen appliances and a driveway. Given that the area of the house is approximately 250 square metres including the garage, the cost per square metre ranges from $1,050 to $1,150.

Construction costs for similar houses in 2009 were slightly cheaper, ranging from $1,000 to $1,100 per square metre.

Higher quality house constructions are of a similar construction and may include stone benchtops, higher ceilings, ducted reverse cycle air conditioning, two pack cabinetry, higher quality fittings and fixtures, under floor heating, c-bus systems, solar panels and a third living area. The cost per square metre ranges from $1,200 to $2,000.

Entry level house constructions are usually hardiplank or brick and are smaller with 3-bedrooms and 1-bathroom, basic fittings and fixtures, vinyl floor coverings, do not include heating/cooling or built in robes and include a single garage under the main roof. The cost per square metre ranges from $950 to $1,050.

Between the 2011-2012 and 2012-2013 financial years building approvals were low, however they picked up again in the 2013-2014 financial year. This year they have dropped by about 25% compared to 2013/2014 however are still higher than 2011-12 and 2012-13.

Tasmania

A First Home Builders Boost (FHBB) grant for newly constructed residential dwellings was offered by the Tasmanian Government in 2013 to supplement the existing first home owners grant with the intent of stimulating activity within the construction industry. A less than mediocre uptake and a flagging construction industry saw the Government further boost the FHBB grant to $30,000 in November 2013 which continued until December 2014. During this period construction costs were very competitive relative to pre global financial crisis levels due to low demand.

As of 1 January 2015 the grant was reduced to $20,000 with a scheduled further reduction to $10,000 for homes built after 30 June 2015. This scheduled reduction did not occur and the $20,000 grant was extended for first home builders or purchasers of newly constructed homes to 31 December 2015.

Demand for vacant land within the past year in Tasmania has been steady, the most likely driver being those taking advantage of the FHBB grant. Land prices in some subdivisions across the state have seen increases which could be attributed to developers capitalising on the FHBB market. Higher sales volumes of residential land on Hobart's eastern shore in the south, particularly in Old Beach, Sorrell and Howrah would indicate they are popular suburbs with first home builders.

Residential land sale volumes over the past twelve months in the state's north-west have been strongest in regions near to the Mersey River in the townships of Latrobe and Spreyton, the popular north-west traditional holiday spots of Port Sorell and Shearwater and the largest population centres, Devonport and Burnie.

In northern Tasmania, Riverside and Legana which overlook the Tamar River, St Leonards and the satellite villages of Hadspen and Perth are areas where the largest volumes of vacant residential land sales have occurred during the past year.

State-wide construction prices appear to have bounced back to similar levels as 2009. For example, to build an average sized home of approximately 180 square metres with a basic construction you could expect to pay between $200,000 and $250,000.

For the same sized residential dwelling of an average construction you would expect to pay between $250,000 and $270,000.

For homes of a high quality of this size you would expect to start with a minimum construction cost of $325,000 with a range up to $400,000

Based on a 180 square metre dwelling, if constructing a distinctive, luxury home construction costs can range anywhere between $400,000 and up to $900,000.

Premium prices for newly constructed homes within the first home buyer market bracket are being achieved and it could be expected that market changes will occur after December 2015. For example, previous stimulative initiatives created non-cyclical spikes in demand and pricing as future market entrants brought forward their purchasing decisions to capitalise on current incentives. After stimulus initiative programs concluded there were declines in both the pricing and demand in the marketplace.

Assuming levels of supply remain relatively constant this same scenario may unfold resulting in slower vacant land sales, a weakening in demand and pricing due to demand imbalance at the conclusion of this initiative.

Northern Territory

Darwin

When discussing current construction costs in the Top End, we look to our two key areas of development, Muirhead and the nearby satellite city of Palmerston. Specifically in Palmerston we have seen a substantial amount of land releases in the suburbs of Bellamack, Johnston, Zuccoli and Durack. With these suburbs providing over 3,000 new residential lots since 2009, vacant land has become steadily more available, subsequently fuelling construction. In addition, in an attempt to boost construction, the Northern Territory Government has significantly modified the First Home Buyers Grant. The $26,000 grant can now only be used for brand new or off the plan purchased units or dwellings.

In Darwin itself, Lyons has been built out, with the bulk of residential construction occurring in the new suburb of Muirhead, located in the northern suburbs, 16 kilometres from the CBD. The subdivision's development commenced in April 2011. 30% of the development consists of homogenous DHA built properties, with strict design covenants in place and enforced. These covenants can inflate construction prices somewhat, however due to the generic standard type of dwelling required builders can lower costs through economies of scale.

In May 2009 construction costs for the Palmerston region (the only large scale development in the Territory at the time) were reported to have steadied at around $ 1,900 per square metre for a typical ground level dwelling. Since then, costs have remained relatively similar with a construction cost in Palmerston for a standard 4-bedroom, 2-bathroom rendered masonry ground level dwelling at around the $1,800 to $2,200 per square metre mark. At this level the properties would be built with a modern fit-out generally including stone benchtops, tiled flooring, stainless steel appliances and split system air conditioning. We have seen evidence of this all throughout Zuccoli, Durack Heights, Bellamack and Johnston. With more development occurring, smaller properties have become more popular compared to five years ago. The rate per square metre may be higher however it is still a cheaper build cost overall. Entry level house and land packages in Palmerston start at $500,000.

Moving closer to the CBD, the Muirhead development comprises rendered masonry properties all built to a fairly high standard. Like Palmerston, the standard construction cost for a typical 4-bedroom dwelling ranges from about $1,800 to $2,200 per square metre. These builds are all of a good quality including stone to the wet areas, stainless steel appliances, split system air-conditioning and ceiling fans throughout. This is directly comparable to 2009 prices. Entry level house and land packages in Muirhead start at $600,000. Elevated dwellings seen in other parts of the northern suburbs generally have a build cost of $2,500 to $2,700 per square metre. These types of properties are considered in the upper range of the housing market.

Like other cities, Darwin has its fair share of prestige properties. With a variety of waterfront areas, we have seen prime locations such as the Fannie Bay foreshore, Nightcliff foreshore and marina areas of Larrakeyah and Bayview attracting very wealthy occupants and investors. Depending on the dwelling size, these prestige construction rates can range from $3,000 to over $5,000 per square metre. Other key factors include the type of build, size and level of amenity. Features can include private lifts, marina berths, basement garage and very high end appliances.

The Darwin building industry overall will likely remain fairly steady for the next 12 months, keeping construction rates at a stable level. There is still further land to develop, with Muirhead and Zuccoli Stage 2 still releasing land. Darwin's economic landscape is considered cyclical in nature, ie. very much driven by employment opportunities. This is evident during the current construction phase of the Inpex gas project, driving construction costs up during this period. We may see significant change in two years when the project winds down to the maintenance phase and increased trades are available.

Western Australia

Perth

In its latest forecast, Australian Construction Industry Forum (ACIF) says that after surging from $22.78 billion in 2005/06 to a peak of $54.968 billion last financial year, the annual value of work done on building and engineering sector construction projects throughout Western Australia is set to contract by 8.2% to $59.664 billion in 2014/15 and to drop to less than $40 billion by 2017/18.

