

The month in
review

APRIL

2010



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Peace of mind for your property decisions.



The Shack

Holiday Homes in a Moving Market

You work hard, you save a little, you find a bit extra in the pay packet each month and you start gazing weekend-ward to letting go of a small part of your disposable income on an escape hut. Face it, your parents were wrong... you're not special, you're typical.

If ever there were a weathervane of economic confidence it would surely be the weekend getaway shack. There has been a historically positive proportional relationship between lazy dollars and the number of holiday home purchases. Conversely, around the time your significant other is asking some tough questions about exactly where to find the dollars for feeding offspring, you start to think of reducing the four essentials from food, shelter, clothing and fishing down to three.

The other angle to consider is that when times get a little rugged in the economy, we tend to holiday locally but do it on the cheap. No more jetting off to the south of France for a naughty little Bordeaux and camembert in the provence for you Richie Rich. It's time to consider packing the kombi, finding a piece of dirt for hire and enjoying a leisurely bowl of Coco Pops as you sit perched over the tail-bar of your mobile abode. So by tracking progress in each city's nearby holiday market, we can in most instances get yet another gauge of how things are performing across the (surf) board.

When things get entirely rustic on the money front, the first "asset" to go is usually the weekender shack. Whether its your mountain cabin or waterfront lodge it becomes difficult to justify the existence of bricks and mortar that gathers dust at least 5 days a week just so you can put your sandy feet on the second hand couch.

Each city/town/village has its own relaxation destinations and the performance of the market in these enclaves is a great gauge of the local attitude to the economy.

This month's issue is a terrific read – even if we do say so ourselves. Apart from painting a vivid landscape of which centres are dealing best with last years downturn, you can enjoy a few precious work minutes daydreaming about holiday destinations all under the guise of "market research" – (go on, you've earned it).

It's not all cut and dry either. You would think some areas would be steaming along with confidence now that a whole heap of negative vibes have dispersed into the ether, but no. Some agents are reporting that the burst of activity in their holiday hotspots during the end of 2009 is now waning and, once again, buyers are seeking sellers. Meanwhile other areas (and sectors) are hoisting the sails and gearing up for a capital growth surge to surf into the bay of plenty.

For this months venture into the chartered waters of industrial, we thought those of us with enough readies for a beach house might also find the spare green to see themselves into a bit of high end industrial. The sages of Herron Todd White's industrial sector have had a gaze upon the primo end of the market and given plenty of thoughts as to where it's at, what it is, who is buying it and whether they are on a hiding to nothing or fast trajectory to good times.

As we constantly caution however, you should not consider putting your head in the sand when it comes to your own personal property leisure time. Before you build your dream sandcastle, call those in the know who hold the bucket and spade. There is a HTW gal or guy who is willing to discuss your particular downtime abode and how best to maximise its potential.

Now pass the sunscreen would you?...

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Commercial Overview

Commercial markets across the board have felt their fair brunt of the economic downturn and plenty of observers are noting the turnaround may be some way off. Trying to pick when to get in, or whether to stay in, takes plenty of nerve in many localities under current market conditions.

This month we have asked our offices to take a look at the performance of prime end industrial property. This is the sector that should continue to operate in some fashion despite any softening in more secondary markets. By using top tier industrial as a measure, some appreciation of the overall resilience in industrial markets across the country can be gained.



Sydney

The Sydney industrial market is defined into four zones, including South Sydney, Sydney North, Western Sydney (including north west and central west) and South West.

Whilst all markets are desirable localities, the most sought after industrial property is found predominantly in South Sydney.

The South Sydney industrial market is located approximately 7km south of the Sydney CBD in an established industrial location in close proximity to Port Botany, Sydney Airport, the Sydney Central Business District (CBD) and the M5, which provides access to western Sydney. The proximity to this infrastructure has contributed to some of the highest values being achieved for industrial property in the Sydney metropolitan region.

Rental values in the South Sydney industrial market have fallen from peak levels achieved in 2007. A combination of reduced rental values and increasing incentives to around

8% to 12% has seen market conditions favour prospective occupiers. A saving grace for owners during the past year has been a stabilisation of yields in the region. This can be explained by the significant improvement seen over the past six months in business confidence as the economy recovers from the impact of the GFC.

While rental rates may continue to soften during 2010, it is considered that prime properties in South Sydney will remain attractive to investors and occupiers due to surrounding infrastructure. Subsequently any losses sustained in the short term by owners should be regained in the medium term.

...a saving grace for owners during the past year has been stabilisation of yields...

During the past year there have been very few significant sales in the South Sydney industrial market. However in December 2009 we saw the return of the Real Estate Investment Trusts (REITs) to the market, after a period of around 18 months. Dexus Property Group purchased an established office/warehouse complex at 2-4 Military Road, Matraville for \$46.1 million at an initial yield of 9.3%. The property was located less than a kilometre from Port Botany, leased to Salmat and Agility.

Further significant sales in the south Sydney industrial market included:

- **356 - 358 George Street Waterloo**, sold 9/9/2009 for \$8.81 million. This property consists of two older style buildings providing modern office/showroom and warehouse accommodation, with a total 5555 sqm of gross building area. The office/showroom component is over two levels and was refurbished 10 years ago. In total both properties have five roller shutter doors between them with one door providing rear access to 20 open air car spaces.
- **789 Botany Road Rosebery**, sold 07/08/2009 for \$3.85 million. This consists of a semi modern industrial property with a land area of 1234sqm. The property has a building area of 2468sqm. The property sold vacant possession to Surf Life Saving Australia. This sale reveals a building rate of \$1560.



Canberra

The Fyshwick market remains the most popular of the three industrial areas in Canberra. The area has found significance in the past 10 years as a profitable location for the sale of bulky goods items. This change created a bubble of growth within the market with more users entering the market, including the likes of the Good Guys, Domayne, Wow Sight and Sound and Bing Lee. These tenants also attracted smaller businesses to co-locate. These businesses are now well established and have settled within their position in the market.

Further competition has been found in the EpiCentre Estate that has been trading for some 18 months. The centre provides retail sales including bulky goods and has included the relocation of a number of businesses including Snooze and Freedom Furniture from the heart of Fyshwick.

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Further releases within the precinct have included uses such as motor vehicle sales and light industry. Recent purchasers of these sites have changed those uses from motor vehicle sales and light industry to bulky goods retail use. Further retail in the EpiCentre Estate will in all likelihood have an impact on Fyshwick. At this stage what this impact will be on existing buildings in Fyshwick is uncertain, as it is difficult to determine the extent of existing businesses taking space at the EpiCentre Estate and the overall effect this will have on retail in Fyshwick.

A site sold by the LDA in early 2008 on the corner of Ipswich and Newcastle Streets has commenced construction with the Canberra Motorcycle Centre and Capital Subaru agreeing to lease terms. The site has excellent visibility and prominence offering the tenants modern showrooms and also consolidation of all aspects of their businesses under the one roof. Construction of the buildings is expected to be completed by December 2010.

The current market is slow with both limited buyer demand and tenant enquiry.

A number of sites have been sold recently in the EpiCentre Precinct allowing a greater diversity of uses. Recent sales include:

Block 2 Section 86, FYSHWICK

Date: January 2010

Sale Price: \$1,700,000

Zoned IZ2: Industrial Mixed Use. Purpose clause allows following uses: Bulky goods retail; Funeral parlour; Industrial trades; Light industry; NON-RETAIL COMMERCIAL limited to a maximum gross floor area of 2,000m²; Scientific research establishment; Service

station; SHOP provided that any supermarket or shop selling food shall not exceed a maximum gross floor area of 200m² per shop AND that all other shops except for bulky goods shall not exceed a maximum gross floor area of 3,000m² per shop; Vehicle sales; Veterinary hospital.

Block 4 Section 86, FYSHWICK

Date: January 2010

Sale Price: \$1,700,000

IZ2: Industrial Mixed Use. Purpose clause allows following uses: Bulky goods retail; Funeral parlour; Industrial trades; Light industry; NON-RETAIL COMMERCIAL limited to a maximum gross floor area of 2,000m²; Scientific research establishment; Service station; SHOP provided that any supermarket or shop selling food shall not exceed a maximum gross floor area of 200m² per shop AND that all other shops except for bulky goods shall not exceed a maximum gross floor area of 3,000m² per shop; Vehicle sales; Veterinary hospital.



NSW Far North Coast

The local strata unit industrial market within Byron Bay has experienced an extended period of weaker demand and increased supply since January 2008. However, activity since the beginning of the 2010 calendar year appears to indicate a stronger market with increased sales rates and stable to increasing value levels. Analysed yields have been achieving in the order of 4% to 6.5%. Recent sales of strata titled industrial units within the Byron Bay Industrial Estate are summarised as follows:

Sale 1

Address: 5 / 60 Centennial Circuit, Byron Bay Legal Desc: Lot 5 S.P. 70409 Date: 13 February 2010 (sold at auction, settlement pending). Price: \$356,000 (no GST paid) Strata Area: 157 sqm Land Use (Potential): Single industrial unit. Improvements: Tilt slab industrial unit with 117 sqm ground floor space and an additional 40 sqm of mezzanine. Mezzanine is air-conditioned office. Lessee: Sold with a sitting tenant paying \$20,280 nett p.a. Indicates: Sold with tenant which would indicate nett yield of 5.7%. However, purchaser to occupy when tenant vacates end of lease in March 2010. Excluding tenancy indicates \$2267 per sqm including mezzanine.

Sale 2

Address: 4 / 65 Centennial Circuit, Byron Bay Legal Desc: Lot 4 S.P. 68919 Date: 1 March 2010 (exchanged, settlement pending). Price: \$270,000 (no GST paid) Strata Area: 146 sqm Land Use (Potential): Single strata industrial unit. Improvements: Tilt slab industrial, C2002, ground floor 88 sqm, mezzanine 30 sqm, parking 28 sqm. Indicates: Passing rent \$14,820 p.a. plus GST. Tenant pays no outgoings. Self managed by purchaser. Indicates 4.16% net. However, tenant to move out in June and space to be owner occupied. Overall indicates \$2288 per sqm excluding parking.

Sale 3

Address: 5 / 21 Tasman Way, Byron Bay Legal Desc: Lot 5 S.P. 73010 Date: 18 January 2010 Price: \$250,000 Strata Area: 141 sqm Land Use (Potential): Single industrial unit. Improvements: C2004, tilt slab industrial unit. Main 92 sqm, mezzanine 49 sqm. Carpeted mezzanine office space, ground floor kitchenette and bathroom. Indicates: Sold subject to tenancy with tenant paying \$16,000 p.a. plus GST plus outgoings. Indicates 6.4% net or \$1773 per sqm over main and mezzanine area.



Central, North & West NSW

DUBBO

The industrial property market in Dubbo has struggled during the past 12 months with limited sales activity and a lack of demand and enquiry. Despite this, value levels have remained relatively firm and have not fallen by the levels that were anticipated in early 2009. Investors have not been overly active, however as rental income returns appear to be improving, investors are showing some interest. The market remains dominated by owner-occupiers.

In Dubbo the value of industrial precincts are determined by the traditional factors such as exposure and location, but also access to the major transport corridors being the Newell and Mitchell Highway and access for B Double vehicles, also has a major bearing on value.

A trend in recent years is that as some industrial companies develop a bulky goods retail component we have also seen a growth in mix land use complexes that provide both workshop, office and showroom components. The older industrial areas that we developed in the

1970s and 1980s are coming under some pressure to be redeveloped with more appealing facades, greater portion of office space and more showroom areas. These areas are reasonably well located in close proximity to residential and commercial development. As with most regional centres the more hazardous complexes are being directed to the urban fringes that have buffer zones to established development.

...the older industrial areas that were developed in the 1070's and 1980's are coming under some pressure...



Southern NSW & Northern Vic

ALBURY

The industrial market in Albury-Wodonga has been flat ever since the GFC. Properties are still selling though the number of sales is still below pre-GFC times. Rents appear stable with yields from 8% to 9.5% and have increased marginally since the GFC. The industrial market is expected to remain fairly steady.

The better industrial locales are those with easy truck access to and from the freeway in both directions – including Lavington, Airport Park and West Wodonga. The others are not seriously hindered with access, with some locales better for those enterprises not needing frequent heavy vehicle access.

WAGGA

The industrial market in Wagga Wagga is currently very slow with few properties selling and a large amount of vacant stock currently on the market for lease. At present rental rates have remained stable but the high vacancy rate and low demand points towards rents coming off slightly in the near future. We also believe that yields have softened during the past six months and this looks like continuing in the short term as the demand for properties from investors has fallen. All in all the industrial market in Wagga Wagga is quiet and is expected to stay that way for the first half of 2010.

LEETON

So where is the big money being spent on Industrial property in my patch? Battista Estate, Griffith, Irrigation Way, Griffith and Red Hill Industrial Estate, Narrandera appear to be the top spots. Battista Estate and Irrigation Way both feature large scale, purpose built premises of recent construction. Yields and rents are hard to capture as these recently constructed buildings are held by owner occupiers who have traded up to larger, more modern space with superior exposure opportunities. It is a similar tale at RedHill Industrial Estate in Narrandera, which has also experienced some significant capital investment from local long established family businesses. These Narrandera based businesses lack the exposure of a regional hub but have thrived despite the drought due to their ability to source niche markets and stayed local

due to lower cost structures, good transport links (being on the junction of three highways) and a reluctance to relocate their employees.

There have not been enough sale transactions of older investment properties to demonstrate what exactly yields are doing, but weak demand and increasing supply suggest they may be on the rise. Rentals are stable and in some instances falling as tenants have struggled to absorb increases due to the tough economic climate.



Melbourne

Yields generally peaked for large premises in 2007 and materially softened in 2008 and throughout 2009 as growing negative investor sentiment impacted the Australian economy. This was largely in response to Australia's major trading partners, Japan, Europe and the USA entering recession, a credit squeeze and deleveraging of portfolios by property trusts (i.e. increased supply).

The mismatch between buyers and sellers expectations at the top end of the market during 2009 has narrowed as evidenced by a growing number of sales, as vendors capitulated with the softer market. Nevertheless, relatively low interest rates continue to entice wealthy private investors into quality, prime located premises with long term leases in the \$5 million to \$10 million range.

Prime industrial localities include Port Melbourne, Laverton North, and Mount Waverley. The most common factor underpinning their appeal is excellent freeway access. More specifically, Port Melbourne has an unassailable city/dock fringe position and a Business Three Zone favourable to industrial premises requiring a high office content, especially an industrial head office.

...nevertheless, relatively low interest rates continue to entice wealthy private investors into quality, prime located premises with long term leases....

Mount Waverley is virtually Melbourne's geographical centre and very close to a walk-in well educated/professional workforce. These fundamentals have encouraged rezoning of Industrial One land to Business Three. Again new industrial premises tend to have a high office proportion and the Business Three Zone promotes consolidation of other smaller industrial sites.

Laverton North, located about 15km from the CBD, features conventional modern industrial premises and is favoured by established business unable to efficiently expand in crowded out older estates. Laverton offers greenfield sites where organisations can consolidate various smaller premises into one.

Generally, yields range from 7.5% to 8.5% and rents for Port Melbourne with its significant office content range from \$100 to \$150 per sqm, Laverton \$65 to \$75 per sqm and Mount Waverley \$70 to \$80 per sqm, though \$100 to \$150 per sqm may apply where offices are extensive.



Regional Vic

ECHUCA

The industrial market for Echuca Moama continues to 'bubble along' with fairly consistent volumes of sales, with the market continuing to be dominated by owner-occupiers. Several smaller sales have occurred in recent times - two with vacant possession in Moama, while two industrial sales have also been achieved in Echuca in recent times.



Adelaide

Industrial development in the Adelaide metropolitan area is primarily focused in the northern suburbs. Initially this included Port Adelaide and grew to include Wingfield, Regency Park and adjacent dockside suburbs. With increased mining activity in the far north of the state, this industrial area has expanded to accommodate suppliers, transport depots and administrative centres.

Historically Edwardstown has dominated the southern suburbs however adjacent areas of Melrose Park and St Marys are experiencing something of a rebirth given their proximity to the main north-south corridor. Similarly in the outer southern area, the Seaford and Aldinga Industrial precincts have become established in the past five years in response to massive residential development on this side of town.

Industrial markets bottomed in 2009 as rents eased and yields softened. Many design and construct projects were shelved as finance sources tightened and interest rates began to increase. Across most regions, subdued demand has kept rental levels static, although incentives are reported to have increased. In broad terms, yields have returned to 2007-08 levels.

Rental hotspots have been identified in the inner southern and western suburbs of Keswick, Richmond, Mile End and Thebarton, Hindmarsh and Beverley, largely due to their proximity to the airport and other transport routes. We note also, that development in these inner areas is generally on a smaller scale due to cost of the underlying land.

The most active region has been the inner north where recent massive infrastructure spending has improved access through the area and between the traditional portside suburbs including the new Techport precinct. Further transport nodes/ interchanges are proposed which are expected to further confirm this new trend.

...the outer southern areas are expected to continue to grow in response to the residential sprawl...

The outer southern areas are expected to continue to grow in response to the residential sprawl however, in contrast to the northern suburbs, the area has lacked infrastructure spending.



Brisbane

Demand for industrial property significantly decreased during the past 18 to 24 months as the financial crisis deepened and deterioration of all investment markets worsened. As the shocks of the downturn recede, some mild signs of increased positive sentiment are returning to the market, however, these are very tentative and feeble signs at this stage and are by no means signs of a sustained recovery.

Throughout 2009 the market saw further deterioration in both the value and transaction volume of industrial property. In the latter half of 2009 sale prices reflected signs of stabilisation in premium industrial locations and that trend has continued at the beginning of 2010, however instability is still prevalent in most industrial precincts.

These premium industrial locations are generally located within the Tradecoast precinct, that provide access and exposure to the Gateway Motorway, the Port of Brisbane, Brisbane Domestic and International Airports and the Pacific Motorway. The Tradecoast precinct includes suburbs such as Eagle Farm, Hendra, Hamilton, Lytton, Murarrie, Morningside, Hemmant and Tingalpa.



Analysed yields have steadied somewhat in these locations with sale prices for prime, industrial properties in the \$5 million to \$10 million price bracket, reflecting a range from 7.75% to 8.75%. We note however, some transactions with strong leaseback arrangements have reflected lower passing yields, however these sale prices

are generally considered above current market parameters due to the long term income stream associated with the investment and the added utility of not having to locate a tenant.

A recent sale occurred at 8 Terrace Place, Murarrie, within a tightly held, prime industrial complex known as Metroplex Industrial Estate. The property sold fully leased to Fisher and Paykel Australia Pty Ltd until July 2014 with a further two, five-year options. The sale price reflected an analysed yield of 8.57%.

Rents achieved in these prime industrial locations currently range between \$110 per sqm per annum net to \$125 per sqm per annum net for good quality, modern style, concrete tilt panel industrial accommodation. The rate a property achieves depends on the age, design and standard of the improvements, the location, access and exposure of the site. Rental rates can also vary based on property specific factors such as the office to warehouse ratio. Lower grade industrial properties such as older style, sheet metal, industrial buildings in average condition achieve rental rates between \$70 per sqm per annum net to \$105 per sqm per annum net in these prime industrial locations.

The rental rates currently being achieved reduced by approximately \$10 per sqm during the past 18 months across the prime industrial market. However with confidence beginning to return to the property sector, the South East Queensland population continuing to grow and a lack of new development in the area due to tightened lending criteria from the major financial institutions, industrial rental rates have stabilised in these prime locations and have fared well compared with other commercial sectors.

Properties priced under \$3 million in the prime industrial locations are normally traded in the owner-occupier market. These properties are generally bought and sold on rate per sqm basis. Activity in this sector has increased in the early stages of 2010, not only with transaction volumes, but also in the level of interest from prospective purchasers. We have seen sale rates stabilise in the initial months of 2010 after the downturn experienced during the global financial crisis in 2008 and 2009.



Gold Coast & Tweed Coast

Some reports have emerged in the Gold Coast about a resurgence of the industrial market after a long period of slumber. There may be some increase in buying and leasing activity but the overall Gold Coast industrial market has still a long way to go before reaching equilibrium. Yes, there have been a few sales of industrial factories, a few parcels of land and several strata industrial units here and there, but the volume of sales is relatively low compared to the peak, not enough to drive the market back to normal in the next 12 months.

From the valuer's perspective, supply still outstrips demand but the good news is that the market is no

longer stagnant but has started to move, albeit at a very slow pace. New construction has dwindled as many landowners put off development plans while waiting for the demand to pick up. Meanwhile, the finished product is slowly but surely being taken up but who knows when 'normal' conditions will resume.

A few buyers have taken the move to buy land at discounted prices. These are more likely to be end users who cannot wait any longer for the perceived bottom of the market. The bulk of serviced industrial sites in the Gold Coast are found in the Yatala Enterprise Area (YEA), the industrial zone on the north side of the Coast covering an area of about 3305 hectares that includes the suburbs of Yatala, Ormeau and Stapylton.

