The month in *review*

SEPTEMBER

2010



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Herron Todd White

Independent Property Advisors

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Peace of mind for your property decisions.

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HEROS vs ZEROS

"Places to be seen and those best avoided".

"Look! Look! Up in the sky! It's a bird!... it's a plane!… It's!!!… oh.. my mistake, it is a bird."

In these troubled times where the world turns on a coin it would be nice to know where to cast your gaze wouldn't it? At the time of writing, the Dow Jones daily graphic runs akin to cardiographic readout of Mark Latham's PR consultant. The global village continues to speculate on whether those in the big USA hut are jack hammering at the foundations while the more humble EU economies look more and more like selling the tent pegs and poles to keep their head dry. We sit here on the world's largest island wondering who's going to run the joint and whether Bob Katter's sizeable bonnet might negotiate to form its own principality as part of the deal. Hell in a hand basket people… probably not but it's a bit tough to hang your Akubra on anything when the goal posts move so fast it's like they've been strapped to a couple of hopped up lemmings.

Truth is, a steady surgical hand… comforting, assured, confident… to guide us is what most people are looking for in these globally turbulent times. Some people are arguing though that the best most people can do is strap themselves in, adopt the brace position and grip the fluffy pillow in preparation for an outcome.

We at Herron Todd White want to give you at least some assistance. Whilst we operate in the same markets, under the same government (whoever that might be) and same economy as everyone else, it would be fair to say that we have just a little more inside knowledge than your regular punter. With that at our disposal, we have put upon our contributors to come up with a couple of suggestions as to where you may comfortably rest your real estate head in these days of uncertainty, as well as what bed of nails to avoid lounging upon.

For the commercial minded reader, this month is retail month. The Chaser's Surprise Spruiker says everything must go but only in the good shops. Our retail experts have put out the sandwich board and defined both where you can safely set down your retail dollars, and where there are dark corners from which you should purposefully scurry.

So this month it's a celebration of all the suburbs who wear their undies on the outside. It's these caped crusader localities that click on their utility belts, strap on their iron suits, climb into their invisible plane (anyone for a mixed metaphor?) and set about keeping your investments safe from moustache twirling localities set on tying it to the train tracks and letting loose with a maniacal laugh as they make their escape.

Now before you all breathe a sigh of relief, don't forget that for your specific needs you must get onto our wizened professionals throughout the nation and fortunately we have finally come up with a far easier means of communication than shining a gigantic bat-shaped spotlight on the nights sky (frankly, this concept has always frustrated me. What the heck were they going to do if they needed Batman and Robin on a clear night, or in the middle of the day!?! 'Oh sure, we'd like to stop The Joker from holding Gotham City to ransom but the weather been unseasonably pleasant for this time of year' Try a telephone Commissioner Gordon!!). Just call any of our highly intelligent, extensively trained and surprisingly good looking staff to get the rundown on your area of interest and let us lead you with some sure guidance into your investment future, because a little leadership wouldn't go astray now would it?

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1 September 2010

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Commercial Overview

The overall retail sector has always been substantially affected by economic outlook both nationally and globally. There is a direct link with general confidence in trade and industry, and the prospects for retail property investment. The current economic and political climate appears to have done little to help shore up the sector, however it is still possible to make informed decisions on where to invest in retail. Some of our offices have even sighted a number of opportunities in the market where investors willing and able to take a longer term view might find themselves far better off for their resilience.

Sydney

The Sydney retail sector showed strong signs of resilience during the global recession. Government stimulus coupled with positive employment trends dampened the impact of the downturn on the retail property market.

We have addressed this month's topic by identifying some key performance indictors within different submarkets and highlighted the variation between the stronger and weaker performing markets.

The Sydney CBD retail property market is one of the more attractive retail investment markets in Sydney.

This market has a strong appeal with retailers and demand is heavily outweighing supply with vacancy rates currently in the order of approximately 0.6%. Historically low vacancy has lead to a significant increase in achievable rents and in turn stabilised yields during the GFC. Achievable rents and yields within the Sydney CBD retail market are in the order of:

- Super-Prime $4700 to $13,000 per sqm with yields in the range of 6% to 7%
- Prime $950 to $4500 per sqm and yields in the range of 5.5% to 7.5%
- Secondary $530 to $2300 per sqm and yields in the range of 6.75% to 8.5%.

Super-prime retail space located within Pitt Street Mall is currently under redevelopment. This project will likely rejuvenate and strengthen the Pitt Street Mall retail precinct.

The Westfield development plans to create a high-end retail experience by integrating Westfield's Centrepoint, Skygarden and the Imperial Arcade into one large retail complex.

This development will have a retail and office component with a total GLA of over 100,000sqm (Retail approximately 40,000sqm) and has an estimated value of approximately $600 million. Westfield recently announced that it will likely open the centre with 100% occupancy for the retail component.

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The retail precinct within Bondi Beach has also been a strong performer during the economic downturn. Vacancy rates have reduced and rental levels have shown some growth. Almost 40% of occupants in Campbell Parade are café, restaurant and bar related and competition for trade is strong. Rental values for prime retail space on Campbell parade is currently achieving between $900 and $1,600 per sqm and yields in the precinct are achieving sub 6%, highlighting that investors and owner occupiers are paying a premium for this prime location. As demographics for the area continue to improve from a retailer's point of view, the precinct has become a fashion destination by day and food/ entertainment precinct by night.

Newtown's retail hub is primarily located along King Street. Newtown is an established inner city suburb with a large retail precinct. The area has a large mix of retail outlets ranging from, grocery shops and service providers with an abundance of cafes and pubs with a unique setting and vibe. Urban rejuvenation of Newtown has attracted many retail operators to the area and this has consequently improved vacancy and achievable rentals. Currently vacancy within King Street is sitting at approximately 3.5% and achievable rentals range between $700 and $1510.

Whilst these localities are some of the best performing retail hubs there are a number of localities that have seen significant decline in market appeal.

Strip retail located on main arterial roads within Sydney have seen a decrease in demand and a large increase in vacancy rates over the years.

Parramatta Road, one of Sydney major arterial roads, is in a state of flux as the profile of the area changes. Many retail/commercial uses find the location unsustainable due to a lack of parking and high volumes of heavy traffic detracting customers. This strip is very price sensitive and an extended selling period is usually required as the pool of likely buyers is limited.

The Parramatta retail sector is a further example of a retail precinct that has seen a decline in demand.

Our research indicates that there is reduced interest from investors in the marketplace and the majority of transactions have been by owner-occupiers. Rents in the area have varied greatly across the market ranging from $250 per sqm to $1000 per sqm for prime property located on Church Street leased to cafe and restaurant operators

The driving force behind a decline in appeal for retail space in Parramatta CBD is the monopoly held by Westfield's Parramatta on the retail market in Parramatta. As one of the largest shopping centres in Australia at approximately 126,000sqm this shopping centre has become a sole destination for consumers in Parramatta and been a driving force behind reduced interest from operators in retail space outside of the centre.

Canberra

Since the last update few changes have occurred in the retail marketplace with the market generally experiencing low levels of tenancy turnover in the leasing market and low volume of sales.

The Property Council of Australia has indicated that Canberra currently has close to zero space in the pipeline for construction of retail centres which is not surprising considering the amount of retail recently constructed. One of the major retail developments was the Direct Factory Outlet Centre.

The recently (2009) opened Direct Factory Outlet Centre in Canberra is part of the Austexx group portfolio which is currently fighting to avoid going into administration. The group paid a record $39 million for its 7ha site at Fyshwick in 2005 and at the time Canberra developers were stunned by the price. At this stage there appears to be some uncertainty about the centre which has some vacancy but has been able to lure prominent businesses out of older premises.

The lack of retail construction in the pipeline for the ACT means any vacancy increases will be most likely because of negative absorption as tenant demand shrinks and not due to supply issues.

All asset classes have seen a softening of market yields, but retail property with potential for increases in pedestrian traffic and re-development/expansion potential should command stronger yields.

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Blue-chip tenancy is still the key and good real estate will do really well in a cycle like this that might be a bit testy for the next few years.

The ACT retail market offers prospective purchasers better opportunities in 2010 due to vendors now realising that yields achieved in 2007 are no longer realistic.

Recent Sale

112 Alinga Street, CITY

A commercial/retail building over four levels with a lettable floor area of approximately 545sqm. The property is part of the historic Sydney Building, a significant heritage building located in the heart of the Canberra CBD. The property is fully leased with a mix of Government and private tenants. The property sold in August 2010 (NOT SETTLED) to a local business identity for $2.05 million. The sale reflects an initial yield of circa 8.75%, equivalent market yield of circa 7.60% and a rate per square metre (GLA) of $3763.

Central, North & West NSW

DUBBO

Dubbo, like most regional centres in the central west, has been dominated by owner-occupiers in both commercial and industrial ownership at the lower end of the market, which is typically up to $500,000. This has been resulting in sales showing yields down to 5%. At a recent auction of a MIP property, with vacant possession, a former motor cycle sales and service building, in a semi retail/bulky goods location on the highway, in what is considered a less popular commercial location, sold under the hammer for $361,000. It was bought by a speculator investor, having been chased from an opening bid of $200,000, by at least three other investors and an owner-occupier.

The sale shows a likely yield of 8.8%.net which is considered a rare investor result.

Similarly in nearby Gilgandra, a smaller township, very much rurally-orientated economically and probably suffering from competition from Dubbo, two recent commercial sales have been to investors for $60,000 and $137,000 showing yields of 7% and 8.4% respectively.

It remains to be seen whether there will be a trend emerge. Meanwhile valuers' rationales may be a little more wary of the active investor locally.

58 Victoria Street, Dubbo sold at auction for $361,000

BATHURST

The retail property market in Bathurst is dominated by three shopping centres. 'Bathurst Marketplace' is the newest and largest centre and was completed in early 2009. A number of tenants relocated from existing strip retail areas together with a proportion of tenants from the 'Metro Plaza' shopping centre. The result has seen a slight shift in the retail flow of pedestrians from the north of Howick Street to the south

There has also been an increase in retail vacancies in the fringe areas. Consequently there has been little growth in rental levels with increasing incentives on offer. Yields have also remained flat with reduced sales activity reflecting both limited demand and supply.

ORANGE

The Orange retail property market remains strong with very few vacancies in the CBD. Those shops that are vacant are generally in fringe locations.

Approval has been obtained for a new Woolworths Supermarket and small number of speciality stores in a satellite location in North Orange. It remains to be seen what impact this will have on retailers in the CBD but will probably be minimal given the current congested nature of the CBD.

Retail property activity is subdued due to a shortage of stock available for sale. The few properties that have sold reflect yields in the order of 6% to 7.5%, which is about two percentage points stronger than current commercial yields.

Far North NSW

The NSW North Coast generally has continued to see relatively low sales volumes with stable to steadily increasing supply.

As has been the case for the last 18 months, we have generally seen quality prevail.

The investors are unwilling to speculate on properties with inherent issues without strong returns and or stable tenancies. Quality properties in good locations have continued to show reasonable market interest.

The retail market throughout the North Coast of New South Wales is under some tenant stress at this time. The traditionally quieter winter period appears to be hitting tenants hard with general reports of very low sales.

This has created some uncertainty within the market with the traditional calls for lower rents.

Over the past 18 months, rents in the Lismore (Regional Centre) area have fallen significantly with agents reporting limited demand, increasing vacancies and some desperate landlords locking in rents, 20% to 40% below previous levels.

In more recent time, some stability appears to have returned, albeit at lower levels.

Stronger coastal localities have appeared to have shown stronger resilience in the retail rental market. Premium locations in Byron Bay have seen market reviews resulting in generally holding rental level to rents increasing in line with CPI over the past 12 months. Secondary locations have been more adversely impacted with increasing vacancies.

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Recent sales in Byron Bay have shows yields of 6.25% to 7%, compared to previous peak periods where yields were as low as 4.75% to 5.5% (for equivalent properties). A recent example was 1/8 Lawson Street which sold in November 2006 for $1 million, showing a 5% nett. This property resold in July 2010 for $1.022 million, which indicates 6.9% nett. Generally this 1% to 2% increase in yields is consistent across the Far North Coast.

Some recent development sites are showing renewed market interest, despite weaker demand and quieter retail sectors.

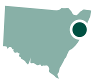
Treelands Drive, Yamba	3660sqm
Vacant site purchased in June 2010 by Mcdonalds for $2 million. Indicates $546 per sqm	

Keen Street, Lismore	4627sqm
Old car yard site sold in December 2009 for $1.73 million. Overall indicated $411 per sqm or analyses to a land component of $287 per sqm.	

Simeon Drive, Goonellabah	18,85sqm
Purchased by Woolworths for future supermarket site for $3 million comprising a total site area of 18,850sqm which indicates $194 per sqm. However, easement affected site and land component greater than requirement. On useable land component / allowance for over size. Indicates $300 to $365 per sqm.	

Bayshore Drive, Byron Bay	6125sqm
Site being purchased for future development. Industrial zoning with three road frontages including main road. Sold May 2010 for $2 million. Indicates $346 per sqm. Future of site unknown although may have a retail style presence (subject to Council approval).	

Tweed Valley Way, Murwillumbah	6230sqm
DA approved for staged commercial development zoned 3(c) Commerce and Trade. Analyses to $369 per sqm.	



Newcastle

The landscape for retail property in the Hunter Valley is mixed. An overwhelming sense of doom and gloom has pervaded the inner city Newcastle market over the past several years. Much of Hunter Street appears neglected at best and 'war torn' at worst. Many reasons have been identified including the divisive rail line, lack of strategic planning and possibly the largest contributor, parking. Eclipsing all this however, the largest cause for concern was GPT's lack of commitment to the planned $600 million redevelopment of the retail centre of Newcastle. Recently, GPT has announced that redevelopment will not be proceeding and this was followed in quick succession (exceedingly so!) by David Jones' decision to quit the centre of town and focus on their flagship store in Westfield Kotara. This will leave a vast hole in the centre of the strip and numbers of shoppers will inevitably fall.

....areas like Cooks Hill with the popular Darby Street restaurant strip and Hamilton centered on the Beaumont Street restaurant strip continue to perform well with limited turnover of tenants and minimal vacancies evident....

Aside from the GPT issue, parking is seen as another major inhibitor to growth with a lack of convenient parking. Major drawcards, Westfield and Charlestown shopping centres have abundant onsite, undercover parking available and best of all is free, if only in the case of Charlestown with a spend of a certain amount in the centre.

There are signs in recent times of new retailers entering into the market in the centre of Newcastle but there are still many vacancies evident when walking up Hunter Street. With the pending departure of David Jones and the announcement by GPT it is unclear how the future investment for retail and commercial in the centre of Newcastle will fare. It would take an optimistic investor and dare we say an extremely brave one to purchase space in the centre of Newcastle.

The same cannot be said for the various smaller boutique retail strips located in and around Newcastle CBD. Areas like Cooks Hill with the popular Darby Street restaurant strip and Hamilton centered on the Beaumont Street restaurant strip continue to perform well with limited turnover of tenants and minimal vacancies evident. These locations which extend further to The Junction, Lambton and New Lambton perform exceedingly well from capital growth and rental return perspectives.

Generally providing convenience shopping and smaller boutique stores which do not appear in the big shopping centres, these spaces offer a point of difference and strong loyal customers. Other advantages are first floor office space above the stores at often cheaper than CBD prices and not burdened by an oversupply, which creates extra demand for lunch and food services and a strong pedestrian flow. It also creates that 'buzz' that gets lost in the larger spacious CBD location. In the areas mentioned above the entry level price point for investors is traditionally more affordable for smaller investors and diversity of income streams is also possible with first floor offices/residential located above.

If we were to place our investment dollar in retail in Newcastle we would be targeting these strips where capital growth has been evident and rental returns have been increasing over the past five years or so. Have a walk up the street and count for lease signs, are they numerous or scarce? Scarce is good, it means limited supply for prospective tenants.

Conversely our caution would be extreme if considering the centre of Newcastle. GPT owns substantial levels of property in this location and it has been reported in local papers this stock will be released strategically in the market to prevent a competitor amalgamating the sites. This could cause further vacancies and investment property without a tenant is an undesirable situation.

Southern NSW & Northern Vic

ALBURY

If you can remember what a normal winter might have once been, I can tell you we are well and truly now having a normal winter once again. Good rainfall and some cold days have been a solid daily feature over the past couple of months. Drought ravaged country is looking lush and green and there is a hint of optimism in the air with the outlook of good commodity prices this season.

Rainfall has been good in the key catchment areas with dam levels rising allowing the early announcement of full high security irrigation allocation in the Murrumbidgee Valley. There is a hint that we may also get some general security allocations in the coming weeks.

So what does this mean to the rural property market? Not a great deal at this stage as the money is not in the bank. Lenders are still holding the purse closed while watching the season unfold. There have been few property sales either privately or at auction. We expect the market will remain subdued until early next year post winter harvest. It will probably take another full winter and summer crop cycle for the region to start seeing much movement in the rural property market.

