March 2016

Month in Review

HERRON TODD WHITE

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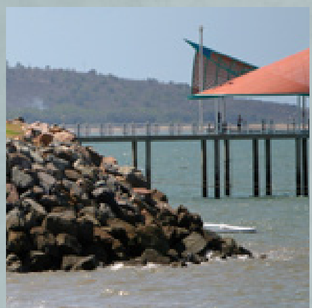

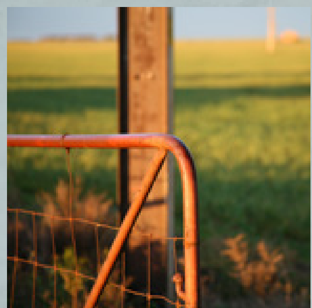

Gentrify

Ever wanted to shake off the scruff? Get rid of some of the 'rough trade'? Dust down the suburban equivalent of the Peanuts character Pig Pen and see what handsome real estate lies beneath?

Gentrification of a previously no-go precinct usually results in booming property prices. It's out with the old and decrepit, and in with the cutting edge and oh so 'ooh la la!' Think back over the past 20 years - wouldn't you have loved to snag a piece of Redfern in Sydney, or Fortitude Valley in Brisbane before everyone realised just how hip it was to be on the societal outer?

Gentrification takes hold like a slow mold and then speeds up rash-like in a flurry that can leave many wondering just when they missed an area becoming super cool and ultra-expensive. Even long-term residents can be mystified. Why has a cup of coffee gone up to $7 at their local greasy spoon? Why are all the young people wearing facial hair like Ned Kelly? When did it become OK not to have more than one gear on a pushbike?

Gentrification is the way progress moves in urban regions.

It might be the case that a population is aging. A new generation looks to set up their family life in a suburb full of what appears to be relatively affordable housing. Before they know it, everyone is on the train to boomtown prices.

Gentrification can also be a case of crow-barring away long held perceptions of a suburb's status. Dingy, dark and industrial doesn't sound appealing, but eventually someone will say, "Look how close we are to the CBD!" and, "How cool would it be to do a residential conversion on this warehouse?" Before you can say double-shot macchiato, you're among the hippest of neighbourhoods.

Another aspect to sprucing up a suburb might just come from new projects bringing appealing facilities to a once cultural wasteland. A big project might mean a cinema, ultra-tempting restaurant or head-turning antiques outlet. People dig the scene and gentrification is underway (followed inevitably by more developers).

Spotting both the gentrifying and gentrified areas takes a keen eye and plenty of local knowledge. Just as you might ask Mick Fanning about Snapper Rock's best take-off point, so you should go to the local professionals when spotting suburbs with renewal potential. Obviously that's where we come in.

Despite our button-upped exterior, the team at Herron Todd White are actually considered very, very cool when it comes to recommending great locations for those looking to be on the front foot. Our cronkites and tassels (look them up! I swear they're actually part of the hipster lingo!) of valuation are fronting up - civet coffee and all - and letting you know exactly which areas to watch if you're a growth-spotter.

We also like to talk commercial, so it's time for our year ahead predictions around the office sector. We have the lowdown on what to expect - rents, yields and values. If office is what you want, then here's where to get it, including what's hot and what's not in terms of suburbs from one coast to the next.

So there you are fellow cool-seekers. Time to relax in your vintage jeans and post a selfie of you reading all the good news in this issue of Month In Review. As always folks, don't just run your eyes over the team's musings. Call us on your Bakelite dial-up and speak directly to an expert who knows your village like no other. We're here to help point you in the direction of the property trendsetters and avoid looking 'mainstream'.

Commercial

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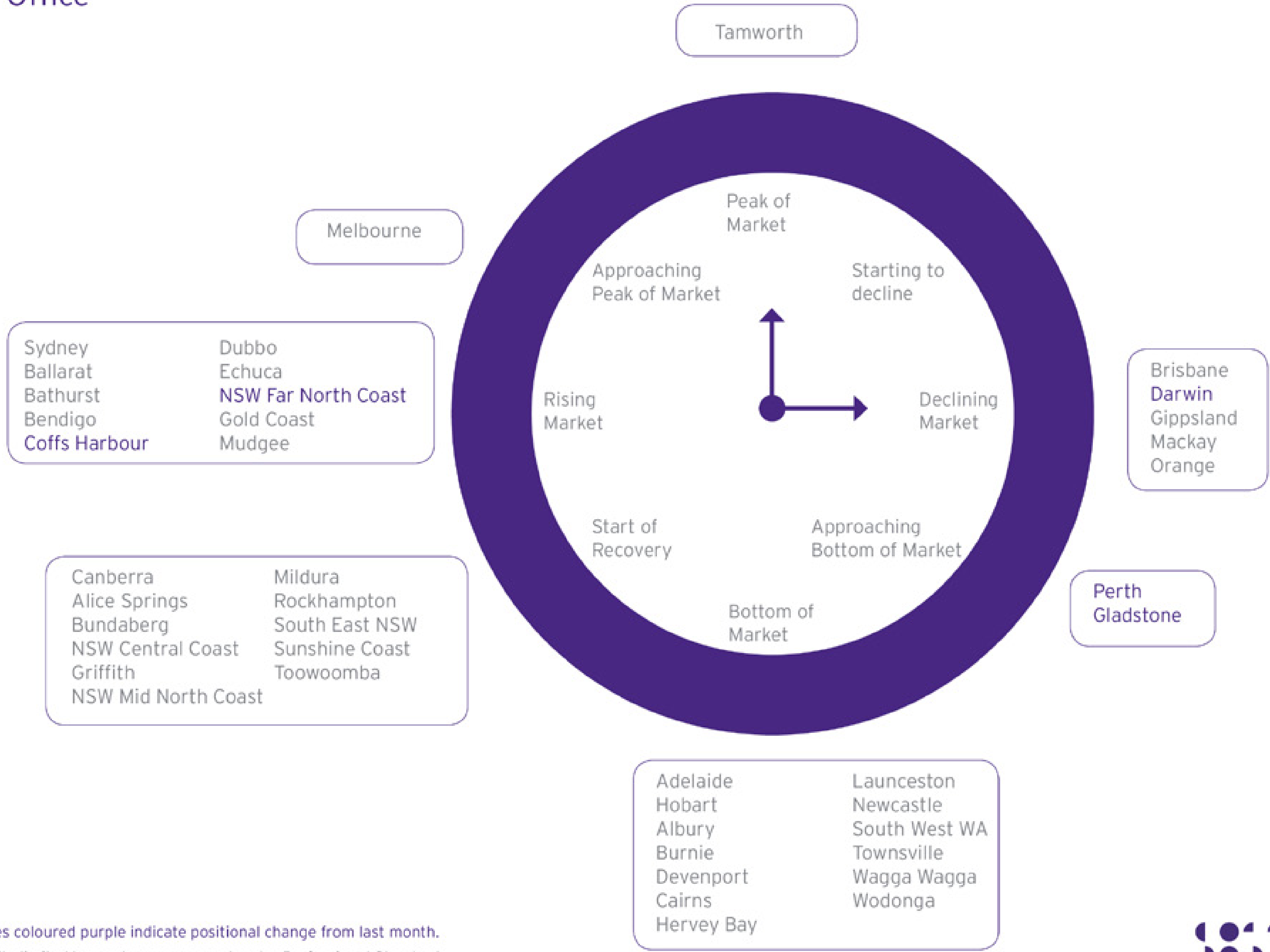
National Property Clock
March 2016
Office



Entries coloured purple indicate positional change from last month.

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HERRON TODD WHITE COMMERCIAL

New South Wales

Overview
The nation's office market offers a mixed bag from one coast to the next. Demand for space from tenants and level of landlord investment has fluctuated widely between the regions, so choosing the right fundamentals has become ever more important.

This month, we take a look at the year ahead in office markets to see where the movers and shakers are. From buy-in prices through to rents and yields, this is your guide to office 2016.

Sydney
Strong property market conditions in recent years together with positive sentiment and planning decisions are resulting in an increase in quality office space and positive growth in the Sydney CBD office sector. This has been evidenced by tightening vacancy rates and prime office yields filtering down to secondary office stock.

Research by the Property Council of Australia highlights vacancy rates during the 2015 calendar year to have tightened to 6.3%, down from 8.4%.

This is forecast to remain stable in the short term and further tighten to 5.09% by January 2017.

A key contributor to positive growth in this sector is an increased interest from foreign investors and self-managed superannuation funds driven by both the low interest rates and Australian dollar, with foreign investment during 2015 accounting for 55% of Sydney CBD office sales.

Positive conditions are being experienced in the Sydney CBD leasing market with strong tenant demand coupled with high market incentives subsequently resulting in record levels of office space enquiry. Given the time lag between enquiry and leasing transactions, an upturn in leasing activity is anticipated over the following 12 to 18 months and while incentives have been strong in recent times (up to 30% over a three to five year lease term), they are expected to decrease over the medium term in line with the further tightening of vacancy rates and expected lowering levels of net office supply.

Another key factor bringing about change in this market continues to be the withdrawal of secondary office stock for residential conversion and hotel use which is forecast to equate to approximately 360,000 square metres over the next decade. Furthermore, the NSW Government has earmarked a number of sites for acquisition as part of the proposed Sydney Metro project which is forecast to see a further 63,000 square metres of stock withdrawn from the market. These withdrawals coupled with increased tenant demand are expected to place downward pressure on both leasing incentives and vacancy rates over the coming years, resulting in moderate rental growth in the secondary office market.

On the other hand, new supply coming onto the market within the Sydney CBD includes the International Towers T3 at Barangaroo and 200 George Street along with a number of smaller projects accounting for 134,475 square metres of prime stock forecast for completion during the 2016 calendar year.

The imminent completion of Barangaroo has led to a significant increase in leasing activity in the western precinct of the Sydney CBD, accounting for approximately 44% of the total office space leased during 2015. Demand for office space in this precinct is expected to continue over the coming years with a requirement for businesses to service clients in both Barangaroo and the city core precincts.

Canberra
The strength of the market lies at the top end of the commercial office sector and the strength of this sector is dependent on the lease term. Recent transactions have included:

1. The Louisa Lawson Building in Tuggeranong purchased by Korean interests for $225 million. The lease term was circa 13 years remaining and the initial yield is understood to be close to 6%. The sale was reported immediately after the new year.
2. 255 London Circuit in the CBD was sold in November 2015 for $70 million. The lease had a further 11 years to run and the yield is understood to be close to 6.5%.

These two properties had in common long term blue chip leases in place giving secure cash flow and a resultant yield far superior to government bonds.

We are beginning to hear on the grapevine that Government is prepared to renew leases in older buildings they have occupied for a number of years where the remaining term is less than two years. However their interest is dependent on the level of incentives. Incentives of 30% are being mooted for a ten year extension. We anticipate that a number of these buildings will reach the market after deals are finalised later this year.

Illawarra

For the remainder of 2016 we expect the commercial office market to stay on its current course with continued strong buyer demand for good quality office assets and no change to rents and vacancy rates.

The year started with State Emergency Services (SES) announcing plans to move from its Regent Street location of 25 years to the former ATO office building along Burelli Street which will accommodate approximately 300 staff. This will result in a positive take up of office space in the Wollongong CBD.

Tenant demand is highest for A grade space and there is limited stock available, however market rents are not expected to support new construction of an office building in 2016. Given the vacancy rates for B and C grade space and the market primarily being driven by affordability we see no upward pressure being placed on rents throughout the year.

We expect there to remain a healthy yield arbitrage in 2016 although we caution buyers to stick to fundamentals and not follow the flock when making buying decisions on office assets in the region. The low cost of borrowing is expected to continue to be a major driver of the local market.

Newcastle

In 2016 we've already witnessed some exciting activity in the Newcastle office sector, with the official opening of the new $90 million law court, construction beginning on the Edition building at 18 Honeysuckle Drive and construction also well underway at the Newcastle University campus on the corner of Hunter and Auckland Streets. In addition to these major developments, work has finally begun on the removal of the railway track infrastructure on the former rail line between Wickham and Newcastle Stations.

Local agents report a significant increase in office leasing activity in what is to become Newcastle's new legal precinct centred around the law courts and this is going to be a major market factor in the area in 2016.

Initially, office leasing movement had been slow with B and C grade office space vacancy rates rising, while legal practitioners were reluctant to move. There is a bit of a rush on now to find appropriately located offices close to the new courthouse. A quite high level of office rental vacancy remains and this is expected to subside as more space is taken up as the precinct becomes more established.

Those looking to owner occupy office space in the Newcastle CBD have very little to choose from, with low levels of CBD office property currently listed for sale. This is an interesting market dynamic with a market that wants to own small office space in the CBD rather than rent given the benefits to business provided by purchasing commercial property through superannuation funds. This has left high levels of office stock for rent and very low levels on the market to purchase. We are expecting good quality and well located office property to sell strongly in 2016 to owner-occupiers, while investors are advised not to speculate on vacant property given the high levels of rental competition.

Lismore

Lismore remains in an oversupply situation with downward pressure on rents. This is more evident in secondary locations while superior quality spaces in superior locations are generally holding. Secondary locations experience extended letting up periods with the need to offer additional fit-out or rent free periods to obtain longer term leases.

Over the past 12 months we have seen four comparative office sales in Lismore:

- 107 Molesworth Street sold on an analysed yield of 8.2%
- Suite 3, 105 Molesworth Street sold on an analysed yield of 9.63%
- 70 Carrington Street sold on an analysed yield of 10.67%
- 75 Magellan Street sold on an analysed yield of 9.98%.

Yields have remained relatively stable over the past three years.

We would expect secondary locations to remain difficult to lease. In addition, there is a 3,000 square metre office complex proposed for the Lismore CBD which is understood to have letters of offer from a significant party. If development occurs, the market will see further oversupply

Ballina commercial rents have remained relatively stable over the past three years. Yields have generally decreased in line with most investment product with falls in the vicinity of 1% to 1.5%. Supply remains stable and rents are likely to remain stable over the next 12 months.

Coffs Coast

The demand and supply of office space in the Coffs Harbour CBD remains stable and there has been a steady take up of oversupplied space. Rental levels are generally static with the most recent lettings effected at similar passing rental rates or subject to CPI increase. There is evidence of leasing incentives (generally two to three months rent free) within the market.

The market for fringe rental accommodation remains price sensitive.

The capital value levels for office buildings demonstrated strong demand and firm yields throughout the year. The principal office precinct is now established in Gordon Street with a small core of purchasers dominating the marketplace and acquiring property at well below established yield levels.

The strata office market and in particular smaller units in the lower price range appeared slightly under supplied. However the market remains price sensitive and there are some proposed office projects awaiting pre-sales and leasing prior to commencing development.

The recent sale of the vacated Coffs Harbour Court House and Police Station at $2.1 million to Sydney investors and developers represents the most recent interesting commercial office site redevelopment sale.

Victoria

Melbourne

The calendar year of 2015 marked another buoyant year of commercial investment in Australia with turnover in commercial properties in excess of $30 billion. The Melbourne and Sydney commercial office markets are expected to continue to outperform nationally in 2016. Melbourne office investment sales transactions of approximately $4.2 billion in 2015 were almost twice the ten year average of $2.4 billion. With record low interest rates and strong foreign investment, demand for commercial investments will continue to be strong with yield compression expected.

According to the Property Council of Australia's Office Market Report, the Melbourne CBD office vacancy rate improved to 7.7% in January 2016, down from 8.1% in July 2015.

A net absorption of 116,763 square metres in the CBD was recorded in the 12 months to January 2016, mainly underpinned by tenant migration from fringe locations and withdrawal of office stock. Positive net absorption and modest rental growth are expected over the year due to an anticipated strengthening in white collar employment levels and a recovering state economy.

For CBD commercial sites with development potential, transaction volumes may slow due to the uncertainty in the current planning restrictions. This market segment has lost momentum since the interim planning controls were introduced by the Planning Minister in September 2015. Prospective purchasers appear to be more cautious in the current planning environment and are willing to hold off purchasing development sites until more permanent planning controls are introduced in September 2016. Furthermore, some sites purchased by overseas developers have now been placed back on the market due to difficulties in obtaining planning permits for the respective sites. For instance, 555 Collins Street, Melbourne, a 23-storey older style office building, was previously acquired by Singapore's Fragrance Group, however is now relisted for sale. The group submitted plans for a 300 metre tower prior to the change of Victorian Government in October 2014 and a decision on these plans is yet to be made by the current government. Media reports suggest that Fragrance Group has since decided to re-sell the building as a result of the interim planning restrictions, which include restricting height and density and incorporating more rigid standards on overshadowing the Yarra River, as well as concerns of a potential oversupply of apartments in central Melbourne.

City fringe and inner suburban development sites are expected to benefit from the shift in developers' interest from the Melbourne CBD. A number of developers, both local and offshore, are willing to pay premiums to secure prime development sites. Competition will be fierce for properties with strong holding income and development upside. A 2,151 square metre site located at 370-380 Swan Street, Richmond was purchased by a local buyer for $18.2 million in December 2015. The sale was reportedly $4.5 million above reserve which reflected a rate of $8,500 per square of improved land and set a record high price for Commercial 2 Zone land in Melbourne. Property developer, Gurner, has also acquired 26-56 Queens Parade, Fitzroy North, a landmark 8,500 square metre site, for over $40 million, reflecting a land rate of approximately $5,000 per square metre. In the St Kilda Road precinct, older style commercial office buildings are expected to continue to be purchased for residential conversion in the short to medium term. This trend will continue to be popular for Asian-based developers, especially developers from China, Singapore, and Malaysia.

The value of commercial office assets is expected to increase albeit at a slowing pace in 2016 compared to the previous two years. Investors will be more concerned with the potential risks associated with the commercial property market, especially the negative sentiments such as the ongoing decline in consumer and business confidence in Australia, the weakening Australian budgetary position and the slowdown in China's economic growth. The current volatility in the financial markets and overall global economic uncertainty may further hinder investment appetite. Despite the above negative factors, Melbourne is anticipated to continue to be a foreign investment hot spot targeted by global institutional funds and private investors in 2016, owing to the low interest rate environment, lower Australian dollar and stable political environment.

Overall, 2016 is expected to be another active year of office investment sales transactions with Lang Walker's Collins Square and Mirvac's Como Centre currently on the market. The Collins Square portfolio is expected be the largest office transaction in Australia with a price expectation of approximately $2.5 billion. The Como Centre is expected to sell for over $200 million.

Echuca
The office market locally is likely to continue to bubble along with the former Cosgriff Building now being let up on a piecemeal basis and a proposed development mooted for Annesley Street in Echuca. The strong sale of High Street which was leased to a government tenant in late 2015 demonstrates demand from investors for good quality assets, particularly in light of volatility in the global equity markets.

Warrnambool
Warrnambool's 2016 commercial market is expected to receive some much needed stability after an inconsistent 24 month period, with yields of 8% for leased properties and softer yields of between 9% and 10% for properties sold with vacant possession. Larger commercial space may see a slight reduction in 2016, however this market within Warrnambool has always been considered spasmodic. Investors seeking to get into the commercial market in Warrnambool may wish to tread carefully and avoid vacant properties within the CBD.

Ballarat
The year ahead of the office market in Ballarat is beginning to appear strong. Records may not be broken but the demand profile for the assets looks a lot stronger than it did three to five years ago.

Like all other assets it will have its macro economic challenges to negotiate; stubborn unemployment rates, international economic uncertainty and limited government stimulus will collude to hinder its progress.

However, after moving away from the model where employees operate in the same physical space, employers are beginning to return to the traditional office model, extolling the virtues of enhanced team environments and ease of communication.

This combined with the transitioning economy from production toward services has increased the demand for office space in metropolitan and regional areas.

Locally, Ballarat faces a considerable shortage of office accommodation within its CBD. This is magnified by local government policy which inhibits developments of medium rise status.

We are currently aware of a party seeking in excess of 1,000 square metres of office space within the CBD. This party is a high quality tenant happy to sign a long term lease but is struggling to find suitable vacant accommodation. Invariably in these circumstances the party seeking space is required to pay over the odds to effectively remove a sitting tenant or have the space constructed. It is due to these situations that market growth occurs and a new normal is established.

Investment grade space at present is trading at yields of between 6% and 7%. We would be surprised to see this contract due to the risks associated with the asset.

Opportunities in the market are material. An investor with the expertise and inclination to bring more A grade supply to the market and willing to outlay circa $6 million could expect a return north of 8%.

Mildura

The office market continues to have mixed conditions, largely depending on the lease profile. Vacant properties are receiving little enquiry, with owner occupiers generally being quite settled in their existing premises and limited demand from tenants. The most noteworthy sale of an investment property in recent times is that of a modern office building leased to Centrelink with frontage to Mildura's main thoroughfare which sold on a yield of 7.85%. Generally speaking, larger premises leased to national tenants such as banks or government agencies are selling on yields below 8%, while smaller properties leased to local businesses are selling on yields higher than 8%.

South Australia

Adelaide

The Adelaide office market is expected to continue its evolution over the next 12 months with new and refurbished space increasing efficiencies and drawing in suburban and fringe occupants. The one third reduction in stamp duty for commercial property being brought forward to December 2015 is encouraging, with the next one third drop expected in July 2017 and total abolishment by July 2018. Some analysts are anticipating that bringing the current reduction forward from the expected July 2016 start date will attract some additional investors to the office market; the alternate view is that it will simply prevent delayed settlements and reduce activity in the lead up.

The sentiment is that the creation of new space in the CBD and the cost conscious demand for an economisation of space will drive leasing demand throughout 2016.

Agents are reporting an estimated 130,000 square metres of space in the CBD up for renewal over the next 12 months which may assist in absorbing the new and refurbished space and potentially increase the vacancy within older C and D grade stock, some of which is already being targeted for conversion into residential units.

The People's Choice Credit Union (PCCU) at 50 Flinders Street is now complete with Santos occupying 7,060 square metres and the remaining 9,700 square metres taken by PCCU. Construction of 115 King William Street is also well underway and while its reported floor plates of 270 square metres (6,900 square metres total) will cater for small office users, it will have a significant impact on Adelaide's skyline given its 25 storey size. It is reported that this space will be entirely speculative with no pre commitments.

Slab preparation has also commenced at the corner of Frome Road and Flinders Street which is to create a new 4,000 square metre office building by the end of 2016. The building has reportedly been pre-leased by Grant Thornton to relocate from their fringe CBD location.

185 Pirie Street has also begun preparation with the removal of the site's former improvements and pre-leasing marketing underway for the proposed 6,000 square metres. CBRE is asking $420 per square metre net plus GST with the building covering eight storeys at around 800 net lettable area per floor above ground level which includes a retail component and some parking.

In conclusion there is likely to be continued activity within the CBD as occupants of frame, fringe and suburban accommodation look for efficiencies available within new and refurbished CBD space.

Buoyed by lower transaction costs and continued low interest rates, sales and leasing transactions should maintain a steady rate. The improved transaction numbers and absorption of new accommodation may place downward pressure on yields within the higher grades and increase the already growing divide between new and obsolete properties throughout the CBD.

Queensland

Brisbane

With a new year upon us there was early optimism and hope for a resurgent office sector in 2016. The reality however is that we can expect to see the status quo remain or possibly deteriorate across the CBD, fringe and suburban office markets. In broad terms, this means persistent high vacancies, soft demand, increasing incentives and the potential for further erosion of effective rents.

There is some optimism in the local economy with expectation that the state gross state product will rebound this year, primarily on the back of liquid natural gas returns, and will exceed national levels. The markets however, have heard the heralding of a new dawn before and will keep a watching brief on when and if this performance filters through to the local economy. Other economic factors such as unemployment and inflation are expected to remain flat and the RBA is expected to maintain its wait and see approach in the near term. It is difficult to see a seismic shift in economic and property market drivers that will translate to an increased demand for office accommodation.