Reasons for this are not hard to understand. With mammoth projects like Chevron's Gorgon and Wheatstone now around 80% and almost half complete respectively and little in the way of new developments coming through, the massive pipeline of investment which boosted resource sector construction work over recent years is now receding.

The impact of this will feed into other parts of the economy and construction sector as slowing tenant demand from resource companies impact requirements for commercial office space and a slowing rate of population growth impacts demand for new housing. These forecasts come despite the fact that the state's Chamber of Commerce and Industry expects the overall rate of economic growth to edge up slightly to around 4% in the current financial year.

Following a significant downturn in 2011/12, housing starts within Western Australia surged by more than 63% to come in at ten year highs of 29,050 in 2013/14 amid a combination of low interest rates, reasonable levels of pent-up demand and the highest level of population growth of any state in the country.

Going forward, the Housing Industry Association (HIA) expects another strong year in 2014/15 as an easing in commencements of new detached housing is partly offset by a peaking in multi-residential starts. The HIA says however, that the number of commencements will subsequently fall to 22,740 over the years to 2017/18 as activity on multi-residential construction drops back. An anticipated slowing in population growth as the mining boom fades may contribute to this, so might a possible monetary policy tightening cycle toward the end of next year.

In the short run, approval data is promising: in the first ten months of this year, the number of new houses and apartments approved for construction was up by almost 15% compared with the same period in 2013.

Meanwhile, in housing renovations, the dollar value of investment will peak this year at a red hot $7.371 billion before dropping back to just over $6 billion by 2017/18, according to the HIA.

Perhaps surprisingly, given expectations regarding levels of activity, quantity surveying firm WT Partnerships expects a modest level of upward pressure on construction tender prices to intensify slightly going forward, with prices to rise by 2.8% in 2015 followed by 3% in the two years thereon after.

In its most recent report, WT said pricing pressure across most trades remained relatively subdued, tier one contractors were finding costs increasing in bricklaying and formwork trades as a result of a shortage of skilled labour and tier two contractors were seeing increases in ceiling and partition as well as demolition subcontractor costs.

Average construction costs at the low end of the market (full brick construction of a 90 square metre to 110 square metre dwelling) sit between $915 to $985 per square metre, in comparison to a medium standard of finish for a full brick dwelling of between 120 and 140 square metres which shows a range between $990 to $1,070 per square metre.

At the top end, current construction cost estimates are between $2,300 to $2,480 per square metre for a full brick constructed house. At the prestige end of the scale, we see rates climbing to be above $3,000 per square metre

South West WA

Throughout the upward swing of last year developers released considerable amounts of new land particularly throughout the cities of Busselton and Bunbury and the Shire of Augusta Margaret River being estates in Yalyalup, West Busselton, Vasse, Dalyellup, Eaton, Australind and Margaret River. That coupled with favourable market conditions fuelled construction growth. Now as 2015 progresses the building industry is starting to slow down as demand starts to reduce.

Over the past 12 months vacant land values have stabilised and now the majority of vacant lots are selling from $150,000 to $250,000 depending on the size and location of the property.

Current building contracts for these estates typically range from $200,000 to $300,000 which provides for a single level brick 4-bedroom, 2-bathroom residence of a standard project design. These homes in this current market equate to a range of $900 to $1,100 per square metre of living area which overall has strengthened slightly over the past five years.

Historically speaking (over the past five years) building costs were higher throughout 2010 and 2011 but then diminished considerably throughout 2012 as market conditions were very weak and competition between builders was very high as they competed for the limited amount of prospective purchasers. However, the upward swing through 2013 and 2014 pushed building contract prices back up again as the backlog of demand was serviced. 2015 has now brought about stabilised conditions and building contact prices seem to have levelled.

Unfortunately, the prestige market is considerably slower than the lower and middle market segments. Architect designed two level homes throughout prestigious localities in the south west such as Eagle Bay, Bunker Bay, Old Dunsborough and the coastal strip of Geographe Bay are being built at a range of $2,000 to $4,000 per square metres of living area. These homes can range anywhere between $1 million to $5 million on completion depending on location and size of the lot. Despite a small increase in activity throughout 2013 and 2014 this market has remained slow over the past five years. Market values had reduced and have now levelled and building costs in this market segment have followed suit.

Overall the new home construction industry has stabilised.

Esperance

For a town of this size, Esperance appears overserviced in the building space with a mix of project home through to prestige builders. There is a bottom line here as every component of a construction has to be freighted in usually from 750 kilometres away with freight costs being a notable part of the overall construction cost.

Construction costs for the typical 4-bedroom, 2-bathroom project home have reduced over the preceding three years from a high in the boom of approximately $1,500 per square metre to a current level in the vicinity of $1,200 per square metre apportioned over the living area. This provides a completed home with floor coverings and window treatments, a reasonable standard of fixtures and fittings, painting throughout, paving, fencing and landscaping. The good news for those building now is the market is still paying the higher amount for established properties, less any accumulated depreciation. Essentially, those who built at the peak will not have seen any added value to their properties from building, notwithstanding the advertising that suggest people are automatically in front if they choose to build over purchasing an established property.

Higher quality construction costs range between $1,800 and $2,000 per square metre depending on the final finish. Typically such construction will be solar passive with polished concrete floors, high quality fixtures and fittings as well as inbuilt furnishings. Limited properties come on the market with this standard of finish as most clients are constructing with longer term occupancy goals hence overcapitalisation is not usually of concern. That said, the small number of such sales has indicated the market is prepared to pay for quality and supports the construction costs however again those building in this market will be unlikely to see any capital growth from their investment.

Unit development costs are not dissimilar in their trends. Very few such developments occur in this town however two separate 1-bedroom developments with standard finishes have been constructed for prices ranging between $2,400 and $2,800 per square metre, with the variation largely attributable to the extent of further site finish. A prestige unit development of recent construction saw development costs in the vicinity of $4,000 per square metre which included high quality site finishing as well as superior living quality in comparison to that prevailing for this locality.

Current building activity here is best described as consistent. New housing volume has decreased since the peaks of three to five years ago however it has not crashed and builders have still got a sufficient number of jobs on their books to keep themselves and the tradespeople relying on their work employed at a steady pace.

Rural

Overview

Welcome to a new financial year and all that it brings. The summaries from the team across the country certainly highlight an upward shift in sentiment and activity in most areas on the back of general commodity price outlooks and increasing market opportunities. So will the 2015/16 year be the year when the returns to operators for the capital invested meet the rate of return profiles that buyers would like to see? Time and sustainability of the prices in markets will ultimately be the judge.

From the view point of the Rural team at Herron Todd White, the increased activity is great to see and the selling agents are all looking happy now, however aside from some specific properties the trend in land values is not yet being reflected when you look across the country as a whole. This view is what we suggested would be the case from late last year and in our national market updates in February and March this year. Optimism is great however some caution is still warranted pending the start of a change being reflected in a longer term trend.