WAGGA

The Wagga Wagga retail market is dominated by the main street retail precinct with few other locations in Wagga Wagga having a big retail presence. The main street retail is split by Baylis Street retail and Fitzmaurice Street retail. Baylis Street is the superior retail investment location while Fitzmaurice Street is a secondary retail location. Baylis Street is busier and has the Sturt Mall and Marketplace shopping centres and superior exposure to a greater number of consumers and therefore rents are higher and yields are lower in Baylis Street when compared to Fitzmaurice Street.

LEETON

I guess it depends on which way you wish to tilt the scale regarding the trade-offs between return and growth. If you are chasing strong yields, Narrandera would be my tip with returns over 8.5% net for retail properties in Narrandera's main retail strip centre. If you are looking for growth I would lean more towards Griffith but you may have to put your hand in your pocket to top up repayments with net returns closer to 6%. I would avoid retail investment in Leeton's main retail strip centre at the present time unless your tenants lease is lengthy and secure and the return is considerably better than elsewhere. Leeton has a larger number of retail premises vacant and there is a trend for retail businesses in the main strip centre to either relocate into the recently constructed shopping centre or downsize into smaller premises with more affordable rentals. Avoid large retail premises in small country townships such as Leeton, Hay and Narrandera unless they are leased to National Tenants. The local tenancy market is too small and the risks are too great due to the present economic climate. Above all, I hate to repeat the obvious but unfortunately if it sounds too good to be true, then guess what it probably is, net returns above 10% should ring alarm bells and if they don't my guess is you are not looking hard enough or you can afford the risk.

Melbourne

The retail market is heavily influenced by the level of consumers' disposable income which in turn impacts on retailers' turnovers and their ability to pay rent. In 2008 and 2009, the Global Financial Crisis (GFC) initially reduced economic activity by reducing consumers' willingness to maintain current debt levels that were underpinning retail spending. Nevertheless, although tenants' turnovers may have softened over the GFC, investors have been relentless in competing for prime retail premises, keeping yields at historical lows.

This month we have focused on The Prime Street Suburban Strip Shopping sector of the retail market. In Melbourne these generally consist of Burke Road, Camberwell, Church Street, Brighton and Chapel Street, Windsor to South Yarra.

We will look at each of these areas, their potential upside or downside, what yields are being achieved, what the rental rates are and the current vacancy levels.

....the retail market is heavily influenced by the level of consumers' disposable income which in turn impacts on retailers' turnovers and their ability to pay rent....

The Melbourne Prime Strip Shopping tenancy mix is dominated by clothing retailers (approx 30%), restaurant and food outlets (approx 35%), and gifts, cards, accessories, cosmetics and jewellery retailers (approx 10%).

Burke Road, Camberwell in Melbourne's eastern suburbs has a retail mix comprising; fashion retailing, restaurants, and cafes. A Safeway supermarket and Target anchor the precinct. However, a new development named 'The Well', at 793 Burke Road is anchored by a Coles supermarket and a JB HiFi outlet. The development contains 27 specialty retailers. Of the 212 shops on Burke Road Camberwell, there are nine vacant indicating a vacancy rate of 4.2%.

Net rents in Burke Road range from $800 to $1200 per sqm. An example of a recent vacant possession sale is 610-612 Burke Road Camberwell which sold in April 2010 for $6.146 million. The 400sqm two level retail building achieved a building rate of $15,365 per sqm. A recent investment sale in this precinct was the August 2010 sale of 925 Burke Road Camberwell, a two level retail building leased to a hairdressing studio which sold for $1.555 million on a sharp yield of 4.18%.

Church Street, Brighton is located in the affluent south eastern bayside suburb of Brighton. A Safeway and Coles Supermarket anchor the precinct at either end of the street. The area features the refurbished Dendy Plaza which contains a mix of specialty retailers such as The Dendy Deli, Palace Cinemas, and a Cole's supermarket. Net rents in Church Street range from $400 to $800 per sqm. Of the 176 shops on Church Street, three are vacant indicating a vacancy rate of 1.7%. A recent investment sale in the precinct was the August 2010 sale of 58 Church Street. The single level retail building leased to Buxton Real Estate sold for $1.75 million on a sharp yield of 3.47%.

Chapel Street spans three suburbs namely Windsor, Prahran and South Yarra, with rents becoming more expensive as one moves northwards towards South Yarra. Chapel Street is a well known fashion shopping precinct located in the inner south eastern suburbs. The South Yarra end of Chapel Street is dominated by upmarket fashion, cafés and restaurants. This end attracts the highest rentals in the strip. The Windsor end of Chapel Street is largely made up of home wares, pawnbrokers, and variety shops with lower rents, but is slowly becoming more fashionable. The Prahran or Central area of Chapel Street contains the funky Greville Street Precinct with a number of café's, specialty retail shops, bars and night clubs. Net rents in Chapel Street range from $1000 to $1500per sqm depending on the address. Of the 631 shops on Chapel Street, 25 are vacant indicating a vacancy rate of 4% partly reflecting the more volatile fashion segment. Most of the 25 vacant shops are situated in arcades which do not have a street frontage. A recent vacant possession sale in the Windsor end of the precinct was the June 2010 sale of 115 and 117 Chapel Street, Windsor. The two double level retail shops separated over two titles sold for $4.17 million reflecting a building rate of $3,971($/sqm). There is some potential upside to this property as the zoning is suited to both commercial and residential development.

Despite economic downturn property in Prime Retail Strips continues to be tightly held and highly sought after. However these properties are still dependant on average disposable income which affects the tenant's ability to pay rent. Nevertheless, investors continue to strongly compete resulting in very tight yields. The market is clearly dominated by private investors, prepared to pay a premium for prime locations.

Regional Vic

ECHUCA

Limited activity in recent times in this sector with one sale of a centrally located property sold with vacant possession for $155,000 (approximately $3100 per sqm). The balance of the market remains relatively static notwithstanding the fact the retail set is highly cyclical in Echuca-Moama which should see some stronger returns coming into the Spring/Summer period as the weather warms up.

Adelaide

Historically (and not surprisingly) the city centre has led the charge in terms of retail activity, rental growth and yield trends. Identifiable 'hot spots' within the city include Rundle Mall/ Rundle Street, Hutt Street and Gouger Street. O'Connell Street and Melbourne Street in nearby North Adelaide are also consistent performers as are many of the major traffic thoroughfares including Unley Road, King William Road and The Parade at Norwood.

These established areas have withstood numerous boom-bust cycles over the years and at present appear to be holding on in the face of reduced consumer activity.

....in recent months we have noted a 'flight to quality' where investors have targeted properties with strong lease covenants....

Since the late 1980s we have noticed a drift away from the neighbourhood centre style development as regional centres have extended their reach and alternate providers of retail goods (service stations and the like) undermine the role of the corner or 'strip' shop. The trend is most noticeable in the outer northern and southern suburbs where the stock of retail property is often older and showing signs of age. For example, smaller shopping centres at Elizabeth Downs and Elizabeth East which auctioned in May are reported to be under contract at initial yields in the order of 10% or higher. Both properties have vacancies, the Elizabeth East property was favoured slightly by the market as the major tenant was an IGA supermarket.

In recent months we have noted a 'flight to quality' where investors have targeted properties with strong lease covenants, the exact location of the property often being less of a factor. An example is the fast food retail sector where a portfolio of ten Hungry Jacks restaurants sold in late 2009/early 2010 showing initial yields from 5.6% to 8.1%. The properties were spread across the state from Mount Gambier (8.11%) to Salisbury (8.1%) and all sold with 10-plus year leases with fixed annual rental increases. In addition, three 'Supercheap Auto' outlets have sold at initial yields from 7.1% to 8.2%. In stark contrast, selling agents report good investor enquiry for the majority of properties, although very little traction for older or unoccupied properties.

Brisbane

Retail property as an investment has overall held up reasonably well in Brisbane, with bulky goods the only exception, which has seen significant drops in value. The current market has seen a general softening of yields and a further widening gap between prime and secondary retail properties. Prime yields have softened by between 0.5% and 1% with secondary yields softening by 1% to 2%. But whilst yields have softened, in most cases rents have held firm.

The degree to which yields have softened depends greatly on the location of the property as well as the strength of tenants and leasing covenants in place.

Brisbane CBD prime retail properties situated in the Queen Street Mall precinct are extremely tightly held and are still transacting for a premium in the face of the broader property market which has experienced a general softening of yields. The Brisbane CBD prime retail sub-market is seeing very keen yields of between 5.5% and 7.5%.

Outside of the CBD, the investment properties currently performing are those situated in established retail precincts with good exposure and strong tenants, such as a major supermarket anchor and national specialties with a high WALE (weighted average lease expiry) for convenience centres and prime strip locations where demand is high and supply is very limited. The lower end retail (i.e. sub-$3 million) has seen the most activity with private investors being driving force in this price bracket. These properties are achieving yields around 7.5% to 8.5%.

Conversely, secondary retail assets situated in outer suburban locations with weak tenants, such as local businesses, are performing the least well achieving yields as high as 9.5%. In many cases these properties are poorly managed and leased at rental rates below market parameters. This being said, opportunity currently exists in these instances for savvy investors to acquire property on soft yields and whilst achieving a greater return for their dollar, value add to the property by implementing competent professional management, increasing in the rents and possibly improving the strength of tenants in place.

In summary, retail properties situated in the CBD, prime strip locations and established retail precincts with good exposure and access are in high demand, effectively pushing rents up and keeping yields tight in these areas. However in the current market, properties situated outside of these prime areas are in limited demand and generally have an oversupply of retail space, inferior tenants, higher vacancy rates and low WALEs, resulting in a further depression of yields and rents.

Gold Coast & Tweed Coast

GOLD COAST

By now, regular readers of our Month in Review have probably noticed a recurring trend for the Gold Coast retail market - the over-riding dominance of regional centres such as Robina Town Centre and Pacific Fair, along with the strong yet fluctuating performances of precincts such as Surfers Paradise, Broadbeach and Main Beach.

Historically, Pacific Fair at Broadbeach has been the dominant retail centre on the Gold Coast and has attracted a range of tourist and local trade. However, it is impressive how the new Robina Town Centre has proven itself, in such a short period, to be a formidable adversary even in these volatile times. One can attribute the ongoing success of these centres to the growing population of the Gold Coast and an underlying shift in people's perception to view 'a day out at the shops' as a social event.'

Nevertheless, retail nodes such as Surfers Paradise, Main Beach and Broadbeach have continued to perform reasonably well but as always are strongly influenced by the tourism market. As a general note, it appears that Main Beach is performing the worst out of these three precincts with an increasing vacancy rate due to lower patronage and high rental rates.

....historically, Pacific Fair at Broadbeach has been the dominant retail centre on the Gold Coast and has attracted a range of tourist and local trade....

In a general sense, neighbourhood shopping centres anchored by a major supermarket are also performing relatively well due to the convenient nature of these centres, along with the growing population and bare necessity for fresh produce and household goods. We should mention, however, that the specialty tenants within these centres are not performing as well, which has resulted in reduced rental rates and higher tenant turnover.

The success of such centres is strongly influenced by the number of specialties, where there is a fine balance between a healthy mix and an oversupply.

From an investment point of view, the market definitely recognises the risk of a high proportion of specialty stores. This is specifically demonstrated by the recent sale of Bell Central at Mudgeeraba as opposed to The Coles Centre at Upper Coomera.

Bell Central is anchored by a Coles supermarket and comprises an additional 16 specialty stores. Coles contributes to 35% of the overall income with the specialties forming the balance 65%. The Upper Coomera Shopping Centre, also anchored by a Coles supermarket, has 76% of income from the anchor tenant with the balance 24% from the four specialty stores. Both properties are modern, well located centres within growing residential areas, however the analysed yield of these two properties vary by almost 2% with Bell Central having an initial yield of 8.98% and Upper Coomera at 7.08%. Note: high initial yield of Bell Central also influenced by firm passing rental rates and softer market conditions.

Bell Place, Gold Coast

In many respects, retail investments such as the two mentioned above, are the real heroes in today's property market. Whilst the yield levels have blown out from record lows in 2007, they still represent some of the largest investment transactions currently occurring on the Gold Coast. The quantum value of these investments within the $10 million to $20 million price bracket underpin interest from the market as there are limited alternate opportunities to secure a passive investment of this scale on the Gold Coast.

Unfortunately it is not all sunny skies. The market downturn we have experienced since 2007 has influenced a 'flight to quality' by investors, and unfortunately much secondary and tertiary retail of properties have been left in their wake.

Older, suburban based strip retail centres have experienced an increased vacancy rate and also reduced rental levels. This is particularly the case where a newer, bigger, better centre is located nearby providing stiff competition to retailers. For these established centres to succeed, it is critical to have a healthy mix of tenants (with no double ups) and a point of difference from the major centres.

Other retail areas that appear to be struggling is the established strip retail development around Southport, fringe of Surfers Paradise and those areas fronting the Gold Coast Highway south of Mermaid Beach. These areas typically attract second class tenants that are doing it particularly tough in these dire market conditions.

Construction of the Gold Coast Rapid Transit line between Southport and Pacific Fair may also have an adverse impact on these businesses in the short term, but is perceived as being a long term benefit that will improve the accessibility and parking problems within these precincts.

For investors, retaining tenants and maintaining rental levels will continue to be a major challenge; a trend that does not look like it will turn around in the short term.

Sunshine Coast

Who would want to be a retail investor in this market? However, as in all markets there are places to invest and places best to avoid!

On the Sunshine Coast there has always been our premium strips at Mooloolaba Esplanade and Hastings Street, which have again proved to remain popular for not just investors but business operators also. Generally, while vacancy levels have increased in these locations, they have not increased at the same level as other locations, while rental levels have generally held, or softened by less than 10%. Value levels have softened in these locations with yields generally softening by around 50 to 100 basis points depending on the size of the property, quality of the tenant/lease covenant and the location/exposure to pedestrian traffic. There have been few sales in Hastings Street in recent months, however sales on The Esplanade have indicated yields for better quality property still around 6.5% to 7%.

Another strong performer has surprisingly been Bulcock Street at Caloundra. In previous cycles this strip has seen increased vacancies, dropping rental levels and increasing yields. However, a number of local purchasers have actively sought property in this location over the past 18 months, which has generally kept yields from 6% to 7%. There is some higher underlying land value in this area for redevelopment purposes, however vacancy levels for ground level retail remains low and rental rates in all but fringe locations have generally held steady.

In hinterland areas there has been some increasing vacancy and tenant turnover in tourist dominated retail areas such as Eumundi and Montville, whereas areas such as Maleny and Cooroy, which are service type townships, have remained far more stable.

....another strong performer has surprisingly been Bulcock Street at Caloundra....

Retail strips along areas such as Aerodrome Road at Maroochydore have noted significant increases in vacancy rates and many owners are being forced to drop rentals to gain tenants. Many new tenants in these locations are also on shorter lease terms.

The bulky goods sector on the Sunshine Coast has also been impacted. We have noted increases in vacancies across all centres with increased tenant turnover. We understand that incentives to let these types of tenancies have increased significantly over the past 12 months.

Herron Todd White
Independent Property Advisors

Southern Queensland

There have been very few retail investment sales in Toowoomba over the past 18 months. This has been a reflection of both the properties being tightly held and a lack of motivation for vendors to sell at perceived higher yields. There is significant difference in yields achieved depending upon the quality of tenant, location and length of tenure.

Retail investments in Toowoomba generally fall into one of five categories:

CBD Shops – CBD properties have a high proportion of owner occupiers but can also offer quality investment opportunities such as banks or the occasional national retail tenant. Price points can vary due to size of building and location. Secondary retail locations can offer higher yields and a lower entry price point for investors, but this will likely be offset by a poorer quality of tenant and lease terms.

Suburban Convenience Centres – Are usually located away from the CBD in residential suburbs. These tend to be very tightly held within the Toowoomba market with very few transactions. Centres with good established tenancy mixes will often achieve a premium in yield. Often this category fits in a higher price bracket and will not suit entry level investors.

Bulky Goods – Very limited market in Toowoomba that seems to be limited in location to fringe CBD and Kearney's Spring. The category tends to be in a very high price bracket and often attracts institutional investors. The bulky goods market was one of the hardest hit by the GFC.

Corner Store – These tend to be located in older residential suburbs and were once occupied by the local convenience store, most of which appear to have become redundant. The corner store generally will attract a secondary quality of retailer but will offer the highest yield and the cheapest entry price for investors.

Fast Food – These properties tend to be limited in location to the CBD and the suburbs of Wilsonton and Kearney Springs. This category generally will offer a national quality of tenant on long term leases. The properties tend to be tightly held and will often achieve very firm yields.

Central Queensland

ROCKHAMPTON

The retail market in the Rockhampton Region has experienced activity over the past few months on various levels. The suburban areas of the region in particular will benefit from a number of new retail projects.