CBD

The CBD market continues to see levels of total vacancy hover at around 15% as they have done now for several years. Not surprisingly, the Premium and A grade sectors are performing well relatively speaking with vacancies at 10% and 11% respectively. However lesser grade stock is performing very poorly at between 16% and 20% vacancies. The Premium and A grade end will be in for a shake up this year and a re-shuffle of the deck chairs as we see a major increase in stock, circa 192,000 square metres, come on line this year. The vast majority of this is shared between 180 Ann Street (on line), 480 Queen Street (expected late in the first quarter) and 1 William Street (expected in the third quarter). Of these, 1 William Street and 480 Queen Street are fully or substantially pre-committed leaving 180 Ann Street to join the fight for tenants.

With vacancy levels remaining static at best, we can foresee face rents remaining shakily stable although the continued increase in incentives (currently at 30% plus for five year terms) being offered is eroding the underlying effective rents.

On the investment side, prime stock remains in demand as always with competition from national and international investors pushing yields to around 6% to 6.5%. However there is still a 150 to 200+ basis points differential to secondary stock in this sector and this may widen further.

Fringe

The fringe CBD market is echoing the performance of its CBD big brother. Vacancies levels have remained high but static at around 12.5%. Within these areas, the Urban Renewal, Toowong and Inner South segments are performing the best at around 10% with Milton dragging the chain at around 20%. There is a very moderate level, around 22,000 square metres, of new stock coming on line this year and this, combined with slow but steady take-up and further stock withdrawal should see vacancies plateau or perhaps fall. That said, it will still be a tough year for the fringe markets with tenants being drawn to quality accommodation and competitive rates offered in the CBD.

As with the CBD, rents in fringe markets are expected to remain relatively static with incentives playing a significant role to lure tenants.

There are patchy levels of investment through these areas with a mix of owner occupiers, developers and lower end investors ($5 million to $15 million) active across the different segments. Although investors are active, they are also cautious and anything less than good quality, well let stock is being priced accordingly.

Suburban

Brisbane suburban markets have battled along and will continue to do so throughout the year. The key traditional suburban centres are noted as Upper Mt Gravatt (101,000 square metres of total stock) and Chermside (34,000 square metres), however the past couple of years has seen Brisbane Airport (78,000 square metres) and Brisbane Technology

Park (104,000 square metres) at Eight Mile Plains, emerge as serious players. Vacancies in these areas are around 7% to 9% although notably Brisbane Airport vacancy is at 2.5% suggesting most development is pre-commitment led.

While these suburban market profiles differ markedly from the higher profile CBD and fringe markets, the fundamentals remain the same.

> An oversupply of stock coupled with low demand means ongoing high vacancies and rents that are under pressure.

Overall we anticipate that the Brisbane office markets will be facing another tough year with little improvement expected in the short term. Prime and sub-prime investment stock will remain attractive due to limited supply and weight of money from large institutions although secondary stock will be more sensitive to fundamentals and yield gaps may widen. There will be plenty of scope in the market for those opportunistic and bold investors chasing returns higher up the yield curve and developers will continue to scout for opportunities. With the continued low interest rate environment, owner-occupiers will also remain active at the lower end price points. In a nutshell, the tenant's market is set to continue.

Toowoomba

The office market in Toowoomba is predominantly in the CBD and fringe CBD areas with some office use properties which generally comprise former dwellings converted to professional office or paramedical facilities in established suburbs.

Leasing demand in 2015 was considered moderate with office rentals remaining relatively static. Gross face rents for prime office buildings sit at around $375 per square metre to $400 per square metre per annum. Any new development would likely require rentals towards the upper parameters to be feasible. Secondary office space continued to be low in line with softer tenant demand. The slow market conditions have seen the introduction of some rental incentives as landlords compete for tenants.

There were no new major office building developments in Toowoomba during 2015, with only a small development currently under construction on the corner of Herries and Phillip Streets. This building is to be partly owner occupied. The lack of activity is seen as a result of limited demand and need for extensive lease pre-commitment and market leading rentals to make projects feasible. The Department of Transport and Main Roads had been sourcing a 2,500 square metre office tenancy within the Toowoomba CBD or CBD fringes. A tenancy of this size is considered very large by Toowoomba office standards with the requirement most likely fulfilled by the development of a new building.

The low interest rates have resulted in strong demand for commercial properties by investors. However, the lack of supply of quality, fully leased properties has limited the number of investment sales and sale made have indicated yields of between 7.5% and 8.5%. Other investment sales of note were in Capital Place, a large modern strata-titled office building. These units have sold at prices ranging from $225,000 to $965,000 at mid 8% net yields. Other larger office buildings, Petard House and the James Cook Centre, were unsuccessfully marketed in 2014. Both were in the $5 million to $10 million price bracket with a limited number of potential buyers. The sub $1 million price bracket however remains strong with a significantly increased number of buyers in this market segment.

Capital values for larger commercial buildings increased slightly in 2015. There has been strong demand from owner occupiers for smaller offices in the $300,000 to $600,000 price range. These offices are often former houses converted for professional use and provide easy access for employees and clients and good off street car parking. A diminishing supply within this segment has resulted in a slightly stronger increase in values.

The Toowoomba office market is expected to remain stable over the coming year.

Gold Coast

In our December 2015 summary of the Gold Coast office sector, we finished with the following comment:

"Moving into 2016 we would expect the improving conditions to continue on the back of sustained low interest rates and ongoing benefit of planned infrastructure associated with the Commonwealth Games in 2018. However, uncertainty in respect to global unrest could have implications for the Australian property market overall."

January and February have certainly been turbulent, particularly in the share market. However anecdotally, such conditions tend to be a somewhat good signal for the property market, as investors seek to place their funds into bricks and mortar due to a sense of security and lower volatility.

Therefore, notwithstanding the vagaries of the share market in early 2016, more favourable local economic conditions, buyer appetite and confidence appear to be evident within the Gold Coast property market.

In respect to the office market, there has been a continuing reduction in its high vacancy rates. The most recent figures released by the Property Council of Australia in January 2016 indicate a level of 13.2%, a 1.6% reduction from the January 2015 level of 14.8%. Annual net absorption was 7,816 square metres.

Of particular interest is that the Broadbeach office precinct reflects a current vacancy rate of 3.7%, followed by Robina and Varsity Lakes at 6.9%. These represent reductions of 49% and 34% respectively in comparison to the levels of twelve months ago.

The Gold Coast's more traditional office precincts of Southport, Bundall and Surfers Paradise exhibit relatively high vacancy levels (circa 15.5%, 17% and 22.6% respectively). Aside from Southport, these levels represent reductions on vacancy factors for the individual precincts as of 12 months ago.

Enquiry and take-up of better quality office floor space appears to have strengthened, which we attribute to its affordability in comparison to secondary space. Incentives have decreased to now fall more commonly at 10% to 15% of the first year's rental. This trend is likely to continue through 2016, provided no international events impact national economic conditions.

The improving vacancy level of Gold Coast office buildings, rising tenant demand, prospect of real rental growth following several years of generally static rental conditions and low interest rate environment have attracted investors back into the office sector. Such sentiment resulted in the largest number of high value and known office buildings coming onto the market for many years in 2015, the majority of which transacted. This trend would appear to be continuing into 2016. Recently reported sales include Bartercard House at Southport for around $12 million on a circa 7% yield and the Connaught Centre also at Southport for $9.7 million reflecting a yield of 7.35%. Also listed under an EOI sale closing on 10 March 2016 is RP1 Varsity Lakes, a 3,764 square metre NLA building on a 8,670 square metre site.

Overall, we consider that 2016 will again be favourable for the Gold Coast's office sector. On the back of the diminishing vacancy rate level, we anticipate further sales of office buildings in the $10 million plus category.

The strata office sector will continue to be attractive to owner occupiers while interest rates remain low. However, we would expect that longer term owners of suites purchased under duress or receiver and manager circumstances in facilities such as Southport Central may look to divest their assets in 2016 because value levels have now rebounded. This prospect is likely to be more commonplace for buyers who were initially enticed to purchase because of the reduced values, but have subsequently been hampered by poor leasing up outcomes.

Sunshine Coast
The office market on the Sunshine Coast improved during 2015 with a current vacancy rate reported by Property Council of Australia of 9.2% with a total of 13,731 square metres of vacant space. There was absorption of approximately 2,600 square metres of space in the calendar year, which is the highest since 2013. This points to an improved year for the office market for the region, however there are some ominous signs ahead.

The data also indicates approximately 23,400 square metres of space that will enter the market in 2016, primarily through two developments underway, one a large development in the Sunshine Cove precinct and the other a new development with preliminary earthworks started in Wises Road. Our understanding is that there is limited pre commitment for either of these projects. This overall inclusion of space adds circa 15% of the current stock level to the market. Based on historical absorption trends, this will require in excess of five years to be taken up by the market.

We further note that YOUI has purchased a site to commence construction of its own purpose built premises near the University of the Sunshine Coast and this means that its current occupied space, reported at circa 8,000 square metres, will be vacated in the next one to three year period.

The overall market outlook is therefore very cautious with significant white collar workforce growth required to take up this space.

However, it is not all gloomy, with limited vacancy in the central Maroochydore area, particularly with river or ocean views and improved rentals for this prime space. This type of accommodation is unlikely to be impacted by the new developments, with demand also strong for this type of space on the Sunshine Coast.

Rockhampton
We anticipate no major changes in the Rockhampton office accommodation market throughout 2016, continuing on from a relatively stable 2015. There is approximately 2,227 square metres of office accommodation due for completion on Musgrave Street, 896 square metres of which is to be owner occupied. The remaining 1,331 square metres is the completion of the old Post Office Hotel building,reported to be suitable for use as either retail or offices.

We anticipate rental levels to remain steady, with continued demand from tenants for incentives such as rent free periods and fit out allowances.

Prime office rentals are likely to remain up to about $400 per square metre gross, with secondary rentals generally ranging between $200 and $250 per square metre gross depending on a variety of factors. While the resources sector has weakened, there is stronger confidence in the cattle industry and we anticipate that some graziers throughout the central Queensland region may be looking to make some off farm investment purchases in the area. This has the potential to tighten yields slightly in the sub $2.5 million range, however with few key investment opportunities presently on the market, this is yet to be tested.

Participants in this market appear to be becoming more sensitive to the availability of parking. Both owner occupiers and investors should consider how much there is and whether it complies with current council requirements. As street parking becomes less available in the CBD, it is becoming a growing concern for tenants and we consider this has a growing impact on rental levels.

Also of increasing concern is the ability of some of the older multi level buildings to comply with disability access provisions.

The ability to lease upper floor accommodation without lift access is becoming more difficult. Should major refurbishments be required, it is likely that there will be a requirement to upgrade the facilities to allow for disability access. If this involves retro fitting a lift, significant capital expenditure may be required which may limit the market value of unrenovated buildings.

Gladstone

The office market for 2016 is anticipated to remain relatively in line with 2015, with tenants keeping hold of negotiating power in new leases and when exercising option periods. Over the past 12 months we have seen some reductions in rental levels of about 30% and we anticipate this to continue until rentals begin to flatten out. Tenants who previously occupied tenancies on upper levels with relatively little exposure are now able to relocate to ground floor tenancies with street frontage at comparable rentals. This has been a result of falling demand for office accommodation since peak workforce numbers on local LNG projects were scaled back dramatically. We are not aware of any new office accommodation under construction or in the pipeline.

There has been very little investment activity and we consider this is likely to remain until investors are confident that rental levels have stabilised at maintainable levels.

Mackay

Office rental levels have eased considerably since mid 2014 due to a combination of oversupply and adverse local economic conditions. Lengthy leasing up periods and rent free periods to attract tenants have become common. It is definitely a tenant's market.

Many former State Government tenancies with large floor plates of 500 to 600 square metres are presently available for lease however agents report limited enquiry for these relatively large areas. These will need to be rationalised to tenancies of 250 square metres and less to appeal to the current market.

Sales to owner occupiers dominate the majority of transactions below $1.5 million. Owner occupiers are now attracted to counter cyclical opportunities and record low interest rates.

Investor demand is low due to uncertainty associated with commercial rental returns.

At the time of writing we were awaiting the results of an auction of a major office building at 24 - 30 Wood Street which is tenanted by three State Government departments. This property will be auctioned in Melbourne on 24 February and will provide a true reflection of national investor interest in the Mackay office market. This property has a total net lettable area of 2,100 square metres and an advertised net income of $578,337 per annum.

Townsville

The office market in 2016 is likely to remain at status quo - entrenched at bottom of the market conditions.

CBD office vacancy rates remain high, with little impetus to suggest any turnaround over the coming year. Over the past 12 months our CBD office survey revealed a negative net absorption of 718 square metres. This was apportioned as 500 square metres of A and B grade stock absorbed and 1,218 square metres of C and D grade space having negative absorption.

Vacancy rates overall increased slightly over the past 12 months based on floor space being newly leased or vacated along with variations due to the addition or removal of properties from the market. The overall vacancy rate recorded in January 2014 was 25.9% compared with a preliminary result of 26.5% in January 2016.

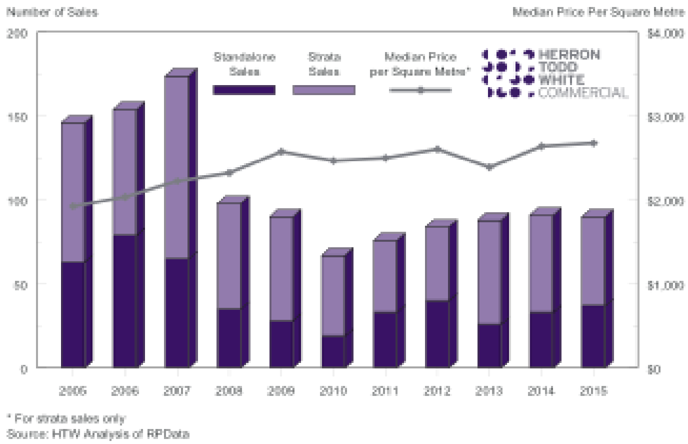
Activity is likely to remain slow, however quality property offering strong investment returns with long term leases or national tenants should remain attractive to investors.

Overall the office market in 2016 is likely to remain unchanged, with very little in the way of local stimulus or broader economic drivers to indicate any change from this position.

Cairns

The Cairns office market is relatively shallow and experiences limited sales activity. The market has also experienced limited new development. The last large office building constructed in Cairns was the State Government office tower completed in 2010 and there are no known new developments in the pipeline.

Our chart shows the number of general commercial property sales in Cairns, inclusive of retail and commercial office premises. It highlights that activity in the Cairns commercial market remains well below the levels achieved in the 2005 to 2007 period. Nevertheless the number of sales has been rebuilding slightly over the past seven years but is still only averaging around 90 sales per annum. Prices paid for strata titled premises have been relatively stable over the past seven years at around $2,500 to $3,000 per square metre of floor area.



Commercial Property Sales in Cairns

Most leasing demand for new office space is for smaller areas and for modern, good quality green star rated premises. However there is only a handful of such buildings in Cairns. These buildings achieve high levels of occupancy and are experiencing stable rent levels typically of $350 to $400 per square metre per annum. Demand for lesser quality space remains limited and there is a large oversupply even of good quality non-inner CBD and well exposed secondary space.

These conditions have placed downward pressure on secondary rents and have seen the emergence of incentives.

There was little change in the Cairns office market during 2015 and we see no evidence that the current situation will change in the coming year.

Northern Territory

Darwin

The outlook for the commercial office market in Darwin is best described as bleak. The Charles Darwin Centre is now open for business and a number of Government departments have moved in, leaving a number of other office buildings in the CBD vacant. We would estimate that the vacancy rate for CBD office space exceeds 20% and could well climb higher over the next 12 months.

Due to the efficiencies associated with the new building, the floor area required per person is lower than in older, less efficient buildings, so the effect of the extra 18,000 square metres of office space is actually greater, as tenants can downsize space but retain the same number of staff.

The quandary for owners of older buildings is how to deal with this situation. Even if significant capital expenditure is invested to upgrade to A grade accommodation, there is very little demand from alternative occupiers, especially for larger tenancies. In these cases, residential conversion is often seen as an option, however the residential unit market is already weakening due to oversupply.

The CBD market is also detrimentally affected by any decisions to decentralise Government departments out of the CBD. The Northern Territory Government is the dominant tenant in the Darwin office market and its decisions over the next few years will have a significant impact on whether the CBD is to be a business hub with an active retail component or simply a residential unit precinct with a reduced daytime population.

From a valuer's perspective it is very difficult to quantify the effect of the Charles Darwin Centre on property values in the CBD. Most CBD office buildings are held by long term local families who would have little desire to sell in normal times and no desire at all in the current market. However, it is clear that the gap in value between properties that have strong long-term lease covenants and vacant properties will continue to become more significant.

Western Australia

Perth

The official vacancy rate in the Perth CBD office market as at January 2016 was recorded as being 19.2%, up from 16.6% six months earlier and up 4.4% on the January 2015 result.

Overall, the current state of the Perth office market continues to decline. Forecasts for the following six months will see little respite in vacancy numbers, with predictions as high as 24% by the first or second quarter of 2016.

Vacancy rates in the Perth central business district have increased to 17% for A grade space, 15.9% for Premium grade space and a massive 37.5% for D grade office space.

Meanwhile, vacancies have reached 12.2% in West Perth, the traditional headquarters for exploration and small to mid-sized resources companies.

The downturn in the resources sector, driven by plunging commodity prices, is linked to a pullback in office demand from a range of industries including explorers, miners, engineers and employment agencies through to food retailers,

The decrease in staffing demand and therefore office space has been attributed to the transition of the Western Australian economy from a labour intensive phase where mining and oil and gas companies employed huge numbers to construct their projects, to the less demanding production and maintenance phase.

The transition has led to increasing unemployment in the resources-rich state and fewer people migrating west, all of which has resulted in decreasing residential and commercial rents and lower house prices.

Net immigration to the state has fallen from a peak of 56,291 in 2012 to just under 19,000 in 2014 while 400 people (net) left the state and moved east last year.

For the third year in a row, Western Australia has faced shrinking state final demand, which measures consumption and investment but not exports. The state's strong level of exports means it is not in recession, even if parts of the market have recession characteristics.

However deals are being undertaken even in this market. There appears to be a flight to quality, with most transactions occurring in the prime sector of the market, demonstrated by the recent Wesfarmers move to the new Brookfield Place complex on St Georges Terrace.

Agents are also reporting a spike in enquiry levels from suburban-based tenants, including those in West Perth where there is a limited supply of high quality stock.

Private education company Navitas recently moved its main offices from Mount Pleasant, south of the city, to St Georges Terrace because the rent was comparable to what the listed company used to pay at much older offices. They also received a $5 million fit out for free.

The CBD will see increasing withdrawals of lower grade stock for conversion, primarily for residential use.

Several new constructions, including Kings Square, 999 Hay Street and 32 St Georges Terrace, will put further pressure on secondary stock. Many landlords are busy upgrading and refurbishing their buildings.

The new buzz to have in your building aside from updated end of trip facilities (which we used to call showers), is now bike repair facilities. With an increasing focus on fitness, many tenants demand facilities for their staff to enjoy and bike repair shops, towel cleaning services and the like are beginning to enter the vernacular in the Perth leasing market.

On a slightly positive note, with approximately 31,000 square metres of new office supply due to come on line in 2016 and no new office supply expected for several years, Herron Todd White expects that vacancy in the Perth CBD will increase to up to 24% by July 2016 before stabilising as supply dries up and the dust from the resource sector fall-out settles.

Hopefully 2017 will show the office market moving slowly in a more positive direction.

South West WA

The commercial property market in South West WA remains subdued with business cautious due to the broader economic uncertainty and global economic volatility. There is currently very little office development activity in any of the major towns. Rental demand is weak and rents are declining leading to very low levels of speculative activity.

There have been a limited number of office sales transactions in the South West to be able to gauge a clear pattern of values however weak demand in this segment indicates rent and price softening. Most properties are tightly held which is helping to balance the market but extended selling periods are required.

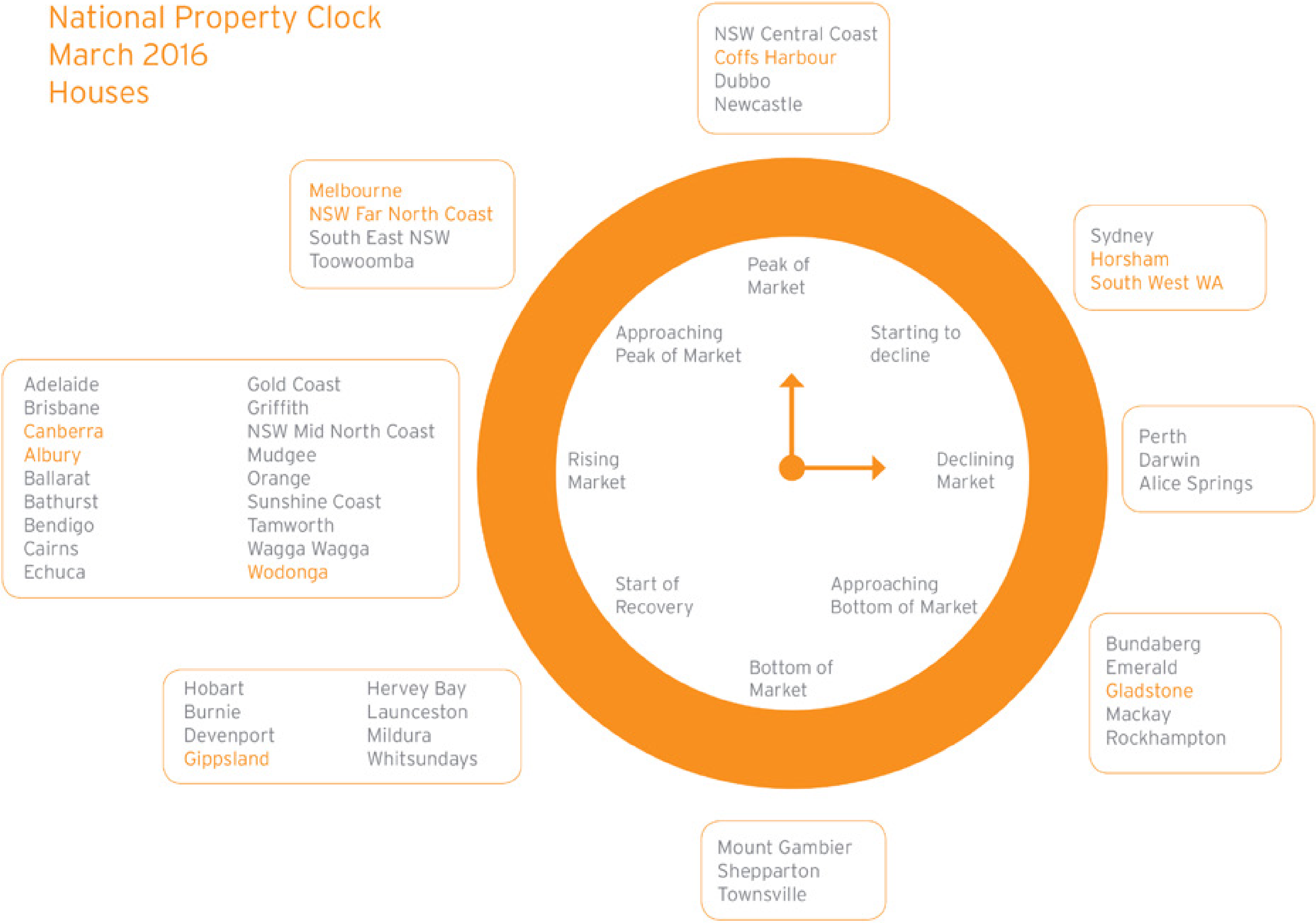
There appears to be some demand for smaller sized good quality office space with high rent still being achieved due to the lack of supply. However demand for secondary office space is considered to be weak. Previously Government departments were the main source of demand for larger office space however due to budget constraints they are now looking to reduce the space they currently occupy. Very little rental demand is coming from the private sector with business confidence as low as it currently is.

