

# The month in *review*

AUGUST

2010



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# THE STATE OF PLAY

C'mon you lot! Get it together!

If only we could get demand and supply around a table, have a little chat over a cuppa and sort a few things out, then maybe we can avoid all the confusion.

There is always a compelling interest in conflict. Since school days when a circle forms because someone gets a bit touchy about whose mum packed the most delicious sandwich, we have become a society compelled to stand toe-to-toe and sort out our differences through sheer force of will or otherwise. The entire soap opera industry has hinged its success on we, the viewing public, being unable to tear ourselves away from conflict. For example, will Bo and Hope realise Patch is striving to undermine Victor Kiriakis' business venture via Marlena and Roman's love child? (Obscure Days of Our Lives references = wasted days at uni.)

It shouldn't seem so strange then that every man, woman and their canine is keen to throw their hat in the ring and comment on where the markets are heading. The musing of the masses have become a popular national sport – particularly given recent results in cricket and rugby.

The phenomenon has been amplified by technology. No longer are there wizened old men sitting about a large room discussing the nuance and machinations of the property market so as to distill it into a concise, easy to read digest for us mere mortals to take in. Today, if you've got broadband and a keyboard, you are free to throw your thoughts into the ether for all and sundry to revel in.

Compounding all of this is the immediacy of today's media. As soon as a micro ripple in some obscure employment statistics is published, it seems everyone knows about it and is ready with their knee-jerk reactions. The property market has started to draw parallel to its slicker cousin the stock market, as agents report daily on how their office doors stop swinging at the first signs of a high inflation figure.

Recent times have also provided plenty of fodder for those eager to be ambivalent buyers. Will rates rise/Europe collapse/BP get a bigger chamois? With so many "important" impacts on the horizon, all you need is to throw a federal election in the mix to ensure the vast majority of property players suddenly stand statue still, scratch their heads and try to stare each other down.

Herron Todd White normally reserves the big state of the market publications for the start and end of each calendar year... but hey, it's nice to use your powers for niceness once in a while. We have noted the turbulence and troubled looks, and are willing to make sense of the peaks and troughs so you can catch your breath and sit in a comfy chair. Our residential and commercial office sector specialists have decided to let you all know what is happening throughout this great brown land – area by area, sector by sector. We hope this month's issue might create a little calm in your waters by analysing causes and arriving at the outcomes.

So this month, surrender to our lifeboat and come on board. Capt. HTW has lowered the gangplank but don't forget to call the wheelhouse to talk about your particular troubled waters. We stand at the ready, lifesaver in our throwing hand, with a warm cup of cocoa and a dry towel. (Final note: Days of our Lives is out, The Deadliest Catch... in!)

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## Commercial Overview

Like residential markets, commercial property can prove highly reactive in an uncertain market. When every output of economic data is read with gravitas, it can become difficult to ignore the numbers and just take in what is happening. This month, our commercial experts in the Office sector are telling it exactly how it is. By applying their knowledge through daily involvement in the office market, they have been able to compile a comprehensive assessment of how each and every market is responding to the current climate.



### Sydney

- Throughout 2009 the Sydney office commercial market saw value levels fall, due primarily to poor demand, increased supply, including an increase in subletting and poor market sentiment. Looking forward to 2010, things have stabilised somewhat, however demand for office space will likely remain slow to moderate at best. Reasons for low office demand and increased supply includes: Staff downsizing/retrenchments.
- Businesses shelving expansion plans.
- Growth prospects minimal with continued downsizing possible.
- Subleasing excess office space.

The Sydney Central Business District (CBD) is Australia's largest CBD office market. As Australia's preferred location for financial and insurance company headquarters, it has been most adversely affected by the Global Financial Crisis (GFC), experiencing a record level of negative net absorption over the first half of 2009, due to corporate failures and widespread tenant downsizing.

According to the Office Market Report of January 2010 from the Property Council of Australia (PCA), the Sydney CBD had a total office stock of 4.7 million square metres. It is estimated that this represents about half of the office stock in the overall Sydney metropolitan office market.

Despite the impact of the GFC on tenant demand, the Sydney CBD's January 2010 vacancy rate of 8.1% was lower than the national average of 9.3%. This partly reflects moderate supply additions and some significant supply withdrawals over the past two years. The second half of 2009 also saw increased business confidence and a return to modest leasing activity (although the net absorption remained negative: -22,287sqm, compared with -120,211sqm in the first half of 2009).

The Sydney metropolitan office market has felt the effects of the global recession, resulting in a decline in demand and falls in both capital values and face rental rates. This is linked to an increase in office supply, upward pressure (softening) of yields, increases in incentives and a rise in vacancy. The Sydney metropolitan office market has experienced a significant downturn and it is expected that these conditions will continue until the economy picks up

### **....Sydney CBD had a total office stock of 4.7 million square metres....**

The western Sydney Commercial Market has seen value levels fall and activity decrease since mid to late 2008, in line with commercial markets across Metropolitan Sydney. Though there has been an increase in transactions in 2010 with private investors and speculators, seeing the long term potential, becoming buyers.

The North Sydney commercial office market is in a similar stage of recovery as other markets. Gross rents for fringe North Sydney space typically range between \$250 to \$340 per sqm for office space, and between about \$350 and \$550 per sqm for office space centrally located within the North Sydney CBD. Currently, incentives are considerable, now ranging between 15% and 30% on many leasing deals. There has been limited growth of North Sydney capital values over the past three years and yields have softened since late 2008. Generally, capital values are ranging from \$3000 to \$6000 per sqm for office space, with general yields ranging from 7% to 9% or higher.

North Sydney faces stiff competition from the North Ryde and Macquarie Park markets which have the advantage of lower rentals, improved accessibility particularly due to the rail link and the availability of more car parking.

Despite the possibility of a prolonged recovery in the outlook for rental growth, investment sentiment towards the Sydney office the market appears to be positive. This partly reflects the strength of Australia's economy within the global context, the lack of a significant development pipeline for most suburban markets and limited development opportunities in the Sydney CBD.



## Canberra

The Canberra office market on the supply side has seen in early 2010 the completion of a number of new buildings including the new Attorney Generals Department Building, Barton, the Childers Square Development (16,000sqm), 121 Marcus Clarke Street, City and the 40,000sqm QEII site have brought new stock to the market. Buildings under construction include 26,000sqm of new office space within the ANU exchange development and 40,000sqm for the new ASIO headquarters in Campbell.

The Section 63 site in the city, which sold for \$92 million in late 2007 will most likely comprise circa 100,000sqm of commercial office, retail, hotel or serviced apartments. A master plan has been submitted for the site and at this stage there have been no pre-commitments to lease the commercial office space.

A development application has been submitted for New Acton (Nishi Development) for a site of approximately two hectares, for a 10-storey office, commercial and retail building of approximately 21,100sqm and a 16-storey building to comprise 243 apartments. Car parking on the site will comprise of four basement levels to accommodate approximately 700 vehicles. We are aware that the commercial office component has a pre-commitment to a Commonwealth Government department.

The Land Development Agency (LDA), the controller of new land supply in the ACT offered two prominent sites in the city to be sold by auction in late June 2010. The sites were passed in at auction and negotiations with the highest bidders have since stalled. The sites are located in the City Hill precinct, a landmark location in the heart of Canberra City, with gross floor areas of approximately 30,000sqm respectively. One of the sites requires a minimum 12,000sqm GFA for a hotel/serviced apartment complex with further unlimited GFA and only restricted by height on a site area of approximately 5,717sqm. The other site has a maximum GFA of 30,600sqm and a minimum of 65% of residential to be constructed.

More recently the Commonwealth of Australia sold Block 13 Section 9 Barton by auction. The site sold for \$16.5 million with a maximum GFA of 27,000sqm on a site area of 19,733sqm. The site is vacant and presently utilised for free car parking for 650 vehicles and borders Block 12 Section 9, which is the Ottoman Restaurant and open space. Under approved Amendment 57, the site is suitable for a mixed-use development comprising 27,000sqm GFA development and 470 publicly available car parking spaces. The development period is 60 months held under a Holding Lease. Permitted future uses contained within the Crown Lease include: bank, bar, café, car park, child care centre, consulting rooms, co-op society, office, open space, residential, personal services establishment, restaurant, retail, road and serviced apartments. We estimate the internal road network to be in the order of \$1.5 million to the cost of the developer. The mandated public car park may also be a drag on the total development and we have estimated this cost at approximately \$2 million. Total added developer costs are therefore estimated at \$3.5 million. Gross price is therefore approximately \$20 million representing \$740 per sqm GFA. The maximum gross floor area does exclude car parking on the land.

Another development site sold by the LDA is Block 1 Section 53 Forrest. The site sold at auction for \$11.325 million (plus off-site works of \$1.226 million) and will permit a development of approximately 15,000sqm to 20,000sqm GFA subject to approvals.

During 2007 and the first half of 2008 the vacancy rate for commercial office, especially 'A' grade office was kept low with most buildings generally committed to by a Government Department such as the ATO, Centrelink, DEWR. A number of these departments have vacated existing property occupied on short-term lease tails after moves into new accommodation. These spaces are generally lower 'A' grade or 'B'.

The currently available space has seen gross annual rents stabilise, especially within the Barton and Civic areas, achieving \$380 to \$420 per sqm for modern space. Some relief for tenants may occur in the short-medium term due to the current vacancy level. However, as supply grows, rents are expected to ease with incentives to become an increasingly prominent feature of the market.

***...the Land Development Agency (LDA), the controller of new land supply in the ACT offered two prominent sites in the city to be sold by auction in late June 2010....***

Being an election year the leasing market has remained relatively quiet with on going vacancy rates continuing as a general freeze on spending limits government expenditure.

The market has shown a tendency in the past five years to seek property that meets the requirement of the Green Lease Schedule for energy efficiency. This has led to government departments seeking newer accommodation or spaces that have been refurbished to meet these standards.

Importantly, the increasing vacancy rates have not been caused by a major oversupply of new stock, but by current global conditions. Expectations are that the next two years will be bleak with demand stalling and therefore leasing markets weakening.



## Central, North & West NSW

### DUBBO

Commercial office sales activity and new development in Dubbo over the past 18 months has been subdued. The sales that have occurred are reflecting yields have shifted upwards by approximately 0.25% to 0.75%. Indications are for less desirable property in non-sought after locations the yield increases may be higher than this, however there has been very limited activity in this particular sector. New development is generally only occurring with pre commencement lease agreements, and there is limited no speculation construction occurring. Two of the more recent developments include Quest service apartments and a new medical centre within the CBD. Take up of rental space has been relatively strong given the lack lustre sales activity as business owners chose to expand by leasing new premises as opposed to committing to buying and development larger premises. Rental value levels have remained relatively static over the past 12 months.

**....new development is generally only occurring with pre commencement lease agreements, and there is limited no speculation construction occurring....**

### MUDGEE

The commercial property market has been quiet over the past two years. The previous period saw considerable activity and expectation were that the centre would continue to grow above state averages. Property values and confidence levels were driven by the proposed development of a Stocklands Shopping Centre. The decision to develop this centre was withdrawn and land acquired was place back on the market with limited interest being shown. Whilst mining activity continues to underpin the local economy the growth associated with new mining development has not meet expectations in relation to demand for goods and services. The slow down in the wine grape industry and the general slowing of the domestic tourism market has resulted in a softer local economy as well. Yields prior to the slow down in Mudgee were usually strong and often 1% to 2% lower than in other similar sized and located country centres. Despite limited sales activity expectations are that yields in the Mudgee commercial and retail market are coming back into line with levels achieved in other inland NSW centres.

### BATHURST

The Bathurst commercial market has shown some signs of improvement with increased leasing activity. Sale activity is dominated by a local developer who is refurbishing a number of properties, (with or without pre commitment). It remains to be seen whether these properties retained or sold once they are fully leased.

### ORANGE

There has been significant commercial development in Orange over the past 12-18 months. Developers have speculated upon increasing economic activity within

Orange due to the construction of a new regional hospital and continued expansion of the Cadia Gold Mine. Consequently there is an over supply of office accommodation with slow take up rates. The slow take up is in part, price related with developers requiring gross rents of \$300 per sqm to make their developments feasible. Locals appear reluctant to commit to these price levels although some Government Departments have committed at these levels. As a result we predict rental levels to be very flat over the next 12 months.



Commercial sales activity has increased in 2010 and as confidence returns to the market we envisage this will continue. A rising interest rate environment may entice investors back into the property market looking for increasing returns on capital investment.

A fringe commercial office building with two tenancies recently sold for \$1.75 million reflecting a net yield of about 8% after allowance for a reversionary rental stream above market.



## Newcastle

The commercial market for Newcastle can be summed up in one word – Honeysuckle. Over the past decade the Honeysuckle area has been the commercial market hotspot in Newcastle. Situated on Portside land, with port views and aspect, this area has been the home to mixed-use development and most recently large scale 'A Grade' office space. Both existing and planned.

Newcastle has recently been overtaken by the debate that has ignited in local media outlets regarding the 'disconnect' between the emerging Honeysuckle area and the existing CBD and legal precincts. The Great Rail debate has been the focus of rallies, petitions and furious letter to the editor exchanges.

On one side the traditionalists want to see public transport retained in its present form which is a rail line leading to Central Station. This allows commuters and public transport access into Newcastle and is seen as the lifeblood for local traders, which have dwindled over the past 20 years since the emergence of suburban shopping centres.

On the other side of the debate are the proponents of removing the rail corridor, who claim it acts as a natural barrier between the emerging foreshore area and the traditional CBD. There is no end in sight to this debate, but what is clear is that something has to happen to stop the current disconnect between the two areas. While the debate continues in the community, leaders at state level appear happy to wait for a clear outcome.

As a result of the Honeysuckle development of 'A Grade' commercial space, there has been a fundamental shift away from traditional areas to the newer, more desirable space. This has resulted in vacancy increases across the 'B & C Grade' as those tenants move address to Honeysuckle. At the last Property Council of Australia office survey, Newcastle had approximately 250,000sqm of commercial space. Of that, 35,000sqm is vacant. In 2009 net supply increased by almost 4000sqm but conversely, vacancy increased by 11,500sqm in the same period. Overall that equates to a negative absorption of space in Newcastle, which in turn translates into a stagnant period for yields and rents.



The Property Council of Australia has identified several future projects from January 2010 that will add approximately 3000sqm of supply to the existing stock, and there are also plans for large commercial building that has been approved in Honeysuckle for 21,000sqm. There is also a proposed building on Hunter Street, which has a pre-commitment from Lawler Partners for approximately 3750sqm. All up that is a potential addition of almost 28,000sqm of space, which is a substantial amount. Not all planned buildings however get built!

It appears that unless projects have substantial pre-commitment undertaken then additional developments may be limited in the short to medium term. Even if pre-commitments are gained, the chances are that the committed tenants would be vacating existing stock within Newcastle. This may allow some adaptive reuse of inner city Newcastle space. Over the past year 1300sqm of existing office space has been removed from the market for change of use purposes, which contributes towards urban regeneration.

Given the limited movement of tenants around town it appears that leasing incentives are beginning to play a part in negotiations. With incentives generally around the three to six month margin. Effective rents have also remained relatively constant around \$300 per sqm for good quality space. This is in part due to the vacancy levels in town at present. Yields have spread between primary and secondary property with primary property still attracting yields in the 8% to 8.5% range whilst secondary has stretched to 9% upwards.

GPT are the big players in Newcastle at present with the ongoing upgrade of Charlestown well underway which will convert Charleston Square into one of the largest commercial centres in the Hunter Valley and confirm Charlestown as the premier CBD/retail area of Lake Macquarie. GPT continues to investigate the plans for a large shopping centre in the Newcastle CBD, although by all accounts the plans are in a holding pattern for the time being. How GPT approaches the redevelopment and whether there is an acceptable outcome from the

rail debate over the next several years will have a huge bearing on the future direction of Newcastle and this cannot be understated.



## Southern NSW & Northern Vic

### WAGGA

The office market in Wagga Wagga remains static with limited new supply while demand remains soft in both sales and leasing. There are no new infrastructure proposals in the office sector for the area with little evidence of businesses looking to expand and take up more space. We expect the market to remain static for the foreseeable future.

### LEETON/GRIFFITH

It's a bit of a mixed bag across the commercial office sector at the present time. Griffith and Leeton, our two larger centres are in a different state of play so it's best to deal with them individually.

Griffith is experiencing a slight correction in the commercial rental market at the present time. There is an oversupply of commercial office space and this is putting downward pressure on the rental market. Landlords have to accept a more competitive environment and in some cases accept rental reductions up to 10% to keep their tenants rather than face the prospect of a vacant property. Sales are scarce, with businesses choosing to continue renting due to a combination of factors, which include a lack of confidence, a more competitive rental environment, and a tougher credit environment. Investors lack commitment as the downward pressure on yields and upward pressure on interest rates make other forms of investment more attractive.

**...Griffith is experiencing a slight correction in the commercial rental market at the present time....**

The commercial office market in Leeton remains steady. In the majority of cases annual CPI increases are being implemented. There is a shortage of modern office space in Leeton and the majority of tenants remain in their premises for lengthy periods. Sales of modern space have been scarce over the past 12 months. Yields ranged from 8% to 9% 18 months ago and my hunch is they are heading upwards, but as there has been few recent sales evidence of a rise is unproven at present.



## Melbourne

The Melbourne CBD office market contains approximately 3.6 million square metres of lettable space. Of this 1.95 million square metres are Premium and 'A' Grade buildings; 974,000sqm are 'B' Grade buildings and the remaining 610,000sqm are a combination of 'C' and 'D' Grade buildings.

The Melbourne CBD has recently undergone the largest office construction cycle since the late 1980s, which saw more than one million square metres of construction

between 1983 and 1989. The recent cycle added 465,000sqm to the CBD, 528,000sqm to the CBD fringe markets and approximately 20,000sqm to the St Kilda Rd precinct - being a total of 1.013 million square metres. The next development cycle is expected to deliver another one million square metres of office space. Restrictions to construction finance are remaining tight and this cycle is expected to begin in 2012.

The Melbourne CBD office market has successfully absorbed a substantial increase in supply and managed the impacts of the global financial crisis (GFC). These factors were expected to create substantially higher vacancy rates than the market is currently experiencing.



The following vacancy rates apply as of January 2010:

- Premium office vacancy rate is currently 7.1% having increased from 3.8% in June 2009.
- 'A' Grade office vacancy rate is currently 4.5% having increased from 3.2% in June 2009.
- 'B' Grade office vacancy rate is currently 7.6% having increased from 5.6% in June 2009
- 'C' Grade office vacancy rate is currently 6.5% having increased from 5% in June 2009
- 'D' Grade office vacancy rate is currently 2.1% having decreased from 5.1% in June 2009
- The total average CBD office vacancy rate is currently 6% rising from 4.3% in June 2009.

Updated office vacancy rates will be available in early August 2010

- Total CBD office vacancy is forecast to peak at 6% in July 2010 before steadily declining in the absence of speculative supply.

An improving economy and low supply is leading to a period of substantial rental growth. Recent major CBD leasing deals in 2010 include the Australian Bureau of Statistics leasing 18,000sqm of office space at 250 Spencer Street, paying a gross rental of \$250 per sqm and Origin Energy leasing 25,000sqm of office space at 321 Exhibition Street, paying a net rental of \$310 per sqm.

Two large fully pre-committed building deals were struck in the June quarter. The Australian Tax Office has agreed to lease 38,000sqm of office space at 735 Collins Street and National Australia Bank have committed to 63,000sqm at 720 Bourke Street. Both deals were for an undisclosed amount.

**....an improving economy and low supply is leading to a period of substantial rental growth....**

Private investors and developers have purchased the largest amount of CBD office stock in 2010. Some major recent CBD sales include:

- 35 Spring Street, a 12,977sqm building purchased by CBus Property in May 2010 for \$45.5 million on an initial yield of 9%. The sale showed a building value of \$3,506 per sqm.
- 356 Collins Street, a 3,890m<sup>2</sup> building and current location of Herron Todd White (Melbourne) was purchased by a private investor in May 2010 for \$28.05 million on an initial yield of 7.6%. The sale showed a building rate of \$3,890m<sup>2</sup>.
- 383 King Street, a 12,975sqm building was purchased by Henkell Brothers in February 2010 for \$34 million on an initial yield of 8%.

If the recovering economy and the high level of pre commitments in new buildings enable a net absorption of 60,000sqm in 2010, the peak vacancy rate in the Melbourne CBD is close to peaking. Unless some of the mooted projects proceed, it is likely that by 2012, Melbourne CBD could be facing low vacancy levels. This scenario could see a return to strong increases in effective rents.

Increased purchasing activity and tightening vacancy rates from 2011/12 could see yields firm and capital values increase over the medium term.



## Regional Vic

### MILDURA

The office market in Mildura has seen no substantial changes in the past 12 months. The local professional firms and Government Departments have established office complexes and there have been no new offices built in the past year.

There has been talk of a new Commonwealth Government 'super centre' being constructed on the fringe of Mildura, but at this stage it is still 'talk'.

Rental levels in Mildura have generally remained static over the past two years and there is a higher than normal vacancy rate for older style and fringe located office premises.



### Adelaide

The Adelaide Office market has shown resilience in the aftermath of the Global Financial Crisis (GFC). The start of 2010 has seen a slight increase in vacancies overall increasing to around 7.5%, the greatest change occurring in the Adelaide Frame (outer edge of the city square) which increased to nearly 13%, largely due to the completion of two new high rise office buildings in the Southern Gateway precinct of King William Street. Although vacancies have increased, demand for quality investment properties remains relatively strong. At the same time, rentals have stabilised and there appears to have been only a modest increase in the level of incentives. Initial yields have decreased slightly to between 7.5% and 9.5% and in general values have remained steady.