The Gracemere Shopping Centre has been given the green light by the Rockhampton Regional Council after a drawn out dispute between the council and the developer over the position of a bus stop. The $30 million development has been planned in two stages and will reportedly be anchored by Woolworths. A construction date is yet to be named for the development, which was originally approved in April 2007.

Early August saw construction of the 'Emu Park Village Centre' commence in the town centre of Emu Park. The centre will provide an IGA Supermarket and six specialty shops. The project will service the areas of Emu Park and Zilzie that have been without a local supermarket for some time.

....the Gracemere Shopping Centre has been given the green light by the Rockhampton Regional Council after a drawn out dispute between the council and the developer over the position of a bus stop....

In Yeppoon, retail take up in the newly constructed Echelon complex remains slow. However, retail spaces are beginning to fill with the addition of food tenants fronting Anzac Parade, as well as occupation of further tenancies at the rear. Vacancies are low in the James Street precinct.

The Allenstown area has experienced a revamp with the addition of the new Dan Murphy's Liquor store which opened its doors in March. The new store adjoins the Allenstown Hotel and provides a floor area of 1100sqm. There have also been a number of sales in the general vicinity including three reasonably new retail shops on Canning Street which were purchased partly for owner occupation. There was also an earlier sale of neighbouring shops on Canning Street which reflected a yield of 8.9%. There are also a couple of new tenancies opened in the area.

A suburban, strip retail shopping complex located at 305 Richardson Road in Kawana sold in May for $2.45 million, reflecting a yield of approximately 8.45%. The complex comprises seven individual tenancies which are fully occupied and provides ample onsite parking.

The Rockhampton city centre continues to boast low vacancy levels, however there has been little sales activity. The newly constructed complex at the corner of William and Bolsover Street has been fully leased and there is very little space available for rent, with the exception of older style tenancies, some of which are inhabitable in their current state.

BUNDABERG

If the level of vacancy is an indicator, the retail market in Bundaberg is probably feeling the brunt of the downturn more than the other commercial sectors at this point.

Vacancies are the highest in larger premises (above say 200sqm) where it is difficult to find tenants who can afford the rent. With the exception of franchisee and national tenants, the volume of tenants who can afford a rental in excess of $30,000 per annum thins out considerably.

Prime locations however, with smaller tenancies and the Regional Shopping Centres, are faring the best with generally low vacancy rates to date. Well located suburban centres also have generally low vacancies.

There have been no recent sales of exclusively retail properties in Bundaberg. Yield rates are considered to generally be in the 8.5% to 9.5% range.

MACKAY

The retail market in Mackay is dominated by the major shopping centres, including Caneland Central and the Mount Pleasant – Greenfields precinct. Pure retail uses have consolidated to the shopping centres, including outer lying neighborhood centres in the Northern Beaches and Walkerston. This has resulted in the traditional Mackay city centre retail precinct shifting to more of an office/administration precinct with support from cafés, restaurants and remaining retail stores.

Older style retail shops in the fringe city suburbs are also trending towards commercial office functions as the retail market is becoming dominated by the shopping centres.

The current expansion of Caneland Central from 39,000sqm to 62,500sqm (including a new Myer store) may further reduce the role of retail shops in the Mackay city centre.

Cairns

The Cairns retail market had been strengthening slowly but steadily for a number of years. However while this trend started fading out at the start of 2008 and continued to fade during 2009, we now perceive the Cairns retail market to be at or near the bottom of the cycle. It must be also said that retail property sales in Cairns are extremely sporadic, and there have been no retail properties of significance changing hands for some time. Most sales involving retail property have been of mixed use retail/office buildings or tenant buyouts of single premises.

Despite the economic downturn that has presumably led to a reduction in consumer and tourism spending, vacancy levels in the prime retail sector have remained stable, with high exposure CBD space near fully occupied. However there are vacancies in lesser exposure locations and/or on the CBD fringe. Rents as a general rule have been static, showing ranges of $600 to $1500 per sqm per annum for prime CBD space, and $1000 to $2500 per square metre per annum in key tourist precincts such as the Cairns Esplanade.

Yields for commercial properties in general in Cairns have eased back by about 10% from the record low levels observed at the start of 2008. Though true retail sales are rare in the Cairns market, we believe yields for retail premises have been steady in the 7.5% to 8.5% range, compared to the 6.75% to 7.25% range that prevailed at the start of 2008.

Townsville

As Townsville continues to grow and urban sprawl increases, the necessity for a refocus on consumer wants in the retail market has emerged. It would appear that gone are the days of driving to one shop for this, and another shop for that, but rather the focus is now on a one stop commercial/retail outlet offering a key tenancy mix.

....new centres are providing a dynamic key tenancy mix offering a one stop facility....

Over the past few years we have seen a number of new suburban retail centres being constructed/or under construction either within new developing suburbs, expanding population corridors or fringe strategic locations. These new centres are providing a dynamic key tenancy mix offering a one stop facility with 24-hour convenience store, take-away outlets, bottle-shop and video shop.

A number of these retail centres are on the market with asking prices around the $5 million mark, however to date none have transacted due to vendors expectations of a 7.5% return not being met by purchasers' willingness to pay yields of between 8.5% and 9.5%. These centres will become more appealing to investors as Townsville continues to move to a full user pays system for infrastructure charges. The average infrastructure charges for new retail developments in Townsville are currently the second highest in the state behind the Gold Coast.

As a result of these new retail centres being established in key strategic locations, the older established retail corner stores are being placed under pressure. These centres are becoming somewhat functionally outdated, with new technology and general appearance/layout not appealing to some prospective tenants or consumers. With consumer focus now shifting to a one stop outlet to meet their needs, many of the older established centres do not have the tenancy mix to meet consumer expectations. These older established centres in the current market attract yields of anywhere from 9.5% to 11.0% based on tenancy mix, security of income streams and location.

One of the most uncertain retail markets in Townsville at present is the CBD market. The $56.6 million Flinders Mall redevelopment is now well and truly underway with an expected completion date of March 2011. The retail outlets that have direct frontage to the Flinders Mall redevelopment are currently in a state of hesitation, with no-one 100% certain on how the finalisation of the redevelopment will impact on this sector. The retail market within the Flinders Mall has been on a downward spiral for the past decade, but just how the redevelopment revitalises the retail market is yet to be proven. Like all retail precincts, it comes down to providing a dynamic tenancy mix to attract consumers to the city. This will certainly be a watch and see market as the redevelopment continues to pan out.

Darwin

This month, we are focusing on the worst and best retail locations in Darwin.

In retail parlance, there is something called the ant trail – the shortest route between where people are, and where they want to end up. If you are on the ant trail, chances are you might become a retailing hero. If you are off it, chances are you will become a retailing zero.

Like all such nostrums, they can never be universally applied, but they remain useful generally. It is possible to be off the ant trail and make a mountain of money out of retail, but to do so you have to become the destination in your own right. It gets back to the old story about clientele - are they cats, rats, or dogs? - If they are cats – territorial – you must be on an ant trail to survive. If they are rats – opportunistic wherever, whoever, whatever – you must be on the ant trail too. But if they are dogs, you may not have to be on the ant trail, because your clients come to you, wherever you may be. Even then though, you are better placed on an ant trail to catch the most cats and rats. While advertising helps with all three, the firmer the locational foundation, the more effective that advertising can be.

Darwin can be thought of as an inverted triangle, with the CBD as the bottom point or attractor, the northern suburbs as the left hand attractor, and Palmerston as the right hand attractor. The ant trails are the main roads linking them – in particular Stuart Highway and the Bagot Road/Trower Road trail. Those roads have some of the heaviest road traffic counts in town, and some of the heaviest retail hitters in town. For example the popular bulky goods outlet, Jape Homemaker Village, fulfils these criteria, as does the Darwin Airport's recently launched Axis development. The heaviest hitter of all, Casuarina Square, provides the left hand attractor of the triangle, where people want to end up. That is where Darwin's biggest ant trails go, and there are ant trails inside each attractor as well as between them. So if you are on an ant trail in Casuarina Square itself, then you are in as good a spot as Darwin can find you.

The second point, Palmerston, has been holding its end up too. In fact it has continued to improve over recent years, buoyed by developments in its suburbs and the several planned suburbs to come.

Historically, the CBD had been the bottom point in retail performance as well as in our triangle. Lately however, with the upgrading of Darwin's waterfront precinct, the increased number of cruise ships stopping by, the higher CBD population from all new apartment towers, and other factors, it too has lifted its game. Providing the ant trail rule is followed, there are now some good spots there as well.

....Darwin can be thought of as an inverted triangle, with the CBD as the bottom point or attractor, the northern suburbs as the left hand attractor, and Palmerston as the right hand attractor....

Now for the worst retail locations. It would be unfair to single them out, but in general they are those not within an attractor, and not on an ant trail. At the macro scale of our triangle, they include several suburban centres in the northern suburbs. Not all of them, however, some like the Woolworths centre at Nightcliff, are amongst Darwin's best performers. It is no surprise, though, to find it on an ant trail called Dick Ward Drive. On the micro scale, they include several of Darwin CBD's rental arcades, which were built apparently without the knowledge of ant trail subset rule - an arcade can only work if it goes between one major attractor and another; for example, between a major transportation area such as a car park, and a major retail attractor such as one of the major retail chains.

There have been very few major retail sales in Darwin in recent years. Two in particular are on offer, however, one is the Galleria on Darwin's Smith Street Mall, which although still pulling in good rental returns is also on a prime development site. The other, on the corner of Stuart Highway and its link to Casuarina Square, Vanderlin Drive, contains a Wow! Outlet which we have been advised is Wow's best performing outlet.

The sale of either, or preferably both, of these centres would be important benchmarks in coming to grips with Darwin's retail market. In the meantime, the NT's retail spending figures remain above the national average, with a growth rate second only to (surprisingly) NSW. Year on year growth in the Territory was driven by increases in pharmaceuticals, cosmetics and toiletries (up 30.5%), other recreational goods (up 29.3%), cafes, restaurants and takeaway food (up 23.4%) and household goods retailing (up 6.3%).

In sum, for now in Darwin at least, the main need is not to behave like a dirty rat, or to fight like cats and dogs, to succeed in retailing. Find your market, your strategy, and your spot – if you can afford it both in an attractor and on an ant trail – and you should be well rewarded. Darwin's market is such that for now at least some may be able to ignore those fundamentals, but when the tide goes out, so may they.

Perth

The retail property sector has had a mixed year. Shopping centre sales have had a relatively strong year with 15 Shopping Centre sales having transacted since September 2009, totalling approximately $850M. In contrast, the lower end outer suburban retail properties have not sold in great numbers. Landgate data indicates only 11 sales of retail property in the outer suburbs equal to or less than $500,000 from January this year. Often properties which form a part of older developments are finding it increasingly difficult to compete against larger regional size shopping centres for tenants and shoppers. Approximately 96,000m2 of new retail space has been added in Perth over the last year, with most of this being added to the northern corridors and Perth CBD.

Recent shopping centres sales indicate that they are generally being acquired at yields between 8% and 9%. All in all they are reasonable yields given the reliable revenue stream drawn from a broad base of tenants. Also Western Australia has steadily grown in size and wealth over the last two decades and given the relatively high average incomes suggests solid retail trading. Therefore shopping centres attract good interest when they become available to the market.

Conversely as with other asset classes, the retail property sector has experienced rising risks due to global economic and financial volatilities over recent years. Consumer sentiment and spending react quickly to adverse news which can have significant impact on retail business turnover. However, the Federal Government's stimulus package was introduced to dampen the negative impacts brought about by the GFC and over the short term improved retail trading. However, retail turnover in the State has fallen slightly for three consecutive months from April to June this year, despite the State's growing trade surplus and low unemployment. Rising interest rates and high personal debt levels have kerbed consumer spending. In addition the proposed Mining Resource Rent Tax and recent election only added more uncertainty. Flat or declining retail turnover threatens retail property directly if rents become unsustainable and new retail business unlikely to form.

Retail property also has the potential to gain from capital growth in value. Over recent years, up to the GFC retail property grew in value at unprecedented rates and investors at the time seemed convinced that there would be no end to these inordinate growths. Capital value growth certainly did however reach a peak and followed on with a decline, particularly from the latter half of 2008 to midway 2009. Values now appear to have steadied and if no other global economic or financial catastrophes arise in the near future there should be no reason for the sector to enter another declining phase. The major importance of the recent decline is that retail property value does react to global events.

....shopping centre sales have had a relatively strong year with 15 Shopping Centre sales having transacted since September 2009, totalling approximately $850M....

For private investors who don't have millions of dollars to invest there are still opportunities to acquire retail property investments. Sales of modern Strata Titled units in the Perth CBD have shown significant interest from investors. These types of investments, while no where as complex to manage as a shopping centres, still require consideration of economic factors at local, national and international levels. As well as economic factors an investor needs to consider what type of shopper is attracted to such properties and some idea of their socio-economic circumstance. Locational factors are also important. As mentioned Perth CBD retail units have attracted keen interest over the year as the location generally draws shoppers from the entire Perth metropolitan region, as well as from tourists and travellers residing within the city. Perth has also undergone significant new development and redevelopment over recent years, and infrastructure spending is still continuing. These factors benefit retail property in the area as the City improves its attractiveness and amenity which ensures continuing popularity with shoppers.

Other areas which have shown reasonably high activity have been in the Subiaco and Joondalup. Both these suburbs have also undergone significant new development and redevelopment over recent years. Significant office stock has been added which is encouraging for local retailers as better paid white collar workers fill offices in the area who shop in their lunch hours and after work.

Therefore retail property investment requires careful consideration of many factors aside from the specific attributes a property may possess. They require significant management and capital input to keep them up to date in order to provide a comfortable shopping experience for consumers and tenants alike. Hotspots in this sector generally require a catchment of shoppers who have good incomes, areas which undergo significant development and redevelopment and provide good infrastructure. Recent years has seen to the addition of new stock which has increased competition, however, may also benefit properties located nearby as more shoppers are drawn to the area. As with all property investments, purchasing a retail property investment requires a significant capital input as well as debt, so it is important to weigh the risks and have capital in reserve for future improvement.

South Western WA

Like most areas around the country, trading performances in all retail markets, excluding cafes, is currently considered to be poor. With the strong Australian Dollar and the lure of cheap holidays overseas (such as Bali) the number of tourists visiting the south west has declined. As the region relies heavily on the tourist dollar, the retail trading performances have been weak. As a consequence demand for retail development has stagnated.

Most retail markets in the towns of the South West are very tightly held and there is little available for sale. Many of the retail premises are owner occupied and there tends to be little retail space available for rent. Vacancies are very low and demand for retail rental space is also considered low, however this is kept in check by the limited supply of retail space. There has been very little retail development across the region in general recently and there is very little on the horizon in the main CBDs.

....for those investors with a longer term view, the population in the regions is expected to achieve above average growth over the next 20 years....

The big talking point in Bunbury, however, has been the recent installation of parking meters, which has seen retail activity in the CBD quieten down and result in greater activity in the regional shopping centres.

If the retail investor is after high rentals, then Margaret River and Dunsborough appear to be the shining lights with rentals in both towns ranging from $300 to $400 per sqm. Bunbury has average rentals of $250 to $350 per sqm with lower rates again being achieved in Busselton with rentals ranging from $150 to $210 per sqm for street front shops. Higher rents are being achieved in the primary street front locations, in the Figtree Lane shopping complex and in the shopping centres. There is considered to be the potential for increased rents in Busselton and Bunbury in the short to medium term coming off a low base and due to the lack of supply of new retail shops.

For those investors with a longer term view, the population in the regions is expected to achieve above average growth over the next 20 years, and strategically located retail premises will certainly grow in capital value as a result of this. Cap rates currently being achieved in Margaret River are showing 5% to 6% and 6% to 7% in Dunsborough, Busselton and Bunbury.

Residential Overview

The Month In Review continues its run on keeping you up to date with the state of the market. As 2010 progresses, it is obvious that uncertainty persists in breeding caution throughout both the economy and real estate. Signals can become mixed when those reporting on the market are digging for signs of certainty. We have now become accustomed to seeing one set of data indicating confidence is on the up just before the next set flags it's on the way down.

With this edition, we have taken a look at each of our areas and determined both the safest and most precarious location and property types throughout the nation. In many cases these observations do not flag 'hot spots' so much as demonstrate investment strategies designed to provide as much certainty as can be reasonably expected given the current climate.

Sydney

With Sydney suffering from post winter blues and the uncertainty of the Federal Election causing caution in the borrower, those that rely on the real estate market constantly turning over are not feeling as confident coming into Spring that the market will suddenly have a strong season.

....from an investment perspective, the Zetland unit market should be treated with caution....

As there will always be those vendors that have been putting off listing a property until the market 'recovers' but now have no option, the laws of supply and demand would indicate that spring could be an opportunity for the savvy purchaser to be on the lookout for a well priced property that will tick all the boxes including rental return and long term growth.

We have divided the greater Sydney area and have highlighted a variety of areas we consider as possible hero and zero areas for further investigation.