The strong outlook in the cattle market has seen sales of assets with scale and continues to be driven by both new and established money. The opportunity to also access finance at current rates and potentially lock in costs is helping to assist this trend. A conversation with a corporate agri banker recently suggests the finance market is very competitive and there are good deals being done for the right client profiles. All in all the shift in general confidence in a relatively short time frame is significant. Let us hope however the buyers in the market do not get too far in front of the trend and create a false dawn.

The local market updates provide more specific details for our readers and I hope you enjoy this month's update.

National Director, Rural
Tim Lane - Ph: (07) 3319 4400

Southern Queensland

There has been an improvement in positivity within the rural industry over the past few months on the back of better than expected winter rain to parts of southern Queensland. This has resulted in good strikes for winter crops in the region, most of which were planted on near full profiles of moisture. It is hoped that we have some more rain over the next couple of months which will ensure a harvest. There are also those cautious of a late cold snap given our warmer than average start to winter.

The cattle market has reached record levels driven by improved domestic and international demand, increased competition between feedlots and backgrounders, a falling Australian dollar and reduced supply. Last week over 12,000 head were yarded at the Roma Store Sale with the top weaner steers making a record $3.46 per kilogram. This week saw a smaller yarding of circa 8,500 head with the tops making circa $3.20 per kilogram. News has circulated that Indonesia will reduce their quota of live cattle imported from Australia over this quarter to 50,000 head which is down from the 200,000 head anticipated. Time will tell though at present it is felt that the consequences will have little impact on the southern markets given that many of the cattle in the north have already been sold. There is also a shortage of killable cattle which don't trade in the live export market. Such a large reduction of cattle into Indonesia will also result in reduced food security for its population and increased prices, which is unlikely to be endured for long. Many believe that this short term glitch is only motivated by an attempt to reduce prices as opposed to any political back lash from recent disagreements between Australia and Indonesia on issues such as capital punishment or asylum seekers.

The local property market is yet to see any broad scale upswing in sales volumes in light of the improved commodity prices. There has instead been one off sales scattered throughout the region. As expected those better developed properties in the higher rainfall areas have fared better than some of the more run down properties in western Queensland where there has been less demand and reduced sale prices for those having to meet the market. An example of a stronger sale was the property

Drumfern comprising 2,793.65 hectares located 85 kilometres south-west of Roma which was recently taken to auction and reportedly sold for $1,200,000 with interest from several registered bidders. The freehold property is well grassed up after being locked up for an extended period and is advertised as being able to run up to 500 backgrounders. The country is predominantly red loam soils with areas of heavy melon hole country. Approximately 75% of the holding has been pulled and established to Buffel of which 20% has also been blade ploughed. The holding previously sold in August 2006 for $830,000 though there has been significant improvements made over the elapsed time. At the opposite end of the spectrum is the reported sale of Wongamere located north-west of Bollon in the Nebine area. This is a harder 17,578 hectare Mulga block with scattered lake depressions, artesian bore and basic improvements and an advertised carrying capacity of up to 800 cows and calves. The property has reportedly sold for $650,000 after being on the market for an extended period.

Agents advise that while there has been an improvement in sentiment there remains a shortage of rural property listings. There are several receiver appointed sales which have or will soon be put to market in the broader Maranoa region which will provide a good gauge for the local market.

Central Queensland

Central Queensland has seen a number of notable transactions (primarily for beef cattle grazing properties) in recent times which have caught the attention of many industry stakeholders. The recent sale at auction of Seloh Nolem (8,615 hectares, located 55 radial kilometres north of Middlemount) for $10.25 million (including about $150,000 of plant and equipment) found strong competition at auction resulting in the eventual sale price which reflects a relatively strong beast area value of around $4,100 / AE. Also the recent sale at auction of Villafield (1,719 hectares, located 7 kilometres south-west of Alpha) for $1.75 million shows the strong demand for smaller scale more affordable blocks.

The recent announcement of the acquisition of the renowned Pegunny Aggregation by Hewitt Cattle Australia (backed by Canadian Super Fund PSPIB) marks one of the largest transactions in central Queensland in recent years. The Peggunny Aggregation is a highly regarded beef cattle grazing property located approximately 45 kilometres west of Moura with an approximate land area of 21,000 hectares. This sale demonstrates the strong level of interest in corporate scale enterprises which are somewhat scarce due to the tightly held nature of this market.

Generally, activity in the rural property market across central Queensland appears to have continued to strengthen in recent months. Most properties that have been offered to the market in recent times have achieved sound results, with agents reporting sound interest at all value thresholds.

Northern Queensland

The cattle market in early 2015 was showing a distinct divergence between live export and domestic cattle prices. The live export side of the market has surged as a result of strong demand from Indonesia and other markets such as Vietnam, Israel and China. Early signs of price moderation are starting to appear as the Indonesian government is apparently also investigating alternative sources of beef supply and issued reduced quota permits for this coming quarter.

As a result of cattle supplies available to the domestic slaughter market depleting, domestic prices have now started to follow the trend of the live export sector and have climbed. The double whammy of strong demand for cattle and low levels of supply leading to increased prices is now seeing a positive change in cattle market sentiment.

Sale volumes of Downs properties have been low due to ongoing dry conditions and varying degrees of vendor compulsion. The remaining areas (forest country) have seen sales particularly south of Charters Towers.

This year there have been well contested auctions and reasonable private treaty sale volumes, which may be indicating increased cattle market sentiment starting to feed through to an increase in sale volumes, but no increase as yet in values. There is still an air of concern over debt issues and seasonal impacts.

NSW North Coast

The NSW north coast sugar cane harvest for 2015 is underway. The harvest is expected to exceed 2 million tonnes of sugar cane for the 2015 season. Sugar content is generally superior to 2014 at this stage. The sale of 50% of the NSW Sugar Milling Co-operative Limited sugar mills to the Manildra group has been agreed to by a majority of voting growers. Interest in the purchase of sugar cane farms remains subdued. Low world market sugar prices and intense domestic competition for sugar sales has contributed to some commodity price uncertainty. NSW Sugar Milling Co-operative Limited will export sugar for the first time in many years due to the domestic competition.

The macadamia harvest is well underway for 2015. A number of macadamia farms have sold or are under contract as demand continues for these properties given current favourable macadamia commodity prices.

Four ex-Forest Enterprises Australia Ltd plantations in the Casino and Kyogle general localities were sold under the hammer with spirited bidding from the 28 registered bidders reported. The properties ranged in size from 154 hectares to 684 hectares. Two of the properties were purchased by neighbours. All of the properties will likely be remediated inclusive of the removal of plantation and resowing of pastures for beef cattle grazing. There were no significant structural improvements on any of the properties. It is understood that there will be more of the ex-Forest Enterprises Australia Ltd plantations properties to be put to the market in the future.

A 115 hectare dairy farm in two separate blocks north of Kyogle is to be put to auction on 25 July. The properties have Richmond River frontage and irrigation licences. Structural improvements include two homes and a 10 aside swing over dairy. This auction may indicate the strength of the market for North Coast dairy farms.

Mildura

Sale activity at this time of year is scarce, but we can report on a number of completed sales.