Many vacant sites are still available in Central Park Yatala, M1 Yatala Enterprise Park on Darlington Drive and Motorway Business Park Stage Three on Lahrs Road. Pockets of industrial sites are still available in traditional locations such as Burleigh Heads, Molendinar, Arundel and Upper Coomera. Early this year, there was a sale of a site with good highway exposure in the M1 Yatala Enterprise Park at a rate of \$315 per sqm. This represents a discount of 5% off the listed price and a 20% decrease from the price of the last plot sold a year ago. Internal sites with only average exposure are now priced from \$250 to \$280 per sqm. Falling values are also expected to continue for strata units in the YEA as the market remains in oversupply, although, rental rates of \$120 to \$160 per sqm per annum gross seem to be holding.

So what do landowners do with their land holdings that they can't sell while holding costs continue to rise? A popular solution has been to put in some cheap road base hardstand and try to lease them out. Apparently, there is some rental demand for open storage and the going rate appears to be between \$14 and \$17 per sqm per annum net.

...a few buyers have taken the move to buy land at discounted prices...

Leasehold industrial sales can be as rare as hen's teeth. On the Gold Coast, the Molendinar Industrial precinct has provided the majority of leasehold sites, however, with the passage of time, most of the sites have been converted to freeholds. In the past two years, there were two sales, namely a 4667 sqm site on Production Avenue improved with a sheet metal factory that sold for \$353,000 in February 2009 and most recently in January 2010, a 1273 sqm part metal part brick factory on 5216 sqm leasehold site that went for \$460,000. The yield on this sale is analysed to be 9.4%.

In the older Burleigh Heads industrial area in the southern Gold Coast, the number of 'For Sale' and 'For Lease' signs, which were quite prolific last year, is beginning to return to normality. A number of sales have occurred, mainly for units priced between \$200,000 and \$450,000. Some buyers are actually existing owners in the same complex that are buying to expand their interests. This is a good sign as these are buyers who can be considered to have a good grasp of the local market and have shown confidence that now is the right time to invest. The same, however, cannot be said about the northern markets because, as noted above, many new units completed last year are yet to be sold.

The Gold Coast industrial market grew strongly on the back of the property construction boom that occurred prior to the GFC. Many small to medium size strata industrial units were sold or leased to businesses that were directly or indirectly linked to this sector of the economy. The significant decline in construction activity was, therefore, a contributory factor towards the current oversupply and will likely be one of the engines of growth that will pull the market out of the present cycle.



Sunshine Coast

The industrial market on the Sunshine Coast has been the hardest hit market during the past 18 months. The vacant land market was showing signs of undersupply in 2004, however in the past 24 months we have seen two large industrial subdivisions completed in Caloundra and Coolumb. The timing of the release of these estates coincided with the impacts being felt by the Global Financial Crisis, and a significant slow down in demand was noted. This has since led to a significant oversupply of industrial land on the Sunshine Coast.

This oversupply is not noted in all areas though with minimal land remaining in the main industrial areas of Kunda Park and Kawana.

The oversupply of land has led to a drop in land values across all industrial locations and therefore drops in overall value levels.



One example is a larger, older style shed in Kunda Park that sold in 2007 for \$2.4 million and has recently resold for \$2.05 million – a decrease of more than 15% in value.

There is an oversupply, matched against current demand, for investment grade industrial property. There has been a distinct contraction of investment grade sales over the past 12 months in particular, and limited sales in excess of \$1 million, and even less sales in excess of \$2 million. The majority of demand for industrial property is falling at the affordable owner-occupier end of the sector in strata title properties between \$300,000 and \$500,000 and freestanding up to \$800,000.

The industrial market on the Sunshine Coast has demonstrated varying indicators over the last six months of 2009 and early in 2010 with some more robust individual sales being achieved where the specific property attributes matched a specific purchaser's requirements. This trend has been towards owner-

occupiers. The remainder of the market evidence is indicating a significantly weakened market. There has been a substantial increase in vacant industrial land developed during the last upward market cycle. A large proportion of this stock was absorbed in multiple lot acquisitions by speculative investors/developers. With demand now being markedly constrained to the point where in most established industrial estates, supply in established developments and recently completed-projects far outweigh the current level of occupier demand.



Southern Queensland

TOOWOOMBA

The industrial property market in Toowoomba is in a state of flux with conflicting key market indicators:

- Yields firming slightly from 2008 levels with 8.3% to 8.75% achieved for good industrial investments.
- Increase in investment sales volume in 2009 and early 2010.
- The volume of industrial land sales are down with a slight decrease seen in land values.
- A slight increase in the number of vacancies and lease-up periods.
- Rents holding firm with no real increases or decreases evident.

The Wilsonton/Torrington industrial estate is considered the most popular industrial precinct in Toowoomba. This area is well suited to servicing the Western Queensland region, being located to the western side of the city and with good heavy vehicle access to the Warrego Highway. Development opportunities in this estate are limited with vacant sites becoming increasingly rare.

The premium location within this estate is the Taylor Street and Carrington Road strip that benefits from good exposure to a high traffic flow. As a result this strip contains a large number of properties that take advantage of the high exposure by featuring showrooms and display yards.



Central Queensland

ROCKHAMPTON

The latter part of 2009 saw a few sales of large industrial warehouses in various locations around Rockhampton. Notable sales include a warehouse with good exposure to the Bruce Highway on the fringe of the city, which was sold with vacant possession for \$2.55 million, and a good quality warehouse in Alexandra Street also sold with vacant possession for \$1.805 million.

Another substantial industrial sale was a 1200 sqm warehouse, also in Alexandra Street and currently leased by a national tenant supporting the mining industry. This property sold at a yield of approximately 7.6%. While the yield is keener than we have seen for investments during the past 12 months, the sale demonstrates investors' willingness to pay a premium for quality national tenants and properties with a secure cash flow.

...preliminary studies have concluded that industrial land in Rockhampton and the surrounding areas is likely to be exhausted in the next five to 10 years...

In previous issues, we have reported on the frustrations of developers entering the market to later discover lengthy development approval timeframes and an escalation in development costs. The Queensland Government, through the Department of Infrastructure and Planning and GHD Consulting, are currently conducting a study in the Rockhampton area to identify industrial land and ensure sufficient land is available and designated to meet projected population growth and economic activity. The study will provide input into the preparation of the new planning scheme for Rockhampton. Preliminary studies have concluded that industrial land in Rockhampton and the surrounding areas is likely to be exhausted within the next five to 10 years and an area of 335 hectares is required by 2026 to meet the needs of the region.

Areas already identified include the parcel through the Gracemere-Stanwell Corridor as well as possible areas in Port Curtis and land surrounding the Rockhampton Airport. The sites all come with limitations including lack of infrastructure, access and potential flooding issues.

The findings of this study may prove to be very favourable for the region and making further industrial land available and accessible may also attract some 'major players' to the region.

BUNDABERG

The Bundaberg industrial market is best described as steady. The Ring Road has improved accessibility to industrial precincts on the southern and eastern fringe of the city and these are likely to become more popular.

Demand for vacant land is very limited. Property under \$500,000 has good demand, however demand generally decreases as value levels increase. Rents have remained reasonably consistent in the \$70 to \$90 per sqm and \$100 to \$130 per sqm range for better-located tilt slab type premises. Some landlords had been looking to escalate those rents to be in the order of \$150 per sqm, however these have not been achieved.

Yield rates for industrial property are generally in the 8.5% to 9.5% range, however there have been few recent sales to give a strong indication.



HERVEY BAY

The Hervey Bay industrial market is in a period of consolidation with slow activity and limited enquiry. Vacant land sales have been slow with little demand at present. Although supply levels are high, prices appear to be remaining relatively steady at a base rate of \$110 per sqm excluding GST. If however, there are any indications of developers lowering prices to clear stock, it will have a negative impact on land values.

...Hervey Bay experienced steady rental growth from 2003, however this peaked around late 2007 early 2008...

It is a similar picture for developed property, which mostly comprises strata units. Although there has been little construction during the past 12 months, there is still an oversupply relative to demand. This may however be due to a lack of suitable space rather than a lack of demand. The Pialba Industrial precinct is seen as the premium location and until current stock levels decline here, other locations will continue to struggle for growth. Of the sales that have occurred, owner-occupiers seem to be the most active however if a property is leased on sound terms with a good tenancy profile, a yield range from 8% to 8.5% can still be achieved. Hervey Bay experienced steady rental growth from 2003 however this peaked around late 2007 early 2008 and is now continuing on a downturn cycle. Anxious owners are continuing to lower asking rates to attract a tenant which will only have a negative impact on the market. In some locations, rates have fallen from \$100 to \$110 per sqm down to \$70 to \$80 per sqm during the past 12 months and good incentives are being offered. As more developments are planned, if current stock is not soaked up, an additional increase in supply is likely to continue to have a negative impact on rates and values.

MACKAY

Mackay has a strong industry base which is primarily focused on infrastructure and maintenance support of 22 coal mines located in the Bowen Basin, and the Hay Point and Dalrymple Bay Coal Loading facilities located approximately 38km to the south of Mackay.

Paget has developed as the primary industrial hub, primarily due to land supply, easy access to both the Bruce Highway and the Peak Downs Highway, and the synergies between businesses providing mine support. Paget consists of 478 industrial lots totalling 2.8574 million sqm of serviced land. Of this, approximately 75% of the lots are developed to varying degrees, with just over 575,000 sqm currently vacant.

New industrial estates experienced longer selling periods throughout 2009 and price levels came under pressure and softened. However, with growing optimism in the resources sector land values have bounced back in 2010 to the late \$100 to early \$200 per sqm range and yields are starting to firm. Recent sales of industrial warehouse units in the \$800,000 to \$2.45 million indicate yields in the early 8% range. Major tenants are being drawn to new product in new estates, where typical rent levels of \$160 to \$200 per sqm net are common.



Cairns

The Cairns industrial market has come back from its peak of early 2008 with a slowing in the rate of sales. The tight serviced industrial land supply situation that previously existed has now been alleviated to some degree with the State Government introducing some additional lots to the market at Woree. There are now about 30 lots with areas of 2000 to 3000 sqm available, albeit with ambitious asking prices. Lots of this size are also much larger than the typical small owner-occupier requires, which is more in the 1000 sqm range.

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. Yields for industrial properties in Cairns have eased back by about 10% from the record low levels observed at the start of 2008. We believe yields for industrial premises at present analyse in the high 7% to low 8% range, from the 6.75% to 7.25% range previously evident. Commercial agents advise limited availability of good quality stand-alone warehouse stock with reasonable demand for same and rental rates appear to be holding. Strata titled industrial warehouses are proving more difficult to lease, with most demand being from owner-occupiers as opposed to tenants.

Despite the downturn in the local economy and reduced demand from tenants and purchasers, rents have remained static over the past three years, as the following table shows.

Gross Effective Rent/m ² per annum	Nov 2007	Nov 2008	Nov 2009
Larger Office/Warehouses - Prime	\$100 to \$120	\$100 to \$120	\$100 to \$120
Larger Office/Warehouses - Secondary	\$90 to \$110	\$90 to \$110	\$90 to \$110
Small Industrial Units	\$90 to \$110	\$90 to \$110	\$90 to \$110

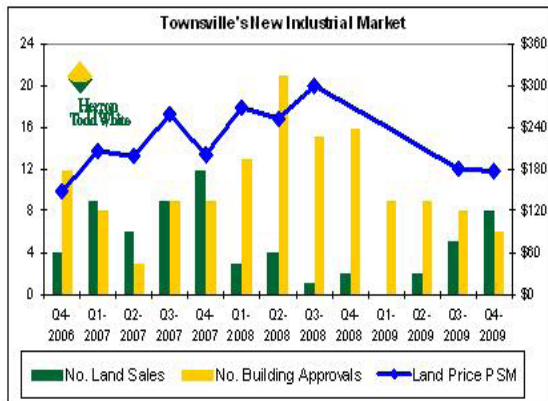


Townsville

The industrial market remains volatile with a large difference in yields emerging between properties with a long-term tenant in place compared with those in vacant possession.

This market is now judged to be at the 'bottom of the market cycle' and faces a volatile road to recovery due largely to lending constraints and an oversupply of new product.

The market for new industrial land has seen an increase in the number of land sales recording eight sales for the December 2009 quarter. The majority of these land sales were for sites under 5000 sqm indicating owner-occupier demand.



The established industrial market has seen an increase in interest however this is yet to translate to increasing volumes of sale. There is currently a high volume of supply on the market leading to price re-alignment and softer sale prices.

...the market for industrial land has seen an increase in the number of land sales...



Perth

This month's industrial property overview focuses on the prime industrial market. Prime industrial property can be divided into two sub-categories, including light and service industrial. These comprise Osborne Park, and heavy industry and distribution comprising predominantly the Welshpool and neighbouring Kewdale suburbs. Other suburbs which perhaps loom close to being prime include Balcatta, Malaga and to a lesser extent Canning Vale. These suburbs' profiles are improving as development and redevelopment increases offering more high quality modern facilities as well as

good location attributes. However, this article will focus on Osborne Park, Welshpool and Kewdale.

Primarily what sets these suburbs apart is their location attributes, with Osborne Park being located close to the Perth CBD and Welshpool and Kewdale being located close to the Perth Airport, rail and major road arterials including Leach, Tonkin and Roe Highways and Orrong Road. These suburbs are also older well-established suburbs that have developed a high level of agglomerative attributes.



Certainly the most stable of the three suburbs has been Osborne Park. This is primarily due to the fact that traditionally properties in this suburb tend to be tightly held, although since the announcement of the Gorgon Project turnovers have increased significantly, with Landgate recording 22 sales to date since May 2009. Four transactions above \$5 million have been recorded, with the highest price purchase being a \$11.25 million sale of 68 Hasler Road, purchased by the Georgiou Corporation who have commenced a \$6 million refurbishment, due for completion shortly. After completion the company intends to relocate its head office from Malaga. The building comprises a three-level office with a warehouse component on a 7825 sqm corner lot offering good vehicular exposure. The three other sales also appear to be for owner-occupation. Investor activity in this suburb is low due to the high underlying land values and relatively low yields achievable in the area.

In the south-eastern suburbs of Welshpool and Kewdale, a Landgate search of sales over the past 12 months to date reveals a total of 32 sales, with only four sales exceeding \$5 million. Two of these four sales were by the same purchaser. One represents the highest purchase price of \$8.5 million in the locality in the specified period, with the other sale price being \$7 million,, although this transaction appear to constitute an off the market, non-arms length transaction. The \$8.5 million sale for 52-64 Sheffield Road, Welshpool comprises a 3.07-hectare site improved with 3369 sqm office warehouse. As with Osborne Park, the majority of the sales in this area are to owner-occupiers. Large industrial properties with relatively short economic life spans, requiring costly maintenance and/or high redevelopment costs along with fluctuating rental demand represent investments possessing a higher overall risk associated with its cash flows

Overall the prime industrial sector is a market that requires a good local knowledge and is generally more suited to owner-occupiers. Sales turnovers in this sector tend to remain low and with lending conditions remaining tight as well as being in a phase of rising interest rates also discourages investor participation. Investment in the prime industrial property sector is not for the mum and

dad investor and perhaps even too risky for institutional or private investors who are not local and who lack the deep pockets to maintain the property and manage it through vacant periods.



68 Hasler Road, Osbourne Park

The State's economic future seems positive over the short to medium term, with the expansion of mining in the state's north west, high government infrastructure spending, low unemployment (currently at a seasonally adjusted level of 5%), increasing population and booming housing sector. Furthermore, new development and redevelopment in these areas are limited by tight lending conditions, and rising interest rates. Limited supply of newer industrial land possessing comparable attributes suggests that prime industrial property values will rise. Nevertheless these positive elements are mitigated by a high level of uncertainty associated with the slow recoveries in the US and European economies and their increasing national deficits, and overheated residential property market. Political tensions between our largest trading partner, China, and the major consumptive economies of Europe and US also have the potential to affect business and investor confidence, as accusations of manipulating currencies and trade and threats of trade wars will certainly dampen business enthusiasm. Currently there is no clear indication that either the US or Europe are on the path to recovery and the longer it takes to see positive change in these economies the more likely the opposite scenario will unfold, as these economies continue artificially keeping interest rates low and maintaining unsustainably high spending. Even the Chinese economy, which has the cash reserves to continue riding out declining exports, has issues of its own, such as rising inflation and its own property bubble. There have been recent indications that suggest that their demand for our resources, particularly iron ore, will decline along with contraction in their construction of buildings and infrastructure. It is becoming apparent that the world has not passed the GFC and instability remains.



South Western WA

It has been a very slow start for the industrial property market in South West WA with few transactions occurring thus far for the 2010 calendar year. Currently it is a buyers' market with a reasonable stock of vacant land and industrial properties either for sale or lease. Sales have been slow and prices have eased with the prospect of an oversupply of industrial lots in the short to medium term.

There are a number of vacant lots available for sale in the Davenport industrial area with an asking price from \$175 per sqm for lots around 2000sqm. In the East Picton industrial zone there are approximately 25 lots available with an asking price of \$130 per sqm per lot with areas ranging from around 4000sqm to 6500sqm. The proposed Australind Industrial Park will have a large number of lots available in six stages. Initial asking prices of \$190 to \$230 per sqm have now reduced with approximately 10 pre-sales from Stage One ranging from \$160 to \$230 per sqm for lot sizes ranging from 1600sqm to 3000sqm.

The majority of industrial development in the region is for owner occupation while most transactions have been for either owner occupation or purchased with vacant possession. Returns for investors are still relatively low and there are few design and construct projects as the growth in rents lag behind the asking price of land and current construction costs.

...the proposed Australind Industrial Park will have a large number of lots available in six stages....

Rental rates have remained generally stable and we would not expect much increase during the short to medium term until the supply situation decreases.

In summary, there is little to report regarding the industrial market except to say there are some good options for renters and also opportunities for buyers if they are prepared to endure a slow period before a swing back to favourable market conditions for sellers and landlords.



Residential Overview

There are many sources of information that can help gauge the relative stability of the economy and optimism, or otherwise, in the property market. Whilst things like employment growth, interest rates, job advertisements and sale numbers all have their place, there are a few more qualitative litmus tests out there, and holiday home destinations are amongst the most compelling. When the future looks bleak, the market for holiday homes and units can turn both dramatically and at pace. Similarly when incomes are high and confidence strong this market can suddenly seem to become inaccessible to a large sector of potential buyers.

The information in this month's issue provides some significant insight into these markets around Australia. The level of demand and supply and the relative outlook for holiday homes should prove a very useful arrow in the quiver of your market research



Sydney

Rather than providing a weekender getaway – Sydney is generally a place people want to escape from. There are some treasures on the outskirts that appeal to those wanting a weekender within easy driving distance on a Friday night.

We have looked at three options for those finding themselves with some surplus cash and looking for a holiday home on their doorstep that has the added appeal of commuting distance to the office on a Monday morning.

LOW BUDGET

The caravan holiday parks of the Hawkesbury River offer an entry point weekender for those with an interest in boats – whether it is fishing or water sports.

Caravan park sites or small cabins within group developments offer a family friendly environment for people with similar interests. The appeal is to a broad range of socio economic groups but the access to community facilities and low maintenance amenities appeals to young families with cabins in these estates asking between mid \$200,000s to \$400,000 (new).

Opportunities within these parks vary in line with consumer confidence in the economy but the interested buyer will be opting for a lifestyle investment, not short-term capital growth.

MID BUDGET

The upper Blue Mountains suburbs of Leura, Katoomba and to a lesser degree Wentworth Falls, have long been areas which have benefitted from a demand for weekender style properties.

...caravan park sites or small cabins within group developments offer a family environment for people with similar interests...

A typical 'weekender' in the upper mountains is a character weatherboard cottage offering two to three bedrooms on a low maintenance allotment with renovated internal fittings, established garden and good presentation. It enjoys good access to the village shops and restaurants and views are an added bonus.

Activity has renewed recently after a long period of inactivity post the GFC. A stabilisation of the Sydney prestige market has seen a trickle on effect on the holiday house market in the region. Several reported sales recently in Wentworth Falls have occurred around the \$600,000 mark with purchasers coming from the inner city. Interestingly this may also display a trend away from the powerhouse of the weekender market, Leura. Better value for money and more realistic vendor expectations may be the driving force behind this new trend.

UPPER LEVEL

For many Sydneysiders a sign of 'making it' is a holiday home at Palm Beach. The exclusive facilities, ocean and Pittwater views combined with the history and character of the area appeals to higher net wealth individuals from a range of private companies, financial market movers and celebrities.

