

The month in  
*review*

JUNE

2008



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# Contents

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*That Lazy Half Mill - Then and Now.*

Page	Topic
3	Feature
4 - 13	Commercial – Retail
14 - 26	Residential
27	Contacts
28 - 33	Rural
34 - 47	Market Indicators

Peace of mind for your property decisions.



## *That Lazy Half Mill - Then and Now*

Not too many years ago, half a million dollars in property investment made you a very wealthy individual indeed. You could acquire several homes in enviable locations all around the nation and keep the portfolio ticking over to your heart's delight knowing that the rent was servicing the loan, the equity position looked good and your only concern was whether the burgundy bow tie was cutting it against the safari suit in the fashion stakes.

Fast forward a few decades and a \$500,000 portfolio fails to attract the same kudos. As our nation's prosperity continued to climb and many of our real estate markets came along for the ride with wages and investor sophistication, the \$500,000 portfolio threshold was surpassed. All it takes is for your investment unit to be dropped into the balance sheet alongside the main residence and, hey presto, you are at least halfway to controlling a million in assets.

We realise, of course, \$500,000 is still a fair slice of cash, but if you choose to park it in bricks and mortar, your prospects are more limited now than ever. Do you shoot for capital growth or try and recoup an income stream? Are there locations that are beyond the means of the half mill investment? Are there some areas where this sort of money provides plenty of choice? Maybe there are suburbs where money should not be parked under any circumstances.

This month, we have asked our offices to consider the magic figure of a lazy \$500,000 and provide us with their musings on where to park it in their patch. We set no limitation on whether to seek capital growth or income and have left the field wide open for their opinion.

Avid readers of the Month In Review will recall a similar exercise in mid 2006. To spice up our update, we also asked our professionals to consider their advice from two years ago and provide a 20/20 hindsight analysis of where things went right or wrong in placing the money where their mouth was. The results have made for compelling commentary.

In addition to our residential exercise, we have also asked our sages in commercial to consider the entry level participant in the retail sector. As we have become more and more used to stepping outside our comfort zone as investors, the world of retail has lost its mystique for the average mortal and it has now moved well beyond the limited confines of the specialty buyer.

Finally we have sought from both our commercial and residential experts a general opinion on the effects of the Federal Government's first budget. Our offices have sucked in some of the detail and breathed out a few thoughts on where they think the budget will have impact, if any at all.

We trust this month's edition provides you plenty of investment fodder over which to mull. Have a graze over it's contents but keep in mind, there is nothing like ground level advice to help your specific property prospects prosper - so pick up the phone and talk to our experts in the field before you make your next real estate move.

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## Commercial Overview

Not too many years ago, retail investment was dominated by high level professional investors willing to carry risks tempered by their intimate knowledge of how commercial property operates. In this environment, a large number of general investors were shut out as they felt more comfortable putting their money into a sector that was easily understood – residential. Fast forward a few years and the limitations “mum and dad” investors placed on themselves have dissipated. Direct commercial property investment has become more accessible to everyone as the level of professional advice has improved. In retail, there are opportunities to be had at the entry level. As investors become more astute and more and more turn their hand to vehicles such as self managed superannuation, the number of buyers keen to look at retail grows. This month’s report will be of great assistance to those looking for the affordable path of entry to the retail market.



### Sydney

#### ENTRY LEVEL OPPORTUNITIES

Retailer sentiment and growth in retail trade has been steady over the last 12 months. NSW, more so than other states, has felt the effects of continued inflationary pressure and the prospect of further interest rate rises. Consumers are facing a reduction in discretionary spending, as they are required to set aside extra funds to cover interest payments on mortgages. Despite this, retail is expected to improve throughout the year, with real retail turnover projected to increase over 4% this year, following increases of over 3% last year.

In Sydney the entry level for retail property is still generally under \$1M, with good quality shops in prime

strip retail locations exceeding this. Net face rents in these prime areas generally tended to range between \$650/m<sup>2</sup> and \$2,500/m<sup>2</sup>, with average figures around the \$1,400/m<sup>2</sup> mark. The retail property market in Sydney can still represent a good investment.

In the suburb of St Marys in Sydney’s outer west, three fully leased shops recently sold in line for \$766,000, on a yield of 7.08%. This transaction would represent an entry-level investment in the outer suburbs of Sydney.

In the inner west suburb of Leichhardt, an ex-butcher’s shop has recently sold fully leased for \$508,000 at auction. The property returns \$30,299p.a., with a yield of 5.96%. While in Croydon, a shop with attached residence has been sold at auction fully leased for \$530,000 with a yield of 6%.

Over in the eastern suburbs, a 55m<sup>2</sup> shop in Vaucluse has sold fully leased for \$445,000. The shop sold at auction, with a yield of 5.84%. The shop comprises an established tenant with a long lease, returning approximately \$26,000p.a., and would be representative of a first retail investment in the eastern suburbs.

In Sydney’s lower north shore a small retail shop of approximately 49m<sup>2</sup> has sold privately for \$680,000 with vacant possession. This is a good example of an entry-level retail investment in the middle of North Sydney.

There are various opportunities for entry-level investors to break into the retail property market in many areas of Sydney. Opportunities will present themselves to invest in retail property, and the savvy investor will reap the rewards.

#### BUDGET FEEDBACK

The latest Federal Budget, released on May 13th 2008, appears to benefit the commercial property market, with more spending on infrastructure and changed tax rules for property trusts. The change on withholding tax rates for REIT’s, from 30% on distributions, to 7.5% over three years, will increase the international competitiveness of the trusts, and make the sector more attractive to international investors.

Overall, the budget has been cautious, with short-term spending cuts to limit pressure on inflation, however, the actual effectiveness of the budget on reducing inflationary pressure is unknown. The effect on inflation will be mostly neutral, however, with the economy forecast to slow over the next 12 months, upward pressure on interest rates should also ease. While debt costs remain at high levels, it is expected that there will be upward pressure on commercial yields, which will result in reduced property values.

The redirection of expenditure towards investment in the future, with the creation of several funds including an infrastructure fund, will help with regional development in the long term, while taking money out of the economy to reduce inflation in the short term.

The First Home Savers Account aims to provide a culture of savings and attempts to tackle the housing affordability issue. Proposed tax cuts to low and middle income earners are unlikely to add to discretionary spending, as most of the tax cuts will be absorbed by increases in fuel and debt servicing costs.



## Wollongong

The Illawarra area comprises the LGA's of Wollongong, Shellharbour and Kiama. The region faces opportunities and threats in the next few years as the importance of the manufacturing and mining sectors wane and new sectors such as education, tourism, retail, property and business services emerge as more dominant players in the economic base of the region.

The retail structure of the area is diverse, with several larger malls, then generally smaller neighbourhood centres dotting the suburbs. Bulky goods and outlet strips have also developed, echoing a national trend. The major malls and precincts are the city Central (Crown Street Mall), Warrawong and Figtree Westfield's, Dapto Mall, Shellharbour Square, and Corrimal Stocklands.

Anecdotally, vacancy rates for smaller retail properties across the Illawarra are low, and shops in high traffic locations and generally re-leased quickly. Larger shops in fringe locations have longer lease voids. Many owners have not refurbished for years and in many cases the quality of stock is average in strip locations.

The entry level for retail property would generally be under the \$500,000 level with prime properties in established locales sometimes exceeding the \$1M mark. Examples of entry level purchases are a strata shop in Beverly Street, Warilla at \$325,000 and two older shops in the Lake Illawarra area for around \$450,000. These properties were fully leased and purchased by out of area investors. Vacant possession properties are mostly limited to smaller warehouses and showrooms in industrial areas such as Oak Flats.

The budget will not have a major effect on the retail market in Wollongong, but fuel price rises and interest rates on the up and up will certainly retract spending. This will have to have an effect on purchasing preferences and

may lead to vacancies and reduced rental in the medium to long term if the economy doesn't continue to grow.



Strata shop in Warilla



## Central, North & West NSW

### DUBBO

In the last two years, investment in regional commercial property has shown a strong return. Yields have improved in general terms by 10% to 20%. Properties less than \$500,000 have enjoyed strong demand and growth in capital value since 2006.

Value levels have now appeared to have plateaued and the potential for growth is less in 2008 than in 2006. Entry levels for stand-alone commercial properties in Dubbo start from \$200,000, whilst in Bathurst and Orange the starting price is higher at \$300,000. These properties are often purchased by owner/occupiers and are often transferred into superannuation funds. The income yields on these types of properties are very low and can often be in the 4% to 6% range and as such have limited appeal to investors.

Traditional commercial property that is bought by investors generally begin at approximately \$450,000+. Yields for such properties are still strong for central CBA located properties, however secondary and non-central properties tend to sell at a significant discount as there is often a much greater risk in attracting a suitable tenant.

Higher end investment properties range from \$1M to \$2.5M and yields in regional NSW for major centres range from 7% to 8.5% for securely leased properties. Opportunities are declining as the market appears to have peaked in 2008. Over the long-term, centrally located retail/commercial property with high pedestrian traffic and good access remains a strong investment option.

*...Value levels have now appeared to have plateaued and the potential for growth is less in 2008 than in 2006.*



## Southern NSW & Northern Vic

### ALBURY/WODONGA

Smaller retail properties in Albury/Wodonga in secondary locations throughout the city have become solid investments for first time investors. You can enter this sector of the market with an investment of under \$500,000. For your investment you would expect to see a return of between 7.5% and 8%. Returns in the main retail areas of Albury are still hovering between 6.5% and 7%, but yield rates are starting to show signs of softening.



In Wagga Wagga a similar investment for under \$500,000 would receive a return of between 8% and 8.5%. The property would also expect good capital growth on the investment.



## Canberra

The retail property market within the ACT continues to be dominated by the five Town Centre locations (City, Woden, Tuggerangong, Belconnen and Gungahlin) with the shopping centres in the most part owned by large institutions (Westfield, Queensland Investment Corporation, Vinta Group). Continuing expansion of the Canberra Centre (QIC) has effectively changed the retail sector within the City Centre with some 305 new tenancies being completed in 2007. This aggressive growth has also been coupled with recent acquisitions within the City Centre.

Sales of smaller retail properties have remained stable with the low levels of newly constructed retail properties. The highest proportion of small retail units exist within the Gungahlin Town Centre where sales levels have remained low and vacancy rates higher than other Town Centre locations. Within this market, rental growth has been limited namely due to a lack of demand within the area and difficulty in leasing current vacant space, rentals remain in the \$400 to \$500/m<sup>2</sup> range. The Belconnen retail market has experienced expansion with the continued development of the Belconnen Water Front. Rentals

within the area have stabilised from 2006 with low levels of rental growth and low increases in purchase prices.

Other retail opportunities exist within the secondary services trades markets, which are within close proximity to the Town Centres. They enjoyed growth throughout 2007 and a slight retraction in 2008 with movements in the cost of capital and varying business conditions. Although some softening in yields has occurred, the gains from 2006 have remained relatively healthy.

*...The overall market sentiment within Canberra is expected to be cautious throughout 2008...*

Group Centres have continued to perform well with the gradual decline of Local Centres and tenants preferring the more expensive popular locations. Rental levels have increased over the past two years and yields have remained stable in spite of the increasing interest rates. Purchases from 2006 have benefited from the continual prosperity of these locations.

In the hierarchy of Canberra retail, Local Centres sit near the bottom and are generally restricted to local services including independent supermarkets, medical suites and personal services. The market is generally driven by location with a number of centres becoming increasingly obsolete. Rental returns from these locations remain in the vicinity of 8% to 10% with low to nil rental growth in the past two years for properties located within inferior centres. More popular areas have experienced moderate rental growth and a tightening of yields to range from 7.5% to 9%.

Finally, the Fyshwick Industrial retail trades areas have remained popular due to the lower rental cost and access to the market. Since 2006, the market has continued to grow and rental levels appeared to have stabilised. Yields have remained steady at 7.5% to 8%.

Investors who purchased small retail properties in 2006 have for the most part profited with the continuing compression of yields within the investment market. The recent adjustment of the official cash rate has tempered some of the markets through 2008 and vacancy levels in secondary locations have remained with investors awaiting a return. The overall market sentiment within Canberra is expected to be cautious throughout 2008.



## Melbourne

In the last two years Melbourne's retail property market continued to be tightly held with 'Mum and Dad' investors facing strong competition, as more experienced investors and a growing number of international buyers pursue opportunities throughout Melbourne's CBD and suburban strips. However, in 2008 there has been a change in investor sentiment caused by uncertainty in the Australian economy. Global economic factors, such as the recent USA sub-prime credit crisis, appear to be

impacting upon Australian property investor sentiment particularly on the back of the collapse of Centro and MFS property trusts. Local interest rate rises have also had an effect on the market, in particular entry level investment.

Due to this uncertainty in the market, typical 'Mum and Dad' investors have been put-off first time retail investing. However, with more properties on the market and some investors less willing to purchase two years ago, the opportunity has arisen for more experienced investors who recognise strong value in the market, when compared to prices paid in 2006 and 2007.

The days of novice investors purchasing their "first" retail property may prove to be far too risky given the current economic conditions. Conscientious 'Mum and Dad' investors may still benefit from current retail property market conditions, however a full due diligence is required to limit any increased risk.



*Melbourne's Commercial property market*

The Federal Budget made announcements that may effect the Australian property market, such as the first home savers accounts and the \$500M housing affordability fund, will have little impact on the Victorian commercial property market. However, two main changes were announced during the Victorian 2008 state budget that should have an impact on the commercial property sector.

According to the Victorian Government website, adjustments to the tax brackets for stamp duty will reduce purchasing costs for property buyers, including businesses, across Victoria by cutting \$422M worth of stamp duties over the next four years. All land tax payers in Victoria will benefit from a reduction of 10% from 2.5% to 2.25% in the top land tax rate and increases to thresholds for payments from the start of 2009. The top rate is down from 5% in 1999. After these latest changes, all Victorian businesses with land holdings valued between \$400,000 and \$5.7M will pay less land tax than they would in New South Wales and Queensland.



## Adelaide

If attendance at commercial property auctions is any guide, much of the mystery of commercial property investment has vanished. Once the domain of hardened business types, a cross section of the gallery these days often includes a number of 'mum and dad' investors – and they are not there for decoration either!

The recent prolonged period of growth in the property market has increased the confidence of those involved, many of whom have benefited from a rising market rather than as a result of specific knowledge. As a result, many have sought to invest in non-residential property seeking to maximise returns as part of their retirement strategy.

This would appear to have been a widespread trend which has boosted the value of lower and mid level commercial properties over recent months. Evidence of this is provided at a recent portfolio auction of country bank branches where returns (rental income: price paid) were less than 5% - comparable to the return on a decent residential property or the return from depositing your money in the bank!

The entry level for retail property, like residential property, has increased in recent years. The market has moved forward, purchasers are 'cashed up' as a result of previous successful property dealings and confidence is high. As properties become scarce however, demand will increase for properties in marginal locations or with less secure leases which, in the face of a general slow down of the property market, may bring some investors undone.

As for the residential property market, the recent Federal Budget appears to have been well received on the strength of tax cuts, infrastructure spending and a focus on reducing inflationary pressures. Commercial and Residential investors alike are focussed primarily on the immediate effect of the budget on interest rates and therefore, the property market.



## Brisbane

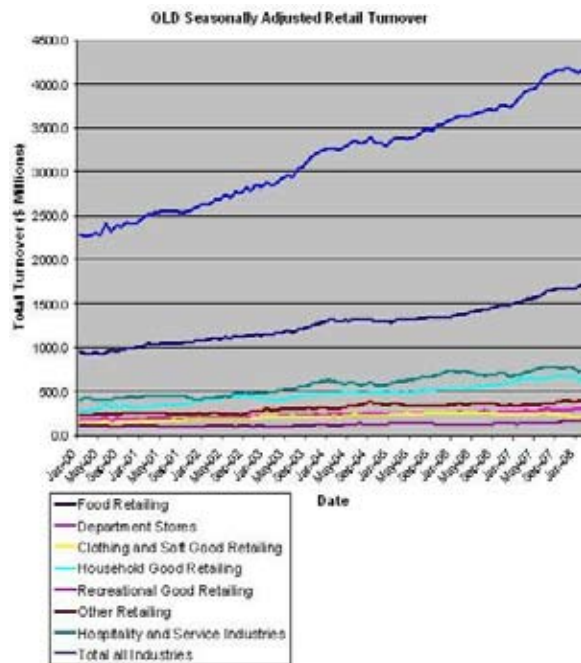
### ECONOMIC/COMMERCIAL MARKET

Whilst over the last six to 12 months the volatility of the world economy has begun to permeate into the Australian debt and equity markets, the underlying fundamentals of the economy have remained strong and are typical of an expansionary economy. With the continued strength of these fundamentals, the Reserve Bank has continued to attempt to control the underlying inflation to decrease it to within their long term target range. These attempts have been in the form of three increases to the cash interest rate, two during 2007, one in February 2008 and one in March 2008, to lift the official interest rate to 7.25%, a 12 year high.