A tangible effect of the GFC was the almost immediate restriction on the availability of capital for development. The choke on funds is rumoured to have seen a number of developments shelved indefinitely and existing

developments being tightly reined in. As a result, there are only two new office developments due to come on line in the foreseeable future. Both are fully committed being firstly the new SA Police headquarters at 100 Angas St (completion end 2011) and secondly, the ATO offices at Tower 8, Franklin St (completion end of 2012). This lack of new office supply will place pressure on existing stock, which in many cases will require upgrading or refurbishment to meet the standards of potential lessees.

With no development on the horizon before 2012, vacancy rates are expected to decline steadily. Pre-existing fit-out, which was often a bonus when leasing non-premium office space, is expected to become more problematic as lessees demand better quality accommodation. It will be interesting to see what will happen to rental rates in Adelaide's already tight office market.

In recent time Adelaide's Fringe office market has shown an increase in activity with numerous properties being sold at auction. This area is currently the most tightly held office precinct in Australia with vacancy at 3.4%, mainly due to the more 'relaxed' atmosphere and parkland outlook of many properties. The CBD too is within walking distance and parking is less of an issue. The near city suburb of Kent Town has recently enjoyed resurgence, with the new commercial development at 66 Rundle St becoming the first property in more than five years to sell above \$10 million. Yields in the Fringe and near city areas continue to create good demand when released to the market with yields being held down to around 7.5%.



## Brisbane

The Brisbane Central Business office market is comprised of more than two million square metres of lettable area, with the fringe CBD being made of just over one million square metres of lettable area. Following a record year in 2009 of new and refurbished stock flowing onto the market around the Brisbane CBD, coupled with the uncertainty of the broader economy, the city's vacancy rate rose substantially from about the middle of 2008. At present the vacancy rate is estimated to be approximately 11.6%, which means that the rate has remained fairly static over the past 12 months, amongst predictions by the Property Council of Australia forecasting vacancy as high as 12.2% by the beginning of 2011. Currently there are only three buildings under construction, which will deliver around 130,000sqm of lettable area to the CBD over the coming two years. As a result, tenants looking to upgrade to newly constructed accommodation will have

less options to do so, which will help to fill the limited new stock coming onto the market. Whilst the market has a long way to go to hit the peaks of 2007, demand has strengthened moderately over the past 12 months, with tenants from the resource/engineering sector being among the most active. The outcome of the upcoming election and the uncertainty surrounding the much-publicised 'mining tax' may have an effect on this activity depending on which party secures power.

Overall it would appear that the transition from a landlord's market to a tenant's market is continuing and this is expected to be the case for the next few years. Most landlords, it would seem are finally beginning to scale back their expectations after the lofty heights of 2007 and early 2008, with gross face rentals for prime buildings sitting at around \$630 to \$670 per sqm of net lettable area per annum and secondary rents being approximately \$435 to \$485 per sqm of net lettable area per annum, all of which are underpinned by hefty incentives. At present these incentives, which include fitout contributions and rent-free periods, are in the region of 25% with reports of as high as 30% in some cases.

**....most landlords, it would seem are finally beginning to scale back their expectations....**

On the sales front, activity has been steady, without reaching any great heights, with investors still remaining fairly cautious. Major transactions include Healthy Diversified Property Fund's sale of 10 Market Street for approximately \$34 million and the fully leased Santos House at Turbot Street for a reported \$290 million. In comparison, Brisbane's most prominent CBD building, Waterfront Place, recently had a 50% share taken to the market, with reports that genuine interest was relatively low and that no formal offers for the centrepiece were made. Yields remain stable with prime stock generally transacting at around 7% to 8.25% and secondary properties for between 8.25% and 9.50%.

Overall it is expected that the remainder of this year will continue in the same vein, as business confidence slowly stabilises, led in part by the resource and engineering sector. The general consensus of most is that the worst of the economic crisis is over and that a greater sense of stability now appears to be permeating within the Brisbane CBD, with rents stabilising, as a greater level of tenant enquiry and activity is reported. It should however be noted that obtaining finance for commercial loans is still difficult as lending criteria is now extremely strict. As a result, the number of transactions has declined significantly since this was tightened and this is likely to be the case for the foreseeable future.



## Gold Coast & Tweed Coast

### GOLD COAST

It's coming to the end of the financial year and there seems to be a little spurt of activity in the industrial marketplace. There has been some buying interest by investors and owner-occupiers alike. In the Yatala Enterprise Area, a large modern factory of 2140sqm was reportedly sold for

\$3.1 million after lying dormant for more than two years. At the time of writing, it is yet to settle. One or two small strata units may have changed hands but the market for larger units of more than 300sqm remains quiet. Much of the problem in this area has been well documented and is a result of a construction boom several years ago.

In the Nerang industrial precinct in central Gold Coast, a large pool shop business has moved to its newly acquired premises in the same neighbourhood, said to be bought for \$3 million, while another local business has contracted to buy its old premises for \$1.1 million. The strata industrial market in this precinct, however, remains subdued with minimal sales and bargain hunters eyeing some units currently for sale by receivers. A strata showroom unit of 457sqm on Spencer Road with exposure to the M1 has sold for \$1.11 million after months of marketing. It is interesting to note that the buyers have existing businesses in the same area and are looking for bigger premises to expand.



At the industrial precinct on Brisbane Road, an interstate investor paid \$725,000 for a 380sqm strata unit that is leased, while an older standalone building on Pine Ridge Road sold for \$1.125 million. Elsewhere, there have been weak outcomes for properties at various auctions, particularly for those that are in secondary locations or being sold by mortgagees.

All these indicate that the market is bumping along the bottom and maybe inching its way up (increasing activity not higher values), albeit on the back of mostly local buyers who are looking to expand. However, the market is still fragile as prospective buyers and tenants are few and far between.

The availability of finance continues to be a problem across the board. Loan to Value Ratios (LVR) have generally fallen and this has affected the market as a whole.

There is an increasing number of 'For Sale' and 'For Lease' signs in industrial areas. For the time being, confidence would appear to be low and a genuine recovery could be some time off.



## Sunshine Coast

The office market on the Sunshine Coast continues to remain oversupplied.

The main area affected continues to be the Kawana Business Precinct around Lake Kawana.

There is a large Government office building being constructed in central Maroochydore and there continues to be concern in the local market that a large number of

Government tenants will relocate to that building once it is completed, reportedly in 2011.

Maroochydore has been identified as the principle activity centre and the trend of government departments consolidating within this location is set to continue. The government is yet to advise existing building owners which tenants will not be taking options or renewing their leases, however those tenants within older buildings in secondary areas such as Nambour, Kawana, and Mooloolaba, are considered most at risk. Significant refurbishment works and incentives will be required to replace these large users.

Another large six level office building, currently being developed on Brisbane Road, Mooloolaba will add additional supply, as there is little reported recommitment to date.

Looking forward, overall business confidence is still below trend and there is very little local or regional stimulus to attract the tenants required to fill the available space, in the short term.

The value of properties continues to centre on income risk. The strongest demand is being seen for modern, well-located properties with strong lease covenants.



## Southern Queensland

### TOOWOOMBA

In common with most regional centres, Toowoomba has experienced limited new office development during recent years, however there has been a number of purpose built buildings constructed for government and corporate tenants.

Demand for office investments remains soft following the Global Financial Crisis (GFC), and although there have been a number of properties available, there has been little sales activity, as vendors cling to pre GFC yields.

Currently, there is only moderate demand for office space with extended lease-up periods for vacant properties, particularly secondary grade. The slow market conditions have seen the introduction of some rental incentives, as landlords compete for tenants.

**....there has been little sales activity, as vendors cling to pre GFC yields....**

Trends include more telecommuting, which is contributing to some level of reduced demand for office space. Onsite car parking is becoming more sought after and more highly valued by tenants and owner-occupiers. Properties with good onsite parking are able to achieve higher rents and lower vacancies than equivalent properties with inadequate parking.

The Toowoomba Regional Council recently released the CBD Master Plan, providing a strategic vision for the future of the CBD. The master plan has the potential to be a major catalyst for the next wave of CBD development and redevelopment.

The Toowoomba office market is expected to remain stable over the coming year, with the likelihood that tenant demand will continue to pick up as the economic

recovery becomes more widespread. Over the medium term, there is the potential for increased demand associated with the coal mining, coal seam gas and liquefied natural gas projects in the Surat Basin.



## Central Queensland

### ROCKHAMPTON

The office market in Rockhampton has remained largely unchanged in 2010 and there have been very few sales. Owner-occupiers have been the main players in the market, purchasing older style properties for refurbishment and eventual occupation (or part occupation). This enables buyers to obtain well-located properties at reasonable prices. Evidence of this is an aged, double storey brick, multi-tenanted building in Denham Street that was purchased by an adjoining owner for \$400,000. The building comprised two tenancies on the ground level and the first floor was vacant. The buyer has now completed extensive renovations to the building, extending their existing office into the first floor of the building. The buyer has also upgraded the space on the ground floor and retained the existing tenants. This is also the case for a property in Bolsover Street, which was purchased for \$725,000 in February 2010. The buyer intends to convert an aged warehouse building into high-grade office accommodation for eventual occupation.

While vacancy levels remain low, there continues to be an absence of investors in the Rockhampton office market as rental levels still cannot provide profitable projects.

2008 saw investors embark on renovation missions including the purchase of two heritage-listed buildings in the CBD, namely the ex-Post Office and the ex-Headricks building, both located in East Street. Both refurbishments were completed late in 2009 providing quality office accommodation in various configurations. To date, one tenancy has been leased at a record level of \$310 per sqm gross for a first floor tenancy. The Headricks Building has now entered the market for sale.



### BUNDABERG

The main office localities in Bundaberg are the City/City fringe and Barolin Street.

There has been very limited new development of office space since 2007/08. It would be very difficult to 'stack up' a new development in the current market unless there was pre commitment by a tenant or tenants. Government and medical practitioners have been the main occupants

of new office space. Rental levels have reduced and incentives have increased with increasing vacancies. Yield rates have also increased, which is negatively impacting on the viability of new developments.

The ability to viably purchase a dwelling and convert it to office use is now a difficult exercise to comply with fire regulations, disabled access, car parking and infrastructure changes.

### HERVEY BAY

Recently there appears to have been an increase in activity from investors and owner-occupiers with the release of one new building (construction completed February 2010), another in the process of being strata titled and two currently selling 'off the plan'. Over the past six months there have been 11 sales of completed product and eight contracts 'off the plan' all reflecting a yield range from 7.5% to 8.25% or up to \$4000 per sqm, with all prices below \$1.4 million. This increase in activity has likely been a result of the combination of softer yields, low interest rates and an increase in demand for new space, which has resulted in a firming of yields for new premises. Secondary premises may however show higher yields, as tenants are relocating into these new premises to achieve greater exposure and modern facilities.

**....Hervey Bay has historically been a 'touch and feel' market and any new development may initially receive some interest 'off the plan'....**

Although some interest has come from government departments and new medical practitioners, a large portion is from local tenants and owner-occupiers. Owner-occupiers are attracted to new developments due to the price range or unit area available to suit specific needs. In the past, developments have generally catered for a particular size of between 100sqm and 250sqm. Additionally, due to the variation of unit sizes now available, affordability is a feature with good supply priced under \$500,000. Base level fit out of space is increasing with most new developments including floor coverings and air conditioning, which is also lifting asking rental rates.

Hervey Bay has historically been a 'touch and feel' market and any new development may initially receive some interest 'off the plan' however most local buyers will come once construction commences or is nearing completion. Although difficult to gauge at present due to the recent spike in activity, we consider the depth of the owner-occupier market to be relatively shallow. Leasing however is considered to be deeper, with new premises likely to attract more non-local tenants interested in establishing themselves in the area. Therefore towards the end of new projects, investor sales may be the main driver.

### MACKAY

The commercial property market in Mackay peaked in mid 2008, with further rental growth occurring for a time due to strong demand in a climate of limited supply. While yields eased out from late 2008 through 2009, rental rates remained relatively steady. There remains some vacancy for B and C class office accommodation however limited availability for quality office accommodation.

In September 2009, the Queensland Government issued a 'Request for Expression of Interest' for the provision of

leased office accommodation in the Mackay CBD. The request indicates that the State has a requirement to lease approximately 3500 to 5000 square metres of fitted out A Grade office space in the CBD with availability for occupancy by July 31, 2011. It is believed this space is required to accommodate the Department of Transport (Main Roads), which is currently accommodated in a building in Gordon Street. A number of other Government Departments may also occupy the proposed building.

This could result in some existing government space emptying out however it is unknown to what extent.

It is difficult to determine the effect of the State Government occupying the proposed new building. It is likely a premium above existing rentals will have to be paid to make development feasible, and this may create a new rental benchmark in the city. However, the increase in supply of commercial office space resulting from the Main Roads vacating their existing premises, may help to stabilise future rental rates for secondary office tenancies.



## Cairns

The Cairns office market is almost totally CBD centric. During 2007-08 the Cairns CBD saw a number of new office buildings commence construction. These have largely been completed and are mostly fully let. This has resulted in the addition to the market of a number of quality buildings with four-star green ratings.

In addition the \$79.5 million State Government office tower with 9500sqm of lettable space, is almost complete and expected to be progressively occupied from September 2010. The expansion of the office stock in Cairns has addressed an undersupply situation that previously existed in regard to prime buildings.

**....there is likely to be downward pressure on secondary rents, which may see the emergence of incentives....**

Gross effective office rents in Cairns have remained stable since the market peak, when prime rents reached around \$360 per sqm per annum, up from around \$275 per sqm in early 2007. While the softer market conditions have eased upward pressure on rents, there does not appear to have been any significant fall in rents.

Once the State Government office tower starts occupation, it is expected there will be an increase in vacancy levels in backfill space. This is likely to be mainly secondary space. There is likely to be downward pressure on secondary rents, which may see the emergence of incentives. It is however considered that modern, good quality office buildings will remain in high demand and sustain existing rental levels.

The most recent sale of a large office building is at 112-120 Bunda St an inner fringe CBD location. This is a near new four level office complex providing ground floor foyer, car parking, shop and three levels of 'A' grade commercial office space above. The property has a total net lettable area of approximately 4344sqm. Other improvements include two lifts, minimal landscaping and 84 off street car parks. The building has a four-star green rating.

The property is multi tenanted to government tenancies with some vacancies. It sold for \$18.8 million in May 2010 showing a return on a fully leased basis of 7.35%.

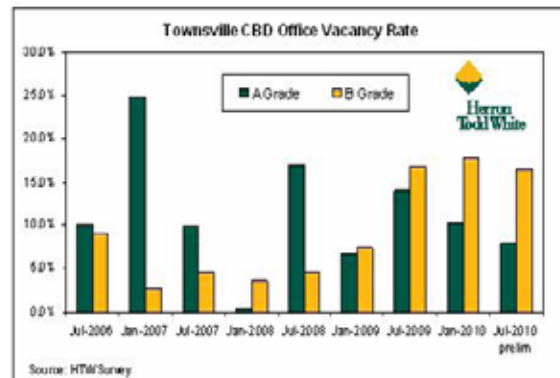
The outlook for the Cairns office market is for stable market conditions for quality buildings, which will remain in demand. However increased vacancies in secondary backfill space are expected to occur over the short term, once the State Government office building is occupied.



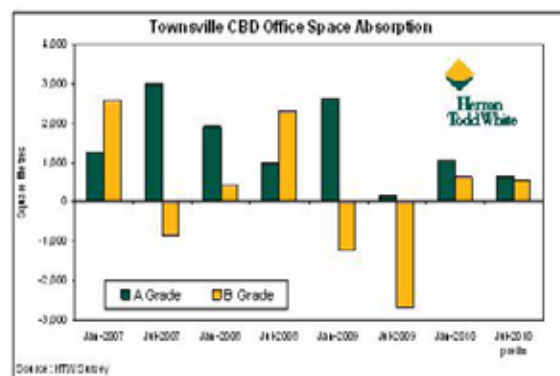
## Townsville

Townsville's CBD office market remains in limbo in terms of sales activity as the market assesses how the \$56.6 million Flinders Mall redevelopment pans out.

Our preliminary CBD office survey for July 2009 indicates that demand for quality office space over the past six months has seen the vacancy rate for 'A' grade product reduce from 10.2% in January 2010 to 7.9% in July 2010. B grade space has also recorded a decrease in vacancy from 17.7% in January 2010 to 16.6% in July 2010.



Our preliminary results indicate a continuing net absorption of good quality office space over the past six months, though at a slightly slower take up rate compared to the previous six months. This is shown by the net absorption of roughly 800sqm of 'A' and 'B' grade office space over the past six months, continuing on from the 1700sqm net absorption observed during the bounce back from the GFC from July 2009 to January 2010.



Townsville's CBD office vacancy rate for 'A' and 'B' grade property continues to move south, opposite to the increasing vacancy rates occurring within the capital cities. There are currently no new office developments on the horizon, with any development requiring substantial pre-commitments in order to secure finance



## Darwin

"OK, so you can't get us the space we need in Arnhemica; where else can we go in this only one port crane town?"

You looked to your aide for an answer, noting his glasses, his pimples, the round shoulders. "This guy has to go," you think to yourself.

"No boss, I mean, yes boss. Sorry boss. Well, we can go out to Cascom at Casuarina. It's almost filled up again after some of its major tenants moved into the CBD. There's still about 900sqm in Stage Five, and a couple of thousand square metres in Stage Four. Oh, and there's..."

"Shaddup!" you say. "Didn't I tell you that I wanted to be in or near the CBD? And that place we were looking at – Civitas? – well, while you were stuffing about they leased a floor! And for less than \$450 per sqm, for heaven's sake! Now there's only one floor left, and at 480sqm, it's not enough for us. Not only that, but there was enough space at Tourism House, and now half that's gone, so it's too small now as well. And as for that office space down at the Waterfront, there are only three units left of the 17 – nowhere near enough space for us there either!"

He's sweating now, the little nerd. "But boss, I have found some space in town! The ANZ building is being refurbished, and there'll be good space there soon. There's also enough space for us coming back in at 60m Smith Street, and there's over 1200sqm in Energy House too. In Jacana House, the newest office building in town, there's over 1000sqm available on a sub-lease. CSG moved in there last January - they took over 1700sqm."

"Jacana, eh? Is that so! Well, don't just stand there – contact them, and make a deal. And it had better be a good one. Why are you still here?"

You watch him fumble at the handle as he dashes out the door. "Maybe that kid's not so bad after all," you think. "Someday, he might even become a big shot like me. But not yet, not by a long shot."



## Perth

The Federal Government's 2010 Annual Budget, on the May 2, 2010, was most significant for the announcement of the proposed introduction of the Resources Super Profits Tax (RSPT), as it became the most contentious and most publicised aspect of the budget policy. It led to an unprecedented acrimonious advertising campaign by both the mining and the government representatives and was perhaps the major impetus behind the political coup which saw Prime Minister Rudd being toppled by his own party and replaced with Julia Gillard. The proposed tax had created a lot of tension between the mining industry and the government, and it was clear that implementation of the RSPT would threaten the viability of many existing mining ventures and seriously undermine future exploration and expansion of the sector. For Western Australia, the mining industry was the main

reason why the Global Financial Crisis had exerted so little economic pressure. China's massive growth in demand for our resources resulted in record high commodity prices, and by June 2009 only nine months after the collapse of Lehman Brothers, investor and business confidence in the state was again on the rise.

**....property in general is a lumpy asset, meaning that it is not in general transacted quickly....**

The ABS estimates that approximately 76,000 workers are employed in Western Australia's mining sector (compared with an estimated 169,000 employed in the mining sector nationally) and that the state's main economic driver is mining and resources. It is estimated that for each mining job, another three jobs in other sectors are generated and that the mining sector in Western Australia contributes to approximately 25% of the state's employment. In the 2008/2009 financial year exports to China, Japan and South Korea totalled approximately \$50.75 billion. Total major commodity exports of iron ore, gold and crude petroleum oils totalled a little over \$58 billion. Mining exploration expenditure in 2008/2009 totalled approximately \$4.2 billion. Australia as a whole accounts for approximately 38% of the world's economic resources and it is estimated that mining contributes approximately 40% to the nation's GDP. Plainly mining is very important to both the state and the nation and therefore not surprising that any threat to its continued activity and growth has the potential to cause major economic upheaval.



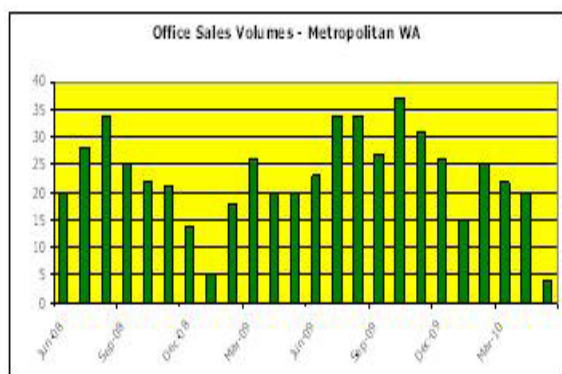
It is estimated that approximately 40% of Perth CBD and 70% of West Perth office space is occupied by mining companies or businesses supporting the mining sector. There is no data captured on tenancy types for suburban offices, however, in the course of our valuations we have come across a significant number of users whose enterprises are somehow linked to mining. So an obvious question arises – how did the proposed RSPT affect office property values?