Accommodation ranges from older style non-water front homes with expansive ocean and/or Pittwater views through to premium contemporary estates with private beach frontages. Entry level for a holiday home with premium views kicks in at around \$2.5 Million, with homes of up to \$15 Million in value in the area, but rarely released to the market.

The Palm Beach 'holiday home' market suffered heavily due to the impact of the GFC, whereby holiday homes were the first assets to be liquidated by those seeking to restore cash flow and underpin their primary places of residences as bonus's evaporated, and margin calls became commonplace. The market was flooded with these style homes during the GFC, with value levels dropping up to 25% in this area. Moving into 2010, confidence is again emerging in this market, where the "high fliers" are again taking home bonuses and purchases can still be made well below previous market levels.



Where there were signs of an oversupply of holiday homes on the market throughout Palm Beach, supply and demand appears to again equalising, and value levels still remain below previous highs, encouraging those in a strong position to take advantage of weakened conditions.

The prestige holiday home market will generally feel the impact of any market downturn much faster than established owner occupier areas, as those highly geared in the market place will always look to off-load 'disposable assets' first in times of hardship. At the 'upper top end' of the holiday home market, a general weakening in economic conditions is unlikely to affect those where perhaps two or three holiday homes are the order of the day.

Overall it is considered, confidence is returning to the holiday home market within Sydney as Australia's economic strength solidifies, overall business confidence continues to grow and those with the cash can take advantage of weakened conditions and realistic vendor expectations.



Wollongong

Wollongong, with a population around 230,000 (excluding Kiama and Gerringong), is 80 kilometres south of Sydney, on the coast, set against the backdrop of the lush Illawarra Escarpment. The drive south from Sydney to Wollongong skirts the Royal National Park and then some impressive coastal scenery through the seaside villages of Scarborough, Wombarra, Coledale, Austinmer and Thirroul. The Seacliff Bridge at Coalcliff has become firmly entrenched as a must-see in the area.

Although Wollongong is mainly an industrial town with steel, copper, coal, electricity and rural enterprise, the nearby mountains have helped maintain a country town feel to the city. The inner suburbs (around the CBD) offer well-priced properties close to the CBD, the university, hospital, major transport links (road and rail) and... the beach!

Tourist destination areas are generally the northern suburbs squeezed between the mountains and the coast, with their pristine beaches and temperate climate; the inner city area around North Wollongong, and the villages of Shellharbour, Kiama and Gerringong to the south. The Shoalhaven area to the south of this is a completely different story – and one that we will cover in future editions.

Up north, the basic home is going to start around \$550,000 and the villages provide an alluring lifestyle all year round. Units are hard to come by up in these suburbs north of Thirroul, but there are still some opportunities for townhouses in the high \$300,000s. A recent sale in Wombarra at \$3 million indicates the depth of the market.

...Kiama and Gerringong, to the south of Wollongong, are the jewels of the area....

One of the picks for the holiday 'shack' buyer to get into now are the older suburbs of Fairy Meadow, Towradgi, and East Corrimal just north of the city area; localities with older housing quite close to the CBD, but also located within a short distance to the beaches. Prices here will start around \$400,000, but the upside are the benefits that will accrue from the infrastructure developing around them, and the lifestyle at the doorstep. In North 'Gong' as it is called by the locals, an older (1970's) first floor walk up 2 bed unit only 3 blocks to North Beach, and similar distance to the Uni, will start in the high 200,000s. New units generally start from \$400,000 and stock is beginning to thin out after the glut of the past 2 years.

Kiama and Gerringong, to the south of Wollongong, are the jewels of the area. This area is favoured for its magnificent ocean views, the famous 'blow-hole', beaches and the river at Minnamurra. Kiama has a historical town centre which has been mostly retained by strict town planning controls and attracts many tourists. Older units are priced from \$300,000 and entry level for a house is now more than \$400,000 in most areas.

To the west in the rolling green hills, is Jamberoo, an historical township based around dairying but now a sought after location for tourist and sea-changers alike. It has the famous Minnamurra Rainforest and Falls, and for the younger at heart, the Jamberoo Waterslide Park. Just up the mountain towards the Southern Highlands, the recently opened 'Illawarra Fly' tree top walk and viewing platform is now established as one of the area's big attractions. Prices in Jamberoo will start just above \$400,000.

By far the highest proportion of holiday homes in the Illawarra are purchased by Sydneysiders, with some country buyers and to a lesser degree Canberra investors and retirees (most of whom haven't yet discovered the beauty of the area). 'Sydney Royalty' tends to purchase at the top end, well out of the league of the basic holiday shack buyer.

Buyers are mixed in their choice of properties but we see that the older house on a reasonable sized block of land is the preference, then the two to three bedroom unit. This is particularly so around North Gong. People are purchasing units as investments here, but renting them out with a plan to make a permanent move in five to 10 years' time

The market has been flat for more than two years now but signs are appearing that the worst may be over. Opportunities still exist and we are predicting steady not explosive growth given the presence of rate hikes. These, combined with a lack of confidence, were the big killer in prices in late 2007 and 2008, and many people off-loaded their holiday homes in an effort to shore up the finances in their existing dwelling. In the good times people were taking money out of the stock market to invest in property, and while another property boom may be some way off, the perception was that property prices were only going to increase.

Early last year was the time to buy given the recent gains and confidence returning to the market. The holiday home sector is never immune to ups and downs and it would be wise to consult your local valuers when trying to determine the true value in any unfamiliar market.

All in all, the Illawarra region is conveniently located one hour drive south of Sydney and offers some of the best attractions to be found on the east coast of NSW.



Canberra

One of the best gauges of market confidence is the ability for buyers to find a few extra dollars to take the plunge and purchase some bricks and mortar in their favourite getaway destination.

Every area seems to have that great little weekend getaway spot which tempts the locals into sinking a few dollars into a piece of paradise where they can lie down for the weekend.

For some it's a mountain destination, others an island locale or a nearby beach.

Canberra is something of a surprise when it comes to attractions. Most people will know its local tourist hotspots such as the War Memorial, Parliament House, the National Art Museum and Questacon. But there is much more, in particular a thriving collection of national parks and recreation facilities.

It also enjoys close proximity to a number of Australia's top tourist destinations. Among those is a collection of some of Australia's most popular ski villages.

Since winter is two months away our attention is first focused on the snow retreat. Jindabyne is a township found in the south-east area of New South Wales and two-and-a-half-hour drive south of Canberra. The town overlooks Lake Jindabyne and the Snowy Mountains. The area is a popular choice for tourists as Jindabyne is only a 30-minute drive to multiple ski resorts in the Kosciusko National Park including the well known fields of Perisher Blue and Thredbo. Jindabyne features an even mix of detached housing and unit accommodation. High rental yields can be accomplished during the winter months due to snowfield workers and holiday-makers looking for accommodation. These premiums would be hard to sustain in the summer months. The relative size of the snow region also limits the opportunities for expansion. In turn, the hospitality industry is much more functional and effective for the locales on account of the seasonal demands.

...Canberra is something of a surprise when it comes to attractions....

Come the summer months, once the snow disappears, Canberra looks east to the coast. Bateman's Bay is a two-hour drive from Canberra City and offers all that one would expect from a beachside town. The surf, sun and sand offer a desirable alternative to the shores of Lake Burley Griffin. It's a popular holiday destination and equally a haven for retirees seeking the sea change. Younger families have also become attracted to the area with affordable housing options and the quieter lifestyle attributed to the seaside. In terms of the housing types in the area around three-quarters of the properties are detached housing and the remainder are units and townhouses. During summer months the population can swell to double its size and provides opportunities for attractive rental yields. In terms of investment properties or holiday homes, this is the locale that Canberrans will generally look to, to secure some bricks and mortar. Again, the region is reasonably seasonal in terms of its major tourist influx, however due to a larger population base than the snow fields; demand for property is much more consistent throughout the year.



For most Australians, during the economic downturn the holiday home was the first asset to go. The subsequent increase in supply meant home values fell and bargains became available for those with the disposable income.

Market conditions in these holiday areas for 2010 look like improving with recent news of better employment conditions and thus more buyers should enter the market, increasing demand. Factors to keep in mind however are the recent interest rate hikes and overall confidence in the market seemingly always changing at the moment. This means that the right research and advice into an investment property or home is critical for success.



Southern Highlands NSW

The Southern Highlands area is situated approximately one-and-a-half-hours' drive south-west of Sydney. It showcases beautiful parks with established landscaped gardens, heritage attractions, annual festivals, boutique shopping, local town shows, golf courses and green countryside vistas. The major town centres include Mittagong, Bowral, Moss Vale, Berrima and Robertson. The Southern Highlands is a popular location for the 'Sydney-sider' weekend away and for retirees. There is a range of accommodation available including Bed and Breakfasts and luxury motels.

...tourist accommodation is mostly hotel/motel style....

With so much to offer it is no wonder the Southern Highlands is attracting the holiday home buyer. According to local agents, there is a demand for well presented single level, renovated dwellings with between 2-4 bedrooms with low maintenance grounds. Pricing varies significantly throughout the region. In the township of Bowral, prices range from \$450,000 up to \$1,000,000 for this style of property. There are also substantial prestige weekend homes on acreage with manicured grounds and these come with a multi-million dollar price tag.

The tourism and property sectors were affected by the Global Financial Crisis. The Sydney residential and prestige markets have now stabilised, and consumer confidence is growing in the general economy and in the property markets. The predominant buyer is Sydney based. Interest in these 'weekender' properties in the Southern Highlands is now increasing and this trend is predicted to continue in the medium and long term.

The Southern Tablelands (not to be confused with the Highlands) is located approximately two hours drive south-west of Sydney with Goulburn (pop. 24,000) the main city. It was Australia's first inland city and attracts many tourists and passing travelers from Sydney and Canberra. The area is rich in local heritage, offers annual festivals and rural attractions. Tourist accommodation is mostly hotel/motel style accommodation. Currently due to low vacancy rates in Canberra, overnight/short stay tourists and travellers are also staying in Goulburn and commuting to Canberra.

In surrounding small rural areas like Crookwell, Binda, Grabben Gullen, Bungonia and Marulan, there are also

'weekender' style rural parcels or 'lifestyle blocks' which attract people from Sydney looking for a country getaway on the weekend. Pricing is more affordable and varies between \$100,000 to \$500,000 for a small acreage parcel with an average cottage. The market for this style of property is steady at the moment. We consider that this trend will continue in the short to medium term.



Central, North & West NSW

MUDGEES

Mudgee might not front a beach, but there are plenty of ideal locations within the region for holiday spots. The rural lifestyle property market is very popular with city slickers looking to escape the rat race and make their way to Mudgee for a quiet weekend. The standard 10-hectare allotment located in the timbered mountains around Mudgee seem to be the ideal location for these buyers..

Vacant 10 hectare allotments range from \$80,000 through to \$350,000 depending on location and added improvements. Dwellings tend to range from one-bedroom, weekender style dwellings through to six-bedroom, six-bathroom executive residences. Recent rainfall has added to the street appeal of these types of blocks and enquiry levels have increased in the first months of 2010. If seasonal conditions remain good we should see this market stay relatively strong throughout 2010 and beyond.



BATHURST & ORANGE

Areas most likely to have holiday homes within the Bathurst and Orange area are in the mountains to the eastern side of the region closest to Sydney. Areas like Hartley, Kanimbla Valley, Oberon, Kandos, Cullen Bullen and Rylstone are located on the western fringe of the Blue Mountains within picturesque mountainous areas. These areas are within a two-and-a-half-hour drive of Sydney, and this proximity is major drawcard for the predominantly Sydney-based purchaser.

Holiday homes in these areas are typically small rural residential lots with relatively minimal maintenance/upkeep, however located in relatively remote areas away from townships and hustle-bustle. Improvements can vary greatly from barely habitable shacks to large old heritage style homesteads where the original rural holding has been subdivided and sold off into a number of smaller rural residential lots.

The price range varies according to the standard of accommodation and the level of services connected to

the site. For very basic accommodation, properties start at the low \$300,000s and go up to more than \$- million for more substantial properties. It is not uncommon for the higher priced properties to have more than one residence. Many owners place tenants in the second dwelling and or having an onsite 'caretaker' in lieu of charging rent.

These properties were affected by the GFC with sales volumes dropping significantly and an oversupply of stock to the market. Ultimately, that led to reduced values during that time and many properties were sold under duress.

Local agents in those areas are now reporting increased enquiry again and a rise in sales turnover, however properties are not achieving the same price levels that were achieved at the height of the market.

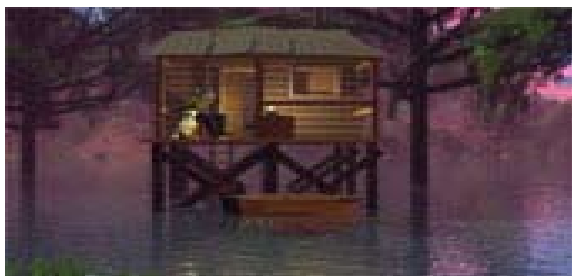
...these properties were affected by the GFC with sales volumes dropping significantly...



Newcastle

The 'weekender' is generally the house or unit used by non-resident owners and their families for weekend getaways or regular holidays in localities that are generally between one to three hours' drive away from their permanent place of residence. Mostly in the wider Newcastle area these places are located about the coast with the Nelson Bay/Port Stephens area being very popular for Sydney people.

The market for 'weekenders', as with any second home, can be more volatile as both supply and demand for houses and units in this particular market segment fluctuates substantially. Generally in good economic times (low unemployment coupled with strong wages growth, bullish equity markets, etc) there is lower supply and stronger demand (as with any discretionary spending) and on the flip side weaker economic times (uncertain employment prospects, volatile equity markets, etc) lead to increased supply and weaker demand. As such given the particularly weak equity markets that we experienced in 2008/09 we saw the 'weekender' dominated markets such as the Port Stephens area weaken with houses generally losing anywhere from 10% to 20% in value and units (particularly modern units) losing 20% to 30% in value.



The 'weekender' market is a very wide market ranging from basic two bedroom cottages through to large, modern, four bedroom plus three bathroom houses. These houses can be located right on the water, within walking distance of beaches, bay or ocean. Prices generally range from \$200,000 for a basic two bedroom, strata unit within

walking distance of the beach and bay, through to \$1 million-plus for the larger waterfront houses with varying water views.

Whilst the market certainly weakened throughout 2008/09 it does appear to have bottomed out now and we are seeing an increased number of purchasers actively seeking out property (both houses and units) at these reduced sale prices.



NSW Mid North Coast

With an abundance of scenic and under-developed land stretching from mountains to lakes, rivers and beaches, the Mid North Coast of NSW has long been recognised as an ideal holiday location, possibly ever since convicts first arrived in Port Macquarie in 1821 for an extended stay away from Sydney.

Living a less hectic lifestyle, most local residents are unlikely to own a 'weekender' type holiday house or unit, the minor exception being those from western rural areas who enjoy a tree change-sea change. A majority of owners of 'weekenders' in the region come from the more populated areas to the south such as Sydney, Newcastle, and rather shockingly the Central Coast, which over the last two decades has been extensively developed and now sees some residents needing a place to get away.

The 50-64 age group forms the largest proportion of 'weekender' ownership, and this stems from affordability. This age group is more likely to have paid off a mortgage, have lower child costs, are considering downsizing and also thinking of retirement. Furthermore upon retirement, owners making their 'weekender' the new principal place of residence will avoid Capital Gains Tax upon re-sale.

Following the GFC, the 'weekender' market has had an oversupply of property for sale and coupled with weak demand, this has seen falls in value in the vicinity of 10% to 20%. Whilst a more healthy confidence re-emerged in late 2009, this has largely been offset by interest rate increases. Purchasers buying 'weekenders' on borrowed money are hence now being more cautious, and those considering negative gearing should reflect on the impact renting will have on their own private use.

A fundamental requirement of a holiday house or unit is for the owners to enjoy repeated visits and as a general rule any more than a two to three hour drive will limit usage. As such, the Great Lakes region being furthest to the south has a higher proportion of 'weekenders', Greater Taree a lesser extent, and The Hastings even fewer still. Access to the region via the Pacific Highway continues to improve with the Moorland by-pass opening in March 2010, the upgrade from Coopernook to Herrons Creek expected to be complete in mid 2010 and the Bulahdelah by-pass being well underway.

There is a wide range of 'weekender' type property available for sale, often at affordable prices and readers might find the following recent sales at lower end of market spark an interest:

- \$350,000 for a five bedroom 1980s weatherboard house on a half-acre block at Bungwahl.

- \$300,000 for a two level, four-bedroom 1980s brick/weatherboard house with lake glimpses at Tarbuck Bay.
- \$250,000 for a two-bedroom 1980s weatherboard house with lake glimpses at Smiths Lake;
- \$165,000 for a two level, two-bedroom 1980s weatherboard house with lake views at Coomba Park.
- \$465,000 for a renovated one bedroom 1980s weatherboard house directly opposite Boomerang Beach.
- \$220,000 for a two bedroom 1970s brick walk-up unit, 100 metres from the beach in North Street, Forster.
- \$290,000 for a two level, four-bedroom 1970s weatherboard house close to the beach with ocean views at Old Bar.
- \$310,000 for a three-bedroom 1970s weatherboard house close to river at Manning Point.
- \$250,000 for a three-bedroom 1970s weatherboard house close to break-wall at Harrington.
- \$275,000 for a three-bedroom 1970s fibro house close to lake, at North Haven.



NSW Central Coast

So far as the NSW Central Coast goes, this month's topic on 'The Shack', otherwise known as the holiday house, bolt hole, house up the coast is once again, very interesting.

Being so close to the Sydney Metro, the Central Coast was a popular destination for holiday-makers and weekenders from the middle of last century onwards. It seemed almost everyone had an aunty and uncle or grandparent with a house on the Central Coast where an escape could be made after a not too arduous 1.5 to two hour drive from Sydney. Places like Toukley and Umina Beach spring to mind as being popular.

As the Pacific Highway was upgraded to a Freeway and more affordable land made available, the identity of the Central Coast gradually changed being a holiday destination to become a permanent base to many with the daily commute to Sydney being much easier.

Fortunately though, the Central Coast still has a fair representation of homes owned and used by 'non resident' owners, as holiday homes. This type of real estate is spread across the length and breadth of the Central Coast, but most often along the coastal strip.

The mindset and means of the owner usually determines the location where they purchase.

Places like Patonga, Pearl Beach and MacMasters Beach seem to attract those looking for a quiet location with plenty of trees and nature around them. Some of these areas are particularly attractive to people with a public profile and the ability to meet the asking prices seen in these locations.

Those wanting to simply throw the towel over the shoulder and spend their days on the beach with the kids and are happy to be seen or part of the crowd, tend to

buy in places like Terrigal, Wamberal, Avoca Beach and The Entrance.

...places like Patonga, Pearl Beach and MacMasters Beach seem to attract those looking for a quiet location....

Places in between can include North Avoca, Copacabana, Blue Bay, Toowoan Bay and The Entrance North.

There are of course, areas away from the coast where holiday homes can be found, such as the beautiful Yarramalong Valley or numerous places along the Hawkesbury River, but these are far less common than the coastal strip.

Prices vary considerably, and there are some very good buys available in The Entrance, which still has a slight oversupply of units. Numerous family groups have taken advantage of this with good quality and near new unit purchases being made in the mid to high \$200,000s. Whereas, unit prices in Terrigal and Avoca Beach generally start at \$450,000 and vary significantly depending on the size, quality, location and view. It is not unusual to see units being purchased in these areas for \$1.5 million to \$2million.



Beachfront houses at Blue Bay, Toowoan Bay, Wamberal, North Avoca and Avoca Beach are still reasonably popular as holiday homes, with most being snapped up with little hesitation. This popularity has driven prices up, so expect to pay upwards of \$1.5 million for a beachfront in the northern end of the region and above \$3 million for the southern end. Values in places like Patonga, Pearl Beach, MacMasters Beach and North Avoca vary considerably. A modest holiday house several streets away from the beach at Pearl Beach can be secured for as little as \$600,000 whereas a beachfront property with a significant dwelling recently fetched in excess of \$5 million.

There does not appear to be a constant in prices paid for holiday homes on the Central Coast. The main determinant seems to be linked to the mindset and means of the individual or family group and the latter, more than anything dictates the confidence in this market segment.



NSW Far North Coast

The North Coast of NSW comprises arguable some of the most beautiful, pristine beaches in NSW, if not Australia. This is evidenced by the strong tourism market which frequents beachside townships situated along the

Northern Rivers on an annual basis. As a result of the natural attributes of the coastline and continuous tourism market, the 'weekend getaway' can result in a reasonable priced dwelling or home unit metres from the beach to an astute investment which is near positively geared and may benefit from future capital gains.