In 2008 we are beginning to see yields ease, although there is still significant interest in substantial, good quality investment property, in particular from private investors. Astute potential investors appear to be most interested in those properties that display largely national tenants with proven track records. Performing good quality property with compounding income growth over time is seen as a sound investment strategy and we would expect this trend to continue.

## RETAIL

The retail property market is directly linked to consumer spending with the positive drivers in retail spending including employment, wages, migration and consumer confidence. The graph below illustrates the overall retail turnover in Queensland that has steadily increased each year over the past seven years, but is now showing a slight downturn due to inflationary pressures impacting on disposable income.



We have seen steady rental growth in retail properties in line with the overall growth in spending. Prime yields within Brisbane tend to fall within 6.25% to 7.25%. Keener yields are normally associated with properties that have redevelopment potential and/or significant potential for rental growth. We are expecting yields to ease in 2008 and rents to remain stable.

## ENTRY LEVEL OPPORTUNITIES

The retail market across South-East Queensland has seen unprecedented growth over the last several years. This growth has been inline with a strengthening economy, strong consumer spending and high consumer confidence. Such strong economic conditions have driven rental rates to new highs and conversely put downward pressure on yields. To this end, entry level opportunities within the retail sector are rapidly becoming scarce or at least the term 'entry level' is being redefined.

A sound investment strategy within the retail property sector is to have firm national tenants with strong rental growth. These strong retail properties are found within suburban shopping centres, strip-retail centres in

recognised retail precincts and fringe locations. However, with such strong investment terms, these properties rarely fall under the \$2M bracket. Therefore, for most 'Mum and Dad' investors, this level of retail property is out of reach.

To find 'entry level opportunities', softer, less desirable locations need to be examined. Small, strata titled retail units in suburban retail locations fall generally within the \$500,000 to \$1M bracket. However, with these softer conditions brings higher risk and therefore a need for a higher return. Rents in strata titled units may range from \$250 to \$450/m<sup>2</sup> p.a. with yields from 7.25% to 8%. However, small strata titled units are generally traded on a rate per square metre basis as they are, in the main, traded in the owner occupier market which gives little concern to a return on the investment. Having regard to such factors as exposure to vehicular and pedestrian traffic, quality of the building and location, to name a few, rates/m<sup>2</sup> of building area range from around \$3,000/m<sup>2</sup> in outer lying suburbs with limited exposure to upwards of \$10,000/m<sup>2</sup> for fringe locations with excellent exposure.

The retail property market may be more difficult to breach than other commercial property sectors, however there still remains sound investment opportunities, albeit at the upper end of the private investor market. At the 'entry level' point in the market, there are fewer investment opportunities that would provide an acceptable risk ratio given the current economic conditions, the weakening financial markets and the sliding consumer confidence and discretionary spending.



## Gold Coast & Tweed Coast

### GOLD COAST

We valued a 40m<sup>2</sup> strata titled shop in mid-May. We had a big task in finding good comparable sales in the \$200,000 to \$400,000 price range. This particular property was at the rear of the ground floor of a high rise complex and there had not been a sale on the ground floor since 2000. In fact, the majority of the shops were still in the hands of the original purchasers in the late 1990's.



*Strata titled retail space on the Gold Coast*

There are not that many buildings on the Gold Coast that comprises of strata retail shops at all. Those buildings

have been developed specifically for the strata market or existing buildings sub-divided to provide strata space.

Strata titled retail space has also been provided in mixed use developments in locations such as Robina or Varsity Lakes. Most have been sold although some still remain on the market.

Strata titled retail space has proved to be nowhere as attractive or plentiful as strata titled industrial units. We have discussed in previous Month In Review Reports the reasons for the absolute proliferation of industrial units on the Gold Coast. They provide the small plumber, mechanic etc to own his own building and escape the rental trap. Purchases have been achieved with low finance, with collateral provided by a house that has rapidly increased in value. There has not been anywhere near the same level of interest from owner occupiers for retail as there has been for industrial or office units.

The reason for the explosion in the supply of industrial units was that there was the demand and that the prices were reasonable. It is not the case with retail as suitable land is much more expensive and the cost of constructing a retail building is more than the cost of building a tilt slab industrial unit.

As alluded to above, there are not a great number of strata titled retail buildings and, consequently, not many re-sales so that we can see how the market segment performed. One example, however, is that of a shop at Chevron Island that was sold for \$900,000 in November 2004 and re-sold for \$1.1M in February 2008. This transaction reflected an annualised rate of growth of 6.17% in capital value.

The other main problem is that retail tenants in secondary or even tertiary locations, which is what we're talking about when we're discussing entry level opportunities, have been used to paying low rental levels. The rents reflect the location and, in most cases, the building is dated and in a fair state of repair only. A developer obviously wants a commercial return on a new building which results in higher, in some cases significantly higher, rents. Affordability becomes an issue.

As a matter of interest, we are receiving an increasing number of enquiries from tenants concerning the level of rent that they have been asked to pay on the exercising of the option to renew their leases.

Retailing is a tough business. Always has been and always will be. Competition for the customer's dollar is going to be more difficult as 2008 continues. The curbing of inflation is a top priority of the Federal Government and there are signs that successive increases in interest rates are starting to bite consumers. This will add to the woes of the small retailer.

We don't see the Budget as having a significant effect on commercial property on the Gold Coast. The tightening of credit and increased interest rates have already had a dampening effect on both enquiry and demand.

*...There has not been anywhere near the same level of interest from owner occupiers for retail as there has been for industrial or office units...*



## Sunshine Coast

Entry level investment opportunities on the Sunshine Coast are typically considered to be in the sub-\$600,000 value range. This value range generally limits the locations that entry level investments can be found.

This precludes the majority of properties from strong retailing centres, such as Mooloolaba, Noosa Heads and Coolool Beach.

The main areas of interest for these types of investments will remain to be the hinterland areas of the Sunshine Coast and centres, such as Caloundra and Maroochydore, with smaller strata titled units and Nambour.

We were previously asked the question of where good retail investment would be in 2006 and thought that stratas in arterial locations would prove a strong investment. In general terms they have, with limited vacancy over that time and rental growth being noted, though yield levels have held fairly stable.

Our prediction for growth in investor interest the coming medium term includes hinterland areas that have experienced or are experiencing strong population growth or centres, with limited local services currently. Areas that spring immediately to mind are Beerwah (good population growth with an older main retailing area), Glass House Mountains (strong population growth, though limited local service offering and limited room for expansion under current town planning), Palmwoods (older local commercial area that is beginning to be redeveloped) and Yandina (older local commercial area that is beginning to be redeveloped.)

Some of these areas will see healthy competition from owner occupiers also, which is likely to put pressure on yields despite current interest rates, and may force some investors out of the market if returns become unviable.



Finally, a few thoughts on the recent Budget announcement. There did not appear to be too much in the Budget that will heavily impact the Sunshine Coast commercial market, however, the improved child care offers are likely to continue to help this sector of the overall market. This could be lowered though with the

proposed changes to maternity leave, which may drop occupancy in some areas, particularly in the under 12 month spaces.



## Southern Queensland

### TOOWOOMBA

Since 2006 it has only become harder for Mum and Dad investors to “get a foot in” Toowoomba’s retail market. The sub-\$500,000 entry level opportunities are now almost exclusively limited to the small freestanding shop/corner store in suburban areas.

The positive with this type of investment is that yields are generally higher than the average retail investment property. This higher yield however is a reflection of the increased risk due to factors such as the age of building and quality of tenant. These factors have also limited rental growth over the past couple of years, which in turn has restricted capital growth.

Local businesses have reported a post-Christmas lull in retail activity which has been blamed on the consumer’s added burden of higher fuel prices and higher rentals/mortgage payments. The level of retail activity is seen as an underlying factor in the strength of the retail property market. Retailer’s confidence has improved recently with the recently announced Budget tax cuts and rent relief initiative that is expected to increase the disposable income of consumers and subsequently boost retail activity. This improved outlook however could quickly change with another increase in interest rates.



## Central Queensland

### ROCKHAMPTON

Entry level retail opportunities in Rockhampton are still limited with few properties available for either purchase or lease.

We are noting that in anticipation of substantial rental increases or redecoration requests some profiled local traders have chosen to relocate to more peripheral suburban centres with lower rentals anticipating continued patronage through a perceived personal goodwill built up from the previous site.

Since 2006, a new shopping centre anchored by Woolworths and Big W has been built at Yeppoon, an additional convenience centre, has been built at South Rockhampton, and a major redevelopment is underway at our largest centre Stockland Rockhampton.

Refurbishment nears completion at City Centre Plaza and further retail activity is planned at Allentown.

The further concentration of activity in these already established nodes will put further pressure on secondary locations. We are in for interesting times supported by our strong regional economy.

The adjustments to GST calculations under the margin scheme will need to be monitored closely to assess impact on development profitably.

### BUNDABERG

There is limited opportunity to get a foot in the door in rental property at below \$500,000. With most retail property now in the \$2,500 to \$5,000/m<sup>2</sup> range, \$500,000 will only purchase 100 to 200m<sup>2</sup>. This would limit a buyer mainly to strata titled property if they can find it. The development of strata title retail space may be a development opportunity. Other opportunities may include under rented premises where there is good opportunity for rental growth or older property where refurbishment can result in a change to a higher use. The entry level in retail property now is probably more in the \$500,000 to \$1M range and those that purchased a property 12 months ago under \$500,000, should have seen good capital growth. The prospect for further capital growth as a result of further yield compression is likely to be limited. The best prospect is therefore likely to be from rental growth.



The 2008/2009 federal budget will have a minimal effect on the commercial property sector in the greater Bundaberg area. One important area of federal funding will be for a GP Super Clinic in Bundaberg. The Government will contribute approximately \$5M in capital funding. The proposed clinic will house general practitioners and a range of other health professionals including physiotherapy, dietary, podiatry and specialist care for seniors. The proposed clinic will certainly boost the attractiveness of the local area for potential home buyers/investors/retirees.

### MACKAY

\$500,000 is considered “small change” in the Mackay commercial/industrial market these days. In mid 2006, \$500,000 would have bought a 4,000m<sup>2</sup> industrial block of land, a 250m<sup>2</sup> new industrial unit or a small, older style shop of around 200 to 250m<sup>2</sup> in the central business district.

Today, that same money would only get a 2,170m<sup>2</sup> industrial site, a new industrial unit of less than 200m<sup>2</sup>, and you would be lucky to find a building in the CBD in the sub \$500,000 range, but it would probably have to be less than 150m<sup>2</sup>.

The recent financial “drama” throughout Australia doesn’t seem to be changing this trend for this sector of the market. Although investors are wary of increasing interest rates and this is affecting yields, it’s a strong increase in rental rates that is driving value growth in Mackay.

There are very few vacancies in the CBD for both retail and office space, and as retail/professional business expansion plays catch up to a population growth of over 10,000 people in the city since 2004, demand for space is at a premium, and this in turn is driving rent values. Recent examples indicate up to \$495/m<sup>2</sup> gross for premium location CBD shops, and rental increases in the order of \$100/m<sup>2</sup> for shops which were renting two years ago at around \$300/m<sup>2</sup>.

With significant increases in value over the past two years, ‘mum and dad’ investors wanting a commercial or industrial investment property have been pretty much forced to the secondary locations or older property. Buyers for this class of property should be aware that these types of property can be the hardest to realise upon, both in terms of value growth and selling period if the market turns tough.



## Cairns

There is now and always has been a dearth of entry level retail property in Cairns priced up to the magical \$500,000 mark. The CBD retail market in particular is small and tightly held and there is almost a complete absence of strata titled retail product. There is a very low volume of product movement in this sector and certainly no product expansion happening in terms of new retail development.

Since June 2006, investment yields on small retail properties would have moved in tandem with yields in the commercial property sector generally. The last two years have seen net yields typically firm from 7.5% in mid 2006, to 6.75% in late 2007, but ease to 7% to 7.25% over the last six months.

However, unlike the office and industrial sectors which have experienced rapid escalation in rents over the last two years, rents in the retail sector have hardly moved over the same period apart from CPI adjustments. The counterpart is that value levels for retail buildings/m<sup>2</sup> have been left behind by the office and industrials sectors, with retail buildings showing only about a 10% to 20% increase over the last two years compared to much higher increases for office and industrial buildings.

The recent Budget will have little specific impacts on the Cairns commercial property markets. The Cairns economy

will benefit from national initiatives to control inflation and address infrastructure and skill bottlenecks, but there is no reason to believe Cairns will gain special advantage or disadvantage from these measures compared to other locations.



## Townsville

In June 2006, we Reported that the Townsville market contains few retail property investment opportunities at an entry level of up to \$500,000 due to a general lack of CBD strata title premises or smaller suburban strip retail complexes constituting properties in this price category. Properties at the time were showing rates/m<sup>2</sup> of floor space starting at \$800/m<sup>2</sup> for 20 year old suburban shops through to \$1,500 to \$2,000/m<sup>2</sup> for more modern and/or CBD established buildings and \$2,500 to \$2,700/m<sup>2</sup> for new buildings. Comparable rates nowadays start at \$2,500/m<sup>2</sup> for the suburban shops through to \$3,000 to \$4,000/m<sup>2</sup> for more modern and/or CBD established buildings and \$5,000 to \$6,000/m<sup>2</sup> for new buildings. Rents for these buildings, which typically ranged from \$100 to \$150/m<sup>2</sup> p.a. in 2006, are now in the vicinity of \$350 to \$500/m<sup>2</sup> p.a. Nevertheless, yields have receded from typically 9% to 10% in June 2006 to a range of 7% to 8% in the present market. Investors who purchased in 2006 have benefited from significant escalation in property values as well as progressively increasing rents, at least at times when rent reviews come into play.

The escalation in values also means that nowadays Townsville has very few retail properties in the sub-\$500,000 market. Standalone or retail strip premises have been priced out of the market, and the only sub-\$500,000 product that remains are small (100 to 150m<sup>2</sup>) strata title premises typically costing \$3,000 to \$5,000/m<sup>2</sup> of building. Plus, there is stiff competition for these types of premises from the owner occupier market with the result that, for investor purchases, yields are at the lower end of the scale.



Finally, on the Federal Budget, there do not appear to be any elements which will specifically advantage or disadvantage any commercial property sectors in the Townsville market. Nevertheless, we expect the

Townsville economy at large to be positively impacted by the increase in infrastructure spending to improve its road and rail transport efficiency and its export capacity.

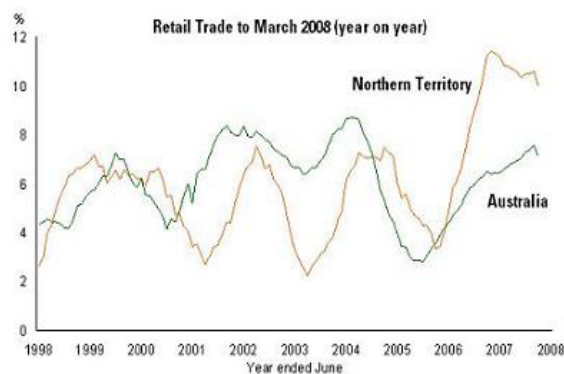


## Darwin

In June 2006, we discovered that by putting a “lazy” half million into Darwin’s retail sector, despite the very strong commercial/industrial property market in Darwin, an already “lazy” half million invested in the retail sector could become a completely “troppo” half million here if market fundamentals are ignored. This is a sector where both local knowledge and at least basic retailing savvy is required for investment success. One without the other has been disastrous here in the past, and one should not expect that they can be ignored in this sector even under the current robust economic conditions.

One place where such fundamentals do exist is Mitchell Street. Crocosaurus Cove, which will feature large and very much alive crocodiles in the heart of Darwin’s CBD, is to open shortly fully leased. We are relieved to report that it does not appear that debt collectors are on its tenancy schedule.

In any case, debt collectors should not be too busy here. As shown by this graph, there have been dramatic rises in retail spending in the Territory since 2006:



Source: ABS Catalogue Number 8501.0

### Retail Turnover - March 2008

However, that turnover has not yet translated into the retail property market. Industrial property continues its surge (but demand for small units has eased), prime and A-grade office supply can no longer meet demand and secondary retail is still not performing. It appears that all that growth is being harvested in the prime retail areas such as Casuarina Square. For instance, CBD rentals have achieved CPI rises at best, and in some instances only held; some asking rentals have even declined beneath the \$300/m<sup>2</sup> traditional standard.