Two sales in Paringi, New South Wales, just across the river from Mildura include:

A 20 hectare former citrus orchard where the trees had been allowed to die, resulting in the property having a poor presentation. Structural improvements include a substantial 4-bedroom residence and miscellaneous smaller farm shedding. The property was purchased by an adjoining landholder who will presumably redevelop the property as a table grape vineyard. Analysis of the sale, after deduction for the added value of the residence, indicates a rate of approximately $14,000 per hectare for the land.

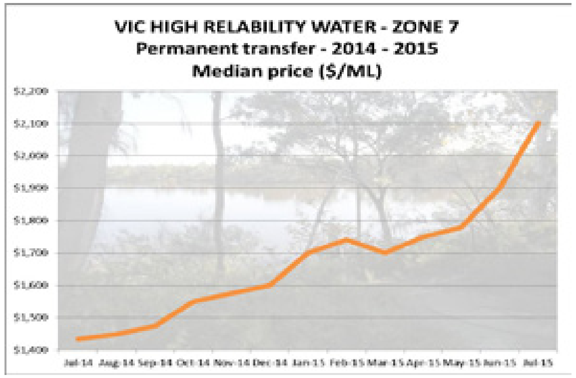
An 87 hectare former table grape vineyard, now cleared and used for vegetable production. The property mix included elevated sandy loam soils plus some grey loam soils with historic check bank irrigation. Structural improvements include two modest houses, together with several sheds. Analysis of the sale after deduction for the structural improvements and water entitlement, indicates levels of over $10,000 per hectare for the better standard soils with irrigation infrastructure.

We are also aware of a pending sale in Narrung, approximately midway between Robinvale and Swan Hill, of a 119 hectare former citrus and wine grape holding which has been cleared. Structural improvements include a modest dwelling and shedding. The property contains mostly elevated red sandy loam soils, which are suited to most tree crops. The property was purchased by an adjoining landholder with the intention of being redeveloped to citrus.

The above mentioned sales are at levels that show a growing confidence in the irrigated horticulture sphere. Values of greenfield development land have improved significantly from a low base evident three to four years ago.

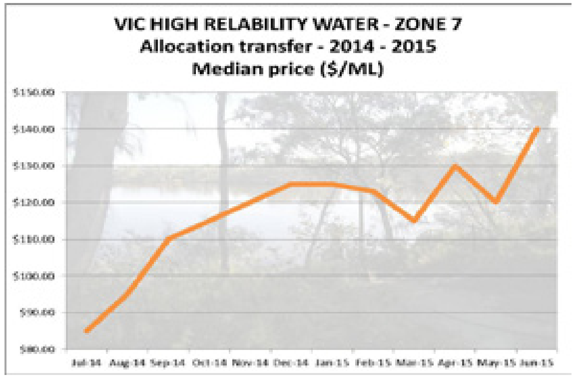
There is currently less water held in storage dams in the Murray catchment than was available this time last year and the outlook for irrigation allocations is consequently less secure. In Victoria, High Reliability Water Share allocations opened at 42% in the Goulburn Valley and 35% in the Murray Valley. Under normal season inflows it is expected that 100% allocations will be reached by early 2016, however if inflows are below average there is a possibility that less than 100% will be reached.

New South Wales allocations for the Murrumbidgee River opened at 95% for High Security and 8% for General Security Water Access Licences, while High Security allocations on the Murray opened at 80% and General Security Licences opened at 0%.



The current market for Victorian Murray Valley High Reliability Water Shares continues to strengthen.

Zone 7 (between Barmah and the South Australian border) Shares are currently selling for around $2,400 per Megalitre (ML), up from around $1,700 per ML at this time last year.



The current market for temporary water has opened higher than expected due to the outlook for dry weather and low allocations. The cost of leasing annual allocation in Victoria, South Australia and New South Wales has increased to between $170 and $220 per ML. These prices will dent the returns of any wine grape growers who have sold their permanent entitlements and are relying on leased allocations. At the same time, the attractive price may result in some rice farmers deciding to lease their water rather than grow only a small area. This could release further water onto the market.

Murray Riverina

Agents are reporting sporadic enquiry for larger holdings from overseas and locally, however there still seems to be strong local interest for smaller irrigation holdings. Generally levels of value are trending upwards on the back of generally solid commodity prices and reasonable seasonal conditions.

The threat of El Nino effects is of concern as the likelihood of a dry finish to the season is increased.

Overall across all broadacre real estate in the area being dairying, broadacre irrigation dry cropping and grazing there is a positive sentiment regarding the purchase of agricultural land.

Levels of value for water continue to rise with General Security water below the Barmah Choke on the Murray River trading for $1,050 to $1,150 per unit up from $650 to $750 per unit some 18 months ago.

Northern Territory

The month of July has yielded the Northern Territory's seventh, then eighth pastoral land sale, bringing total pastoral sales for the (calendar) year to date to a touch under $65 million (sales excluding livestock, plant and equipment). This includes the recent reported sale of Wollogorang/Wentworth in the NT Gulf to the same Chinese company that recently acquired Balfour Downs in the Pilbara. The deal was recorded at around $24 million for the real estate (or $47 million WIWO). Another well known northern station will change hands upon settlement early next month (sale under contract and details remain confidential). So it's been a big turnaround in total sales compared to the previous five years and we've still got five and a half months of 2015 to go! Compare the year to date for the NT pastoral estate ($65 million) to the preceding five years:

- 2014, $66.8M, nine sales
- 2013, $56.8M, five sales
- 2012, $24.5M, two sales
- 2011, $14.6M, four sales (note, live export suspension mid 2011)
- 2010, $12.9M, three sales (GFC, 350 kg live export weight restrictions introduced)

Before the end of 2015 there is the real possibility of another $90 million to $100 million changing hands just in the Northern Territory (again, this excludes the value of cattle and plant). Strewth! Let me just check that again...........2 million.....plus 10... plus... carry the one.......and.... ah yes, I don't think I'm too far off. If the eight other cattle stations that are currently being marketed actually sell (and note, this includes the Kidman group's Helen Springs aggregation) then the total potential pastoral sales, based on this valuer's current market value estimate, should go close to that figure. And note, our estimate excludes the reported likely sale price of Legune Station (northern Victoria River district) which is under contract for a figure that would add several tens of millions of dollars to the accumulation above. Legune however, is being purchased for its proposed transformation into a giant aquaculture farm, not for cattle production and the deal is reportedly awaiting approval for non pastoral use (among other things).

Taking a similar look over in the Kimberley region of Western Australia, things have been a little quieter - or is it just that the Kimberley is more tightly held? Of the roughly 105 pastoral leases in the Kimberley, each year, over the past five years, just one has sold. This brings combined pastoral sales to $20.6 million (real estate only) over the period. However, we are aware of two relatively recent offers (ie. within the last 18 months) made for a handful of pastoral holdings that could potentially have added between $40 to $45 million to this figure if they were accepted. We also note that Kidman's farthest flung cattle station Ruby Plains (and Sturt Creek in aggregation) is also a potential to sell (along with the rest of the Kidman portfolio). So is the prized Fossil Downs which is currently testing the market and could potentially make a big impact on the total sold statistic for the Kimberley this year.