Holiday spots' in Northern NSW range from small coastal villages located along the coastline from Coffs Harbour to Ballina, such as Woolli, Brooms Head, Iluka and Evans Head. The village of Woolli provides basic facilities such as a general store, small service station, hotel/motel and Bowling Club. The area is noted for its fishing, surfing and quiet lifestyle, being approximately 50km east of Grafton. A 'weekend getaway' can be purchased within the village for a starting price of \$275,000 to \$450,000. This would comprise a semi modern style dwelling situated within close proximity to both Little River and Pacific Ocean. The most likely buyers for a 'holiday home' within Woolli are investors generally situated within the Northern Rivers locality and in particular inland areas such as Grafton. However, investors from further afield are also purchasing within these villages during the peak holiday periods.

The market for property within these villages is generally seasonal and is dependent on the tourism influx during the peak holiday seasons. As a result, a selling period in the order of 12 months may be required in order to achieve a sale due to peak holiday seasons. This is evidenced in the village of Brooms Head, which is located approximately 25 kms east of Maclean. A recent sale of a 'holiday home' occurred on the Pontsettia Crescent, which is located on the headland of Brooms Head. The property comprised a part two-storey semi modern dwelling being approximately 30 years old and having restricted views to the north-east over the Pacific Ocean. The property was sold during the Christmas/New Year period while the tourism market was at its peak. Marketing agents advise that it may take another 12 months in order to achieve a sale at a similar value due to the seasonal market.

The top end of the market for 'holiday homes' can be found in Byron Bay where a 'weekender' can be sold for as much as \$2 million-plus. Holiday homes within Byron Bay generally perform strongly on a holiday let basis through local agents and national based letting agencies. The most likely buyers for 'holiday homes' within Byron Bay are investors from either Brisbane or Sydney. There has been recent reasonable enquiry and market activity for 'holiday homes' within Byron Bay priced up to \$700,000, however, the market becomes restricted for properties priced above this amount. Due to recent activity within the sub \$700,000 price bracket, supply for available product is low. If the current market conditions continue, then there may be upwards pressure on values resulting in a capital gain for a 'holiday home'.



Southern NSW & Northern Vic

ALBURY

The Albury-Wodonga region and surrounds offer a number of holiday spots or weekend getaways to enjoy. The area's variety of lifestyle activities, available all year round, make this a popular place for people to live and invest.

The Albury-Wodonga region is situated on the Murray River midway between Sydney and Melbourne. The region is easily accessible by road, rail and air, with numerous regional main roads and highways radiating from the Albury-Wodonga hub.

The region surrounding Albury-Wodonga provides a variety of tourist attractions including the Rutherglen wineries, the historic goldfield towns of Beechworth and Yackandandah, the Hume weir, boating and fishing on the many rivers and lakes. It is also within reasonable driving distance of many of Australia's snowfields.

For this reason property prices tend to remain stable in the Albury-Wodonga region, with a steady increase over time. This is as a result primarily of a sound economic and employment base within the region.

...due to the seasonal nature of the winter ski season, property prices tend to fluctuate in this region....

Another destination within reasonable proximity to Albury-Wodonga is Bright. Bright is situated approximately 120 kilometres by car from Albury-Wodonga and is most commonly known by skiing fanatics as the gateway to the Alpine region. However, Bright also is a popular weekend location for a range of activities that are available when the ski season of Mt Hotham is closed. These include; bush walking, cross country mountain bike riding, motor cycling touring and horse riding.

Due to the seasonal nature of the winter ski season, property prices tend to fluctuate in this region and therefore can become unpredictable at times, with longer than normal selling periods required in some cases. Entry level prices for a basic, established three-bedroom dwelling range from about \$300,000 to \$350,000. Entry level prices for an established two bedroom unit range from approximately \$180,000 to \$250,000.

Finally, for the fishing enthusiasts out there, the Albury-Wodonga region offers some of the best freshwater fishing in Australia, with access to many rivers and lakes. Apart from the obvious Murray River for chasing the elusive Murray cod, two towns of particular note which are popular for a weekend getaway for anglers include Dartmouth (Dartmouth Dam) and Khancoban (Khancoban Pondage). These towns are situated about two hours' drive from Albury-Wodonga and are extremely popular for the keen fisherman chasing a trout or two. If you speak to a local in these towns most wouldn't want you to know how good the fishing actually is! Entry level

prices in these towns for an established three bedroom dwelling range from approximately \$120,000 to \$150,000. House prices in these towns generally remain stagnant overtime, but nonetheless are at affordable entry level prices for people searching for that little piece of serenity or 'down time'.

WAGGA WAGGA

The Riverina might not be a traditional holiday destination, but its location on the outskirts of the Snowy Mountains ensure it is popular with tourists. One of the favourite places to visit is the village of Talbingo. Situated at the base of the Snowy Mountains, Talbingo is located next to the Blowering Dam and is a hotspot for water skiers and water sports enthusiast alike. The village is made up of mostly basic cottage style dwellings which are used as weekenders and holiday homes.

...with limited demand and virtually no new construction there are limited opportunities in this market...

The Talbingo market is virtually all sub-\$200,000 with basic style dwellings and a limited number of properties. The market has been static with little surplus money around the district, on the back of a 10 year drought. The village of Talbingo has limited services that include a general store, service station and golf club with a local bar and restaurant. The closest town to Talbingo is Tumut, which is about 30 minutes away by car.

With limited demand and virtually no new construction there are limited opportunities in this market. Most property owners see the ownership of this style of property as a 'lifestyle' choice and not an investment tool.

LEETON

So what and where do people buy for their escape to the country? The what is a fishing shack, a modest dwelling quite often in need of serious TLC and restumping. The where is a small rural village with a pub and a river or a least a good creek. Locations such as Carrathool, Maude, Booligal and Morundah are hot spots, If you're lucky you can pick one up for a little as \$20,000 with the majority priced between \$30,000 and \$60,000. Capital growth in small rural villages is minimal unless they are within commuting distance to a large country township or regional centre. Prices in these locations are likely to remain steady and generally are not subject to large price fluctuations.



Melbourne

During the past 10 years there seems to be a stronger underlying trend for people to buy their holiday home along the coast rather than in rural areas or townships. This has been backed up by substantial growth in property values in coastal towns located within a two-and-a-half-hour drive from the Melbourne CBD.

From Queenscliffe to the Bass Coast, holiday homes along Victoria's coastline are highly sought after and in many areas they are becoming an investment goldmine.

This trend has been fuelled mainly by cashed up or asset-rich Baby Boomers seeking a place to spend their retirement years. Bearing in mind that this generation represents a good proportion of our population, demand for property in these areas is likely to get even stronger. The Valuer General reported in 'A guide to Property Values 2005', that prices were determined by two factors - proximity to the city and proximity to the coast.

So the big winners were those who owned property in Melbourne's inner city or bayside suburbs or on the coastline within a couple of hours' drive of the city.

Of all the areas, Phillip Island has been a standout performer. Property prices have been among the fastest growing in Victoria with Smiths Beach median price jumping from \$70,000 to \$324,000 in the past ten years. Sorrento property prices and surrounding areas on the Mornington Peninsula have almost quadrupled in that time. Holiday homes along Western Port, South Gippsland and Bellarine coastlines have almost tripled in value.



With all this upward price movement it would be surprising to note that you can still buy a holiday home within a short walk to the beach or water for under \$220,000 in beach side towns such as Venus Bay and Dalyston along the Bass Coast and Seaspray and Golden Beach along the Ninety Mile Beach or Loch Sport, located on the Gippsland Lakes. Apart from price, the positive aspects to purchasing in these areas are their proximity to major tourist attractions such as Phillip Island, Wilsons Promontory and Lakes Entrance; and most of these areas have rural backdrops with easy access to wineries and walking tracks as well as the water.

Of course these areas are secluded, which means they lack infrastructure. Other negatives are the strong ocean winds: the much longer drive to the city; a higher proliferation of local wildlife such as sandflies, mosquitoes and the occasional king brown sunning itself on your doorstep; and the sometimes dangerous rip conditions at the ocean beaches. Global warming could also lead to a major shift in peoples buying habits and possibly property values may be affected if people choose to move from coastal to safer inland properties.

A parliamentary report suggests that a one centimetre rise in sea levels in the next 100 years could lead to at least one metre of erosion of our shoreline. This would make coastal properties vulnerable to flooding, storms and high tides and would put an estimated 250,000

properties at risk of destruction, mainly on the eastern coastline.

It is envisaged that any future new developments in areas subject to potential inundation may be blocked or development may be restricted by planning overlays and approvals.

Invariably, most owners and buyers will choose lifestyle over the more practical aspects noted in the report however there will be a portion of the population that will heed the advice and move away from the coast to higher ground.



Regional Vic

ECHUCA

The holiday market in Echuca Moama is dominated by Melbourne buyers looking to escape to the Murray on the weekend - particularly over summer when water sports come into their own.

Depending on taste and budget most opt for dwellings within close proximity to the CBD, with older period style cottages proving particularly popular to out of town buyers. There have been several strong sales of these type of properties in recent years in the \$275,000 to \$320,000 range. At the top end of price range there are several Melbourne based owners of freehold properties with Murray River frontage, though the price tag for riverfront freehold properties commonly exceeds \$1million. This is likely to price many out of the market for holiday accommodation.

Holiday villas (with or without river frontage) offer a more affordable option for those interested in being close to the river, while several local caravan parks offer solid accommodation and facilities which are also popular with holiday makers.

...depending on taste and budget most opt for dwellings within close proximity to the CBD...

Another attractive option for those looking to own their own 'patch' are 'bush block' type properties featuring some attractive feature (most commonly proximity to a water course/river) with no or minimal dwelling permit potential. A 2009 subdivision of land between Moama and Torrumbarry provided five such bush blocks of 80-100 hectares with between 300m and 1.8 kilometres of Murray River frontage. These sold for between \$365,000 and \$475,000 (ex GST) with each block featuring varying levels of accessibility and services.

GIPPSLAND

There has been an increase in demand during the past six months for properties below the \$300,000 price range in the areas along the Gippsland Lakes of Lakes Entrance and Metung. Particularly, the lower end of the Paynesville market has shown a steady increase.

These areas have shown a slight recovery with an overall increase in demand for vacant land, which in turn has seen an increase in prices with Agents advising a shortage in supply.

Noticeably vacant land which has been on the market for some time in the Lakes Entrance area is now starting to sell due to this lack of supply.

The market within the Seaspray, Loch Sport, Golden Beach and surrounding areas remains quiet with the uncertainty of residential development and concerns regarding the affect of rising sea levels.



Adelaide

The holiday house has long been the symbol of personal success and a buoyant economy, whether it is a fibro at Foul Bay or a modern, multi level, multi bedroom house at Hayborough.

During the recent period of prolonged growth in real estate markets and economic prosperity, spending on holiday accommodation surged. South Coast areas located within an hour of the proved most popular and prices reflected this, while southern Fleurieu towns fared well also despite not enjoying the same level of services and facilities.

The south coast town of Victor Harbor is possibly the dominant holiday destination although 'shack' style accommodation has long gone. Recent development has centred on the beachside strip and rising land overlooking Encounter Bay. Nearby smaller settlements of Middleton, Pt Elliot and Goolwa retain many of the older 'weekenders', although development pressure has been mounting in recent years.

Riverland towns are traditionally popular, but are feeling the effects of the lack of water in the river system and the recent economic turmoil. The shortage of riverfront property will underpin values in this regard, however complexity associated with the leasehold tenure, often remote access and limited amenities will balance this demand to some extent. Further from the city are destinations on Yorke Peninsula, which generally appeal to longer holidays.

Recent months have seen the volume of holiday home sales declining generally although this is expected to increase as financial pressure mounts. Only after volumes rise to a reasonable level will we be able to quantify the current level of this market.



Brisbane

Brisbane is brilliantly positioned to take advantage of both the Sunshine Coast and Gold Coast holiday markets; Both of these are already covered by far more knowledgeable offices in the Month In Review but Brisbane still has plenty of people who want to keep their weekends local. For them, the bay islands have proved to be a winner.

Moreton Island is a prime example of an area that has become a favoured weekend destination for many city folk looking for what is known as a TGIF (thank goodness it's Friday) spot. Holiday shacks abound in Moreton Island's fishing village communities such as Koorinal and Bulwer. The island is all sand roads and 4WD access but it doesn't mean you have to rough it without style. The community of Cowan Cowan is a tasty beachfront locale where plenty of high end earners relive their often more modest childhood by picking up a slice of Moreton nostalgia. There has been some major redevelopment during the past decade and quite a few of the well-to-do have picked up a beachside shack, which has promptly been demolished to make way for their new getaway place. Land with beach frontage is sitting about \$1 million and the entry price for the area generally comes in around the \$700,000 mark. Villas in Tangalooma average about \$500,000, with houses approximately \$800,000 – but there has been some sand kicked in the market's face. Sales on the island were growing steadily during the boom times but there has next to nothing has change hands during the past few years. So if Moreton is your cuppa, it might be best to think long term.

...the community of Cowan Cowan is a tasty beachfront locale where plenty of high end earners relive their often more modest childhood by picking a slice of Moreton nostalgia....

Over to Bribie Island, which has long been unkindly touted as 'God's Waiting Room'. The retiree market here takes up a big slice of the action. The island is accessible by bridge and has plenty of facilities for the water enthusiast. The majority of units and townhouses are available for holiday let and water view units around Woorim sell in the high \$300,000s. Detached homes can still be found for about \$290,000 for a lowest hardiplank house on a 500sqm block a little distance from the water. Our expert says that although there has been some capital growth in recent years, it's more modest than that achieved in other localities with a more diversified industry and buyer base, such as Caboolture. This area is also riddled with investor stock sold to non-locals. We suggest all buyers have their prospective purchase checked out by experts BEFORE they commit. This is particularly important if you're from out of town.

Our final offering is the barge-accessed North Stradbroke Island. The suburb of Point Lookout offers an impressive range of houses, from sixties and seventies knock about fibro numbers through to high-end dwellings. Prices vary

greatly - land with water views down the beach will set you back about \$1 million, upmarket homes sell for up to \$1.9 million and a basic home unit can be found for about \$350,000.

The market saw some reasonable sales in 2007, very little activity in late 2008-early 2009, a few sales in late 2009 and a couple more sales at the very start off this year. Agents are now reporting that there has been a definite fall in enquiry but that it has been more about the end of summer that anything to do with global financial problems.



Gold Coast & Tweed Coast

GOLD COAST

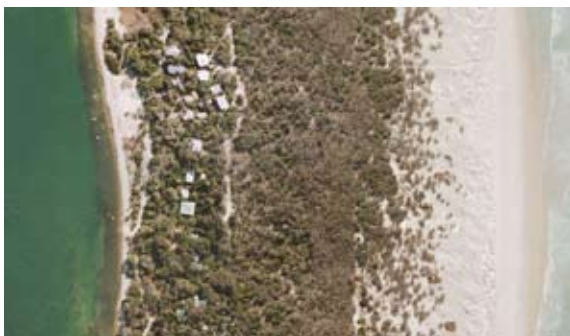
The Gold and Tweed Coasts are well known for their surfing beaches and holiday lifestyle. Traditionally, it has been the beachside high-rise and low-rise units have been sought out by intra and interstate investors as holiday homes. These vary from one bedroom units for \$175,000 to penthouses apartments for \$8 million. Many Brisbane families own old beach cottages within Mermaid Beach, Burleigh Heads, Palm Beach and Kingscliff and depending on proximity to the beach, these range from \$400,000 to \$1.5 million.



With the rise of numerous holiday internet websites, other classes of residential real estate are now sought by holiday makers and used by out of town owners when not booked. These include canal front homes throughout the Gold Coast and varying in quality and price. The most opulent of these are located at Sanctuary Cove and Sovereign Island, such as the house below purchased by Hong Kong residents for \$11 million in 2006.



The most unique of our holiday destinations would be South Stradbroke Island which is situated to the north of the Gold Coast seaway and accessible only by boat. There are two locations on South Stradbroke Island that have freehold house properties used for holiday homes.



The first is Currigee which was established in 1966 is home to 72 freehold allotments averaging 800 square metres. The houses vary from basic fibro fishing shacks to modern three level, architecturally designed homes. The roadways are sand tracks, there is no town water, sewerage or electricity. These island getaways are supported by tank water, septic systems and solar power cells and batteries. The roadways are unformed sandy tracks and four wheel drives, fishing and surfing along South Stradbroke Island's 21km beach is the star attraction where often tens of kilometres are uninhabited. There have only been three properties sold/for sale during the past five years.



Couran Point was established in 2001 to cater for those wanting a less rustic lifestyle. The estate has underground services, sealed roadways and a communal resort facilities with lagoon swimming pool. There are so many wet and so many dry allotments with the waterfront lots having private pontoons for easy access to their properties from the main land. Quality of housing ranges from basic lightweight single level homes to architecturally designed, two level properties with suspended slabs and home theatres. Homes constructed to date have ranged in cost between \$300,000 and \$1.9 million. Land in the estate generally ranges from \$300,000 for dry allotments to \$650,000 for canal front land. Alike Currigee, owners

within this estate are permitted to have four-wheel drives to access the roadways and beachfront. Properties in this estate change hands frequently.



Sunshine Coast

Holiday homes and the Sunshine Coast - the two are synonymous. Whether it be a holiday unit, a holiday home or a weekend hobby farm, holiday properties can be found right across the Sunshine Coast and hinterland.

There is no question that during the past 18 months, these holiday/discretionary type properties have been one of the hardest-hit sectors. Quite often the first thing to go when the economic climate toughens up is the holiday home. This, combined with the softening in demand, has certainly seen the value levels fall significantly.

As reported in previous MIRs, it would appear that over recent months the holiday home/unit market has stabilised somewhat as the number of home owners who have been forced to sell have already done so. Therefore we are left with vendors that appear to be able to hold on under the current circumstances, however only time will tell.

...quite often the first thing to go when the economic climate toughens up is the holiday home....

The softening in market conditions has led to great opportunities, to buy a property in a location that was previously unattainable, at a price significantly below replacement cost.

Houses in coastal areas continue to remain popular. As noted in previous MIRs, the prestige sector of these housing markets has seen an increase in affordability. To buy properties at below replacement cost within this prestige sector is now the norm rather than the exception.

The holiday/investment units have also experienced an increase in affordability. You do get a lot a 'bang for your buck' now. But there is an interesting factor that is, dampening demand in this sector. There has been a significant increase in body corporate levies on the back of rises in utilities, maintenance and management costs. These additional costs have certainly affected demand.

Therefore, to get a good return on these properties you really do need to be in a prime building that has very good management, leading to high occupancy rates if you are holiday letting the unit in addition to your private use. As an alternative, buyers could look for those smaller complexes with no on site management and therefore lower body corporate costs if they are just private holiday lockups.

Like anything in the current economy, when investing in a holiday home, you need to take a softly, softly approach. You need to take your time, look at the fundamentals and make sure that they all add up. With the level of choice out there, it is even more important to select well, remembering profit is most often built into the purchase rather than the future sale.



Southern Queensland

TOOWOOMBA

Given Toowoomba's regional locality, coastal destinations are approximately two-and-a-half hours' drive away. Alternatively to coastal holiday destinations are the rainforest hills of the Bunya Mountains and Ravensbourne, a region which is locally known as 'Sketches'. These localities offer short term and overnight accommodation with panoramic rangeside views.

This type of property is primarily bought by investors with an aim to get higher rental returns and/or restful weekend holiday retreats. The most popular of these are the mountain cabin and chalet style timber constructed dwellings with elevated panoramic rangeside or countryside views.

These localities cater principally to weekender families or couples looking for a romantic getaways. This is a picturesque, peaceful and relaxing environment offering a range of activities and attractions, such as National Park walking tracks, coffee shop, art gallery, convention centre and basic shopping facilities.

...whilst sales volumes may be low, these areas are popular holiday destinations for many locals....

The Bunya Mountains are located approximately 120km north-west of Toowoomba and 'Sketches' is about 50 minutes north-east of Toowoomba. The Stanthorpe region, located 150km to the south, is also a popular destination.

Annual growth is limited and heavily influenced by non-local investors. Vacancy rates can vary markedly with returns heavily reliant on weekend stays as a result.

Sales from 2009 to date include four dwellings in the Bunya Mountains and one dwelling in 'Sketches', with most property often experiencing extended selling periods.

Whilst sales volumes maybe low, these areas are popular holiday destinations for many locals offering alternate holiday activities, and these are often booked out well in advance.



IPSWICH

Lakes Wivenhoe and Somerset have long been regarded as a recreational playground for anglers and water sport enthusiasts. Known as the "The Valley of the Lakes", the region offers large expanses of water with breathtaking scenery, creating a perfect setting to enjoy a fun filled day of water-based activities or a relaxing picnic. Located only 80 kilometres from Brisbane, the region is positioned perfectly for the short rural getaway.