*...“Timing” is the word that should be just after location, location, location...*

With all this prosperity, and the very many apartments constructed and planned in the CBD – especially those

planned or near completion in the Darwin Waterfront development – this irresistible spending force now shows signs of shifting the formerly immovable object of the retail rental market. For instance, there has been significant infill in formerly vacant retail areas along Cavenagh Street since June 2006, despite the fact that it is almost impossible to get a carpark nearby. The sooner the powers that be recognise that in the tropics people are much more reluctant to walk from large concentrated car parks, and develop new parking policies on that premise, the better for the CBD’s health in general and retailing in particular.

In summary, while the cautions we expressed in June 2006 have been justified and remain legitimate, we anticipate a better track record between now and June 2010 than was the case in the last 2 years. “Timing” is the word that should be just after location, location, location in property, and it is getting time to take a look at Darwin’s retail sector.



In general, both the National and the Territory budgets have been fairly well received. In particular, the emphasis on interest rates is regarded locally as very important, and delivery of the election promises concerning road infrastructure has been prompt. There are other infrastructure delivery plans in the pipeline or under way which should assist in Darwin’s growth management. Notably, there are significant private and public initiatives on the way towards delivery of more industrial land, but that is a story for later issues of this Review.



## Perth

The discussion topic for this month revolves around entry level opportunities within the retail property sector. A number of opportunities exist for the investor to seek small retail property, often transacting within \$2,500/m<sup>2</sup> and \$4,000/m<sup>2</sup> in suburban localities. These properties, however, often represent either a strata titled shop or a strip shop in a secondary location and often have risks associated with securing a good tenant with an established business and achieving rental returns reflecting location and condition of improvements.

A trend over recent times is the establishment of “mixed use” developments, where ground floor commercial can facilitate either retail or commercial office tenancies. These are often in retail precincts and offer an opportunity to enter into the retail market as risk can be spread due to these improvements appealing to a wider range of commercial uses.

An alternative trend is showroom style developments that often attract retail tenancies seeking highway exposure or a larger tenancy area that strip retail/strata shops can offer. As an entrée to the retail market, these property types can be a consideration as there are historically low vacancy levels for this type of development. With regard to larger or blue chip retail areas, there is a dearth of properties offered to the market. Whilst these properties are tightly held, the general impression is that yields have softened. In saying this, it is often the case that trophy blue chip retail shops or strategic purchasers will indicate the opposite. We consider that of the three main sectors of commercial office, industrial and retail, retail is the least of the performing property sectors. This view is held due to the impact of some national economic indicators that impact on disposable income such as inflation, which directly affects household expenditure such as the weekly food bill, fuel costs and rising interest rates.

Whilst there have been numerous commentators on both the State and Federal Budgets, the State budget seemed to deliver the most with regard to the property sector. Whilst there is to be a huge budget surplus of \$1,855M in 2008/2009, tax relief measures are to include a reduction of 15% in stamp duty for residential owner occupiers, significant increases to infrastructure programs, a 5% reduction to stamp duty and a number of cost saving measures to land tax. Whilst these may represent only token tax relief, the State Government has undertaken some ambitious infrastructure projects which augers well for Western Australia business opportunities.





## Residential Overview

Residential property ownership has become an important component of wealth creation for most modern Australians. There are few investors today who do not hold some level of property on their spreadsheets as the tangible allure of bricks and mortar can boast more appeal than the paper profits of equities. With this appeal has come a general increase in values across the board. Many of us remember when \$500,000 was a substantial holding in residential property however our nation's continuing prosperity has weakened the punch of a half million purchase. While a substantial amount of this market confidence has occurred over the last few years, there have been recent indications across a number of markets that the tide is turning.

This month's report provides a vivid demonstration as to how markets can change. When looking back on 2006 and comparing \$500,000 then with the same amount today, it becomes apparent that there is no sure thing in investment and buyers must seek advice and tread carefully before they commit. In most cases, it appears that our offices were able to use their specialist knowledge to ensure their suggested \$500,000 investment in 2006 performed well in relation to other alternatives.



## Sydney

In 2006, one of the considered 'hot spots' for investing \$500,000 in the Sydney residential market were riverside apartments in the suburbs of Meadowbank, Homebush Bay and Rhodes. Investors looked to jump on these properties as there was limited supply and the developments were considered to be in a desirable and sought after location for prospective tenants. It offered an alternative for investors to purchase a waterside property without having to spend a substantial amount

in the eastern suburbs or northern beaches. Presently in June 2008, we are seeing a larger supply of apartments in these areas. Development has rapidly increased, leading to an oversupply of riverside apartments, resulting in decreased current market value.



*Riverside apartments in Rhodes*

In hindsight, investors would have been better off focusing their investments in other areas of the Sydney residential market. Sydney's inner west has continued to show stable growth since 2006. A \$500,000 investment within these suburbs would have experienced growth with good rental returns. There is a shortage in supply in the inner west and exceptionally high demand generating strong market growth.

In today's market, \$500,000 would best be invested in suburbs within 10km of the city centre. With interest rate rises over the last year, Sydney's western suburbs have seen increasing numbers of mortgagee in possession sales resulting in an overall decrease in median market value. It seems that suburbs of higher value with close proximity to the city have not been as negatively affected and the market remains strong. With this trend in mind, investors would certainly be wise to place \$500,000 in the inner west suburbs and the strong performing eastern suburbs where demand remains very high. Dramatically increasing rentals are expected to continue which further adds to the appeal of investment in these regions.

For \$500,000, the types of property available for investment within the Sydney market is limited. This is due to the overall prices in the Sydney market. Taking into account the previous comments relating to investment in the inner west and eastern suburbs, there is really only the option of purchasing residential units, as \$500,000 is not sufficient to invest in a house or multi-residential development. Units continue to show strong rental returns, and are in high demand and continue to remain an attractive investment.

A savvy investor in the greater Sydney residential market may look outside the box and try to capitalise on the current cheaper prices in Sydney's western suburbs. Although these properties have shown decreased values, rents have remained very strong. As people are increasingly struggling to afford a mortgage, renting has become popular leading to higher rentals due to lack of supply. An investor could purchase two \$250,000 detached dwellings in a suburb such as Cranebrook (just north of Penrith). \$250,000 would buy a 1980's, 3 bedroom dwelling on a 600m<sup>2</sup> block with an approximate rental of \$300/wk. So for a \$500,000 investment, a return of \$600/wk would result in an attractive yield. The downside of this type of investment is that capital growth is likely to be less than that of an investment in the traditionally stronger performing inner Sydney suburbs.



*\$500,000 could be invested in two of these dwellings in Cranebrook*

The release of the 2008 Federal Budget last week is not expected to have a huge influence on the Sydney residential market. We may see some of the western suburbs strengthened slightly, with some lower income families set to receive tax breaks this year which will offset higher interest rates. The budget means first time homebuyers have had their Government contribution increased to \$12,750, which may attract some purchasers into the market who otherwise would have continued renting.



## Wollongong

The Wollongong investor who has a "lazy" half million has a many and varied choice in this market.

They could invest in a new residential dwelling in an establishing outer suburb such as Horsley or Haywards Bay, a unit in the CBD with ocean views, or an older

home close to the beach in the northern suburbs around Woonona and Bulli. All of these will give good rental returns, and the first two will attract deductions on a depreciation basis.

The outer (southern) suburbs of Wollongong such as Horsley or Haywards Bay are developing with a range of new housing in well laid out suburbs close to established amenities.

At present a brand new 4 bedroom, 2 bathroom dwelling with double car accommodation is typically showing a rental return on investment capital of between 4% and 4.5% and can typically be purchased from between \$400,000 to \$500,000.

Another choice may be the purchase of a 2 bedroom, 2 bathroom unit in a larger development close to the CBD, with some ocean views. At a cost of approximately \$450,000 to \$500,000, such properties are attractive to both local and interstate investors and will return on average 4.5% p.a. or even higher if the investor is able to secure a corporate lease structure with a local company such as BlueScope Steel or the University.

Up north, there are many pockets of older dwellings within easy walk to the beach, which, whilst needing some tender loving care, are well located for rental return and future capital growth. Streets such as Pendlebury Pde in Woonona and Park Road in Bulli are close to the ocean, shops and trains, but houses can still be picked up for around the \$500,000 to \$550,000 mark.

There is little new land available as you go north in the Illawarra and these beachside suburbs are well placed for future capital growth, or redevelopment at a later stage.

An interesting alternative to a single residential dwelling is a block of residential flats comprising a number of units that are owned in one line and on the same title. There are many blocks of flats available throughout the Illawarra which are regularly offered for sale and many are priced at less than \$500,000, depending on the number of flats in the building, the rental returns and the location.

Most flat blocks have strong rental return in comparison to other residential investments, and the gross returns can range between 5% to 7%. They can usually be secured on a residential loan structure, in which the interest rate applicable is usually lower than that of a commercial loan structure. This maximises the investor's return on their money.

Residential flats often have development potential as the investor can possibly strata title them with some upside.

Having said this though, there are a few things that investors need to be aware of when purchasing flats to strata. These include the local council regulations in this regard, fire safety regulations that need to be met as well as State Environmental Planning Policy no. 10 – Retention of Low Cost Rental Accommodation.

SEPP 10 is a policy that is designed to retain low cost housing accommodation throughout NSW. It does this by determining what low cost housing is for that suburb based on the weekly rental return being achieved throughout the area. If your flats fall into a bracket that is

considered to be 'low cost rental accommodation' then it will be unlikely that council will approve the development for strata subdivision. Feel free to contact Herron Todd White Wollongong for further information about SEPP 10 if you wish to look into strata subdivision of a block of flats.

The budget will not have a great effect on properties in the Wollongong market, with added payments for lower income families and the aged. The two factors which will affect property values are the cost of fuel and the rise in interest rates. Our opinion at this early stage is that property further from work centres such as the CBD and Port Kembla (and Sydney for about 15,000 commuters each day) will be less sought after. Pockets such as Mangerton, and some of the well regarded northern areas such as Thirroul and Austinmer will be less affected.



## Central, North & West NSW

### DUBBO

In 2006, \$500,000 would have enabled you to purchase an upmarket dwelling in Dubbo. In 2008 rising interest rates and a decline in demand has resulted in an increase of listings of properties in this high cost market. A recent sale at 4 Hillcrest Place, Dubbo is evidence of this market segment softening. The property was constructed in 1996, with 5 bedrooms, 3 bathrooms, an in-ground pool and 320m<sup>2</sup> of living. The property is positioned on a 1,535m<sup>2</sup> allotment with golf course frontage in one of the most sought after locales in Dubbo. The property sold for \$500,000 – expectations were that the property was worth a lot more.

In today's market with limited capital growth to be expected, an investor with \$500,000 to spend would be at an advantage by purchasing a number of low cost dwellings or units where the investment return can be maximised. Affordability issues for families who cannot afford to own their own home as a result of increasing interest rates are forced to rent and with high demand for rental properties and limited supply, rents have increased and investment properties are experiencing higher returns in addition to capital growth.

*...The market for investment properties today is not vastly different to the market in June 2006, although the purpose behind what you would purchase has changed...*



## Newcastle

Two years ago we looked at where investors nearing retirement with a cash sum of \$500,000 could best look to purchase residential property in the Newcastle Region. Such a sum of money would have given the investor a large amount of equity in the property purchase and help to create a positive cash flow, welcome news in today's market where rising interest rates and increased inflation have put increased pressure on those with investment property which is highly geared.

Let's review those five areas we looked at two years ago:

- A small modern unit, older style terrace or cottage located in inner city suburbs such as The Hill, Cooks Hill, The Junction or Merewether – within walking distance of a number of inner city restaurants, shops and surf beaches. *Despite the slow down in the market and reduced sale volumes, these localities are generally seeing values holding up and increased returns as rents continue to firm. Certainly units have felt the pinch more as the market has slowed with a general weakening in median sale prices.*
- An older style, renovated house located in fringe inner city suburbs such as Hamilton South, Adamstown or New Lambton – well positioned being only 10 to 15 minutes drive from two major shopping centres (Westfield Kotara & Charlestown Square), the CBD and surf beaches. *With the slow down in the market and reduced sale volumes, these localities are seeing values soften with properties showing increased returns as rents continue to firm.*
- Two small cottages in a suburb such as Carrington – an affordable inner city suburb with some mixed industrial uses located along the Harbour foreshore. *Despite the slow down in the market and reduced sale volumes, Carrington has seen values remain static and increased returns as rents continue to firm.*
- A house located in a coast side suburb such as Stockton, which is a unique suburb bounded by a harbour on its western side and surf beaches on its eastern side. It is a 20 minute drive from the city centre but does have a pedestrian ferry crossing the Harbour into the CBD. *Despite the slow down in the market and reduced sale volumes, Stockton has seen values remain static and increased returns as rents continue to firm.*
- A modern house located in a well located suburb such as Charlestown – situated either side of the Pacific Highway and serviced by Charlestown Square (48,700m<sup>2</sup> of retail shops.) *With the slow down in the market and reduced sale volumes, these localities are seeing values soften with properties showing increased returns as rents continue to firm.*

Certainly the recent Budget handed down by the Australian Labour Party will not help solve the residential property markets biggest hurdle being the prospect of further increased interest rates, with inflation predicted to remain above where the RBA wants to see it. We are unlikely to see the market improve until there is a cut in official interest rates.



## Southern NSW & Northern Vic

### ALBURY

The market for investment properties today is not vastly different to the market in June 2006, although the purpose behind what you would purchase has changed.



If you had \$500,000 to sink into the property market in the Albury/Wodonga region, it is most likely that you would purchase a block of flats on which you could expect to earn 4% to 5% p.a. gross return.

In 2006 you would have been investing this money into the units mainly for the capital appreciation that the property would bring, whereas today in the weaker market you would invest the \$500,000 in the flats for the cash flow that would be received.

### WAGGA WAGGA

In Wagga Wagga the investment market continues to be strong mostly due to expansions of the RAAF base, continued growth in numbers of students attending Charles Sturt University, and a significant influx of personnel employed at the Hume Freeway which is under construction near Wagga Wagga.

In Wagga Wagga the best return for your \$500,000 would be to purchase two \$250,000 homes in the outer suburbs of Wagga Wagga. A home in these suburbs at \$250,000 would expect to receive a rental of \$300/wk, showing a gross rental return of between 5.5% and 6% p.a.

In 2006, the same property would have been purchased for \$220,000, but would only have received a rental of \$220/wk.

The budget announcement will see very little impact on the residential market in the Southern New South Wales and Northern Victoria regions. There has been no specific injection of money into any local industry or any sector of the market to significantly impact on the local residential market.



## Canberra

In 2006, we commented that \$500,000 would purchase a 4 bedroom ensuite home in an establishing outer suburb, a 2 bedroom ensuite unit in the Town Centres of Woden and Belconnen, or a small unit development in nearby Queanbeyan.

Two years on, and the same amount may purchase an older style 4 bedroom home on a larger block in an established outer suburb or a modern 3 bedroom ensuite home on a courtyard block in an established outer suburb. Investors can expect strong rental yields of between 4.8% to 5.2%, however capital growth on property in outer Canberra has been significant in the previous year, ranging from 7.1% to 18%. Investors looking for capital growth may prefer single housing, whilst those looking to maximise rent return may invest in units.

Defence Housing continues to be a popular investment option in Canberra, providing low risk returns amidst uncertain economic conditions. At the half million mark, there is opportunity for a bargain with older residences, and guaranteed rent growth.

Older 2 bedroom units can still be purchased in inner suburbs such as Turner, where expected rent is approximately \$420 to \$480/wk. Investors seeking new developments in the outer Town Centres of Tuggeranong and Gungahlin, \$500,000 will buy a 3 bedroom townhouse. These developing centres provide affordable accommodation close to facilities.

There are few opportunities left for dual occupancies under \$500,000. A recent sale of a 3 bedroom dual occupancy unit in the outer suburb of Gilmore at \$339,000 indicates a good return on such an investment made two years ago when a similar amount purchased both residences.

A similar small unit development in Queanbeyan would possibly now fetch around \$750,000, with an expected return of \$200 to \$250/wk for 2 bedroom units, however developers are opting to rebuild on larger residential blocks zoned for medium density housing.

The announcement of the Budget is not expected to change the Canberra property market, as the proposed public service restructuring will have little effect on total employment. Proposed upgrades to major health facilities are likely to appeal to the aging demographic relocating to Canberra.



## Melbourne

The Melbourne office did not submit a prediction in 2006 so we have had the benefit of time. We hope that we would have recommended the inner Melbourne suburbs that performed strongly in 2007. Suburbs such as Fairfield and Ivanhoe in the north east, Yarraville in the west and

Kew East and Malvern East in the east, where the median price was in the \$400,000 to \$600,00 range, experienced growth of 25% or more during 2007.