The outlook therefore for the office market in 2016 is one of caution.

Residential

HERRON
TODD
WHITE
RESIDENTIAL

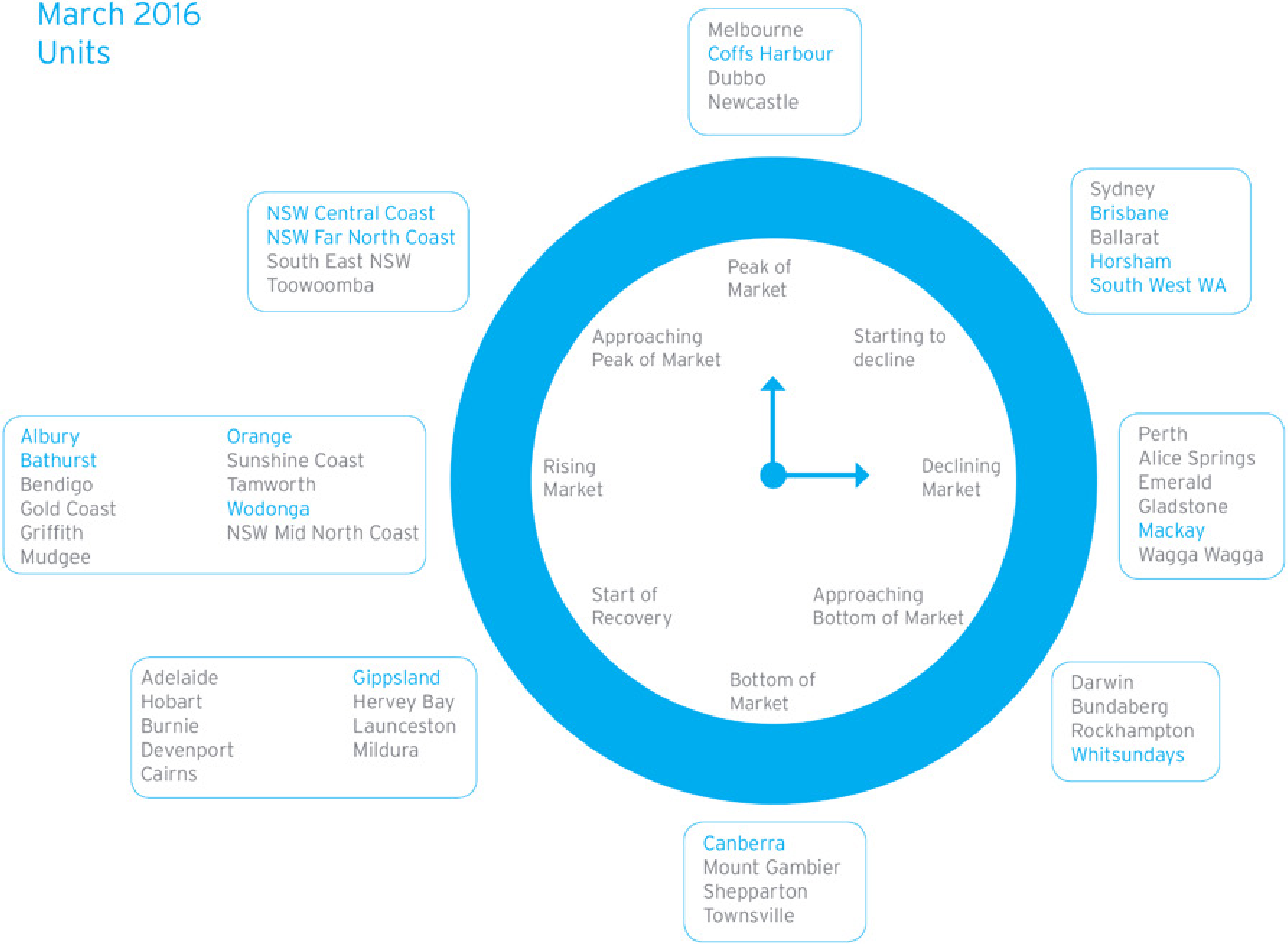
National Property Clock
March 2016
Houses



Entries coloured orange indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

National Property Clock
March 2016
Units



Entries coloured blue indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

Overview

Gentrification can be an academic discussion but identifying when it takes hold, and quantifying its impact on property is often best left to professionals that spend their days in the suburbs being felt. Certainly staying ahead of the gentrification curve can prove profitable to investors.

Our Herron Todd White team have taken a look at their service areas and identified all the gentrification hotspots throughout the nation worthy of your attention.

Sydney

Given the growth in values that have been achieved within the Sydney metropolitan area of late, the metamorphosis of older suburbs into modern living spaces that have been driven by location and buyer demand have changed the faces of many for the better.

> This month we have predominantly focused on suburbs within 20 to 25 kilometres of the CBD as the primary location for this shift.

South

Starting with the southern end of Sydney, we have seen Engadine and Kirrawee (Sutherland Shire) as some of the standout performers with significant growth and redevelopment changing the area.

The buzz around these areas has mainly come from the affordable price point for first home buyers and upsizers. In addition, the rezoning for duplexes and new unit complexes has created an increase in current development applications.

The Engadine shopping precinct has expanded over the past decade with the big three supermarket chains along with a number of restaurants and cafes drawing people to the suburb.

Engadine is seen as ideal for buyers wanting to live within one of the few regions in Sydney bounded by national parks, close to Sydney's southern beaches and with direct accessibility to the CBD which is less than 50 minutes by train. The next five to ten years in Engadine will see more development of high density units and duplex style dwellings. Engadine has seen median house prices increase from $600,000 in December 2012 to $885,000 in February 2016 with unit median prices increasing from $415,000 to $617,500 over this time period *(source: realestate.com.au)*,

On a larger scale, Kirrawee is seeing huge redevelopment with a new $8.5 million hotel development on the Princes Highway, which was once home to a service station and motor mechanic. The new hotel will be almost opposite the Brick Pit site, which sits at the junction of the existing retail strip, industrial factories and residential development, only 200 meters from Kirrawee train station. This site is approved for approximately 750 residential apartments between six and 14 storeys with a large commercial and retail presence and will be constructed at a cost of approximately $500 million.

A similar large scale development is already under construction at Woolooware Bay which neighbours the Cronulla Sharks Football Stadium. The former car park and playing fields will be transformed into approximately 600 apartments with resort-like facilities including pools, spas, massage room, rooftop theatre and BBQ area set amongst lush gardens. There will be a retail, cafe and dining precinct, with the entire development adjoining foreshore parklands.

East

Double Bay in Sydney's eastern suburbs has been revitalised over the past two to three years brought on by a much needed face lift for the commercial and retail precinct transforming into a vibrant commercial hub.

The recent redevelopment includes new retail shops, Woolworths supermarket and grocery stores, cafes, restaurants and speciality shops. It also includes the recently completed 2,300 square metre Double Bay Library, giving residents access to state-of-the-art facilities in addition to 442 public parking spaces.

Other major changes include the redevelopment of The Intercontinental Hotel, formerly the Ritz-Carlton and the increased nightlife with various new restaurants, bars and nightclubs which is attracting the younger generation to the area. Night time venues have seen increased crowds since the lockouts in Kings Cross and the CBD which might not be seen as a great result for some, but is still creating a buzz around the area.

Double Bay's central location with direct access to ferry services and the harbour, Edgecliff train station and new shopping and commercial precincts have brought its reputation back to life. In five to ten years Double Bay will still be a high demand suburb with potential for more medium density developments to increase its popular demand.

As throughout its history, Double Bay isn't the cheapest place to live with the median house price being $3.185 million as at February 2016 up from $2.405 million in December 2012. The average unit price was $1.25 million as at February 2016 up from $765,000 in December 2012 (source: realestate.com.au).

Double Bay's new shopping precinct

Canberra

The ACT property market has undergone a significant gentrification over the past five years with the emergence of Braddon's Lonsdale Street precinct and the Kingston Foreshore as two of the most sought after residential locations.

In 2010 Lonsdale Street was a medley of mechanic warehouses and mixed commercial space. The Civic Pub was yet to be refurbished and offered the only nightlife – if you were game. These days not only is the Civic Pub thriving but the whole Braddon precinct has come to life with a mixture of cafes, bars and restaurants. Underpinning this transition has been significant development in the residential space including the Mode 3, Habitat, Ori and Arte developments. With development ongoing we expect demand for units within the precinct to continue to grow with 1-bedroom apartments typically starting around the $400,000 mark for key developments.

The Kingston Foreshore took off around the same time as the Lonsdale Street precinct, albeit on the opposite side of the Lake. In contrast to the gentrification Lonsdale Street underwent, the Foreshore rose from the dirt. Where Green Square and Manuka were previously the inner south hot spots the Foreshore has now become the frontrunner. The Foreshore provides ambience with a number of mixed use developments of multi-storey residential accommodation and ground floor cafes, bars and restaurants, with scattered office space throughout. Again, entry points for the Foreshore typically start around the low $400,000 mark.

Other areas to keep an eye on include Dickson and Woden. While the plans to redevelop the Dickson shops appear to have been put on ice for the time being, expect to see activity in this space on the back of an extremely strong residential market through the inner north and the development of the light rail corridor. Woden has recently seen the construction of a number of low rise unit developments adjacent to the shopping centre, with some major highrise developments in the pipeline.

Illawarra

The Illawarra has seen reasonable growth in the past 12 to 18 months in all sectors and there is a sense in the market that it will continue, particularly in the below $600,000 section of the market, according to our reading of recent sales and agents' advice.

Affordable housing has had a blip from the lows of late 2011 to 2012 but there are few suburbs in the general Illawarra area where it is possible to get something in the sub $400,000 range.

In the south, across the Shellharbour LGA there are some older houses under $450,000 but these are getting harder to come by as well. This is a big change from three years ago when properties could be purchased for under $300,000. We all wish we had bought some then. The postcode to look for here is 2529.

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

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

Above $900,000 the depth of buyers drops off, but there is still reasonable activity and some good strength. Over $1 million there are some good sales but it is generally thinly traded and tending to be harder to find bargains. The major influences in this sector are interstate investors and Sydney buyers looking for an upmarket house close to the beach but within commuting distance of Sydney. Bulli, Thirroul, Austinmer, Coledale and Stanwell Park are all attractive to this buyer sector.

Kiama and Minnamurra are also included in the southern parts of the region, with a good deal of holiday house buying pushing the market.

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

In our view this lies in the lower ranges, affordable ($600,000 to 700,000) in a desirable location i.e. north or close to Wollongong CBD.

For units, we see CBD units close to the beach, university or hospital in the range of $350,000 to $450,000 as being a good bet for the future.

What offers the average buyer the best chance of growth over the medium term? Pick up an older home in a good location....

(close to Wollongong, Shellharbour or the beach) where the majority of the value is in the land... worst house in the best street etc. Don't go for the new project home in a fringe location - remember that only the land increases over time, not the improvements – a tried and true adage in real estate. Forget about having all the mod cons when buying your first house – buy a shack on the best land you can. It will serve you well in the long term. Remember the 60/40 rule.

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

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

Overall, the Illawarra property market has remained quite buoyant especially in the low and mid ranges, with the prestige markets tapering off. The outlook for the Illawarra property market appears to be in a steady but not spectacular growth mode. If interest rates rise there will be some fallout and values may ease.

Southern Highlands and Tablelands

The Southern Highlands residential property market has been increasing in both volume and price activity since late 2014. Over the course of 2015 we saw a noticeable increase in activity by investors. The Highlands property market is heavily influenced by the Sydney property market, with many buyers relocating from Sydney to the region. Now that Sydney has slowed and softened, the Highlands is also anticipated to slow.

Over the first quarter of 2016, we predict the market to remain steady with sales activity to remain at current levels.

However later in the year, we expect the market to slow and potentially market activity to soften slightly, especially if interest rates were to rise. This trend should be apparent in the first instance for properties over $1.5 million.

The main metamorphosis in the region is in the new residential and establishing residential subdivision precincts such as Renwick Estate (Mittagong), Bingara Gorge (Wilton) and more recently smaller more affordable lots at Nattai Ponds (Mittagong) and Darraby Estate (Moss Vale). There has been strong land sales and new building activity in these fringe locations. This uptick has also seen the emergence of residential infill developments in the townships of Bowral and Mittagong, with established larger land lots being subdivided into smaller allotments which are keenly sought after. There has also been renovation and extension activity in the well located, older style or character homes within the townships of Bowral and Mittagong.

Moss Vale in particular seems to be changing, with a new McDonalds restaurant complete and open for business as at February 2016. There has been relocation and renovation of the region's car yards to the Moss Vale main street. There is also the new Throsby Gardens Estate, which features 2,000 square metre allotments that have sold in the high $300,000s.

The Southern Tablelands region is steady. The Sydney investor activity evident over the past 18 months is reducing. We anticipate Goulburn to plateau or even soften slightly this year. There are similar trends evident in the Tablelands, with good land sales and new home construction activity in the new and modern residential estates on the fringe of Goulburn, including the Belmore Estate, Merino Country Estate and the Mistful Park Estate.

Newcastle

As well publicised, Newcastle's persona in recent times has moved from a blue collar, working class port city to a trendy, beach loving metropolis flourishing with bars, cafes and hip warehouse conversions.

Newcastle is witnessing a period of substantial demographic and economic change as economic reliance is diversifying away from coal exports and moving into other economic drivers such as small business, education and professional services. With this change, the social fabric of Newcastle is seeking inner city, stylish living and services as offered in larger capital cities.

Gentrification is on show in the once industrial parts of Newcastle. Suburbs such as Mayfield, Islington, Wickham, Carrington, Tighes Hill and Maryville are leading this revitalisation. All suburbs are within arm's reach of Newcastle's CBD and foreshore, while Newcastle's world class beaches are not far away.

Of the residential property under development, apartment living is driving much of the demand as old industrial sites are reclaimed for trendy 1- to 3-bedroom apartments suitable for today's working professional. Current anecdotal evidence is showing that these are selling quickly. Subsequently Newcastle is currently in the midst of an apartment building boom with large numbers of apartments due for completion throughout 2016 to 2017. What prices do over the next 12 months will largely be determined by supply and demand forces.

With a population of approximately 160,000, Newcastle will continue to witness gentrification first hand and leverage off its Sydney big brother's appetite for city based apartment living. After all Newcastle is only a two and a half hour train ride from Sydney and perfect for those keen to avoid Sydney's higher living costs, but who still yearn for that trendy skinny latte and swanky city-based lifestyle.

NSW Central Coast

Located immediately north of the Sydney metropolitan area, it's no secret that the New South Wales central coast region is blessed with some of the state's nicest locations in which to live. Long viewed as an ideal place to visit, holiday or retire, the region has been transforming into an even greater place for the average family to live. This in part is attributable to easier access to the area and Sydney market prices becoming out of reach for many.

We seem to have arrived at the end of another hot property market or boom market to some and if previous cycles repeat themselves, we can expect to experience a slowing market with values dropping in some places. A consequence of this has been the emerging popularity of some localities often previously overlooked for the more desirable locations. This is no doubt due to the affordability of these areas catching the attention of new market entrants with a desire to make a mark.

The indicators of this include the purchase of tired old houses in less sought after locations becoming a trend and evolving into an acceptable location no longer viewed as lesser. When the keys are handed over, new owners set about renovating, modifying and extending. Before long, more eyes look at this area and buyer demand is created with a rise in values the prize.

In Central Coast terms, such areas include the peninsula suburbs of Umina Beach, Woy Woy and Ettalong Beach which have all seen this occur and a point has been reached where prices are virtually in direct competition with the Sydney market. Over the past 12 months values have increased by as much as 34.8% in some of the peninsula areas according to CoreLogic RPData.

Other areas include Narara and Niagara Park (both have shown an increase of 20% over the past 12 months) which have been attracting attention of late and for good reason. These areas have missed the positive reports enjoyed by other suburbs for some time, but the busy market has created opportunities for these two areas. They have now been discovered (or rediscovered) and those who recently purchased here may have got in at a good time for as the market settles, it is these types of areas that will endure.

When we are thinking further north in the region, the suburb of San Remo has hit the radar with a tidy increase in values of 13% over the past 12 months. Long overlooked as a desirable location, efforts by buyers new to the area are likely to make San Remo more popular. There is no new infrastructure of any note, shopping centres or schools in San Remo and the question must be asked why it is becoming popular. The most logical reason comes back to affordability and the recognition of this by real estate agents in their approach to marketing.

Time will tell whether the Nararas, Niagara Parks and San Remos of the region will enjoy sustained growth or not, but in the meantime, new owners will have invested their money and lives in them to make these areas grow in popularity.

When we think of locations having the potential to turn the corner to become locations of choice, our attention is drawn to the Gosford city centre. A history of indecision, blocking moves and anti development has seen the Gosford city centre suffer and decline. Efforts by newer decision makers to revitalise it have been exemplary and if not for the opposition they have faced at every turn, the Gosford city centre would have already undergone a transformation to be talked about here. It has been a hard slog for these people and those with a desire to invest heavily in its redevelopment, with some admitting defeat along the way. Fortunately, some of the developers have remained strong and we have seen a few new residential developments completed and others under construction. There is still some ground to cover, but if this continues, when we next speak of localities becoming or regaining popularity, the Gosford city centre will be at the top of the list.

NSW Mid North Coast

This month we are looking at localities within the mid north coast that have become more popular and have undergone gentrification of an older style or poorly perceived locality into a more highly sought and desirable location.

Along the mid north coast this metamorphosis has generally occurred in coastside suburbs where astute investors and owner-occupiers have been buying older style dwelling and either renovating or demolishing and rebuilding completely.

The attraction of close proximity to the beach appears to be the driving factor and suburbs undergoing this transformation include Blueys Beach and Boomerang Beach (beachside villages south of Forster), One Mile Beach in Forster, Bonny Hills, Lake Cathie and the coastal strip along the Port Macquarie beaches to the north (including Lighthouse Beach, Shelly Beach, Nobby Beach and Flynns Beach localities). Dwellings in these areas are often being extensively refurbished.

The central areas within Port Macquarie CBD are also undergoing some gentrification with older dwelling and units being upgraded and renovated. The close proximity to the CBD and services appears to be the driving factor here.

The older areas within the Port Macquarie, Forster and Tuncurry canal estates are also being redeveloped. With no more canal estates being developed and the limited supply of vacant canal front land left, potential owners who wish to live on the canals or river are now generally forced to buy an older style 1970s or 1980s dwelling and renovate it if they want a modern dwelling.

Bathurst

It is fair to say that most of the central west is undergoing a metamorphosis into the levels of cool, particularly for families. While not previously associated with cultural sophistication this is changing with the increase in entertainment venues with recent visits by Anh Do and Kitty Flanagan, increased numbers of immigrants finding it possible to settle in the central west outside of Sydney, university graduates remaining in the area, improved shopping and improved bars and restaurants, many of high quality. Whereas Bathurst was previously associated with young male race fans letting off steam, visitors these days are as likely to sit down to an a la carte dinner with the family as they would a meat pie.

> Orange has invested considerable effort into the Taste Orange campaign and Orange is now seen as a centre for fine food and wine.

This makes sense given the red volcanic soils and cool climate which are perfect for fruits and other crops. Both cities have benefited from the social trend to moving back to natural ingredients with restaurants and grocery stores stocking local produce.

As the trend towards lifestyle choices continues, the area is increasingly able to tick a lot of boxes for more people creating a positive cycle of more local investment, with development mindful of what is drawing people to the region in the first place.

Albury

The Albury/Wodonga area, like many others, has suburbs and townships once viewed as unpopular now starting to show signs of increased popularity, a move from daggy to cool, so to speak. Areas where this has been most obvious include South Albury, North Albury, Central Wodonga and Chiltern.

North and South Albury have long been viewed as Albury and East Albury's poor cousins. Recently however, we have seen a realisation in the market place that parts of these suburbs are in fact very close to central Albury and provide the opportunity to purchase an older character home for a fraction of the price.

Types of houses proving popular in both these areas are older homes in need of renovation, close to central Albury, in the $300,000 to $350,000 range.

The area of Central Wodonga is another that has seen increased interest and popularity. This has been driven largely by the multimillion dollar redevelopment of the Wodonga CBD since the railway line diversion. Old houses located close to the CBD that were previously unpopular and considered old and daggy are now being purchased and renovated or redeveloped because of their locations. Again, older character homes are proving to be the most popular as they have the most potential.

The above locations all show the common theme of older properties (often character dwellings) being purchased and fully renovated because of their location and close proximity to shopping, dining and business facilities.

NSW North Coast

Lismore / Casino / Kyogle

The council areas of Lismore City, Richmond Valley and Kyogle generally do not have specific areas which are undergoing gentrification or a metamorphosis from an ugly duckling to a knockout swan.

One possible market segment that benefits from improved appeal are those areas which over an extended period of time have transferred from public or government ownership to private ownership, such as Department of Housing properties. Generally, once such properties have come under private ownership they are renovated and subsequently rented as an investment product. As an example, most of the houses in the former Department of Housing estate on the northern ridge of Lismore Heights are now under private ownership. Another form of gentrification, albeit currently at a minor scale, is the identification of residential properties on traditionally quarter acre sites (1,012 square metres) close to the CBD being further improved by subdividing the land (minimum 400 square metres) or improving the property as a dual occupancy by building an additional dwelling or granny flat.

In these regional areas, any form of gentrification is only beneficial if the expected costs are more than accounted for or outweighed by the improvement in market value as an investment product. Therefore, thorough investigation and identification of the key cost factors would be crucial to success.

Ballina / Lennox Head / Byron Bay / Mullumbimby / Ocean Shores

The most noted area of gentrification within the coastal localities is the ongoing development of the Ferngrove and River Oaks estates in Ballina. The previous local stigma associated with these subdivisions due to a combination of the landfill requirements and difficulties in the land market have finally subsided. Land values are increasing in each new stage release and demand remains strong. The once swampland is now turning into a well established modern looking estate. The young (first home owners) and older (retirees) are building on the manageable, some would say, small parcels of land. Residents of these estates cannot complain about potholes or having nowhere to take the kids. New smooth bitumen roads and ample amounts of safe pathways and parks with children's play equipment also add to the increased market acceptance and gentrification of this precinct within Ballina.

Coffs Harbour

The Coffs Coast is made up of several small coastal and rural communities and has not yet experienced significant gentrification. There are several well established and sought after localities which continue to experience redevelopment or modernisation of old to new, however these have not been gentrified, more they have always been prime locations. In Coffs Harbour, localities of this type that have experienced new development include Sawtell and the Jetty/Harbour precinct and the northern beaches localities of Moonee Beach, Sapphire Beach and Emerald Beach. Valla Beach to the south and the popular rural township of Bellingen are also areas to which people tend to be attracted.

The township of Woolgoolga (25 kilometres north of Coffs Harbour) is also experiencing new development within the central location close to the CBD and beach.