Property in general is a lumpy asset, meaning that it is not in general transacted quickly. The marketing of an office property ordinarily takes between three and six months and longer for upper end properties, so it is not possible to accurately gauge the impact of the proposed RSPT so soon after its announcement. Furthermore, there were other significant issues concerning office property concurrent to the proposed RPST, such as the debt crisis in Europe, signs of a double-dip recession in the US, the end of the financial year, rising interest rates and looming Federal Election.

In the Perth CBD, office space is still in an expansion phase, with projects currently underway due for completion by

the end of this year through to 2012, such as City Square (72,000sqm) and Raine Square (42,000sqm). Accordingly there is no way to measure how office property sale and rental values were impacted by the proposed tax so soon. Anecdotally selling and leasing agents did in general note a decline in enquiries throughout this period and we noted a lack of valuation instructions pertaining to office properties since the RSPT announcement. Selling agents suggested a mixture of reasons why buyers and occupiers were staying away from the market. Traditionally the property market ebbs and flows throughout the year and in general 'tax time' is a quiet time of year for property transactions as is the Christmas holiday season.

Analysis of confirmed office sales volumes available from Landgate, from June 2008 is summarised below:



Source: Landgate

The illustration above depicts sales volumes of Perth metropolitan office space and broadly shows a biannual cycle, with decreased sales volumes coinciding with the end of financial and calendar years. The impact of Lehman Brothers collapse in September 2008 had taken approximately three months to fully set in, although the market quickly rebounded. Ordinarily buyers and investors faced with negative news of this magnitude adopt a 'wait and see' approach in order to assess the full impact of such events. The proposed RSPT would have had a similar impact.

The dramatic decline in May sales appears comparable to the impact of the GFC, although this may to some extent be due to Landgate not having completed all settlements for the month of May. As indicated previously it is simply too soon to examine the impact of the proposed RSPT, and the decline is more likely a result of the other factors such as the European Debt Crisis, which has been a constant source of news since the Greek Debt Crisis hit the headlines in February this year.

Fortunately the change of Federal Government leadership has led to some progress in mitigating pressure on the mining sector, with the RSPT being set aside in favour of the new Mining Resources Rent Tax (MRRT). While the fear which gripped the office property market in relation to the proposed RSPT was real it would have only had time to impact enquiry rates, as buyers and investors were in no position to assess the impact of the tax so soon after its announcement. Without doubt Western Australians were the most vociferous in voicing objection to the proposed tax, as our economy is more dependent upon this sector than other states and territories. Overall it would be fair to say that the proposed tax exacerbated an already suppressed sector along with the other factors referred to.

The Perth office market is primarily driven by investors at the premium end of the market, particularly in the CBD and West Perth. The inner and outer suburbs are mostly driven by owner-occupiers. The suburban office market has remained subdued in the outer suburbs, however, inner city suburbs such as Osborne Park and Stirling have shown signs of recovery. The highest price transaction this year is the recently sold May Holman Centre for \$30 million in June to overseas investors, representing a distressed sale. This is the third time the property has changed hands since 2006, having been purchased for \$26 million in March 2006 to an overseas property group that on sold the property in July 2007 for \$42.5 million. The purchasers indicated an intention to demolish the vacant building and build a residential tower. Recent CBD office sales have been dominated by overseas investors, who also would have been exposed to negative media stories of the proposed tax.

With sales activity being so subdued in the Perth CBD and West Perth, one can only speculate as to passing yields, although analysts are generally indicating figures around 8%. Vacancies are sitting at about 10%, although with significant new stock due to be added in the next couple of years it is likely that vacancies will edge upwards. Rents have generally stabilised over the course of 2010 due to an increased absorption although incentives have also increased. Rates for premium Perth CBD office space are below \$780 per sqm per annum, still well under the peaks nearing \$1,000 per sqm per annum in 2008. However, the future of the Perth office market is very difficult to gauge as there are still many challenges facing global economic recovery mostly relating to the ongoing legacies of the GFC. Western Australia is increasingly dependent upon its export market to China, and there is growing concern at the sustainability of its extraordinary economic growth from manufacturing, particularly in view of contracting export markets in Europe and US.

**...the inner and outer suburbs are mostly driven by owner-occupiers....**

Overall the political landscape over the past two months has affected buyer and investor behaviour, although the low sales volumes in this sector are really ongoing effects of the GFC. Global debt markets are still causing economic and financial problems internationally. Furthermore, given the lag property markets generally experience following any change it is just too early to determine the impact of the proposed RSPT had on the Perth office market. Only one large CBD office sale was recorded this calendar year, being a distressed sale, therefore obvious that factors other than the proposed RSPT contributed to buyer and investor cautiousness. Current office property owners in general have investments that continue to provide good and secure returns and with buyers staying on the sidelines, few have an incentive to put their properties on the market. The RSPT was a policy that, in hindsight, was introduced too quickly and made headlines on business newspapers too often, and clearly was a threat to the viability of the mining sector. Perth office property, particularly in the Perth CBD and West Perth, has a very high representation of businesses either directly or indirectly involved in this sector. It is therefore not unreasonable to surmise that many potential buyers of office property would have held back to await the outcome of the proposed policy. After the GFC began there was a short contraction phase in the mining sector, resulting in approximately 5000 mining workers losing their jobs from September 2008 to January 2009, including

white-collar workers. This certainly contributed to the rising vacancies in Perth office space and subsequent decline in rental and sale values over 2009. Fortunately the issue of the RSPT is over, although it appears that the MRRT has some way to go before being enacted, if the current government gets re-elected. For now the main political issue is who will lead the country following the August election and what will it mean for the future. So while we are focused on the election, office property will remain dormant. The final result along with the unfolding global recovery story will determine when the Perth office property market re-awakens.



## South Western WA

The office market in South West WA has been reasonably steady during 2010, albeit with limited sales activity due to very few properties being offered for sale. Those available tend to be premises in the lower price range, some offered with vacant possession and some leased on short to mid term basis. There is a level of un-met demand for medium sized vacant offices by local business looking to owner occupy.

High quality properties with strong long-term leases are rarely available for sale. An exception is a Bunbury CBD ground lease property which comprises a modern multi storey office building with NLA 3200sqm leased to Centrelink until November 2013 plus 3 x 3 year options and net income of \$725,430pa. Expressions of interest closed in May for this high yield investment, and it is yet to sell.



Values have remained fairly stable with only a small number of office sales in the regional centre of Bunbury and several office sales in the tightly held areas of Busselton and Margaret River.

The number of premises advertised for lease in the Bunbury area has increased slightly from the beginning of the year, at which time available office space was being steadily absorbed following on from higher vacancy levels post GFC. Leasing agents report slow to acceptable take up rates consistent with long term averages for the area.

Rents have generally reached a plateau. Net effective rents are typically in the \$280 to \$350 per sqm per annum range for prime offices. Secondary space is typically in the \$180 to \$250 per sqm range, while inferior office space can range from \$120 to \$180 per sqm depending on the size and attributes.

While the market appeared to have strengthened from the end of 2009 into the beginning of 2010, it has since stabilised, as business remains cautious due to the increasing interest rates and general economic and political uncertainty.

The outlook is difficult to predict, however we expect steady/slow sales and leasing activity over the short to medium term. As the Gorgon Liquefied Natural Gas project ramps up, demand from businesses may increase over the medium term. This is expected to extend to regional markets such as Bunbury from around 2011/12.



## Residential Overview

A number of factors have come into play over the first half of this year. Interest rate rises, bad news from abroad, and now an impending federal election have all taken part in creating uncertainty in the market – a difficult condition to bear. The other factor to note is that some form macro-economic predictions on micro-economic information. Whilst property watchers in general need to adapt their opinions to changes in available data, it is sometimes best to take stock, sit back and have a look at how the markets themselves are actually tracking.

Our contributors have this month attempted to adopt such a position with purpose. Our valuers have been reading the market daily and applying their vast knowledge of their service areas in an attempt to tell you what is actually happening throughout Australia.



### Sydney

Generally speaking our valuers on the ground are all reporting a similar theme – more caution in commitment from prospective purchasers; longer days on market; decrease in the confidence of the local agent as to the market's short term prospects and an overall feeling of caution. Whilst much of this can be attributable to the upcoming Federal election, consumer confidence has also been affected by the recent talk of interest rate increases.

As regular readers are aware, we have divided the City into 4 main regional areas with the following to comment on.

#### South West

The South West region of Sydney Metro within the last month has slowed down in market activity. Whilst there are some suburbs with good levels of activity, generally, market enquiry and sales has slowed. This has also been evidenced by the amount of instructed jobs we have received in the July month so far, in comparison to the previous 3 months.

Value Ranges from \$200,000 to \$400,000 have remained steady in value (Suburbs including Fairfield; Liverpool; Auburn; Parramatta). From \$400,000 to \$700,000, less activity and values steadied/slightly decreased (Suburbs include Glenfield; Edensor Park; Cabramatta; West Hoxton). Properties above \$700,000 have had less market inquiry and activity with values steadied/decreased (Merrylands; Greystanes; Abbotsbury; Bringelly).

A combination of factors has influenced the market, from the upcoming federal election; less confidence in overseas markets; less retail spending and consumer confidence has suffered. These all have affected the 'state of play' with buyers in our area. However, the main factor is interest rates.

As usual, the interest rate increases took too long to take effect in the market and the RBA have gone to far once again. If the property industry significantly slows down, the Australian economy slows down. We may potentially see more Mortgagee in Possession properties occurring in late 2010 and 2011, if the RBA increase interest rates in the near future.

**....a combination of factors has influenced the market, from the upcoming federal election; less confidence in overseas markets; less retail spending and consumer confidence has suffered....**

The Federal and State governments with the help of low interest rates encouraged first home buyers to actively buy in the market place, however with the pressures of increased interest rates and increased living costs, mortgage owners are starting to feel the pinch. If retail spending continues to lessen and consumer/business confidence starts to falter, job losses may start to occur.

If interest rates continue to rise, we see an outlook of decreased prices, oversupply of property and increased mortgagee in possession property. Interest rates remaining on hold would stabilise growth and have less market activity. Any decrease in interest rates would increase market activity and improve business and consumer confidence; consequently, improving the economy.

### Inner West

Despite some initial signs of a slowing market, all suburbs remain relatively strong in the inner west with good prices being achieved across all sectors. Notably, more properties are being sold by private treaty as opposed to auction and there are fewer properties listed on the market, which may indicate a cooling off of the market – or simply a shortage of stock. These changes in market trends could however be seasonal, where a quiet market is common over the winter period before a surge in market activity over spring.

To date, the slowdown in the inner west market has tended towards suburbs further out from the Central Business District, where there is a greater abundance of more affordable housing. This is likely to be linked to the winding back of FHOG incentives and recent increases to the cost of finance more than any other influences.

Confidence remains relatively optimistic, but certainly not as strong as 6 months ago. Buyers have become more selective and will favor those properties with good features (renovations, views etc.) to those with undesirable features (poor location or condition). The outlook for all sectors is steady, with a leveling off of activity and prices expected.

### Eastern Sydney

In recent months we have witnessed a general slow down in market activity across both the 'affordable' and 'mid-range' sectors, however all price brackets remain steady. Agents are reporting a reasonable drop in attendances at 'open house' inspections and in general, purchasers are securing properties at market value, as opposed to paying whatever it takes to secure the purchase.

The first home owner market has driven the slowdown in activity, influenced by the scaling back of the FHOG and the gradual return of interest rates to 'average' levels. The 'mid range' sector is now the best performing across the east, driven mainly by purchasers trading up from the 'affordable' market, although this market segment is also slowing.

**....notably, more properties are being sold by private treaty as opposed to auction and there are fewer properties listed on the market....**

Supply and demand fundamentals in the Eastern suburbs will ensure the market remains buoyant and the outlook for both sectors is deemed steady. Growth will more likely occur in the mid-range sector, such as \$1m - \$2m housing around Bondi/North Bondi/Bondi Beach. For the sub \$500k price bracket, suburbs such as Kensington, Rosebery and Waterloo should remain strong with both first home buyers and investors.

### North West Sydney

In the north west sector we have had seen a drop off in general market activity in the first home buyers market and mid market range. Whilst recent rate rises and the looming federal election are having an impact, the other main factor is a lack of stock for agents to sell. We are still seeing property that has been marketed well and realistically priced being sold in short periods of time. This tells us that the market is still reasonably strong with interested purchasers still in the market and ready to move when the right property comes along.

We have seen a levelling or firming of values after an approximate 9 month period of steady growth in these first home owner and mid market ranges. This firming of values may have more to do with interest rates rises and scaling back of government incentives. We have seen a distinct drop off and slight softening of prices in the prestige market, with listing times definitely on the increase.



### Wollongong

The Illawarra has seen some growth in the past six months in all sectors, but there is a sense in the market that things are levelling out.

Affordable housing has had a blip from the lows of late 2008 and early 2009, but there are still suburbs where it is possible to get something in the sub-\$270,000 range. In this sector you are looking at well-located two to three-bedroom units or townhouses, or older 1960-1970s dwellings generally in the southern suburbs. This is genuine first home-buyer territory. Suburbs such as Berkeley, Port Kembla, Dapto and Unanderra are represented here. All are good locations with access to public transport and close to employment centres.



*Houses such as this can still be bought under \$300,000 close to the CBD.*

The mid range has been bumped up during the last year and we are now seeing the \$500-\$850,00 range with a bit more strength. This is the second home-buyers sector or mums and dads, and those who bought late in 2008 have seen some genuine increases, particularly around the northern beaches. Suburbs such as Figtree, Keiraville, Balgownie, Corrimal, Woonona and Towradgi have experienced some growth in the values in this time.



*The Northern Beaches offers mid range opportunities*

After this the depth of the buyer market drops off but there is still reasonable activity. The very highest price bracket over \$1 million has seen some good sales but it is thinly traded. The major influences in this sector are interstate

investors and Sydney buyers looking for an upmarket house close to the beach but within commuting distance to Sydney. Bulli, Thirroul, Coledale and Stanwell Park are all attractive to this buyer sector. Kiama and Minnamurra area also included in the southern parts of the region.



*Houses in mid to higher ranges including Austinmer-Thirroul area have recorded the biggest increases, where the median house price is up 11.9 per cent to \$632,500.*

Whilst there is no tangible proof of an election having an influence on the market, the result will certainly be a pointer to the future. Traditionally a strong Labor area, the Illawarra still suffers from lack of white-collar job opportunities, and the major employers (apart from jobs destined for Sydney commuters) are the mines and steelworks. Either party should look to boost the opportunities for tertiary level employment in this area by decentralising some Public Sector jobs. This would be a stimulus for the economy through a knock on effect to the building and retail sectors.

In summary, all three sectors (affordable, mid range and prestige) appear to have momentarily slowed down of late due to the pending election and the possibility of a rise in interest rates. Depending on which party wins the election, many changes could occur to the Illawarra property market that could either stimulate or discourage investors. Nonetheless, the median house price has none the less increased by 8.1% in the year to March 2010, more than making up for the 6.7% decline experienced over the past 12 months.

Overall, the Illawarra property market has remained quite steady especially in the mid range while both the prestige and affordable markets appear to have eased. Moving forward, the outlook for the Illawarra property market remains prosperous.



## Canberra

In late 2009 and early 2010, the Canberra property market experienced a significant increase in prices throughout the property market. The past couple of months have seen the excessive demand that was evident in this period drop off however solid prices are still being achieved.

The affordable market is as stable as ever, with new property coming on the market throughout Gungahlin, in particular Crace, Casey, Bonner, Forde as well as the impending Molonglo development. Notably people were recently camping outside the sales office in the new northern suburb of Forde for their slice of vacant land to build their 'Aussie Dream'. Development in West Macgregor has eased, with a majority of properties occupied and others nearing completion.

The mid range market is beginning to stabilise after a considerable increase in prices over the past 12 months. With the cooling market, the number of properties up for sale is easing but some prospective purchasers are still willing to pay good dollars for a quality and well-located home or investment.

Sales at the upper end of the market are few and far between, but again there is still evidence suggesting that solid prices are being met. Only three months ago, Canberra witnessed its highest ever sale at \$7.3 million for a Red Hill property.

With recent interest rate hikes, the looming election and talk of a W-shaped recovery, it would be fair to expect the market to take a nosedive. However based on evidence in the market, Canberra property appears stable. Home-owners should not expect to see the same growth experienced earlier in the year however with some knowledge of the market, growth can still be achieved.

**...the affordable market is as stable as ever, with new property coming on the market throughout Gungahlin....**

Some of the saving graces for the ACT property market include the transient population and high percentage of government workers, allowing rental figures to remain consistently high, low unemployment and high disposable incomes. With none of these factors expected to change dramatically in the short term, it is understandable why the property market throughout Canberra is considered a relatively stable asset.



## Central, North & West NSW

### DUBBO

After a 12-month period of high sales activity and increasing land values, the sales activity of vacant residential land in Dubbo has decreased significantly over the past six months. However at present value levels have remained stable. This change is a reflection of increasing interest rates and the reduction in the First Home Owners Grant for new housing construction from \$14,000 to \$7000.

Value levels for low and mid-cost housing have also stabilised over the past six months after a period of increase throughout 2009. The increased First Home Owners Grant had the effect of increasing sales volumes and value levels during 2009, however when the grant reduced, prices and sales volumes returned to normal levels. First home-buyers have now retreated somewhat from the marketplace and investors have returned as demand for rental properties increases.

Demand and sale prices for high cost homes have increased slightly over the past six months, as mid-cost vendors upgrade to high cost properties. Well-presented properties with high quality marketing campaigns are selling within normal marketing periods, however most properties in this segment require extended marketing periods.

Rural residential and small acreage properties are also in strong demand at present, especially those with a reliable water source and in close proximity to Dubbo. There have

also been a number of rural residential sales in the past six months in excess of \$700,000, all of which have either town water or river water scheme.

## BATHURST/ORANGE

Well here in the Bathurst-Orange region the market is still ticking along nicely. In recent times we have seen a drop off in first home-buyers activity, which has been replaced with second and third home-buyers in the middle price bracket. Additionally, prestige/rural residential properties have been transacting with minimal to moderate levels of capital growth evident.

The past month has seen a slight drop off in activity over all segments, which is not uncommon at the start of the new financial year and considering a Federal Election is pending. For some reason these two factors tend to have potential purchasers sitting on their hands as though the world is going to spin of its axis if there is a change in government.

**...the past month has seen a slight drop off in activity over all segments....**

It is anticipated that things could stay slow for a couple of months, which is not uncommon in this area due to the cold weather as people tend to hibernate rather than go out actively property hunting. There are no signs that the market has stalled or is going to slow any further and it is anticipated that come spring sales volumes will pick up again.



## Newcastle

The Newcastle residential market has seen a shift in recent times from first-home-buyers dominating the marketplace to a return by investors to the market. In late 2009 the broad residential market saw great gains, with double-digit growth across most property types in the Hunter fuelled by the first-home buyers. Anecdotal evidence from agents indicated that multiple bids were received on wellpriced property, at times over list price to secure the property; open homes were well attended and interest was high. With the firsthome-buyers grant winding back, coupled with an increase in interest rates towards the back end of 2009 and beginning of 2010, the middle of 2010 has seen the first homebuyers withdraw somewhat from the market. This leaves the space to be occupied by investors.

Investors are drawn by the prospects of capital growth which appears to have returned to the market and strong rental prospects with vacancy rates in the Newcastle/Lake Macquarie areas down to historic lows of around 1.5%. Whether the future capital growth expectations are to be realised in the short to medium term is to yet to be seen, with comment from local agents showing overall enquiry is falling, as are sales numbers. Prices, however, have yet to fall significantly, but with sales numbers dropping it would appear only a matter of time.

Agents in Newcastle are also reporting an increase in enquiry from Sydney investors who have been priced out of their local market. The above average rental returns and low vacancy rates are seen as a contributing factor. The perceived value of Newcastle property is strong with

these out of town investors, due to lower entry prices and strong demand from prospective tenants.

Recent Stamp Duty cuts delivered in the NSW State Budget may go some way to propping up the housing market. The stamp duty cuts are designed to make purchasing newly constructed homes more attractive. Over 65s who are looking to downsize are also potential beneficiaries of this system. The changes may stimulate the sale of house and land packages and newly constructed dwellings, given the well-publicised shortage of dwellings in the Hunter. This should see the growth corridor of Cameron Park, Fletcher through Thornton to Aberglasslyn and Gillieston Heights continue to perform strongly.

An overriding change of market dynamic has entered the market over the past quarter. Whereas previously we identified multiple bids being prevalent, often at levels above asking price, there has been less urgency shown by buyers, who are now prepared to wait and see what occurs with the property. Buyers are less inclined to rush into a purchase in the 'fear' of losing a sale. As a consequence many vendors who have a compulsion to sell due to personal circumstances are required to drop their asking price.



The general feeling of the market at present in Newcastle/Lake Macquarie is that it has plateaued, and most experts are uncertain as to whether the market will contract and kick on. An issue that may impact the market is the upcoming Federal Election, which traditionally places uncertainty in the minds of the buying public and generally sees a lull in sales activity. Doubt over interest rates is also likely to have an impact. A late wildcard entry has been the proposed mining super tax as the Hunter has traditionally been a mining stronghold and heavily reliant upon this industry.