Suburb	2006 median (\$)	2007 median (\$)	% change over 1 yr
Fairfield	511,000	692,000	35.4
Ivanhoe	595,000	768,000	29.1
Malvern East	692,375	1,000,000	44.4
Abbotsford	448,000	617,500	37.8
Yarraville	385,250	501,000	30.0
Carlton	528,750	868,750	64.3

Source: REIV

So if we had predicted these suburbs, we could surely give ourselves a pat on the back!

As for where we would invest \$500,000 in Melbourne's residential property market today, our choices would be inner Melbourne suburbs such as Maribyrnong, Footscray West and Altona. Although these suburbs did not perform as well as those in the table above, they have shown solid growth over the last two years and continue to show the potential for further growth. They should benefit, as buyers are priced out of suburbs such as Carlton and Yarraville. Although the next year is unlikely to produce the results shown below, over the medium term there is potential for capital growth.

Suburb	2006 median (\$)	2007 median (\$)	% change over 1 yr
Altona	370,000	410,000	16.5
Footscray West	326,000	400,000	22.7
Maribyrnong	520,000	585,000	12.5

Source: REIV

Houses with significant land components have performed the best this property cycle. Inner city and Docklands apartments also have good prospects for growth. After a period of limited growth, new projects have a much higher cost base and new apartment prices are likely to "drag along" existing stock. Of course this presumes developers do not over-supply/flood the market by releasing too much stock within a short span of time. The property would be purchased with capital growth in mind as rental yields in Melbourne generally top out around 4%. This does not compare favourably with other investment options such as fixed interest which is now 8%+ on call.

The federal budget lifted spending by only 1.1% for the coming financial year and most commentators have come to the conclusion that this is neither high enough to make the Reserve Bank raise the official interest rate or low enough to warrant a cut in official interest rates.

The Melbourne residential property market seems to have survived the first quarter of 2008 better than most residential property markets in Australia, though owners with mortgages would have been hoping that reduced spending could have prompted a cut in interest rates.

Without that cut or other stimulus, the Melbourne market will probably follow the other capital cities into a softer period.

The Victorian state Government's budget released on the 6th of May has some potential to increase demand in the local market. Stamp duty has been cut by 17% over all price brackets and the first home buyer's bonus has been increased by \$3,000 for those who buy in country Victoria. On top of this, land tax has been reduced and initiatives to more quickly release residential land for development, as well as extra public housing for low-income careers, were announced. Whether these changes will have a measurable effect or are mostly political grandstanding will be seen over the coming months.



## Adelaide

It would be a good time to have half a million dollars to invest in the Adelaide property market over the next few months. The talk is that property markets overall are showing signs of slowing – some more dramatically than others!

Having half a million dollars in your pocket limits the shopping list to the lower to mid ranges (unless it is used as a deposit on something more substantial) with good buys possible within a realistic distance of the city. The inner city apartment market presents an opportunity to buy a smaller property, often with some kind of rental guarantee, while your funds could possibly be stretched to larger, multi level accommodation or a ground floor cottage in the city square.

The outer southern and northern areas typically reflect housing stress earliest and signs are evident that the market has softened with lower attendance and less frenzied buyer behaviour generally. The market possibly has some downward movement ahead as supply and demand find their equilibrium, so this market might be one to watch rather than to get into at this time.



Keen bargain hunters could find a smaller house or unit in the 'inner' suburbs (within 5 to 10km of the city) but might have to accept that that these properties often require

some renovation or further capital expenditure of some kind. Similarly, a \$500,000 budget could secure a smallish house on 1,000m<sup>2</sup> to 2,000m<sup>2</sup> in the Adelaide Hills.

Without doubt, having half a million dollars to spend on a house in Adelaide today will not get you as much as it would have in 2006. Real estate in this state has enjoyed a sustained period of growth on the back of the buoyant national economy and, more recently, the pending resources boom in the north of the state. This scenario may change however in the face of global economic upheaval, increasing cost of living and rising interest rates which are expected to have a dampening effect on the local property markets overall.

Mr Swan's recently delivered inaugural Federal Budget appears to have been generally well received with the majority of public feedback to now being complimentary. Much of the buzz from mortgage holders however, is whether it will be enough to stem the tide of rising interest rates in the short to medium term.



## Brisbane

In recent months we have seen a whole lot of steam escape our property market pressure valve. Those darn interest rates are doing the trick when it comes to eroding investor confidence. Add to that the financial pressure from the rising cost of living and the prospect of ongoing growth for all properties looks slimmer than this time twelve months ago.

In this environment, it is more important than ever to stick with the basics. The fundamentals of location will serve well as recession proof property can bear the brunt of a slowing market far more rigidly than those homes and units in secondary positions. Detached homes in the near city suburbs of Kelvin Grove and Herston should help shore up your investment. For \$500,000 don't expect too much, but this figure will keep you well and truly away from a main road location for a basic donger with potential.

Since 2006 the Brisbane catchcry has revolved around infrastructure. Our sunshine capital keeps attracting crowds and it appears services are starting to stretch at their seams. With so much building going on, particularly in the field of transport, its little wonder our experts are predicting purchases close to travel hubs will provide the best place to park your dough. For half a mil, your options look good around the northern transport corridor in the suburbs of Kedron and Toombul which provide detached housing within this price range. The suburbs are also well serviced by retail and other amenities. The best thing to do is cast your net within 200metres of a bus or train station to look for a little piece of property with above average growth potential.

If vacant land is of interest, there are still a few plots available in the waterside suburbs of Sandgate and

Deagon. Our valuer on the ground suggests checking out smaller infill style subdivisions with one or two lots remaining and a developer keen to move on. This will give you some leverage in the bargain hunt and is not a bad strategy to apply across any number of Brisbane suburbs.



In response to maximising rental return, the prospects in Brisbane look a little dire at present. Sure, rental demand is at an all time high and vacancy levels are near nil but given the strength of our market, most property is achieving a gross return well below 5%. Once you deduct council rates, repairs, holding costs and incidentals, you are looking at a yield closer to 3% (sometimes less) and given the other options out there, most buyers aren't parting with their hard earned dollars. In this environment, capital growth is king, however if you must find an income stream, think specialty. Student accommodation is continuing to be a boom market for investors able to create additional bedrooms in already established homes close to university locations. Alternatively, look at established apartments close to the city as an option. While the returns aren't brilliant, the unit is unlikely to be vacant and there is little prospect prices will going backwards.

So given that the skies are looking just a touch greyer on the South East property horizon at present, the savvy buyer will either stay conservative or need to be far cleverer than everyone else to identify where the money will be in a few years time. Try the former – look for location and potential and don't overextend the borrowings to ensure you're good to go.



## Gold Coast & Tweed Coast

### GOLD COAST

Over the past two years we've continued to see strong market growth on the Gold Coast with the median house price almost reaching \$425,000. Whilst we've had good capital growth, affordability has become a significant issue. Where you are able to get an established older house within 2km of the beach or house and land package in the better master planned estates (Jacobs Ridge – Ormeau,

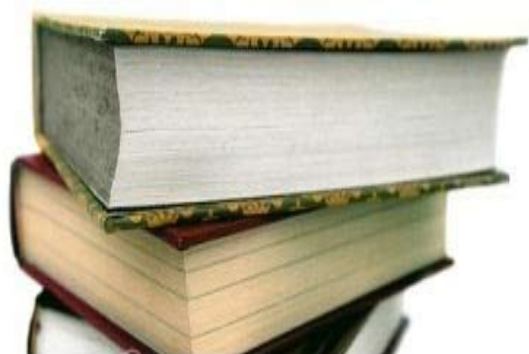
The Observatory – Reedy Creek) under \$500,000 in 2006, buyers now have to fork out significantly more in these areas.

The most affordable new houses are available in the northern corridor between Helensvale and Beenleigh where \$500,000 would buy a modern, 4 bedroom, 2 bathroom home with a pool at Upper Coomera or Ormeau of approximately 10 years of age. Also in the northern half of the Gold Coast, \$500,000 would buy a 10 year old, brick and tile, 4 bedroom, 2 bathroom home maybe with a pool in areas like Monterey Keys or Santa Barbara. Pacific Pines has also seen considerable growth over the past five years being a major feeder to the land supply market in this northern corridor. \$500,000 would get you a smallish, specialty home on 500m<sup>2</sup> to 600m<sup>2</sup> or a standard 4 bedroom, 2 bathroom house with no stand out features. Alternatively it will get you a 4 to 5 year home of slightly better size and quality, possibly with a pool. Whilst the market under \$500,000 is in demand, once people price their properties over \$500,000, this demand does recede.

Labrador, Biggera Waters, Runaway Bay, Hollywell and Paradise Point are areas typically comprising of older style homes where \$500,000 will get you a 4 to 8 year old villa/duplex in a good location or an older style basic cottage on a duplex site. In Labrador or Biggera Waters you can get a nicely modernised cottage on a standard residential lot, whilst further north in Runaway Bay at Hollywell and Paradise Point where there are some newer, more modern housing, \$500,000 would get a house circa 1980 on a bigger block with renovation potential.

*...land tax has been reduced and initiatives to more quickly release residential land for development were announced...*

In the northern corridor, \$500,000 would be well spent on either a house and land package at Pacific Pines, Ormeau or Upper Coomera as a potential investment or on a renovated cottage in Labrador, Hollywell or Runaway Bay as an owner occupied property or investment. One other option for investors is an unstrated duplex pair with a good holding income in areas like Biggera Waters, Labrador and Southport. Whilst the rental market is strong, these potential investments are considered to be medium to long term holds looking at capital growth rather than positively geared rental return.



The western corridor between Beenleigh and Kooralbyn throws up some good options for buyers looking for a rural or semi-rural lifestyle whilst still being in close proximity to the Gold Coast and Brisbane. Areas such as Tamborine,

Canungra, Logan Village, Jimboomba and Beaudesert could potentially throw forward an older style home or 1 to 2Ha which could be still capped under \$500,000. These areas have been very popular over the last two to three years with some significant potential growth in the future. A potential good investment for \$500,000 would be a house and land package at Flagstone Creek Estate at Jimboomba. This is considered to be a good medium to long term proposition with the extension of the road across the railway into the new stages where there will be facilities like a teaching hospital, university and shops. This is a master planned community which could potentially become a small satellite city in its own right.

The coastal strip between Surfers Paradise and Coolangatta leaves buyers very few options under \$500,000 with a basic, older style, 20 year old home on a 600m<sup>2</sup> block in most locations exceeding this \$500,000 market. Options for buyers at this level of the market are probably more so in a 10 year old duplex in say Palm Beach or Tugun. It is still possible to find an older style cottage or a 20 year old brick house on a 600m<sup>2</sup> block under \$500,000 in perhaps the avenues of Palm Beach (further from the beach) or in the flight path at Tugun. In order to see some good capital growth of medium to long term, \$500,000 would be best spent perhaps on a cottage in Tugun with the imminent completion of the Tugun bypass or a bit further away from the beach in areas like Currumbin Waters. \$500,000 would buy a modern, 5 to 10 year old home in Currumbin Waters within close proximity to schools and shops. Also areas like Mudgeeraba, Worongary, Nerang, Carrara and Merrimac are still seen as good growth areas for affordable housing under \$500,000. The good thing about these more central suburbs away from the beach is the proximity to good quality infrastructure, be it shopping centres, the railway line or the new Skilled Stadium.

## TWEED HEADS

Banora Point, Tweed Heads, Bilambil Heights and Terranora are still seen as good options for purchases under \$500,000. \$500,000 would typically buy an average to good quality, modern, 4 bedroom, 2 bathroom home with a pool without any views-more so in Banora Point, Terranora, Bilambil Heights and Tweed Heads West and South. House and land packages in these areas are few and far between, however, they do now far exceed the \$500,000 mark with land starting at \$280,000. Further south, areas away from the beach at say Kingscliff, Cabarita and even Pottsville are still seeing some older houses (circa 1980 to 1995) around the \$500,000 mark. Koala Beach at Pottsville is still seen as an affordable option for buyers under \$500,000, however, they do have to accept a strong building and subdivision covenants for that estate (i.e. no pets). The other option in Pottsville being Seabreeze, further away from the beach now has land starting at \$230,000 to \$250,000 which makes it difficult for purchasers to cap their spending under \$500,000 when constructing even a project, 4 bedroom, 2 bathroom home.

The lifestyle options in the Tweed Shire under \$500,000 include older style, timber cottages or semi modern 10 to 20 year old homes on 1 to 5Ha within 10 to 15km of Murwillumbah. However, once creek frontage, good level land or views are thrown into the mix, the value soon exceeds the \$500,000 cap. Murwillumbah is still seen

as a major affordable housing area in the Tweed Shire where \$500,000 would buy a good quality, renovated Queenslander close to town with hinterland or valley views. The beachside community of Ocean Shores (15km north of Byron Bay) is typically characterised by 15 to 25 year old homes on good sized residential allotments. \$500,000 would potentially buy a modern, lowset, 4 bedroom, 2 bathroom home on a level 600m<sup>2</sup> allotment. Ocean Shores' popularity has been enhanced by the completion of the Brunswick Heads bypass.

With the imminent completion of the Tugun bypass, there are a number of good potential investments or owner occupied options in the Tweed Shire. The pick of the bunch would potentially be Banora Point where a 10 year old, 4 bedroom, 2 bathroom home with a pool on a level 600m<sup>2</sup> allotment would be achievable under \$500,000. Banora Point is seen as a good prospect due to it's abundance of local schools, shops and proximity to Tweed City. Also for investors, most homes in the area still have good depreciation benefits for taxation, being only 10 to 15 years old.



## Sunshine Coast

Once upon a time \$500,000 was a lot of money. The buying power was strong and there was substantial bang for your buck. Move forward to 2008 and with the value increases that have been experienced within the property sector, \$500,000 is losing its aura and instead of having a substantial bang, it is more like a small pop.

Areas that continue to provide the best opportunities are the beachside localities along the coastal strip between the coastal highway and surfing beaches. This remains consistent with what we previously recommended two years ago as properties have continued to show consistent growth throughout that time. As expected the underlying land component has provided the potential for capital growth. Whilst we still recommend these areas, the availability of dwellings within this price range has become reduced. Therefore investors have to become more creative when looking at particular investment opportunities.



With the slowing market place and the interest rate pressures being experienced at present, good investment

fundamentals are becoming increasingly important. As aforementioned, locations and the underlying land value component is one basic fundamental. Another is income returns from investment properties such as multi unit dwellings (flats). The extra rental returns and the ability to value add (increase rents by improving the property) can help 'off set' the interest rate increases.

The unit market continues to remain subdued. Once again older, well positioned, units close to beaches and facilities that are large enough to live in will continue to provide an option.



## Southern Queensland

### IPSWICH

Ipswich is a growing regional centre that is very affordable and continues to expand to accommodate the rapidly increasing population of South East Queensland. Spending \$500,000 on property in the region provides an investor with a number of investment options and the ability to diversify with a number of properties. Land prices begin at around \$140,000 in less sought after locations in Ipswich and can get as high as \$350,000 in more popular suburbs such as Springfield Lakes and Brookwater.

An average quality 3 bedroom property built in the early to mid 1900's can be purchased for \$300,000 in inner city suburbs such as Sadliers Crossing, Newtown, Eastern Heights and North Ipswich. The remaining \$200,000 could be spent on a 2 bedroom unit in Booval or East Ipswich, which is located close to rail and shopping facilities.

*...Further capital growth and confidence in the Residential market is difficult to predict...*

Another option would be to purchase two properties in fringe suburbs such as Leichhardt, Raceview, Silkstone and Bundamba. These are older suburbs that consist of mostly 1940's to 1970's style dwellings on traditional sized lots. Properties in these suburbs can still be purchased for \$250,000.

For the expanding family, a larger sized, average quality, 4 bedroom brick home can be purchased from \$350,000 in suburbs such as Flinders View, Yamanto and Brassall. However, \$500,000 spent in these suburbs will get you a very large, good quality home with extensive site improvements such as good landscaping and in ground pool.

If it is the executive lifestyle you acquire, then half a million dollars will get you a 3 bedroom detached villa fronting the Brookwater Golf Course. This suburb is situated within close proximity of the new Orion shopping centre at Springfield and the Centenary Highway, which provides direct access to Brisbane.

## TOOWOOMBA

Rural investment returns for single residential dwellings with a capital worth around \$500,000, are generally only around 4% gross. Capital value increase for similar property over the past 12 months have been fairly negligible and at this point in time, properties that rank in this price bracket are becoming more thinly traded as higher interest rates are starting to bite. Toowoomba's situation however, has been exacerbated by a continuing lack of adequate rain over its storage catchments with severe water restrictions still having to be implemented.

This lack of forward momentum in the market over the past one to two years has positioned the city markers below other regional markers in relative terms. Thus, when there is some downward movement of interest rates and if it can be coupled with improved rainfall runoff to lift water storage levels, Toowoomba is well positioned for a solid lift in values. The main question to arise from this however, is when. Obviously it is an unknown and is certainly unlikely to be in the immediate future. Thus, if one wishes to invest \$500,000 into the Toowoomba market, it is possible that some patience may be needed.