Sydney CBD/Chippendale (Hero)

The CBD unit market has seen consistent growth over the past 12 months driven primarily by the investor market. Demand by tenants wanting to reside in and around the city's universities and main employment hub have kept upwards pressure on rents, meaning good returns can be achieved. For example, studios and one bedroom units can be purchased for $300,000 to $400,000 achieving rental returns upwards of $300 to $400 per week. The demand for rental properties in and around the city should remain strong for the long term.

Zetland (Zero)

From an investment perspective, the Zetland unit market should be treated with caution and due diligence. High prices are being paid for new properties, often selling above supportable value. In the short term, the constant supply of new developments could lead to an oversupply of stock and stagnant prices, at least until the area is fully developed.

Randwick/Kensington (Hero)

The unit market around Randwick and Kensington is considered a healthy option in terms of investment potential and capital growth. The market remains relatively affordable with continued capital gains and rental returns expected, thanks to the areas proximity to the city and nearby University. Two bedroom units between $550,000 and $650,000 contain the best potential with rents for such properties currently achieving around $500 to $650 per week.

Strathfield (Zero)

Strathfield is an established middle ring suburb located west of Sydney with good public transport and access to the M4 Motorway. House values are generally priced well above investor thresholds; however, the unit market remains affordable. That saying, the unit market is seen as generally over supplied with potential for further gains in the short to medium term limited. Investors should also remain cautious of aging complexes featuring pool, gym and lift facilities occurring high strata levies, therefore having a diminishing effect on net rental returns.

Auburn (Hero)

Auburn has benefited from good growth within recent years and strong rental yields. It is an affordable suburb with a range of housing options in a central position within the Metro area. The suburb has established infrastructure in place and good transport options. Units range in value from $200,000 to $400,000 with rental returns from $240 to $480 per week. Townhouses range in value from $320,000 to $450,000 with rental returns of $350 to $500 per week.

Castle Hill (Zero)

Castle Hill from an investment point of view does lack yield for the dollars you spend. Whilst it has good regional shopping centre and an established family feel with a variety of schools and bus links to the major commercial centres, return on the investor's dollar is limited and in general it is more particularly suited to the owner occupier market.

....capital growth has also been affected by the number of units available....

A strong unit market exists around the commercial centre with several more planned or under construction. Prices for a typical two-bedroom, two-bathroom unit range from $450,000 to $520,000. Rental returns within this vicinity range from $400 to $500 per week. Capital growth has also been affected by the number of units available at any given time and the competition between a brand new development and its five-year-old neighbour that offers a similar level of accommodation but a dated colour scheme.

Cabramatta (Hero)

Two bedroom units situated in the Cabramatta market are coming back onto the market. With the end of the first home buyers grant/market there will hopefully be more opportunity for investors to come back into the market and be able to snatch a unit for the right price and get a substantial yield. Cabramatta has a strong rental market with the attraction of the train line and affordable rentals big drawcards.

Cabramatta units range in value from $180,000 to $260,000 with rental returns of $210 to $320 per week – depending on the age of the complex and the internal condition of the unit.

Cranebrook (Zero)

Cranebrook is located in the outer west of the Metropolitan area within 5km of the regional centre of Penrith. It is an established residential suburb with a local shopping centre and schools. Local services include bus transport which link to the railway line at Penrith. From an investment point of view, the rental yields and capital growth are considered average. A typical three-bedroom single storey dwelling ranges in value from $310,000 to $360,000, depending on condition, age and block size. Rental returns range from $310 to $370 per week.

Canberra

Over the last 12 months, the Canberra property market has shown significant returns on good investments. With the market easing, investors should be more astute as to where and when they buy real estate, with opportunities still available.

Units in the inner north and south as well as the new developments in and around Belconnen Town Centre and Bruce are showing strong rental returns, with steady growth. Also of note are units surrounding the Australian National University where demand for student accommodation is strong. At the start of the year large enrolment numbers caused a shortage for student accommodation and for investors this level of demand is attractive. To keep in mind, however, is a number of new unit developments both north and south of Canberra, which have started construction or in the pipeline. The market should expect the new supply to soften growth, indicating that strong yields could be a more attractive option over capital growth.

New suburbs within the ever-expanding Gungahlin region have also shown steady house price growth over the past 12 months. Forde is emerging as one of the more sought after locations in the region, mostly due to larger block and higher quality builds. West Macgregor should expect the strong growth it has seen in the past year to ease now that development in the region is nearing completion and properties are being occupied.

In the southern Weston/Woden region of Canberra approximately 15 minutes from most the city, original three-bedroom one-bathroom houses can be found for under $500,000 and for the renovators, opportunities can be seen for value adding projects and increasing the potential rent the property can achieve.

Due to the relative size and transient population associated with the ACT, there are no specific areas to avoid for investment. If you find the right property that fits your budget in Canberra, returns can be made almost anywhere especially in the mid to long-term as Canberra expands.

Wollongong

The inner suburbs (around the CBD) offer well priced properties close to the CBD, the University, hospital, major transport links (road and rail) and an array of beaches.

On offer are older dwellings on reasonably sized blocks of land, through to older units in North Wollongong right near the water, and new units.

What are the up and comers in the Illawarra? As we have been saying for some time, some of the picks to get into now are the older suburbs around Fairy Meadow, Mount Pleasant, Balgownie, Towradgi, and East Corrimal; localities with older housing quite close to the CBD and beaches, but also located within a short distance to the University's Innovation Centre; and on or near the 'Gong Shuttle' route and railway. Prices here will start around $380,000, but the upside is the benefits which will accrue from the infrastructure developing around them, and the lifestyle at the doorstep.

We are already seeing an upsurge in interest in these areas, and many knock down and re-builds are underway. A knock down in Towradgi, only 400 metres to the beach but with no views, sold recently for $630,000, above market expectations, but may well point to the future of the area.

A gem in the mix is Bellambi – keep your eyes on this suburb in the medium to long term for real value.

Other areas to look for the future are Keiraville and Gwynneville, older suburbs based near the uni and North Wollongong train station. An ageing population in these areas will see gentrification of the streetscape in the medium term as new families move in and redevelop or extend the older modest dwellings. The land is generally flat and building costs reasonable compared with many of the hillier parts near the escarpment. New for old is beginning.

Down south, you can't go past Kiama, Gerringong and Gerroa – beautiful seaside suburbs with real sea change 'oomph'. Only half an hour to Wollongong and on the train line for commuters. Values certainly went down in the past few years but there was an underlying value base – don't dismiss these areas.

What we consider as 'be careful' areas are not suburb specific – but more so rely on being close to infrastructure which may be 'value detracting'. Whether it is proximity to industrial views, busy roads or lack of infrastructure such as local shops or schools, be well aware of where you buy – this of course is nothing new for any area in Australia, but newcomers make sure you know – ask your local independent property advisor to assist you.

The Illawarra is by its nature an industrial based region, and there are some pockets which do not offer the usually expected urban amenity. And in some of the newer areas, essential infrastructure is needed to attract a critical mass to the area. The newer infill developments will provide better returns.

It may take years to improve the amenity of these areas, and in the meantime it may ensure a static or below average level of increase in value.

Far North NSW

The NSW North Coast residential property market continues to remain relatively subdued with slow demand being reported in most sectors of the market.

Discussions with local real estate agents indicate that the primary reasons for the current subdued conditions include tighter lending conditions; nervousness in residential property as an investment vehicle due to uncertainty in the overall economy; and little interest being experienced from first home buyers. There is also the ongoing effect of the (at the time of writing) unresolved Federal Election, which is creating further uncertainty.

The overall residential market for the suburb of Casino has continued to remain relatively subdued during the month of August. The rental market has also remained quiet.

One bright spot is the 40ha bush blocks for under $150,000. Some agents have reported an increase in this type of property as a weekender as it is a relatively affordable product.

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The residential property market in Lismore (including Goonellabah, South Lismore, North Lismore, Lismore Heights, Girards Hill) has also remained steady.

In respect to the residential markets for Ballina and Lennox Head, they are also generally soft at present with slow demand in all sectors.

Notwithstanding this, we consider it may be a good time to invest in the reasonably popular coastal areas with the market in a soft position. Historically, the coastal village of Lennox Head has shown reasonable growth in all sectors. Agents have reported a steadying in demand for all classes of property.

The residential markets in the Byron Shire (including Byron Bay, Bangalow, Mullumbimby and Ocean Shores) are also subdued with slow demand being reported. However, there has been recent sales activity in the mid priced sector of the market within Bangalow ($550,000 to $700,000 price bracket) and the lower priced sector of the market within Mullumbimby and Ocean Shores ($300,000 to $400,000 price bracket).

The key driver in this current market is the relationship between vendor's expectations and purchaser's perspective.

We are still observing that some vendors have relatively unrealistic expectations as indicated by a number of 'reduced prices' in the real estate weekly papers. Furthermore, properties are on the market for longer than six months if overpriced (even slightly).

Newcastle

It's a good time for entry level residential investment, with a resurgence of interest at the lower end placing some upward pressure on values. Rental returns at the bottom end are strong with rentals in excess of $280 now the norm rather than the exception. Windale and Gateshead have performed well. Traditionally these locations are lower socio economic areas with higher proportions of Housing Commission housing. Over time these houses have been systematically sold during the past few years and achieve relatively affordable prices by Newcastle standards. Rental returns are strong and record low vacancies push rentals further higher. It is not uncommon for houses to transact in the low $200,000 range and when coupled with rentals at the $280 price point the yields are attractive by most benchmarks.

Newcastle and Lake Macquarie have experienced vacancies for rental properties around 1.5%, which bodes well for low end investment property. With such low vacancy rates the pressure for rental growth is constant and landlords are able to increase asking prices at regular intervals. Keep an eye on those areas that were once shunned and are now increasing in popularity. Investors at this level compete with first homebuyers and this is a potent mix tailor-made for an increase in prices.

It is a good time to invest in housing at the moment in and around Newcastle/Lake Macquarie. Pick your spot and research the market, know what you are getting into and you should be able to make a well informed decision. There aren't really any suburbs which are performing 'against trend'. Anecdotal evidence from most agents indicates good demand is still present in most sectors, with the caveat that sales numbers have begun to fall. Whether this is a precursor to falling values is largely unknown at this stage.

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From an investment perspective, areas to stay away from would be holiday and resort complexes. We have noticed increased activity in the mortgagee in possession sector with serviced apartments and units in established resort locations. This is prevalent in both the Nelson Bay and the Hunter Valley vineyards. During downturns there is a drop in tourist numbers and harder times in the economy immediately reflect in the leisure dollar spend. Often these resorts also rely on conferences and functions and again in leaner times these events tend to dry up a little.

Investment in this area tends to show volatile returns and requires specialist investment knowledge over and above the straight forward residential sector. These units are the subject of complex management agreements and permanent occupancy restrictions. Often a trap for first-timers is the requirement to upgrade the furniture and furnishings at semi-regular intervals to a standard similar to other units in the pool. This can be an expensive exercise.

The returns have been dwindling for the majority of these units over the past 12 months, resulting in over-stretched investors being pressed by the lenders. Whilst that generally means units can appear on the market at cheaper prices that might appear attractive, we would still preach caution. Dare we say 'if it looks like a duck and sounds like a duck'…… As an investment type, there is an element that is out of your hands. Management is placed in the hands of the management company that has control over the complex and the quality of this company has a direct impact upon you investment. Accordingly we do not see this sector turning around in the short term with mortgagee in possession sales scaring the market and these can place a stigma on the complex which is tough to shake.

The increased number of mortgagee in possession sales in the resort and serviced apartment sector raises alarm bells that need heeding. When you invest in this type of property the number of unknowns and uncontrollable elements increase significantly.

NSW Mid North Coast

By the time this article is published, there will be clearer picture as to the make-up of the federal parliament in the fallout from the recent election. At the time of writing, it appears there will be a hung parliament with the balance of power resting with three or four independents, one of which is Mr Rob Oakeshott, the Federal Member for Lyne.

Lyne encompasses most of the Mid North Coast of NSW including Port Macquarie, Taree and Gloucester. Mr Oakeshott has recently reassured his constituents:

"Rest assured, I will advocate and lobby for the Mid-North Coast and for a better Parliament throughout this process."

Prior to the election, his agenda aimed for better services for rural and regional areas, including aged care services and telecommunications/broadband reform, however all sectors on the Mid North Coast can now hope for some form of improvement. The regions of Coffs Harbour to the north, and Great Lakes to the south could also be beneficiaries.

This is welcome news in this time of economic uncertainty, and any potential regional stimulus should translate to a long term underpinning of property values, particularly to the main cities and towns.

With or without a potential regional stimulus, the pick for investors should remain unchanged, and comprises the lower end markets of Port Macquarie, Taree, Forster/Tuncurry and to a lesser extent Wauchope, Laurieton, Old Bar and Wingham. Typically the best investments have a good location to the town centre and are of a slightly dated nature, i.e. constructed pre-1990. Our research has found sales volumes are currently highest for those dwellings classified as affordable, and this is likely a result of higher interest from first home buyers, investors etc due to higher returns, lower capital outlay and lower risk.

Not even an act of God (or parliament) should save the worst performing investments in this region, these being those areas with a continuing over-supply.

Large scale vacant land releases in semi-remote coastal areas, namely Harrington Waters and the Hallidays Point region have an abundance of vacant land still for sale and any speculative purchase should be ruled out. Weakened demand coupled with a lack of infrastructure such as hospitals has seen these large sub-divisions remain stagnant, hence any re-sale will be in competition with all developer allotments and a significant fall in value may be required to achieve a sale. We cite one example of a block in Harrington Waters purchased in late 2003 for $175,000 and recently sold for $110,000.

Modern high-rise apartments in Forster and Port Macquarie should also be treated with caution. One again an oversupply in this sector usually means lengthy re-sale periods being required and reduced offers being accepted. This situation will likely continue in the coming two to three year period and possibly even longer.

Investment-based resort style apartments are one of most thinly traded property types, and one to avoid at present. Slight falls in tourism, rising interest rates and tighter lending against this form of non-permanent occupied property has seen significantly weakened demand. Higher yields are being demanded by the few investors seeking this form of property and should only warrant consideration after diligent research.

NSW Central Coast

The Central Coast Region is just to the north of the Sydney CBD. Being so close to Sydney is a definite advantage and the location of the region is enhanced by the diversity of real estate found here. It ranges from the traditional beach shack to newly constructed housing to small or medium sized rural parcels and everything.

Having this level of selection can be both good and bad, so to put a different perspective on things, this month we will look at a few of the heroes and zeroes of real estate on the Central Coast.

Toward the southern end of the region, Umina Beach is screaming out for attention - and rightly so when we take a look at what's going on. This area, along with the neighbouring Woy Woy and Ettalong Beach are all essentially fully developed. So much so that redevelopment is, and has been occurring for a number of years. A number of developers were burnt in the period following the 2003 peak and we are now seeing a revival in activity. This is being complimented by the recent opening of a new Woolworths along with an Aldi Store and McDonalds outlet that are on the way. This suburb therefore is strong for purchasers and investors.

By contrast, Empire Bay is a relatively remote area which is not considered to be particularly good for purchasers or investors. Lower values and returns have been experienced in this area, although there does not appear to be any obvious reason for this. The suburb has a school, but only has a small shopping area and has struggled as an investment class area. Growth has been slow when compared with other similar locations on the Central Coast.

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At the northern end of the region, Hamlyn Terrace is a residential location which is still being developed. The majority of development comprises project style dwellings. Values here and in neighbouring Woongarrah have fluctuated over recent years, but things seem to have settled. These areas are considered to provide good value and the close proximity to the F3 Freeway, shopping, schools, lakes and beaches are an added benefit.

Budgewoi and Halekulani are older, established residential areas and whilst providing a good range of real estate, values seem to have stagnated over recent years with little growth recorded. Rental returns, however, are kept in line with the general area at between 4% and 5%.

Southern NSW & Northern Vic

ALBURY

For the cashed up investor looking to enter into the Albury/Wodonga residential market, there still remains a variety of affordable properties within the region achieving good returns relative to the purchase price required to capture the property investment.

The inner city areas such as central Albury, South Albury and East Albury are traditionally more sought-after areas with investors due to proximity to the CBD, employment, transport and amenities. The property values within these areas generally withstand any negative economical influences such as rising interest rates, due to the range of industries and employment opportunities available which keep people residing within the region and in a lot of cases relocating to the region from capital cities (Melbourne/Sydney) for university courses/training or further study.

The types of properties generally acquired by investors in the Albury/Wodonga region includes traditional well established brick or weatherboard dwellings comprising three bedrooms on a standard 500 to 650sqm allotment; and in most cases internally refurbished or partial updated. Prices paid for investment properties generally range from $250,000 to $350,000 with returns of between approximately 4% to 5 %. Other properties that have become a popular choice with investors include the typical two-bedroom, one-bathroom, brick unit with a single carport. These properties are generally easily tenanted to a range of people for periods of six to 12 months. Returns of 4% to 6% are generally being achieved for units within the region.