At a recent auction in Newcastle, a portfolio of 14 properties went under the hammer and nine sold on the day - a healthy clearance rate of 65%. This indicates that despite the misgivings identified on the horizon, there is still plenty of life left in the Hunter market for residential property. The future indicators are mixed with a Federal Election and uncertain interest rates on one hand and historically low interest rates and a return to the market by investors chasing capital growth on the other. Our prediction is for a period of consolidation in the short to medium term, with prices neither increasing substantially nor falling significantly after a period of good growth in 2009.



## NSW Central Coast

If anyone thinks they have worked out where the real estate market is at, then they better check their calculations one more time.

Opinions vary as to the state of the real estate market at present. Some say it is bubbling (or bumbling) along and

others say it is in disarray. Either way, unlike the share market at the moment, fortunes aren't being made and then lost between a day's open and close.

A surprise for many was a recent announcement that saw the NSW Central Coast officially recognised as a region in its own right. This hardly rated a mention anywhere and it definitely missed the nightly news headlines. The same could be said for the real estate market in the region - there are no headlines to be found here.

But a closer look at the current state of play may change this. This month, we have looked at three segments of the local market, these being the affordable, mid range and prestige.

The affordable market segment is generally thought to be the first home-buyer and investor range. This would fall into the \$300,000 to \$500,000 range. The main driving forces behind this market can be linked to interest rates, rental demand, proximity to schools, transport, shopping or recreation facilities. Those looking for new or homes less than five years old have a great range to choose from the northern end of the region at places like Hamlyn Terrace and Woongarah. A typical four-bedroom, double garage project home can be secured from \$300,000 with investors being used to getting a 5% return.



The southern part of the region is similarly priced and although there a number of newer homes available, it is generally more suitable for those not necessarily worried about the age of the dwelling. Interestingly, the highest turnover in real estate over past two years in the region has been in the Umina Beach, Woy Woy and Ettalong Beach localities. This does not surprise us as it a lovely area which is great for young families and retirees. Shopping is soon to receive a huge boost with a new Woolies, Aldi and possibly a Coles coming on line at Umina Beach. Again, returns are currently around the 5% mark.

The mid range of the market covers a wide area and has remained reasonably static and stable over the past 12 months. Values in this range generally start around \$500,000, stretching to the \$1.2 million mark. This segment is mostly location centric. Expect to pay higher prices closer to the beach, waterways or rural lifestyle areas with lower values evident as we radiate outwards.

Terrigal is offering some very good buys at present, particularly for units and some comparatively good buys are also being seen in Matcham and Holgate.

Rental returns in these areas are solid and range from just under 4% to over 5%, but capital growth is the main thing to aim for in these areas.

The prestige market generally starts at \$1.3 million. This segment covers some beautiful areas along the coastline and lake system or within the rural/residential areas.

Overall, the statistics indicate that this segment has been the quietest over the past year. This appears to be due to the economic uncertainty we have seen and continuing unease amongst buyers.

There seems to be an absence of sales in this segment between \$1.3 million and \$1.7 million price range lately. We are unable to say at this stage whether this is simply due to a lack of available stock or some other reason. This might be an area worth investigating by the speculators out there.

The market beyond this range appears stable with a steady rate of sales being recorded as buyer confidence returns after a slow period.

In our daily contact with home-owners and sellers, we estimate there to be some trepidation out there with the return of confidence being very slow and measured. Many owners, particularly investors, are maintaining a level of cautiousness as lenders have kept higher levels of vigilance in the loan to value ratios.



## NSW Far North Coast

The residential market on the NSW Far North Coast has generally been slow over the past month with most agents reporting limited enquiry for available product.

The lower end of the market remains stable in regards to value levels and stock that is competitively priced continues to sell. The mid section of the market is also stable, however, there are fewer enquiries for stock within this sector of the market. The prestige market has continued to be soft, however, there have been several sales within recent weeks, which indicate that purchasers are still active within this sector.

The current major influence on the residential property markets is the upcoming Federal Election. Potential purchasers appear to be distracted in regards to making decisions and this is having an impact on the current market place. Further to this is the continuing economic uncertainty (internationally) and the potential for future interest rate increases. These three major influences are not affecting values, however, they are resulting in a slight slowing of the market.

***....the prestige market has continued to be soft, however, there have been several sales within recent weeks, which indicate that purchasers are still active within this sector....***

We consider that an election result and more positive economic reporting will result in an increase in enquiry and improved sales rate. However, we do not anticipate any increases in property values in the near future but a stabling of the market.

An example of the lower end of the market remaining stable is the Casino location, although sales activity has softened over the past six months. There does not appear to be any significant reduction in sale prices achieved. Providing the properties available for sale are advertised at an 'appropriate' asking price, they are selling within three months. However, properties with even slightly elevated asking prices have experienced extended marketing periods i.e. greater than three months. The tolerance level

among potential purchasers for high asking prices has been low in the current economic climate. For example, an older style three-bedroom home on a 1100sqm site has been on the market for more than six months with an asking price of \$285,000 and has only been recently reduced to \$275,000. It may have development potential, however, the existing improvements are in rather moderate condition. Market evidence indicates a value around \$250,000.

The mid section of the market is well represented by East Ballina and Lennox Head. Since the beginning of May, there have been 16 completed residential sales within the Lennox Head and East Ballina localities. Agents have reported a steady demand for all classes of property and have seen a general stabilisation of the overall mid section of the market.

There have been several prestige sales within Byron Bay in recent weeks, which indicate that the top end of the market continues to hold value, however, extended marketing period are generally required to achieve a result. An example of a recent sale is a property located in Massinger Street, which achieved a sale of over \$1.6 million. It provides elevated views over the Byron Bay township and ocean to the north-west. It is improved with a basic, original cottage and the property is considered to have future redevelopment potential.



## Southern NSW & Northern Vic

### ALBURY

The residential property market in the Albury/Wodonga region has remained relatively steady in the past 12 months and this trend appears likely to continue in the short to medium term. A possible slight increase in capital growth in the affordable to mid range residential dwelling sector (\$200,000 to \$350,000) may occur. Reasonable returns of between 5% and 6% are still being achieved for units situated within close proximity to the C.B.D, also making the region a popular choice with investors looking to get into the market. There has been a reduction in the number of first home-buyers entering the market in the affordable price range (\$150,000 to \$250,000), which is most likely due to interest rate concerns and the scaling back of the first home owner's scheme.

**....reasonable returns of between 5% and 6% are still being achieved for units situated within close proximity to the C.B.D....**

Properties in the \$500,000-plus range together with rural/lifestyle properties in the region have both generally seen a softening in prices and in a lot of cases longer selling periods.

Overall, due to the more affordable property values and a relatively strong local economy, the region is generally buffered from external concerns that more commonly affect capital cities (i.e. looming Federal Election, overseas economies, stock market fluctuations, etc).



### WAGGA

As per usual the Wagga market remains steady with few hiccups or star performing sectors to report on.... We have noticed a cooling off in the volume of sale transactions coming through in the lower end of the market, although this more than likely reflects a lack of available stock rather than a lack of demand. Our mid range market is still steady with well priced properties selling in good time, whilst anything over priced or that does not reflect good value is sitting on the market for extended periods of time. We have had a few top end prestige sales over the past few months with prices exceeding \$900,000 for renovated four-plus bedroom brick dwellings located close to the CBD.

Wagga Wagga City Council has approved a large residential subdivision on the northern fringe of town which should stimulate the building sector and ease the demand for land in and around Wagga. The subdivision is located in close proximity to Charles Sturt Uni so this should also open up new opportunities for investors to capitalise on the strong rental demand generated by the students.

Rental vacancy levels are currently increasing which reflects the time of year and uni holidays and should hopefully pick up as the weather warms up and university students head back to the lecture theatres.

### LEETON/GRIFFITH

At present the market in the area of Griffith region remains steady and has generally softened over the past year.

The lower sector of the housing market with dwellings ranging from \$150,000 to \$220,000 remains steady and has done for the last year now. We did see an increase in this market when the first home-buyer grant was at its maximum, since that has been cut back it remains pretty quiet.

The middle sector of the housing market has dwellings ranging from \$270,000 to \$400,000 this also remains steady and has had the most activity in the past three months.

It has the most activity but values are down and is due to an over supply of new homes being constructed in the area. Sales in the past couple of months still seem to be favouring the buyer and will for the next three to six months.

The prestige market with dwellings ranging from \$700,000-plus has softened and activity is very limited.

With the long-term drought still on going, the winter cropping season is looking good. However with the uncertainty over water allocation to the region, as it is predominantly irrigated agriculture that has an effect on

employment, this in turn creates a negative flow on effect to the residential property market. Rain is needed in the right places to ease this flow on effect and we can only wait.



## Melbourne

As we view the lead up to a Federal election and enter the new financial year in July, we have seen the residential market in Melbourne start to show signs of slowing down. The first four months of 2010 appeared quite strong and were continuing the trends of 2009 with strong levels of growth. The blue chip suburbs such as Toorak, Brighton, Canterbury, Hawthorn and South Yarra have recorded falls in the three months to June. Dwellings in the more affordable level of below \$600,000 has kept the market buoyant and driven the growth overall.

This includes suburbs such as Chadstone, Wantirna, Boronia, Bayswater and Ferntree Gully. The REIV reports that the Melbourne Medium house price rose by 8.5% to \$559,000 in the June quarter and Apartments' were also up by 4.7% to \$463,215. These figures highlight the third highest price growth for and June quarter in the last ten years and the fifth highest for apartments. So why does the media continue to report that the market has changed to a buyers market? A number of media outlets base their reports on the weekend auction results which have definitely seen a decline in the previous three months of 2010. At the peak of the market we observed auction clearance results were above 80% (April 2010). The Melbourne auction clearance rate over the weekend of the 17th of July was 72%. Auction results account for approximately only 30% of all sales in Melbourne.

**Melbourne Auction Clearance Rates**



Melbourne Auction Clearance Rates

Source: The Age July 22, 2010.

There are a number of factors which are contributing to a general slow down in the market. The Reserve Bank left interest rates on hold this month, but the affects of the last six interest rate rises is starting to filter through the market and this caused buyers to become slightly hesitant and more cautious.

Other factors include increased stock levels compared to 2009, Federal/State governments' reduction of the First Home Buyers Scheme and amendments to foreign investment laws. With a large number of international buyers contributing to the strong residential market, an exemption has been removed that applies to temporary residents. This means that any temporary resident is required to notify the Treasurer before purchasing any residential real estate in Australia. Although, we have witnessed international economies' struggling to recover

from the Global Financial Crisis, Australia and in particular Melbourne appears to be reasonably insulated from these outside influences. With the Federal Election in August and a Victorian State Election in November, any change in government should not have a major impact on the local residential market. This is based on the fact that we have a growing population, limited land available for development and a building sector which has struggled to keep up with demand. In the short term, the major impact on values will be any future interest rate rises and this will depend upon the Reserve Bank of Australia and the Federal Government's monetary policy.



## Regional Vic

### MILDURA

The residential market in Mildura in recent months has been characterised by cautious buyers and slowing sales volumes. The presence of first home-buyers and some activity in the investor market is keeping things struggling along in the "up to \$250,000" market, however we are seeing very few sales in the mid and higher price brackets.

While there are traditionally fewer listings during winter, the current slow activity is attributed to a combination of national and local economic factors. At a local level, the impact of reduced wine grape production and returns, combined with slowing population growth has reduced demand – particularly in the 'over \$300,000' bracket.

The greatest effect appears to be on the prestige, riverfront market, which showed substantial increases in the five-year period up to 2007. Selling in the current market first requires a rethink in seller's price expectations, and values seem to have fallen by up to 20% of the levels at the peak of the market.

**....while there are traditionally fewer listings during winter, the current slow activity is attributed to a combination of national and local economic factors....**

Improvements in our local economy are likely to be gradual. Firstly we require greater confidence about the availability of irrigation water, followed by improved prices for wine grapes, and then hopefully major investment in infrastructure projects that would benefit the key local industries. Most of our local industry generally relies on food processing (wineries, citrus packing, juice manufacture, dried fruit packaging) and freight. While these industries have mostly survived the hard times, their ability to expand will be limited until we see greater profitability at the grower level.

### GIPPSLAND

There is generally a decline in sales in most regions due to the end of the financial year. This year we have also noticed a further slowing effect in some areas which could be the result of the announcement of the forthcoming Federal Election and purchasers erring on the side of caution with the uncertainty of further interest rates rises, possible change of government and new government policies.

Statistics show that East Gippsland Shire and Baw Baw Shire have both shown an increase in sales in the month

of June, however Wellington Shire has struggled in the past few years with a shortage of land for housing development. The outlook looks better in this regional area for the next couple of years with two englobo parcels becoming available for residential development on the outer fringe of the City of Sale.

Latrobe Valley has enjoyed a boom in recent times with residential developments quickly meeting demand, but now slowing due to the need for further residential development.

Vacant land is continuing to be well sought after in all areas with prices remaining steady to increasing due to lack of supply.

Investor confidence still remains steady over recent months with rental returns continuing to be strong throughout the region.

Coastal and Lake Areas are still showing a thinly traded market with a reduction in property values and sales.



## Adelaide

The first half of 2010 has shown some quite promising signs with the median house price for Adelaide pushing through the \$400,000 barrier for the first time. At odds with many predictions, this increase is in part attributed to a flurry of action in the upper price range. By a quick reckoning, there were nine completed sales in the \$3 million-plus price range in the Adelaide metropolitan area since January 2010, compared to the same number for the whole of 2009. There has also been a marked increase in sales over \$1 million over the past year.

Notable improvers in median price include Parkside, Clarence Park and the beachside suburbs of Glenelg North and Semaphore which showed a boost in excess of 30% compared to last year. Regional areas (especially Port Lincoln and Mount Gambier) have also started to show the first stirrings of growth after a few lean years. This is all evidence of confidence returning cautiously to the market and a sentiment that the worst of the Global Financial Crisis (GFC) is behind us. Up to a point, this sentiment is supported by reports of unemployment rates remaining low and no interest rate rises in the past few months.

**...by a quick reckoning, there were nine completed sales in the \$3 million-plus price range in the Adelaide metropolitan area since January 2010, compared to the same number for the whole of 2009....**

The start of 2010 has seen auction clearance rates improve to more than 60% and more houses selling than at the same time last year. While 2009 conditions were extraordinarily flat in comparison to previous years, there has been a noticeable increase in demand for mid-range properties (\$400,000-\$850,000) as buyers seek to secure their piece of the world ahead of the next property market upswing. In contrast, the lower priced market appears to have stabilised, possibly as an after effect of the partial removal of government support. This market too may be affected by tightening lending requirements imposed by money-lenders. This market is not expected

to show too much movement either way in the short to medium term.



## Brisbane

Confusion has reigned across much of the Brisbane market over the past few months and conditions look set to continue in the short to medium term at least. Much of the market was hit by the GFC and a slowdown resulted. Initially it appeared that most of those operators were just sitting still and waiting for something to happen. Then there was a shake-out of the mat. Anyone exposed to low equity and high borrowings, particularly in the share market, started to hurt. There was plenty of property to be had and vendors who were serious for a sale started to readjust their perspective to make sure they got their bricks and mortar away – not an easy task when you've grown accustomed to ongoing growth each and every year for most of the decade.

At the moment there seems to be plenty of caution about the place. Many of us are recognising that those most affected by the financial fallout have attended to their affairs as best they could. There will be some ongoing mortgagee in possession property sales about the place but we aren't expecting any surprise surges at this stage.



Our dealings over the past month have yielded a strange phenomenon. The lower-priced, easily accessible markets are having trouble trading. Agents are reporting the bottom-rung properties can find plenty of tyre kickers, but there is difficulty in getting signatures onto the contract. Areas to the north such as Petrie and Kallangur can usually find buyers at the \$300,000 price bracket but it appears that has been changing. Buyers are not operating with the same sense of desperation they once were, so they make cheeky offers and just shrug their shoulders when they miss out.

Middle-ring established areas are operating solidly but are not setting the world alight. Buying quality is the mantra and sellers can't afford to be speculative with their prices. If you overprice, you sit waiting for a suitor. These areas aren't a bad bet if you're looking to get into the market with some long-term capital growth potential. Most buyers are being discerning so it might pay to be a bit conservative in your offers.

In the high price sector there has been a shotgun approach that is confusing to most players. Some sale results are staggeringly good and we are aware of property that has sold as much as \$500,000 above seller and agent expectations. That said, there has been the flip side

result for those properties considered less than perfect. Once again, quality property is moving. If you've got the same location but a property that's more secondary in quality, you end up struggling to latch onto a buyer. You'll still crack a reasonable figure but there can be a lack of relativity between different sectors in the same market.

All in all it is fair to say that the GFC, interest rate rises and impending election have slowed us down across the board, but it's easy to see what might pick up the pace again... Confidence!



## Gold Coast & Tweed Coast

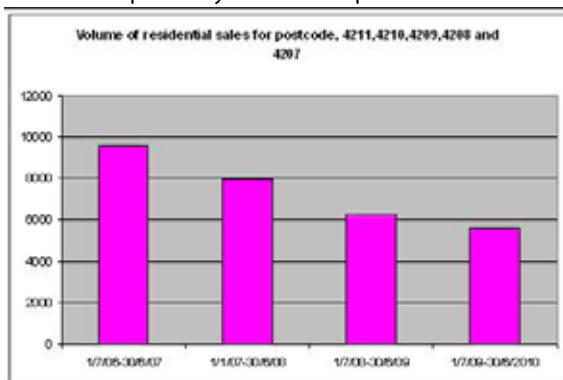
### GOLD COAST

#### NORTHERN CORRIDOR

July 2010 was a very slow month.

Whilst most feedback about the current state of the market has been fairly negative, some agents were quick to comment on how buyer enquiry for residential property ranging between \$450,000 and \$750,000 had been quite steady in contrast to the other sectors.

At present, looking from Pacific Pines up to Beenleigh, there have been no genuine 'hot spots' to report. As residential housing is being more competitively priced, we are seeing buyers turning towards more central localities as opposed to the northern corridor. Lately, there has been a flurry of house sales within Beenowa, Molendinar and Parkwood, all suburbs which are located within close proximity to the Southport CBD.



In a nut-shell, the first homebuyer market on the Gold Coast still hasn't shown any clear signs of major improvement since cooling off at the start of 2010.

Throughout the period of July 2010, agents in this region observed very little sale activity from new purchasers. Even in the more affordable areas such as Beenleigh and Eagleby, real estate agents have commented that first home-buyer action has been almost non-existent this month.

Before the GFC, it was quite evident that one of the biggest challenges for first home-buyers was the competition they faced from investors (or second home buyers). Currently, the most concerning issues for first home-buyers are future interest rate rises and the greater difficulty in obtaining a home loan or securing finance.

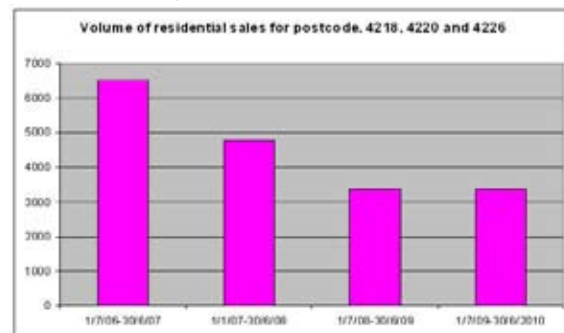
Investors would be concerned with the softening rental market.

Demand for both acreage and waterfront property is limited and buyer confidence is low. Properties priced over \$750,000 will generally require an extended selling period in order to achieve a sale. Vendors must be 'realistic' with their pricing, as potential buyers are willing to walk away without negotiation. There appears to be a growing number of acreage properties being listed 'for sale' over the \$800,000 price level. The possibility of picking up a 'bargain buy' may exist within suburbs like Willow Vale.

Looking ahead, it is unlikely there will be any price growth in all sectors of the Gold Coast residential market in the next few months, particularly in the northern corridor.

#### Central Gold Coast

A broad snapshot of sales volumes spanning the past four years highlights a general downward trend in sales activity, confirming agent reports that the residential market has slowed considerably over recent years in line with ongoing negative economic conditions. The most recent 2010 figures may be slightly skewed due to some settled sales not yet being recorded.



There appears to be steady demand in central locations on the Gold Coast for properties in the under \$500,000 price range with buyer interest thinning towards the \$750,000 mark. This sector of the market has been generally resilient during the global financial crises, however shows signs of cooling due primarily to increasing interest rates and the scaling back of the first home-owners scheme.

Demand for properties priced over \$750,000 however is limited. Agents indicate that active buyers in this market segment are generally looking for perceived 'bargains', and matching vendor expectation with realistic offers as being particularly challenging with buyers not willing to negotiate on price.

**...before the GFC, it was quite evident that one of the biggest challenges for first home-buyers was the competition they faced from investors....**

The high-rise unit market on the Gold Coast, which is driven primarily by investors, is very soft. There is currently limited market demand and an oversupply of units listed for sale.

There appears to be an increase in advertised rentals within centrally located suburbs, placing downward pressure on rentals across all residential market segments. It is pertinent to note that Gold Coast's holiday resorts are reporting that they have had the worst period of vacancy in 10 years during the past three to six month period. This trend is particularly concerning given that an important part of the Gold Coast's economic makeup is dependant on both domestic and international tourism.



## TWEED COAST

The Tweed Coast has continued to be relatively unstable through most market sectors.

The prestige market, which includes beachfront properties and high-end rural lifestyle properties, has continued to perform poorly with a high volume of available stock, poor clearance rates and significantly reduced prices.

The unit sector has softened further particularly for units that are holiday let and investor driven.

Poor rental returns, a glut of stock and an exodus of investors from this market have dealt a heavy blow.