Several older style cottages along the headland and central town positions are being purchased and redeveloped for more upmarket housing or higher density development. This is also coupled with increasing commercial activity seeing further development of the cafe and restaurant scene attracting increased popularity as a holiday destination and permanent address.

There is one locality where the future for gentrification would appear to be the brightest - Park Beach (approximately five kilometres north-east of Coffs Harbour's CBD). This area was established in the 1970s with modest low-rise holiday and unit accommodation buildings and several single residential homes scattered throughout. Along the esplanade (Ocean Parade), higher density development has taken place with medium rise unit buildings, the landmark tavern known as the Hoey Moey and Park Beach Caravan Park making this area a popular tourist location.

The locality has suffered from a history of negative social features and while these have been largely addressed, a stigma remains which has reduced broader market appeal. The advantage of this locality is the beachside position with major shopping facilities such as Park Beach Shopping and Home Base centres located nearby.

This area is divided into two sections by a distributor road known as Hogbin Drive to the east and west. Although the whole locality has seen considerable new development take place in the past two years, predominantly through the construction of new townhouse complexes, the major development of new high-rise buildings to the east of Hogbin Drive has seen the area lift in stature.

The area is predominantly made up of unit complexes with limited single residential dwellings available. The entry point in the area for a modest 2-bedroom unit is around $150,000 to $180,000 with average prices ranging from $200,000 to $250,000. New 3-bedroom townhouse units (west of Hogbin Drive) sell for $360,000 to $390,000 while modern units east of Hogbin Drive are $420,000 to $460,000. The new high-rise buildings start at around $400,000 on the lower levels and up to $1 million plus for penthouse units.

Clarence Valley

The Clarence Valley town of Maclean is continuing to experience somewhat of a transformation due to the extensive infrastructure going ahead in the region. This includes a new Pacific Highway upgrade with several bridges, the second Grafton Bridge crossing and a new Grafton Gaol.

Maclean is one of the old Clarence River ports and features much older style dwellings and buildings which appeal to various sectors of the market. The township is also benefiting from increased development, planning and investment.

Botero Coffee is an example of the increasing number of successful businesses growing within the area. A new shopping complex is also planned near the Maclean CBD. These aspects are definitely strengthening demand for residential property within Maclean and other nearby localities such as Iluka, Gulmarrad, Harwood and Yamba.

Vacant land purchases and new home construction have increased which have been good for local employment. Due to these positive influences the area is expected to continue to gentrify.

Victoria

Melbourne

The rapidly growing popularity of Footscray is being driven by revitalisation of local amenities, an increase in shops and restaurants, local council initiatives, affordability of property and significant volume residential developments. At only 6.5 kilometres from the Melbourne CBD, it is the combination of these changes and the proximity to the city that is attracting new residents at a fast pace. The culmination of all these elements is the shift in the perception of the suburb, as people discover the suburb has a rich culture and a lot to offer its residents.

With a massive 48% of the population in the 20 to 39 year old age bracket it is no surprise that the suburb is home to over 20,000 university students. The Maribyrnong Council has teamed up with Victoria University to work together on its ten year Footscray University Town Project. This is designed to make Footscray the capital of Victoria for university students and aims to transform Melbourne's west through education. The benefits of such a project will see increases in student accommodation, public transport access and public events and activities. There will also be further improvements to footpaths, landscaping and green spaces and increased safety as a result of the combined effort project.

The suburb is being refreshed with Maribyrnong River improvement works due to be completed soon and the Nicholson Mall and Little Saigon redevelopments to begin shortly. Both the train station, which is a major public transport hub, and the community arts centre have undergone extensive redevelopment in the past five years and there are a number of projects and redevelopment projects in the planning stages. New shops, cafes and restaurants are opening as the population increases and the suburb embraces one of the very things many people believe to be a Melbourne staple - a vast selection of excellent food and coffee.

The Riviera proposed development (Source: Realestate.com.au)

One of the other key reasons the area is seeing renewed popularity is due to the affordability of property. The current median house price for the December 2015 quarter was $765,000, a slight decrease from $780,000 in September 2015 and the median unit price was $366,667 which has remained steady since September 2015. This is the lowest median suburb price for both houses and apartments within a seven kilometre radius of the CBD. If the suburb's record sale of a 6-bedroom period home in December 2015 for $2.11 million is anything to go by, there may be more period homes in Footscray set to reach high sale figures. The high rate of residential development is bringing more properties to the market and there is a mixture of period homes, redeveloped warehouses, modern townhouses and units for purchasers to snap up.

Source: REIV

Residential

The development of high rises is set to skyrocket as projects such as 124-188 Ballarat Road, awaiting planning approval for 1,400 dwellings and Hopkins Landing, with 750 dwellings, having recently received approval. There are also a number of complexes currently under construction, including the Riverina with 970 dwellings, Botanica Banbury Village with 101 dwellings and 1 Warde Street with 380 dwellings. Then there is The Riverside, with 240 dwellings and The Buckley, with 100 dwellings, currently selling off the plan. These buildings are only a small portion of the residential developments occurring in Footscray. Along with a number of other inner Melbourne suburbs, there is a risk of over supply to the apartment market which may push prices down.

As the population of Melbourne continues to grow, the population of Footscray will follow and we expect more students to move to the area to enjoy the mixture of cultures and the beautiful open spaces.

http://www.maribyrnong.vic.gov.au

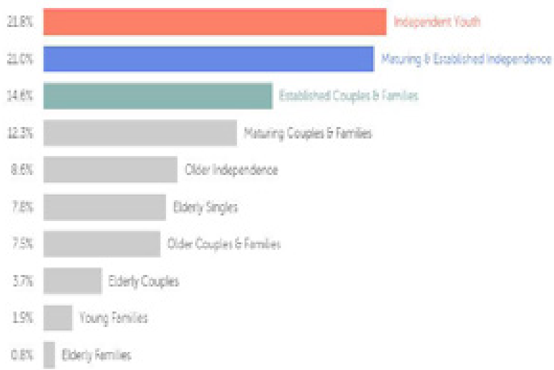
https://cityofmaribyrnong.com.au/2015/12/01/the-changing-face-of-footscray/

http://www.realestate.com.au/property-apartment-vic-footscray-120559389

Thornbury

Thornbury is a suburb that has quickly transformed itself over the past few years and has gained a huge amount of popularity amongst home owners, investors and the general public alike. The once classified working class suburb is now appealing to many people, but especially to the independent youth due to its proximity to the CBD, public transport, cafes and bars, parks and schools. Thornbury also appeals to many because it is a little less high density than some of its surrounding suburbs such as Fitzroy North and Northcote.

As the suburb contains a lot of favourable services close by, it is attracting all types of people to the area, which in turn is pushing the property market further north.



Source: realestate.com.au

In the past two years there has been a major increase in the median house price in Thornbury, further highlighting the gentrification taking place. The December 2015 median was $1,017,000, up 34% from $760,000 in December 2013.

Source: propertydata.com.au

A number of high priced sales have occurred in recent times. 42 Speight Street sold on 17 October 2015, and at the time, set a suburb house price record. The renovated residence once called an ugly duckling California bungalow sold for a speculated $1.8 million. It followed a number of high priced sales such as 4 Strettle Street, which sold for $1.75 million in April 2015 and 85 Gooch Street, which sold for $1.65 million in September 2015.

Converted warehouses are also on trend at the moment and buyers are willing to pay big dollars for properties of this nature. The recent sale of 94A Harold Street is a prime example of gentrification. The 100 year old building, which had previously been a chocolate factory and more recently an animation studio, was sold in November 2015 for $920,000. The converted warehouse was designed to have a New York loft feel which most certainly resonated with buyers and resulted in its substantial sale price.

Source: RP Data

Collingwood

In the inner suburbs of Melbourne, Collingwood typifies the move from daggy to cool. From a heavy industrial background, the suburb is a desired location for trendy Melbourne residents. A major force behind the change has been the popular conversions of former warehouses and factories into townhouses and low-medium rise apartment buildings. The conversion of industrial buildings has been received relatively positively, as many of the buildings were in disrepair and have been improved significantly in the aesthetics department. There has been less positive reaction to the increasing amount of apartments along Smith Street, with heritage listed buildings being gutted and transformed into high volume apartment buildings.

Two recent examples of the redevelopment of old industrial or retail buildings are the Yorkshire Brewery development and Smith & Co. The Yorkshire Brewery complex has used the existing brewery buildings to create a new mini neighbourhood. Smith & Co consists of 238 apartments and was built on the site of the first Coles supermarket in Australia.

In five to ten years' time, we believe that Smith Street will be bursting with low rise apartment buildings, as most of the ageing heritage listed buildings going up for sale will be purchased with the intention of putting as many apartments up as the Council will allow.

The surging popularity has led to an increase in the median house price from $555,500 in 2007 to $912,500 in 2015, while the median unit price went from $495,000 to $582,500 over the same time frame.

Source: http://www.tciproperty.com/properties/commercial/Retail-Land+Development-Vic-Collingwood-501680245

Elwood

The inner south-eastern suburb of Elwood has transformed into one of Melbourne's trendiest suburbs, and epitomises the current trend of gentrification. The area is popular amongst the younger Generation Y together with families who appreciate the café culture and beachside lifestyle, with tree lined streets, while being only a short distance from Melbourne's CBD. Elwood also provides larger, family homes not typically found in neighbouring St Kilda. The area is also well serviced by a number of public transport options as well as being surrounded by a number of major roads.

The suburb comprises a mix of period detached and semi-detached housing of various ages and art deco apartments, in addition to a number of new apartment and townhouse developments. Many of the older dwellings have been updated with a small number of original style dwellings left within the suburb and those renovated or updated properties are re-selling well above their original purchase price.

The sale of 35 Shelley Street in Elwood demonstrates the popularity to reside in an updated dwelling within this trendy suburb. Its sale in December 2015 of $1,365,000 is a 28% jump from its previous sale of $1,065,000 in May 2013. The house is a circa 1935 Spanish mission style double brick dwelling situated on a relatively small 213 square metre block which had recent cosmetic, non-structural, renovations completed prior to its most recent sale. The works completed not only added significant value to the property but demonstrated the desire of residents to live within an updated period style dwelling within the popular suburb.

Source: RP Data

Capital growth in median house prices within Elwood jumped from 6.5% in 2014 to 19.3% in 2015 according to RP Data and the January 2016 median sale price also increased by an impressive 54% over a two year period from $1,227,500 to $1,902,500 thus demonstrating the popularity of the suburb.

Ringwood/Ringwood East
Within the outer eastern suburbs, Ringwood and Ringwood East are perhaps the two main suburbs which have experienced noticeable movements towards gentrification. Both suburbs have seen property prices more than double over a ten year period. The creation of the Eastlink was certainly a key contributory factor to this change, but in more recent times property prices have been driven by overseas investment, the regeneration of Eastland shopping centre and the availability of highly reputable public and private schools.

Median property prices at December 2015 for Ringwood and Ringwood East now stand at $837,500 and $760,000 respectively. Maroondah Council's own research (Maroondah 2040) revealed that the increasing income of individuals in these areas was resulting in increased gentrification. Neighbouring suburbs such as Croydon and Chirnside Park have seen considerable growth in property prices in recent years and with the development of new estates such as The Range and Cloverlea, could be considered to be in the early stages of gentrification by some.

In Ringwood, particularly concentrated around Eastland shopping centre, land banking has become more prominent. However, developers are now beginning to build on these sites. On Bourke Street, Ringwood for example, there are currently four sites under construction, all of which will yield residential dwellings. This trend is expected to continue with the number of dual occupancies and low to mid-rise apartment blocks continuing to be favoured by developers.

Echuca
Key areas providing viable alternatives for those looking to build in Echuca or Moama include the old

part of Moama and there have been several blocks located in East Echuca which have been purchased and redeveloped into units or single residences and to a lesser degree in central Echuca on account of the higher entry cost. The Echuca Moama bridge is a perennial talking point in shaping the look and feel of the various locations in both towns with the key feature being geographical proximity to the CBD. There have been several townhouse sales in Old Moama in the $480,000 to $520,000 bracket which set the top end of the range while demand for good quality units in central Echuca is generally firm.

Warrnambool

East Warrnambool is an established residential area of Warrnambool, with development consisting of 1950s to 1980s built homes. This area is starting to become more popular and heading towards a gentrification era, with the key driving factors being the relatively affordable nature of the suburb and its proximity to the CBD, beach and Hopkins River. Most purchasers looking at an East Warrnambool location want to be able to buy at an affordable level and spend the money on either renovations or small developments, as there is no land in this area for larger residential developments. The five year outlook for this area of Warrnambool is strong with purchasers hopefully being able to increase their capital in time.

Ballarat

The strong history of Ballarat provides a sought after niche with period housing, particularly Victorian dwellings circa 1900. Areas likely to prosper from this niche market are Golden Point, Black Hill and Ballarat East. Period homes in these areas provide a stable investment outlook with driving factors that include affordability and proximity to the CBD, transport and sporting facilities as well as limited supply compared to the new estates on the city fringes with modern housing facing no limit in supply. These suburbs provide an inexpensive option for good quality period homes, close to the city centre and ripe for gentrification. Well renovated period homes fetch a premium within the Ballarat residential market. There is strong evidence of gentrification in Soldiers Hill with property quality and prices continually improving. With good quality renovations and the location of these suburbs, rising property values are likely in the future.

On the outer edges of Ballarat, Buninyong presents an opportunity with good local facilities and close proximity to Ballarat. Buninyong provides heritage properties with a rural township atmosphere and is becoming a sought after location because of these factors.

At present, Ballarat has seen little development of reclaimed spaces, such as factory conversions, due to a limited demand for apartment living in regional areas. It is unlikely the apartment market in conversions of this type would have high demand in the foreseeable future, however smaller scale buildings such as churches provide more of a lower density lifestyle choice for Ballarat.

Gippsland

Sale/Traralgon

Sale rentals have hit some of the highest returns in years. With strong industries and the RAAF base this is expected to be maintained.

Traralgon land prices in popular estates are at very affordable values compared to three to five years ago. This area has consistent housing construction at affordable prices.

Warragul/Drouin

Warragul and Drouin estates are growing with more land available and values increasing. Increasing demand in this location is due to the close proximity to Melbourne.

Koo Wee Rup/Lang Lang

Koo Wee Rup and Lang Lang land values have increased in the past six to 12 months with construction demand strong and building prices very affordable. The reasons for the increasing demand include the area's close proximity to Pakenham and being only 45 minutes to Melbourne.

Overall the Gippsland market is considered stable however some areas are gaining momentum.

Mildura

While many of the dwellings constructed in Mildura's early days were of a fairly basic standard, many have survived and continue to receive good buyer demand. These older dwellings are located within easy walking distance of Mildura's town centre, dining and nightlife precinct and therefore appeal to both young professionals and older downsizers.

The better standard homes in Mildura are traditionally located west of Deakin Avenue, with the older character homes always well sought after.

Demand remains strong, particularly for properties with good street appeal. Values in these areas vary depending on the size of the land and residence and standard of external features, however they typically range between $300,000 and $500,000, with some unrenovated dwellings fetching lower prices.

In the past few years there has been improving demand for homes in some inner areas on the eastern side of Deakin Avenue, in those locations within one kilometre of the town centre. Homes in these areas are typically smaller and more affordable. Recent sales in these areas have generally been in the range of $180,000 to $280,000, with the cheaper end of this range being for dwellings that require renovation. There has been a gradual trend for the more basic dwellings in these areas to be either demolished or renovated, which has contributed to an improved profile. We expect that these areas will continue to receive good demand from budget conscious buyers who seek the convenience of living close to the town centre and are prepared to undertake some renovation work.

Queensland

Brisbane

Brisbane has been in a constant state of evolution since the mid-80s. We've certainly graduated beyond the 'hick country cousins in the north' status bestowed upon us by Sydney and Melbourne. Our city now hosts some of Oz's finest restaurants and bars, and with a lifestyle and entrepreneurial spirit that would make Richard Branson blush.

On a micro level, gentrification has been the key to bringing our city suburbs to life. The hipster ethic is probably overused when trying to discuss area gentrification, but the fact remains - our property is relatively affordable. Hence, if you have a yearning to start a small business that can appeal to the edgier masses, Brisbane offers a buy-in price that should be just about right.

Think inner-city in Brisbane for the hottest areas.

Woolloongabba was a semi-industrial inner hub that couldn't get its cool on for decades. While Southbank flourished post expo, 'The Gabba' was known mostly as the home of Queensland cricket, as well as the three-peat champion AFL Lions (GO THE LIONS!!!). Step beyond its mighty stadium and Woolloongabba was dominated by light industrial uses and modest cottages where noise from roads and the train line kept interest subdued. Fast forward and in the last half decade, the suburb has shone. The 'Paris End' of Logan Road has spawned a collection of antique outlets, eateries and cafés that are the envy of the cool kids. There's been a heap of development as well and many new projects that are coming out of the ground such as the South City Square, which will add even bigger, better, faster and more to the area.

That's not to say you should buy just anything in Woolloongabba. There are a lot of units coming out of the ground and portions of the suburb have been flood affected. Try and stick to the better quality spots if you want capital growth, such as detached homes in the Brisbane State High School catchment.

Feeding off Woolloongabba and heading a little further out sits Stones Corner. A refurbishment of the hotel over a decade ago and the long-running weekend markets probably didn't quite fire interest in this area as much as the locals might have hoped. This has changed a little of late as truly cool record stores and clothing outlets continue to keep the place edgy enough for the hip crowd. There is new development on the cards for sure, but it really needs to see some momentum build before you would call it a truly gentrifying hub. If you're interested, try and buy a detached home or a second hand unit with a little renovation potential.

Coorparoo is the next suburb along that's worthy of mention. A major redevelopment of the old Myer site has been the suburb's talking point for many years now and works are underway. When done, the project will bring retail, restaurants, a cinema and access to the busway. Just the ticket!

North of the river and we've been used to seeing Fortitude Valley drive the gentrification move. Beyond that, Bowen Hills and Newstead are certainly finding more and more of their old industrial sheds being divvied up between entertainment venues, restaurant and residential development.

The Hamilton reach area already has cool units in the Portside project, but it's heading progressively along the river as old storage plots look set to become new residential and related facilities.

Albion is another area that's becoming increasing sought after with its proximity to the CBD. Arden Property Group re-developing designated industrial areas within the locality with the 369 Jade residential unit development constructed across four buildings. Albion's proximity to the CBD as well as being within cafe precincts such as Portside, Gasworks and James Street is proving popular with locals and investors.

The Eagle Farm Racecourse Precinct, Ascot is another area that has been given the green light for redevelopment with Mirvac being selected for the ten year master planned development known as Ascot Green ($950 million) which will provide retail, restaurants, residential units etc. Furthermore the Kingsford Smith Drive upgrade was announced not long after whereby providing improved access between the CBD and Hamilton Portside, the Trade Coast Area and Brisbane Airport.

Milton is an inner Brisbane suburb that was once missed by the cool suburbs bug, which seemed strange to the locals. There's the Park Road café precinct, an easy stroll to the CBD and easy access to all the cool stuff Rosalie and Paddington has to offer. That said, noise from the surrounding road and train line, combined with the effects of flooding and some dominate light industrial uses, has probably been the reasons more buyers weren't taking advantage of the enclave. There's now a number of new residential unit complexes either under construction, proposed, or recently finished - all in the pocket east of Park Raod around Railway Terrace, Manning Street and Walsh Street. This area was traditionally occupied by a mix of commercial and industrial style sheds as well as established residential dwellings and a few smaller walkup designed unit complexes. Of note is the 30 level The Milton (295 units) which has just been completed and Savoir Faire Residences (65 units) that's now completed. There's also the sales and construction of Savoir Faire Residences II (another 65 units - both are over 14 levels) well underway, and Westmark Milton (277 units) with it's build nearing the top levels in both towers. In addition there are a few slightly smaller five to ten level complexes around that precinct. A word of warning though – while this number of units coming online will be a push for more retail/cafe style strips further into Railway Street, an oversupply of apartments looms large in this particular pocket.

There are outer suburbs who look likely for a change as well. Certainly Chermside's major business centre status has boosted it's prospects with locals enjoying the spoils of developer attention. Even some locations like Everton Park are seeing bigger projects that are bringing in the punters.

For long shots worth keeping an eye on, check out Mitchelton and even Keperra. It could be some years off yet but interest is rising in these northern areas that should mean new business and increasing values.

Plenty there for you to muse over in our River City.

Toowoomba

As at the beginning of 2016, Toowoomba's median house price remains affordable at approximately $370,000 and despite a noticeably softening market sentiment, sale prices have not yet shown signs of decline. However, it is apparent that the peak of the residential market has passed with agents reporting reduced investor enquiry.

With current property climate in mind, investor interest cooling and upgrader enthusiasm easing, home owners are turning to regeneration and renovation. The key areas where this gentrification is most obviously taking hold is in the affordable suburbs of South Toowoomba, North Toowoomba, Mount Lofty and Newtown. The traditionally less sought after suburbs of Rockville and Harlaxton are slowly transitioning to gentrification hot spots due to their affordability. At a higher price point, the style of dwelling common in East Toowoomba and scattered throughout established parts of Toowoomba, being older style early 1900s cottages, lend themselves to current renovation trends and modern extensions. Not surprisingly, due to the steady trend of rejuvenation of this type of property, the median price in East Toowoomba is $445,000, significantly above that of the broader Toowoomba area.

As for the medium to long term, while the peak of the Toowoomba residential property market has passed, these gentrifying areas look set to maintain current levels of demand and value, however as is expected across the entire Toowoomba region, some slowing in sales activity may occur.

Gold Coast

Southport

The residential area loosely bounded by Queen Street to the north, Bauer Street to the east and Chester Terrace to the west is in the southern fringe of the Southport CBD and has always been well regarded by the local market. Its benefits are proximity to the commercial CBD, medical precinct and Broadwater Parklands with a good public bus service. It features generally wide streets with a mix of older character style dwellings and slightly dated semi-modern medium density low rise and townhouse style unit developments. However, the area has become dated with a loss of its former appeal and identity.

We are now seeing a regenerated interest in this area fuelled by a number of significant infrastructure and zoning changes.

1. The area has now been rezoned as Special Purpose by the Gold Coast City Council which allows more relaxed density and height building restrictions;
2. The precinct has recently added two light rail train stops within close walking distance providing easy commuter connection through to Surfers Paradise and Broadbeach to the south and through the CBD and onto the new Gold Coast University Hospital and Griffith University in Parkwood to the north. (Approvals have now been granted for Stage 2 to continue the line through to Helensvale and make connection with the Brisbane City/ Airport rail system);
3. Southport CBD itself is undergoing continuing upgrades including the introduction of its own China Town precinct, road upgrades and announced renovation of Australia Fair, one of the Gold Coast's largest retail shopping centres. Southport has also secured the upgrade and expansion of a new aquatic centre in preparation for the 2018 Commonwealth Games and the surrounding Broadwater Parkland has and is undergoing continued upgrade;
4. In general, land values are pushing up as the Gold Coast expands mainly to the west and through the northern corridor making centrally located areas closer to the Broadwater such as Southport more desirable.

There has been keen development and investment in this residential precinct reflected in both single detached dwellings and low to medium rise investment. Some examples are:

- The Rise Southport, a seven level 30 x 2-bedroom unit complex situated at 43 Lenneberg Street on a 1,016 square metre site which was completed in 2015. Units were reportedly sold by the developer very quickly in the range of $370,000 to $420,000.
- 18 Lenneberg Street, a circa 1900, renovated two level, 3-bedroom, 4-bathroom detached character dwelling (living area of 344 square metres and land area of 701 square metres) recently went to contract for $1.1 million. This is a significant sale as when the property sold in May 2014 for $850,000 it was reportedly in a slightly inferior condition.
- 29 Meron Street sold for $900,000 in February 2015. The property is a basic 1960s brick and tile dwelling comprising 3-bedrooms, 1-bathroom with tile roof on a 673 square metre corner allotment. The site was purchased based on development potential of a proposed five to six townhouse unit development. The site had previously sold in 2013 for $560,000.