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For investors looking to secure affordable new residential dwellings within the region, the developing estates of White Box Rise in Wodonga and Mitchell Park in Thurgoona have become sought after. White Box Rise has been popular with investors due to the proximity of the estate to Bandiana army barracks and Mitchell Park Estate for its proximity to universities and local shopping facilities.

In the current market, areas where the investor should be more cautious when choosing an area to invest, include the older established ex-commission areas particularly where there is a large clump of the same style of house. Areas/pockets to be wary of include Springdale Heights, West Albury, North Albury and West Wodonga. These areas may be at entry level prices for investing $130,000 to $180,000, however, in many cases the dwellings within certain pockets of these suburbs are typically 1950/60s style brick/clad dwellings, a lot of which are in average to fair original condition and require extensive refurbishment works or on-going maintenance in order to secure reliable long-term tenants. Additionally, these areas generally house people from lower socio-economic backgrounds and therefore neighbourhood issues/disturbances are prevalent and should be taken into consideration when deciding on whether to invest in these areas.

Residential properties above the $500,000 mark are generally more sought after by owner-occupiers than investors in the current market, as returns tend to be considerably less/reduced in order to maintain the

investment over the long-term. An exception to this would be a block of units which generally returns 5% to 7%. However, these types of investments (block of units) are generally in low supply and in most cases acquired by investors within a relative short period of time once being placed on the market.

WAGGA

Best two performing suburbs in Wagga Wagga: (assessed on both capital growth and rental return)

Glenfield Park

Has a good mix of rental properties and owner occupiers. Glenfield Park doesn't suffer from the perceived social issues that other Wagga suburbs have. High demand for rental properties, coupled with strong sale prices has seen Glenfield Park have a good mix of rental returns and capital growth.

Estella

Estella is situated within walking distance from Charles Sturt University, roughly 4km north west of the main city centre. This location has seen constant demand from University students for rental properties. Part of Estella is a newer estate of Wagga which has also attracted many first home buyers and owner occupiers alike. This mix has seen strong rental returns and good capital growth.

Worst two performing suburbs in Wagga Wagga: (assessed on both capital growth and rental return)

Springvale

Springvale is a rural residential suburb consisting of large allotments of between 4000sqm to 2ha lots or lifestyle blocks. With virtually no rental market, this area is an owner occupiers' market. This area seems to have been hit the hardest with the financial downturn, with limited sales and very little movement of prices.

North Wagga Wagga

Is one of the oldest suburbs of Wagga and is situated in the Murrumbidgee floodplain. Due to this Wagga Wagga City Council has placed restrictions on the number of dwellings in the area and building restrictions for all new dwellings. This has increased building costs in the area, scaring away investors and developers. A large majority of North Wagga Wagga's residents have been in the area for generations and the area is very tightly held with few sales and a very limited rental market.

GRIFFITH

In the town of Griffith the best and worst areas for investment are as follows:

North Griffith and Collina in my opinion are the best suburbs for investment.

North Griffith is a suburb where the majority of homes are circa 1940-1960 dwellings with three to four bedrooms and one bathroom. The suburb is located close to town and is well sought after by the locals of Griffith. Dwellings ranging from $200,000 to $250,000 with estimated rentals of between $200 and $250 are considered to be good investments. With its location prime it's easy to attract tenants. The suburb suits the investor or the first home buyer as there is potential for long term growth.

Collina is one of Griffith's newest suburbs. The dwellings are modern and range in sizes and can be purchased from $300,000 to $420,000. It's possible to achieve a rental income of $330 to $400 dollars per week for a modern home with four bedrooms and two bathrooms. This suburb is either owner occupied or leased to local tenants. There is a potential for growth but on the other hand there is a chance that the houses could flood the market and reduce in value because of this.

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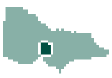
Pioneer is one of, if not the worst suburb in Griffith, due to its smaller dwellings on smaller allotments. The housing standard is generally poor to fair and house prices in this suburb range from $60,000 to $100,000. While a rental income is still generated from the properties, the potential for growth is limited as the suburb is not sort after and generally attracts an average tenant.



Melbourne

Heroes:

Rosebud located on the Mornington Peninsula region, approximately 60km of the Melbourne Central Business District, Rosebud has long been a popular destination for tourists, retirees, investors and first home buyers. Essential facilities for the permanent residence are all close by such as the Port Phillip Plaza Shopping Centre and retail shopping strip facilities operating along Point Nepean Road, primary and secondary schools and a public hospital. For the tourist, Rosebud has the benefit of being located on the foreshore, and within close proximity to all the attractions of the region such as surf beaches, golf courses, wineries and restaurants.

Rosebud

The past 12 months have seen exceptional growth in the Rosebud real estate market. The REIV median house price has risen from approximately $285,000 in June 2009, to $413,000 in June 2010. Whilst it is highly unlikely that such strong growth will be sustainable in the next 12 months, Rosebud still has the potential to be a successful long term buy and offer a reasonable return, due to its ability to appeal to a diverse market which includes first home buyers, retirees, investors, families and the holiday home market.

Although not ideally commutable on a daily basis, travel time to Melbourne is just under 90 minutes via the Mornington Peninsula, Eastlink and Monash Freeways. With construction of the extension to the Mornington Peninsula Freeway due to commence shortly, this will reduce travel time even further.

With entry level housing commencing around the low $300,000s Rosebud is relatively affordable. Investor can expect a return of around 4%. Look for low maintenance, well-located properties within easy access to the beach and shopping facilities, as these will appeal to the widest buyer range.

Seaford is a bayside suburb lying approximately 45km south of the C.B.D on the shores of Port Phillip Bay. The area is generally low lying with wetlands in the east. Transport includes a rail line and Frankston Freeway and Nepean Highway. Shopping facilities are sufficient for the town and include a Woolworths Supermarket, and a number of specialty shops and cafes around the station. The Frankston Town Centre is located only a few kilometres to the south, providing further retail facilities.

Over the past 12 months Seaford has been a solid performer with the REIV median house price rising from $345,000 in June 2009, to $425,000 in June 2010. Seaford's proximity to the beach, transport linkages and diverse range of housing options should see it continue to perform well over the mid to long term. Although the majority of homes have been constructed around the 1960s and 1970s, there has been a lot of redevelopment and renovation occurring during recent years.

Entry level prices commence around the mid $200,000 range for two-bedroom units, however, look towards houses beach side of the Frankston Freeway, ideally located close to the Railway Station and shopping facilities. Properties on large allotments with renovation or development suitability should offer good long term potential.

Zeros:

Frankston North lies approximately 38km south of the CBD. It is a bay side location of mostly low lying land serviced by major roadways to the city and Mornington Peninsula. The majority of housing is characterised by 1950s/60s commission style dwellings generally located on reasonable sized allotments. Other facilities in the area include two small shopping strips, primary and secondary schools and recreational facilities.

The past 12 months have shown solid capital growth for this area, with the REIV median price increasing from $225,000 in June 2009 to $287,500 in June 2010. Over the past six months, several properties have now sold in excessive of $300,000.

Frankston North

Although reasonable rental returns of around 4.5% are achievable, capital growth is considered to be somewhat limited in comparison to other areas in this region over the short to medium term. This is due to the high proportion of basic quality homes, with a limited amount of redevelopment occurring within the area. Although there's certainly potential for redevelopment and growth in the long run, surrounding suburbs such as Seaford and Frankston may be a better choice in the immediate future.

Safety Beach is located on the Mornington Peninsula region, approximately 55km south of the Melbourne Central Business District. Development in the area consists of a diverse range of residential properties of both a permanent and holiday nature, and of varying quality, size and age.

More recently Safety Beach has become well known for the Martha Cove Marina - a relatively unique upmarket waterfront development with an integrated boat harbour. Development of Martha Cove commenced in 2004 and was originally planned to be released in six stages over four years and to incorporate a retail component. However, with the original developer in receivership, much of the estate remains as vacant land, and retail facilities have not yet been constructed. Although land is still being released, development in the estate is slow, and there appears to be a degree of uncertainty over the future. Prices within the estate have fallen from early stages, and prices within the established areas of Safety Beach appear to have fluctuated over the past couple of years. The REIV median house price has decreased slightly from approximately $450,000 in June 2009, to $425,000* (fewer than 30 sales recorded) in June 2010.

Transport linkages are via the Mornington Peninsula freeway which provided good access towards Melbourne and the inner suburbs. Travel time should also be improved upon completion of the proposed Mornington Peninsula freeway extension which is due to commence shortly. Commercial facilities are limited in the area, with the closest shopping and education facilities located in the adjoining suburb of Dromana, a few kilometres to the south.

In the long run Safety Beach may have good Capital Growth prospects, and more recently the number of sales within the Marina has shown signs of improvement (at a lower price than earlier sales). However, in the short term there does appear to still be a bit of uncertainty in the market. Once development is more advanced within the Marina, including the commercial component, then the estate and surrounding development should start to improve.

Regional Vic

MILDURA

The residential market in the Sunraysia region continues to be slow. Our advice to potential property buyers is to focus on the main population centres of Mildura, Irymple and Nichols Point, rather than outlying towns. The smaller, outlying towns have been affected to a greater degree by the poor returns from the wine grape industry and the depressed local economy, and any recovery is likely to be long term. Whilst rental returns can be favourable the lack of capital growth limits demand.

GIPPSLAND

Investor confidence has remained steady over recent months, with rental returns continuing to be strong throughout the region. West Gippsland cities of Warragul and Drouin, together with the Latrobe Valley Cities of Traralgon, Morwell and Churchill as well as East Gippsland Cities of Sale and Bairnsdale, continue to show strong rental returns ranging between 6% and 7% due to the scarcity of available rental properties. The market still shows signs of demand exceeding supply. Generally these areas have shown population growth and solid employment prospects. This reflects a higher rate of return to investors as opposed to capital appreciation.

Regions showing the lower returns are generally the coastal areas of Lakes Entrance, Loch Sport, Golden Beach and The Honeysuckles. These are holiday areas with a semi-permanent population. There is limited employment and population growth within the beach areas. These areas are heavily dependent on tourism and the market is subject to seasonal fluctuations.

ECHUCA

The local residential markets tend not to be prone to the massive swings evident in suburbs of the major cities and consequently investors need to make smart choices when it comes to selecting properties. Given a lack of volatility investors need to buy in at the lower end of what might be considered to be a reasonable price range for properties, perhaps do some minor updating and claim the tax benefits through a tax depreciation schedule and secure a good tenant in order to achieve reasonable returns.

Adelaide

Overall the Adelaide residential property market has performed reasonably well for investors during the first half of 2010 with capital growth and a slight increase in rental rates. This coupled with the lowest vacancy rates for many years is expected to translate to a greater demand for rental property in the short to medium term.

Historically the outer southern (Hackham, Morphett Vale) and northern (Munno Para West, Parafield Gardens) suburbs more than 15km from the city have shown consistent yields in the vicinity of 5%. Generally, these areas are relatively inexpensive to get into - $250,000 for three bedrooms in the south and $230,000 in the north and the proportion of renters to owners has traditionally been high. Of significance in these areas also was the recent increase in the Land Tax threshold to $300,000 which decreases the 'add on' costs of buying. Reduced activity/competition from first home buyers, after the flurry of 2009 when extra money was being granted, has also made these areas more attractive to investors.

Capital growth, however, has been negligible since late 2009, early 2010, so these properties are best viewed as long term investments under current market conditions.

The lastest figures released by REISA (second quarter 2010) have indicated that many western and beachside suburbs have recorded median price increases in some cases up to 40% over the past 12 months. These areas have also benefitted from an increase in median rent of around 15% in the same time. Apparently ticking all the boxes with good prospects for longer term capital growth and reasonable rental returns, these areas are worth considering if you are in the market for an up market investment property.

High density apartments remain as a tricky proposition in many localities. New Port located at Port Adelaide and completed in the past five years has been plagued by low residency and poor re-sale values (sales evidence shows many properties have sold for significantly less than they were originally purchased). The same can be said for some inner city apartments although micro locational factors are often at play in this particular market.

Investment in high end residential property appears to be best for owner occupation in mind due to the limited rental returns that can be achieved. With a ceiling on weekly rental of around $1000 - regardless, a $2 million property for example would yield only 2.6%. The number of tenants seeking accommodation at this level of rental also is possibly quite limited at this time.

Brisbane

Which do you want first, the good news or the bad news?

Let's start with the good and it's a perennial favourite but when things get tough, shoot for quality. Any relatively affordable property within near city suburbs will prove the most resilient in these trying times, and should offer the best chance of capital growth in the medium term.

Importantly, do not read 'relatively affordable' as 'secondary quality'. It is better to stretch the dollar a bit and buy a dodgy looking second had unit with good bones and quiet position in an area such as Ascot or Toowong, rather than a brand newie in the same areas that is the size of a bathtub and has full exposure to rail noise. The good thing with these units is that they always have a strong rental demand and some value-add potential if you get something that needs a little love.

If the budget stretches even further, established character housing is always a strong bet for us Queenslanders. A good useable block of land with a wide-eaved home providing plenty of outside living might set you back a few dollars, but it will definitely prove a safe long term bet, particularly in established areas such as Ashgrove.

....any relatively affordable property within near city suburbs will prove the most resilient in these trying times....

Transport-oriented development looks also to be a winner in the near future. We have already trumpeted the good times for detached Kedron housing with the establishment of the new bus way, but don't forget some of the other train line suburbs out to the west and north. Albion and surrounds should always be fairly solid, whilst Auchenflower is almost never a loser.

As much as we like to think Brisbane is the caped crusader of the capital centres, it seems we too have a few zeros amongst our ranks. Our dramatic rise to big time major metropolis over the past decade has seen unbelievable growth for our city's real estate, but we are not immune to the market zeitgeist and, as such, there are some areas that you should steer clear of.

The first that comes to mind is on the Redcliffe Peninsula and specifically high rise unit developments. A favourable council hell bent on turning the area into something beyond a sleepy seaside habitat went gung ho with developers to create a mini Surfers Paradise along the esplanade. The result was a number of multi-level unit projects designed to take advantage of the views and the natural attributes that usually have investors salivating. Unfortunately the suitors became a little too enamored and far too many projects came out of the ground, with many units snapped up by out of town buyers for prices well beyond the average local punters cashbook. The result - there is now a glut of these attached dwellings throughout the area. Some initial buyers have lost large money and given the abundant supply on the market and the near zero demand from well informed local buyers, the prospects of growth appear somewhat limited for some time at least.

....the slowdown isn't just restricted to the north....

Outer (very outer!) suburb new house and land projects are also another sector to avoid, particularly if you're speculating on a build. Areas such as Morayfield and Caboolture are well serviced by transport, shopping and schools but there is also a substantial amount of land ready and able to be subdivided in the suburbs. Given the current climate and the relative inelasticity of construction costs, there is pretty much no margin in a new home build. Leave these to the owner occupiers willing to pay a premium in order to get a bespoke home and instead, check out some near new (i.e. 12 to 24 months old), second hand dwellings which have some long term upside.

The slowdown isn't just restricted to the north, with far southern suburbs also feeling the pinch. For a while there, first home owners had some cash to throw around and many were looking to shoot low to try and stretch their government grant further with regards to percentage of purchase price. Now this sector has slowed, many of the secondary properties in Loganholme, Woodridge and Kingston are having trouble finding buyers so any growth is probably some way off.

Overall Brisbane continues to be a stable market but affordability has become an issue. Stick with the fundamentals and you should be able to avoid too much pain if things sour.

Gold Coast & Tweed Coast

GOLD COAST

Central Gold Coast

Overall market sentiment has remained very slow/ subdued over the winter months, with minimal market activity and some less than impressive sale results. There has been a significant drop off in the number of sales and selling prices, and fingers are crossed that demand will increase as the election is out of the way and the weather warms up. Some interesting recent sales include:

- Unit 501 and 502 'Seabreeze', 63 Garfield Terrace, Surfers Paradise is currently under contract for $1.5 million. Comprises the amalgamation of two top floor units situated in an older style medium-rise beachfront building. It was previously sold in January 2007 for $2.05 million, with full renovations undertaken since, at a reported cost of $400,000.
- Unit 2401 'The Wave' Broadbeach is currently under contract for $1.15 million, including furniture. Comprises a 24th floor, three-bedroom, two-bathroom unit with total floor area of 176sqm. Previously sold off the plan in September 2004 for $1.19 million.

The Wave - Gold Coast

- 27 Francis Street, Mermaid Beach is currently under contract for $1.165 million. Comprises a 2008 single level dwelling with three bedrooms and two bathrooms, a 145sqm living area, double carport and inground pool. The property was previously sold in October 2007 for $1.15 million, and the current improvements were built in 2008, at a reported cost of approximately $400.000.
- 15 Andrew Avenue, Broadbeach Waters is currently under contract for $855,000. Comprises a semi-modern style part two-level dwelling situated on an 880sqm north facing canal front allotment. This property previously sold in August 2005 for $825,000.
- 16 Allawah Street, Bundall is currently under contract for $680,000. The property is an early 1970s single level brick veneer house situated on an 873sqm south-west facing canal front allotment. This property previously sold in November 2008 for $715,000.
- Unit 2302 'Freshwater Point', 33 T E Peters Drive, Broadbeach is currently under contract for $265,000 including furniture. This property is a one-bedroom unit with a westerly aspect in the building. The original sale of this unit was in June 2006 for $375,000.