And now time to muddy the waters. The recent announcement by Indonesia that the country will only allow 50,000 head of cattle to be imported between July and September this year, down from 250,000 the previous quarter, has been probably the first serious blow to growing confidence levels in the northern beef industry for a while. Just at the point when several potential vendors had decided to remove their stations from the market because they were finally making pretty good cash flow (from cattle sales) the Q3 quota news may just bring back into vision the reality that the Indonesian live export market can be very fickle. It has highlighted again the difficulties created for live export dependant stations in the north by having all one's eggs in just one basket (you'd think that the drive by industry leaders to strengthen those alternative live cattle markets must now be stronger than ever).

Several land agents we've interviewed recently believe that the Q3 quota event could see several properties return again to the market for sale. But it's a difficult decision for those thinking of selling to make. On the one hand, the general consensus is that the pastoral land market has bottomed, buyers have returned to the market and there is slowly strengthening competition. Then there's the Federal Government's recent White Paper release which might appear a bit light on for specifics as to exactly to where in the NT the investment will find a home. Maybe it's as specific as it can be at this stage (it's not a bad start) but it's certainly not specific enough to affect values of specific properties. However, there are valuable tax concessions available to pastoralists (such as accelerated depreciation etc) which may bring people to hold onto their stations and do that infrastructure development work they were planning - before the live export suspension! And what about growing alternative markets? AACo's abattoir? Vietnam? China? At the time of writing the Department of Agriculture has confirmed a feeder and slaughter cattle live export protocol has been signed with China! But nothing is ever a given and ESCAS with China has still to be developed in the supply chains and it is likely to be months before the possibility of the first shipment. Still……potentially good news!

Overall, nothing has really changed. A similar level of potential positives and potential negatives has forever been a feature of this northern market. Buyers and vendors of agricultural, horticultural and pastoral land in the Northern Territory and the Kimberley will continue be driven by their objectives and they will continue to set the market with transactions resulting from the competition at the time. We must study the results to see who is putting their money where their mouth is, exactly why, and how much homework did they do? The enquiry and analysis may even make those areas of potential a little clearer to see.

South West WA

Boyup Brook in the south west of Western Australia is well known for its country music festival but also boasts a reliable 600 to 650 millimetres of rainfall and some very good grazing and cropping country. The Blackwood River traverses the Shire of Boyup Brook with many rural properties along the river in the early 2000s being subdividing and sold for lifestyle purposes. With a burgeoning mining industry through the 2000s into the 2010s this area benefited from the dirt dollar with those involved in the mining industry looking for a rural play ground to relax and have fun in. This resulted in values in some cases more than tripling the average agricultural land values. With the WA mining industry currently in a down turn quite a number of the properties have been put back on the market and those with little features are proving very difficult to sell. This is not the case for all rural lifestyle properties with those having a view or river frontage still attracting some interest. The values are not what they were in the late 2000s but interest is back in this market and this time from a different purchaser profile. As Perth continues to grow a number of purchasers are looking once again for a tree change and this time it is reportedly the retirees or those close to retirement showing the most interest. A local agent said that these purchasers are well informed and often take in excess of six months to make a decision and then it is often subject to sale of a Perth property.

In terms of agricultural properties, a sale of note is a property known as Glen View which sold earlier in the year for $6.5 million. The property has predominantly been used in the past as a grazing property rearing stud beef cattle with a national accredited feedlot however has been used more for arable purposes in recent years. The land area is approximately 1,703 hectares and is undulating hill country with a mixture of gravels and loams with some granite outcrops. According to the sales brochure approximately 800 hectares is arable with the remainder predominantly grazing. Infrastructure includes a full complement of sheds, grain storage, a well set out steel cattle yards and 4-bedroom 2-bathroom house. The sale price indicates a market value of $3,817 per hectare inclusive of infrastructure and buildings.

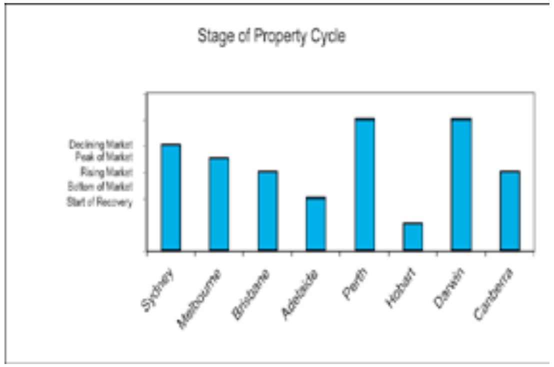
A recent drive across the wheat belt has confirmed that the majority have had a start but now are in need of some winter rain events to continue the season. A number of cold fronts from the south have provided some rain and have also provided some frosts which should not have caused damage at this time of the year.

Capital City Property Market Indicators - Houses

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

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

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



Market Indicators

Capital City Property Market Indicators - Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Increasing	Steady	Increasing sharply	Steady
Demand for New Units	Strong	Fair	Strong	Fair	Very soft	Strong	Soft	Fair
Trend in New Unit Construction	Increasing	Increasing strongly	Increasing strongly	Increasing	Declining	Increasing	Increasing	Steady
Volume of Unit Sales	Declining	Increasing	Steady	Increasing	Declining	Increasing	Declining significantly	Steady
Stage of Property Cycle	Peak of market	Rising market - Peak of market	Rising market	Bottom of market	Declining market	Start of recovery	Declining market	Bottom of 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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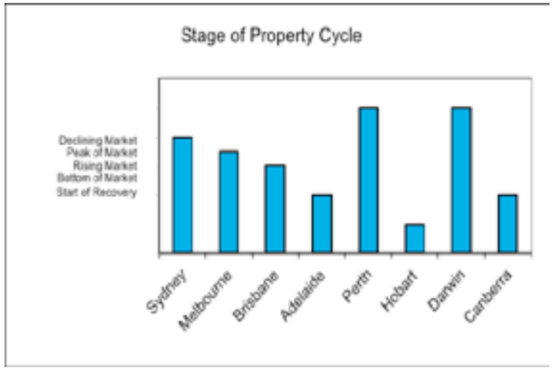
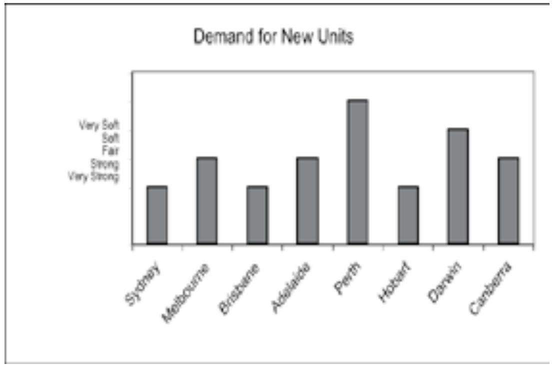