The small township of Somerset was built to house the dam construction workers and is within a stones' throw of Lake Somerset. The majority of housing in the township consists of small 1950s and 1960s timber workers cottages and although tightly held, prices for a standard cottage begin at \$300,000 and can achieve up to \$400,000 for a renovated property. This area is very popular amongst water skiers.

If it is space that you need then why not buy a property backing onto the lake. The Somerset Drive estate offers large residential lots overlooking Lake Somerset. Prices range between \$180,000 and \$200,000 for a vacant acre allotment and along with views of the lake, you can also take in the picturesque countryside of the Brisbane Valley.



Central Queensland

ROCKHAMPTON

A 'weekender' will mean different things to different people. The Capricorn Coast communities of Yeppoon and Emu Park are favourite spots for Rockhampton people and for many more in the Central Queensland coal fields and grazing communities. There are also suburbs in Rockhampton that are favoured by the graziers of Central Queensland for investment purposes and use as week-enders, where Mum and Dad can spend a weekend with the kids in boarding schools or doing the shopping. There is no separate market in either of these locations and buyers act within the framework of the existing market.

Anecdotal evidence suggests buyers in this category for coastal property are specifically looking for sea views or a short walk to the beach or both. Many are pre-retirement

buyers, looking for a weekender that will be their retirement home in five to ten years. There is also a tendency for these buyers to be downsizing and they will consider both houses and units.



BUNDABERG

The Holiday Spots in the Bundaberg region tend to be Bargara and the coastal strip from Burnett Heads to Elliott Heads, Woodgate and Agnes Water/Seventeen Seventy.

The Bargara and Agnes Water/Seventeen Seventy markets had been dominated by southern investors pushing up prices across the board but also creating a market for higher value units. These buyers have largely retreated from the market since late 2008 significantly reducing value demand and value levels.

In Woodgate and the other coastal towns such as Elliott Heads, the market was predominately housing. Although the market was influenced by southern investors it was not to the same extent and demand and values have remained more stable.

It appears that most of these markets have bottomed or are close to the bottom with some indications of an increase in activity.

HERVEY BAY

The Fraser Coast has long been a destination for domestic and international holiday makers, thanks to warm climate, Fraser Island, family friendly beaches and a range of accommodation options from camping, caravanning, resorts, houses and units. Direct flights from Sydney and Brisbane and through flights from Melbourne are making the decision to buy a holiday home in the region more attractive. Families, couples and businesspeople from these city locations can pack up and enjoy a holiday on the Fraser Coast and return home within a few hours. Esplanade front units have always been appealing for these buyers with a lock up and leave option that also provides the potential to earn an income from other holiday makers whilst they are not there. Units range from the low \$200,000s for older style, up to \$500,000s for newly developed resort style units. The upcoming mortgagee sale of 21 units in the Peppers Resort complex includes five penthouse units. With little sales evidence during the past 12 months, the market will be eagerly awaiting these results as they will be likely to set new benchmarks.

...according to local agents in Burrum Heads, the district currently holds a large quantity of stock...

The beachside suburbs of Scarness, Torquay and Urangan have always been popular for holiday rentals. Generally purchasers come from interstate and are keen to buy in beachside locations while still being close to shops and restaurants.

Other holiday options are the smaller fishing villages such as Toogoom and Burrum Heads. The river and ocean provides fishing all year round and the options for purchase of holiday homes in these locations include small ocean front dwellings with views, or newly established dwellings in subdivisions located a little further away. Purchasers are generally from Hervey Bay or nearby regional locations, as access to these locations from the Fraser Coast airport may be a problem for interstate buyers.

According to local agents in Burrum Heads, the district currently holds a large quantity of stock, however a noted upturn in confidence is returning to the area.

Fraser Island routinely attracts large volumes of holiday makers to the area every year, with accommodation on the island ranging from holiday villas to private holiday homes. Kingfisher Bay Resort and Eurong Beach Resort, including substantial tour and barge operations, have been recently advertised as a package sale.

According to the Financial Review, the expected value is \$45 million. Kingfisher Bay Resort currently has units available to purchase from \$287,000, with other property across the island listed above \$500k for a free-standing detached dwelling. Property in this location generally experiences extended selling periods with probable buyers ranging from retired 'sea changers' to wealthy holiday makers or investors.

MACKAY

The Mackay and Whitsunday region is blessed with spectacular coastline dotted with numerous islands. A number of small hamlets are located right up the coastline to take advantage of what nature has provided. Mackay's strong economy, predominantly driven by the Bowen Basin coal industry, as well as one of the largest traditional sugar cane regions, has historically driven the market in these townships. One of the larger beachside communities is the Seaforth, Haliday Bay and Balls Bay region, located approximately 46 kilometres north of Mackay. This popular beach and fishing area has had a fairly stable market over the last few years. Dwellings in Seaforth start around the high \$200,000s and sales have been recorded up to \$800,000 for good quality esplanade properties. Accommodation ranges from modern dwellings in new estates set back from the beach, to traditional beach shacks located on the beach or in very close proximity. As well as the fishing, these communities are located next to Cape Hillsborough National Park. Relaxing on the beach with beautiful Cape Hillsborough and Wedge Island right off the coast is very hard to take indeed!!

GLADSTONE

Gladstone is surrounded by a number of small islands, with the best weekend destinations probably being Curtis Island, a small township known as South End, and Quoin Island, both accessible by boat and Ferry. The market has been thinly traded during recent times in both

these areas, with Curtis Island having a very recent sale of \$290,000. Sales over the previous periods at South End/Quoin Island comprise the following:

- 2005 - seven sales; with a median price of \$215,000.
- 2006 - seven sales; with a median price of \$176,000.
- 2007 - five sales; with a median price of \$134,000.
- 2008 - two sales; with a median price of \$360,000.
- 2009 - four sales; with a median price of \$515,000, although that included a sale of a resort on Quoin Island.
- 2010 - one sale; with a median price of \$340,000

Once the LNG caravan starts rolling, the interest in these places may increase, as it does offer an outdoor lifestyle. Access to Curtis Island may also only possible by boat at this stage, but it may attract a particular type of buyer, who may enjoy what the islands have to offer, particularly with Gladstone only a short boat ride away.



Cairns

Cairns and the Tropical North Queensland region, with its icons of the Daintree Rainforest and the Great Barrier Reef, is in reality one big holiday location, visited by more than two million domestic and international tourists annually year. Most of these are holiday makers but some also come for business reasons or to study.

For this reason, just about every house in the entire Far North Queensland region can be regarded as a holiday house, which either caters directly to a holiday maker, or contains people whose livelihoods depend on tourism.

...in the prime holiday locations, a good tourist season and a good property season go hand in hand....

The Cairns tourism industry has done it tough during the course of the GFC, but is looking forward to a brighter 2010 as extra domestic and international airline flights kick in during March and April. According to local tourism experts, the extra flights are expected to bring an extra \$100 million of tourism business into the region every year.

In locations such as the Port Douglas, Palm Cove and the Cairns CBD there is a large base of holiday apartment developments that have catered primarily to out-of-town buyers purchasing for lifestyle reasons (the 'lock-and-leave' market) as well as investors. Buyers in these markets most recently have been typically drawn from the Sydney, Melbourne, WA and expatriate markets.

In the prime holiday locations, a good tourist season and a good property season go hand in hand. However with demand abating over the past few years, as tourism growth has dipped and investor activity quietened, holiday apartments have suffered from an over-supply of

stock. Prices in the more recent developments have been reduced in some instances by up to 30% from peak price levels. We believe that prices have now stabilised and activity, whilst still slow, will rebuild as tourism numbers recover and lifestyle purchases and investor activity from southern buyers resumes.

There are a number of 'secret' holiday locations in the Far North Queensland region, to which locals retreat away from the tourism mainstream. However these locations are too secret to reveal in a national publication!



Townsville

A slice of paradise – Townsville's holiday home destinations are predominately located within the beachside areas of Forest Beach, Saunders Beach, Balgal Beach and Cungulla. The most well known holiday home destination however is Magnetic Island.

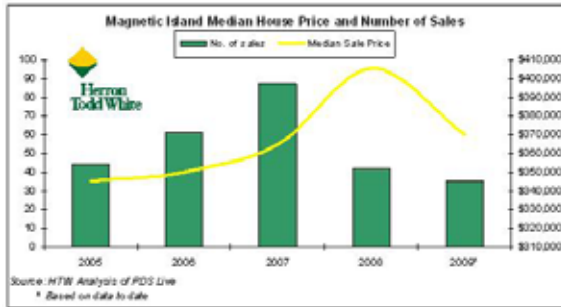
Magnetic Island is located approximately eight kilometres from the mainland of Townsville and is accessed via ferry or car/passenger ferry. This service departs direct from within the inner city making it easily accessible with limited travel time required.

The Magnetic Island property market comprises a mix of dwelling types, including older style timber and fibro homes through to masonry block and kit/demountable style homes. It also comprises a number of differing unit styles including small complexes to the large modern higher density developments of Blue on Blue and One Bright Point.

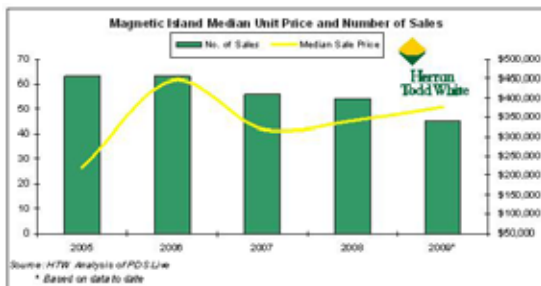
This holiday home destination appeals to a range of people due to accessibility and limited travel time required to reach the Island. Furthermore Magnetic Island is a popular holiday destination for locals allowing owners of these holiday homes to put them in the short-term holiday rental pool and therefore derive income and some investment benefits whilst still having their own private holiday home.

The property market for houses has seen the number of sales halve from 2007 to 2008 with the sale volumes for 2009 reflecting similar levels to 2008. This market has not been impacted by the First Home Buyers Scheme, which has driven sale volume increases throughout the first half of 2009 on the mainland of Townsville. The median sale

price for houses on Magnetic Island peaked in 2008 at just over \$400,000, which was reflective of compositional changes including lower sale volumes and more activity in the higher end of the market. The median sale price for houses in 2009 was \$370,000.



The unit market on the other hand, has seen a decreasing trend in terms of sale volumes since 2006, although not to the same extent as the housing sector. The median sale price for units on Magnetic Island peaked in 2006 at \$445,000 following the completion of two high quality unit developments being Blue on Blue and One Bright Point. The median unit price for 2009 was \$377,000, which is considered compositionally driven with a high portion of sales being within the Blue on Blue and One Bright Point developments.



The vacant land market on Magnetic Island saw the volume of sales from 2007 to 2008 drop by almost a third. The median sale price increased slightly over the 2007 and 2008 periods before recording a median sale price for 2009 of \$142,500.



Overall the property market on Magnetic Island is static with interest re-merging for properties that are priced well. As confidence continues to improve and investors return to the property market, we may begin to see some increasing levels of sale activity.

...the median sale price for units on Magnetic Island peaked in 2006 at \$445,000...



Tasmania

HOBART

The southern localities of Tasmania have some of the country's highest holiday home populations per capita in the country.

The majority of 'shacks' or holiday homes are located approximately an hour to two from the Hobart CBD with a strong emphasis on their proximity to beaches or the water. Popular areas include the Tasmanian Peninsula region encompassing White Beach, Nubeena and Eaglehawk Neck; the Channel region including areas such as Middleton, Verona Sands and Eggs and Bacon Bay; the Huon region which includes locales such as Surveyors Bay, Police Point and Southport; and the eastern regions from Hobart such as Marion Bay, Spring Beach, Orford and Triabunna. Bruny Island; and the central Lakes region.

All of these areas generally have a large proportion of holiday homes, some with very few full time residents. Many of these homes were purchased by locals years ago for very little money in today's terms. However, these areas generally remain thinly traded with extended selling periods commonplace.



There are many locals and indeed 'mainlanders' who look into these areas to purchase a property for holiday purposes. Properties can be purchased for the low \$100,000s for a basic weekender style shack to mid to high \$100,000s and above for something a little more substantial, or that may enjoy a good water view. Waterfront properties, simply due to the limited number, are achieving better prices, but still suffer from the same lag in selling.

The holiday market is like the rest of the general housing market in that it is not immune to the changes in the economy. In general terms these areas always take longer to sell than typical suburban property near the CBD due to lack of demand and poor rental demand.

There are not many opportunities in this market in Tasmania mainly due to the high number of shack/holiday destinations. Many long term locals in Hobart consider driving any distance longer than half an hour to forty-five minutes from inner city suburbia to be in excess of their commuting tolerances. As such many locals have owned holiday homes for generations and these homes may be in beachside locations within these distances such as Opossum Bay and South Arm.

Although there is some inherent interest for these properties, possibly due to their perceived low price and affordability, the market remains relatively flat. One caution may be to the mainland investor – if you intend to purchase a holiday home here anywhere in Tasmania, do not under any circumstances buy something sight unseen over the internet. You would be surprised how many people actually do and how many have never been to Tasmania! Get on a plane, hire a car and have a good look around. The grim reality is that your 'bargain' property may be suspect to inundation; may be on a Crown lease; may not have electricity connected or not have any future possibility of any connection; may not be Council approved; may not have legal access; and may not have any shop or facilities within an hour's drive. Of course this list is not exhaustive. Caveat Emptor. Get a valuation conducted for peace of mind.

LAUNCESTON

Imagine the great Aussie shack - sitting on a deck, looking at a beach, kids playing, barbie on, cricket on the tv and a coldie in hand! Just don't mention the rain, flies and sand through every thing.

We are very fortunate in Tassie in that virtually wherever you are there is a beach within an hours' drive. With the exception of Launceston all the major population centres include beaches! For those who like trout fishing the Central Highlands offers some of the best in the world, while for those who really like to rough it the old bush/hunting shack still exists.



So where can you go for what cost? Most of the smaller less serviced coastal villages still offer basic entry point holdings at \$150,000. These would include centres like White Beach (south), Hellyer (north west) and Beechford (north). For the more sought after serviced centres such as St Helens and Bicheno (east coast) entry points are around \$200,000. However for those who have the financial ability, the tighter held and sought after areas such as Binalong Bay, Coles Bay (east coast) and Boat Harbour Beach (north west) sale prices over \$800,000 have been recorded and even over magic \$1 million mark.

At the other end, however, many of the fishing shacks within the central highlands can still be acquired around \$100,000, with numerous examples of the more basic being well below that price.

The secret to buying a shack in Tassie to make sure it is or can be a home away from home. Make sure it is within reasonable commuting distance to work; that way the children can stay there during holidays etc while a bread earner still can slave away at the office and the shack gets plenty of use. Throughout the boom we have many

mainland buyers (especially from Melbourne) buy a shack here and use the Bass Strait ferry to bring the car and family across for the summer and Easter holidays

Happy holidaying!



Darwin

Darwin is an isolated city, surrounded by national parks and closer to Indonesia than it is to another Australian Capital city. Darwin is 320km north of the closest township and a further 500km from the next, and both of these townships are not considered desirable holiday locations. With numerous national parks such as Kakadu, Litchfield National Park and numerous popular fishing destinations, many Darwin locals prefer to spend their money on large boats, in expensive camping equipment or travelling abroad and interstate.

There are two major weekender spots in outer Darwin, the first and most significant being Dundee Beach including the Mandora/Wagait beach area.

Dundee Beach is located approximately 140 kilometres from the Darwin CBD It consists of mixed style, rural residential dwellings and vacant land on a variety of allotment sizes. Being a recently established weekender location, the township is without major services including shops and public transport, the closest of which is located within 120 kilometres. Back from the beach are Dundee Forest Estate and Fog Bay Estate, which were both developed in 1995. There are no building regulations at present in Dundee Forest, Dundee Downs or Fog Bay Estate. Only Dundee Beach has building requirements, where buildings must be built to cyclone standard. This has encouraged a standard of housing that might better be described as dongas than dwellings.

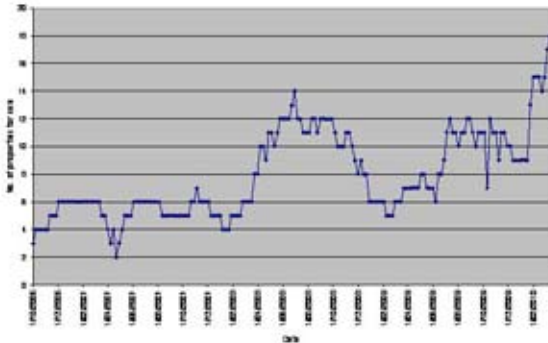
....since 2008 the market has remained flat with a few transactions and little growth....

The area enjoyed very strong growth through 2004 to 2008 with vacant land in Dundee Beach selling for around \$50,000 in 2005 and now selling around the low \$200,000 mark.

A driver of the market in Dundee was the planned development of a large resort at the Lodge of Dundee, a licensed roadhouse with cabins and camping and the only shop in the area. The lodge was purchased in 2007 for more than \$5million by a publicly listed company that planned build a large tourist resort worth tens of millions of dollars. The project was shelved when the credit crisis hit in 2008 and the asset was liquidated for a fraction of the purchase price. It was bought by a local investor who has kept the business operating but lacked the resources to complete the development and the Lodge is now for sale again. The planned development was a significant feature of the market through Dundee and its failure had a major impact on the local market.

Since 2008 the market has remained flat with few transactions and little growth. Currently there is a large

number of properties for sale with ever extending sales periods. The graph below shows the number of properties advertised each week since the start of 2006. It rises sharply in 2008 then settles and rises to a current high. This may be due to the expectation of increased interest rates and the lack of permanent residency in the area, which has resulted in a shortage of available rental income.



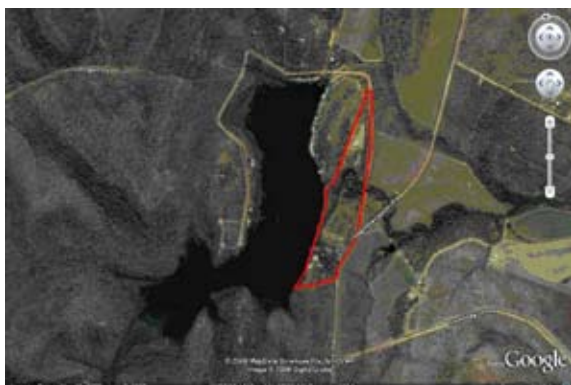
Source(NTDATA)

Mandora is located a similar distance from Darwin via road but a very short distance via the Mandora ferry. The area underwent significant growth when the road was sealed and for some time there were suspicions that the area would be developed due to its relative close proximity to the city, via water. However this has not transpired and the area has stagnated.

Source(NTDATA)

The other sector is Lake Bennett, a man made lake located about 83km from the Darwin CBD. The area is dominated by small lakeside cabins all constructed virtually identically by the developer, who also owns the Lake Bennett resort.

The Google earth image below shows the large area occupied by the Lake Bennett resort and the numerous lakeside cabins that neighbour it.



The cabins surrounding the lake enjoyed a surge in popularity between 2006 and 2008. In 2006 a cabin was priced around \$150,000, and by mid-2008 newer cabins were selling for about \$450,000. The market has since stagnated with few sales and little growth. It is fair to say however, that the growth for these cabins may have been adversely affected for some time throughout the 2006 to 2007 period due to a pending legal battle between the developer and surrounding landowners. This has now been settled and as part of the settlement agreement

there is to be no further lakeside accommodation made available. We believe it is possible that these cabin may again enjoy market popularity when the ownership of holiday accommodation is more achievable.

This will be further boosted by the possibility of significant development occurring to the Lake Bennett Resort, which will increase the availability of holiday accommodation. This is to occur away from the water and is dependent upon approvals etc before development begins and this seems some time away.

It would seem that the Darwin holiday market has been the victim of too much growth in the metropolitan market. Affordability is very low across all of Darwin. Typically this would support the improved performance of holiday precincts, but due to Darwin's transient population people tend to go to Bali for the beach, home for a rest and fishing on the weekends.

Given the current expectations for increased interest rates and continued capital growth through metropolitan Darwin, and no change in Darwin's transient population, it is likely that the market will continue to show a preference for the boat and swag.



Perth

The Mandurah area has long been the weekend playground for those in a position to afford the luxury of a holiday home, and this has flowed through to include a large population of retirees attracted by the café and canal lifestyle. A combination of factors including significant oversupply and tightening credit conditions through the GFC, caused a lack of demand and values headed rapidly in a downward direction.

Unfortunately for speculative investors, several apartment complexes were completed around the same time, which led to higher than average settlement default rates, caused by a negative value/contract ratio. There has been some sales activity below \$1 million, however confidence remains low and there has been virtually no activity above the million dollar mark with the prospect of further value corrections this year.

Whilst the general mood of the Mandurah market is becoming more optimistic, the area has a long way to go and remains over supplied. The saying is that 'fortune favours the brave', however in Mandurah's case it might be more appropriate to say 'fortune favours the brave and patient'.