From an investment point of view I would suggest investing in housing in the $400,000 to $850,000 price bracket in central localities such as Broadbeach Waters, Mermaid Waters, Miami, Burleigh Waters and Robina/ Varsity Lakes. Rental demand remains solid for these properties, however, there is currently an oversupply of unit stock for rent.

Beaudesert/Scenic Rim Residential

The month of August has seen a further slowing in the market in the Scenic Rim and southern Logan City area. The combination of unrealistic vendors and 'hard-nosed' purchasers has seen a number of negotiations not proceed. Notwithstanding this comment, there have been a number of good quality rural properties sell within the past few months albeit at prices similar to those achieved a number of years ago.

These include:

- Wadham Park 1 which was previously earmarked for redevelopment by Queensland Racing has now been purchased privately in a contradeal. The property was marketed with an asking price of $9 million. This property comprises 33.67ha of land improved with good quality horse training facilities including training track, numerous stable blocks, three houses, and frontage to Canungra Creek. This property was purchased along with the adjoining piece of Elysian Fields fronting the Mundoolun Road. This parcel comprises a 56.97ha allotment improved with a renovated Queenslander, various outbuildings, fully irrigated polo fields, large dam and frontage to Canungra Creek.

Wadham Park - Gold Coast

- Manning Downs (formerly Bega Hills), Lamington National Park Road, Canungra sold for $1.75 million in April 2010 on auction day, but prior to auction. Comprising a 77.7ha equine/grazing property with good quality improvements including two dwellings, sheds, stables, stockyards, small pockets of creek flats and good quality fencing. This property has been bought and sold a number of times over recent years, including November 2005 for $1812 million and July 2008 for $2 million, including some machinery and equipment.
- A 41.015ha vacant allotment on Beaudesert-Beenleigh Road with frontage to the Logan River has changed hands in March 2010 for $720,000. The land is predominantly cleared to natural pasture with approximately 50 acres of alluvial flats and 1km of frontage to the Albert River. The property has domestic and stock pumping rights from the river. There is a small elevated hill located along the northern boundary offering a good house site with panoramic rural and mountain views.
- Closer to Canungra, a 60 acre vacant allotment has been purchased for $1.2 million. The land formed part of the old 'Canungra Raceway' site that did not proceed and is now being sold as individual parcels. This is a good quality, gently undulating parcel with frontage to Canungra Creek and within three kilometres of the township of Canungra.

It seems that any good quality, realistically priced property continues to sell and in some instances achieve a premium, however any property that may have any perceived issues is taking longer to sell and typically at a discount to prices achieved in previous years.

Canungra has once again hit the spotlight with the Scenic Rim Council approving the development of the old caravan park site into a shopping centre with one major tenant (IGA), 150 car spaces and a number of smaller retail stores. The development is conditional upon the immediate catchment area growing to 1800 homes before commencement. This increase in house numbers will be hindered by the ever present problem of water supply and sewerage facilities within the township. There is mixed feedback in the town with regard to the impact of the development on the local community and it is anticipated that an appeal will be lodged against the decision.

Prices within the township of Canungra remain stable, with little enquiry at present. Rentals are steady with three-bedroom, two-bathroom homes in the Riverbend Estate achieving rents just under $400 per week, with values sitting in the mid to high $300,000 price bracket for a typical home. All agents are reporting little or no enquiry and rural residential or lifestyle properties priced under $1 million are taking longer to sell.

Agents in Beaudesert are reporting little enquiry and note that there are a number of properties priced under $300,000 which are not selling. This can be attributed to a number of developments which have been released over the past 12 months and include brand new house and land packages for less than $300,000 and include a 'turnkey' product with four bedrooms, two bathrooms and double lock-up garage. These estates are typically being sold to the investment market with a guaranteed rental return of around $350 per week making them an attractive investment. However, if the market continues to be flooded with this type of product, competition within this sector will be high and values will possibly decrease. Rental levels within the township of Beaudesert have remained stable with an older style, three-bedroom, one-bathroom home renting around $280 per week. Currently, purchasers in this market are seeking property for potential capital growth based on a number of announcements for the area including the redevelopment of the Beaudesert Race Track and the Bromelton Industrial Precinct/Inland Port.

Beaudesert

Jimboomba and the Flagstone Estate seem to be moving along, albeit slowly. The developers within Flagstone recently introduced a $10,000 rebate on settlement and a chance to win $25,000 in an attempt to move the last of their remaining stock. This offer has now been extended and there are still a number of lots available within the estate. Houses within Flagstone are achieving prices between $370,000 and $425,000 for more established houses and rentals typically range from around $360 to $400 per week.

The Flagstone/Jimboomba area is popular with commuters working in Brisbane who want to live in a more rural setting but still be close to the city, an approximate 40-minute commute. This is another capital growth driven market, as the Flagstone area increases in size and services. Proposed major development in the area reportedly includes a large shopping centre precinct and associated services. This is reported to be part of the next stages of development, however, a timeframe has not been released at this stage.

At present, investors are holding off buying in the area and seem to have gravitated back to the more centrally located precincts that offer value for money, choice in property and stable rental returns.

TWEED HEADS

In the far northern NSW market, Banora Point has been slowly selling over the course of the past month and can be seen as a reasonably good place to invest. Banora Point is situated just south of the Queensland border next to Tweed Heads.

Typical housing stock in this suburb provides a semi-modern to modern lowset brick and concrete tile dwelling providing three bedrooms and two bathrooms, with double lock up garage situated on a 600sqm block. These homes range from the low to high $400,000s. This locale has appealed in the past to the first time home buyers and investors due to the affordability and stability of the residential property market. Ample services are located in the area with regional shopping in adjacent Tweed Heads. Banora Point is also in close proximity to the southern Gold Coast for work/commuters. This would have been a far more arduous commute a couple of years ago, however, since the completion of the Tugun Bypass it has made the trip up to the Gold Coast a lot quicker. There is the potential in Banora Point for further slow capital growth on residential property over the next two to three years.

Banora Point - Tweed Heads

In Murwillumbah, 25km to the south west of Tweed Heads, dwellings are also selling, however, for a lesser amount!

....this locale has appealed in the past to the first time home buyers and investors due to the affordability and stability....

Two large new subdivisions have been completed in Murwillumbah in the past two years with vacant land for new homes in Stockland's 'Hundred Hills' and Metricon's 'Riva Vue' steadily selling as vacant land or as house and land packages. Recently sales of house and land packages for a standard new lowset brick and concrete tile dwelling providing three bedrooms and two bathrooms with double lock up garage on a 600sqm block would cost a prospective purchaser between $370,000 and $450,000. Approximately half of the new residential blocks created have been sold, with the majority of these having been or in the process of being built on. This has provided ample residential stock for sale in Murwillumbah, which is having a dampening effect on the overall residential sales market of older/existing homes. In speaking with local Murwillumbah real estate agents, inquiries have been down over the past four weeks. The agents report having a good supply of older homes priced from the low to high $300,000s, but few buyers. Further to this, I also wonder when we will be seeing some resales from first time home buyers in the new Stockland or Metricon estates. Some of the original first time home buyers are now getting close to the one year point from when they first bought and this combined with the increase to variable mortgage rates, might be pushing some first time home buyers to the early stages of mortgage stress. So it is likely that potential for capital growth for residential property in Murwillumbah will be low in the next one to two years.

Sunshine Coast

Uncertainty is a killer in any property market. With uncertainty, purchasers hold off on making decisions and decide that now is not the time to 'pull the trigger'. We were hoping that uncertainty created by the Federal Election would be over, with one side winning. Unfortunately with a hung Parliament, uncertainty is continuing. In the wash-up, uncertainty is always used as an excuse not to act.

We are continually asked, 'if we're going to invest, which suburb would you/would not invest in'? Good buys or good investments are not found in any particular suburb on the Sunshine Coast. In the current economic climate, it is more a case of the individual property and the circumstances surrounding the sale. Vendors that are under pressure to sell are typically at the mercy of opportunistic buyers and 'good buys' are happening.

An example of this is a recent sale in Noosaville. The property was sold by a vendor under duress with the sale price being at $1.2 million. A couple of weeks later, this property was listed on the market for resale at $1.65 million. This purchaser is obviously looking for a 'quick flick' to make a tidy little profit. It is these sorts of opportunities that buyers need to keep an eye out for, rather than just specific suburbs.

The Sunshine Coast is different to capital cities and some major regional where property values are not simply dependent on distance from the CBD. Whilst the age old maxim of 'location location location' will always remain valid, and this sort of market does bring up more opportunities to buy into great locations, the circumstances of the seller are now generating the best buying opportunities which just won't come your way in more stable markets.

....unfortunately with a hung Parliament, uncertainty is continuing....

The key to bringing all these opportunities together at present is sourcing good, independent, third-party advice and being prepared to act. Whilst advice may cost you a few dollars, it will save you, or make you, tens of thousands or even hundreds of thousands in the end. Profit is most often secured by purchasing well in the first instance than by selling well.

Southern Queensland

TOOWOOMBA

The city of Toowoomba has experienced a tightening in the availability of rental properties since January 2009 with a current vacancy rate of 1.3%, with approximately 189 properties available for rent (Source: SQM Research). This is a slight increase on the April/May period where one agent reported nil vacancy on their rent roll.

Vacant land prices have increased in the order of 15% to 25% during the past 12 months being the direct result of a severe land shortage with interstate and intrastate investors exacerbating this shortage for locals. A recent quarter acre lot on Boundary Rd sold for $143,000.

Numerous House and Land packages have been prevalent in the western and northern suburbs of Glenvale and Wilsonton. A point of interest is the decline in building costs, where builders are generally offering contracts at lesser rates than six months ago. These suburbs have generally been popular with investors who have been seeking a new turnkey package. These western suburbs are well serviced by local shopping centres and schools and appeal to those who are seeking to live on this side of the city and travel to work in the regions to the west.

The Clive Berghofer development off Nelson Street in Kearneys Spring will reportedly yield in excess of 300 lots, of which approximately 47 have been developed. We understand that approximately 300 applications for expressions of interest to purchase were received for this first stage.

The suburb of Rangeville is characterised by 1960s to 1990s style dwellings. Many of these are in original condition and ripe for renovation, with many having already having undergone a transformation. This area is well located to private and public schooling, shopping and local parks. The High Street Plaza, which contains a supermarket, hardware store, DVD hire and other specialty shops, is at the centre of this suburb and within easy walking distance of a large number of residential properties. The Plaza has recently been demolished and work is well under way to construct a new shopping centre which will benefit the area. Rangeville is a desirable residential suburb and still offers affordable housing for owner occupiers and investors alike.

East Toowoomba is a prime eastern suburbs location which features many colonial style dwellings which have in many cases been extensively renovated. Well located to the CBD, and private schools, this sought after area is tightly held. This suburb is mostly owner occupied. This area is becoming increasingly more difficult to source well priced property in this suburb which would suit renovation.

Central Queensland

ROCKHAMPTON

The residential market in both Rockhampton and the Capricorn Coast has slowed considerably over the past 18 months, with reductions in both sale volumes and median sale prices. Concerns over the continuation of the trend of increasing interest rates combined with the threat of new Federal Government taxes have contributed to a reduction in confidence. With low vacancy rates throughout the region, rental returns, rather than short term capital growth, are currently driving the market.

The town of Gracemere, which is located approximately 10km south of the Rockhampton CBD, still has a large supply of vacant land awaiting construction of dwellings. Vacant land in this locality has been aggressively marketed to non-local investors over recent months. There is still a substantial amount of englobo land identified for future urban development. The proposed construction of a new shopping centre and the announcement of a future heavy vehicle bypass road located in an industrial area on the fringe of the town may attract investors over the next few years.

In the city of Rockhampton, the southern suburb of 'The Range' offers standard to good quality aged homes which tend to hold their value and offer good rental returns. Some homes in the suburb of 'Wandal' still offer good value for money for standard quality highset and lowset timber dwellings.

Over recent years, the majority of new residential development in north Rockhampton has occurred in the suburbs of 'Norman Gardens' and 'Frenchville', with modern brick onground homes. These homes offer standard to good quality accommodation and have been selling in the price range of $400,000 to $550,000. The market above this price range is thinly traded. The University of Central Queensland is located in the suburb of 'Norman Gardens', and consequently the number of properties purchased for investment in this area is above average.

With median sale prices falling over recent months, prestige accommodation is requiring extended selling periods. For those vendors prepared to wait, they may still be able to achieve a sale in this top end of the market (above $650,000). Available beachfront property is scarce on the Capricorn Coast, however a new two storey dwelling was reportedly sold to a Melbourne purchaser in early August for between $2.1 million and $2.2 million.

BUNDABERG

We believe that the place to buy in Bundaberg is on the waterfront. It traditionally performs well in all markets. The main driver is the capital growth over the medium and longer term.

We see that the lower end of the residential market range has been popular for the mum and dad investors who have been negatively gearing. They get a good rental return on their investment coupled with a good capital gain in the longer term.

The unit market on the coastal strip is still experiencing some softening and could be an attractive proposition with some good buys on the horizon.

In summary Bundaberg is still an area that is affordable where 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 slow activity occurring in most sectors. Amongst the best suburbs to invest are Urangan, Nikenbah and Dundowran Beach. There appears to be considerable supply in these areas, with vendors having to reduce prices to achieve a timely sale. One factor contributing to the oversupply of units and housing in general seems to be due to a decrease in employment in the region with the unemployed moving to larger cities and placing their property on the market.

Urangan may hold some future capital growth in terms of investment due to the impending marina expansion, and another five star resort reportedly set to start construction later this year. The vacant land market in Nikenbah and Dundowran has become more affordable while still offering large quality parcels. While the values in all three areas have shown some slight declines in value, rental values have remained stable. Vacant land on large 2000sqm lots has been appealing to young families in the outer suburbs, mainly in Dundowran Beach and Wondunna.

....one factor contributing to the oversupply of units and housing in general seems to be due to a decrease in employment....

Due to the current economic climate, investors are looking to hold onto property for a minimum of 10 years to take advantage of capital growth opportunities. This has come about due to decreased demand and oversupply in these areas.

Traditionally property in Pialba, Scarness and Torquay would be attractive for investors and property developers looking to develop units. However, due to the oversupply of units in the region and a reduced rate of sale, investment in this sector is no longer as appealing. Investment units may experience longer periods of vacancy due to increased supply. To attract long term or holiday tenants, rental values may have to be reduced.

GLADSTONE

One of the Gladstone suburbs which has seen some movement in recent times is Barney Point, with sales in the main, at sub-$300,000. The suburb is well located, being in close proximity to the CBD, and also some local beaches. Comprising mainly older, lowset dwellings, many of them are able to be renovated, and this may be the attraction to some degree. Coming off a low base, this may be one of the suburbs with the best potential for long term growth.

None of the suburbs in Gladstone would be considered no-go zones, with sales taking place throughout all of the suburbs. Sales have slowed at $500,000 and above, with the $300,000 to $450,000 market range showing a number of sales, as well as new dwellings in the similar range showing some increased interest amongst buyers.

There are still a number of non-local buyers, and some 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.

The recent proposal by the Federal Government for the introduction of a resource unit tax, could however adversely affect further investment in LNG and coal mining, both of which are important to the Gladstone economy. This could flow on to the Gladstone real estate market in the form of reduced demand for housing. The final nature and effect of the tax is not known and will not be for some time.

WHITSUNDAY

Residential Investment Outlook

Whitsunday's (Airlie, Cannonvale & Jubilee)

Values and rental levels have come off considerably since the peak of the market which occurred throughout 2007. An oversupply of vacant land and units has resulted since. With the decrease in rents, there has been a shift in demand from units to houses. This has resulted in a shortage of houses currently available to rent. A four bedroom, two bathroom modern slab onground dwelling in Cannonvale priced between $450,000 and $500,000 would typically rent for between $450 and $500 per week.

....vacancy levels have increased across the board in Bowen....

Sales agents have reported a slight increase in enquiries recently with a fairly even split between owner occupier and investor sales occurring. Affordable vacant land and affordable house and land packages have become the most sought after properties.

Bowen

Investor interest in Bowen is primarily in older dwellings situated on Residential R2 zoned allotments which have the ability for development into small unit complexes. Recently, vacancy levels have increased across the board in Bowen, however, with Stage Three of the Abbott Point Coal Terminal and the commencement of construction on the Missing Link Railway line just around the corner, demand for rentals is sure to increase. There is a preference for small modern units in the rental market, with these properties snapped up quickly. Modern two-bedroom, two-bathroom units rent for as much as $520 per week furnished. There is approximately a 60/40 split between owner occupier purchases and investor purchases, however the outlook for 2011 is positive.