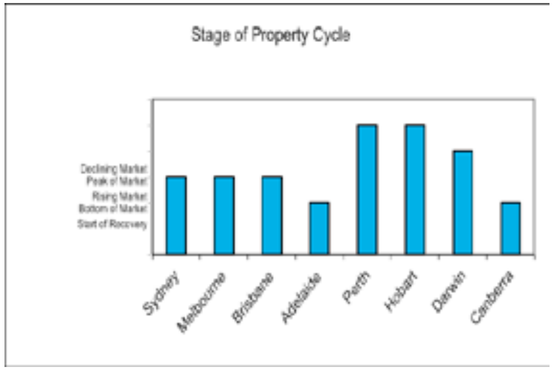


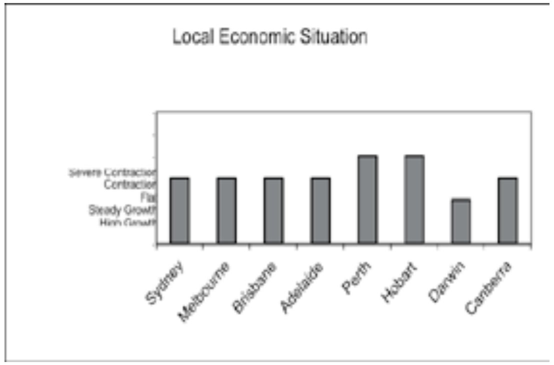
Capital City Property Market Indicators – Industrial

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

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

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





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

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

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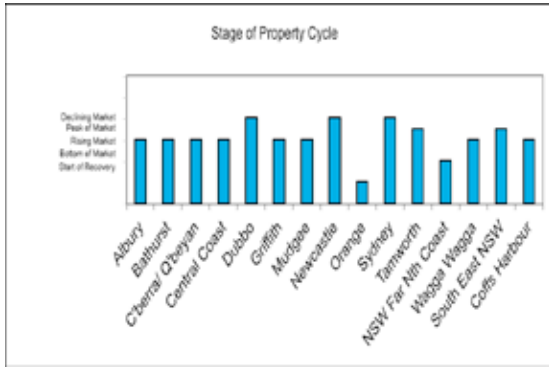

Market Indicators

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

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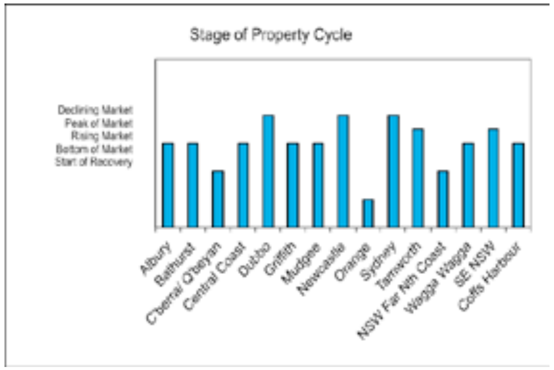

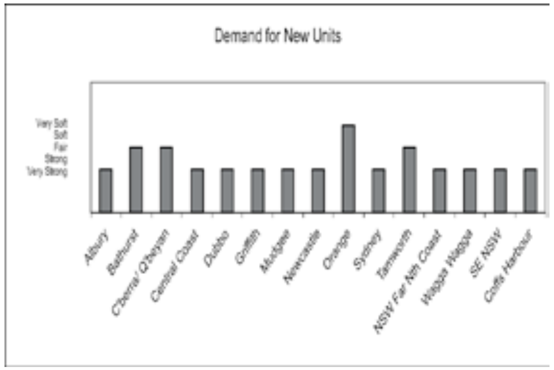

Market Indicators

New South Wales Property Market Indicators - Industrial

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

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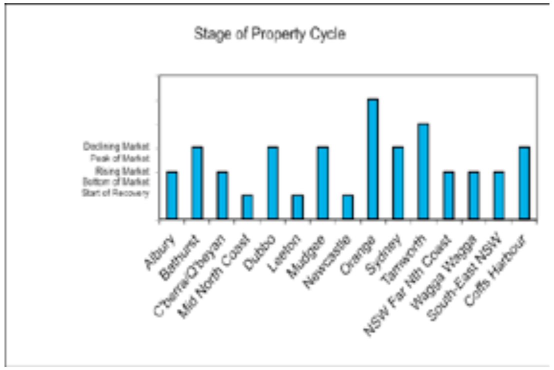
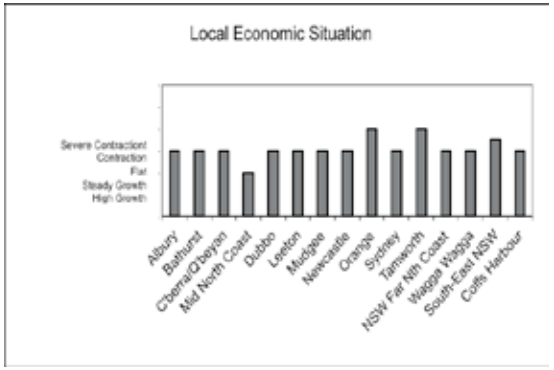
Blue entries indicate change from 3 months ago to a lower risk-rating





Market Indicators

Victoria/Tasmania Property Market Indicators - Houses

Factor	Bendigo	Echuca	Horsham	Gippsland	Melbourne	Mildura	Shepparton	Latrobe Valley	Warrnambool	Burnie / Davenport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Tightening - Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Strong - Very strong	Fair	Strong	Fair	Strong	Strong	Strong	Strong
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady - Increasing	Steady	Increasing	Steady	Increasing	Increasing	Increasing	Increasing
Volume of House Sales	Increasing	Steady	Declining	Steady	Increasing strongly - Increasing	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Peak of market	Peak of market	Rising market - Peak of market	Rising market	Bottom of market	Peak of market	Rising market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasion-ally	Occasionally

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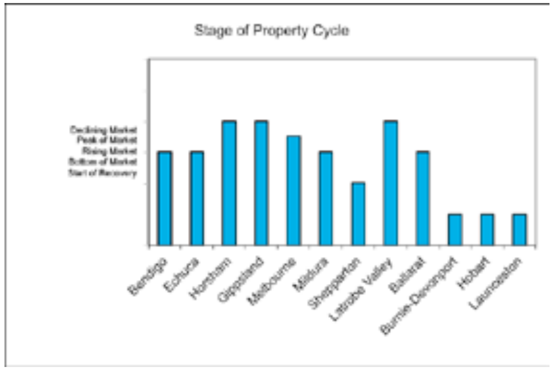

Victoria/Tasmania Property Market Indicators – Units

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

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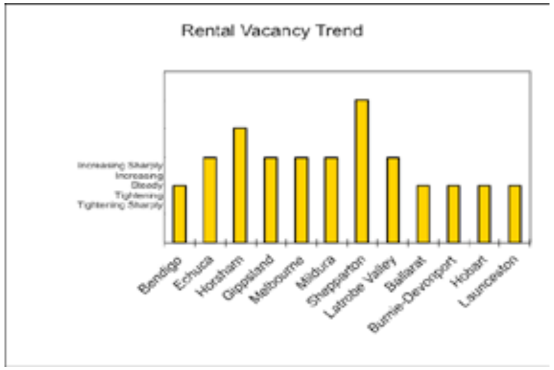