...there has been some sales activity below \$1 million, however confidence remains low and there has been virtually no activity above the million dollar mark....

Further north, beachside localities stretching along the coast from Two Rocks to Jurien Bay have increased in popularity over the past 10 years with original beach

shacks rejuvenated or replaced by units and two storey dwellings.

Sales activity in Lancelin peaked in 2005 with more than 60 sales recorded and plummeted to fewer than 30 per annum from 2007, with just 19 sales in 2009. Property values have followed suit, with recent examples showing a 10% reduction in values between 2006 and 2009.

Overall, as the GFC hit, luxury boats, sports cars and holiday homes suddenly became a burden, not a 'must have' and were offloaded quickly, if you could find a buyer.

Optimism has returned to the Perth market with sales activity increasing in the traditional premium locales, however we do not expect to see a mad rush back to the holiday home lifestyle. Credit has tightened significantly and lending criteria has changed from a focus on equity to serviceability. For those with strong cash flow there should be some bargains to be had in the traditional holiday hotspots.

Our advice would be that whilst the slow and steady might not win every race, they are usually still standing at the end.



South Western WA

The South West region of WA is renowned as a tourist destination and there are many locations, particularly along the coast, which have long been hot spots for holiday homes. These range from multi million dollar homes with sweeping ocean views to 40-hectare lifestyle lots, special rural lots and basic residential lots.

A major factor in this sector is affordability of most holiday homes with ocean views having values in excess of \$1 million. This sector therefore tends to accentuate the fluctuations in the market being over heated in the good times and performing below average in the down turns. Properties on Geographe Bay Road, Busselton, the majority of which have uninterrupted ocean views, saw values for a basic home drop to slightly below \$1 million as a result of the Global Financial Crisis. These properties had values of between \$1.4 million and \$1.6 million prior to the Global Financial Crisis. Values in the area have now recovered somewhat with sales of \$1.25 million and \$1.4 million.

...land tax is also a major issue with holiday homes....

Properties with direct beach frontage have, for a long time, achieved very high values with a 2000sqm lot in Eagle Bay WA selling for \$10.05 million in April 2007. However, values appear to have come back somewhat. A case in point being a 1740sqm basic 1990 house in Marybrook WA, which sold for \$4.5 million in February 2008, recently went under contract for \$2.85 million.

Eagle Bay is a good representation of the top end of the market. It is a prestigious location with high quality homes, most of which have excellent ocean and bay views. This locality was significantly affected by the Global Financial Crisis, with values falling up to 40% as margin calls instigated the offloading of excess assets and very few buyers in the market. There were a total of three sales for the 12-month period of March 2008 to March 2009, to a total value of \$4.575 million. For the 12 months prior there were 11 sales with a total value of \$30 million. The market seems to have recovered in the past 12 months with 13 sales totalling \$32 million. One of the highest sale for the period was worth \$5.8 million.

Molloy Island is another case in point, being located in the Blackwood River near Augusta at the southernmost tip of WA and only accessed by car ferry. This island is predominantly occupied by holiday homes and demand has fallen significantly recently with only two sales in the past 12 months and five in the previous 12 months. In the 12 months prior there were 16 sales. It is understood that banks have now limited their loan to value ratio on the island to 50%.



The Busselton and Augusta - Margaret River Shires also have many short stay accommodation lots which allow for a maximum stay of 3 months only. These have been established to help provide tourist accommodation in the region. Many of these are resort run with fixed rates of return to the owner. These properties are generally well utilised in the peak period but have low occupancies in the off peak periods. Demand for this style of property has been flat for some time and is likely to remain so unless the occupation restrictions are relaxed. Values in Bunker Bay Resort have fallen 25% since their release in 2005 however values now appear to have stabilised.

Land Tax is also a major issue with holiday homes as many owners who have had their homes for an extended period are hit each year with large tax bills making a big hole in the family budget, therefore forcing the sale of these properties.

The purchasers of the high value holiday homes in the region are usually big business executives. Prior to the Global Financial Crisis the excess money in the pockets of mining executives saw a significant increase in the value of holiday homes and lifestyle lots in the region.

As we are at the start of what appears to be another mining boom the flow on may again be felt in terms of increased values for holiday homes in the region.

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Rural – Market Directions

Market sentiment across most of Australia appears to be very much the same. Above average seasonal conditions throughout Queensland, Central and Southern New South Wales and Northern Victoria have offset some of the pressures associated with drought, rising input costs and commodity markets. This is contrasted by a significant increase in the number of rural listings.

Our southern offices report some mortgagee sales pending and this is likely to set the scene going forward, testing market confidence and its capacity to absorb additional supply.

Generally listings have increased in all areas as buyers (and in some cases their financiers) take advantage of above average seasons to offer their properties for sale. We would expect that the seasonal conditions should assist the market, as cash flow increases should inspire demand.

Our Darwin office highlights the easing demand from the Queensland 'grass purchaser' which had been active in the NT marketplace over the last decade. This may have some influence on value levels given the increase in listings across the northern region.

With the fundamentals of good seasonal conditions, relatively low interest rates and sound commodity markets against the strong Australian Dollar, rural values going forward will largely be influenced by the financial institutions, which are of course existing significant stakeholders.

Will McLay Ph: (07) 4927 4655

1 April 2010

.....our southern offices report some mortgagee sales pending and this is likely to set the scene going forward....



NORTHERN NSW

WESTERN PLAINS (DUBBO)

The general above average rainfall seen since Christmas 2009 has allowed a good body of feed to develop across the majority of the central division and western division areas. It would appear that a number of land holders have been waiting for their properties to be better presented before putting them on the market. This has seen an explosion in the number of property listings for auction and private treaty sales during the past three to four weeks. The general above average rainfall seen since Christmas 2009 has allowed a good body of feed to develop across the majority of the central division and western division areas. It would appear that a number of land holders have been waiting for their properties to be better presented before putting them to the market. This has seen an explosion in the number of property listings for auction and private treaty sales during the past three to four weeks. The continued drought during the past five years has discouraged land holders from selling. Many perceived that the presentation of their holdings has been sub-optimal for sale purposes until now. Accordingly there are a number of holdings that have decided to list and test the market. Discussions with agents indicate that there are offers being made within the market at present; however our general information is that these offers are more inline with previous purchaser expectations with vendor expectations still somewhat higher than the market itself. This situation does vary across different areas of the state. As mentioned in previous reviews, the north western area bounded by the Coonamble, Brewarrina, Goodooga and Walgett areas have higher market interest at present which is a function of the continued better seasons and improved cash flows from that area.

The biggest news in the property market in NSW for a long time is the sale of 'Clyde Agricultural Interests', which if able to be conducted in one transaction, will be one of the largest single transactions undertaken in

NSW. We believe this to be a difficult task for the board, although most of the properties are located in areas which are experiencing moderate to good seasonal influences. Currently the irrigation holdings located on the Darling River at Bourke and Brewarrina all have full storage reservoirs, which we hope will help underpin demand. There is approximately enough water in storage to grow 30,000 to 40,000 bales of cotton, which can only be a positive in a marketing campaign. The balance of the Clyde group with the exception of 'Bundemar Park' at Trangie, are all located in areas that have been experiencing average to good seasons. There is no doubt that there will be significant interest in the group. It will be interesting to see how that interest translates to price level.. Due to the quality of the individual holdings we believe that sale values will reflect the current market and we do not expect to see any discounts due to the size and scale of the enterprise.

With the further flows heading towards Brewarrina and Bourke it will be interesting to see whether the further flows will be utilised to refill Lake Menindee. Currently the three small lakes above Lake Menindee are full (125%). If flows are directed into the two larger lakes left (Cawndilla and Menindee) it will be the first time this has happened in a decade. The total capacity of the Menindee lake system is 1.678 million mega-litres. Currently in storage is 580,000 megalitres, so there remains capacity for approximately 1.1 million mega-litres, which is still a substantial volume of water.

Some sales are still occurring in the market place at present. One of these was the property 'Cullenburra', a 795 hectare holding located approximately 19km south of Dubbo on the Newell Highway. The property is currently used for mixed farming and grazing and had one of the best stands of premier digit grass seen in the central west. In addition, the property had been destocked prior to auction and was presented very well. The holding sold under the hammer for \$1.129 million, which equates to approximately \$1315 per hectare for the cultivation areas and \$750 per hectare for the timbered grazing.

...there is approximately enough water in storage to grow 30,000 to 40,000 bales of cotton....

There continues to be moderate levels of interest for holdings in the western areas of NSW, however there would appear to be a slight easing in interest for an area that has been a powerhouse in comparison to the balance of the central division. Overall most areas are improving and outlooks continue to improve. However as most agents will tell you, 'it doesn't rain money', but the moisture should help in producing some actual rain further down the season.

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SOUTHERN NSW

ALBURY

Southern NSW and northern Victoria in general have received the best early autumn break the area has seen for many years. Some are saying they cannot remember a better break - and the people saying that are not young! Steady rainfall was experienced throughout the area in the first weekend of March, with most falls upwards of 100mm. These falls were great for pasture and to commence cropping programs, and there was also some run off into parched dams. Unfortunately some localised areas received very heavy falls, particularly an area between Holbrook and Wagga Wagga that is reported to have received up to 200mm in a short period. Major flash flooding saw fences and stock washed away, roads and paddocks flooded, and serious soil erosion throughout the area. It was not a nice way to end an eight or nine year drought.

There have been some good falls in the irrigation water storage dam catchment areas for the Murray and Murrumbidgee Rivers, and irrigation water reservoirs are starting to fill. Perhaps irrigators to the west and north west of Albury will receive reasonable allocations during 2010.

On the rural property sales front things are very quiet, with few new listings hitting the market. This is not unusual at this time of the year as most thoughts and efforts have turned to sowing crops and getting stock ready for sale. Many croppers have sown early oats to have stock feed, and in the next few weeks planting of wheat will start. It is anticipated that a few properties will trickle onto the market after crops have come up. Properties in this area become more attractive to intended buyers if there is a prospect of income by the end of 2010 from cereal crops - all subject of course to having a reasonable season.

All we need now is for the early autumn break to continue with follow up rains.

WAGGA WAGGA

The recent record for the highest rainfall in a day was recorded on March 8, with Wagga Wagga receiving 120.3mm. This huge amount of rain caused a large amount of flooding, and although there was some damage, the majority of people were just very happy that we were receiving some good rainfall. The rainfall the area had been receiving before the record fall had been good compared to previous years, so the area was looking good for this time of year. Thanks to the latest rainfall it will be looking even better in the coming weeks. This has raised the rural outlook, although more follow up rain will definitely be required in the near future.

Sale volumes remain low and demand is also limited. The market is expected to continue along these lines until such time as positive long-term seasonal conditions return to the area.

LEETON

While recent good rainfall fell to the west of our catchment areas over the past month provided a good start to the winter cropping season, the region is still a long way from declaring the drought over. By the time this issue has been printed a number of mortgagee auctions will have taken place throughout our region. These will really set the scene in terms of buyer demand, property value and equity levels.

Another impact of the ongoing drought and tightened financial markets is the inability of farmers to obtain seasonal finance to pay for crop inputs for this season. This will have a major impact on crop production this year.

There have been rumours in the national media that the sale of 'Toronga Station' at Hay by the Four Arrows Group has occurred. This rumour was circulated prior to Christmas by the listing agent in Sydney and proved only to be a rumour. Toronga Station comprises 34,530 hectare sand is a mixed irrigated cropping and grazing property. There has been good local interest in this property being split up and sold to adjoining owners. Either way, the sale of this holding will provide an indicator of confidence in the Hay region, which has been significantly affected by drought during the past five years. Good rainfall over the past month, combined with warm autumn temperatures, have seen the Hay plains quickly return to a sea of lush green feed. This is a welcome change from the dust everyone has become used to.

The demand for irrigated holdings has steadied with the end of the summer crop season and cooler weather approaching. Accordingly irrigation water prices have eased significantly.

Contact:

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Regional Vic

ECHUCA

Widespread storm activity throughout January brought significant but sporadic falls across northern Victoria and the Southern Riverina, with several centres recording above average rainfall during the summer period. While the falls have resulted in busy summer spraying programs, it is hoped that sub surface moisture levels leading into autumn will be high enough to give a good start to the cropping season. Notably, many have started sowing annual pasture varieties on irrigable paddocks with some hoping that the fabled 'early break' might materialise. Increases to water allocations and a relatively low temporary water market provide some 'backstops' for those who have started sowing in the event that there are no follow up rains.

Sales activity for rural properties has been reasonable with several 'water stripped' properties exchanged during the past couple of months. A large holding in the Nathalia district has been sold for approximately \$1100 per hectare (ex buildings) for land of lighter soil types, which is approximately 75% laid out to irrigation and adequate

delivery share. We understand that the Madowla Park holding 'resale' coordinated by Water for Rivers has also been transacted following some reconfiguration works and the removal of some of the pre-existing water holdings. Details of this sale remain confidential.

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MILDURA

Significant rainfall during the past couple of months in the Murray Darling catchment areas has resulted in the New South Wales Government's decision to fill Lake Menindee. The decision is a boost to Victorian and South Australian Murray irrigators which all but guarantees carryover water for next season and makes the likelihood of an initial allocation probable. The 'milky' floodwater has also reached the Murray River at Wentworth providing a unique occurrence at the junction of the two rivers.



Additionally, the above average rainfall that has fallen across most parts of southern NSW and northern and central Victoria since January, has resulted in the Victorian High Reliability Water Shares season allocation rising 12% this week to reach 78% for the year.

The first \$90 million Commonwealth Government buyback tender was recently completed, resulting in a softening of values on previous prices paid in 2008-09. It should also be noted that the tender was oversubscribed.

It has been confirmed that the average for Victorian High Reliability water below the Barmah Choke averaged \$2070 per mega-litre, with the highest price paid recorded at \$2100 per mega-litre. NSW General Security water was limited by the government to 20,000 mega-litres and averaged about \$900 per mega-litre. It is noted that the next tender (currently open) is also restricted to 20,000 mega-litres. There is reportedly a further 100,000 mega-litres to be sold which may result in a further softening of values.

...the first \$90 million Commonwealth Government buyback tender was recently completed...

There was no NSW High Security (Murray or Murrumbidgee) water purchased, however it was noted that current price levels have also softened to about \$2700 per megalitre and \$2500 per megalitre respectively. Temporary water in both systems is being traded for about \$100 per megalitre.

The table grape harvest is nearing completion with later varieties such as Red Globe currently being picked. Prices are reportedly holding up well for the premium varieties.

The wine grape harvest is also well advanced with red wine grapes currently being harvested. There are however, reports of reduced yields and quality in some places coinciding with prices at the lowest levels for years. This further exacerbates the deteriorating confidence in this industry.

A survey just released by the Mallee Catchment Authority illustrates the review of changes in irrigated horticulture in the Sunraysia and Mallee region since 1997. The report was produced by the Mildura based Sunrise 21 and has revealed that in the 12 years to February 2009 the area of irrigated horticulture expanded from 40,185 hectares to 70,315 hectares – a 75% increase. The majority of the expansion was by private diverters between Boundary Bend and Wemen, which accounted for 31,400 hectares, noting that this was almost exclusively driven by Managed Investment Schemes. During the same period 270 hectares were taken out of production in the pumped districts of Mildura, Merbein, Red Cliffs and Robinvale. This figure does not reflect the escalation of land taken out of production in the past 12 months, considered to be at least this amount again or more.



Another interesting statistic taken from this review was the change in irrigation practices. In 1997 furrow/flood irrigation was the dominant method of irrigation, however by 2009 this had fallen to only 3% with the majority of growers switching to drip irrigation to conserve water and protect against low allocations.

Plenty of diesel has been burning in the dry land areas after the good recent rains with traditional and chemical fallowing being undertaken extensively in anticipation of what will hopefully be follow up rains to allow sowing to begin in late April.

No major sales of note have occurred in the rural sector during the past month.

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CENTRAL NSW

CENTRAL TABLELANDS

Strong sheep prices and an improving and stabilising beef cattle market is assisting producers at the moment, however that is not translating into a rising market. Activity to a degree appears to be improving albeit from

a low base. Sales indicate a drop in value from the peak in 2007, although the falls are relatively minor exception of the vineyards industry) and vary for different property sectors.

A recent auction in the Oberon area of the Mount David Aggregation has provided some indication to the change levels in the tableland grazing zone, as several of the properties were purchased in the peak of the market in 2006. 'Arkendieth' (674 hectares) was previously purchase for \$3.3 million in 2006 and passed in at \$2.5 million on a vendors' bid. It is now listed for sale with an asking price of \$2.9 million. The previous sale price to the new listing price is indicating a 12% variance. 'Sunnyridge' (100 hectares) was purchased for \$467,000 and sold for \$475,000 indicating values are holding. 'Walbrook' (250 hectares) was previously purchase for \$1.11 million in 2006 and sold for \$1.054 million, indicating a 4% rise in value. 'Springvale' at Dark Corner recently sold at auction for \$710,000 or \$2640 per hectare, which is below levels that would have been achieved two years ago.

....activity to a degree appears to be improving albeit from a low base....

The auction results provides a mixed result and indicates that demand for the smaller rural lifestyle properties are holding, whilst the value of 'going concern', stand alone viable grazing properties are under downward pressure in the vicinity of 10%-plus in some areas. We are seeing that some vendors are now prepared to meet the market which is resulting in a small increase in the number of sales, although activity remains at historically low levels.

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NORTHERN QLD

North Queensland is a hive of activity. Cattle are being mustered, drafted and the first round of mustering is up and running.

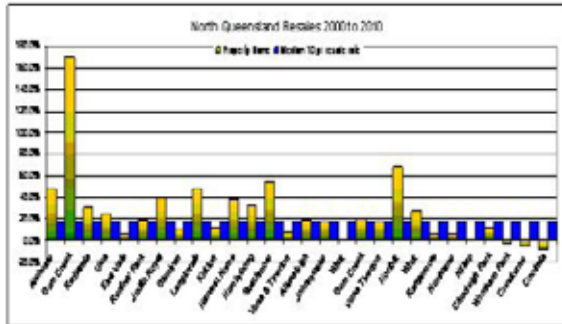
The property market is moving along with the times. It was good to see 'Uramo' sell at auction for \$2,750,000. There are quite a few auctions coming up so to see a cab off the rank is a good start to the year.

Impending auctions include:

- 'Bogglywalla', located at Hughenden – auction April 8 in Townsville at Seagulls at 11am;
- 'Lancewood', Mingela – auction April 23 in Brisbane at 10.30am;
- 'Gregory Range', Richmond – auction on April 23 in Brisbane at 10.30am;
- 'Terranburby', Richmond-Hughenden – auction April 16 at Townsville Jupiters at 11am.
- 'Narollah', Corfield – auction April 16 at Townsville Jupiters 11am.

We wish the vendors and purchasers all the best as their property portfolios contract and expand.

The following table presents the analysed resales and the respective growth rates of properties that have resold within the past ten years in North Queensland. They are sorted from the earliest resale (2002) at the left to the most recent in December 2009 at the right. Taking a closer look will show the slowing of the growth rates. The last two sales are resales whereby the initial acquisition was a grass sale from the dry conditions experienced in the northwest and west in early 2008. We consider that evidence of the recent years' slowing is best represented by the resales of Hilltop, Chudleigh Park and Wrotham Park. Basically the market resale rates have shown a plateau when disregarding the grass purchasing in 2008.



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CENTRAL QLD

Season conditions this year have so far been exceptional with substantial falls received across the district resulting in a full moisture profile going into the winter months. Cylone Ului has crossed the coast and will bring further rain to the area, particularly the northern Central Highlands.

It appears that many landowners are taking advantage of the excellent seasonal conditions to test their properties in the current market, with a significant increase in listings across the region, albeit with no change in the volume of sales.



Few irrigation sales have occurred in the CQ area in the past few years, probably due mostly to the low availability for this class of property. The auction of the adjoining mixed irrigation properties "Coreen" and "Lake Mary" will be a good gauge on market activity for larger irrigation blocks. These blocks will no doubt attract considerable

corporate interest. Given the consistent performance of the Fitzroy basin in recent years, and limited irrigation sale offerings, demand should be strong.

While sales activity has generally been slow, smaller grazing blocks in the Dawson Valley under \$1 million have been in steady demand with a number of sales, one reflecting more than \$3000 per hectare,

The Boyne Valley block 'Milton Station' sold this month for \$4.2 million after an extended marketing campaign. The sale shows strength in this tightly held district, indicating just over \$2000 per hectare. The 2075 hectare coastal forest block has excellent water provisions from a double frontage to the Boyne River and potential underground sources.

Overall it appears that consistency is returning to the market place as vendors acknowledge market sentiment and meet more realistic value levels.