We note the development of the new landmark highrise tower complex to be known as Brighton on Broadwater – Sundale which is due to be completed by October 2016. The 55 level development will have five car parking levels, ground floor retail and levels six to 55 will comprise over 500 units of 1- 2- and 3-bedrooms as a mix of residential and serviced styled units. This complex is situated just outside the north-east boundary of the subject precinct. Currently the developer is marketing the non-serviced units between circa $425,000 and $950,000 (subject to confirmation).

Entry level investment can still be achieved in the subject precinct with say a typical 1970s basic 2-bedroom, 1-bathroom unit in the range of $270,000 to $300,000. A 3-bedroom brick and tile townhouse might cost an investor in the range of $390,000 to $440,000.

In the short to medium term we believe that this area will continue to go from strength to strength. The area will continue to modernise with higher density developments replacing some of the older less desirable buildings blended with renovated and prestige character dwellings.

Isle of Capri, Surfers Paradise

This central popular residential area was originally developed in the 1970s and until recently was serviced by an older style shopping centre. This centre has recently been rebuilt, has a new tenant mix and has been well received by locals.

This locale has seen good growth in value levels lately which can in part be attributed to the improved retail facilities and also to its proximity to the new tram line.

35 Salerno Street recently sold at auction for $675,000. This is a deceased estate sale of a circa 1980s single level brick dwelling providing basic 2-bedroom, 1-bathroom accommodation (living area of 112 square metres). The sale represents entry level for a non-waterfront block here. The majority of value was in the land with the improvements having minor added value.

Canal front properties start at circa $900,000 with 36 Gibraltar Drive recently going to contract at $940,000. A circa 1975, onground, 4-bedroom, 2-bathroom, brick dwelling (living area of 205 square metres; outdoor area of 28 square metres; car area of 41 square metres; and boat shed area of 31 square metres). The dwelling has rear canal frontage of approximately 17 metres with a south-westerly aspect to the water. The improvements were in a run down, poor condition and added little value to the land.

114 Amalfi Drive went to contract in February 2016 for $1.55 million. This is a 4-bedroom, 3-bathroom, 4-car garage dwelling in a mostly renovated condition with rear river frontage with a southerly aspect to water, pool and jetty. Living area is 379 square metres.

Unit 43 Raffles on Capri sold last year for $425,000. This is a modern style two level townhouse unit within a security gated complex providing 3-bedroom, 2 -bathroom accommodation and tandem carport. It last sold November 2013 for $365,000.

With the population of the Gold Coast continuing to rise and demand for centrally located property in close proximity to facilities and the beach strengthening, this suburb can be expected to increase in popularity and value over the next five years.

Palm Beach

Palm Beach on the southern Gold Coast is situated to the east of the Pacific Motorway, south of Burleigh Heads and Tallebudgera Creek and North of Currumbin, Tugun and Currumbin Creek.

The eastern boundary of the suburb is approximately four kilometres of beach front with a number of homes, high-rise unit complexes and parklands having direct beach frontage. There are also a number of canals and lakes throughout the area.

While this all sounds very appealing, in past years the area has had a bad reputation for being a lower class locality compared to a number of nearby and neighbouring suburbs such as Currumbin, Burleigh Heads and Mermaid Beach.

However in recent years the area has been regenerated into a trendy, locals style beachside suburb with a vibrant cafe and restaurant culture and pristine beaches being two of the driving forces in the change for the area. On the back of this, there has been strong market demand for properties in the area.

One of the main positive points in the marketplace was its affordability in relation to the neighbouring suburbs previously mentioned. However, on the back of this new wave of popularity and demand, prices have strengthened to a point where most of the Palm Beach residential market is now at historical peak values, some property types being circa 20% above pre GFC prices.

For example, 35 Coolibah Drive, Palm Beach sold for $485,000 in October 2007 when the Gold Coast market was last booming. The dwelling has since had minor upgrade renovations completed (estimated cost of approximately $50,000), and recently sold in September 2015 for $620,000.

In a shorter space of time, 31 Twenty Fifth Avenue, which is an older asbestos beach shack on a 405 square metre allotment, sold in January 2014 for $480,000 and sold in inferior condition in 2015 for $530,000. The vast majority of the value is the land component with very minor added value for the improvements.

Over the past 24 months, a large number of older style homes have undergone major renovations in order to modernise. In other cases, older style dwellings have been demolished to make way for modern housing and duplex units which are in very strong demand and attracting premium sale prices.

There is also a select number of new beach front low rise and medium rise developments of good to prestige quality under construction or having been recently completed with amalgamation of beach front and highway front sites becoming popular, where viable.

Entry level housing towards the western side of Palm Beach is now in the vicinity of $500,000 and beach shacks in The Avenues closer to the beach are seeing prices in the high $500,000s to early $600,000s. The upper end of the housing market comprises canal front properties and can vary from the mid to high $1 million mark to beach front homes from $2.5 million plus.

38 Mallawa Drive sold for $1.667 million at auction in September 2015 and was then used as a Boystown Prize Home Auction. At the time, the sale price was considered very strong but the market has continued to improve since.

While the market is booming in Palm Beach at present, there is a good chance that market conditions will fluctuate over the next five to ten years. However, with the likely extension of the light rail network (from Broadbeach through to Coolangatta Airport) and continued redevelopment of properties in the area, the demographic of the area may improve and continue to be one of the stronger markets on the Gold Coast.

Yarrabilba

Yarrabilba is a new satellite city situated to the south of Logan Village. Yarrabilba comprises a very large, master planned, mixed use residential, commercial, retail and employment estate which commenced development in 2012 on a 2,200 hectare parcel on the eastern side of Waterford-Tamborine Road. Prior to 2012, Yarrabilba was a rural area with large rural and rural residential allotments. To date, Lend Lease is marketing 1,700 residential lot sales, with a population of circa 2,300 people currently residing in the community. A Caltex Service Station and Star Mart convenience shopping outlet has recently been completed nearby to the north on the main road access to the estate. The following urban amenities are proposed over the next few years:

- medical centre (mid 2016)
- IGA supermarket (mid 2016)
- Yarrabilba Hotel and Tavern (late 2016 to early 2017)
- Village Centre neighbourhood shopping centre with Coles supermarket (Coles in 2017 and other ancillary retail development to be confirmed)
- Catholic primary school (2017) and two other school sites to be confirmed.

There are two other very large, master planned residential and mixed use estates which are proposed for the Flagstone/Undullah area, to the west of Jimboomba township (approximately 16 to 18 kilometres to the west of Yarrabilba). With two satellite cities in the area, Yarrabilba and Flagstone, the Scenic Rim and Lower Logan area is going through a construction boom at the moment.

The developer, Lend Lease, continues to slowly release stages with lots ranging from 250 square metres to 800 square metres with the majority of lots between 368 square metres and 683 square metres.

Early this year, lot 448 Tasker Street went under contract for $129,500. It is a 250 square metre, regular shaped, near level, inside lot with easy and direct access. Tasker Street is a sealed typical suburban street with concrete kerbing and channelling. Electricity, sewerage, telephone, gas and town water are not connected yet but are available.

3 Pinehill Street sold for $179,000 in August 2015 to a Queensland purchaser. It was originally purchased from the developer in June 2014 for $162,000. The block is a 420 square metre, easy sloping, regular shaped, inside lot situated at road level appreciating a north westerly aspect with parkland views.

With the market booming in the Gold Coast area, Yarrabilba seems to be a more affordable area in which to acquire a freehold modern dwelling. With the upcoming urban amenities in Yarrabilba, we will expect a steady growth in popularity and value over the short to medium term.

Sunshine Coast

The Sunshine Coast in comparison to other areas of the country is relatively young. Older areas are typically found around the original council centres of Caloundra to the south, Maroochy to the centre and Noosa to the north. The main driver of gentrification is generally that these older areas are well located to amenities and close to the beach, thus creating demand for these locations as desirable places to live.

In the old Caloundra Shire, the areas around Moffat Headland have always been popular. These areas have accelerated over recent years with a number of renovations or re-builds being undertaken. Being close to the beach and the village atmosphere really helps this area along. Remaining with the close to the beach theme, areas around Golden Beach to the south of the town centre and the Kawana strip to the north are seeing 30 to 50 year old housing being up-graded.

In Maroochydore in the old Maroochy Shire, areas around the current and proposed town centres are in demand. Typically these are 1970s and 1980s vintage houses with the entry level being circa $400,000. Throw some dollars and nice design features at it and $500,000 should be achievable. Other areas of Alexandra Headland, Mooloolaba and Cotton Tree down on the coast and Buderim up on the hill have been going through this gentrification process over a number of years.

Up north in the Noosa Shire the areas in Old Tewantin near the river and town centre and also Noosa Junction are seeing a significant number of renos and re-builds, once again, in areas close to shops and cafes and the beach or river.

One example in Old Tewantin is a property purchased for around $400,000. The owners undertook a sharp reno and were able to achieve circa $575,000 - a great result.

The type of gentrification has been restricted mainly to housing but we have started to see the rise of duplexes and small lot housing which have really started to appeal to the lock and leave crowd who would rather travel then have to look after a big yard.

Rockhampton

Rockhampton has been going through a gentrification process since late 2005 when the first high-rise unit complex in over 30 years was completed along the river bank. Since then there have been an additional six high-rise unit complexes completed comprising a mix of permanent and short term accommodation and of late the addition of various restaurants and cafés in the Empire and Edge buildings which were both completed in the past five years. Victoria Parade and Quay Street have become the heart of the city and this is supported by Council's recent announcements regarding the funding and approvals for the Rockhampton Revitalisation Concept Plan which focuses on the Fitzroy River from Quay Street to William Street. A set of new pathways, landscaping concepts, memorial and historical features are all incorporated into the project. Rockhampton has seen an increase in the number of small cafés and boutique shops with a noticeable increase in alfresco and street side dining areas. Within Rockhampton city itself there is a slow but gradual phasing out of old timber and fibro dwellings and replacement with more modern charismatic small and compact unit developments, often available for under $300,000. Given that the current economic climate is considered to be somewhat weak, this process may take some time however the diversity of the local economy is sure to keep the gentrification process ticking over.

Hervey Bay

Building activity has significantly increased over the past six to twelve months in Hervey Bay. There are currently over eight new estates being developed, mainly next stages of existing estates, with some new estates. Suburbs of Urangan, Wondunna, Kawungan, Urraween and Pialba have absorbed most of this activity, with many developers selling their proposed turn-key dwellings off the plan to southern interstate investors. Prices range between $330,000 and $400,000 for most properties, with the majority of lot sizes between 350 and 700 square metres. Features typically encompass an above average standard and include stone bench tops, split system air-conditioning and landscaping. Higher density living with smaller lot sizes (up to 500 square metres) is now accepted (and perhaps encouraged) by local council and has been well received by the market.

The steady rise in rental return over the past eighteen months has been stimulated by the ongoing influx of personnel for the new medical facilities in Urraween. A tenant can now expect to pay between $360 and $440 for a new 4-bedroom, 2-bathroom dwelling with double lock-up garage.

To date, there has been no significant rise in values for older existing stock, however higher priced property up to $700,000 has been selling within shorter selling periods. The absorption of excess unit stock has now concluded, with new unit development foreseeable and welcomed in the near future.

Gladstone

Gladstone is not a large enough city to see different suburbs being subjected to gentrification. Most new development occurs in newer suburbs on the city fringe. In years gone by, parts of central suburbs such as South Gladstone and West Gladstone were popular with developers building townhouses on larger allotments closer to the city. Most of this redevelopment has ceased however since the market peaked.

Mackay

The Mackay market is currently in the grips of a falling property market due to the downturn of the mining industry and associated service industries in Mackay. The residential market has fallen between 25% and 30% over the past two years. At present, it is difficult to establish whether any areas will become the new trendy suburb to be subjected to gentrification, as most sectors of the market are just trying to hang on.

The Mackay market has had little pockets of development and revitalisation over the past few years. In established suburbs of Rural View, Ooralea, North Mackay and Marian we have seen construction of small shopping centres anchored by major grocery stores with small specialty shops and eateries. Recently, the older established suburb of West Mackay has had a development incorporating a new highrise residential apartment complex and adjoining shopping centre including small restaurant strip. These developments are seen as helping boost the appeal of the existing suburbs.

Another major initiative in Mackay is the CBD revitalisation project involving the Mackay Regional Council updating the CBD with new roads, parking and amenities. A recent donation to the Mackay Regional Council was a two storey commercial building within the CBD precinct. The Council intends to convert the upper level into a public library as part of the strategy to revitalise the CBD.

Whitsundays

Whitsunday is small compared to most of the cental Queensland areas. New development occurs within pockets of all existing suburbs. The area mainly feeds off the tourism industry which is slowly increasing particularly Chinese visitors and this has also brought about forums on the expectation of these tourists. Just in recent times, purchase of an area earmarked for a China Town has all fallen through with the local council voting not to extend the contract for the purchase of the land. Airlie Beach has always been a favourite with any purchaser with its ocean and island views as have the lifestyle properties in the outer areas.

Townsville

Traditionally when we think of the suburbs of Oonoonba and Garbutt, we envisage older style timber framed homes on traditional lots generally of a modest to average quality. In 2012 a new infill land estate known as The Village commenced development in Oonoonba with another new infill land estate known as Haven recently commencing construction in Garbutt.

> While these developments are not gentrification in its purest form, they are providing a change to the landscape of these suburbs.

Both these estates are within four kilometres of the CBD making them locationally desirable and have a high concentration of small lot sizes. Due to the higher density of these estates, construction includes a mix of single and double storey masonry block homes. Within The Village there have also been some small complex unit developments.

The appeal of these developments is very much price point driven with entry in the high $200,000s to low $300,000s. The major benefit of this style of development is the ability to have a unit sized home on a small low maintenance allotment close to the City and The Strand without the costs associated with body corporate fees.

Predominantly small lot, higher density land estates are a relatively new concept in the Townsville marketplace and how these estates present in the long term is yet to be tested.

Cairns

With new construction and development remaining quiet in Cairns, gentrification is not an especially strong force in the overall development landscape. The inner suburbs of Cairns North and Parramatta Park have traditionally been the popular gentrification areas of Cairns, with some extension into suburbs such as Edge Hill, Manunda and Westcourt.

In Cairns North the main gentrification route has been the development of new residential unit complexes, given its Tourist and Residential zonings, proximity to the CBD and the adjacent recreational amenity of the Esplanade.

The area has also seen the development of several tourist apartment complexes based on its handy location midway between the airport and the CBD. However with the slowdown in new unit development in Cairns in general there has been little movement on this score for some years. There was something like 980 new units built on greenfield or recycled sites in Cairns North over the period from 2000 to 2008. However there's been absolutely nothing since.

Parramatta Park has experienced significant gentrification over the years typically based on renovation and modernisation of its older style Queenslander dwellings. This also reflects the character precincts in place in much of Parramatta Park as opposed to the more blank canvas development approach that has taken place in Cairns North. By way of example, renovated Queenslanders in Parramatta Park currently command a market range typically of $450,000 to $600,000, compared to a typical market range of $350,000 to $450,000 for unrenovated dwellings.

South Australia

Adelaide

Plympton Park

Much of the housing trust style development within the area has been demolished and more compact style allotments have been created corresponding with a large number of new dwellings being constructed. As a result, the general appeal and appearance of the suburb has been greatly improved. The suburb is situated within eight kilometres of the CBD and is also close to Glenelg Beach and Jetty Road facilities. The suburb is situated adjacent the Adelaide-Glenelg tram which provides access to both of these precincts. There are limited units within this area but there are semi-detached dwellings selling around the mid-$300,000 price. Detached dwellings typically range between $400,000 and $650,000.

Kurralta Park

Kurralta Park offers a mix of character style dwellings, units and townhouses and conventional style housing. It is bordered by a small section of light industrial properties, commercial properties and residential development. The area is increasing in popularity given it is situated within four kilometres of the Adelaide CBD, has a local shopping centre (Coles, Kmart and specialty shops) and there is increasing construction as a result of in-fill development. Existing character housing stock is also being renovated and improved. While demand is high for newly built and existing dwellings, older style units are not experiencing the same level of demand. There are a large number of units situated within Kurralta Park which typically sell at between $180,000 and $350,000. Detached housing typically ranges between $450,000 and $800,000 with increasingly diminishing numbers of properties at the lower end of this range.

Prospect

While Prospect has always been a generally sought after area, there have been sections of the suburb that have not always had the same level of appeal. There is increasing higher density development occurring along Churchill Road and within the western section of Prospect as a result of recent zoning changes which is increasing the appeal of this section of the suburb. Former industrial vacant land and rail yards to the western side of Churchill Road (north of Regency Road) have been redeveloped in recent times with a new Bunnings store, Costco and Churchill shopping centre including Coles, Kmart and specialty shops. There are a large number of units in Prospect which typically sell between $250,000 and $350,000. Dwellings typically range between $450,000 and $800,000 with increasingly diminishing numbers of properties at the lower end of this range.

Magill

Magill has previously been known as a residential area incorporating older housing stock primarily of conventional style. It is situated within close proximity of local shopping and facilities and has numerous local parks and reserves. The Magill Road shopping strip has been gradually improving with new cafes and shops appearing on the Glynburn Road end. Older housing stock is gradually being demolished to make way for newer, modern dwellings. Magill is viewed as a more affordable alternative to the suburb of Norwood and its surrounds. Units and townhouses in Magill generally range between $250,000 and $350,000 with basic studio accommodation offered under this range. Detached housing generally ranges between $450,000 and $900,000 with an increasing number of high quality properties selling in excess of this range.

Renown Park

Renown Park is situated within seven kilometres of the Adelaide CBD and is adjacent to the popular suburbs of Prospect and Brompton and within close proximity of the Croydon and North Adelaide café and restaurant precincts. A passenger train line runs the boundary of the suburb providing good accessibility to the city. Older style housing is being renovated or demolished to make way for new housing. New housing comprises predominantly detached dwellings on compact allotments along with some higher density developments. Given its proximity to the CBD and the popular Croydon area, Renown Park is becoming increasingly popular with first home buyers. Units and townhouses generally range between $200,000 and $350,000 while detached housing generally ranges between $400,000 and $700,000.

Tasmania

Approximately four kilometres north-west of Hobart you will find the suburb of New Town. Being one of Hobart's older, established suburbs located on the city's fringe, period residential dwellings are the predominant type of residence. Post global meltdown where historic lows were benchmarked, centrally located property generally showed the least decline in value. As New Town contains period properties that are relatively centrally located it continues to offer property options for those seeking either renovated character properties or those wishing to capitalise on a property ripe for renovation.

The predominant type of residential property currently listed for sale in New Town is period dwellings of which the two most notable properties are being offered for sale from $1.395 million dollars plus. The largest home is marketed as having 665 square meters of living area on 1,526 square metres of land. Both properties have been renovated, offer many period features and also offer self contained apartments.

For those with a more modest budget, 4-bedroom, 2-bathroom, renovated period properties can be purchased in New Town from above the mid $500,000 range.

For those seeking a project, an un-renovated period 3-bedroom, 1-bathroom house in New Town can be purchased for around $350,000.

In Tasmania's north, the southern end of Launceston close to the General Hospital and South Launceston are two established, city fringe areas that have been undergoing gentrification for some time with residential properties continuing to be renovated and pockets of land being developed with new substantial residential properties. Some locals have been known to refer to the Charles Street café strip at the southern end of Launceston as the Parisian end of town due to several renovated properties being utilised as restaurants with alfresco dining. This area also contains Launceston's General Hospital, a large employer making South Launceston popular with renters.

The Hotel Charles, completed in 2010 has also helped elevate the southern end of Launceston as it was developed on the derelict Launceston General Hospital site which was regularly subjected to vandalism. This site now boasts a landmark building with eight levels providing hotel accommodation, commercial premises and luxury apartments. The most recent sale in The Charles was a 3-bedroom, 3-bathroom apartment for $1.15 million in the latter half of 2015.

Residences on the market in South Launceston include a modern 4-bedroom, 3-bathroom townhouse with Tamar River and city views currently listed for sale at just under $600,000. Or, for those who prefer character you can purchase a renovated, 5-bedroom, 2-bathroom period home for $550,000.

For those wanting an entry level property in South Launceston a partially renovated character property comprising 2-bedrooms and 1-bathroom can be purchased for just under $200,000.

Northern Territory

Darwin

What suburbs are undergoing a metamorphosis? Currently there are various suburbs receiving minor updates and construction of retail infrastructure. The notable updates within the Palmerston region are the Goyder Square upgrade and the new Woolworths centre being constructed on the corner of Lambrick Avenue and Chung Wah Terrace in Bakewell. The Goyder Square update, in the heart of the Palmerston CBD has recently been completed presenting well and designed to accommodate the Palmerston markets held over the dry season. The Woolworths centre is expected to be completed in March 2016 and will comprise a Woolworths Supermarket, Woolworths Petrol, fast food restaurant and approximately nine specialty stores with Woolworths leased as an anchor tenant for 20 years after completion. The suburb of Johnston has become a noteworthy area with steady sale prices achieved. The reported median house price is up by 31% from the previous quarter. However, this does equate to a mere four sales within the suburb, down 33% from June figures (REINT, September 2015).

Closer to the Darwin CBD a fairly dated complex which could be seen from the Stuart Highway has been demolished within the suburb of The Narrows. The complex is to be replaced with modern, medium density living.

These updates are limited in any effect that they may have on property values around Darwin due to the current market downturn. In summary, the foreseeable future for the Darwin residential market is weak. The First Home Owners Grant being pulled from established dwellings appears to be having a continuing effect on the market with decreased sales volumes and prices achieved. The REINT September quarter reports a decrease in sales volumes of 29% for the whole Darwin region, year on year. However, it is evident that demand for residential construction remains steady.

It is not all doom and gloom as every stage of the market cycle presents opportunities. For those willing and able to purchase property within the established stock there are undeniable opportunities for good buying.

Western Australia

Perth

Many areas of Perth have or are being affected by state projects or council led zoning changes, which we consider will lead to a flurry of new activity and result in new investment of a superior quality to existing properties and generally introduce a new demographic into the area. In this article, we have identified four areas that we consider to have a considerable amount of upside and will continue to change and develop over the coming years.

A recent zoning change affecting several suburbs in the north west sector of Perth has been long anticipated, hence we do not expect any short term value improvements. However we anticipate it will lead to gentrification of the area and generate urban renewal projects over the coming years. Given the soft market conditions being experienced at present, we don't expect there to be a rush of development, but we would expect to see some new products (villas, townhouses etc) offered for sale in the short term as speculative developers test the waters. Of the area affected, we see the highest potential in the suburb of Craigie, where $450,000 will buy a block with triplex potential under the recent zoning change (subject to the approval of all relevant authorities). We would expect in five years time re-development will rejuvenate Craigie and bring with it a modern streetscape. As construction continues in the far northern suburbs, we consider that these inner older suburbs are highly likely to maintain and increase in value.