Proserpine

Proserpine is traditionally dominated by local investors with very little outside interest. The residential dwelling market is largely an owner occupier market. Vacancy rates for rental properties have increased steadily over the past 12 months with a preference to more modern dwellings. Interest in both rentals and purchases has remained relatively subdued in comparison to other areas of the Whitsunday region.

Collinsville

The rental market in Collinsville is dominated by the mining industry. Prior to the GFC most investor sales came from outside investors. However, the past few months have seen an increase in interest from local investors. This is most likely due to the imminent opening of two new coal mines, the Drake Coal Project and Jax Coal Project, with construction on the Drake Coal Project tipped to start as early as Dec 2010. The demand for rentals is sure to rapidly increase on the commencement of construction on this mine and is expected to increase investor interest in this area.

Cairns

The Cairns market continues to bounce along the bottom of the cycle with very little distinction between locations and sectors. There are glimmers of activity starting to show through in the traditional lead suburbs but it is not yet sufficiently wide spread for us to call a general recovery.

Stronger tourist numbers this season are infusing extra activity and jobs into the local economy, and more importantly extra confidence into the market, but progress is slow. The light is on at the end of the tunnel, but it is a long tunnel and its slow going getting there.

There is also a generous supply of new property on the market at present relative to current rates of consumption, but we do not believe this to indicate a fundamental oversupply, for the following reasons:

* The present level of supply is below that prevailing under normal market conditions in Cairns, and is progressively reducing as the rate of consumption exceeds the slow rate of new construction and development,
* The current ratio of stock to sales is high only because of the abnormally low rates of sale. As sales rates recover along with the economy in general, the stock to sales ratios should revert quickly to more normal levels,
* Prices have by no means collapsed, and;
* Once demand does recover as will inevitably happen as the economy continues to recover, there is the possibility that shortages will start to materialise due to the paucity of new construction and development.

Rental vacancy rates are starting to creep up again, largely we suspect because the usual peak season population influx this year has not been as strong as in previous years due to the perceived state of the economy. A further influence has been the carry over effects of last year's First

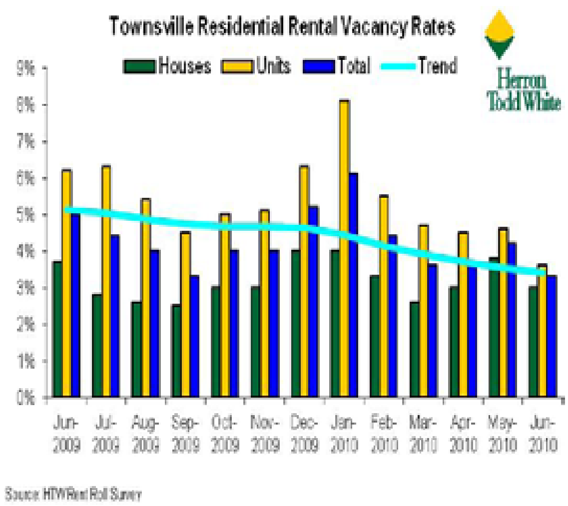
Home Buyer scheme, which is now taking a number of people out of the rental market to become home owners. Our latest Herron Todd White Rent Roll survey shows July 2010 vacancy reading (in year round average trend terms) of 4.2% for houses, 5.8% for apartments and 5.1% overall.

With very little extra supply coming into the rental pool as a result of the slowdown in new housing construction, we do not believe the present level of vacancies to be a cause for concern. However, it does mean that rents are likely to remain steady to slightly declining over the near term.

Townsville

When considering the investor market in Townsville, it is important to get an idea of the dynamics of the city. Townsville City Council has an estimated residential population of 181,743 people as at June 30, 2009. Recent data published by the OESR indicates that Townsville is the largest growing Local Government Area (LGA) outside of South East Queensland and the fifth largest growing LGA in regional Australia. Townsville has a broad economic base including defence, education and government.

Our rent roll survey indicates a current vacancy rate for Townsville of 3.4% as at July 2010. This vacancy rate has been on a tightening trend as a result of on-going rental demand coupled with the limited amount of new supply coming onto the market.

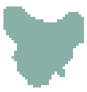


Some factors to consider when investing in the Townsville market are to look at the perceived social stigma attached to some localities. Those locations having perceived social issues, whilst still offering satisfactory returns, may not provide the capital growth of many other locations. These localities can experience negative pricing pressures in softening markets and may prove difficult to on-sell and in some cases even rent. Furthermore, some of these localities generally have older homes that do not offer the advantages associated with tax depreciation. This is a major consideration for the astute investor.

Areas perceived to be less impacted by social issues generally offer a product of higher quality and stronger capacity for both rental and capital growth potential.

Herron Todd White professional Tax Depreciation experts indicate that the average modern new home in Townsville gains tax average depreciation benefits of approximately $7,000 to $8,000 per annum. This makes the investment much more attractive when compared to some existing older homes (pre 1985).

With the Townsville rental market, a vacancy rate of between 3% and 5% represents a balanced rental market with rents remaining relatively stable. When the vacancy rate falls below 3%, historically this puts upward pressure on rental rates and we see landlords asking tenants to pay more rent.



Tasmania

HOBART

The residential market over the past six months has remained very slow throughout all price categories within the greater Hobart area. Some price decreases in all sectors of the market have been seen however no real correction has occurred yet.

The global economic crisis appears to be continuing. The US still has 0% interest rates, 10% unemployment and low consumer sentiment while the Europe markets are tightening their belts because of less Government spending due to debt reduction. This could result in less demand for Australian products and hurt any chances of a local recovery anytime soon. It looks as if there is going to be a global credit squeeze as Governments borrow more and banks struggle to raise capital.

A concern that exists is in the bottom end of the market. Areas affected include the northern suburbs of Chigwell, Glenorchy and Berriedale. We have long believed that a bubble has existed in this market due to uninformed first home buyers purchasing property in the past 18 months at slightly above market parameters due to competition and agents overinflating prices to 'buy' listings. With the inevitable likelihood of interest rate increases, first home buyers and investors may indeed end up struggling to make payments on the mortgage and hence be forced to sell. This will create an oversupply and combined with weakened demand, see values fall. Many agents are still talking up the market when the reality is that the market is depressed.

I would be very cautious as a first home buyer or as an investor looking to get into the bottom end of the market at present. Opportunities do exist, but proceed with caution. Values do seem slightly inflated and retractions may occur.

....Tranmere and Kingston have seen prices fall and it appears as if land values have also weakened....

The top end of the market has also seen some price decreases over the past six months. Prestige suburbs such as Sandy Bay and Battery Point have seen subdued demand and vendors forced to meet the struggling market if a sale is to be negotiated. However, long term, these are the suburbs to invest in. Any inner city or fringe city suburb including Glebe, West Hobart, South Hobart and also parts of New Town are considered to be the ones to invest in due to their close proximity to the CBD.

Which brings us to the middle market - the traditional mortgage belt. Many new homes within the suburbs of example Tranmere and Kingston have seen prices fall as well. It appears as if land values have also weakened. This may be due to an oversupply of new and as new product. Many of these houses were constructed during boom times whereby builders charged a small fortune to construct. These premiums that were paid for these properties may now not be recoverable in today's climate. Be a little wary in Tranmere, Old Beach and Kingston.

The outer lying regional townships for example of Primrose Sands, Dodges Ferry and Carlton are struggling for sales. There is little demand in these areas unless the perceived value for money ethos is met. Values have fallen slightly in these regional areas that are approximately 30 to 45 minutes drive from the CBD. These regional areas are probably best to avoid as any capital growth in the short term seems unlikely.

Other regional areas such as the south Huon Valley and the peninsular as well as the east coast towns for example Orford and Triabunna, are struggling as well. Many of the economies of the regional areas and townships are tourism and fishing based. As the general world and domestic economy softens, property prices have started to slump due to losses in employment and general lack of demand. Selling periods are increasing.

Many of the proposed developments, such as the golf course in Orford have been placed on hold (and indeed may not happen at all) and thus prices in these areas have softened in the past twelve months and may soften further in the next year. These regional areas are possibly one market to be very cautious with at present.

LAUNCESTON

Launceston's market has slowed over more recent months; partly we believe as a response to the previous interest rate rises, part due to rising unemployment and part can be put down to the 'wait and see effect' elections always seem to have.

This is not the market to invest looking for a short term gain. Investors should have their eyes a bit more on the horizon and be looking at the medium to longer term. That said housing pressure is continuing to put upward pressure on residential rental levels. Suburbs such as Summerhill and Prospect (older area) offer good local amenity (shopping centres, parks, primary and high schools, medical facilities, public transport etc) and below median price to median priced housing. Properties in this region historically rent well and given a brick purchase can offer a lower maintenance option. Returns around 5% gross would be expected. Inner city housing offers a lower initial yield but an expectation of a higher capital growth over time. Demand for housing in this region remains.

Now is perhaps not the time to be punting on some of the lower socio housing suburbs such as Rocherlea. This suburb while having facilities is a bit of an enclave. Yields while higher (7% gross or thereabouts) are achieved with the expectation of lower capital growth and potential of higher vacancy and maintenance costs. We have seen this area to be thinly traded and softer pricing.

George Town to the north of Launceston and Scottsdale to the north east are examples of regional towns that are suffering due to the faltering economy. Prices are going through an adjustment phase and there remains some volatility. Until this settles these maybe markets to steer away from an investment view point. However ,once the bottom is reached both could offer buying opportunities given the local infrastructure within each town.

Darwin

The Darwin property market has experienced solid growth in recent years as a result of strong rental returns and low vacancy rates, a strong local economy, low interest rates and incentives offered to first home buyers. This market appears now to have slowed with values flat lining in value within some areas of Darwin. Some Darwin agents have indicated a shift in the supply and demand balance with supply being greater.

Whilst there is evidence emerging to show reduced values in some areas we are yet to see any significant consistent evidence of a contraction. However, this may simply be as a result of the evidence lag as vendors slowly become educated to the altered market conditions.

Any market movement up or down requires both purchasers and vendors to accept the movement and it fair to say that purchasers are more willing to accept an increasing market than vendors are willing to accept a contracting market. It would seem that it is this market conundrum within which many sectors of the Darwin market are now embroiled.

So with current market conditions, what areas would I invest in and what areas I would stay away from?

Areas to consider investing in:

1. Darwin is continually growing and is currently undergoing a $110 million dollar upgrade of Tiger Brennan Drive plus infrastructural improvements to the Stuart Highway, Girraween Road intersection (completed) and further expansion of the Coolalinga Shopping Mall. This will lead to improved market sentiment surrounding the issues that have previously dampened the appeal of the rural area, namely the availability of commercial precincts and the commuting times to the CBD and Palmerston. However, areas such as Virginia, Howard Springs, McMinns Lagoon and parts of Humpty Doo that are considered to be closer to available facilities and transit routes are in greater demand than further out areas such as Herbert.
2. Northern ocean frontage suburbs within the localities of Nightcliff and Rapid Creek have been a highly sought after area with renters, investors and owners alike. The suburbs provide a good mix of prestige property and entry level, dated and affordable high density units. These two suburbs are within 10km of the CBD and within close proximity to the Hospital, University, Nightcliff Shopping Centre. The suburbs encourage exercise and outdoor activities along the Nightcliff foreshore with barbeque facilities and parkland area with the popular Beachfront Hotel open till late for those wanting to wind down. Also Nightcliff hosts the popular tourism markets every Saturdays. As with most places within Australia, proximity to the ocean, particularly ocean views should ensure capital growth will continue into the future.

Areas to stay away from:

1. There has been a large supply of newly built prestige units released onto the market by recent large complexes such as One30, Wharf One Waterfront, Pandanas and Arkaba either for sale or for rent. This saturation of units is seeing a shift in the unit market from three-bedroom prestige style units to entire complexes of smaller one and two bedroom units designed for the investor and first home buyer market. These prestige units above say $800,000, have been absorbed at a higher rate than previously expected. However, there remains a lot of stock still available for sale. Wharf Two will start construction within the next few months with a further 125 apartments adding to this CBD unit supply. This oversupply resulted in a softening of sale prices and achievable rents in this sector of the market could have a flow on affect. It is this market sector that is most at risk of contraction or further contraction.

....the suburbs encourage exercise and outdoor activities along the Nightcliff foreshore with barbeque facilities and parkland area....

The demand for more 'affordable' units has lead to the altered configuration of many developments around Darwin. There exists a genuine possibility that this market will too fall victim to the same fate as the prestige market. A large oversupply of newly built stock dampening rents and capital values.

2. The Palmeston housing market has enjoyed strong growth over the previous five years and affordability is now considered a major limiting factor within the Darwin Market. A contributing factor to this area's growth has been the under supply of available land. The subdivision of Bellamack and Johnston and proposed subdivision of Zuccoli, and Mitchell will provide an additional 3760 new allotments over the next three years in Palmeston. This influx in the supply of vacant land to the market could have a negative effect on existing land values. Palmerston is considered the mortgage belt of Darwin with recently established suburbs experiencing strong growth in recent times even through periods of national economic instability. A downturn in this area may have a more detrimental and more immediate economic impact than in other older more established areas, say Darwin's northern suburbs.

Overall the Darwin residential market has slowed with some areas more affected then others. Any potential investor within this market needs to do their research and gain the understanding they need to make the important decisions when purchasing there investment property.

Perth

The Perth Residential Market remains cautious as continued uncertainty regarding the global economy as well as the potential of a minority government as a result of the recent Federal Election continue to plague investor confidence. This, along with the traditional cooling of the market during the winter months combined to stall values across the Perth Metropolitan.

Emerging from the correction in values following the Global Financial Crisis, it is unlikely that the Perth residential market will be able to produce exponential gains within the short term. Despite this, a number of suburbs have displayed greater resilience than others and remain viable investment options in an uncertain economic climate.

In general, near city suburbs continue to provide solid investment opportunities. South of the Swan River, trendy suburbs such as South Perth, Como and Kensington continue to experience strong rental demand and capital growth potential due to their proximity to the city.

Slightly further to the south, suburbs such as Bull Creek and Leeming provide potential strong areas of growth due to the surge in values in neighbouring Willetton which has attracted strong demand for its well regarded public high schools.

....whilst the Perth residential market has generally stabilised in the preceding months it should be stressed that the local economy is closely tied to the mining industry....

Suburbs such as Belmont, Rivervale and Cloverdale on the other hand represent a viable option for developers due to the high density allowances and strategic location close to the Perth CBD. Strong rental demand mean that developers are further able to generate a stable short term return before development commences.

In the northern suburbs, localities such as Warwick and Greenwood stand out as popular choices for families seeking easy access to the Perth CBD as well as proximity to the beach and other amenities. These fundamentals are widely expected to provide a relatively stable growth trend within the medium to long term.

Whilst the above demonstrate that there are good opportunities in the residential market for astute investors, there are several areas that we do not expect to perform well in the short term.

Despite the steady performance of near city suburbs, the residential property market within the Perth CBD continues to weaken as a result of a large amount of supply of new units due for completion within the short term. This oversupply is likely to see the erosion of returns and limit capital growth, with vacancy rates also affected.

Threats of oversupply have similarly affected the mortgage belt suburbs such as Byford, Armadale, and Baldivis. These suburbs are largely benefactors and victims of the Government's stimulus initiatives which ultimately brought demand forward leaving a void to be filled in the interim. With the expansion of these suburbs likely to continue into the short to medium term, it is likely that values will continue to stagnate if not retract.

Whilst the Perth residential market has generally stabilised in the preceding months it should be stressed that the local economy is closely tied to the mining industry. The industry is largely responsible for the high absorption rate of properties via a strong net migration into the State's workforce. As such, before committing to any potential investments, it is wise to consider all federal policy currently being debated along with international demand for our resources.

South Western WA

Well it won't come as a shock to anyone to say that the market is in a bit of a slump at the moment. That is not to say that there are no sales taking place, it is just that the buyers are all looking for a bargain and they aren't in a hurry to move if they don't get one.

One interesting trend is that there is not an over abundance of reasonably priced land available on the market. Prices in one local subdivision have recently been hiked as a consequence of a shortage of (particularly larger) blocks. If the market starts to become in any way buoyant we can expect to see land prices increase quite steeply for a while as very little new supply appears to be forthcoming and most of the re-sales have changed hands. Asking and selling prices are considerably higher than a year ago.

On this basis, where are good and bad places to invest? I would still be looking for quality at this stage with the basic fundamental of locality playing a vital role. On this basis the traditionally lower priced areas of Carey Park and Withers are good places to avoid. One place where there is a surplus of land on the market, but it is not worth too much, is in Bridgetown.

As for good places to invest, if someone can let me know I would be delighted. Having said that, it still strikes me that with the continued inflow of people into the South West region generally, due to major infrastructure and lifestyle reasons, supply and demand must eventually start to push prices up. This is particularly true if land supplies become further constrained, preventing new houses being built in sufficient numbers to keep up with growth. My guess is that as the world economy picks up in a meaningful way and provided interest rates remain on hold, the investors will return to the better quality areas including Busselton, Dunsborough and Margaret River as well as the suburbs closer to the CBD of Bunbury such as South Bunbury.