Residual development stock is competing in the market with resales being disposed of by pressured vendors, which has had a downward pressure on prices.

The affordable housing and duplex markets for centrally located properties has performed better, being underpinned by a more stable retiree sector, which proliferate through suburbs closer to the Tweed area.

Vacant land within recently developed subdivisions in Pottsville, Murwillumbah and Terranora are showing a poor rate of sales with some developers reportedly offering incentives to purchase land and build in the form of rebates no previously offered.

In summary the Tweed Coast is an extension of the Gold Coast, which lies to the north, and high end and fringe properties represent an unstable and weakened market.



## Sunshine Coast

The Sunshine Coast property market has seen a substantial slow down since Easter 2010 with agents reporting a significant decline in enquires. There appears to be little or no urgency by prospective purchasers with vendors having to reduce asking prices to achieve a sale. We expect this to continue for the remainder of the year with the uncertainty of the upcoming Federal Elections and increases in interest rates causing buyers to put decisions on hold.

The prestige market on the Sunshine Coast is expected to remain relatively weak with some resales in most areas indicating value falls to well below replacement costs. This has been caused by the volume of sales over the past

18 months being significantly below long term trends and there being a substantial number of properties that are currently listed for sale. These weak conditions that are causing a drift in the market.

Reductions in values have not been limited to the prestige market. On the back of various stimulus packages that were produced in 2009, values increases were experienced. As the dust settles and the stimulus has been removed from the market some areas would appear to have 'overshot'. Recent sales in Sippy Downs, an area known for its first home buyer affordability, and Minyama, an area for the 'up graders' or those purchasing their second home have shown reductions of up to 10% over the past 12 months. A property in Sippy Downs was purchased on 23/06/2009 for \$444,500 by an investor and was subsequently resold on 21/06/2010 for \$400,000. In the same period a renovated property in Minyama was purchased on 23/06/2009 for \$675,000 and then resold on 26/06/2010 for \$604,000.

### *....reductions in values have not been limited to the prestige market....*

Once again the unit of market continues to remain subdued. There does not appear to be huge levels of new stock in the market place, however there are significant levels of second hand in stock available.

The best way to describe at the current market is 'patchy'. We expect to see little to no price growth over the next six months as we move through this election cycle. These trends are likely to continue unless we see a substantial change to the Australian and World Economy as the strength of the market place has historically followed the strength of these Economies.



## Southern Queensland

### TOOWOOMBA

Generally it is accepted that over the past 6 months the market has been relatively stable, with values either firming or levelling off. This is accepted to be the result of low unemployment and consumer confidence. The general prosperity and work availability in our agricultural, mining, energy, construction and commerce sectors are continuing to maintain household income.

Agents across the board report that both residential sales volumes are reducing, with slight increases in selling periods that could be attributed to;

- Lack of buyer confidence from consecutive rate rises.
- Finance availability.
- Mortgage stress.
- Stock availability.

Gross yields continue to firm as agents report limited rental availability, with new leases showing a lift in weekly payments.

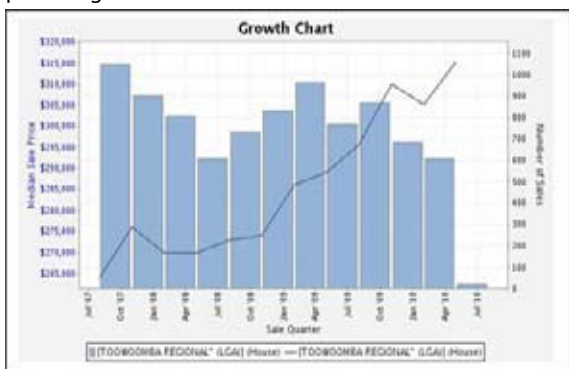
Our sub-\$350,000 market continues to firm due to the limited availability of stock, which is more prevalent in our eastern suburbs. The \$350,000 to \$500,000 market segment is considered to have levelled off with slight

increases in selling periods. The prestige market is considered to be slow at present but with a reasonable amount of stock and some evidence of values regressing from the 2007/08 highs.

Our office witnessed a decrease in construction work in early 2010 but more recently we are experiencing a noticeable lift in 'To Be Erected' valuation requests. Most of the construction activity is mainly in the western suburbs of Toowoomba and the satellite suburbs of Highfields, Meringandan and Westbrook.

Across the board it is widely accepted that whilst the area is relatively stable at present, the pressure of successive interest rate rises and potential for increasing unemployment in our mining, energy and commerce sectors may create further uncertainty for purchasers and investors. This has the potential to lead to falls in property values. One example of the recent change in government policy came from a local builder who reported that once the Federal overnment announced the proposed 'Super Mining Tax', enquiry for his product stopped overnight. Now it is hoped that the recent negotiations between the government and the mining companies could give some certainty for future projects for the region.

Overall it is predicted for values to remain static for the next six months, and then possibly as our government returns to some stability, we may see a return to some positive growth.



Source: PDS



## Central Queensland

### ROCKHAMPTON

We have seen an increase in the activity from non-local investors in our affordable market. A number of estates, particularly in the Gracemere area are being marketed to out of town investors through various marketing strategies. These non-local buyers appear to be paying a premium above established levels and are strongly influencing the affordable market. Generally listings are increasing and selling periods are growing.

The mid range market is steady with most activity being with local occupiers. The prestige market is thinly traded. Uncertainty over the future mining taxation changes has reduced confidence, which has contributed to a general slowing in the market across all sectors.

Our prediction will be for a slower market until the Federal election. Investors and occupiers alike will be looking for the successful party to provide some certainty, which will bring greater confidence and then greater market activity in all sectors.

### BUNDABERG

The residential property market in the Bundaberg region is at best holding or at worst is showing a slight reduction across all market sectors.

As a region with one of the highest unemployment rates in the state, job security is a major influence on buyer confidence. Increasing interest rates are also a factor.

The volume of sales has been low for some time, however with relatively low housing prices and a strong rental market, investors from outside the region are beginning to move back into the market.

The recent addition to the first home owners grant by the Queensland Government of \$4000, to attract first home buyers to regional Queensland, may have a positive effect on both the volume of sales and value levels.

We feel that the market will struggle in the short term however the outlook for the longer-term future is positive.

### HERVEY BAY/FRASER COAST

The residential market on the Fraser Coast still appears relatively flat, with only slow activity occurring in most sectors. There appears to be considerable supply in the sub-\$350,000 property class, with most vendors having to reduce prices to achieve a timely sale. One factor contributing to the over supply in this price range seems to be due to a decrease in employment in the region with unemployed moving to larger cities and placing their property on the market.

Activity in the \$500,000-plus market seems buoyant in contradiction to current economic conditions. Vacant land on large 2000sqm lots has been appealing to young families in the outer suburbs, mainly in Dundowran Beach and Wondunna. House and land sales in a new subdivision in Urraween on smaller 450sqm lots have also been selling consistently with approximately 11 per month for some time now.

**....one factor contributing to the over supply in this price range seems to be due to a decrease in employment in the region....**

The Fraser Coast Council has extended the 'Shovel-Ready' Program to allow applications to be lodged until October 29, 2010. This Program discounts infrastructure contributions to developers to stimulate the construction industry and create jobs in the region. In mid July the council approved three shovel-ready projects, including two residential subdivisions containing 94 lots.

Tightened lending conditions and the perception that interest rates will keep rising continues to dampen market sentiment. The Fraser Coast population appears to be fluctuating slightly due to declining employment opportunities, which is increasing housing stock to the market. The political climate doesn't appear to have had any bearing on buyer intentions at this stage.

## MACKAY

The big issue that took effect in Mackay over the past six months has been the proposed mining super profits tax suggested by the government. The unknown effects of this tax on new and existing projects in the Bowen Basin had a direct effect on business confidence in all sectors across Mackay and filtered through to property. Some of this uncertainty has been removed with the negotiated 'Minerals Resource Rent Tax', however only time will tell. A much clearer picture will emerge after the election and when the legislation is finalised.

The general property market in Mackay is stable. While it is not setting the world on fire in terms of volume and growth, it is not in dire straits either. Agents have reported house prices across most sectors are holding firm. Even the previously difficult \$600,000-plus market has seen activity over the first half of this year. General sentiment is that the worst fears are over, however Mackay seems to be in a 'wait and see' pattern, particularly with the upcoming election and threat of future interest rate rises.

## GLADSTONE

The Gladstone residential market has slowed since the historical highs of 2006/2007. The median price in the first half of 2009 was \$369,500, with a total of 424 house sales. The median price in the first half of 2010 was \$383,000, with a total of 343 sales, showing a decrease in the number of sales at the half year mark, however with a slight increase in the median price. Residential vacancies, as reported by agents, are as low as 1%, mainly due to the influx of people with regards to the potential of the LNG developments.

**....the median price in the first half of 2010 was \$383,000, with a total of 343 sales....**

There does seem to be an increased number of non-local buyers, and a number of these seem to be investors, particularly with regard to new dwellings being built. It would appear that these are destined for the rental market, what with the expected increase in population with the LNG work in the medium to long term.

There does seem to be some movement in the \$300,000 to \$400,000 market range. The mid range at \$400,000-plus, comprising mainly on-ground brick dwellings has slowed for existing dwellings; however there are a number of new brick dwellings under construction.

The upper range, above \$500,000, has slowed, with limited sales taking place.

However, the recent proposal by the Federal Government for the introduction of a resource unit tax could adversely affect further investment in LNG and coal mining, both of which are important to the Gladstone City economy. There does still appear to be some uncertainty surrounding any tax implications. The Minister for Environment has also called for additional information regarding the LNG process, and this may cause a further delay in any LNG progress.



## Cairns

Cairns is experiencing early signs of economy recovery with unemployment now falling and the flow on of extra domestic and international tourist flights into Cairns, which commenced in March and April 2010, starting to be felt. However trading conditions for many businesses are still tough with retail, service and construction industries remaining weak. Cairns lags the recovery that is now evident in many other parts of Australia. Soft economic conditions are likely to prevail for the remainder of this year due to the gradual pace of recovery, but things are certainly a lot better this year than last.

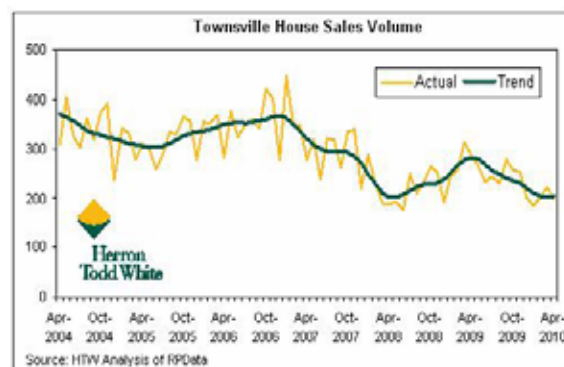
Despite the economic situation, the Cairns property market has been showing a good degree of resilience. However little change has been experienced in the market in the first half of 2010, and furthermore, the market appears to be diverging into two parts with reasonably solid demand for well located, quality properties, but weaker demand for secondary properties and/or locations. A continuation of flat to slow growth property prices is expected for at least the remainder of this year. Interest rate rises are being viewed as too much too soon while the local market is still finding its feet.

Of longer term concern is the slowdown in residential development. New house approvals are down to an average of about 50 per month – compared to a long term average requirement of about 100 per month – and new private unit development is at a virtual standstill. This suggests that once the market does start to move, there is the real possibility of supply shortages until such time as construction, especially unit construction, can be switched on again.



## Townsville

The Townsville market was well and truly spooked during the recent debate over the Mining Super Tax, with the market flat lining through much of the June 2010 quarter. Now that the Mining Super Tax has been resolved, albeit not as favourably as some might have liked, the market is in now a position to move forward again.



Some sections of the residential market are already starting to see renewed vigour, with a much better matching of expectations between buyers and sellers, but others are less active and are simply 'plodding along'.

While first home-buyers were the main drivers of the market during 2009, upgrade buyers, especially cashed up upgrade buyers, are now the main force in the market. As a result sales activity has faded in the sub-\$350,000 market but activity in the \$500,000-plus bracket is regenerating. The mid range market is steady with activity remaining patchy.

The affordable sector of the market is currently driven by buyers looking for a bargain, whilst the \$550,000-plus market is seeing regenerating interest, with our in-house observations being that an increasing number of properties are achieving list price, something that was not occurring some six to 12 months ago. The property priced in the \$350,000 to \$500,000 bracket remains patchy with a perception that there is no urgency to buy and selling periods increasing. Properties that are priced well are still attracting interest and overall this sector keeps 'plodding along'.

Buyers always show caution and uncertainty leading into a Federal Election, but regardless of who wins, jitters tend to disappear once the commotion dies down and stability returns. The fundamentals of a strong economy and property market are still in place for Townsville, which is why we remain cautiously optimistic for better results ahead.



## Tasmania

### HOBART

The residential market throughout Hobart remains somewhat subdued in all price categories. It is believed interest rate rises, a recent State Election and now a Federal Election may be keeping the market subdued.

Traditionally the winter months in Hobart are quieter than the summer months and the market does take a step back. We have noticed however that the market, although seemingly static in price levels, does not have the volumes transacting as per recent years.

The sub \$300,000 is still ticking away slowly but with reductions in the first home buyer's grant and interest rate rises eroding affordability in recent months, the 'zing' that was in the market has definitely stopped. We are still seeing owner-occupier and investor activity in the market place but much more caution before entering.

Stock levels are slightly low suggesting that activity is suppressed. Most of the action in this price category appears in the northern suburbs.

The middle market is also slow. Properties in the mortgage belt suburbs such as Kingston, Old Beach and Howrah priced from \$300,000 to \$500,000 are taking longer to sell. Although stock levels are adequate, there appears to be plenty of choice in this category and this sort of money can even get you fringe inner city. Agents are reporting that buyers have become very fussy with their purchases. They want quality in their investment and with such a broad range of properties to look at in this price category, it is understandable that this is the case.

Properties priced in the \$500,000 to \$750,000 are slow to move too. The buyer enquiry is limited but so too is quality stock that's available for sale.

**....properties in the mortgage belt suburbs such as Kingston, Old Beach and Howrah priced from \$300,000 to \$500,000 are taking longer to sell....**

The prestige end of the market for properties in such suburbs as Sandy Bay and Battery Point is slow but none so more than previous times. This market is always the hardest to sell but people who are cashed up are buying appealing or unique properties. There is still demand from mainland buyers and indeed overseas investors who think that these properties offer good value for money as opposed to their place of origin.

The federal election has put the brakes on the market it appears. This is quite usual as per previous elections. It is anticipated that the market will have a slight increase in activity once the election is over. However, future interest rate rises may again have a critical influence on the market here. It appears as if many mortgage holders are already under stress coping with recent rate rises so further rises may hinder any recovery for now.

### LAUNCESTON

In general Launnie market has shown resilience through the GFC and subsequent period.

However current indicators are pointing to a slowdown from the easing of sales volumes that has been occurring. This is showing up by extended days on market. Agents are also interestingly indicating stock shortage. Thus we have less property on the market but it is taking longer to sell. Why has this occurred you ask? Well those pesky recent interest rate rises have impacted our market at the same time as our unemployment rate has started to move up. We have also experienced a protracted State Election and subsequent period of not knowing who won and now enter into a Federal Election campaign. On top of that the forest industry has been struggling and a relative high Australian dollar has made overseas holidays a tempting destination; diverting some of the tourism market we may otherwise have attracted.

That said we have seen some activity in the premium price range over more recent times with sales at or above \$1 million in the rural residential area of Relbia and an inner city Elphin Road address. Mainland interest has also been received for a substantial Launceston property on the market at \$1.5 million although contracts have not exchanged. A recent auction of a historic Brisbane Street address however, failed to attract substantive interest

at auction being passed in at \$600,000 and now on the market at \$950,000.

The mid range price sector typified by the modern 'project' style home in the suburbs remains somewhat soft. We are seeing many examples of extended marketing periods although to be fair many are a result of unrealistic expectations or perhaps initial optimistic agent pricing. Buyer numbers in this price segment have reduced.

While the reduction in the first home-buyers grant did impact on the lower price range (especially the percentage of the market it made up) we have seen continued rising rentals encourage investors. While a more conventional single dwelling may attract a yield of between 5% and 6% gross, a recent example of older/higher maintenance converted house into three bed sit flats showed 8% gross

Lets hope for a quick and decisive election! And being in a marginal/swinging federal seat lots of handouts from our dear polities.....



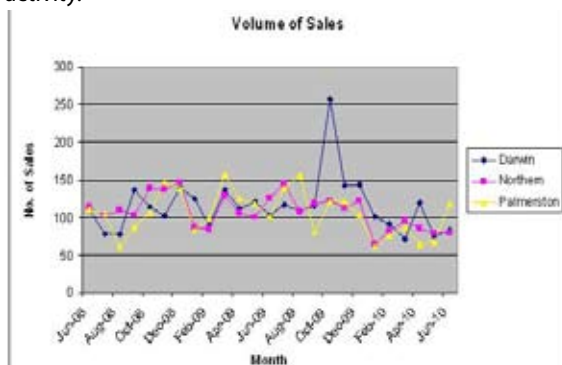
## Darwin

It is the age-old question for any property professional - 'what's the market doing?'. With the following summary we aim to give you a concise update as to where the Darwin residential market is currently sitting and where we predict things to go.

### Market Activity

We have noticed a reduction in the total number of sales occurring across the whole of the market and have generated the graph below, taking into account the three main locations of the Darwin market, the CBD, northern suburbs and Palmerston.

This graph serves as a good indicator of the activity levels within the Darwin, Palmerston and northern suburbs markets. Whilst it is not an indicator of value trends it is typical that there is a reasonable correlation between a heavily traded market and good capital growth and levelled capital growth in a market with reducing activity.



You can see a market slow down around the end of 2009 without the corresponding rebound seen after the seasonal slow at the end of 2008 and start of 2009. The red vertical line indicates the point at which we feel the market began to show signs of having fewer settled sales. Remembering that sales will typically have between 30 and 40-day settlement periods, the evidence is one month lagged.

We note that the graph is un-adjusted and is therefore a reflection of the total number of settlements. In relation to the four circles, the first indicates the month that contained all the settlements for the 96 Woods 'Pinnacle'. The second circle contains all the sales for the Waterfront and a disproportionately high number of sales in Evolution, (which we note is some time after Evolution was completed, so it is likely a transaction between the developing parties of remaining stock). The third circle shows the month in which sales settled in the One30 Esplanade complex.

With the impact of these three major building settlements slightly obscuring the results, it is likely that the amount of trading has been subdued in the CBD for several months prior to the December-January estimate indicated by the red line above.

The fourth circle shows the impact on the settled sales from the first settlements to come through from Bellamack (new Palmerston suburb).

A reduction in trading by no means is a definitive justification for a contracting market but it does not indicate continued strong growth and is indicative of standard cyclical trends leading the Darwin residential property market into a time of consolidation.

### Values

The entry level to the Darwin market appears to have stabilised. Agents are reporting a slight softening in the number of people through open inspections, and the number of sales we have witnessed is certainly reinforcing that. Whilst stamp duty exemptions have been made, the reduction in the first home owner's grant means that entry level participants of the market are having to save larger sums of money to piece a deposit together, tighter lending policies, and the necessity to show a savings history with banks is also impacting.

The mid range of the market, which has been performing so well in recent times, appears to be holding firm, despite the fact that properties are spending longer periods on the market. Even though the pool of buyers is reducing, we aren't seeing reductions in prices. We are starting to see a slight adjustment in vendor expectation, however the evidence with which we are provided doesn't support the theory that the market has declined. We are of the opinion that it has levelled out with limited growth in the short term our prediction.

**....whilst stamp duty exemptions have been made, the reduction in the first home owner's grant means that entry level participants of the market are having to save larger sums of money to piece a deposit together....**

The prestige section of the market can be split into two, firstly units and secondly detached dwellings. The unit market has been well reported upon in the past six to 12 months. It has stabilised and with purchasers spoilt for choice within the CBD, it is certainly a buyer's market. The market for detached dwellings in the prestige category remains steady. We have seen a number of dwellings since Christmas sell beyond a million dollars in the traditional suburbs of Brinkin, Fannie Bay and Bayview. We predict that this segment will continue to remain thinly traded with steady growth.

The overall theme coming from the residential market at present is that we are in a stabilising period. Whilst on market periods may be slightly increasing and the pool of buyers may be decreasing, the overall value reached on the contract isn't moving backwards. We are of the opinion that this stabilising in values in will lead into the Christmas period.



## Perth

The Perth residential housing market eagerly awaits the results of the Federal Election. Having been severely shaken by the threat of the Rudd Government's super profits tax on mining companies, the new Gillard Government's negotiations with a handful of international companies has done little to calm the nerves of Joe Average. That's not to suggest that a result either way is better or worse, the market simply wants the security of knowledge and the safety net of stable government policy.

As a general rule, values have plateaued during the past month as a result of buyer activity decreasing significantly during the past quarter. It's safe to say that consumer confidence has declined, however there are several factors that have contributed to the reduced activity.

The first sector to react was the first home-buyer market. The end of the first home-buyers grant coincided with a dramatic reduction in activity in the lower value brackets. In all honesty, this scheme has performed its task. It permitted those wishing to upgrade, the means to sell for a good price and either relocate into more sought after localities, or upgrade into larger, more modern premises. The big issue in this sector is that several subsequent rate rises has placed many borrowers under mortgage stress, and the full effects of this may not be realised until or if the resource industry slumps. It's not surprising that the majority of mortgagee activity has been restricted to this sector.