Gentrification is also likely to have a significant effect on the suburb of Bentley. A relatively small number of older, predominantly state owned dwellings have been demolished to make way for the construction of 1,500 new dwellings in a project led by the state government. This urban renewal project will eventually lead to the reduction in the stigma attached to the suburb, created by unsociable behaviour over a long period of time. A similar project in Queens Park effectively transformed the suburb within a period of three years and resulted in a superior quality of housing, not only in the redevelopment area, but across the suburb as a whole. We consider that Bentley will undergo a similar transformation within a period of five years.

A recent article listed the 25 suburbs within 15 kilometres of the Perth CBD where the median sale price remains under $500,000. The article highlighted many suburbs which have been on our radar for some time, in particular the three neighbouring suburbs of Langford, Lynwood and Ferndale. A recent zoning change in Langford has created a distinct increase in construction activity and a similar proposed zoning change in Ferndale is likely to have a similar effect, but to a smaller extent. The City of Canning is reviewing zonings in many such areas and will be the impetus for investment in these long overlooked areas. The area offers proximity to a range of commercial precincts and employment hubs and abuts the Canning River Regional Park. We consider that the redevelopment that has occurred in the suburbs of Wilson and Riverton will be recreated throughout these three suburbs.

The other area that we think will continue to perform strongly is the foothills suburb of Swan View. Rezoning has pushed new developments within the area which has refreshed a number of pockets with new houses, villas and group houses appearing. Neighbouring areas such as Helena Valley and Jane Brook continue to expand and the overall corridor continues to gain popularity. The area has long been overlooked due to perceived antisocial problems in times gone by, however the area is a draw card for a variety of family structures attracted to the affordability of the area, the coastal plain views on offer from part of the suburb and the proximity to the Swan Valley.

South West WA

There are a number of localities throughout the South West that are currently in the process of transforming from a typically tired suburb into fresh and vibrant communities.

One such region is along the costal strip located on the northern side of Bussell Highway traversing the suburbs of Busselton, West Busselton, Broadwater and Abbey. This costal strip is approximately 500 metres in diameter and runs for approximately ten kilometres along the Geographe Bay. The portion of land is fully established and consists of homes generally built from the 1950s to the 1980s supported by average infrastructure at best. The strip is characterised by strong underlying land values decreasing the likelihood of over capitalising.

The City of Busselton continues to grow at a strong rate and this well located section of land will continue to grow in desirability and affluence as the urban sprawl continues to be pushed further away from the coast line.

This consequently will result in good capital growth over the medium to long term as an increase in population will lead to stronger demand of a product that has limited scope to increase in supply. As such, this well positioned and limited coastal strip is attracting the wealthier purchasers who are either demolishing the older homes to build new ones or converting the dated dwellings into modern architecturally designed residences. These localities are currently in the process of leaving the tired traditional suburb behind and turning into attractive, fresh communities.

The canals located in the suburb of Geographe is another section of the South West that is currently in the process of leaving its troubled past behind. This suburb has been plagued with problems over the years, in particular the poor design of the canal groin leading into the ocean that was causing the build up of seaweed that was in effect rotting and creating bad odours. Consequently, this well located suburb with attractive features such as the canals, marina, restaurants and proximity to the beach was struggling to find any traction in the market because of the seaweed issue. This issue was rectified throughout the course of 2014 as the groin was altered resolving the odour problem. As such, the suburb is now beginning to thrive as the subdivision is starting to fill out with high end luxury builds.

In addition, the City of Busselton has undertaken a foreshore redevelopment program that involves reinventing the shore line in the centre of Busselton with new restaurants, breweries, parklands and water parks that ultimately will have a positive effect on the two localities discussed.

In conclusion it is the well located suburbs throughout the South West that are undergoing metamorphoses from tired communities into thriving ones.

Rural

HERRON TODD WHITE RURAL

Overview

With most people now back into full work mode it is interesting to read and hear what the rural team is reflecting in this month's update. The news is generally all very positive. For many of the regions we cover, the further activity in volume and now values does suggest that for now the worst is behind us generally for the values being reflected on sales. We have also noted and like to see the continued local interest in executing contracts or entering the bidding which all bodes well.

So with hindsight, it does now look like late 2013 and early 2014 will for many regions be the low point in the value levels and market shifts from there are generally positive. This does not mean that the market is back to the highs of 2007 and 2008 as yet for all these areas as we are still approximately $55 per hectare below the peak in our trend line for the Australian Grazing Property Index series. The trend line peaked in 2009 at $541 per hectare. This index is a measure of property sales over 2000 hectares nationally, all commodity types and dates back to 1980, with the best data sets from 1990 onwards.

In a separate look at 2000 to 2015 and reducing the property scale to greater than 250 hectares, a similar trend line emerges where the high point for the median price was achieved in 2008 at $1,315 per hectare and as at December 2015 this is reflecting $1,244 per hectare across 14.19 million hectares identified. This is the fifth highest level of land sales by area in the 16 years of this analysis (peak of 22.04 million hectares in 2004).

A more detailed look at the results of our annual review of the market will be delivered on 3rd and 4th March in the annual presentations and I will talk more about this in next month's review.

The other notable and not surprising commentary across the team is the impact of the current pricing in the beef sector and the potential flow on to traditional grazing land interest. However we are also now seeing the possible transition from cropping back to grazing, or at least fodder crops instead of cereals. We have also completed a large forestry research project and this has reflected the increased demand for marginal forestry land to be reverted to grazing and seeing a trend in sales and values even in a six month period. This is not a large surprise given that some of this land was marginal forestry to start with but also the properties are in higher rainfall areas and this reliability is becoming more and more evident in buyer considerations.

Happy reading of the regional overviews and I look forward to seeing many of our clients at the upcoming events in Melbourne and Brisbane.

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Darling Downs

Optimism and confidence are in the air within Southern Queensland following good summer rainfall across large parts of the region. Paddocks of green grass and limited supply has seen strong competition continue between restockers, feedlots and live export buyers with record prices tumbling at Roma and Dalby in recent weeks. Light steers from south of the border reached $4.18 per kilogram in Roma and over $4.40 per kilogram in Dalby. Cows and calves are also achieving record prices with some Droughtmaster cows and calves making over $2,200 per unit at the Roma store sale this week. It will be interesting to see if the hot market can be maintained as we head into the cooler months. With plenty of sub soil moisture for planting early oats crops and the expected continuation of demand for the end product, one would hope so.

The strong beef market may also see some farmers straining up old fences or putting up new fences for the first time in years as they weigh up the best options for the coming planting. With beef consistently around the $3 per kilogram and potential weight gains of over $1 per kilogram on oats, the option to plant fodder crops is likely to be increasingly attractive.

So what does all this mean for the rural property market?

While there wasn't a huge number of a sales in 2015 there were enough to give us some idea of where the market is headed.

Better improved properties in more reliable rainfall bands will continue to attract good buyer interest. There were several sales in the better Brigalow country around Roma, Wandoan and Taroom to indicate the bottom of this particular market is behind us and on the rise again. It is encouraging to see this market being primarily driven by local established graziers as opposed to mining companies. Corporates and institutional type investors are also active in the market with several sales in the broad acre farming areas south of Meandarra to Goondiwindi. The market has been and is expected to remain less positive for the more marginal country or less improved properties which have suffered prolonged dry conditions. A number of western Queensland properties have recently been put to market after being grassed up for the first time in years. Many vendors have simply had enough, finding the prospect of buying stock back in at record prices and carrying on less attractive than selling to someone who already has the stock and a healthier equity position. There are numerous new listings in the Bollon, St George and Charleville areas. Myendetta, Hythe and Mangalore south of Charleville will be auctioned in April with the option to purchase individually or as an aggregation. All three properties have been purchased in recent years so it will be interesting to see the outcome of the these potential resales . Kimberly Downs just to the west of Mitchell is reportedly under contract for an undisclosed amount after being put to market at a reduced asking price of $3.5 million. This along with the 2015 sale of adjoining Mitchell Downs will provide a good gauge for Downs country in the area. Navarra located 28 kilometres north of Roma has also sold for a reported $1.59 million. The property comprises 1,471 hectare of undulating Poplar Box, False Sandalwood and Ironbark country which has been predominantly cleared and well established to Buffel Grass. The sale reflects $1,082 per hectare or circa $4,300 per adult equivalent on an improved basis across the advertised carrying capacity of 370 AE.

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Central Queensland

The Central Queensland rural property market had a strong finish in the last quarter of 2015 with demand most apparent for better quality developed scrub grazing country in the Dawson Valley and north of Dingo. This demand was obviously supported by the strong beef markets which has reinvigorated buyer confidence. This fundamental is unlikely to change and widespread rain during January and February has allowed those looking to sell the opportunity to widen the purchasing pool by attracting grass buyers.

There have been few sales in 2016 to date which is a normal occurrence over the January period. Glen Isla which is a 2,057 hectare coastal forest block, located about 100 kilometres north of Rockhampton on the Herbert River sold for $1.92 million ($933 per hectare). The property was well contested at auction and was sold post auction to Dingo based graziers.

Looking forward on the 2016 year we expect to see a good level of market activity as key industry drivers are well aligned to support good interest from buyers.

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North Queensland

The Australia Day weekend is a good indicator of how the season is to pan out. This year, it was a dry weekend. For those in the Charters Towers area, rain did not interfere with the Goldfield Ashes cricket weekend!

Where rain has fallen, the rain gauges have recorded between 30% and 50% of median for the time of year.

There is speculation that it may rain in April (towards the end of the growing season). For forest country graziers, any rain is good rain. For those with Downs country, this could spoil their feed quality if the grass has hayed off.

Some good falls have been received to the north of Julia Creek, Cloncurry, Chillagoe, Normanton, Georgetown and Charters Towers. These falls are not widespread. For instance, there are some areas around Georgetown that have had a good storm or two, while the Croydon area has not been so lucky.

For those with cattle in hand, their calves are heavy and cows have a good body score ready for the season ahead.

For those with reduced numbers, agistment options may arise in these areas this year. This might also present opportunities for some grassed blocks to be offered for sale. Rent the grass or sell the station, that is the question.

The area from say Winton to Kynuna and McKinlay and up to Julia Creek has had a very patchy season. In some paddocks, one side can be dry and the other have an abundance of fresh green curly, hoop and bull mitchell with button grass.

An interesting thing I have noticed where the grass has grown is how much weed has come up. Some areas have no weed, while the next might have a lot.

Earlier this season, good rain fell to the south of Richmond and to the north of Julia Creek. The areas along the creeks are still green, however away from the creeks is starting to hay off. Any follow up rain from now on may spoil this good grass. Either way, it's good to have the grass!!

This is the fourth year of tough, dry conditions. The drought is far from over and graziers have done very well to manage their way through and are working hard to keep stock alive. There are graziers who have been feeding a core herd on a daily basis for a long time now.

Decisions regarding the cattle selling programs for the year have been met with strong cattle prices. Some clients have already sold their cattle for the year.

There are some managers who are going to take a risk on waiting until Easter to start their selling programs.

The thought process here is that prices are holding up despite the works in Townsville being shut (at the time of writing).

Either way, the prices are up and this is a positive feature for this year's budgets.

> Just as varied as the seasons, so too will be the property marketing program for the year. At this stage there are few forest stations being actively marketed.

Given the ledge that the market is sitting on waiting to see how the season pans out, I do not expect to see many forest country listings for another month or two.

May and June could well see some well grassed breeding stations come up for sale. One of the marketable features of those stations at that point in time will be how many breeders are on the station. With cattle prices at these levels, the herd is a very valuable and attractive feature.

There are two or three grassed Downs blocks on the market at present. Agents for those blocks are reporting moderate enquiry at this stage. Potential purchasers are waiting just in case their existing blocks receive rain in the next couple of weeks.

There is interest increasing again in the larger northern stations. Investment vehicles (trusts and companies) are certainly doing their due diligence on available options in the north.

At this point in time, there are no large, investment grade stations being publicly marketed in the north. It is not often that one is. Blue ribbon investment grade stations have been thinly traded for some years now.

The due diligence and private negotiations are on green ribbon stations. The interest in green ribbon type investment grade stations is expected to continue throughout this year while cattle prices are good and their financial returns are attractive to this type of potential buyer.

It is positive to see this activity in this market segment.

Contact:
Roger Hill - 0418 200 046

Country New South Wales
Central, northern and western New South Wales continue to benefit from what we see as an average season and this is contributing to the continued upswing in market sentiment we have flagged previously. Again we see a constant level of market interest from corporate entities however the general neighbour to neighbour activity or larger landholder looking to expand geographically continues to be the fastest-growing segment. A recent example of this is an aggregation purchased in very close proximity to Narromine in central New South Wales which shows strong rates being paid for dryland cultivation and reinforcement of values for general irrigation country. This is also a continuation of the trends we have seen in general land values over the past 20 years of the gap between dryland cultivation values and general irrigation values narrowing. This recent acquisition by a larger farming family in the district shows rates of approximately $2,000 per hectare for dryland cultivation and $2,400 per hectare for developed irrigation country.

The recent purchase of a large aggregation by Gina Rinehart to the north of Dubbo is also attracting attention. The property, Glencoe, which is 10,000 hectares in size sold for approximately $31.5 million which equates to roughly $3,100 per hectare for the open arable country. While this would be considered a strong sale it is reflective of the mostly good quality basalt soils on the property. The area in which this property is located is renowned for its variants of soils as it is placed at the intersection of the Pilliga sandstone from the north and the heavier basalt country from the South.

An area which continues to grow is the carbon farming programs being rolled out across the Bourke and Cobar districts in western New South Wales. Initially we were involved with large numbers

of properties that had property vegetation plans in place prior to July 2010. The carbon farming initiative paid these landholders not to clear. We are now beginning to see an increase in the regeneration programs on properties which involves the locking up of areas to allow native vegetation to grow and as such sequestering carbon. We are still in the process of analysing the impact of these agreements on the long-term production capacity and values. We will have a clearer picture in the next few months as we analyse a number of agreements.

For those properties lucky enough to have a property vegetation plan in place prior to July 2010 owners could investigate the possibility of entering into a carbon agreement. Our experience is that property owners that have these can gain financial benefit with limited if any impact on the general running of the property.

Contact:
Scott Fuller - 0427 077 566

New South Wales Western Tablelands

There has been an improvement in buyer optimism recently and this is reflected in a general increase in local activity throughout the start of 2016. A number of rural real estate agents are reporting that they are experiencing an elevated level of buyer enquiry and often don't have the stock to meet this interest.

While there is no body of evidence yet to quantify how this increased optimism may manifest into rising value levels, an upward movement in the market over the coming year is broadly expected as a result of this rising level of interest.

For the Central Tablelands' significant hobby farm and rural lifestyle property market, there appears to be a relatively stable and inactive market at the moment.

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Echuca

Interesting times ahead for rural as always at this time of year with many anxious to see when the break might arrive. Nevertheless there has been generally good levels of activity across most market segments with sales of cropping and irrigation properties in the Riverina in addition to ongoing demand albeit generally for smaller holdings in Victoria. Tight conditions in the dairy industry and for croppers who were not able to harvest in the 2015 season have led to several revaluations as farmers look for additional capital to set the 2016 season up.

Contact:
David Leeds - 0418 594 416

Western and Northern Victoria

This month we provide a roundup of the dryland rural market for the Wimmera and Mallee regions of northern and western Victoria.

Recent sales evidence indicates that the Southern Grampians region had a reduction in sales activity throughout 2015 in contrast to the higher number of sales through the 2013 to 2014 period. Demand for farm land has remained firm over the past twelve months in this region with a preference evident for prime grazing land around the Hamilton and Penshurst districts. A recent sale of note of a grazing property with good pastures and fencing (and modest improvements) analysed to show approximately $6,100 per hectare land value. It was purchased by a neighbour and agents report that it generated considerable interest and sold prior to auction.

The Wimmera region recorded an increase in sale numbers throughout 2014 and 2015. More recently, local operators and private investors are beginning to explore opportunities in some areas that have been previously well held. As a consequence selected areas previously considered secondary country around Edenhope and Harrow is now viewed as being reasonable for cropping development and thought to provide a cheaper alternative to the more traditional cropping areas. Grazing land around Apsley, Langkoop and Poolaijelo traditionally have strong competition from grazing and forestry buyers. Analysed sales have shown between $2,500 per hectare mixed grazing and cropping country to around $3,500 per hectare for secondary arable country.

Sales in the more traditional cropping country around Horsham, Dooen, Pimpinio and Murtoa have shown strong demand for black soil plains cropping land with sharp rises in values over the past 12 to 18 months evident. Recent sales in the Noradjuha, Dooen, Pimpinio and Murtoa areas which previously showed around the $5,000 per hectare to $6,000 per hectare range in the latter part of 2014 and early 2015 are now realising up to and exceeding $7,500 per hectare. These values do not appear to reflect the well below average seasons that the majority of these districts have endured over the past two years.

There has been limited sales activity in the Millewa or Mallee regions to report, however in the Mallee there have been some isolated private sales in the Walpeup and Underbool areas showing firm values around $1,400 per hectare to $1,600 per hectare but generally levels are in the $1,000 per hectare to $1,250 per hectare range. Value levels in the western Mallee around the Murrayville area have remained relatively static for dryland cropping for some time around the $1,200 per hectare to $1,450 per hectare. It is noted however that holdings in this area with ground water licences are generally highly sought after by the major potato growing companies working in the area either for lease or purchase.

The Millewa cropping region which stretches from just south of Mildura and then westward to within 20 kilometres of the South Australian border has shown little to no change in value levels over the past couple of seasons, with values remaining in the range of between $600 per hectare to around $800 per hectare.

There has been an increase in demand across all regions for leasing of grazing and cropping land. Strong levels are being paid to lease country, particularly for dryland cropping and presently there appears to be an imbalance between demand for leased land and the supply of land available for lease.

In summary it appears that the dryland cropping and grazing sector remains relatively buoyant on the back of the main commodity prices holding steady, the forecast of an early autumn break, the forecast of the dissipation of the El Nino weather pattern, the further weakening of the Australian dollar and lower fuel prices which all contribute to a positive outlook for most agricultural sectors moving through 2016.

Contact:
Shane Noonan and Carlo Vadori - 03 5021 0455

Northern Territory

As predicted at the beginning of 2016, sales activity on the pastoral front in the Northern Territory continues with the accepted offers of three more cattle stations. Details remain confidential at this stage however all were in the sub $5 million price range (real estate only). Two look like they will have experienced Territory cattleman as their new owners and for the other it will be the buyer's second acquisition inside four months. Two of the stations are in the live export dependant north and the other is in the Alice Springs district.

Meanwhile, we are aware of one other deal in the Alice Springs district in the final stages of negotiation. If the deal is consummated, it will again be to an experienced local pastoralist. Importantly, these sub $5 million deals go some way to confirming that a two-tier market exists in the Northern Territory. That is, the smaller, family sized, typical pastoral operations, particularly in the northern half of the Norther Territory, appear to be holding at value levels prevailing say six months ago. This is compared to the larger 20,000 adult equivalent (plus) capacity stations which are attracting more buyer enquiry. While we still only have the November 2015 sale of Walhallow and Cresswell Downs (and perhaps Wollogorang and Wentworth in September) as proof that potential buyers are willing to bid up large scale stations with potential to increase carrying capacity, the buyer enquiry is definitely stronger in this category.

Also as predicted, the introduction of the Diversification Permit system in the Northern Territory back in 2013 is starting to have an impact on the pastoral property market. Again, 30 year diversification permits are registered to the lease (not to the lessee) for uses other than pastoral and may be granted over pastoral leases by the Northern Territory Pastoral Land Board (after approval of a business plan). The primary operation of a pastoral lease must be for pastoral purposes, but pastoralists can operate other business enterprises such as mango crops or tourism and camping operations side by side, providing two revenue streams. The permits are beginning to make their mark on the Norther Territory pastoral landscape with nine permits currently in place and one more pending approval. Of these, five are in the Alice Springs region, two in the Top End and one each in the Roper and Barkly regions. The granted uses range from tourism ventures (some were already in place under the old five year, non transferable system), horticulture (including onion farming) and making paper from spinifex grass.

We are aware that two recent cattle station sales south of Tennant Creek were to buyers motivated by the potential for irrigated horticulture on the properties, although no Diversification Permits were in place at the time of the sale. However due diligence was completed into the likelihood of a permit being granted. This included work undertaken by the potential purchasers to ensure that the land had adequate soil types and groundwater availability.

Over in Western Australia (with a focus on the Kimberley Region) the Western Australian government is finalising the Rangelands Bill for introduction into Parliament in Autumn 2016. The Bill aims to amend the Land Administration Act (1997) (particularly Part 7) which, amongst a host of other red-tape cutting provisions, will ultimately offer pastoral leases the option of a new form of tenure - a Rangelands Lease, allowing pastoral producers to engage in alternative land uses aimed at generating alternative income streams from a pastoral lease. The other main amendments will also ensure greater security of tenure for both pastoral and rangeland leases. Some of the most influential proposed changes as we see them follow (extracted from WA Government public documents on the matter):

- Under an approved Rangelands Lease there are a range of permitted uses including pastoral use, horticulture, agriculture and tourism etc.
- The Rangelands Lease would include: 1) the term and any option to renew; 2) the permitted uses; 3) the rent and rent review period (generally three to five years); and 4) any other relevant conditions. The rent will be based on the permitted uses and will be set by the Minister on advice from the Valuer General.
- Permits issued under the amended Act will be tied to the lease (not to the lessee as is currently the case) therefore transfer of the permit upon sale of the lease to an incoming pastoral lessee will allow a pastoral lessee to capture the full value of the business activity carried on under the permit on sale of a pastoral business and increases attractiveness to purchasers or investors.
- The lease will co-exist with native title and other interests in the land and will require land management that preserves the rangelands resource. At least one of the uses must be broad scale.
- There is no obligation on existing pastoral lessees to convert to a rangelands lease.
- The Bill proposes that there will be a statutory right of renewal for pastoral lessees who comply with lease conditions and will allow for pastoral leases of a shorter term to be increased to the maximum term of 50 years. This is as opposed to the current situation where lease terms are between 18 and 50 years and at the end of each term, lessees must apply for renewal which isn't guaranteed (even for lessees who comply with the conditions of their lease and other legislative requirements) which creates a barrier to large scale sustainable investment

Our discussions with Kimberley pastoralists confirm that they see the proposed Rangelands Bill as a real potential game changer for their industry. However, they usually qualify such a statement with the realistic premise that while the legislative changes are a must for any chance of successful long term development in the Kimberley, the cost of development in this neck of the woods is high (compared to much of the rest of the country) and any enticement for private investment into diversifying the pastoral estate here needs to be met with some kind of assurance by the government that the same level of investment will be made.

South West WA

Farmers continue to invest back into the soils.
The interest in soil improvement continues in the cropping regions. Another average to good harvest has resulted in many looking at ways to improve their soils to maximise yields going forward. Of course there are the traditional liming and fertiliser programs to help with fertility and PH but there is also the practice of claying and using biological agents to improve the structure and fertility of the soils.

I have recently visited a property where they are practicing what may be termed as biological farming. The focus is on soil health with a view that healthy soils will produce healthy produce. The photo below shows the change in the soils that were previously pale sands with limited organic matter.

The result of this has reportedly seen an increase in yields but also helped with drainage and soil moisture retention.

The drawback of this however is that these inputs can be expensive and that it can take a number of years before the results are truly recognised. The ultimate test will be when a property that has been farmed using these techniques is put to the market and what it will achieve in comparison to properties sold that have used traditional soil management techniques.