Some growth however, is possible to be maintained on the environs of the city.

Generally, the recent budget has not effected the market but the direction is generated as a result of interest rates and the high cost of living.



## Central Queensland

### ROCKHAMPTON

Since June 2006, the Rockhampton residential market has performed strongly with good capital growth. Over recent months the residential market has steadied somewhat with a significant reduction in the volume of sales. The underlying strengths of the economy have remained unchanged with low vacancy rates and a strong employment market based on mining activities in the nearby Bowen Basin. However, rising interest rates and historical high values have diminished the expectation of capital growth and reduced the number of non-local investors entering the market.

The Rockhampton median house price has risen 42% to \$290,000 since mid 2006, while the Capricorn Coast (Yeppoon) market has risen 33% to \$420,000 over the same period. These increases have been mainly due to investment in the lower end of the market with less capital growth reflected for homes above \$500,000. A single residential property around the \$500,000 mark would generally represent a good quality home in a modern or developing residential estate in either Rockhampton or Yeppoon.

Examples of other residential investment options in Rockhampton include a triplex which was recently purchased for \$480,000 on a net yield of about 5.2%. The property is located in a popular residential area close to schools and shops. Each flat offers standard 2 bedroom accommodation. The property reflects a 52% increase in value since its last sale in March 2006. Alternatively, \$515,000 has recently purchased a well presented and renovated 3 bedroom highset timber pre-war home on a 809m<sup>2</sup> allotment with no views and located in a popular south Rockhampton area.

Future capital growth and confidence in the residential market is difficult to predict, however planned State Government industrial development and the continuation of the effect of the mining activities in the area should hold current levels of value steady in the short to mid term.

### BUNDABERG

The Bundaberg and coastal districts have seen solid growth across the board since we last visited the "Lazy Half Million" in June 2006. Some market sectors have outperformed while some have remained fairly steady.

We advised back then that the "lazy" half million would have included a wide range of property types. This included:

*THEN* - "In Bundaberg, large, high quality four to five bedroom dwellings with double garages, in ground pools and extensive landscaping generally sell below \$500,000."

*NOW* - This statement still holds true in today's market, however the better quality, larger homes have now exceeded the \$500,000 mark. It is considered \$500,000 will still buy a good quality 4 bedroom dwelling with pool and double garage in better quality estates.

*THEN* - "At Bargara, high quality 3 to 4 bedroom homes close to the ocean (but not on the ocean) generally sell for below \$500,000."

*NOW* - Bargara has seen the development of several good quality residential estates, with sales of the better quality dwellings regularly exceeding \$500,000. Two sales within Bargara Views estate have been for \$600,000 and \$720,000 respectively. It is considered \$500,000 will get you a one to three year old good quality 4 bedroom dwelling with double garage in the new residential estates. Older dwellings in old Bargara still sell well below \$500,000.

*THEN* - "2 to 3 bedroom apartments (on the lower levels of multi unit complexes) on the esplanade in Bargara."

*NOW* - Most of the larger 2 and 3 bedroom apartments

within modern 5 storey complexes in Bargara sell for in excess of \$500,000 (except for "the Point" which still sells below \$500,000). Is still possible to buy small apartments within the older complexes along Miller Street (oceanfront) for under \$500,000.

*THEN* - "In seaside locations other than Bargara, such as Burnett Heads, Elliott Heads, and Moore Park, esplanade front sites can be purchased."

*NOW* - It is considered that vacant esplanade sites or old beach shacks in poor condition can be purchased for under \$500,000, however better quality esplanade sites are selling for in excess of \$500,000.

So where now for our "lazy half million"? It is considered that \$500,000 will still buy good quality properties in Bundaberg and the surrounding districts. Our advice is any real estate as close as possible to the beach/ocean within the coastal districts, still presents the best long term proposition.

## HERVEY BAY

Recent residential sales in Hervey Bay outline that a "lazy half million" can still be put to good use. Properties close to the water, predominantly stand alone house and land product are still considered a good investment for \$500,000.

As outlined in our Month in Review in June 2006, a \$500,000 investment in Hervey Bay may find the investor with a property that may not meet the rental return desired. Units under construction or recently completed then were offered for sale for around this sort of money. Capital Growth on this investment however may not have performed as highly as anticipated with supply increasing and the demand for such units decreasing. In hindsight, a previously zoned Low Density allotment re-zoned to Medium Density under the Draft Planning Scheme either developed or on sold with approvals, may have seen a greater return on the "lazy half million."



With the Hervey Bay residential property market generally just past its peak, there are few real opportunities for short term gain. In today's market for medium term growth, an investment in the standard 4 bedroom, 2 bathroom dwelling with double garage for rental return may be the safest option with agents reporting a shortage of this property type available for rent. Generally the return on this property type is in the range of 4% to 5%. Older multi unit developments may achieve higher returns

on investment, however it could be subject to higher outlays for maintenance etc, and are less beneficial in terms of tax depreciation benefits. There seems to be a concern with the market slowing with investors possibly over committing themselves and now offloading stock, increasing supply and keeping prices static.

With a continuation of strong population growth, developments including the University Precinct, recently announced Water Park and talk of direct flights from Melbourne, we believe values are still likely to show steady capital growth and stable returns.

The fight against inflation and siding with the everyday Joe struggling with a mortgage, seemed to be the focus of the 2008 Budget. Recent indicators have shown the average Hervey Bay household trying to protect themselves by getting debt down, consolidating and budgeting. The housing affordability package outlined to assist first home buyers will be welcomed by Hervey Bay residents, as would funding to lower housing construction costs.

## MACKAY

Had you invested \$500,000 in the Mackay residential property market in June 2006, your investment would have experienced only moderate capital growth. Its income growth would have been marginally better thanks to continued employment/population growth which is still bolstered by the coal mining industry.

In June 2006, \$500,000 would have obtained a new/near new 4 bedroom executive style home in one of the better suburbs. Based on median price statistical data for the former Mackay City Council area, that home should now be worth in the vicinity of \$520,000 to show a fairly lacklustre capital growth of 4% for the period to date. On a more positive note, the rental return on this property should have risen approximately 15% from \$400 to around \$460/wk.

In terms of finding a place to park \$500,000 in today's market, we would not substantially alter our advice. That amount would now purchase a new and fairly large executive style home in the Northern beach suburbs of Blacks Beach, Eimeo, Rural View or Bucasia and in the newer area of Ooralee (Planlands) to the south. For the same price, a new but smaller 4 bedroom home could be acquired in the inner northern suburbs of Glenella/Mount Pleasant.

Our recommendation is for newer homes which offer greater taxation depreciation benefits. As fuel prices continue to soar, we would envisage that homes which are closer to schools, shopping centres and likely workplaces will become even more desirable for renters and future owner occupiers as they recognise opportunities to minimise car travel.

Investment alternatives include older style 2 x 2 bedroom duplex properties in suburbs such as Mount Pleasant and Andergrove which would provide slightly higher rental returns compared to executive style housing but probably greater maintenance and management expenses.

Looking at your options in higher density living, \$500,000 would get you the keys to a 3 bedroom, 2 bathroom townhouse with a double lock up garage at the Mackay

Marina, which would rent for approximately \$450/wk but would not have sea views. On the fringe of the city heart, a 1 bedroom, 1 bathroom apartment within a recently completed riverside residential tower could be acquired for around \$500,000 with a potential rent of \$420/wk with river views. Capital growth in these sectors is not expected to be substantial over the medium term based on potential increased supply.



## Cairns

In June 2006 our thoughts were that a \$500,000 property investment in Cairns would have secured a well located modern executive style dwelling, renting for around \$450/wk. The \$500,000 dwelling hypothetically purchased in 2006 would now be worth in the vicinity of \$550,000, implying a 10% capital value gain over the 2 years. However, the property would be still renting for \$450 to \$480/wk. Although the owner of the property would have benefited from a capital value gain and perhaps a rental increase, it would not be to the same extent as someone who had outlaid \$250,000 to \$300,000 for a more mainstream investment property where the percentage value gain and rental increase would have been stronger.

The climb in the Cairns property market has meant that \$500,000 has become a more common price point in the Cairns market relative to the current median house price level of \$377,000. The investor with \$500,000 to spend would find a much greater array of sectors, styles and locations available meeting their criteria – indeed at this price level there is something for everyone.

A \$500,000 outlay would still secure a well located modern executive style dwelling, renting for around \$430 to \$450/wk, though not quite to the same salubrious standard as the one costing \$500,000 in June 2006. Alternatively, the same amount would purchase an above average quality unit in the heart of the CBD, located on the middle levels of a new high rise unit development.

*...the fundamentals of the rental market remain strong, aided by a low vacancy rental rate, healthy local economy and on-going population growth...*

With the Cairns market now exhibiting peak value levels for residential property, investors will need to be prepared to hold for the long term and pay close attention to rental returns in the meantime. In this regard, the fundamentals of the rental market remain strong, aided by a low rental vacancy rate, healthy local economy and on-going population growth.



## Townsville

In June 2006, we Reported that there was not a big selection of \$500,000 properties in Townsville, and that such an amount would buy something well above the ordinary. In the houses market, \$500,000 would have purchased a modern, high-class executive home in a good quality location such as Annandale. It would have potentially been custom designed with a very high standard of finish, contained about 170 to 180m<sup>2</sup> of living area, and would have rented at the time for \$450/wk. Alternatively, \$500,000 would have bought a brand new 'very schmick' unit in the CBD with good views.



Nowadays, the property purchased for \$500,000 in June 2006 would be worth in the vicinity of \$650,000, providing its owners with a \$150,000 capital value gain. Rental values on the property would not have climbed as solidly, but its weekly rent would probably have risen by about \$100 to around \$550/wk. Nevertheless, the owners would have still seen a flash return on their investment, both in terms of rental growth and capital gain.

In June 2008, \$500,000 has much less purchasing power in the Townsville market than it did in June 2006. Properties worth \$500,000 are much less of a rarity in the market, and prospective purchasers would be able to find a wide variety of offerings at this price point. For \$500,000 these days, a purchaser could expect to buy a well finished, executive style project home, containing about 150m<sup>2</sup> of living in a well regarded location such as Fairfield Waters. Alternatively, in the unit market \$500,000 would secure a good quality mainstream CBD unit which was well located but without elevation/views. Either property would rent for about \$420/wk. However, with the market now at or near peak values, their prospects for short term capital gain would be much less spectacular than they were in 2006.

Other ways to create a \$500,000 home in the Townsville market could be to purchase a reasonable quality but older style 2 to 3 bedroom highset home in a progressively gentrifying inner suburb such as Pimlico, Mysterton, Hyde Park or Hermit Park, typically for about \$350,000, and subjecting it to \$100,000 worth of renovations, improvements and/or extensions. If done right, this could

provide the owner with an immediate value gain as well as equally good prospects in terms of rentability and future capital growth.



## Tasmania

Herron Todd White Tasmania did not contribute to the 2006 discussion on the "lazy half million" as we were in the process of joining.

Assuming we had \$500,000 to invest in the local market in Hobart today, it would be best spent in the CBD or close inner city suburbs. These have traditionally been the stronger areas to invest and they have held up well in the proceeding two years.

However, saying that, the residential market in these areas is slowing rapidly and there is some evidence of recent sales of houses that have seen a reduction in value since they were previously purchased within the last one to two years.

Launceston also has seen its best results in the central suburbs around the CBD in the last two years. Prices have held more recently, however, stocks have grown over the past two months since the last interest rate rise.

It is envisaged that returns will be moderate and capital growth is likely to be minimal at best or static. Depending on interest rates we could see downward pressure on prices.

Beware of interest rate and petrol price genies, which are out of their respective bottles and are currently playing tag team on the economy. The question now remains, who will deliver the king hit? The dynamic dozen from the RBB with their quarter percent toe bending Interest Rate rises or that slicked up oil speculation team with their commuter crushing, penny pinching price punch. Even the most graceful of swans fear an oil spill, but for the ugly ducklings of the world the slippery slide into the inflation tornado is very challenging indeed.



## Darwin

Like the scales of Themis, the Darwin residential market is delicately poised. Will its next phase be one of strong capital growth or tightening yields? Will the effects of housing affordability reign in capital growth or has the state of the stock market driven investors back to the security of "bricks and mortar?"

In another two years we can all look back, with 20/20 hindsight vision, and exclaim "yes, my residential investment purchase fitted my investment profile." And

therein lies the point; what is your investment profile? And how does it fit into what 2008 offers?

If your investment profile is attracted to short term or speculative opportunities, then our township of Batchelor "heads up" would suggest that your purchase of an average elevated 3 to 4 bedroom dwelling in the mid \$100,000's in early 2006, may now sell for the high \$200,000's to low \$300,000.

Perhaps your investment involves speculating on tourism ebbs and flows. In early 2006, the then "Outrigger" serviced hotels and resorts, now "Mantra," were marketing serviced apartments with 6% guaranteed for three years from date of settlement. As of May 2006, most of the 330+ serviced apartments started accepting guests with 100% occupancy being achieved. And this is without the new 1,500 seat international standard Darwin Convention Centre starting to generate additional visitor nights.

But if you like to "set and forget" your investment portfolio, then your DHA purchase will attract 5% to 6% yield in the current market and with the current rental market indicating vacancy rates at less than 1%, this investment choice remains positive.

So, in short, whatever your investment profile may be, it will have most definitely have performed.

In 2008, \$500,000 may secure the following (although obviously not exhaustive) in the Darwin residential market:

- An average 3 bedroom, 2 bathroom, rural dwelling on 2Ha with pool and/or shed in the inner rural locales
- A near new 4 bedroom, 2 bathroom, ground level dwelling in the newer suburbs of Palmerston
- A near new 3 bedroom, inner Darwin CBD apartment with district and possible sea views
- Or a 550 to 650m<sup>2</sup> vacant parcel of land within the residential infill subdivision of "Frances Park" in the inner CBD location of Stuart Park which is currently under construction



But if we don our opportunities hat again, there is evidence aplenty within our market for investors who are prepared to think outside the box. Some of the examples within our market we are aware of include:

- Furnishing near new inner CBD apartments or townhouses (to a high/contemporary standard) and offering them as short term rental to tourists here for

holidays or interstate/international companies who have executives requiring suitable accommodation whilst here. Feedback is that this accommodation is attracting rentals up to \$2,200/wk, as opposed to a long term rental option which would attract rental of \$470 to \$570/wk and, of course, undertaking a tax depreciation schedule to include furniture packages will further enhance this investment decision

- Or consider investing in an MD (multiple dwelling) site in the established inner Darwin suburbs of Parap, Fannie Bay, Stuart Park or the Gardens with an older style dwelling in place. Yields won't be particularly attractive, but the underlying land value will hold your investment steady. In recent years these sites have remained relatively stagnant as developers were faced with increasing land values and construction costs eating away at the profit margin. So a period of consolidation may pave the way for these sites to deliver attractive investment returns again when considering the backdrop of continuing urban consolidation and decreasing land availability in inner Darwin CBD locations

As stated above, understanding your investment profile is paramount to your decision making, whether high risk/low risk or long term/short term or cash flow based. Do you invest in an apartment which potentially offers returns almost immediately, or do you consider a longer term option and purchase an MD site with future investment potential?

Herron Todd White will report the market. It's your decision.



## Perth

In 2006 we were spending our \$500,000 on a northern suburbs coastal home, a suburban home within 10km of the CBD, a large inner city apartment without views, or a few semi rural acres on the urban fringe. If we look at our \$500,000 recommendations from 2006, we can see the results of the boom in the Perth housing market.



The northern coastal suburb of Iluka has outperformed the market, with a median price of \$830,000 in December

2007. That's an amazing 66% growth! Iluka is not an isolated case, many of our other recommendations performed almost as well: Bicton \$810,000, Fremantle \$810,000, Karrinyup \$740,000 and Winthrop \$741,500.

While it feels great to have been proven correct, it was hard to be wrong in the bullish market we were experiencing in 2006. 2007 was a different story though, as the bears held the market tight, limiting median growth to just 1.1% and pulling many outlying areas back. This is where real strength in the predictions becomes a factor – most held and pushed forward with their values. Twelve month growth through 2007 for our suburbs was: Iluka 15.7%, Bicton 7.7%, Fremantle 27.1%, Karrinyup 13.8% and Winthrop 4.8%.

Finding a suburb to spend our \$500,000 today is a much harder task. In fact, 47% of the suburbs summarised by REIWA for the December 2007 quarter reported median sale prices of \$500,000 or more. The suburbs of Atwell/Success would have to be considered for their central location and current infrastructure projects. Lathlain and Carlisle are both undergoing gentrification and are well priced considering their close proximity to the CBD.