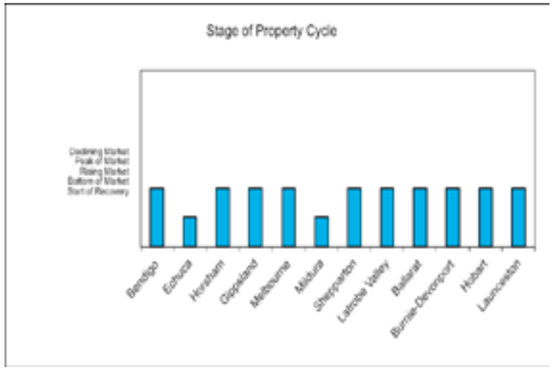

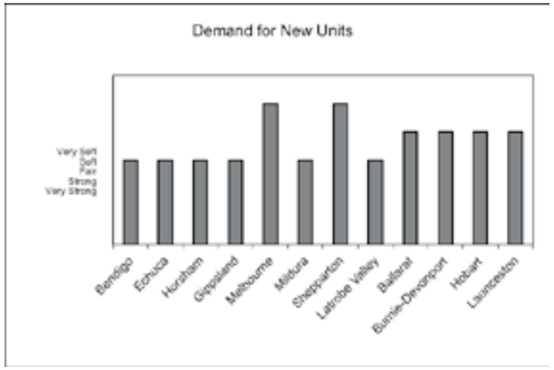

Victoria/Tasmania Property Market Indicators – Industrial

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

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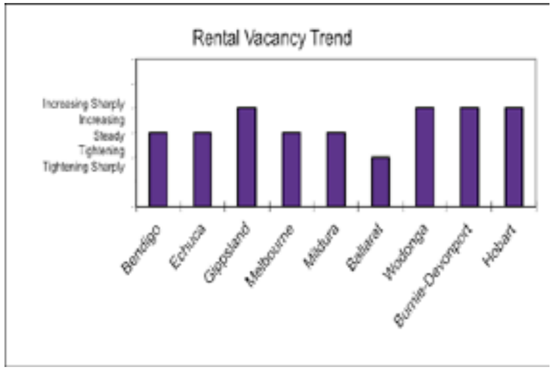

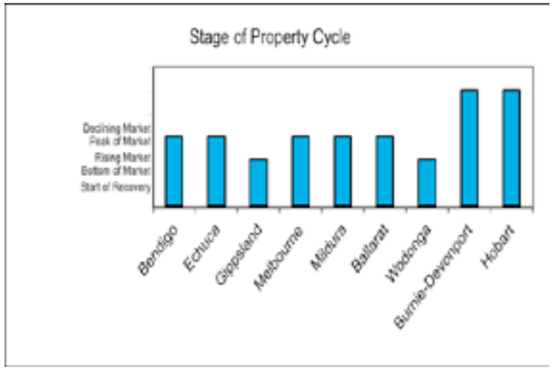

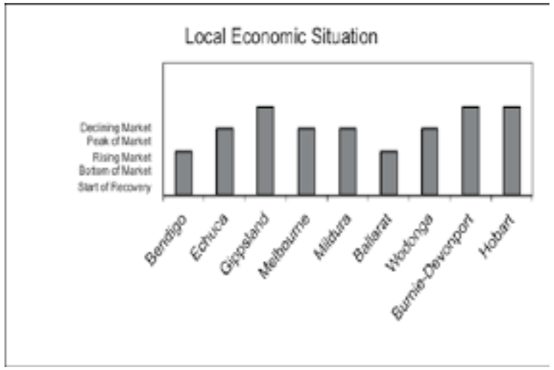

Market Indicators

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

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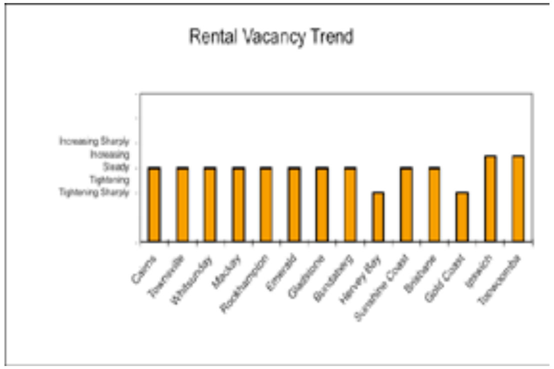
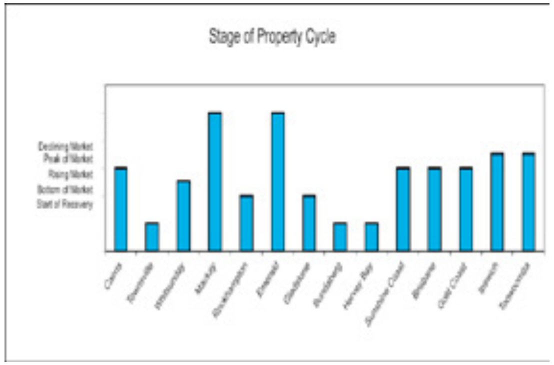
Blue entries indicate change from previous month to a lower risk-rating





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

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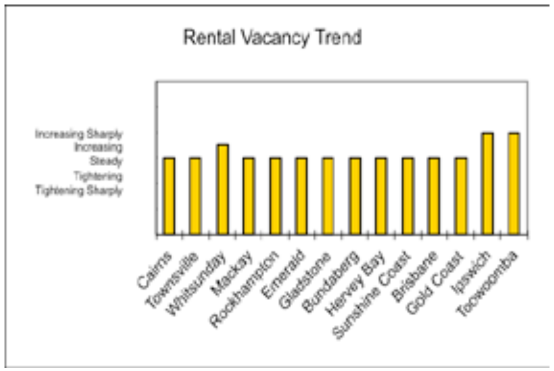

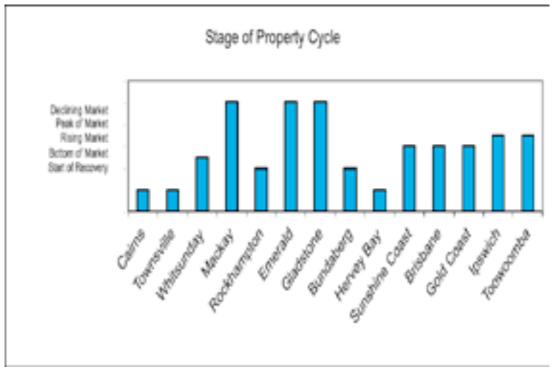

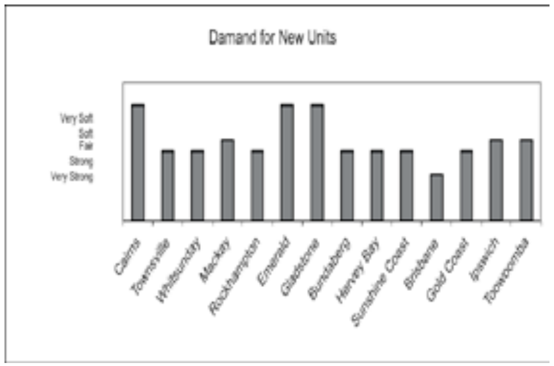

Market Indicators

Queensland Property Market Indicators – Industrial

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

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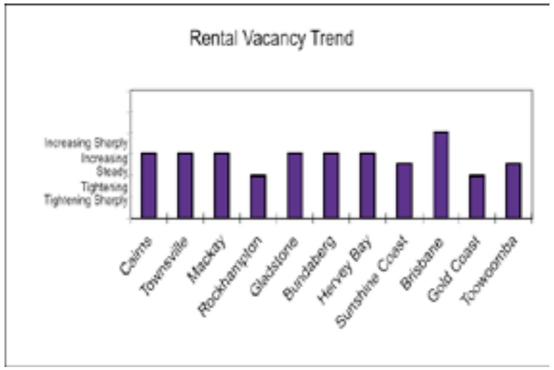