**....as a general rule, values have plateaued during the past month as a result of buyer activity decreasing significantly during the past quarter....**

The second tier markets also benefited from the in the increased activity in first home buyer activity with historically low interest rates providing a more conducive environment for owners trading up into more desirable property. The activity in this sector resembled boom conditions in some suburbs, and prices achieved rose significantly within a short period of time. Several rate rises and the announcement of the previously proposed super profits tax put the brakes on, and sales activity has plummeted. Many sellers have been caught short with their asking prices now well above the expectations of the limited buyers available.

Conditions are similar in the premium market. Whilst there have been limited sales to prove a reduction in values, we believe this is due to unrealistically priced properties dominating the available stock. The brief confidence in the market during late 2009 early 2010 has quickly turned to trepidation with some suburbs currently oversupplied.

It is difficult to foresee how the market will react to the impending Federal Election, and whether this is even the main issue affecting the market. Any further increase in rates by the RBA will likely exacerbate the current lack of activity. Affordability is a serious issue and reinstating first home-buyer grants isn't the solution, in fact it may even be part of the problem. A better kick-start to the market as a whole would be a large reduction in stamp duty on residential properties. The other major issue is overly optimistic sellers who believe as soon as activity increases, their property is back to being worth what it was in the 06/07 boom, which simply isn't the case in all sectors or localities. To avoid your property sitting on the market for six months, why rely solely on real estate agents to set your marketing price. A better solution may be to invest in a pre-sale valuation by a licensed valuer to ensure you're on the right track.



## South Western WA

How is the residential market performing in the South West? The residential market is currently oversupplied with houses offered to the market, with record listings recorded in some areas throughout the month of June. Values for residential properties have held up relatively well throughout the first quarter of 2010. However there has been an obvious decline in the number of residential sales over the past three months due to a number of factors causing instability in all sectors. These include consecutive increases in interest rates, the debate over the mining super profit tax, the looming Federal Election, projected decline of the growth in China and the continuing poor performance of overseas economies, especially in Europe. This is likely to have a negative impact on demand in the short term and could potentially lead to reductions in property values across all sectors.

In the short term, while these before mentioned factors are still prevalent, we would expect weakening values in the residential market. Looking at the medium term, once the Federal Election is held and now that an agreement has been reached over the resource tax, we would expect the market to stabilise. Over the longer term the ongoing immigration to the area and continued infrastructure projects coupled with China's and India's continuing demand for our resources and a stabilisation of the overseas markets, we would expect overall confidence in the residential market place to increase. This would flow

through into the South West, underpinning the market and generating an increase in buyer activity, resulting in increased property values.

The prestige residential market, particularly throughout Dunsborough and other coastal localities in the South West, is currently experiencing very minimal sales activity and is suffering a downturn in values. This is due to a significant lack of prospective purchasers active in the market place. Many of the beachfront properties are held as holiday homes. Historically this sector tends to be the hardest hit when there is a downturn in the economy as was recently experienced with global financial crisis. Current market conditions have seen values once again fall after a brief recovery earlier in the year.

The affordable sector of the residential market is similar to the prestige market with both being oversupplied with properties offered to the market, specifically homes located south of Bussell Highway and Caves Road throughout Busselton and Dunsborough. Buyer activity in the lower end of the market has significantly slowed as many of the first home-buyers rushed into the market towards the end of 2009 to capitalise on the first homebuyers grant. Consequently, there is reduced number of first home-buyers currently active in the market. Original expectations were that the first home buyers would be replaced by investors looking to capitalise on lower interest rates, less buyer competition and a strengthening rental market but this has not eventuated to the degree of expectation, given consecutive increases in interest rates and the overall uncertainty in the market.

### ***....Margaret River is currently experiencing an oversupply of vacant land being offered to the market....***

The middle tier sector of the residential market is looking more positive than the affordable and prestige markets. Many of the purchasers in this middle range are second and third home-owners looking at trading up after selling their homes in a heated first homebuyer market. In addition, there is good value to be had as the upper end of the market has fallen and many of these homes have now slid within this middle tier affordability range, as an increasing number of owners are desperate to sell. Homes located ocean side of Bussell Highway in the Busselton locality fit this middle tier market and throughout the first quarter of 2010 were experiencing stable market conditions. Nevertheless, throughout the second quarter, buyer activity has reduced and sales have slowed, resulting in weakening values brought about by the same factors that are hampering the lower and upper end of the residential markets.

Margaret River is currently experiencing an oversupply of vacant land being offered to the market, with more to be released soon. This oversupply of vacant land has seen weakening values over the past quarter of 2010. The established housing market is also oversupplied and this coupled with a decreasing purchaser demand, has rendered the market soft and stagnant.

Market conditions in Bunbury are not as weak as the Busselton and Margaret River localities but are still suffering from the general uncertainty in the market place. Bunbury has been stable throughout the first quarter of 2010 but has slowed slightly over the second quarter with less buyer activity resulting in fewer transactions.

Pundits are currently travelling with trepidation in the South West residential market.

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## Rural – Market Directions

Going into the last half of 2010 has had some mixed news for the rural community. “Normal” seasonal conditions appear to have prevailed throughout much of New South Wales, Victoria and Tasmania, and parts of central Australia have seen the best rainfall for many seasons. Lake Eyre is near full and Lake Eyre South has partially filled. This is a first for many years. Commodity prices are a little erratic, with lamb and sheep prices continuing to break all records, cattle prices showing great strength in the southern states due to restocker demand as a result of most areas having excess feed, and a lift of around \$40 per tonne for some cereal crops.

All the positive news in the southern states appears to be leading to an increase in confidence amongst primary producers, who are likely to react by showing more interest in expanding their operations, which may result in upwards pressure on rural land prices. However, at this stage there are not a lot of offerings on the market, sales volumes are still at very low levels.

The storey is a little different in southern irrigation areas, with many irrigators expecting the worst when the Murray Darling Basin Plan is finally released. The Plan has been delayed yet again due to the upcoming Federal election, and most irrigators are very nervous about the potential outcomes from this Plan. The general consensus is that there will be significant reductions in water available for irrigation, and some commentary suggest reductions of up to 30% in some valleys. Although Murray Darling basin irrigators have received good allocations for the upcoming irrigation season, most are waiting to see what comes out of the Murray Darling Basin Plan before committing to buying additional land and taking on too much debt.

Moving north, the market in the Northern Territory/Kimberly area is weak, with several failed auctions and tenders, and sales transacting at levels well below the peak of 2008. With weight restrictions now in force for export cattle there is a need for a local northern abattoir and there are a few irons in the fire that may result an additional northern Australian abattoir.

In northern Queensland the sugar cane harvest is under way but news of the potential purchase of 6 CSR sugar

refineries is causing some caution within the market. Like much of Australia at present, few properties are selling due to few properties being offered to the market. The news of the deliberate poisoning of millions of seedlings in the Bowen area will have a far reaching affect on the area as it removed millions of dollars from the local economy and puts the affected growers under severe strain. This is the third such act in eight years.

Values for northern cattle country has been flat lining for around three years, with some areas showing decreasing prices since the highs of 2007/08, and again the numbers of places sold have dropped significantly. As indicated by Danny Glasson in his summary there have been several MIP sales in his area, and the properties that are selling are transacting at prices well below previously achieved levels.

Moving further south to central Queensland, Will McLay reports some optimism in the rural property market brought about by some stability in rural land prices, albeit at lower levels than previous expectations. Exceptional seasonal conditions have also prompted interest and there may be better return on capital due to lower entry levels for properties.

***...values for northern cattle country has been flat lining for around three years, with some areas showing decreasing prices since the highs of 2007/08, and again the numbers of places sold have dropped significantly....***

The news is much the same in southern Queensland, with limited interest in rural properties, and those that are selling and being purchased at levels well below the highs of 2007/08. Agents listings are increasing as a result of few sales taking place, and this situation is not likely to change in the short term.

In northern and central NSW the outlook is similar, with prices for most rural properties down and little interest by potential purchasers, unless they feel there is reasonable return on capital. This may all turn around with a continued mild winter and good spring follow up rains. The storey is very different in the Liverpool Plains/Gunnedah/Narrabri areas, where coal mining companies have spent in excess of \$155 million buying farming

land at extraordinary prices, so there are some “cashed up” buyers looking to buy rural and other properties to replace properties purchased for coal mining.

In the Mildura/Sunrasia area the news is not good with grape prices for 2010 down \$63 per tonne from the 2009 price, and a whopping \$291 per tonne down on the 2008 price. Prices for grapes are at unsustainable levels and growers are going backwards financially. It will be a matter of who can “weather the storm” and still be standing when the industry eventually turns around. On a brighter note, cereal growers are experiencing a great season, and above average yields are forecast at this stage.

Moving across to Western Australia, the wheat belt has recently received some good rains after a very poor and late start to the season. With low grain prices predicted many farmers are looking to get back into livestock, but with years of focussing on cereal production livestock infrastructure has been allowed to deteriorate, and will need capital input to upgrade improvements if a return to livestock is contemplated.

There is a mixed bag of seasonal and rural market conditions across Australia, with one theme throughout most districts. Prices being achieved for the limited number of rural properties that are selling are well below the peak of 2007/2008, but the drop in values seem to have halted and prices in most areas now seem to be flat lining. Please read on for more details.

David Shuter Ph: (02) 6041 1333

1 August 2010



## CENTRAL NORTH & WEST NSW

### TAMWORTH

Some excellent steady falls of rain over the past two months across much (not all) of the north west and Tablelands has been ideal for the winter cropping program and has even seen creeks and streams running again. Its still early days but the outlook for the winter crop is above average at this stage.

There are very few significant property sales of note to report other than those in the Liverpool Plains/Breeza/Gunnedah regions involving the various coal mining companies. Since January 2009 the coal mine companies have purchased (and settled) in excess of \$155 million worth of rural properties from about 40 landholders in Liverpool Plains, Gunnedah and Narrabri Shire Council areas. Some of the prices paid are extraordinary. The flow

on effect of these sales is that there are now numerous ‘cashed up’ buyers seeking to reinvest their proceeds into rural property (and other property) in the region. This is having a positive impact, in limited cases, on prices achieved for better quality property outside the coal-mine exploration areas.

Apart from the coal-mine money influence, the market remains very subdued, particularly for below average quality property, which is not selling unless the vendor is willing to ‘meet the market’.

There remains plenty of uncertainty about the likely impact of the new Peel Valley Water Sharing Plan, which commenced on July 1 2010, affecting both underground and surface water irrigators in the Peel Valley. Further afield, the delay in releasing the draft Murray Darling Basin Plan which is designed to propose future water availability for all users (and the environment) in the basin, means that the prevailing high level of uncertainty about new investment in the irrigation sector will continue for many.

Contact

Robin Gardiner: (02) 6766 9898

### ORANGE/BATHURST/MUDGEES

The rural property market in the central tablelands and slopes region continues to experience limited sales activity with potential buyers hard to come by. The buyers that are displaying interest, as limited as it is, are generally existing landholders with low levels of debt. The urban based professionals or high-income buyers who dominated the market up until 2007 are now few and far between. As a result there has been an increasing emphasis by buyers on profitability considerations. Also buyers are paying more attention to the quality and scope of land infrastructure improvements in relation to pastures, water, fencing and stock handling improvements. The costs to upgrade these improvements, if they are deemed inadequate, are significant and therefore impacting on what buyers are prepared to pay. As a result the price variation between quality and secondary quality holdings is widening.

We are aware of a mid sized grazing property west of Oberon that recently sold for \$2.65 million which reflects a 20% decrease on its purchase price of \$3.3 million several years prior in the peak period. We consider this result is not a true reflection of the overall decline in values due to circumstances involving both the original purchase and sale. A fairer reflection would be in the 5% to 15% range depending on location, size and property quality.

**....the urban based professionals or high-income buyers who dominated the market up until 2007 are now few and far between....**

High sheep meat and solid beef prices combined with good seasonal conditions provide by higher than average rainfall with a relatively mild winter have created a positive mindset amongst producers. If we have good spring follow up rainfall this positive outlook in the industry may slowly start the cycle of landholders increasing their investment in land acquisitions.

Contact:

David Sullivan Ph: (02) 6372 7733



## SOUTHERN NSW

### ALBURY

Most areas of southern New South Wales and north-eastern Victoria are experiencing the best season the area has seen in at least 10 to 15 years. The area received a great early autumn break, generally good regular follow up rain and enough dry conditions to enable the sowing of cereal crops and pasture. Early sown oat crops are well up with many being grazed by sheep and cattle, and wheat, triticale and barley crops all up and looking good. There has been good run-off into stock water dams which are mainly nearing capacity. This has been the first run-off into dams since 2005 in many cases.

Many farmers are looking at trying to rebuild stock numbers which have been seriously depleted over the past 10 or so years of very poor seasons, and this has caused a spike in cattle and fat lamb prices. Vealers are selling for in excess of \$2.30 per kg liveweight and lambs have been selling for over \$200 per head at some markets. This is a far cry from vealer prices well under \$1.50 per kg a few months ago and lamb prices under \$130 per head. Restockers are finding it hard to obtain stock at reasonable prices to make use of the paddock feed that is available.

**...the area received a great early autumn break, generally good regular follow up rain and enough dry conditions to enable the sowing of cereal crops and pasture....**

Turning to property - there have been very few rural properties placed on the market for sale in southern New South Wales and northern Victoria. There has been a smattering of the usual properties hitting the market, but very few auctions and even fewer sales. We have been assuming that few rural properties have been coming onto the market because farmers are starting to see a good season in front of them and are hoping to recover some of the financial ground lost over the past few years of poor seasons.

Demand is still evident for well located and well improved rural properties in higher rainfall areas (greater than 500mm per annum), particularly the versatile cereal crop/sheep/cattle country. This type of farming operation adds diversity of production to those enterprises located in those areas, so they are not so reliant on one or two forms of primary production.

We now need hope that the follow up rains continue into spring, that we get good snow falls to fill storages for the downstream irrigators, and that prices for cereals increase well above the current predicted prices.

### WAGGA WAGGA

The Wagga Wagga region has received very good rainfall so far this year with Wagga Wagga and surrounding areas receiving average and above average rainfall. The good rainfall has seen optimism rise with hopes that this year's harvest will be far better than the previous few years. Sale numbers in Wagga Wagga and surrounding areas have reduced with sales of rural properties above 300 ha totalling 53 in 2008, 72 in 2009 and just 14 for the first

part of 2010. Whilst there are few sales, values appear to be holding firm with expectations that values will hold at these levels for the remainder of 2010.

### LEETON

Continued winter rainfall across the region has boosted the hopes of winter crop farmers and graziers. Irrigation allocations still remain low and although the new irrigation season has just started and we are still truly in mid winter, anything could happen between now and the real start of the summer crop season.

The property markets remain stagnant with few sales of either dryland or irrigated properties throughout the region. Analysis of property sales over the past six months tends to indicate a general softening of the market.

Contact:

David Shuter Ph: (02) 6041 1333



## Regional Vic

### MILDURA

The round up of the 2010 Australian Wine Grape Season has been summarised in the recently released '2010 Winegrape Purchases: Price Dispersion Report', prepared by the Australian Wine and Brandy Corporation.

This report summarises the wine grape intake and the average prices paid for fruit delivered to 24 of the largest Australian wineries. It is estimated that these statistics represent approximately 80% of the 2010 crush.



These figures represented a crush of 918,051 tonnes nationwide, which was valued at \$426 million for a national average purchase price of \$464 per tonne. This is a substantial reduction on the national average in 2009 of \$527 per tonne and \$717 per tonne in 2008. It is noted that the main white and red varieties are Chardonnay (21.6%) and Shiraz (25.5%) respectively.

Some of the interesting statistics include:

- The Murray Darling region (Sunraysia) accounted for 28.1% of the national aggregate - a total of 253,442 tonnes. (down from a peak of 400,000 tonnes);
- The Riverland region (South Australia) accounted for 28.9% of the national aggregate - a total of 265,470 tonnes;
- The Murrumbidgee Irrigation Area (NSW) accounted for 16.9% of the national aggregate - a total of 154,900 tonnes.

To put the industry in perspective, the combined crush from the Hunter Valley, Barossa Valley, Coonawarra and

Margaret River regions accounted for just 6.4% of the national crush.

The average prices paid in the Sunraysia region show levels of \$231 per tonne for Chardonnay; \$219 per tonne for Colombard; \$330 per tonne for Sauvignon Blanc and up to \$555 per tonne for Pinot Gris. The main red varieties showed \$312 per tonne for Cabernet Sauvignon; \$306 per tonne for Merlot; \$299 per tonne for Shiraz and \$343 per tonne for Pinot Noir. These levels make wine grape growing an unprofitable business, and the question facing every grower is how quickly the industry will turn around.

We are hearing that some local wine companies are looking to shore up supplies of Cabernet Sauvignon, and it appears that in this area at least, that this will be variety with the best chance of improved pricing.

The local table grape industry was disappointed to hear of further delays in gaining export access to China. The industry had been hoping to hear a favourable outcome at a recent function that industry representatives attended.

On a brighter note for the region was the Victorian Premier John Brumby's 'Australia's Solar State' announcement that between five and 10 large scale solar plants are to be built across Regional Victoria. The announcement was made at the Silex Systems Ltd demonstration plant at Bridgewater near Bendigo where Silex is testing the technology for the \$420 million plant proposed for construction in Sunraysia.

### **....the local table grape industry was disappointed to hear of further delays in gaining export access to China....**

A further boost to the region was the announcement this week in Mildura by Iluka Resources Limited of an additional \$200 million investment in the mineral sands mining sector. It is reported that this will increase production from its current 180,000 tonnes of Rutile/Zircon per annum up to 330,000 tonnes per annum and extend the economic life of the mines in the area beyond 2023. Iluka is the worlds leading Zircon producer and second largest supplier of titanium dioxide.

Seasonal conditions for the cereal cropping and grazing sector remain very good with frequent rainfall again recorded over the region in the past month. Many locals are suggesting 'it is the best the country has looked for more than a decade', and the crops and pastures around the district confirm this assertion. Crops are well established and the expectation of above average yields is strengthened by the prediction from long-range weather forecasters of likely good spring rainfall. With this in mind, local farmers and graziers have been buoyed by the commitment of the relevant government bodies to provide significant funding for the purchase and spraying of insecticide to protect crops from an expected 'worst locust plague in 30 years' due in spring.

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

Contact:

Shane Noonan Ph: (03) 5021 0455



## FAR NORTH QLD

The market for Peninsula beef cattle breeding properties is currently very slow. Values have generally fallen significantly from the market peak of 2007/08 and recent sale numbers are very limited. Vendors forced to sell are finding the market very tough and the lack of buyers has resulted in vendors having to accept very poor prices in most instances. Recent market evidence comprises:

**Strathaven Station** - Reportedly under contract for \$1.1 million for land and improvements only. Analyses to approximately \$17 per hectare. Mortgagee in Possession transaction. The property was 'stripped' of working assets by the vendor. Victorian buyer who plans to restock and provide breeders for his current fattening and growing operation. Previous sale price of \$2.65 million in April 2007.

**Kingvale Station** - Reportedly under contract for \$1.6 million inclusive of 3000 head of mixed cattle. Analyses to approximately \$13 per hectare for land and improvements only. Mortgagee in Possession transaction. The property was 'stripped' of working assets by the vendor. This was an above district average property, however interest was very limited.

**Crystal Vale Station** - Reportedly received an offer of \$2 million for land and improvements only, however did not proceed to contract. Analyses to approximately \$20 per hectare for land and improvements only. The previous sale price was \$1.35 million in 2004.

**Bullock Creek Station** - Located via Mount Surprise, Bullock Creek went to auction recently however was passed in at \$2.2 million. The owners are now asking \$3.35 million, inclusive of 1200 breeders, 80 weaners, 40 bulls and an inventory of plant and equipment. The land area is 74,100ha. The carrying capacity is assessed at about 4000 head of mixed cattle. The agent advises that there are a number of interested parties negotiating around the \$27 million to \$3 million range. At a mid-range value of \$2.85 million, the property analyses to \$25 per hectare ex-structures.

**Harkness Station** - This property is to be auctioned shortly. It comprises 137,000ha and is lightly improved with a district average country type. The selling agent advises that there have been a number of enquiries with buyer expectations in line with the sale of Strathaven at \$17 per hectare ex-structures.

Contact:

Danny Glasson Ph: (07) 4057 0200





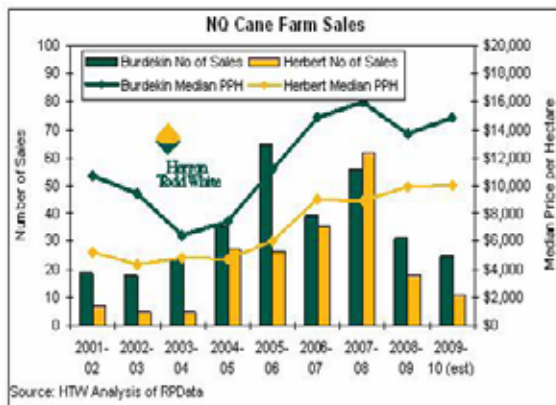
## NORTHERN QLD

**Sugar Cane – Hinchinbrook:** The annual harvest has commenced.

Sales of farms within the region are limited but the sales to date do not reflect any major movement up or downward in any trend.

**The Burdekin:** Here again the annual harvest has commenced. There have been no major breakdowns.

News coming from the local cane industry is that the six local Sucrogen (CSR) sugar mills are to be sold to an overseas interest. The effect of these sales is not known but the local industry is moving on with a cautious approach to the new operators when they take over.