One of the key areas to look into is building a new home. In many outlying areas, it is cheaper to build than to buy established, plus the incentive packages being offered assist to further reduce the total cost. The rental market remains extremely buoyant, so the return after depreciation that is taken into account is being looked upon favourably by many investors.

The federal budget has limited incentives for property buyers and owners in the Perth area. There are new first home buyer schemes, but these are not expected to have a major impact on the Perth market as the State Government already provides substantial funding for first home buyers in schemes like the Shared Equity Scheme. There is little encouragement for investors to re-enter the market.

It's nice to look back at some of the past recommendations and see that, had you followed our pointing finger, then you might have made a good return. In the current market climate the challenge is to hold onto these gains or to pick the bargain.

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## Rural – Market Directions

It is to be expected that the lack of rain throughout Australia has the most significant impact on rural property markets. Generally, little is being reported in regards to good or improving seasons other than Southern NSW and Northern Victoria, while the remainder of the nation is generally facing the annual big dry or possible drought should winter rains not eventuate.

There seems to be an emerging common thread that is linked to rising interest rates and fuel prices. Ultimately it's becoming more expensive to produce commodities and grain and most are facing downward pressure on price or production from international completion, Australian dollar exchange rates, irrigation water availability, or dry seasonal conditions.

While most parts of Australia have recorded sales activity that confirms prevailing value levels, some hesitation has been identified by the increased number of properties passing in at auction and remaining for sale. Also, Herron Todd White in the Northern Territory illustrates the tightening net capital returns on grazing property purchasers and questions if it is sufficient for the industry's risk profile.

Although it is mostly the physical influences such as the weather that dictate rural industry outcomes, Governments sometimes have well intended but often misguided effects on agriculture. Take for example the report from Herron Todd White in Southern NSW and Northern Victoria, where the Federal Governments water buy back is being seen by the industry as "opportunity buying" water from stressed irrigators and what seems to be limited to no fore-thought as to the flow on affect to rural communities and the like. Also, the Queensland Governments Rural Leasehold Land Strategy as reported by Herron Todd White Northern Queensland is creating increasing uncertainty about the term lease renewal process and the form of tenure security that will be offered in the future.

Peter Honnef Ph: (07) 4724 2000

1 June 2008



## NORTH NSW

Unfortunately there's not much positive news on the rain front. The big dry appears to be back and becoming more widespread. For example, Moree has recorded one of the driest autumns on record and many other districts in the North West are not far behind them. This is becoming a very serious situation with the winter crop sowing season rapidly approaching and water storages still in poor shape. With declining/variable river water availability, the value of underground water is becoming more appreciated and in demand.

Values for good quality bore entitlements are likely to remain under upward pressure, whilst in some valleys, river water entitlements are becoming more difficult to sell.

Good quality larger properties continue to sell on firm values, however, unless a good autumn/early winter seasonal break occurs, we expect that less viable inferior quality property will become much more difficult to sell unless priced keenly to reflect declining purchaser confidence.

The viticulture sector in the Upper Hunter continues to suffer from the effects of poor grape prices, particularly for chardonnay, and indifferent seasons.

Ongoing rationalisation of the industry is expected to continue and in some cases the added value of the vines is very questionable. At the same time, the expansion of the coal mining industry is putting upward pressure on rural land values in the Upper Hunter and causing significant dislocation.

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## SOUTHERN NSW

The season in Southern NSW and Northern VIC has improved a little in some small areas, mainly in the higher rainfall areas to the east of Albury and Wagga Wagga, and in north eastern Victoria. These areas have received up to 40mm of rain in the last month which is enough to start the autumn season in some areas, but not enough to cause any run-off into water storages to increase the prospect of irrigation water being available this coming season. There has been minimum falls of rain in cropping areas and other areas in Southern NSW and Northern Victoria, with falls of around 5mm to 15mm, which is enough for many croppers to continue sowing. Many croppers had already started sowing dry, so the minor rainfalls will quell the dust if nothing else. The price of fuel is making a lot of farmers re-think their current cropping program as diesel is now in excess of \$1.8/L, and at this level even with current high cereal prices it makes the economics of cropping not as attractive as it was when fuel prices were lower. Fuel is tipped to be in excess of \$2/L before the end of the year.

### *...Irrigation farmers in many irrigation areas are considering selling...*

The story is very bleak in irrigation areas. This year's rice crop at 18,000t was the lowest harvest since 1927. Rice harvests in normal seasons are in excess of 1Mt and the southern hemisphere's largest rice mill at Deniliquin has not processed a grain of rice since December 2007. Irrigation water storages are at very low levels (Hume 8%, Dartmouth 15%) and unless we receive significant rainfalls in the catchment areas, water allocations in the 2008/2009 season are looking doubtful. If irrigators do not receive water allocations this coming season, many will not be able to continue to operate and we are likely to see many farmers walk off their land. These farmers have gone through the last two seasons with virtually no water allocations and the three prior seasons with heavily reduced allocations. Another year of no or heavily reduced water allocations this season may be the straw that breaks the camels back.

Irrigation farmers in many irrigation areas are considering selling, and in fact in many cases have sold all or part of their water entitlements. With Governments at two levels having allocated \$3.2B over the next 10 years to buy water, and having already spent around \$50M to buy water back from irrigators, it is very tempting to irrigators to sell all or part of their water to alleviate financial stress. The Federal Government have allocated \$400M to buy water in the 2008/2009 budget and if irrigation areas do not receive water entitlements this season, a lot of water is likely to be sold. Irrigation farmers have to pay fixed water charges every year, whether they receive water or not. Many farmers pay up to \$100,000p.a. in fixed charges and in past years have received no water or very small allocations.

The big concern amongst many in irrigation areas is that the Federal Government is wading in with a large cheque book at a time when irrigators are under huge financial stress, or have simply had enough of paying out vast sums of money and not receiving any water. Debts are rising,

equity is being eaten up, and it must be very tempting for many to sell all or part of their water. The Government is "opportunity buying" water from stressed irrigators and the flow on effects are an even bigger concern. Businesses in irrigation reliant towns like Deniliquin, Berrigan, Finley, Hay, Leeton, Griffith etc. are already under great stress due to heavily reduced spending in these towns, businesses are closing, and if water continues to be removed from these areas the knock on effects are going to be significant. If irrigation water is not available (due to no water allocations being made or by the allocations being purchased by Government and permanently removed), then production in these areas could be reduced by up to 75%, and large regional towns will potentially be doomed.

In an attempt to prevent an exodus of water from the area around Finley, Berrigan and Deniliquin, Murray Irrigation who are responsible for water administration in these areas, have imposed a termination fee of \$382/Murray Irrigation Share. This fee has to be paid on the sale of water by any Murray Irrigation Limited shareholder, and has caused sales of water to fall over and obvious discontent amongst Murray Irrigation Limited shareholders trying to sell water under very stressful circumstances.

If the Federal Government continue to wave their cheque book around at already very stressed irrigators and "opportunity buy" water to remove it from irrigation areas, then irrigation reliant towns will suffer and some of the smaller towns may close up altogether. The Federal Government have been at pains to point out that the farmers are not "forced" to sell to the Federal Government, but if farmers are financially stressed with little prospect of a good season this year, little prospect of receiving water, equity being eaten away etc, and only one potential buyer in the market, some farmers are not left with much choice. To say that farmers are not "forced" to sell their water to the Federal Government is more a play on words than anything else.

All of us in Southern NSW and Northern Victoria are hoping that the season improves, that water storages start to fill, irrigators receive water allocations and fuel prices drop. If any two of these hopes can be fulfilled it would be great. If none of them come to fruition we may have to think about where we get our rice from!!



*View of the typical water supply for irrigated properties in the Southern NSW and Northern Victoria area*

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## CENTRAL NSW

The last month has seen a continuation of the dry autumn. This lack of rainfall is seeing winter cereal sowing delayed. There appears to be a significant area being sown dry to capitalise on any rain events when they arrive.

This uncertainty in the market is understandably having a negative effect on buyer's confidence. This was reflected in the failure to sell the Albert Property "Wilga" despite keen interest prior to auction.

Some sales continue to be recorded such as the well regarded Angildool property "Yerenbah". This 7,800Ha growing and finishing enterprise sold just after being passed in at auction for an undisclosed sum but believed to be around the \$55 to \$60/acre. This property was purchased in September 2005 for \$45/acre. Major water infrastructure was installed over this time, however we believe it indicates that values are still holding for this area.

Overall we are in a decisive seasonal period. Should significant rainfall not eventuate then we would expect to see downward pressure on value levels.

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## SOUTHERN QLD

Where are all the promised rains that "experts" have been predicting would occur before months' end? The farming country throughout Southern Queensland is raring and ready to go, you just need to add water.

Much of the country that has been fallowed through to winter, has excellent subsoil moisture with reports of in excess of 1m common place. 25mm (1") of rain now, will result in one of the largest plantings of wheat Southern Queensland has seen for many a season. This, on top of an extremely successful Sorghum harvest, despite the lack of in crop rain towards the end of the growing season, is just the tonic many farmers need.

At present, it is all one-way traffic with ever increasing costs of diesel and fertiliser biting into many producers' cash reserves. The "window of opportunity" is still there for the next month. At the time of compiling this report, there were storm clouds looming on the horizon. The last weekend of May could just be a wet one.

The property market is giving out mixed signals at present. We have seen a record number of listings coming onto the market during the last couple of months but with limited

success, with many vendor/purchaser expectations varying quite considerable.

The exception to this is the recent sale of "Lisnalee", a 12,200Ha freehold block on the Landsborough Highway, south of Tambo. It recently sold at Auction for \$10.2M to adjoining owners. We are advised that there were upwards of 10 bidding parties, with the sale price equating to \$836/Ha (\$338/acre) and in the vicinity of \$3,700/Adult Equivalent. This is an extremely strong result and just goes to show that good places generally always sell. There are more good quality holdings coming onto the market in the coming weeks, so it will be very interesting to see those results.



The summer rains have provided for excellent feed reserves throughout much of Western Queensland which should provide for a reasonable winter.

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## FAR NORTH QLD

The Peninsula grazing market is active with a number of properties currently for sale and some going to auction and selling during the past month. Springvale Station near Lakeland Downs and only 3 hours from Cairns was passed in at auction with a highest bid of \$8M. Agents report that interest was relatively low despite the good location and extensive good quality development on the property. This offer represents around \$73/Ha improved or around \$683/beast, which is well below expectations. Interested parties comprised mainly graziers with the falling cattle price, the main reason for the lack of interest. Plantation timber producers were rumoured to be in the market given the good quality red volcanic soils on Springvale, however the leasehold tenure and the uncertainty regarding lease renewal conditions prevented their bidding.

We have been advised that Strathaven Station is currently under contract for \$4.5M or \$63/Ha improved. Strathaven is located in the middle of Cape York

Peninsula and represents the typical country type for this region. It is currently under contract to a syndicate of buyers for lifestyle purposes and the price achieved is above those that traditional graziers would be able to pay. This sale may represent a growing trend away from traditional cattle buyers given difficulties cattle producers are currently having with lower cattle prices and higher input costs.

Strathmay and Mary Valley Stations are currently for sale and both are also focusing their marketing on lifestyle or eco-tourism buyers, which given many stations on the Peninsula have access to abundant permanent natural waters make them an attractive lifestyle proposition. Strathburn Station adjoins Strathmay and was also purchased for lifestyle purposes by a southern buyer during the middle of 2007 for \$4.9M bare of about \$20/Ha improved.



Rural property in Far North Queensland, Cairns

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## NORTHERN QLD

A vale of caution appears to be settling over North Queensland rural property sectors.

Key factors are:

1. Softer beef cattle prices as the dry season affects cattle quality against strong supplies. Queensland Cattle Market Index (QCMI) at about 166 points, slightly down from last month
2. Drought conditions in western districts that missed the wet season are seriously affecting cattle enterprises with most already de-stocked and some now facing financial hardship. It is expected that the volume of properties being offered for sale under forced circumstances may increase in this market sector
3. Rising official interest rates have increased the cost of funding and decreased the price level that potential purchasers can afford. The outcome in the market place is that purchases are beginning to find it difficult

to meet vendor expectations leading to a number of property offerings not proceeding or being passed in at auction

4. Rising fuel and other farm costs (i.e. supplementary feed) are affecting net profit margins and will begin to curb expansion or property development plans. Ultimately, it results in a declining demand for property
5. Strong volumes of property being offered for sale as potential vendors seek to capitalise on record strong value levels that for now are being maintained

There has been much activity over the past month that is best categorised in the following manner:

*For Sale* – ‘Double Lagoon’ 52km to Normanton, ‘Oakland Park’ 45km west of Croydon, ‘Mt Little’ via Georgetown, ‘Slashers Creek’ at Boulia, ‘Glen Dhu’ at Mt Garnet, ‘Cooinda’ 65km north west of Winton and Albion Downs near Richmond. These are some of the most recent public offerings with agents reporting additional property to be marketed shortly. It is noticeable that many offerings are either in drought or low productive country locations.

*Passed In* – ‘Kilclooney’ and ‘Wyruna’ west of Ingham in the coastal ranges that appeals to a limited market sector and therefore can require extended marketing to sell. Victoria Vale and Red Hill aggregation is being negotiated at reported prices in the order of \$14M.

*Sold* – Summerville, 90km north of Richmond, being mixed downs and forest that is well improved, including cell grazing, sold at auction for \$12.1M with cattle and plant and shows an improved/bare price of \$369/Ha. It was keenly competed against and purchased by a cattle producer with breeding country at Croydon. The Mitchell grass downs country remains popular due to the abundance of feed and sales supported current values, including Nonda West (west of Julia Creek) sold at auction for \$6.2M bare to show \$315/Ha. Further, Maxwellton Downs reportedly sold for \$3.8M and earlier sales near Winton include Happy Valley selling for \$900,000 and Glen Kyree for \$1.05M.

While current times are trying, it would appear that the Queensland Government is out to further test land owners resilience when they apply to have their pastoral leases renewed. At the beginning of the year, the State Government’s ‘Rural Leasehold Land Strategy’ was implemented via the Delbessie Agreement. While on the outset appearing to offer a range of term lease options including up to 50 year lease terms and perpetual leases, some concerning outcomes include:

1. Compliance hurdles to obtaining a lease renewal including some or all of - ‘Land Management Agreement’, ‘Indigenous Land Use Agreement’, ‘Nature Conservation Agreement’ and ‘Indigenous Use and Access Agreement’. Expected to be an arduous and costly process.
2. Environmental Protection Agency will now have to consent to any lease renewal.
3. Proposed land condition monitoring and Minister can reduce lease terms.

Any areas of deemed conservation value will be reserved and excluded from any future lease. Areas with conservation value may be offered to lessee for use via

grazing permit that limited tenure security, often with stringent use conditions and not able to be used for mortgage security.

Evidently there appears to be an erosion of the tenure security that was once enjoyed and that has enticed purchasers of pastoral lands to pay the same price for term lease lands as other forms of tenure, such as perpetual leases and freehold. The underlying perception has always been that a pastoral term lease, once obtained from the Crown (State) or purchased in the market place, was a secure right to develop and use the land and that upon expiry, the same right of use would again be obtained.

In summary though, the current Rural Leasehold Land Strategy cast doubt and uncertainty on the long held beliefs and perceptions in that there is now no simple and straight forward lease renewal process upon renewing a lease, the right to use is monitored and depending on the lands conditions, the lease could be forfeited or its terms reduced. The underlying shift in the State Government's leasehold land policy that should now be the cause of concern, is a move to land conservation rather than development and profitable use.

An emerging case example is summarised below where the detail has been varied to protect identity.

A large property purchase in Northern Australia (QLD) in the \$10's of millions, where the purchaser was motivated to hold the land for beef cattle breeding and further development, plus planning to more than double the carrying capacity. Being a term lease with more than 10 years remaining, and following the usual conveyance and Government enquiries, settlement occurred including registering a bank mortgage as security for substantial borrowings.



*Gulf Country Flood Plain*

The new lessee preceded using the land and planning its development including additional funding, but a couple of years down the track, the Queensland Government informed the lessee that about half of the station was now a declared 'Wild River Conservation Area' that restricted certain activities including development with new fences, waters, roads etc. Further through the new Rural Leasehold Land Strategy, and that the Lease now has a declared conservation area, there is doubt about the property's lease renewal, with the best case result possibly only being a term lease over half the station with the balance being a grazing permit. In conclusion,

it therefore raises the following questions:

1. What is the value of the station post Wild Rivers, Delbessie and lease renewal?
2. What will the bank do following the eroded mortgage security?
3. Where does the lessee stand having lost tenure security, potential use and value?

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## CENTRAL QLD

In recent months across Central Queensland, the number of rural properties listed for sale has been higher than that observed in the last two to three years, with an apparently smaller pool of potential purchases. This appears to be an indication that the market is recognising the effects of a very high Australian dollar, record oil prices and rising interest rates, all of which typically have a strong connection with rural property.