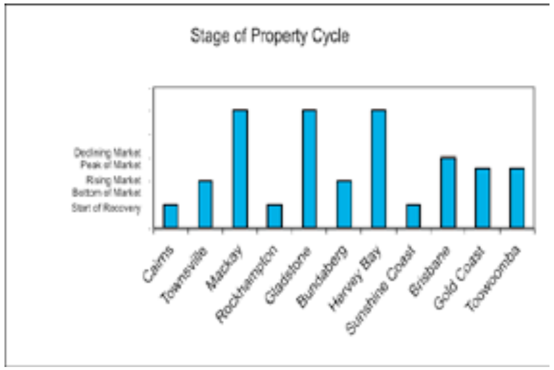

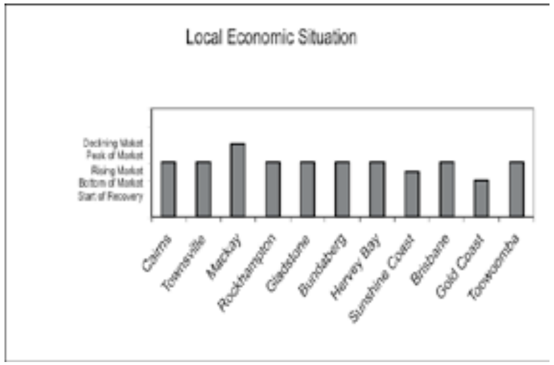

Market Indicators

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

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

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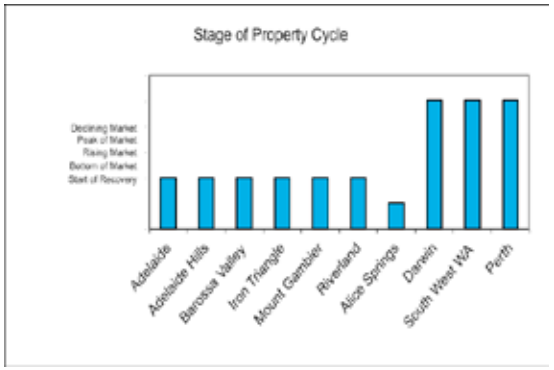

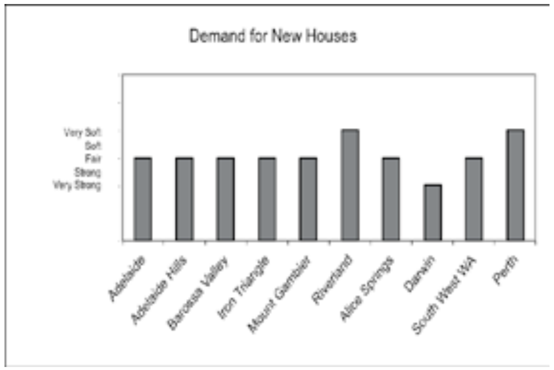

Market Indicators

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

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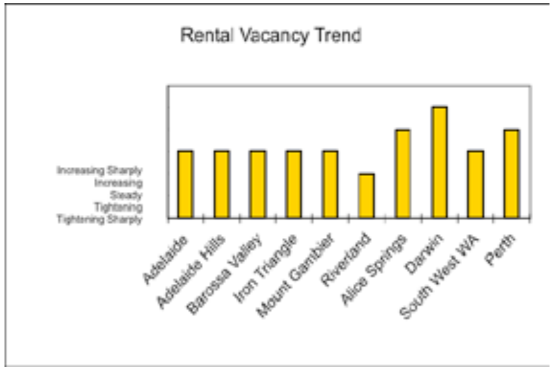

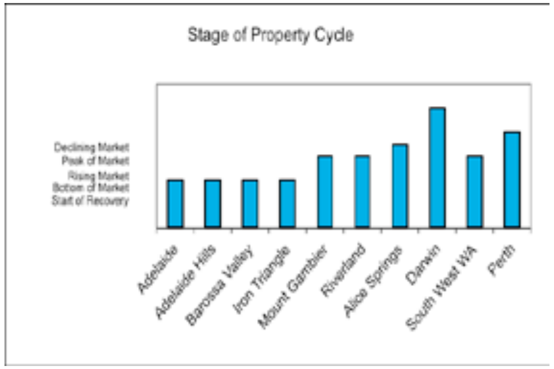

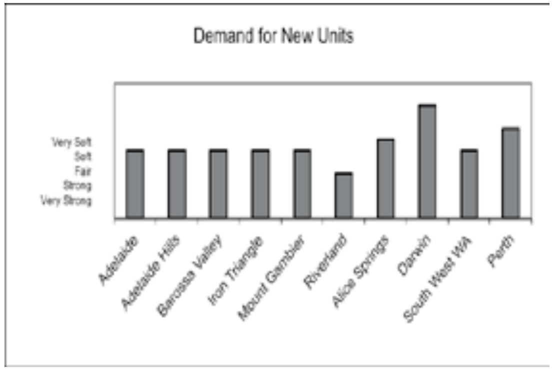

Market Indicators

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

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

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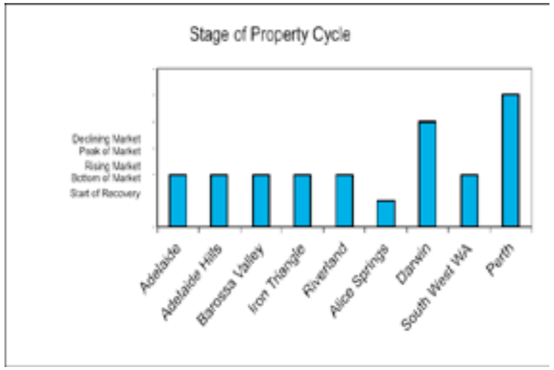

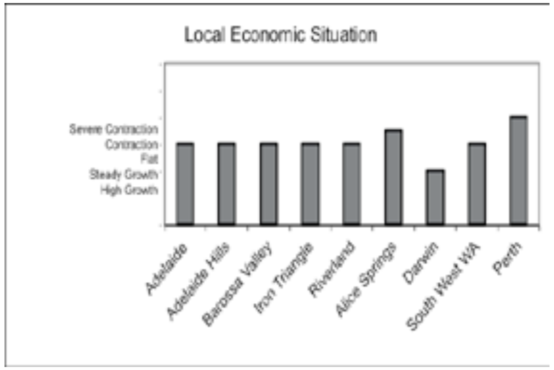

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