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NORTHERN TERRITORY

The rural market in the NT remains fairly subdued on all fronts with very little to report in the way of sales activity. We note the inclusion of another two pastoral properties to the list of stations for sale, with 'Dry River' on the Sturt Plateau as well as a new portion of leasehold country subdivided from parent parcel "Shenandoah" on the north west fringe of the Barkly region. The latter will be the first virgin block to have come onto the NT market for some time, so bidders' reactions at the Brisbane auction in the coming months will be worth watching. Supply of pastoral country continues to rise here in the Top End at a time when there is plenty of grass back over the border in Queensland. Over the past ten years there has been a steady stream of Queenslanders entering the NT pastoral market and a lot of that was due to dry seasons in the east and pastoralists 'chasing cheap grass' in the Territory. While the eastern half of the Territory is looking reasonably green, the likely reduction in the 'grass buying' class of buyer combined with an all time high supply of property will truly test this market, which has not seen a large downward shift in values from the 2007-08 peak. As far as the rain goes, we note that most areas in the VRD need more rain in April to shorten the coming dry season, and over in Fitzroy Crossing, things are getting a little desperate with well below average rainfall setting things up for a less productive year.

...the Barnett Government appear to be making all the right moves to get 'things rural' on the front foot in Western Australia....

In other news, over in the East Kimberley irrigation town of Kununurra, there is much excitement about the recent awarding of the first major construction contract for Stage Two of the Ord Irrigation expansion. A \$50 million joint venture construction contract has been awarded to

Leighton Construction and Indigenous Business Australia for the construction of (among other things) a 19 kilometre irrigation channel and irrigation control structures as part of Phase One of the expansion. The Barnett government appear to be making all the right moves to get 'things rural' on the front foot in Western Australia. We note that a number of special lease conditions have been awarded to certain pastoral properties in the West Kimberley. These have proven potential for irrigated farming and horticulture that will allow income from sources other than pastoral to be generated from specific development terms of the leases.

Back over to the East Kimberley, where the local cattle population within a couple of hundred kilometres from the live export port of Wyndham is reportedly as dense as the cattle population around the Rockhampton (QLD). The Wyndham port has recently been leased to National Livestock Sales (NLS) from Cambridge Gulf Services (lessor) for 10 years. NLS report that a significant extension and refurbishment of the yards has begun with the aim of improving the holding capacity and quality of the yards to ultimately reduce weight loss and congestion of live export cattle at the port. New feed regimes with two ORIA-based farmers have recently been struck and these include feed production and supply contracts. It is hoped that the port facility's upgrade will improve the reliability and frequency of the boat trade from Wyndham to the Top End's largest customer – Indonesia – throughout the year. It is also anticipated that prices should exceed those through the Port of Darwin given the reduced distance and freight costs for many pastoralists who are within 300km of the port. Currently, live trade through Wyndham is experiencing the highs of the wet season trade, receiving \$2.10 per kilogram for export weight steers.

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South Western WA

The Midlands agriculture region is located north of Perth and contained within the shires of Moora at the southern end, through to Mingenew in the north. In particular, the shires of Coorow and Carnamah are centrally located within this district, with a population in the vicinity of 2000 people. According to ABS statistics, this population is steadily declining. Average annual rainfall is 400mm with rain predominantly falling between the months of May and October.

...in 2009, bushland prices remained constant and arable prices reduced to about \$1000 per hectare...

Soil types vary from coastal influences west of the Brand Highway, to sandy/light sandy gravels between Brand Highway and The Midlands Road, with a heavier sandy loam over clay base east of The Midlands Road. The latter is more prone to salinity than the sandier areas, which have deep soil systems and poorer water retention.

We recently analysed a body of sales evidence within the central part of these shires between Brand Highway and The Midlands Road. Property uses have traditionally been sheep grazing and cereal cropping, however recent years have seen considerable cropping programs undertaken, with limited livestock numbers apparent.



Single Certificate of Title sizes were typically between 800 and 900 hectares, up to about 2500 hectares. Evidence suggested arable areas were returning about \$1500 per hectare, while uncleared bushland returned about \$250 per hectare in the first half of 2008. In 2009, bushland prices remained constant and arable prices reduced to about \$1000 per hectare.

This drop can be attributed to exceptionally high fertiliser and diesel prices experienced for the seeding programs of 2008-09. This reduced viability and, although input prices were much lower for the most recent season, market prices were also reduced. A moderate number of properties are currently on the market with asking prices in line with recent activity, however no transactions have been reported for six months. We are aware of a growing interest in this area from enterprises seeking properties for development to take advantage of future carbon trading. We have recorded one transaction for this purpose so far.

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Comparative Property Market Indicators - MARCH 2010

The following pages present a generalised overview of the state of property markets in Capital City, New South Wales/ACT, Victoria/Tasmania, Queensland, South Australia/Northern Territory/Western Australia & MENA 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

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) 9388 9288
Hobart	(03) 6244 6795
Darwin	(08) 8941 4833
Canberra	(02) 6273 9888

Comparative Analysis of New South Wales/ACT Property Markets



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

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

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:

Gippsland (Sale/Traralgon/Bairnsdale)	(03) 5143 1880/ 03 5176 4300/ (03) 5152 6909
Horsham	(03) 5382 6541
Melbourne	(03) 9642 2000
Murray Mallee (Swan Hill)	(03) 5032 1620
Murray Outback (Mildura)	(03) 5021 0455
Murray Riverina (Echuca/Deniliquin)	(03) 5480 2601/ (03) 5881 4947
Wodonga	(02) 6041 1333
Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

Comparative Property Market Indicators - MARCH 2010

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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 7600
Townsville	(07) 4724 2000
Whitsunday	(07) 4948 2157

Comparative Analysis of South Australia/Northern Territory/Western Australian Property Markets



To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

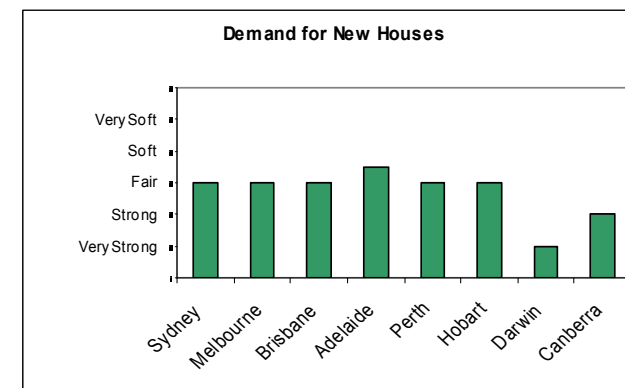
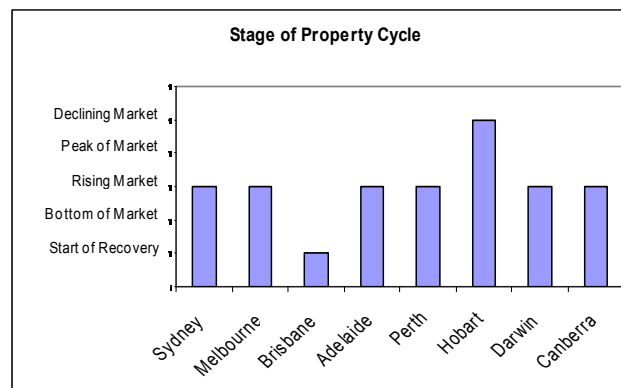
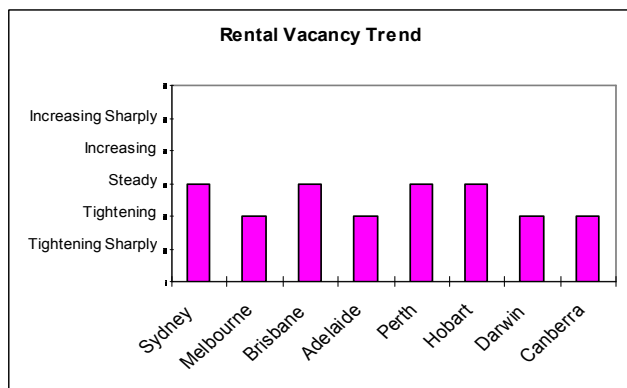
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

Capital City Property Market Indicators as at March 2010 – Houses

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

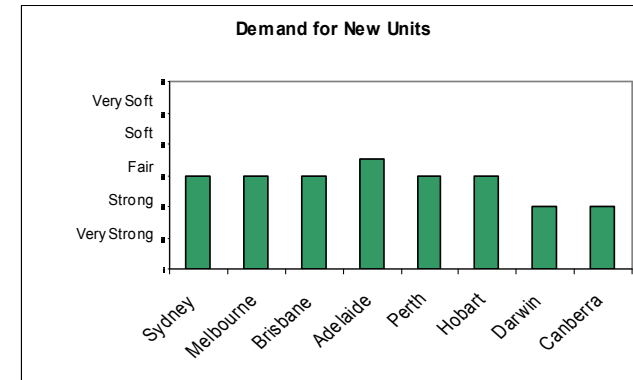
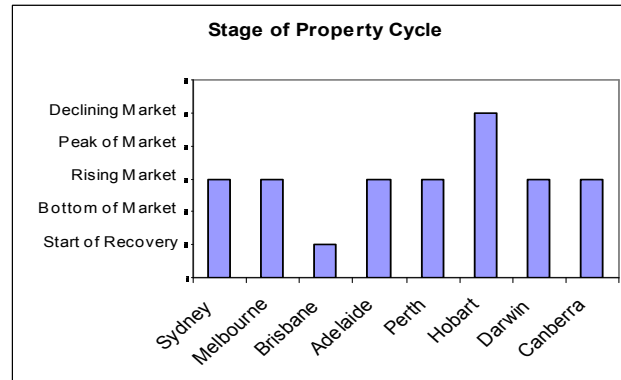
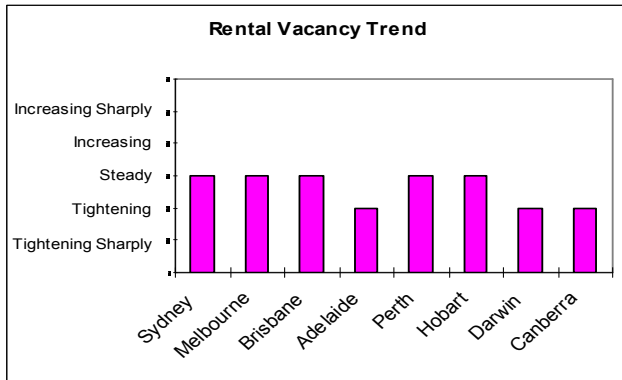


Capital City Property Market Indicators as at March 2010 – Units

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

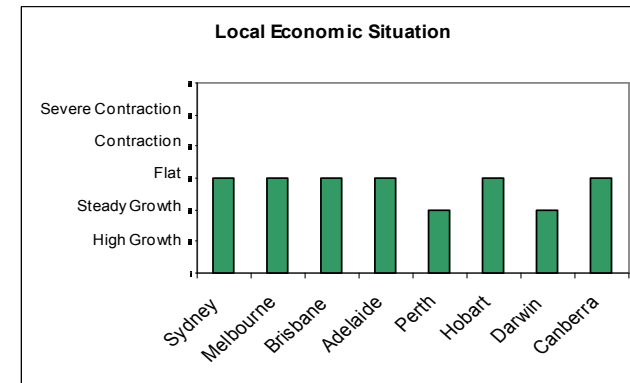
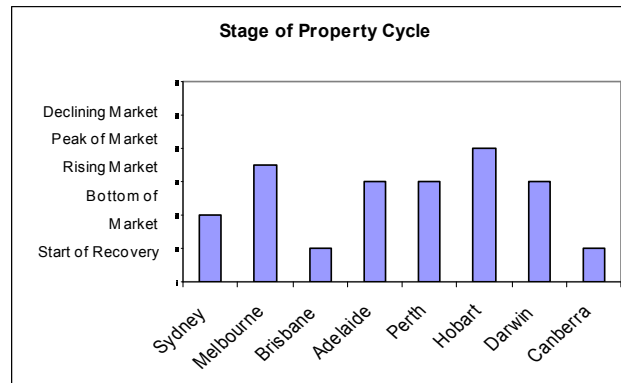
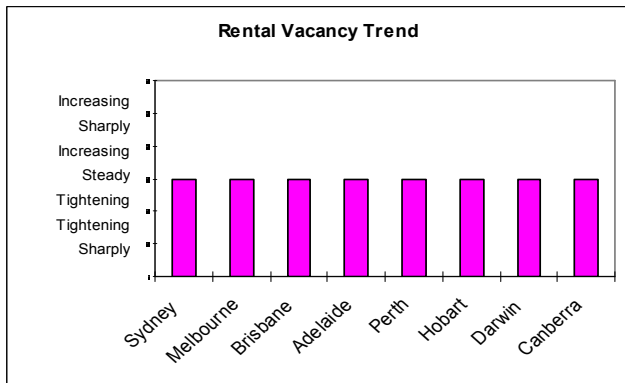


Capital City Property Market Indicators as at March 2010 – Industrial

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

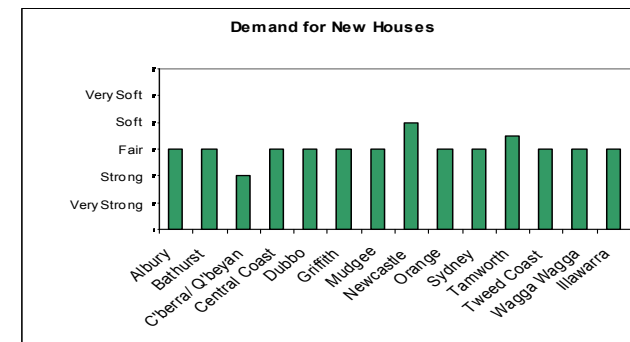
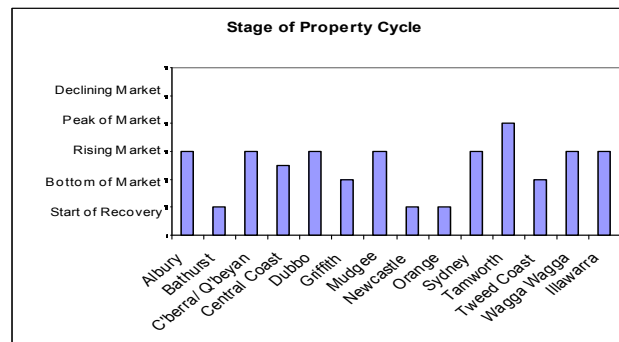
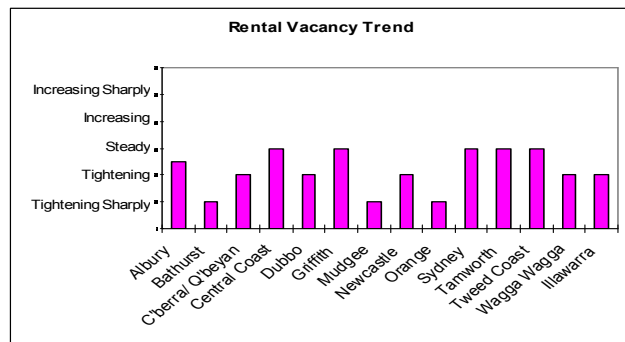


New South Wales Property Market Indicators as at March 2010 – Houses

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

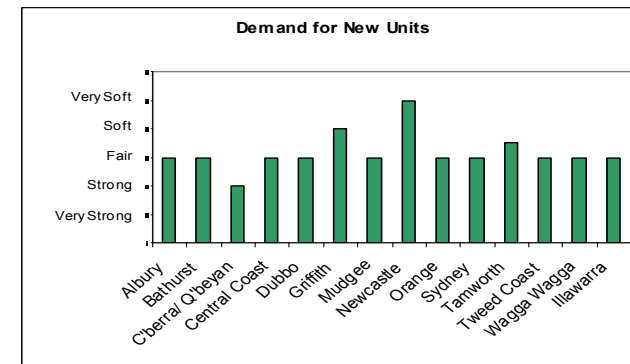
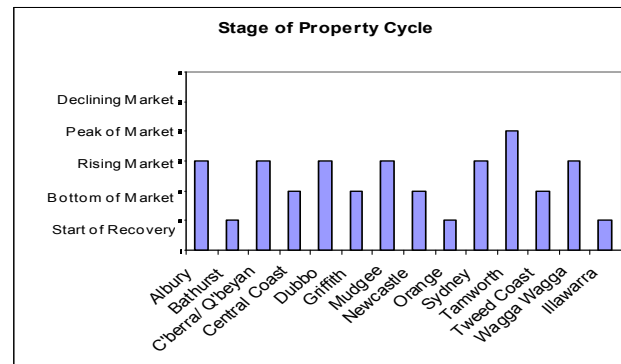
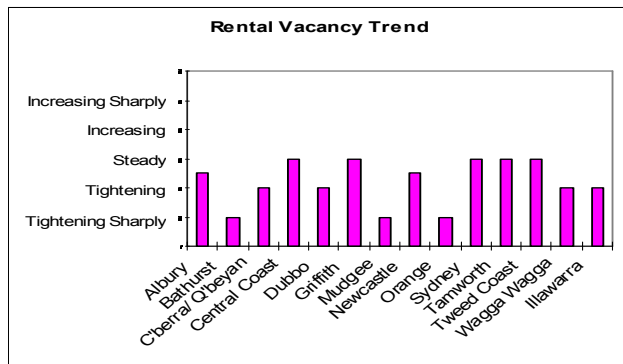


New South Wales Property Market Indicators as at March 2010 – Units

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

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

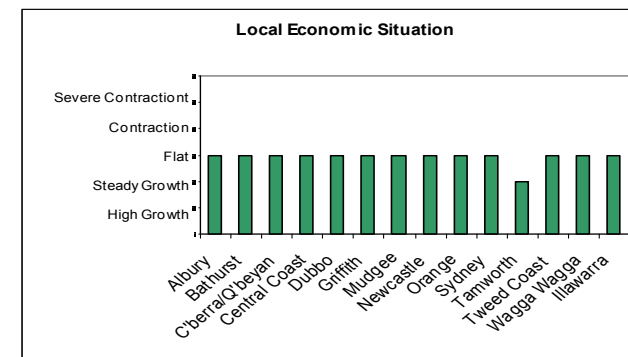
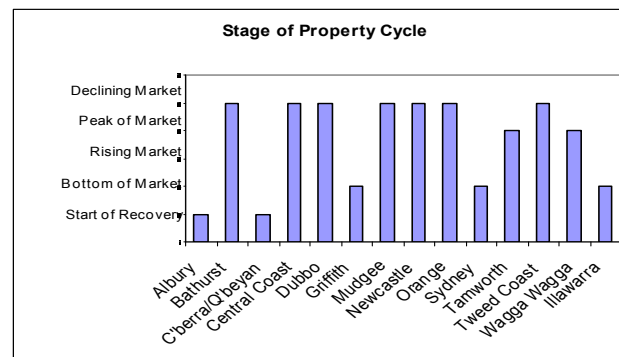
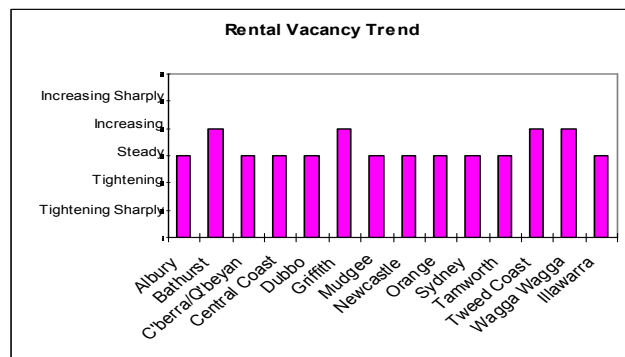