*...it is no wonder that so many of the Territory's pastoral leases are for sale if the right price is offered...*

Although the market seems to have settled somewhat, there has still been solid demand for high value grazing properties with the recent sale of OK Station, Charlton Station and Baradoo suggesting no sign of a weakening in values for premium properties.

In recent years throughout Central Queensland, the highest/Ha values were typically associated with best quality grazing lands. However, as grain prices gain momentum, we will be keenly observing the market in anticipation of a strengthening in \$/Ha rates for traditional farming lands.

After a run of reasonable seasons in Central Queensland, demand for irrigation blocks with secure water has been steady, relative to other areas of the market. However, with the conclusion of the La Nina cycle and a falling SOI, these properties may also reach higher demand in what is already a fairly thinly traded market.

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## NORTHERN TERRITORY

With the rapid increase in pastoral land values across the Northern Territory over the past few years, we thought it was timely to review the economics of beef cattle production in the Northern Territory environment.

We thought it best to do this by constructing a typical budget for an area to run one beast. By necessity, the figures adopted are of a very general nature only and represent an approximate average for a typical Territory cattle station. Of course, actual figures will vary for individual properties according to a number of factors, but we believe that this provides a good general guide.

A typical "beast area" in the Northern Territory is the area required to run one beast on a "mixed herd" basis throughout the year. From our experience, it takes about 2.5 beast areas to produce one sale animal each year. Or put another way, one beast area will produce 40% of a sale animal each year. So the gross income for a live export enterprise from a beast area would be along the lines of:

$$1 \text{ sale animal} \times \$500/\text{head} \times 40\% = \$200$$

Similarly, operating costs can vary significantly between properties, but we have allowed an average of 50% of gross income, bringing the net income p.a. from one beast area to about \$100. This of course would make no allowance for costs such as owner's wages, interest and depreciation on plant/equipment.

Values of pastoral properties are now approaching \$2,000/beast area (including livestock and plant) in many areas of the Northern Territory. A net return of \$100/beast area (before interest, owner wages and depreciation) would represent a 5% return on capital.

Is a 5% return commensurate with the risks involved in the live export industry? Many beef producers in southern states would be envious of such a return, but in an environment of rising interest rates, exchange rates and fuel prices, a city-based business would expect returns of 20% or more to justify an investment with a risk profile like this. With returns of over 5% being achievable from bank interest, it is no wonder that so many of the Territory's pastoral leases are for sale if the right price is offered.

Of course, the above sums are very simplistic but they do paint a picture of the current position of the industry, where the rapid rise in values has not been matched by any significant increases in income.

Some purchasers justify an investment based on the potential to increase stocking rates but this involves further capital investment in livestock, waters and fencing at a time when the cost of capital is rising.

We would therefore caution any prospective purchaser to do their sums carefully. The economic affordability of these properties (based on their ability to generate

income and service debts) has fallen significantly in recent years and only time will tell whether this position will improve in the future.



*Typical "beast area" in the Northern Territory*

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## Comparative Property Market Indicators - May 2008

The following pages present a generalised overview of the state of property markets in Capital City, New South Wales/ACT, Victoria/Tasmania & Queensland locations using financing risk-rating scales. They are not a guide to individual property assessments.

For further information contact Rick Carr, Research Director, Herron Todd White, on (07) 4057 0200, or by email on [rick.carr@htw.com.au](mailto:rick.carr@htw.com.au)

## Comparative Analysis of Capital City Property Markets



To discuss the applicability of the Capital City indicators to individual properties or situations, contact your local Herron Todd White office:

Sydney	(02) 9221 8911
Melbourne	(03) 9642 2000
Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Adelaide	(08) 8231 6818
Perth	(08) 9492 3333
Hobart	(03) 6244 6795
Darwin	(08) 8941 4833
Canberra	(02) 6273 9888

## Comparative Analysis of New South Wales/ACT Property Markets



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Albury	(02) 6041 1333
Bathurst	(02) 6334 4650
Canberra/Queanbeyan	(02) 6273 9888
Dubbo	(02) 6884 2999
Gosford	1300 489 825
Griffith	(02) 6964 4222
Leeton	(02) 6953 8007
Mudgee	(02) 6372 7733
Newcastle/Central Coast	(02) 4929 3800
Norwest	(02) 8882 7100
Sydney	(02) 9221 8911
Port Macquarie	1300 489 825
Tamworth	(02) 6766 9898
Tweed Coast	(02) 5523 2211
Wagga Wagga	(02) 6921 9303
Wollongong	(02) 4221 0205
Young	(02) 6382 5921

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## Comparative Analysis of Victorian/Tasmanian Markets



To discuss the applicability of the Victorian/Tasmanian indicators to individual properties or situations, contact your local Herron Todd White office:

Melbourne	(03) 9642 2000
Wodonga	(02) 6041 1333
Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

## Comparative Analysis of Queensland Property Markets



To discuss the applicability of the Queensland indicators to individual properties or situations, contact your local Herron Todd White office:

Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Bundaberg/Wide Bay	(07) 4154 3355
Cairns	(07) 4057 0200
Emerald	(07) 4980 7738
Gladstone	(07) 4972 3833
Gold Coast	(07) 5584 1600
Hervey Bay	(07) 4124 0047
Ipswich	(07) 3282 9522
Mackay	(07) 4957 7348
Rockhampton	(07) 4927 4655
Sunshine Coast (Mooloolaba)	(07) 5444 7277
Toowoomba	(07) 4639 2119
Townsville	(07) 4724 2000
Whitsunday	(07) 4948 2157

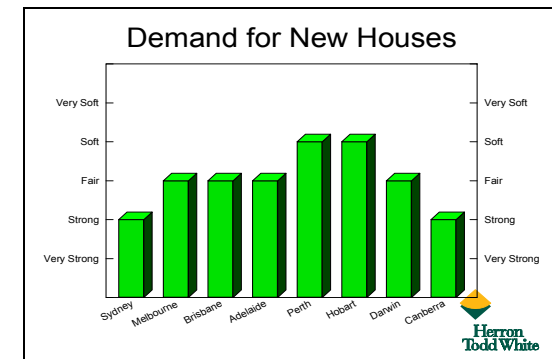
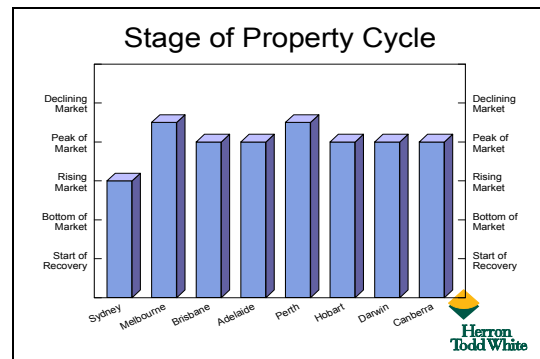
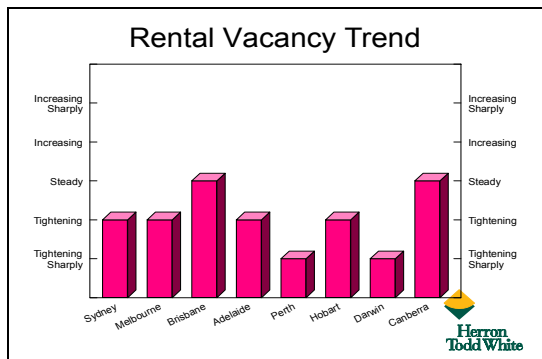
*Herron Todd White acknowledges the assistance of Countrywide Valuers (Bendigo), Riverlink Valuers (Echuca), Ridge Valuers (Geelong), Cleary Partners (Mildura), CJA Lee Property (Gippsland), Roger Cussen Property Specialist (Warrnambool) and Valuation Partners (Western Australia) Pty Ltd (South West WA) in compiling these pages.*

## Capital City Property Market Indicators as at May 2008 – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening	Tightening sharply	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Soft	Soft	Fair	Strong
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Steady
Volume of House Sales	Steady - Declining	Steady	Steady	Steady	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Peak of market - Declining market	Peak of market	Peak of market	Peak of market - Declining market	Peak of market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally - Frequently	Occasionally	Occasionally	Occasionally	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

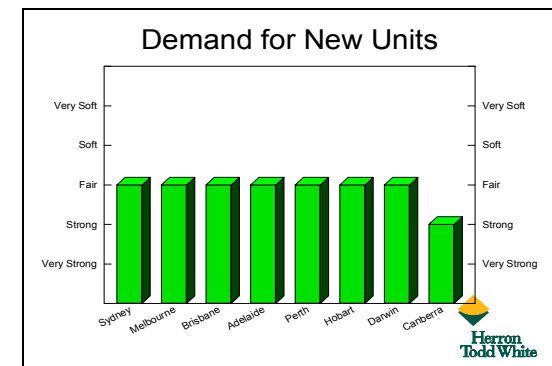
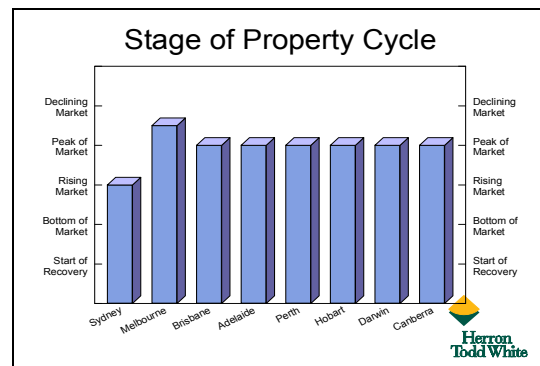
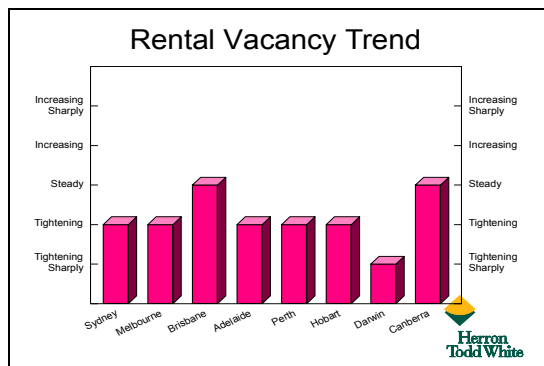


## Capital City Property Market Indicators as at May 2008 – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Steady	Tightening	Tightening	Tightening	Tightening sharply	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Strong
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady
Volume of Unit Sales	Steady - Declining	Steady	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Peak of market - Declining market	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally - Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	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

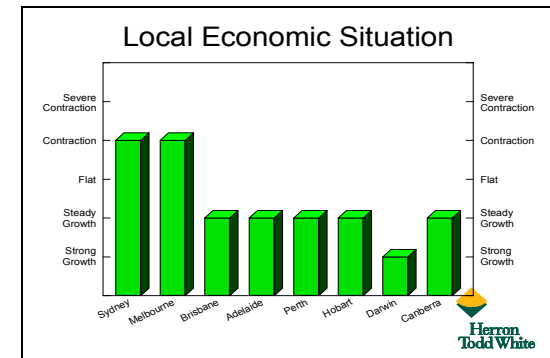
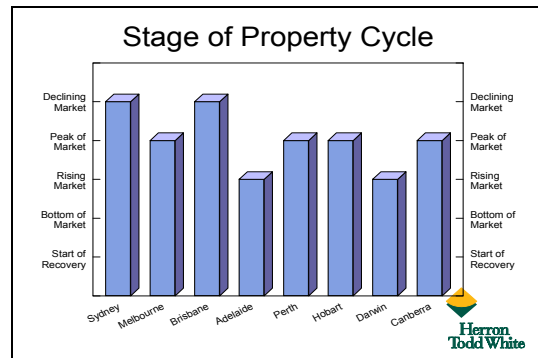
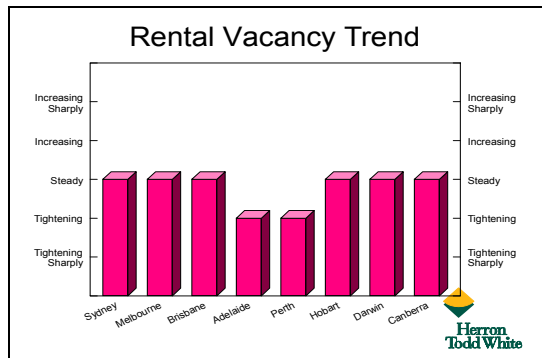


## Capital City Property Market Indicators as at May 2008 – Retail

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

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

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

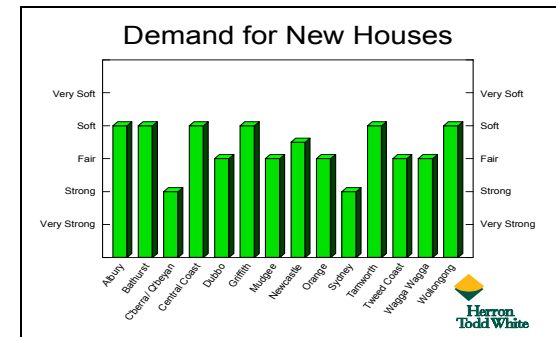
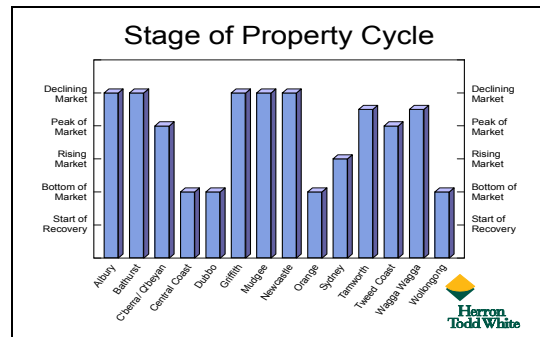
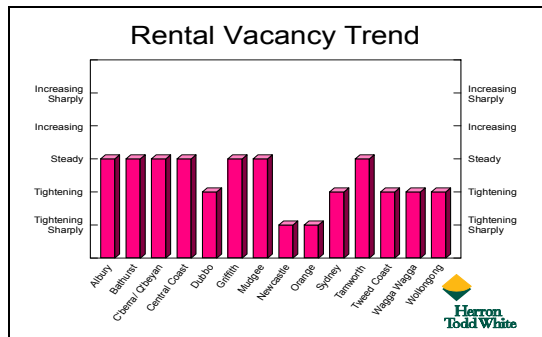


## New South Wales Property Market Indicators as at May 2008 – Houses

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Tightening sharply	Tightening sharply	Tightening	Steady	Tightening	Tightening	Tightening
Demand for New Houses	Soft	Soft	Strong	Soft	Fair	Soft	Fair	Soft - Fair	Fair	Strong	Soft	Fair	Fair	Soft
Trend in New House Construction	Declining	Declining	Steady	Declining	Declining	Declining significantly	Declining	Declining	Declining	Steady	Declining	Steady	Steady	Declining
Volume of House Sales	Declining	Declining	Declining	Steady - Declining	Steady	Steady	Declining	Declining	Steady	Steady - Declining	Declining	Declining	Steady	Steady
Stage of Property Cycle	Declining market	Declining market	Peak of market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market	Bottom of market	Rising market	Peak of market - Declining market	Peak of market	Peak of market - Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never	Almost never	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

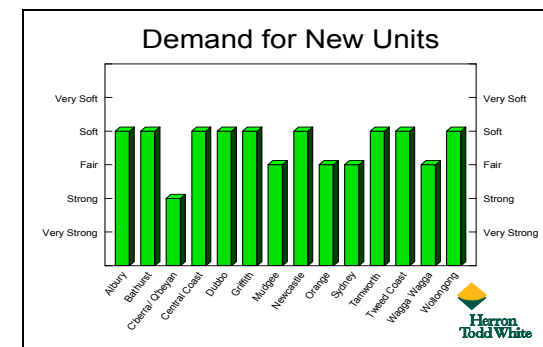
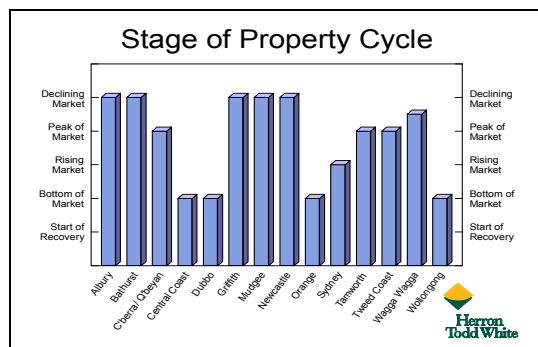
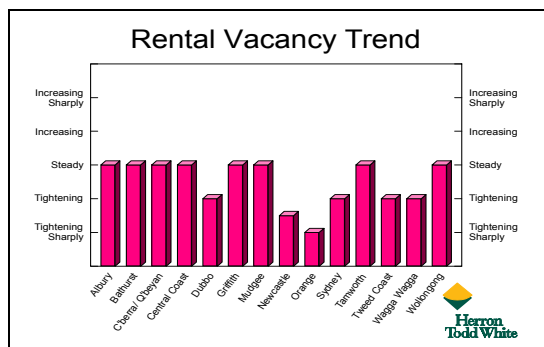