A summary of the Regional Cane Farm Sales follows:

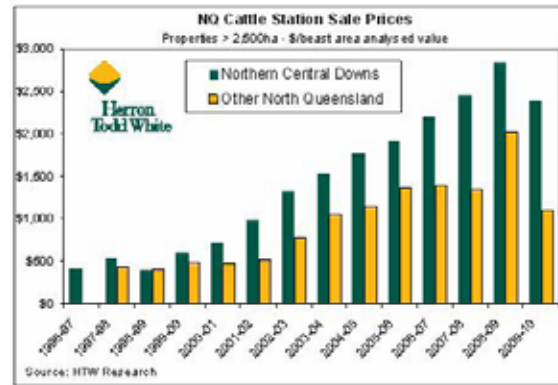
The image depicts the number of sales and the median \$ per hectare cane farm price in the Burdekin and Herbert districts. It shows a distinct reduction in the number of sales in 2008-09 and 2009-10, mainly due to an absence of properties coming onto the market. Favourable world sugar prices have heightened demand for additional cane land, but few purchases are taking place at the moment due to vendors seeking 'top dollar' in the current market environment.

**...news coming from the local cane industry is that the six local Sucrogen (CSR) sugar mills are to be sold to an overseas interest...**

**Bowen – Tomatoes and small crops:** The area has been 'rocked' by a deliberate act of seedling poisoning, which has resulted in numerous farms planting out the poisoned seedlings only to have them die. The effect of this is catastrophic to the growers and nursery affected. The police are on the case.

This act effectively removes tens of millions of dollars from the local economy, affects the annual labour force and could put severe financial strain on the individual growers affected. This act, the third in eight years, has really shaken the Bowen community to the core.

To the outside world, Bowen supplies tomatoes to the eastern seaboard and so in September all can now expect to be paying much higher prices for tomatoes than normal.



The North Queensland cattle property market - shows a false peak in 2008-09, due to buyers bidding up prices on properties with grass, as a result of drought conditions at that time, as well as prices also being skewed upwards by a preponderance of high value per hectare small holding sales. In our view, cattle property prices have been flat to softening over the past three years as buyers (and their financiers) pay more attention to the income producing fundamentals of each property rather than its speculative capital gain.

Several grazing properties have gone to contract within the last month and once these have settled, additional comment will be made.

Contact:

Roger Hill Ph: (07) 4724 2000



## CENTRAL QLD

The trend of limited market transactions continues in the Central Queensland area after a slow start to the rural property market in the first half of this year.

Some optimism is derived from the sale of Gavial Plains, a 1,186 hectare alluvial soft coolibah grazing block located on the Fitzroy River less than 3 kilometres from the Rockhampton CBD. Although details of the sale remain confidential the purchase price reflects an increase in values above the original 2005/6 acquisition of the block. The purchaser is an established Central Queensland farmer who intends to grow grain crops on the property.

Generally buyers are starting to stir a little as it appears that some stability is returning to the market, being the residual affect after the acceptance by vendors that values have eased which has consequently lowered their expectations for sale. This should invoke reality and provide some opportunity for rural returns to increase through the reduction in asset entry costs.

Most of the CQ area is experiencing exceptional winter season conditions with good grass reserves remaining and scattered rainfall in the June/July months.





## NORTHERN TERRITORY

The Northern Territory rural land market appears to have well and truly run out of puff. The number of large freehold agriculture blocks and pastoral leases on the market is still well above normal levels and we are now seeing a clear separation between those vendors who are committed to meeting the low market demand levels and those who are still holding out to see if they can manage to sell at peak value levels set during 2008.

In the freehold farming land market for blocks of dryland or irrigated country ranging from say 300 hectares to 7000 hectares in the Darwin, Douglas Daly, Katherine and Mataranka districts, there has not been a single commercial scale farming block sold in the past 12 months. Over that period there have been five or six failed auctions, several expressions of interest requests (all failed) and several of these now for sale at reduced asking prices. It is our opinion that the first of these properties to sell will be the one with an asking price 'within the ball park' for the type of return that may be expected for an agricultural investment in the Northern Territory (or the Kimberley). An attractive return on a rural investment will reflect the inherent risks in farming in the Territory, including distance from markets, high production and development costs etc, but it will also reflect the often good underlying long-term potential related to the large land areas offering the potential for good economies of scale, good irrigation water and rainfall characteristics in many cases, and climates offering out of season production. The other key factor that may assist achieving a good sale price in the current depressed market conditions (i.e. a price not too far below peak value levels) will be an established track record of yields and profits. The majority of irrigation and dryland farming properties currently on the market have only been recently developed or 'redeveloped' and therefore lack the historic operational records of what can be produced and sold - at a profit, and this we believe, has been the stumbling block for most of the farming properties that hit the market post the GEC.



On the pastoral front, there is still a dearth of actual sales evidence that allows an accurate assessment of the degree of fallback in values across the eleven pastoral regions in the Territory and the Kimberley. However, the sale of 'Dry River Station' (6777ha on the Sturt Plateau 110km south of Katherine) at the end of April for \$5.4

million (WIWO) tended to indicate a significant reduction from peak value levels that were being achieved on the Sturt Plateau in 2008. A sale of 'Argadargada' Station" (5139 sqkm - Sandover Highway 479km north east of Alice Springs) has also reportedly been negotiated at a sale price reflective of current low demand levels (we will report on this next month). The Valuer General's review of the Unimproved Capital Values for NT pastoral leases has also recently been released and the rise in underlying pastoral land values is reportedly very significant. The period for objections is still open to lessees, however in the midst of a fairly lacklustre pastoral property market the rise will not add to the appeal.

Contact:

Frank Peacocke Ph: (08) 8941 4833



## South Western WA

Welcome rain over much of Western Australia's wheat belt in the middle of July has saved many farmers from potentially disastrous cropping programs. A late start to the season, mirroring 2009, saw many farmers dry seed with patchy germination. The latest rains have given some stability to grain growers with predictions now for an average season if steady rainfall continues through to October.

**...a large number of properties throughout the wheat belt have let infrastructure for livestock fall into disrepair...**

Pastures are also well behind with a prolonged dry spell and frosts affecting pasture growth and hand feeding is still being carried out in some areas. Pasture growth and quality is likely to become a greater issue in mixed farming areas and more crop oriented regions over the next few months, as cropping returns are low due to input costs compared to grain prices. A refocus on livestock is occurring due to a combination of low sheep numbers in this state, resulting in recent higher sheep and lamb prices than have been seen for many years.

A large number of properties throughout the wheat belt have let infrastructure for livestock fall into disrepair, as there has been a larger concentration on cropping programs with correspondingly a large capital outlay required if a return to livestock is contemplated. If current trends of lower returns from cropping and better returns from livestock continue, the quality of infrastructure on a property could well become a determining factor in realised values for future property sales.

Contact:

Peter Lee-Steere Ph: (08) 9791 6204

## Comparative Property Market Indicators - August 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 Richard Jenkins, Research Director, Herron Todd White, on (03) 9642 2000, or by email on richard.jenkins@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
Bendigo	(03) 5480 2601
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 - August 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 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:

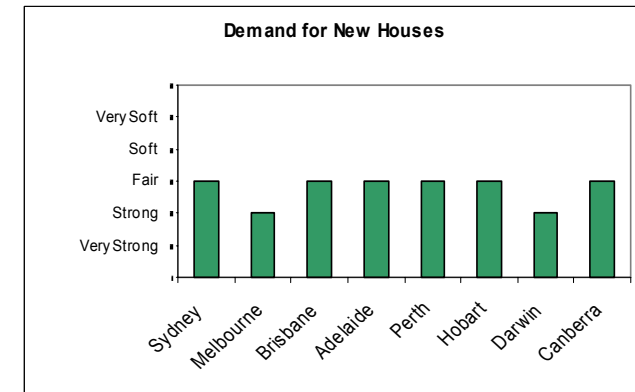
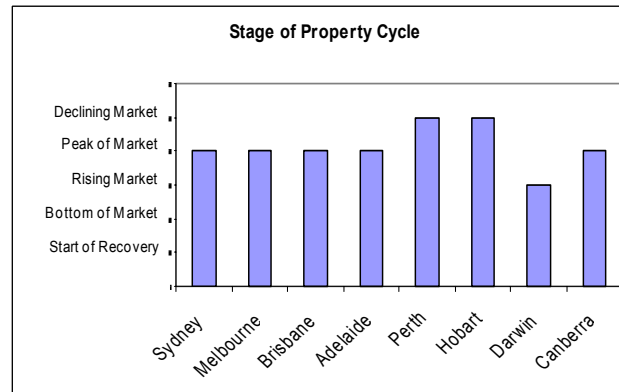
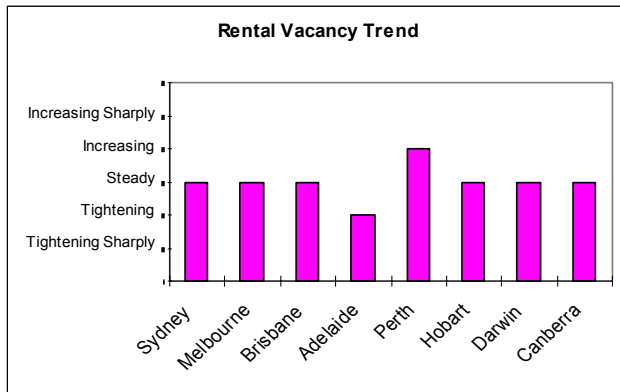
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

## Capital City Property Market Indicators as at July 2010 – Houses

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	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Increasing	Steady	Steady	Steady
Demand for New Houses	Fair	Strong	Fair	Fair	Fair	Fair	Strong	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Declining	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Declining	Declining	Declining	Declining
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Declining market	Declining market	Rising market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	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

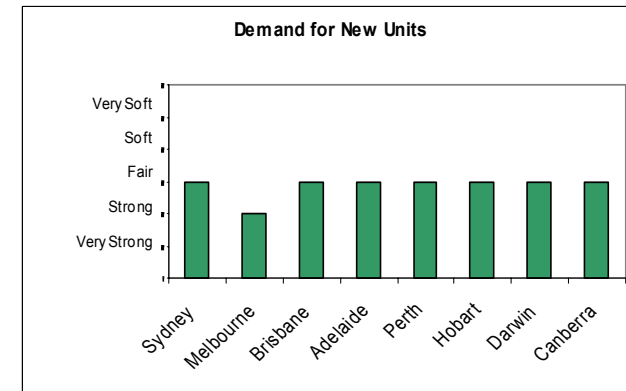
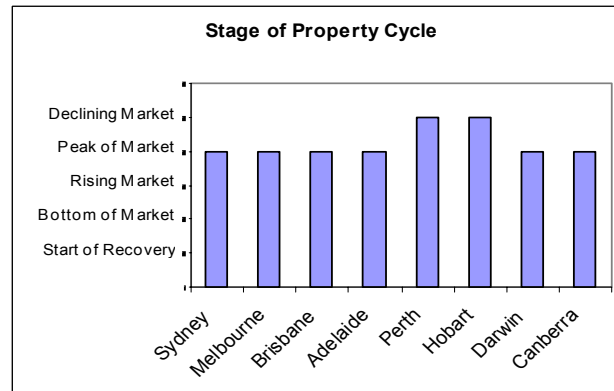
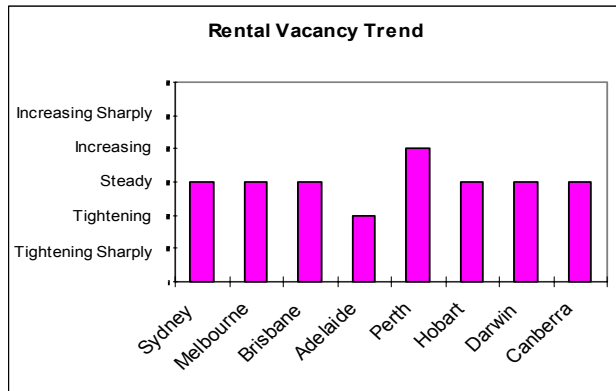


## Capital City Property Market Indicators as at July 2010 – Units

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	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Increasing	Steady	Steady	Steady
Demand for New Units	Fair	Strong	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Declining	Declining	Declining	Increasing
Volume of Unit Sales	Steady	Steady	Steady	Steady	Declining	Declining	Declining	Declining
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Declining market	Declining market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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

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

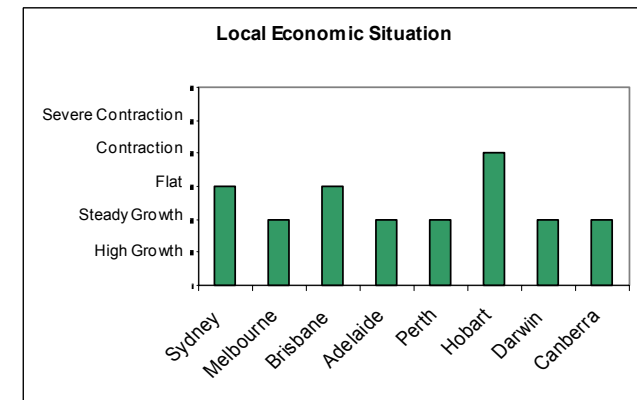
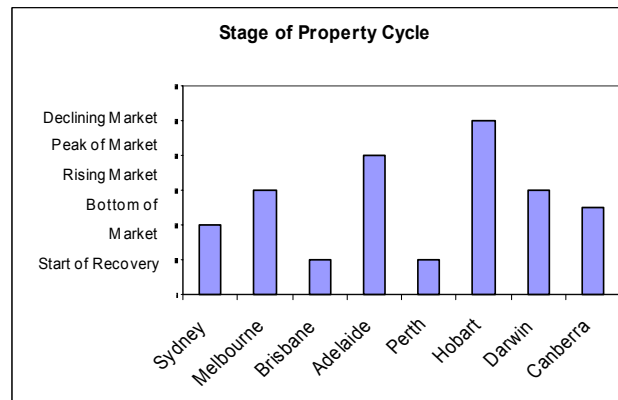
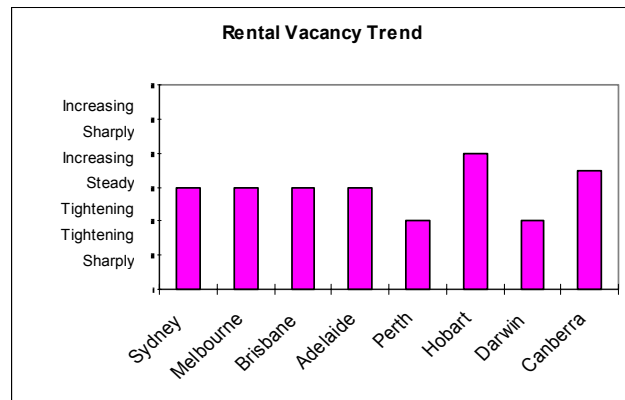


## Capital City Property Market Indicators as at July 2010 – Office

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

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

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

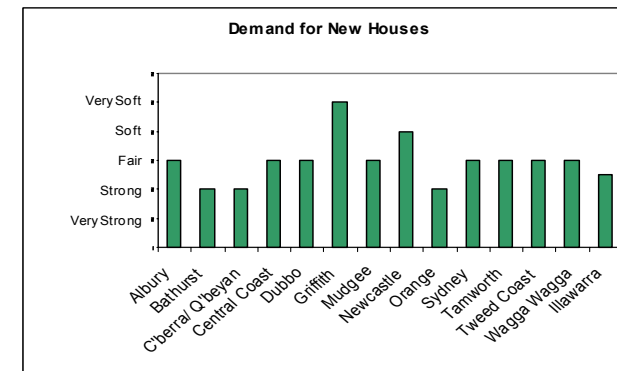
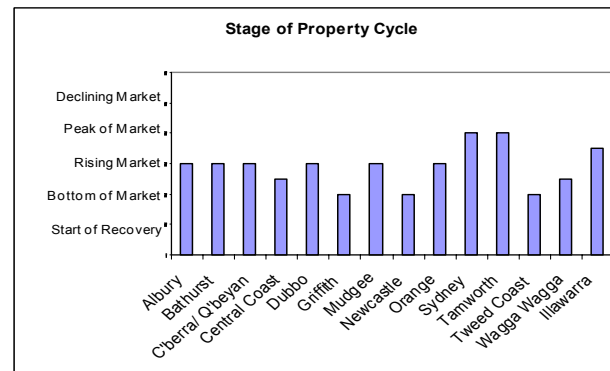
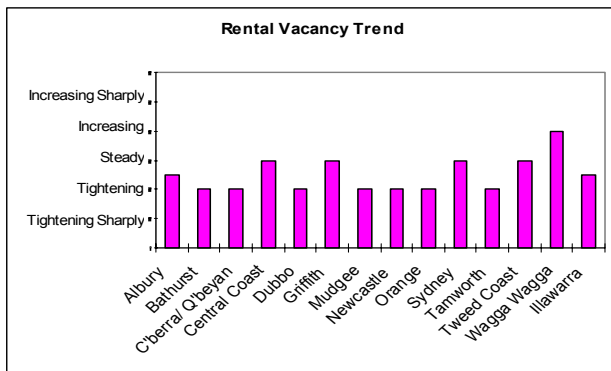


## New South Wales Property Market Indicators as at July 2010 – Houses

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

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

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

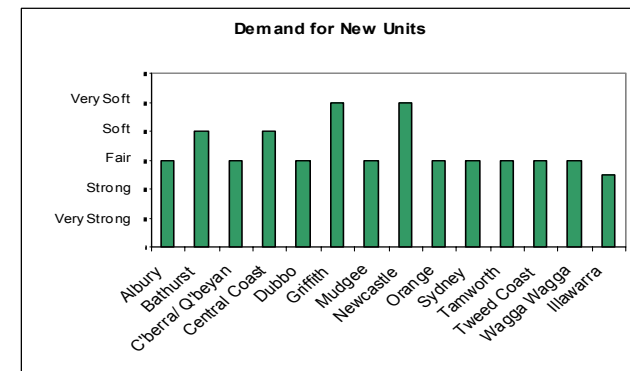
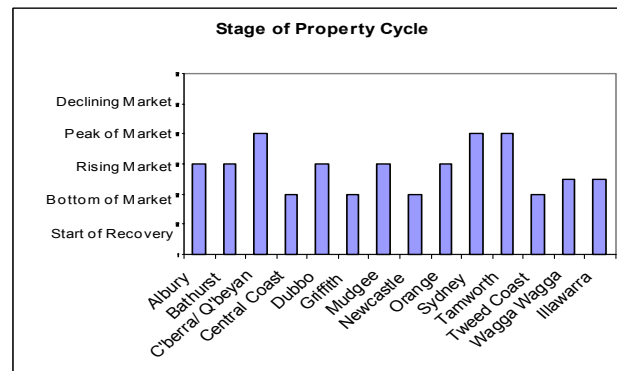
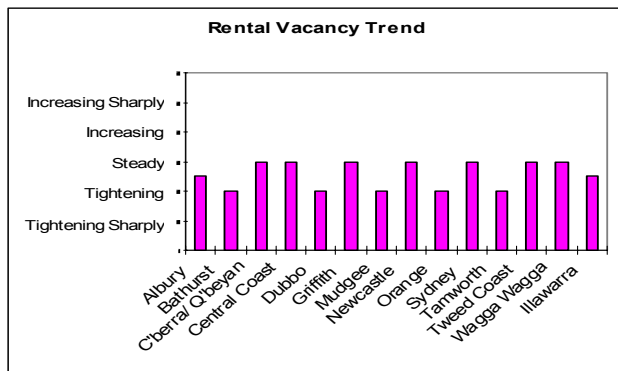


## New South Wales Property Market Indicators as at July 2010 – Units

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

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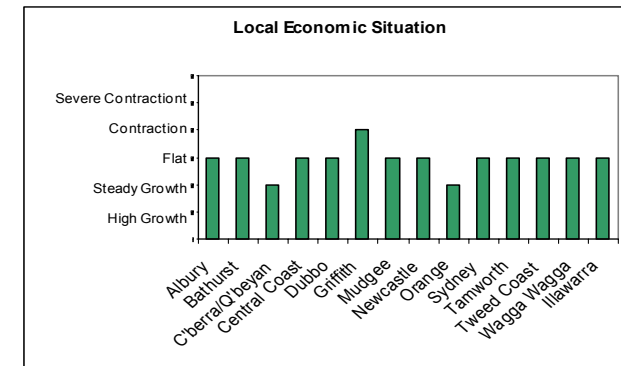
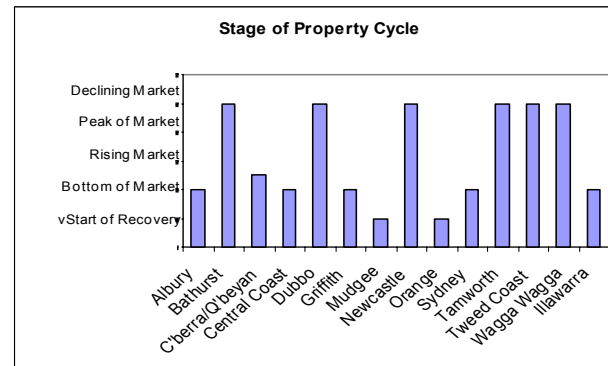
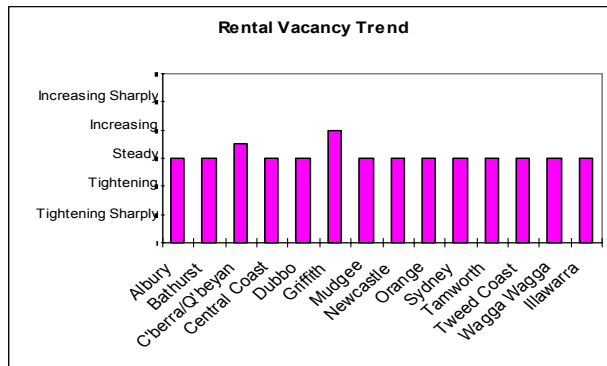