New South Wales Property Market Indicators as at March 2010 – Industrial

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

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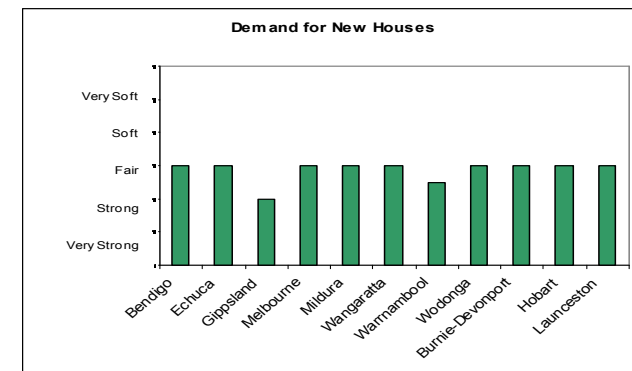
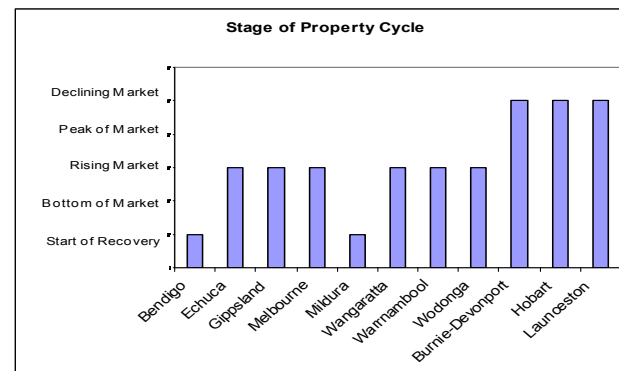
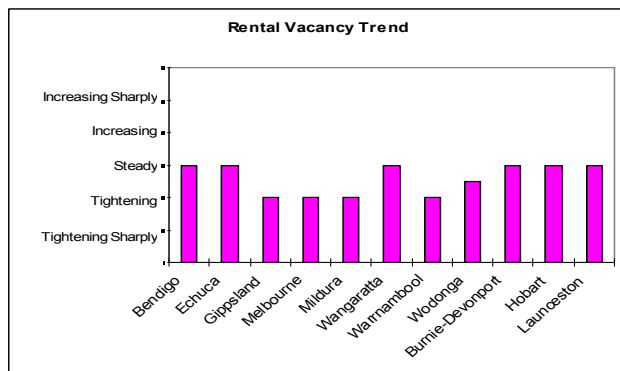


Victoria/Tasmania Property Market Indicators as at March 2010 – Houses

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

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

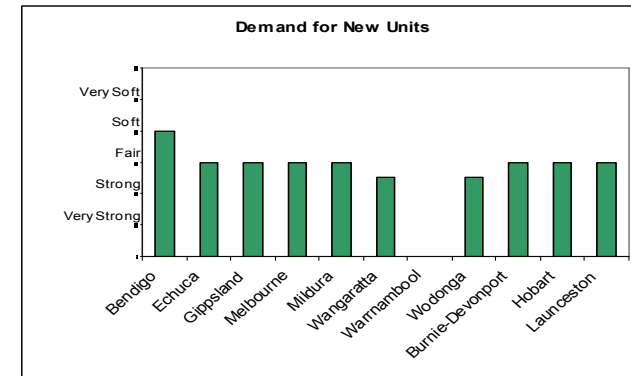
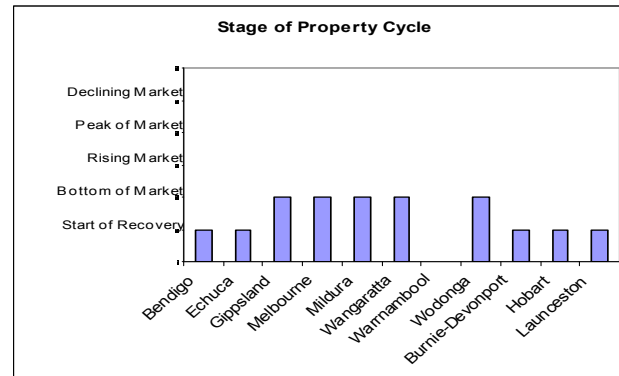
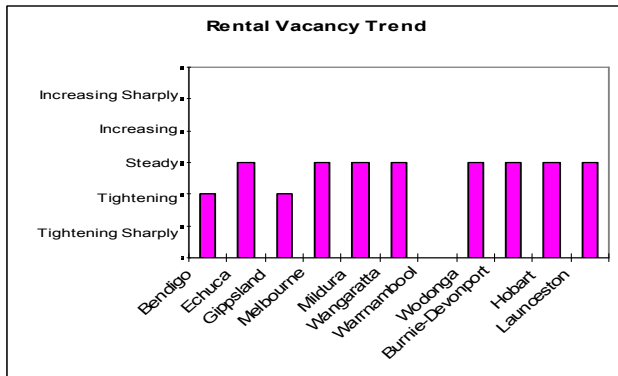


Victoria/Tasmania Property Market Indicators as at March 2010 – Units

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devonport	Hobart	Launceston	
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market		0	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	Steady	Steady	Tightening	Tightening	Tightening	Steady		0	Tightening - Steady	Steady	Steady	Steady
Demand for New Units	Strong	Fair	Strong	Fair	Fair	Fair		0	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Steady	Steady	Steady	Declining - Steady		0	Declining - Steady	Steady	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady - Declining	Steady	Steady - Declining		0	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Rising market	Rising market	Rising market	Start of recovery	Rising market		0	Rising market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally		0	Occasionally	Almost never	Almost never	Almost never

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

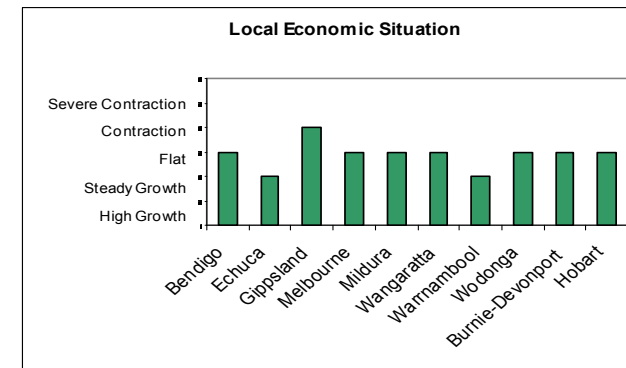
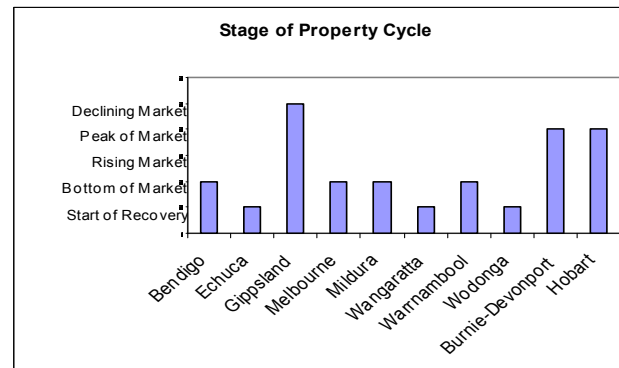
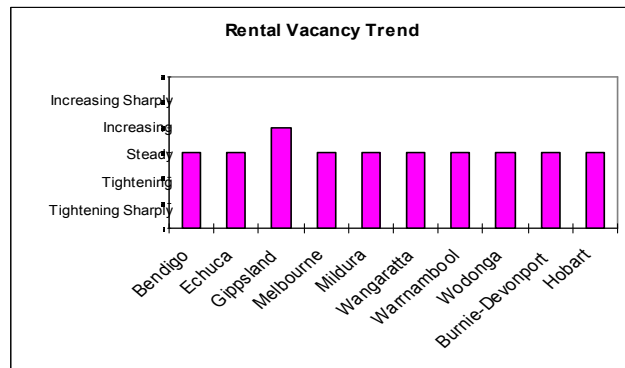


Victoria/Tasmania Property Market Indicators as at March 2010 – Industrial

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

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

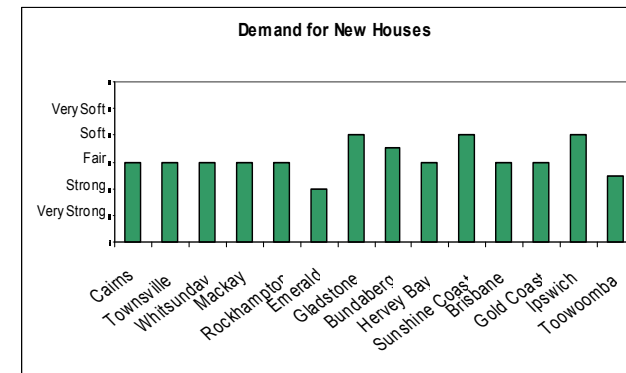
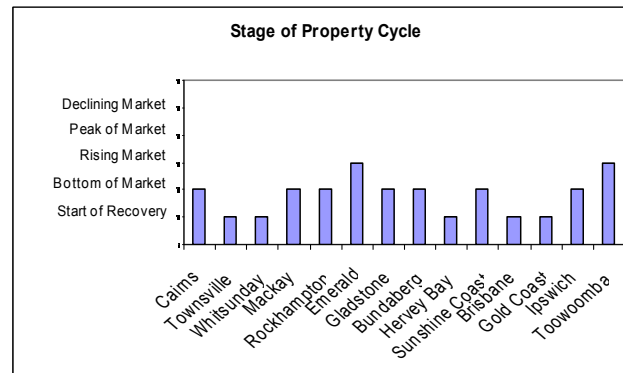
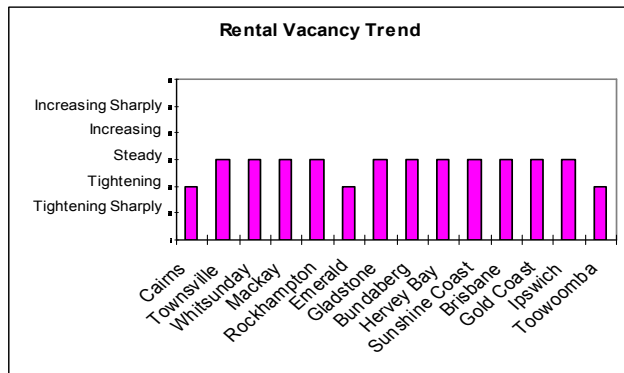


Queensland Property Market Indicators as at March 2010 – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	3.4	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Strong	Soft	Soft - Fair	Fair	Soft	Fair	Fair	Soft	Fair - Strong
Trend in New House Construction	Declining	Steady	Steady	Steady	Steady	Increasing strongly	Declining	Declining - Steady	Declining - Steady	Declining	Steady	Increasing	Declining	Steady
Volume of House Sales	Steady	Steady	Steady	Increasing strongly	Declining	Steady	Steady	Steady	Steady - Declining	Declining	Increasing	Declining	Declining	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Rising market	Bottom of market	Bottom of market	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Frequently	Frequently	Occasionally

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

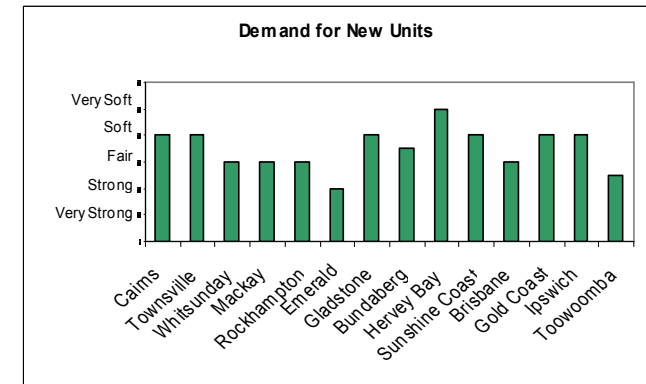
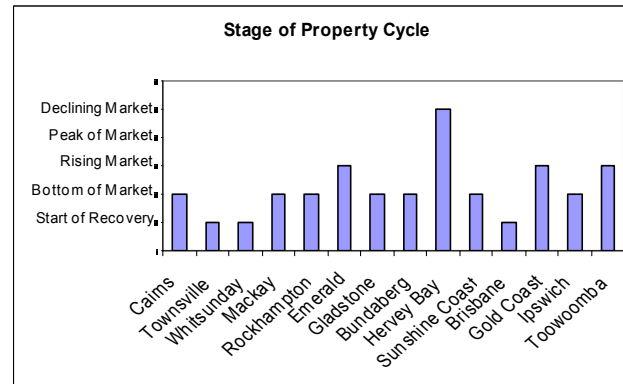
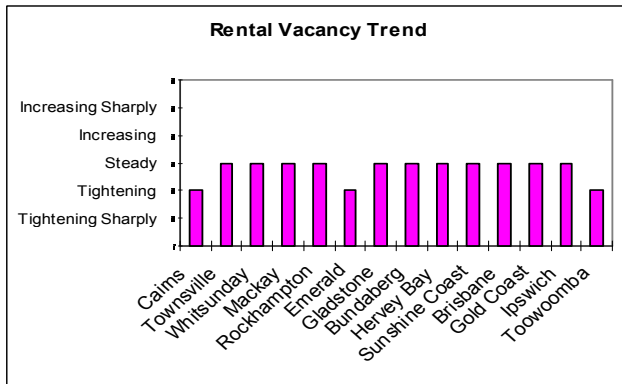


Queensland Property Market Indicators as at March 2010 – Units

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

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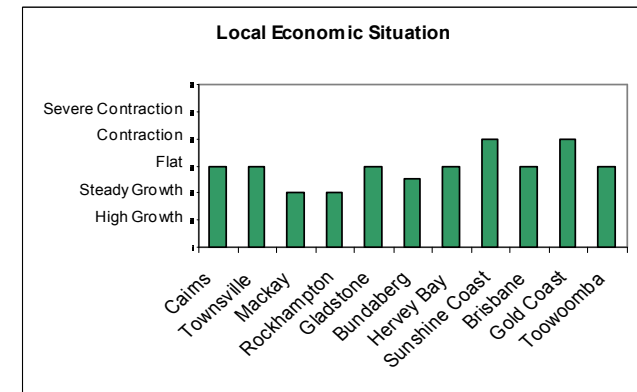
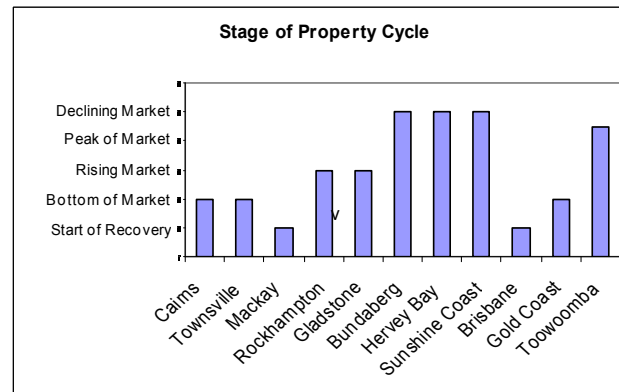
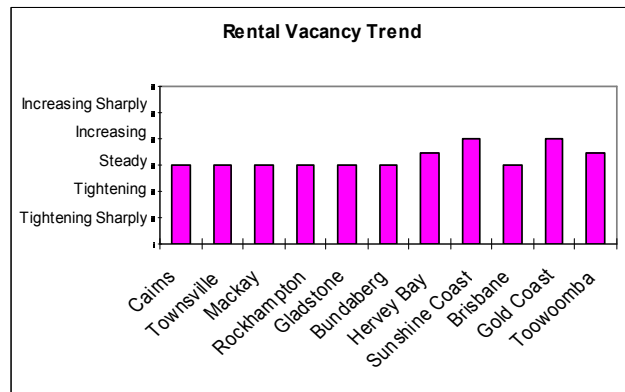


Queensland Property Market Indicators as at March 2010 – Industrial

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

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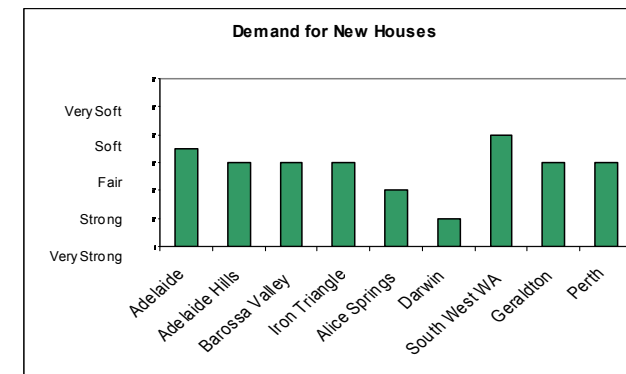
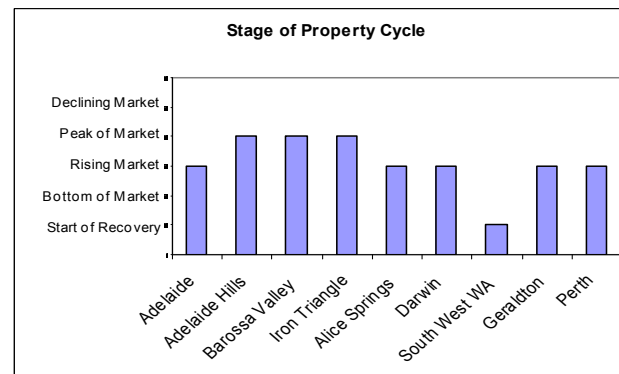
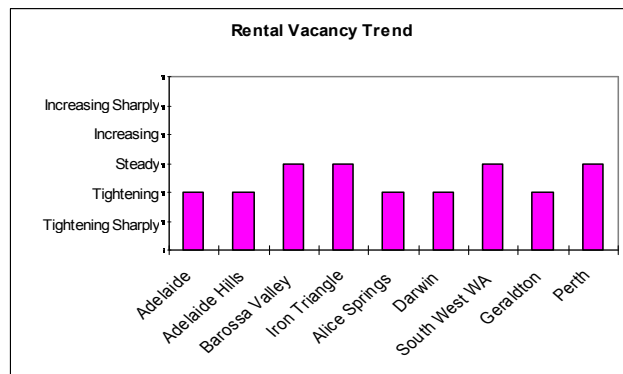


Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2010 – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Bunbury	Busselton	Duns-borough	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Steady	Steady	Tightening	Tightening	Steady	Tightening	Steady	Tightening	Tightening
Demand for New Houses	Soft - Fair	Fair	Fair	Fair	Strong	Very strong	Soft	Fair	Fair	Soft - Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Peak of market	Peak of market	Peak of market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Rising market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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

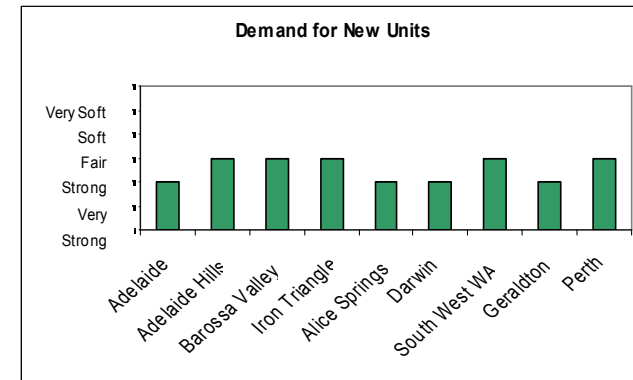
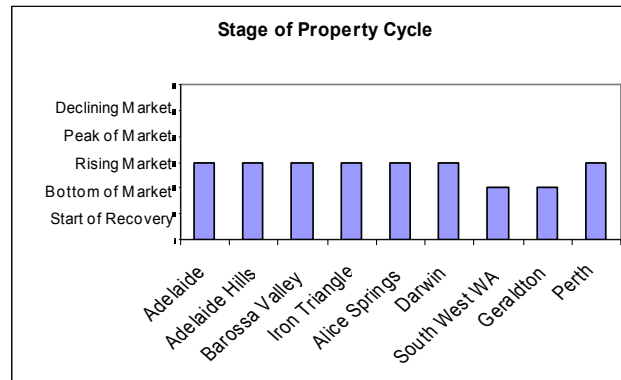
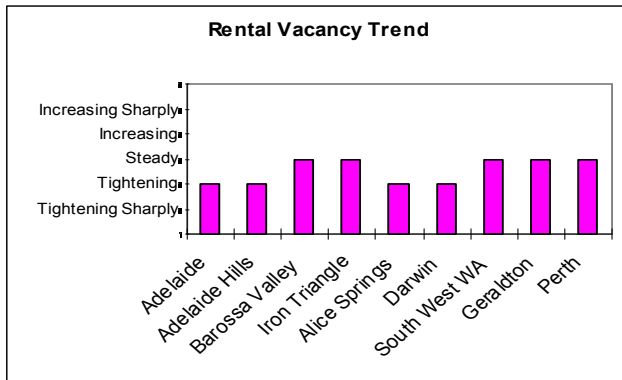


Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2010 – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Bunbury	Busselton	Duns-borough	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Tightening	Tightening	Steady	Tightening	Steady	Tightening	Steady
Demand for New Units	Soft - Fair	Fair	Fair	Fair	Strong	Strong	Soft	Fair	Fair	Soft - Fair	Fair
Trend in New Unit Construction	Steady	Steady	Declining	Declining	Steady	Steady	Declining	Steady	Declining	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Peak of market	Peak of market	Peak of market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Rising market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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



Northern Territory, South Australia & Western Australia Property Market Indicators as at March 2010 – Industrial

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	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	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Increasing	Increasing	Stable	Increasing	Stable
Volume of Property Sales	Increasing	Increasing	Increasing	Steady	Steady	Steady	Declining	Steady	Increasing
Stage of Property Cycle	Rising market	Peak of market	Peak of market	Peak of market	Rising market	Rising market	Declining market	Declining market	Rising market
Local Economic Situation	Flat	Flat	Flat	Flat	Steady growth	Steady growth	Flat	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Significant	Significant	Small	Nil	Significant

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

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