## New South Wales Property Market Indicators as at May 2008 – Units

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

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

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

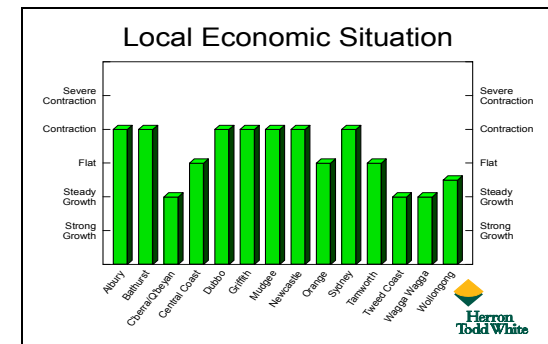
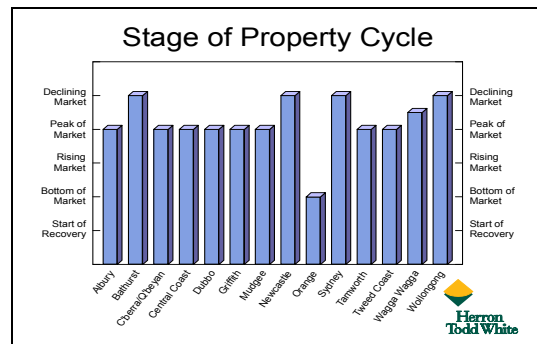
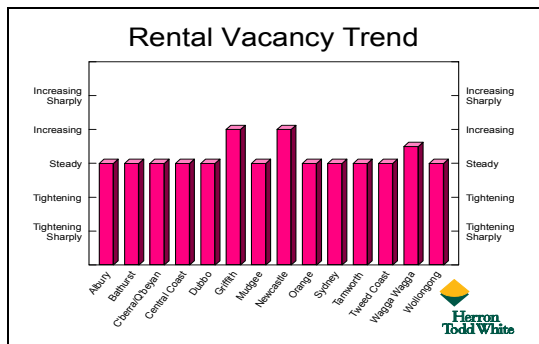


## New South Wales Property Market Indicators as at May 2008 – Retail

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady - Increasing	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Increasing	Increasing	Stable	Stable
Volume of Property Sales	Declining	Declining	Stable	Stable - Declining	Declining	Stable	Declining	Declining	Stable	Stable	Declining	Increasing	Stable	Declining
Stage of Property Cycle	Peak of market	Declining market	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market	Declining market	Bottom of market	Declining market	Peak of market	Peak of market	Peak of market - Declining market	Declining market
Local Economic Situation	Contraction	Contraction	Steady growth	Flat	Contraction	Contraction	Contraction	Contraction	Flat	Contraction	Flat	Steady growth	Steady growth	Steady growth - Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small	Large	Nil - Small	Significant	Large	Significant	Nil - Small	Small	Significant	Significant	Small	Significant	Small

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

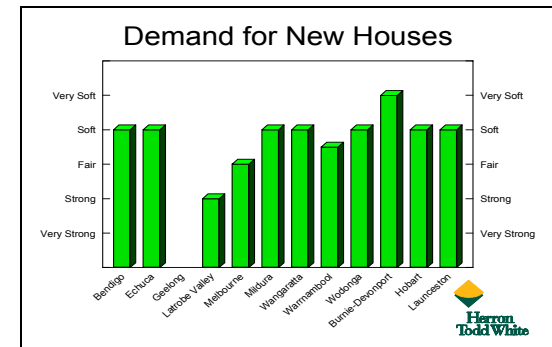
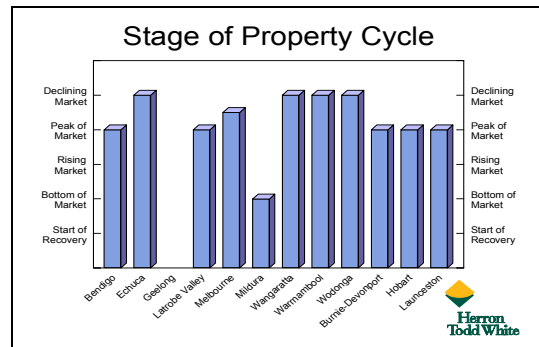
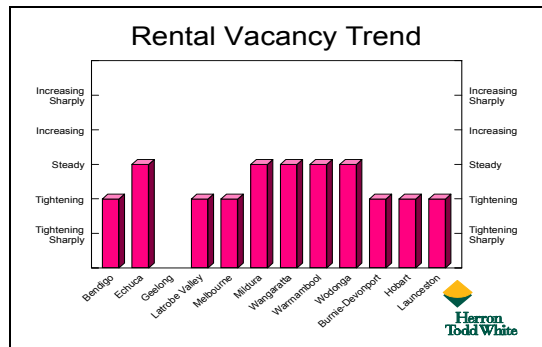


## Victoria/Tasmania Property Market Indicators as at May 2008 – Houses

Factor	Bendigo	Echuca	Geelong	Latrobe Valley	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devonport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Not available this month	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady		Tightening	Tightening	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening
Demand for New Houses	Soft	Soft		Strong	Fair	Soft	Soft	Soft - Fair	Soft	Very soft	Soft	Soft
Trend in New House Construction	Steady	Declining		Steady	Steady	Declining	Declining	Steady	Declining	Declining	Declining	Declining
Volume of House Sales	Declining	Steady - Declining		Declining	Steady	Steady	Declining	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Peak of market	Declining market - Bottom of market		Peak of market	Peak of market	Bottom of market	Declining market	Declining market	Declining market	Peak of market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally		Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never	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

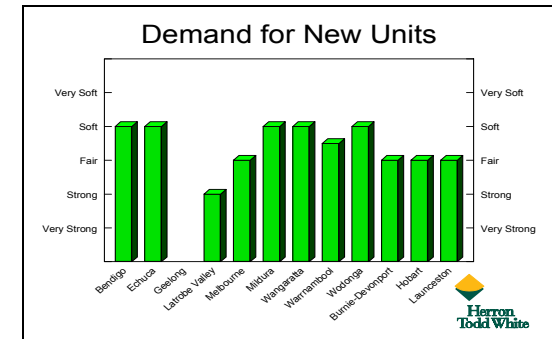
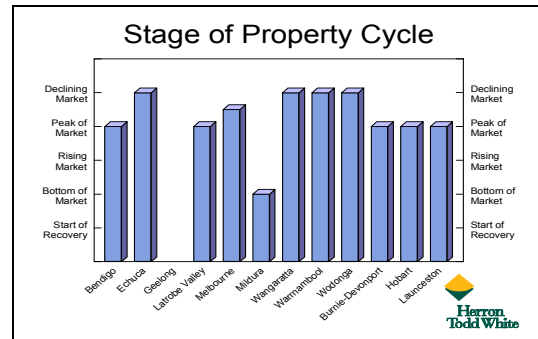
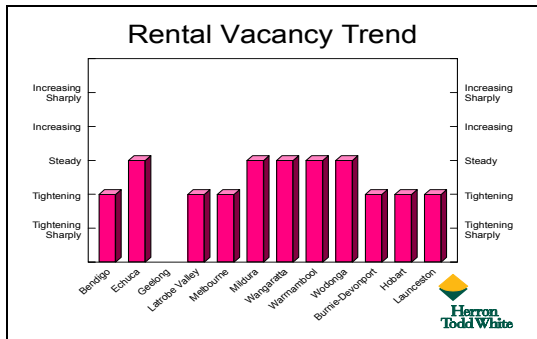


## Victoria/Tasmania Property Market Indicators as at May 2008 – Units

Factor	Bendigo	Echuca	Geelong	Latrobe Valley	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devonport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Not available this month	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady		Tightening	Tightening	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening
Demand for New Units	Soft	Soft		Strong	Fair	Soft	Soft	Soft - Fair	Soft	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Declining		Steady	Steady	Declining	Declining	Steady	Declining	Steady	Steady	Steady
Volume of Unit Sales	Declining	Steady - Declining		Declining	Steady	Steady	Declining	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Peak of market	Declining market - Bottom of market		Peak of market	Peak of market - Declining market	Bottom of market	Declining market	Declining market	Declining market	Peak of market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally		Occasionally	Occasionally - Frequently	Occasionally	Occasionally	Almost never	Occasionally	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

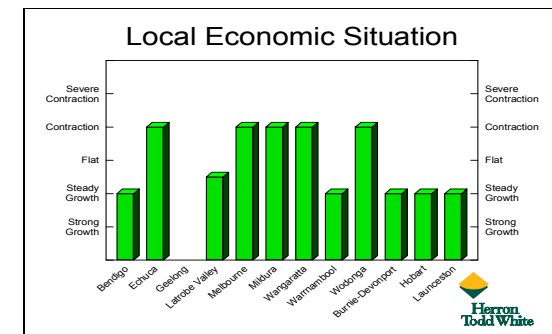
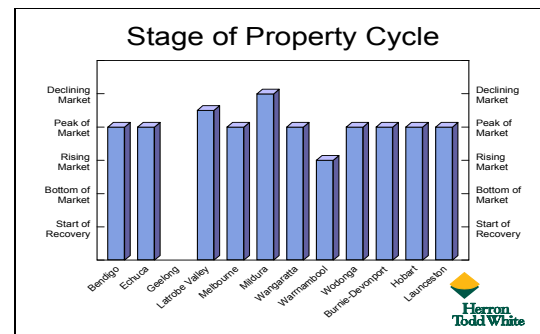
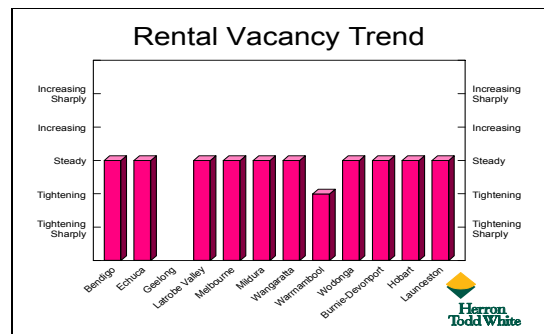


## Victoria/Tasmania Property Market Indicators as at May 2008 – Retail

Factor	Bendigo	Echuca	Geelong	Latrobe Valley	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devonport	Hobart	Launceston	
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Not available this month	Balanced market - Over-supply 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	
Rental Vacancy Trend	Steady	Steady		Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady
Rental Rate Trend	Increasing	Stable		Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Increasing	Increasing
Volume of Property Sales	Stable	Declining significantly		Stable	Stable	Stable	Stable	Declining	Declining	Declining	Stable	Stable	Stable
Stage of Property Cycle	Peak of market	Peak of market		Peak of market - Declining market	Peak of market	Declining market	Peak of market	Rising market	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market
Local Economic Situation	Steady growth	Contraction		Steady growth - Flat	Contraction	Contraction	Contraction	Steady growth	Contraction	Steady growth	Steady growth	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant		Small	Small	Small	Small	Significant	Small	Significant	Small	Small	Small

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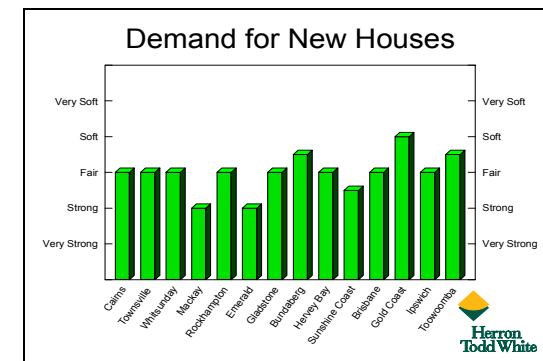
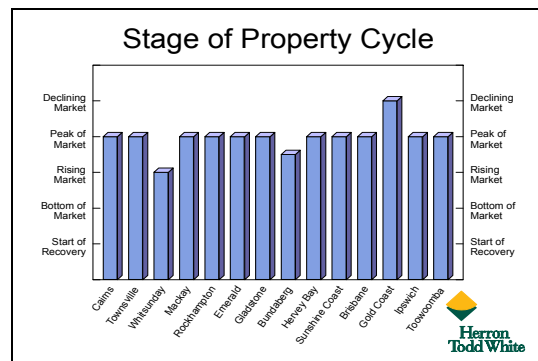
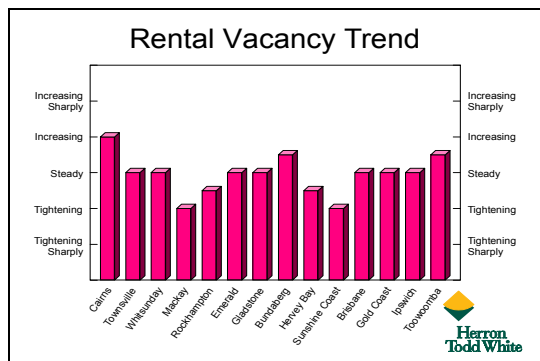


## Queensland Property Market Indicators as at May 2008 – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Steady	Tightening	Tightening - Steady	Steady	Steady	Steady - Increasing	Tightening - Steady	Tightening	Steady	Steady	Steady	Steady - Increasing
Demand for New Houses	Fair	Fair	Fair	Strong	Fair	Strong	Fair	Soft - Fair	Fair	Fair - Strong	Fair	Soft	Fair	Soft - Fair
Trend in New House Construction	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady - Increasing	Steady	Declining	Steady	Declining - Steady
Volume of House Sales	Declining	Declining	Declining	Steady	Declining	Declining	Declining	Declining	Steady - Declining	Declining	Steady	Declining significantly	Declining	Declining
Stage of Property Cycle	Peak of market	Peak of market	Rising market	Peak of market	Peak of market	Peak of market	Peak of market	Rising market - Peak of market	Peak of market	Peak of market	Peak of market	Declining market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	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

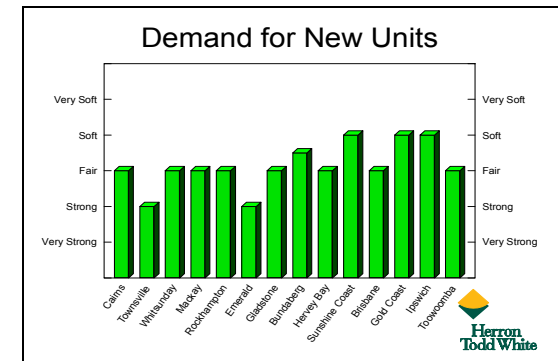
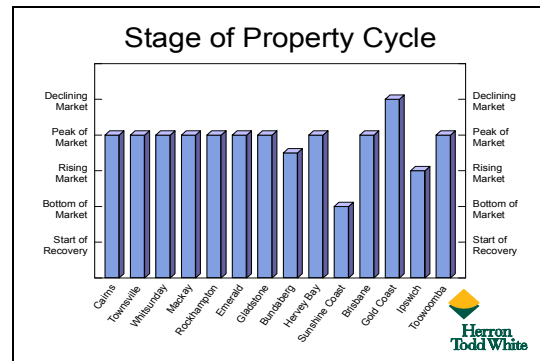
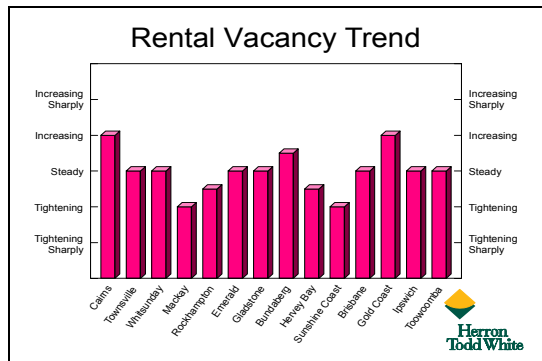


## Queensland Property Market Indicators as at May 2008 – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Steady	Tightening	Tightening - Steady	Steady	Steady	Steady - Increasing	Tightening - Steady	Tightening	Steady	Increasing	Steady	Steady
Demand for New Units	Fair	Strong	Fair	Fair	Fair	Strong	Fair	Soft - Fair	Fair	Soft	Fair	Soft	Soft	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady
Volume of Unit Sales	Declining	Steady	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Declining	Steady	Declining significantly	Increasing	Declining
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market	Peak of market	Rising market - Peak of market	Peak of market	Bottom of market	Peak of market	Declining market	Rising market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Frequently	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



## Queensland Property Market Indicators as at May 2008 – Retail

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

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