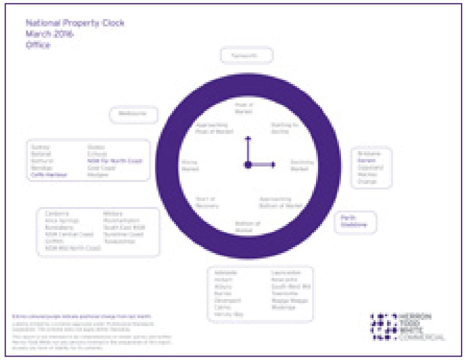
Overall it is positive to see innovation and investment in the Western Australian agricultural industry. No doubt in the future, the use of alternative farming techniques will become the norm like those who first used traditional fertilisers.

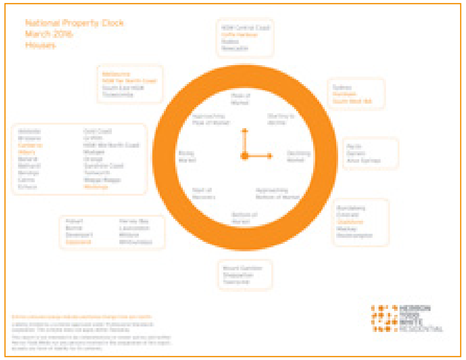
Property Market Indicators

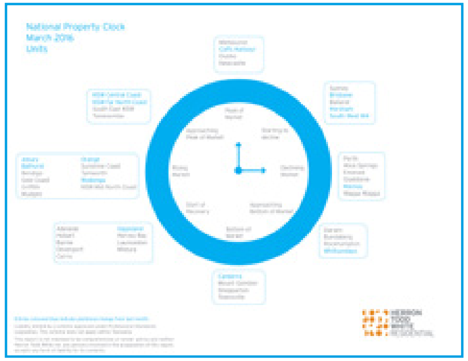
Disclaimer

This publication presents a generalised overview regarding the state of Australian property markets using property market risk-ranking scales. It is not a guide to individual property assessments and should not be relied upon.

Herron Todd White accepts no responsibility for any reliance placed on the commentary and generalised information. Contact Herron Todd White to obtain formal, specific property advice on any matters of interest arising from this publication.





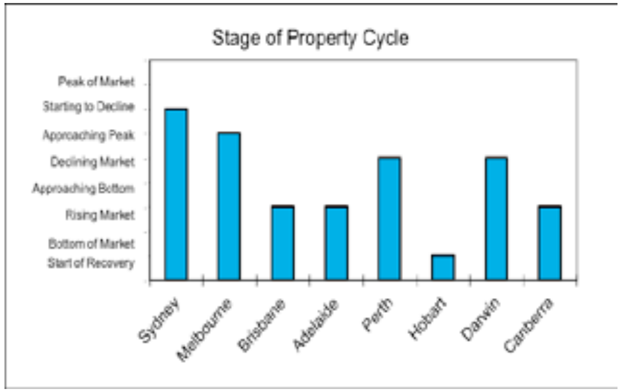


Capital City Property Market Indicators - Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Increasing	Steady	Increasing	Steady
Demand for New Houses	Fair	Fair - Strong	Strong	Fair	Soft	Fair	Soft	Strong
Trend in New House Construction	Steady	Steady - Increasing	Increasing strongly	Increasing	Declining	Declining	Declining	Steady
Volume of House Sales	Declining	Steady	Declining	Steady	Declining	Steady	Declining significantly	Steady
Stage of Property Cycle	Starting to decline	Approaching peak of market	Rising market	Rising 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	Almost never	Occasionally	Occasionally

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

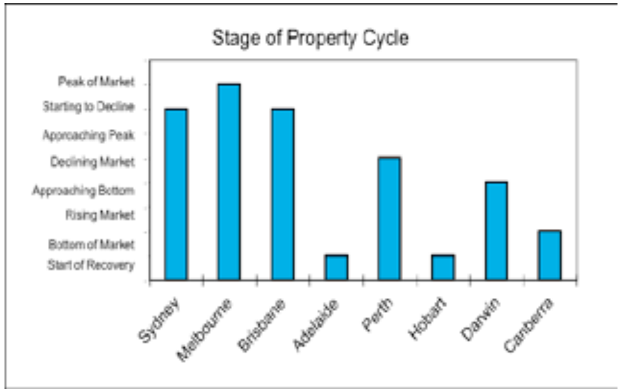
Blue entries indicate change from previous month to a lower risk-rating

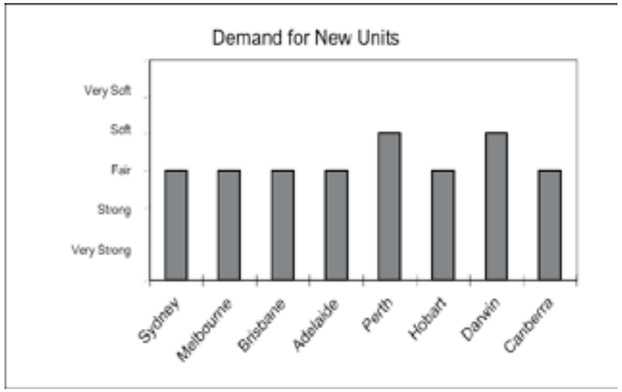


Capital City Property Market Indicators - Units

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

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





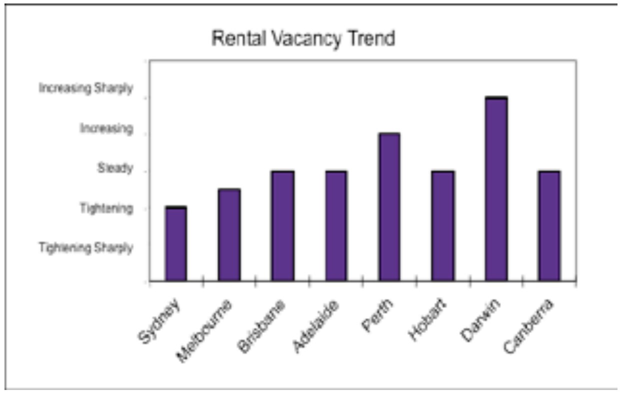
Market Indicators

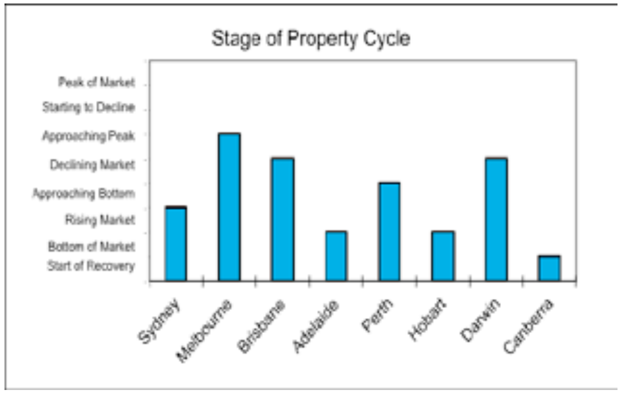
Capital City Property Market Indicators – Office

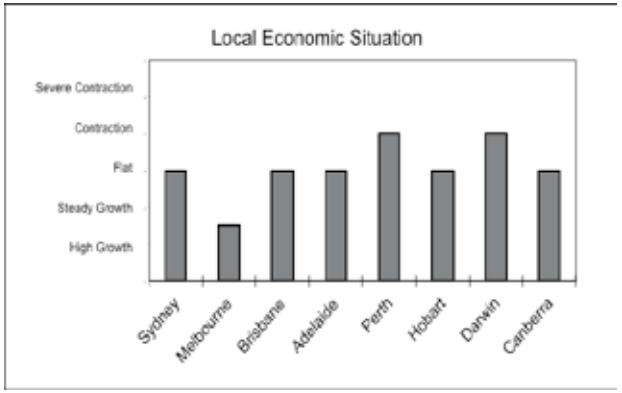
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Large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

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

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







Market Indicators

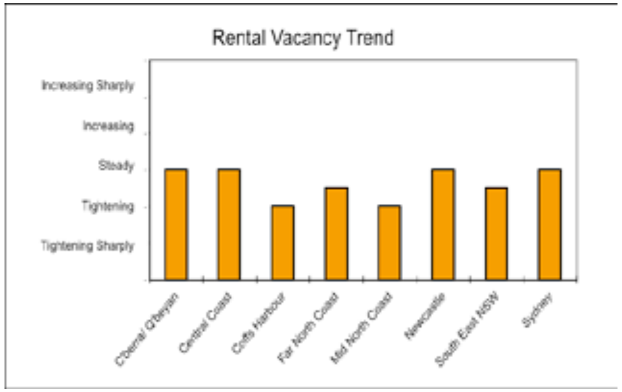
HERRON TODD WHITE

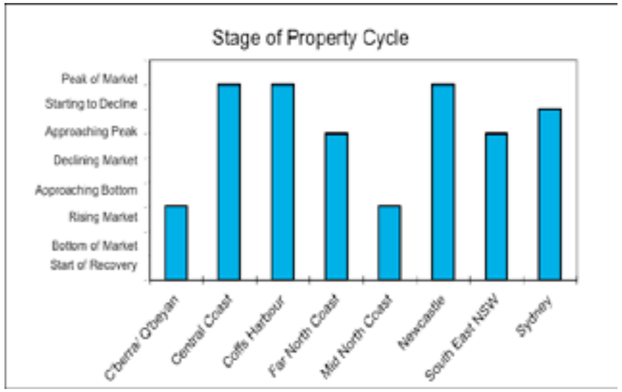
East Coast New South Wales Property Market Indicators - Houses

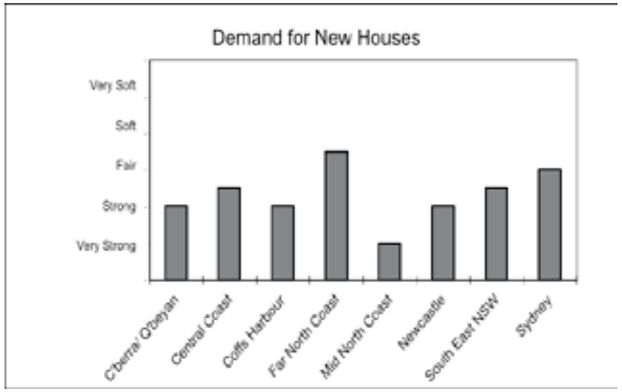
Factor	Canberra	Central Coast	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening - Steady	Tightening	Steady	Tightening - Steady	Steady
Demand for New Houses	Strong	Fair - Strong	Strong	Soft - Fair	Very strong	Strong	Fair - Strong	Fair
Trend in New House Construction	Steady	Steady	Increasing	Steady - Increasing	Increasing strongly	Steady	Increasing	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Rising market	Peak of market	Peak of market	Approaching peak of market	Rising market	Peak of market	Approaching peak of market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Very frequently	Occasionally	Almost never	Occasionally	Occasionally - Frequently	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

East Coast New South Wales Property Market Indicators - Units

Factor	Canberra	Central Coast	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening - Steady	Tightening	Steady	Tightening - Steady	Increasing
Demand for New Units	Fair	Very strong	Strong	Soft - Fair	Strong	Strong	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Increasing	Steady - Increasing	Increasing	Steady	Increasing	Steady
Volume of Unit Sales	Steady	Increasing	Steady	Steady - Declining	Steady	Steady	Steady	Declining
Stage of Property Cycle	Bottom of market	Approaching peak of market	Peak of market	Approaching peak of market	Rising market	Peak of market	Approaching peak of market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally - Frequently	Occasionally

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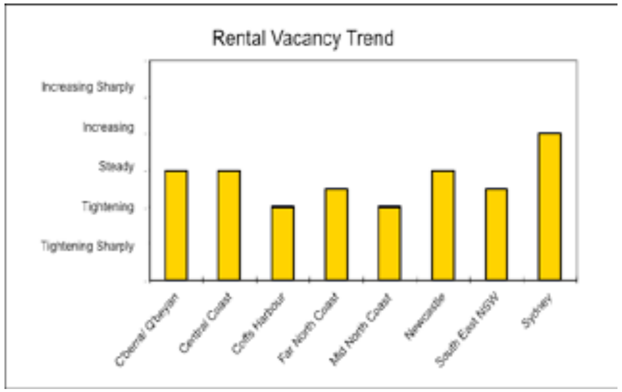
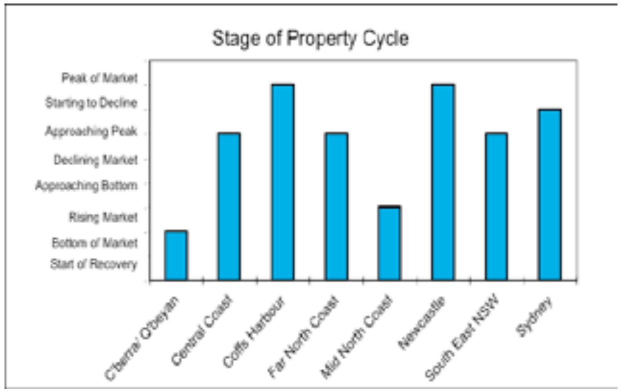
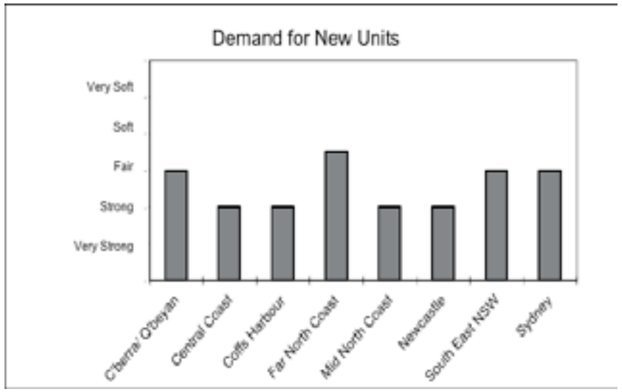




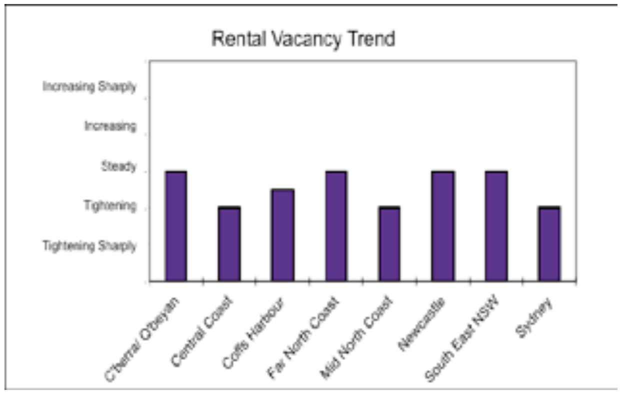


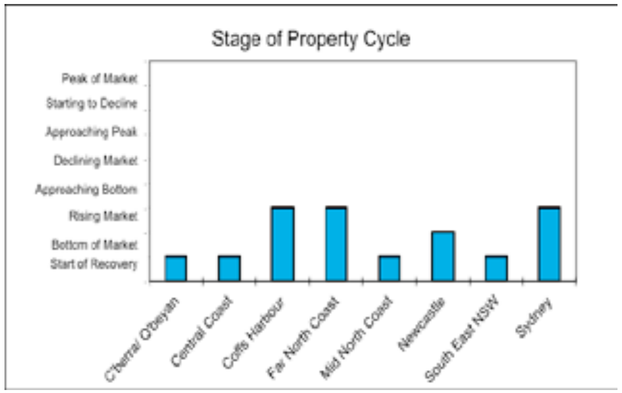
East Coast New South Wales Property Market Indicators - Office

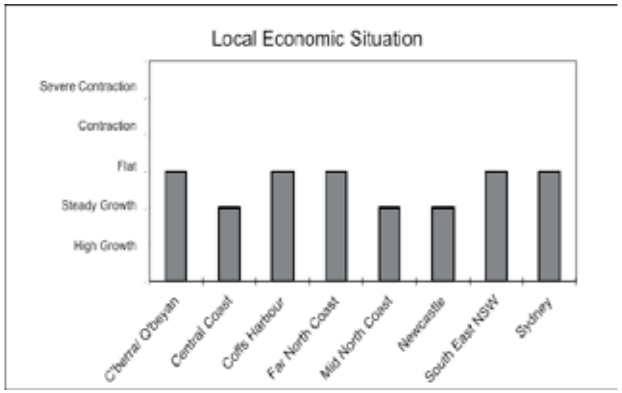
Factor	Canberra/ Q'beyan	Central Coast	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Large over-supply of available property relative to demand	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Tightening	Tightening - Steady	Steady	Tightening	Steady	Steady	Tightening
Rental Rate Trend	Stable	Stable	Stable	Declining - Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Increasing	Steady	Steady	Increasing	Steady	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Rising market	Start of recovery	Bottom of market	Start of recovery	Rising market
Local Economic Situation	Flat	Steady growth	Flat	Flat	Steady growth	Steady growth	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Significant	Large	Significant - Large	Small

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







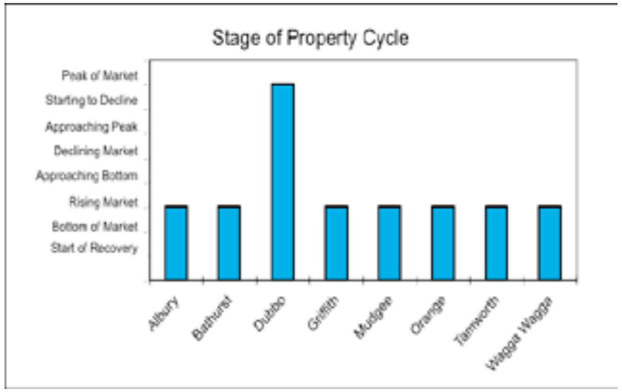
Market Indicators

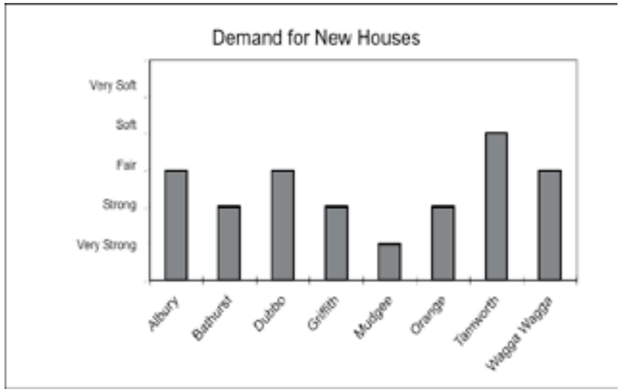
Country New South Wales Property Market Indicators - Houses

Factor	Albury	Bathurst	Dubbo	Griffith	Mudgee	Orange	Tamworth	Wagga Wagga
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Tightening	Tightening	Steady	Steady
Demand for New Houses	Fair	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Trend in New House Construction	Steady	Steady	Increasing	Steady	Increasing	Steady	Increasing	Increasing
Volume of House Sales	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Peak of market	Rising market	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	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

Country New South Wales Property Market Indicators - Units

Factor	Albury	Bathurst	Dubbo	Griffith	Mudgee	Orange	Tamworth	Wagga Wagga
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Tightening	Tightening	Steady	Steady
Demand for New Units	Fair	Strong	Strong	Strong	Strong	Strong	Fair	Strong
Trend in New Unit Construction	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Increasing
Volume of Unit Sales	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Peak of market	Rising market	Rising market	Rising market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Frequently	Occasionally

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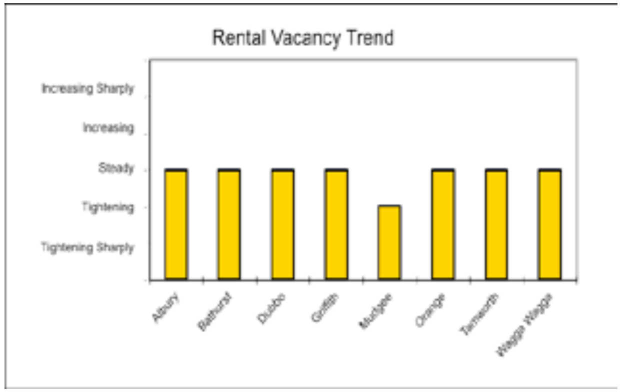

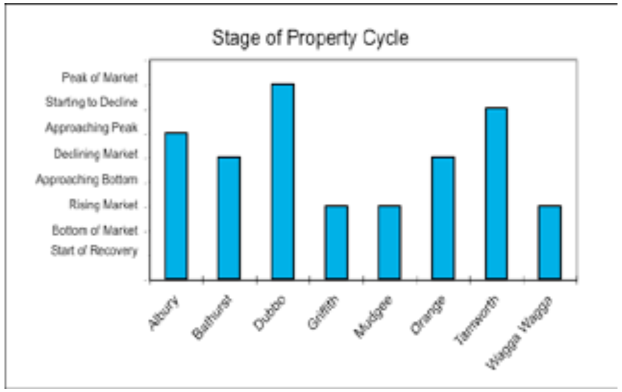

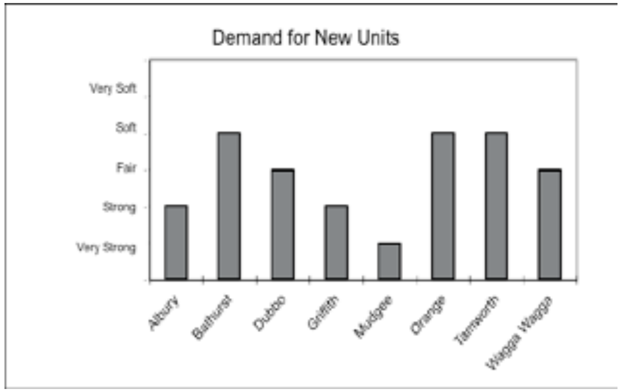

Market Indicators

Country New South Wales Property Market Indicators – Office

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

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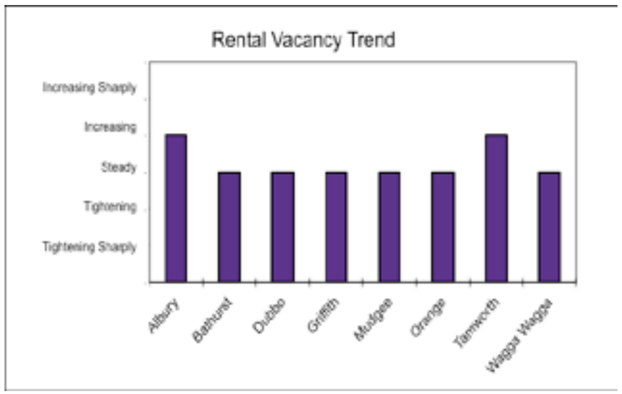