## New South Wales Property Market Indicators as at July 2010 – Office

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

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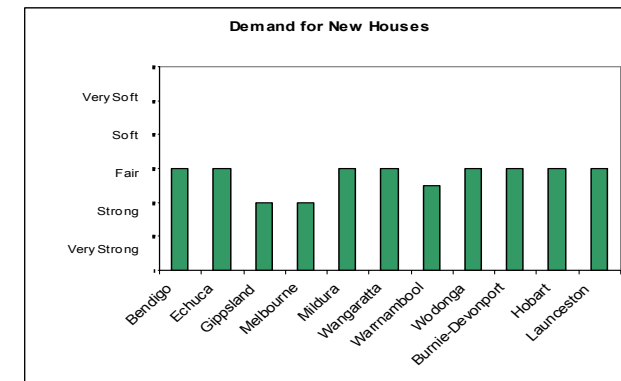
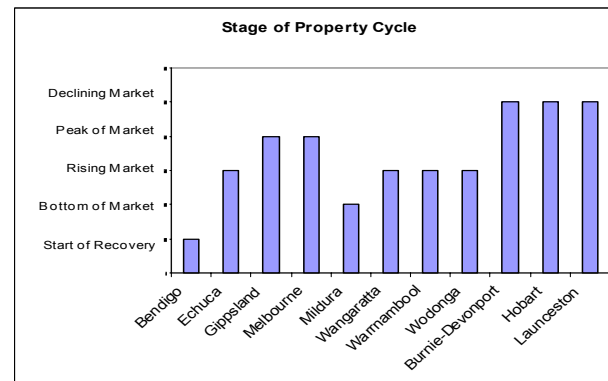
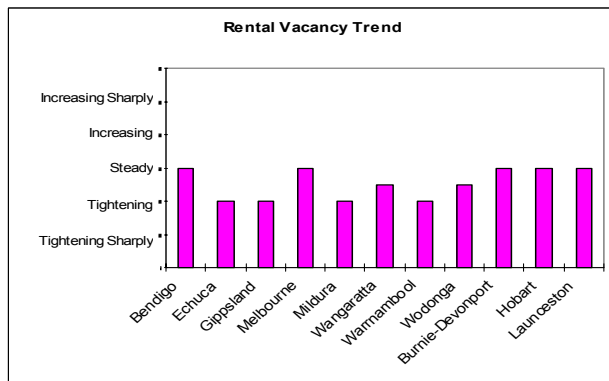


## Victoria/Tasmania Property Market Indicators as at July 2010 – Houses

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand - Balanced market	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	Tightening	Tightening	Steady	Tightening	Tightening - Steady	Tightening	Tightening - Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Strong	Strong	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Declining - Steady	Steady	Declining - Steady	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Start of recovery	Rising market	Peak of market	Peak of market	Bottom of market	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	Frequently	Almost never	Almost never - Occasionally	Almost never	Occasionally	Almost never	Almost never	Almost never

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

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

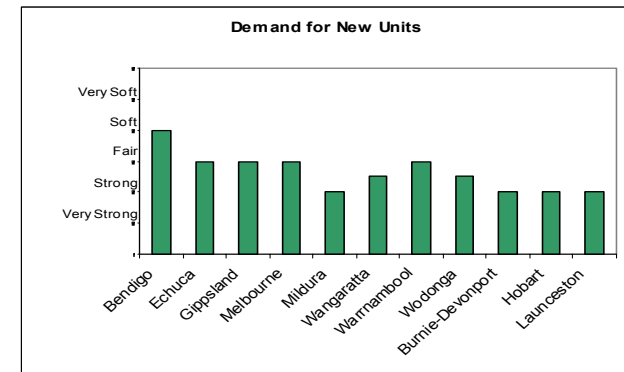
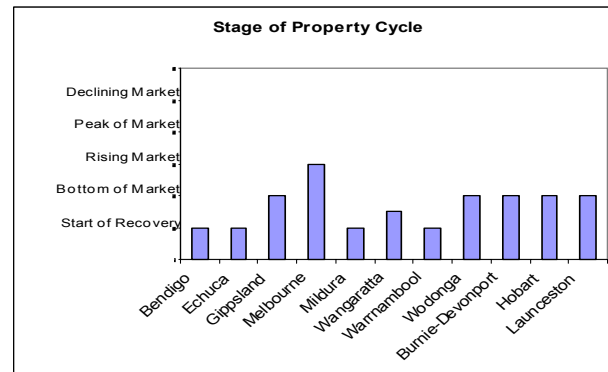
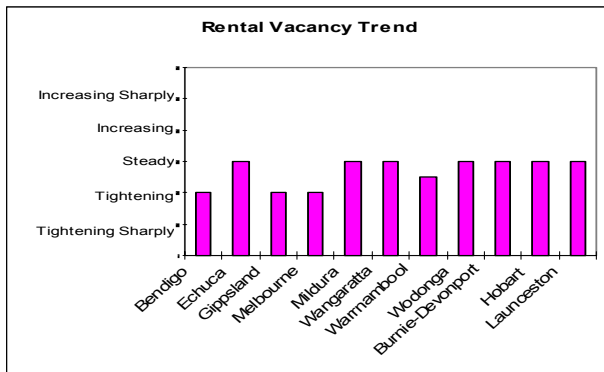


## Victoria/Tasmania Property Market Indicators as at July 2010 – Units

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam- bool	Wodonga	Burnie - Devon-port	Hobart	Laun- ceston
Rental Vacancy Situation	Balanced market	Balanced market	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 - 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	Steady	Tightening	Tightening - Steady	Tightening	Tightening - Steady	Steady	Steady	Steady
Demand for New Units	Strong	Fair	Strong	Strong	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Steady	Steady	Declining	Declining - Steady	Steady	Declining - Steady	Declining	Declining	Declining
Volume of Unit Sales	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Start of recovery	Rising market	Peak of market	Peak of market	Bottom of market	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	Frequently	Almost never	Almost never - Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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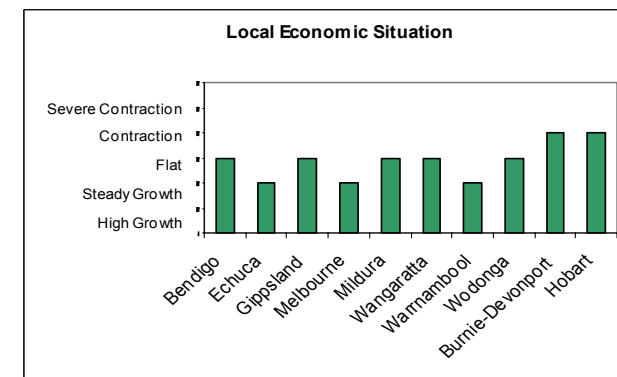
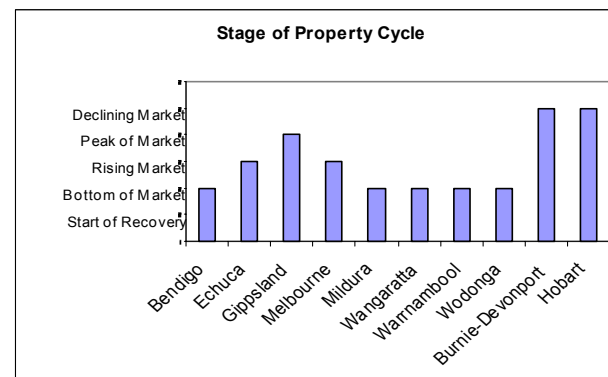
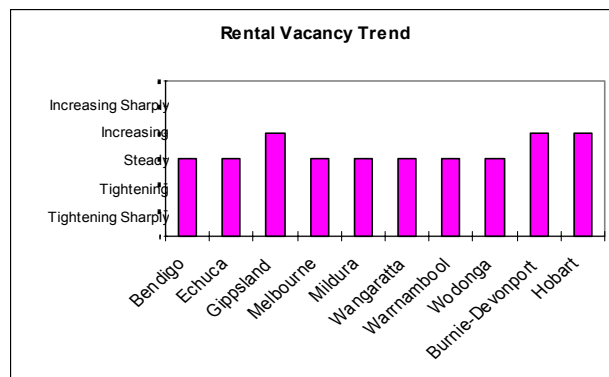


## Victoria/Tasmania Property Market Indicators as at July 2010 – Office

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

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

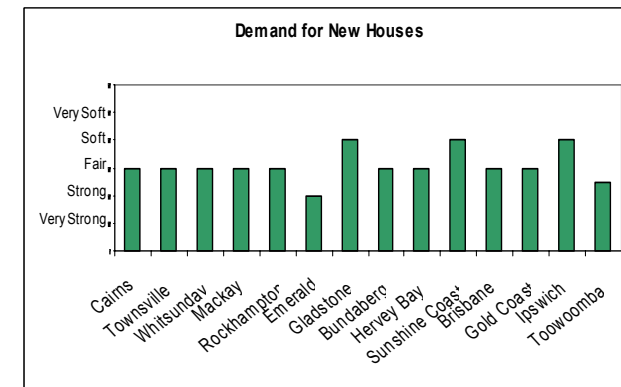
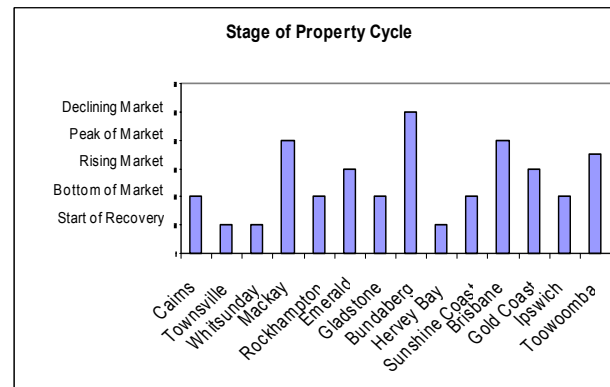
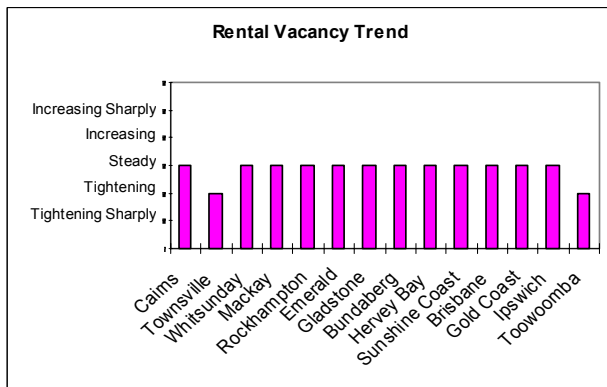


## Queensland Property Market Indicators as at July 2010 – Houses

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

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

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

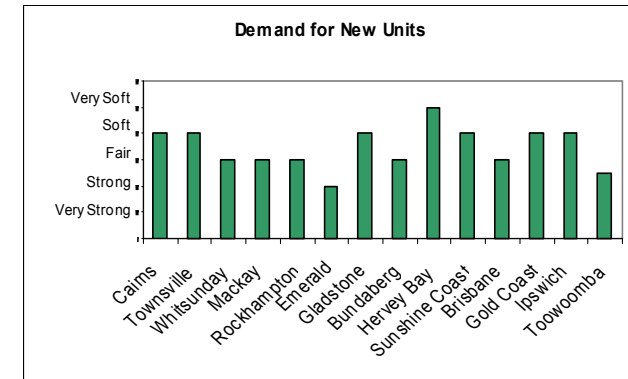
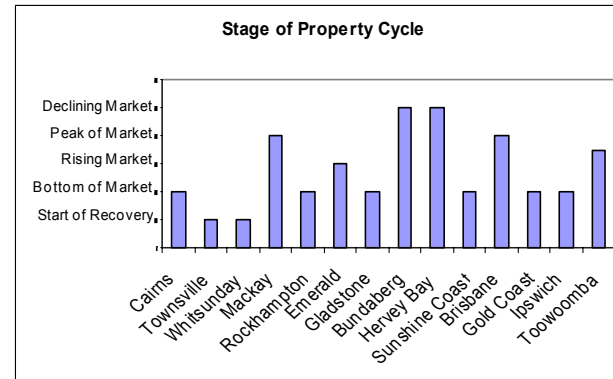
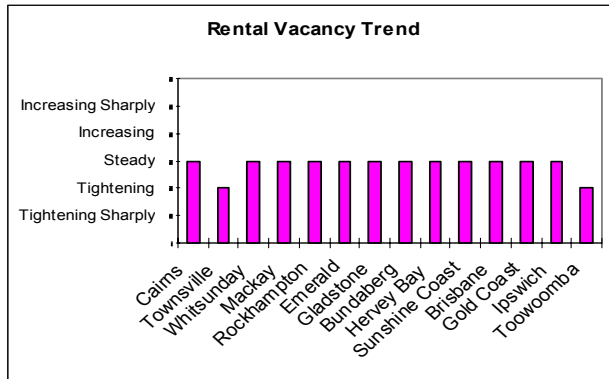


## Queensland Property Market Indicators as at July 2010 – Units

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

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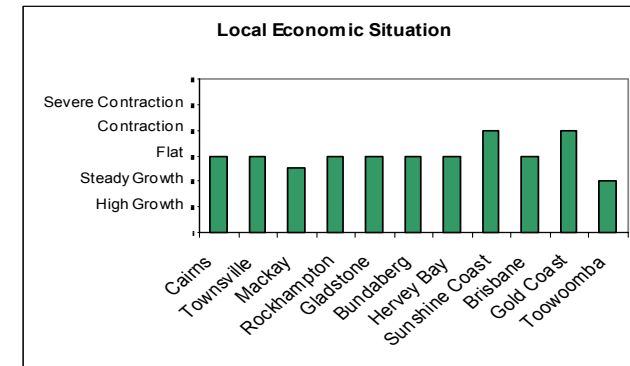
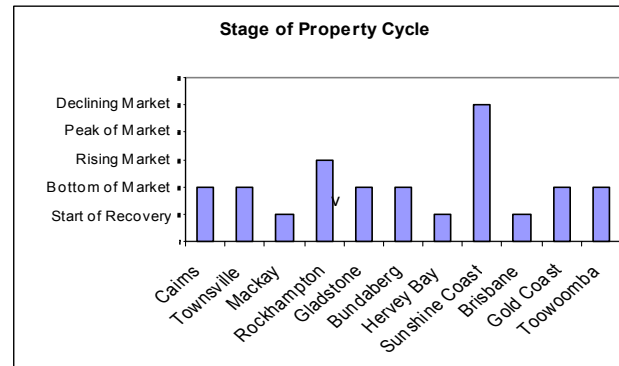
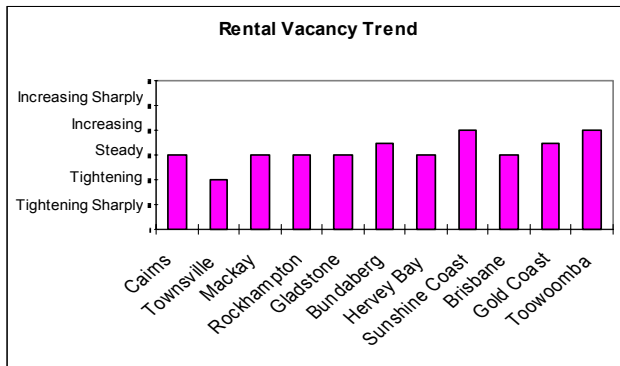


## Queensland Property Market Indicators as at July 2010 – Office

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

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

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

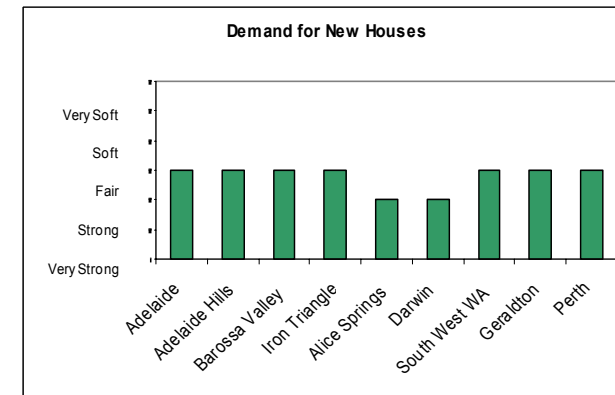
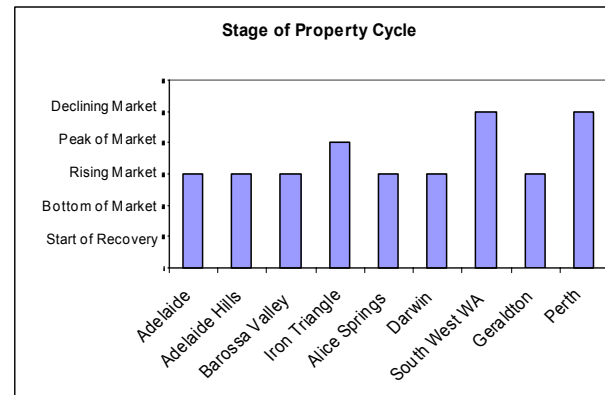
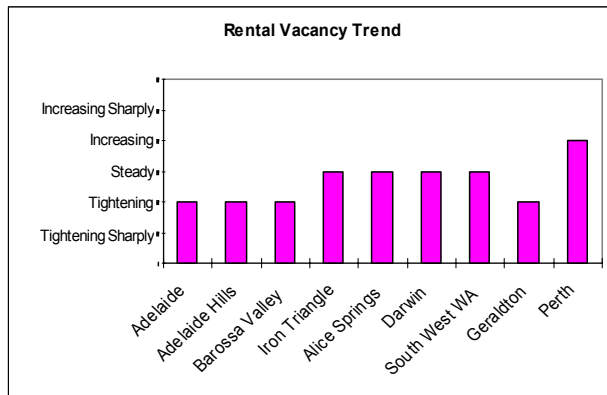


## Northern Territory, South Australia & Western Australia Property Market Indicators as at July 2010 – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Tightening	Steady	Steady	Steady	Steady	Tightening	Increasing
Demand for New Houses	Fair	Fair	Fair	Fair	Strong	Strong	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing	Increasing	Declining	Steady	Declining
Volume of House Sales	Steady	Increasing	Increasing	Steady	Declining	Declining	Declining	Increasing	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Peak of market	Rising market	Rising market	Declining market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally

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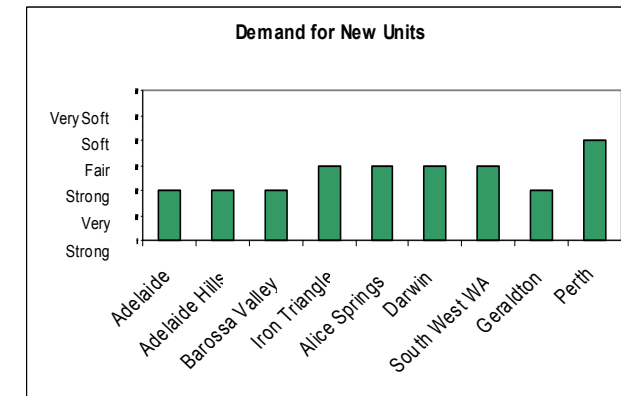
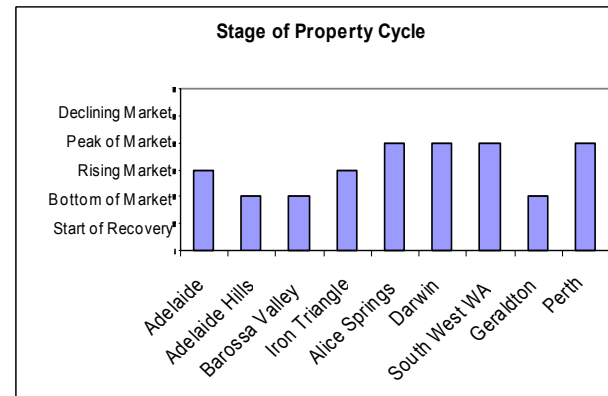
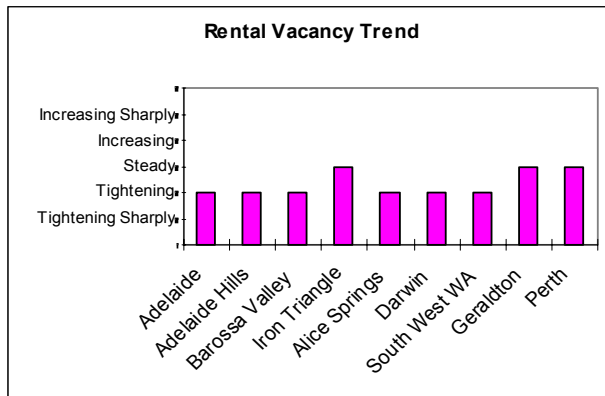


## Northern Territory, South Australia & Western Australia Property Market Indicators as at July 2010 – Units

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

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## Northern Territory, South Australia & Western Australia Property Market Indicators as at July 2010 – Office

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

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