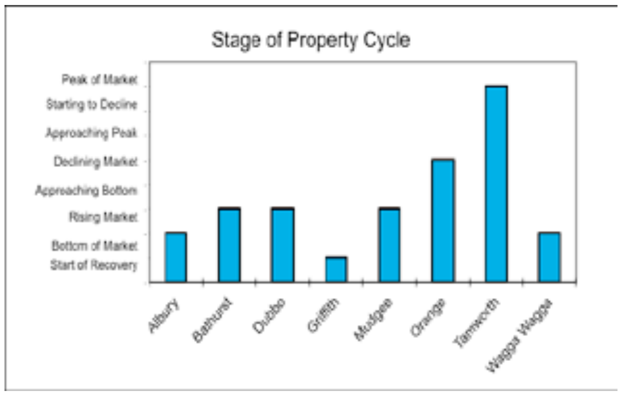

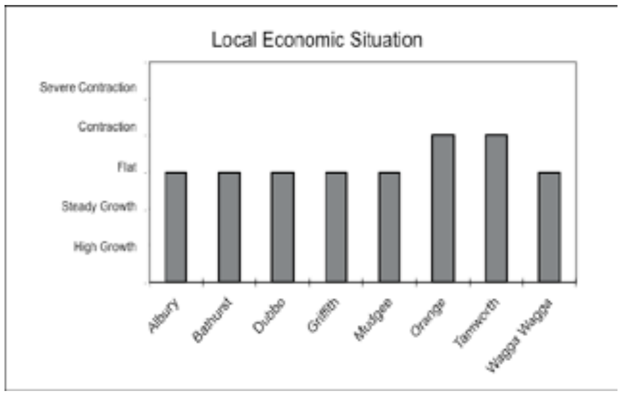

HERRON TODD WHITE

Victoria/Tasmania Property Market Indicators - Houses

Factor	Ballarat	Bendigo	Echuca	Gippsland	Horsham	Melbourne	Mildura	Shepparton	Wodonga	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Tightening	Tightening	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Strong	Strong	Fair	Fair	Fair - Strong	Fair	Strong	Fair	Fair	Fair	Fair
Trend in New House Construction	Steady	Increasing	Increasing	Declining	Steady	Steady - Increasing	Steady	Increasing	Steady	Declining	Declining	Declining
Volume of House Sales	Steady	Increasing	Steady	Increasing	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Start of recovery	Starting to decline	Approaching peak of market	Start of recovery	Bottom of market	Rising market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never	Almost never	Almost never

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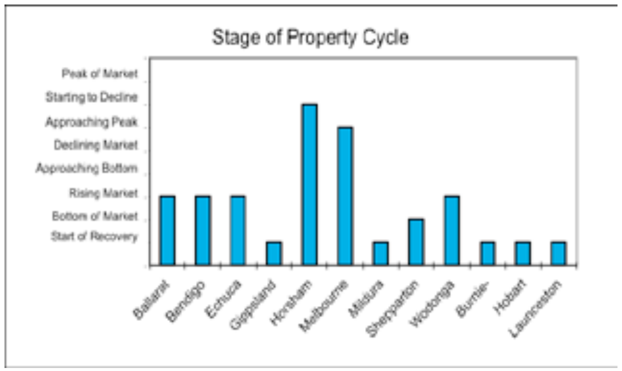
Blue entries indicate change from previous month to a lower risk-rating



Market Indicators

HERRON TODD WHITE

Victoria/Tasmania Property Market Indicators - Units

Factor	Ballarat	Bendigo	Echuca	Gippsland	Horsham	Melbourne	Mildura	Shepparton	Wodonga	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	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	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Soft	Strong	Fair	Fair	Fair	Fair	Fair	Very soft	Fair	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady	Declining	Declining	Steady	Increasing strongly	Steady	Increasing strongly	Steady	Declining	Declining	Declining
Volume of House Sales	Declining	Increasing	Steady	Increasing	Declining	Increasing	Steady	Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Starting to decline	Rising market	Rising market	Start of recovery	Starting to decline	Peak of market	Start of recovery	Bottom 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	Occasionally	Almost never	Occasion-ally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never	Almost never	Almost never

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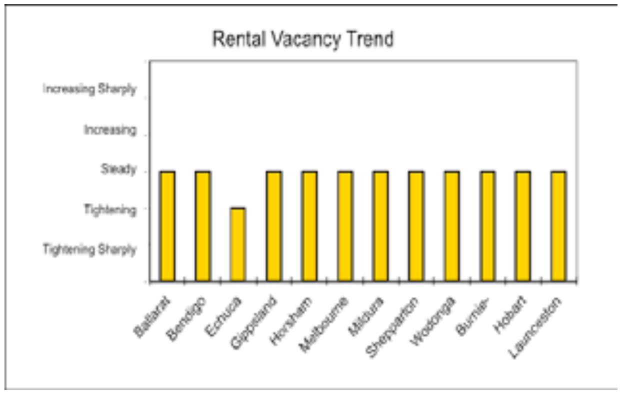

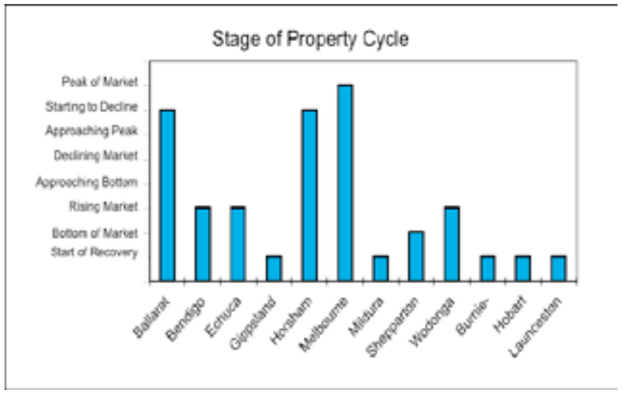

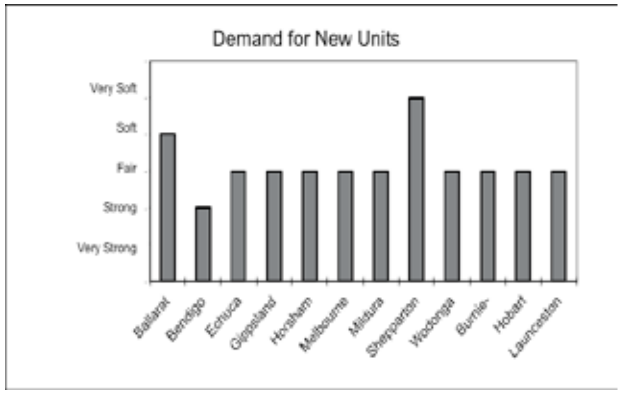

Market Indicators

Victoria/Tasmania Property Market Indicators – Office

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

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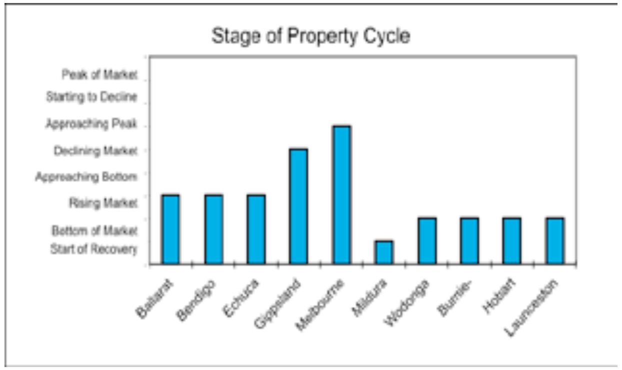

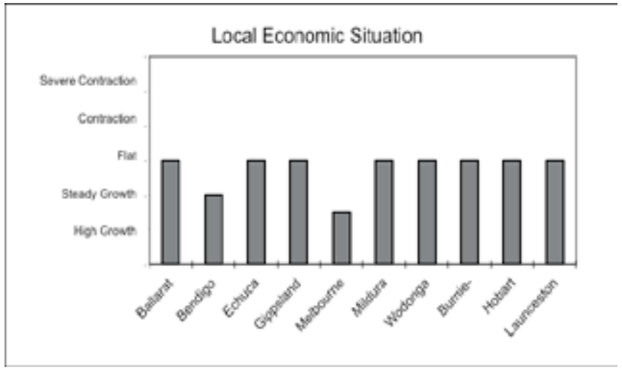

Queensland Property Market Indicators - Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Increasing	Increasing	Steady	Steady	Steady	Tightening	Steady - Increasing
Demand for New Houses	Soft	Soft	Fair	Soft - Fair	Fair	Very soft	Soft	Fair	Fair - Strong	Strong	Strong	Strong	Strong
Trend in New House Construction	Declining	Declining	Steady	Declining - Steady	Steady	Declining significantly	Declining	Declining	Increasing	Increasing	Increasing strongly	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Increasing - Steady	Declining	Steady	Steady	Steady	Increasing	Increasing	Declining	Increasing	Steady - Declining
Stage of Property Cycle	Rising market	Bottom of market	Start of recovery	Approaching bottom of market	Approaching bottom of market	Approaching bottom of market	Approaching bottom of market	Approaching bottom of market	Start of recovery	Rising market	Rising market	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasion-ally	Occasion-ally	Frequently

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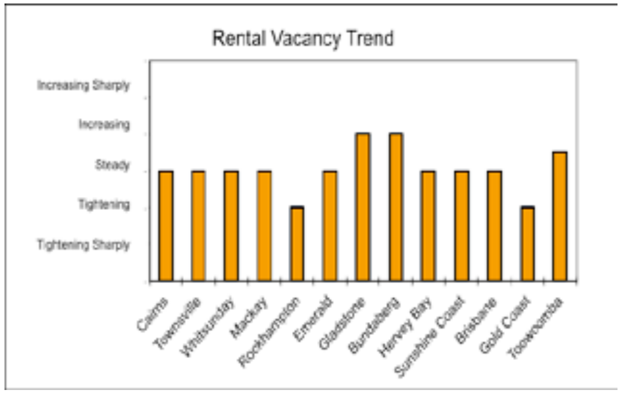
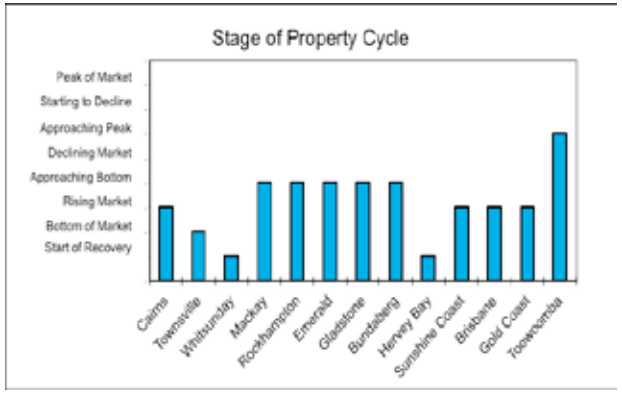
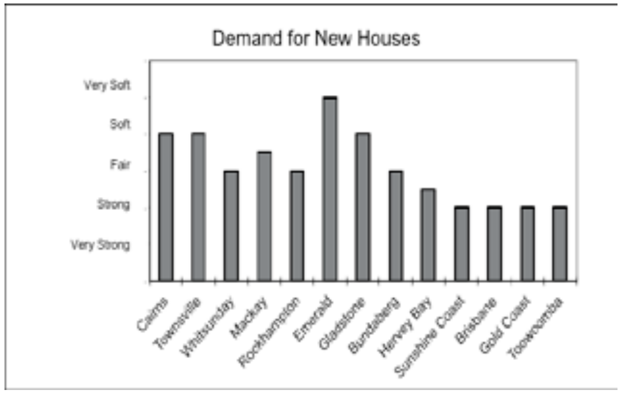


Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses

Market Indicators

HERRON TODD WHITE

Queensland Property Market Indicators - Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady - Increasing	Steady	Steady	Increasing	Increasing	Steady	Steady	Increasing	Steady	Increasing
Demand for New Units	Very soft	Soft	Soft	Soft - Fair	Fair	Very soft	Very soft	Fair	Fair - Strong	Fair	Fair	Fair	Soft - Fair
Trend in New Unit Construction	Declining	Declining	Increasing	Declining - Steady	Steady	Declining significantly	Declining	Steady	Steady	Increasing	Increasing strongly	Steady	Increasing
Volume of Unit Sales	Steady	Steady	Declining	Steady - Declining	Declining	Declining	Steady	Steady	Increasing - Steady	Increasing	Steady	Increasing - Steady	Steady - Declining
Stage of Property Cycle	Start of recovery	Bottom of market	Approaching bottom of market	Declining market	Approaching bottom of market	Declining market	Declining market	Approaching bottom of market	Start of recovery	Rising market	Starting to decline	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasionally	Occasion-ally	Occasion-ally	Almost never	Occasionally	Occasion-ally	Occasion-ally	Frequently	Frequently

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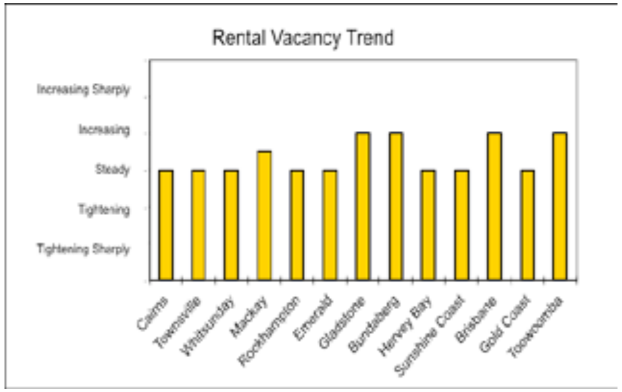
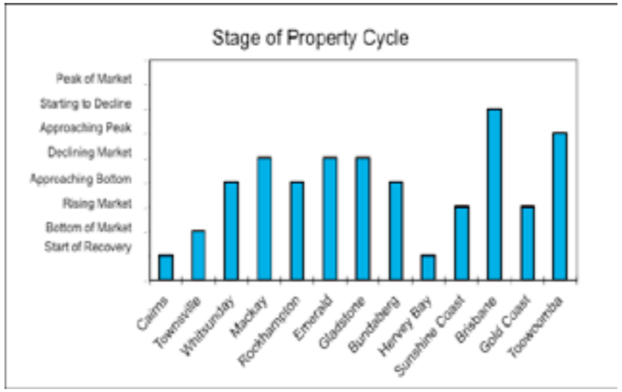
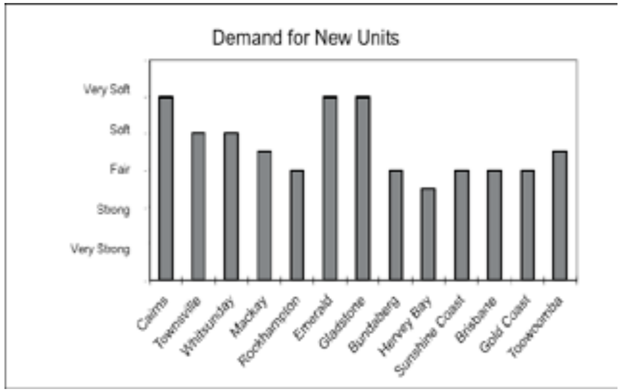


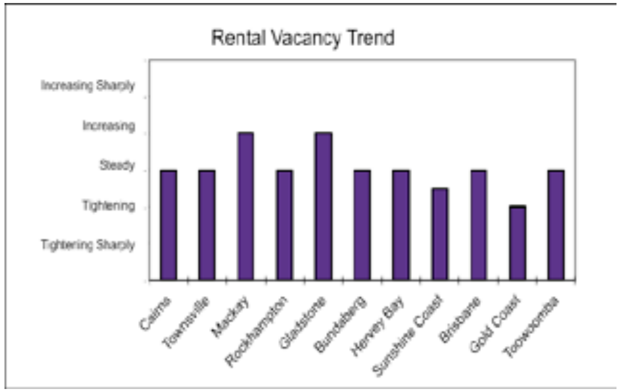


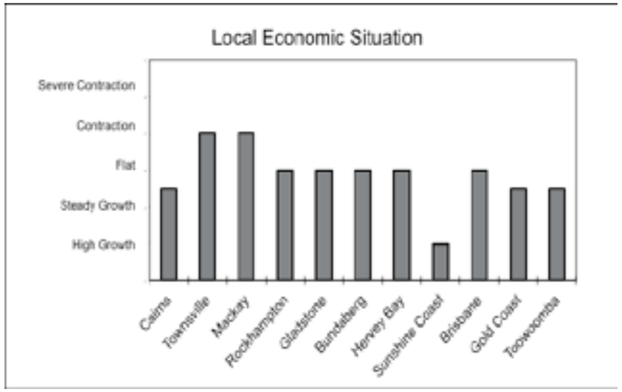


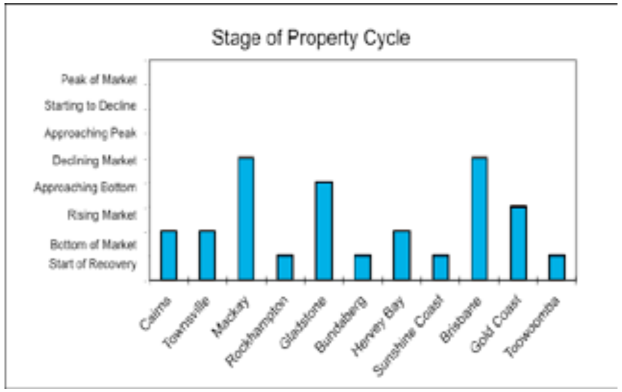
Queensland Property Market Indicators - Office

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

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







Market Indicators

HERRON TODD WHITE

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	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Fair
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Steady	Steady	Declining	Declining	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Declining significantly	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Bottom of market	Stable	Declining market	Declining market	Declining market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never

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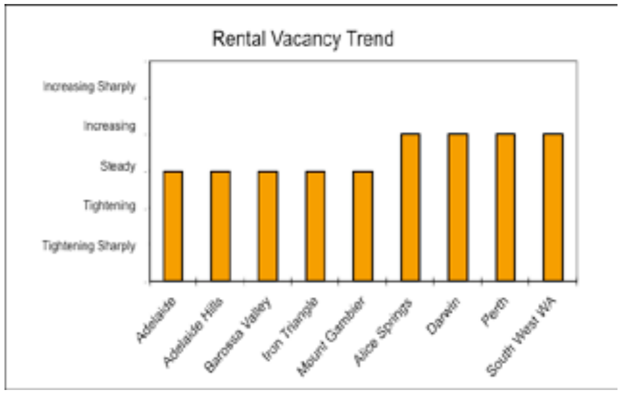

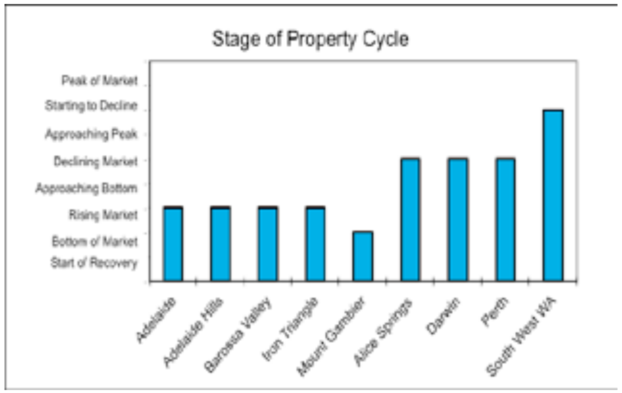

HERRON TODD WHITE

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	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Soft	Fair	Soft	Soft	Fair
Trend in New Unit Construction	Increasing	Increasing	Increasing	Increasing	Steady	Declining	Steady	Declining	Declining	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Declining significantly	Declining	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Start of recovery	Bottom of market	Stable	Declining market	Approaching bottom of market	Declining market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Almost never	Occasionally	Almost never	Almost never	Occasionally	Almost never	Almost never

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

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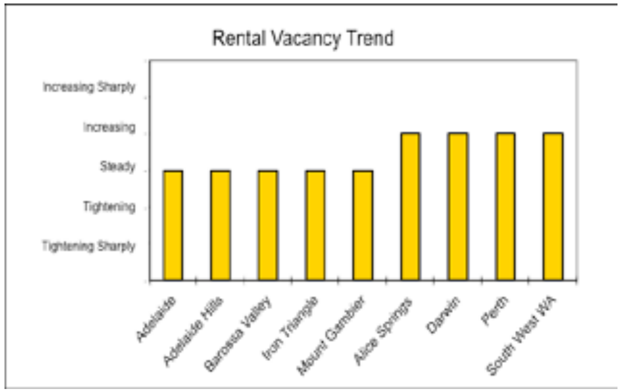
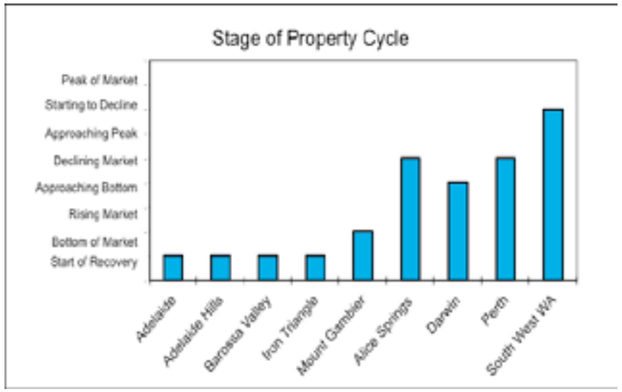
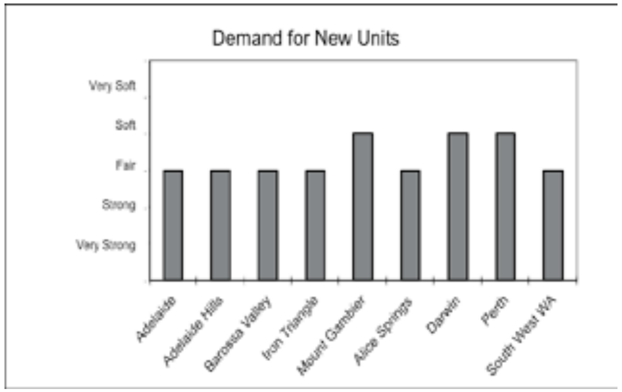




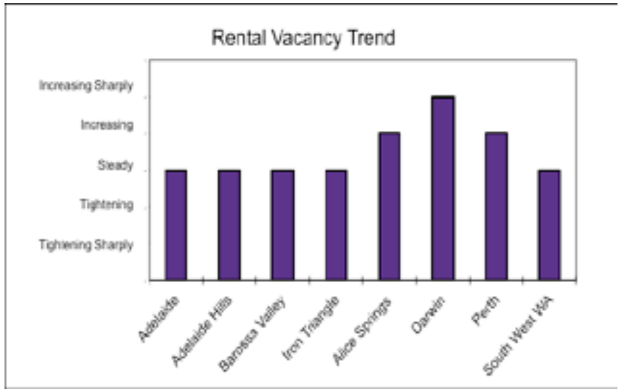


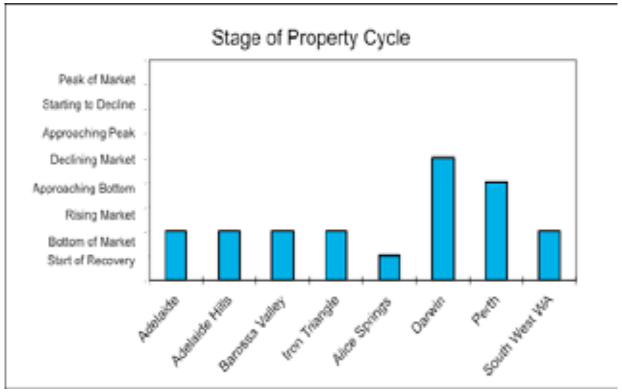
Northern Territory, South Australia & Western Australia Property Market Indicators – Office

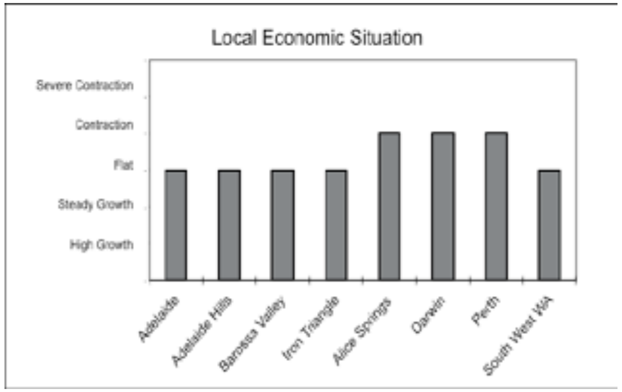
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Riverland	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply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

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

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







Market Indicators

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