But at the time of writing, with Tony and Julia trying to find dance partners with the Greens and Independents, nobody is quite sure what the future holds and many will continue to sit on their hands for a while yet.

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Rural – Market Directions

While many regional Australians (particularly Queenslanders) will be hopeful that the balance of power now held by the three regional Independents will leverage some crucial political decisions their way, any direct stimulation of the rural property market is obviously unlikely until there is: 1) there is certainty of government, and 2) concrete policies which some chance of delivery to rural Australia. Politics aside, in this month's Rural Review the market feedback from our specialist valuers highlights the impact of certainty and uncertainty on the rural property market. The certainty of increased allocations for many of Victorian and New South Wales irrigation districts, combined with farmers and graziers enjoying the pickings from the best seasonal conditions in a decade, and receipt of high (even record) prices for most food and fibre commodities means that many agricultural districts are positioned for their best cash flow prospects in ten to twenty years. The result: confidence has jumped and has stimulated buyer inquiry, so much so that our valuers in south eastern Australia anticipate they will be reporting on a significant increase sale volumes by the end of the year. But as we move north across the border into Queensland, uncertainty persists about whether or not the bottom of the market has been reached. As a result, rural property market conditions remain subdued. However, above average seasonal conditions and high commodity prices has revitalised short term prospects and now "cautious optimism" is the word. Things become a little more uncertain as we travel to the cattle rangelands of Northern Australia. The recent announcement by the Indonesian Government of a dramatic permit reduction for export numbers into this, Australia's largest live cattle export market (by far), has severely winded the northern cattle industry, which for many years rode high on the confidence of a growing population of beef eaters in south-east Asia. The apparent certainty of these restrictions and the uncertainty of finding replacement markets are anticipated to manifest in some telling property market evidence over the next twelve months.

Overall, there is a mix of confidence boosting highs and harder to swallow lows on the rural property front in this edition of the HTW Rural Review. But at either end of this spectrum there may be opportunities for the enquiring rural mind.

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1 September 2010

NORTHERN NSW

Further good falls of rain over much of the Northern Tablelands, Northern Slopes and Plains occurred over August, making this one of the best winters in a decade or more. Although some grain growers on the heavier black soil plains have had more than enough, overall the widespread nature of the rain has been welcomed. Most river and creek systems have now been flowing strongly for several weeks and the water tables are in recharge mode.

....buyers, who are existing landholders looking to expand, will have a stronger case to present to their bankers, if their cash position is also bolstered....

With the recent spike in grain prices and record breaking lamb and sheep prices, increased optimism is starting to find its way back into the marketplace. It remains early days, however if the 2010 winter crop does end up yielding well above average and grain prices towards harvest time remain elevated, together with lamb/sheep prices, the boost to cash flows is likely to stimulate more rural property buying activity in early 2011, which has been distinctly lacking over the past 18 months. Previously reluctant vendors may be more willing to sell at more realistically achievable prices if their 'final' year's cash flow is bolstered, compensating for some downward land price adjustment. Likewise buyers, who are existing landholders looking to expand, will have a stronger case to present to their bankers, if their cash position is also bolstered. In the meantime we have noticed an increase in the number of properties which are being offered for sale with vendor finance terms, in an attempt to circumvent the impact of the lack of more traditional forms of property finance.

Coal mine money continues to be the most significant influence in sales activity in many districts of the North West. Not only are landholders who have been paid premiums for their land by the coal mine companies reinvesting in rural property, coal mine companies themselves are also starting to buy more rural land for environmental offsets.

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SOUTHERN NSW

ALBURY

The best season in a decade or more continues in south eastern NSW and north eastern Victoria!! These areas have been receiving regular rainfall and some real wintery weather, just like we used to in 'the old days' – pre-drought. There are many upsides to the season, but there are also some negatives relating to stock health. There have been higher than usual deaths in lambing ewes and calving cows due to the size of lambs and calves being born brought on by the huge amount of feed available. Most farmers are well and truly understocked because of the run of very poor seasons, and that has meant excessive feed. It has been difficult for many farmers to keep the condition off their breeding stock to enable easier birthing. Other health problems include grass tetney, milk fever, nitrate poisoning and in some cases pulpy kidney.

The Upper Murray and Murrumbidgee River systems have also been receiving good rainfall, and the ground is now waterlogged in many areas. Any rain that falls is running off into irrigation water storages. There have also been some good snow falls (25cm on most of the mountains on August 19) so the storages are likely to go close to filling, which will be a huge relief for the irrigators to the west as they are likely to have a good show of water allocations for the upcoming irrigation season.

A few rural properties are starting to trickle onto the market, with auction offerings such as 'Holyrood' at Burrumbuttock, and 'Spring Creek', 'Ellamatta' and 'Kingston' at Holbrook. It will be interesting to see if these properties sell at auction, and also if they sell at similar prices to last year. The only other major offering in the area in the past month has been 'Wooloona' at Holbrook, which passed in at auction on a vendor bid and is now for sale at $2.7 million.

....there are many upsides to the season, but there are also some negatives relating to stock health....

This area is now set for a great Spring. All that is needed is a bit of sunshine and warm weather, continued follow up rain, and for current strong stock prices to continue.

WAGGA WAGGA

The rural property market surrounding Wagga Wagga is currently very subdued with few sales taking place. Most farmers are in a holding pattern waiting to see if the great start to the year continues through to give a much needed good harvest result for 2010. There are still a large number of properties listed for sale on the market with only a few sales occurring giving the current market an oversupply of properties. If the season was to turn out bad once again the oversupply of properties combined with another bad season could result in values softening to allow some sales to occur. At this stage we will have to wait and see how the season progresses.

LEETON

If you can remember what a normal winter might have once been, I can tell you we are well and truly now having a normal winter once again. Good rainfall and some cold days have been a solid daily feature over the past couple of months. Drought ravaged country is looking lush and green and there is a hint of optimism in the air with the outlook of good commodity prices this season.

Rainfall has been good in the key catchment areas with dam levels rising allowing the early announcement of full high security irrigation allocation in the Murrumbidgee Valley. There is a hint that we may also get some general security allocations in the coming weeks.

So what does this mean to the rural property market? Not a great deal at this stage as the money is not in the bank. Lenders are still holding the purse closed while watching the season unfold. There have been few property sales either privately or at auction. We expect the market will remain subdued until early next year post winter harvest. It will probably take another full winter and summer crop cycle for the region to start seeing much movement in the rural property market.

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Regional Vic

MILDURA

What an extraordinary election. The coalition expected to hold 30 seats in rural and regional Australia and the likelihood that 3 Independent seats will hold the balance of power in the Lower House (a very rare occurrence). This outcome may be of significant benefit to rural Australia. Let's hope so anyway.

Following on from this, it is likely that the release of the Murray Darling Basin Authority's proposal to implement significant irrigation caps to entitlements will again be put on hold until it is clear which party will govern the country.

Seasonal conditions remain very good in the region. Apart from some delays in the citrus harvest, the consistent rain has been universally welcomed. The banning of grain exports from until at least the end of 2010, has helped rally wheat and barley prices to the highest levels for several years. Grain farmers in this region are positioned for their best result in 20 years.

However growers are adopting a cautious approach and are on high alert for the pending locust plague. The first hatchings are expected to occur around the middle of September in south west NSW and the first week in October for Victoria. While no one can predict the severity of the problem, surveying of some locust egg beds have revealed egg populations of up to 100,000 per sqm. That equates to 1 billion eggs per hectare!

Hopefully the control measures in place will restrict damage to a minimum in what looks like being a very good season.

The wet season throughout Victoria and southern NSW has resulted in the announcement of favourable High security water entitlement allocations with Victorian Murray allocations currently set at 23%, NSW Murray at 70% and the Murrumbidgee system at 95% of entitlement. This has also led to a decline in temporary water prices to levels of around $80 per ML, and provided some welcome good news to local horticulturalists.

This optimism has been reflected in a flurry of sales activity in the Robinvale irrigation area in particular. Robinvale is a specialist table grape growing area and a number of sales have occurred at relatively strong levels for horticultural properties. The sale properties have mainly been purchased by well established specialist fresh fruit table grape grower families who generally have existing substantial packing shed/cool room facilities and who are looking to further expand their operations and better utilise this existing infrastructure. In addition to the renewed confidence that water restrictions may be avoided in the coming season is the likelihood of gaining direct market access into the lucrative Chinese market.

The Robinvale sales include some established wine grape holdings which will be redeveloped into premium table grape plantings. This is likely to be an ongoing trend. A recent survey undertaken by the Murray Valley Winegrowers Inc helps explain why there is an exodus of wine grape growers from the industry. The survey summarised purchases by 28 wineries of grapes from the Murray Valley region and showed a total gross outlay of just over $80 million for the 2010 vintage, which is well down from the approximate $200 million of five years ago. There is a real concern that the wine grape industry in the Murray Valley Region may not be sustained unless grape prices rise to at least cover costs. The current average prices paid are significantly lower that the average cost of production which was estimated to be $367 per tonne in 2010 for this region.

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ECHUCA

Rain Rain Rain - it's on everyone lips. The rural sector across the north is finally seeing some positive rainfall, which has resulted in strong opening irrigation allocation for all of the irrigation systems. The Murray system (23% allocation), Goulburn system (26%), Loddon system (26%), Broken system (21%) and Bullarook Creek system (100%) have all experienced significantly higher opening allocations for the 2010/11 irrigation seasons than recent years. The effect is likely to take some time to flow onto improvement land prices but the surge in grain prices and improved terms of trade for the dairy sector will hopefully see a reversal in fortunes relative to recent history!

CENTRAL NSW

The year 2010 is shaping up to be one of the best production years that we have had in the past decade, with all areas of the central and western part of the state enjoying above average seasonal conditions. The constant and steady rainfall has ensured that the winter cereal crops are progressing ahead of schedule. There is more than sufficient winter feed to avoid the need for supplementary feeding of the majority of stock and finally water has begun to run. As a result irrigation storage dams have all increased significantly in capacity. This is combined with relatively strong beef prices, exceptional meat/sheep prices and an improving grain outlook due to supply tractions in the world market. For once we can say the outlook is positive.

Whilst on the productivity side of things, the outlook for the next 12 months is very optimistic; we have not seen that optimism flow through into the rural property market at this stage. There is still a large supply of properties on the market with a limited amount of buyers interested at buying previous value levels.

We are expecting the improving seasonal outlook should at least increase enquiry levels and whilst it will still take six to 12 months for cash flows of many producers to improve, we do believe that there will need to be a sustained period of one to three years of good seasonal conditions combined with solid profitability before we see upward movement in land values. We do envisage that over the next 12-18 months the volume of sales should increase, although we would expect them still to be below the peak values of 2007-2008 in many rural market segments.

....the constant and steady rainfall has ensured that the winter cereal crops are progressing ahead of schedule....

It is interesting to note over the past 12-24 months as the market has slowed the variation in the value between good quality and inferior quality rural properties has increased. Particularly in the tablelands where we have seen properties that have had a significant Serrated Tussock problem/Blackberries issues selling at prices that appear relatively cheap in the market. However this is only reflective of the significant capital expenditure required to control noxious weeds such as Serrated Tussock and to bring the country back into a profitable, productive operation. Properties that do have significant issues can sell for well below 50% of the value of similar holdings in the district that are pasture improved and are well presented.

There are several recent listings of large scale rural holdings in the Central Tablelands that should generate interest and provide guidance as to where the market currently sits. 'Millamolong' (1814ha) in the Mandurama District is being offered for sale, although the homestead and polo fields are being retained by the current owners. 'The Rocks' (2854ha) at Bathurst is also a large rural grazing property located within a 15 minute drive of Bathurst. Holdings of this size rarely come onto the market in such close proximity to a major centre and it will be interesting to gauge the market's reaction to such a holding being offered for sale in one line.

Burrendong Dam is currently at 62% (and rising) and this is probably the best news irrigators in the Macquarie Valley have had for several years. This should ensure a significant increase in allocation for the coming summer as well as providing a level of security for following seasons. The irrigation property market in relation to land values has struggled over the last three to four years and this will not improve until we have consistent water allocations return and irrigators being able to grow sufficient crops to allow adequate return of investment. Hopefully the confidence of having water in the dam will inspire purchasers that have been sitting on the fence to now enter the market knowing that there is water available in the short to medium term.

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SOUTHERN QLD

DARLING DOWNS

The rural market in much of southern, central and western Queensland still remains quiet static, with limited transactions having occurred. There have been a number of property auctions held over the past couple of months, which included a range of holdings blue ribbon holdings, build up blocks and secondary properties. The emerging trend is that there has been some interest shown by potential buyers although this has not translated to actual purchases on the auction day. Those that received a bid have generally been well below the previous peaks of late 2007 early 2008. The market is still in a period of uncertainty, with the perception that it may not yet have reached the bottom of the cycle. It is considered that the influence of the volatile Australia dollar, commodity prices and the inability to raise equity is continuing to impact on buyers decisions. A wait and see position is definitely occurring.

The inter downs rural market also remains subdued, with limited sales occurring. A hot topic that is emerging within the Surat Basin area is the impact on properties values from gas and mining tenures. There is limited local market evidence of properties encumbered by gas or mining activities that have sold to non related mining companies. The negativity surrounding the expanding gas industry within the Dalby and Tara regions has reportedly weakened demands for such properties. The main concerns from local land-holders are the impacts on the local water tables. We are aware of a recent sale within the Wandoan district that would appear to reflect the exception rather than the norm due to the perceived benefits of future gas exploration.

The rural lifestyle hub within the Toowoomba area has seen an increase in the number of listings. A number of quality properties have been offered to the market, although it appears those positioned above the $1 million dollar range are struggling to achieve a result. We are aware of two 'top' quality lifestyle holdings recently gone under contract, which appear to reflect the lower market range of the 2007 value levels, although extended marketing periods in excess of 12 months were required.

There has been little to report around the Warwick district with the general rural property market remaining quiet. There have been some isolated sales in very specific markets such as 'North Toolburra', which represents more of the boutique rural lifestyle property. Real estate agents are reporting some late interest in some larger rural properties and commentary on these sales will be provided over the course of the next few reviews. The sector of the market with large volumes of property becoming available is the mid range rural lifestyle holdings with long selling periods being experienced. A recent sale of this type of property under mortgagee in possession conditions showed a significant loss in value from previous values.

Overall the market throughout the Downs, Western and Southern districts remains very subdued. With the increasing number of available properties entering the marketplace, this is giving potential buyers a wide range of choice. This allows buyers the opportunity to tick all the boxes prior to making any offers. We do not see this situation changing very much over the course of the next six to 12 months. Recent rainfalls received within the Darling Downs and Western Queensland have improved optimism between local graziers and farmers of improving seasonal conditions ahead.

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The rural property market continues to operate in a stable environment for the better quality properties, such as found in the corporate sector. The middle sector of the market has been very quiet to date with some suggestion of a number of forced sales impacting on property values.

There has been a reasonably strong sale in the Wandoan/ Taroom area of good quality grazing country, as well as the sale of a well presented inner Downs irrigation property receiving good support from the market. Both properties did however require a longer marketing period than normal to achieve these results.

What is likely to impact on the rural property market is the exceptional seasonal conditions in most districts, along with strong prices for most food and fibre commodities, pointing to a positive outlook for the short term. The winter season has been one of the wettest recorded for the Downs, feed wheat prices, while having a correction are still very positive at above $300/t for stockfeed delivered Brisbane, and the beef and sheep meat industries are receiving strong support with the Cattle Market Index at 190 his week and following last years upwards trend for spring.

This leads to the adoption of a cautiously optimistic view of the property market cycles, and with the caveat that until there is more interest, and a higher volume of sales to assess the situation, perhaps the bottom of the market has been reached.

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NORTHERN QLD

Sugar Cane – Hinchinbrook: The harvest continues. There have been some disruptions so far. These disruptions include a strike for several days by mill workers, a major derailment, heavy general rain that will most likely see several farmers carry 'stand over cane' into next year if the mills close on their proposed dates. The CCS levels are down somewhat as cane continues to grow as a result of the mild winter and associated rain.

The Burdekin: Again the harvest continues but like the Hinchinbrook area, rain has delayed the harvest on many farms and some farms will need up to another three weeks before the land is dry enough to get machinery into the paddocks.

Bowen – Tomatoes and small crops: A rather sad place in some quarters as police continue on with their search for the mystery seedling poisoner. The cost of tomatoes in the supermarkets should begin to rise in the very near future. Picking on the non affected farms has commenced in Bowen but this supply will not keep abreast with demand.

Bowen's major development – the expansion of the Port Facilities at Abbot Point continues.

....if the situation runs for a prolonged period of time, it will adversely impact upon values for those high cost breeder properties....

Northern Region Grazing Properties: The recent announcement of the situation with the Indonesian live beef export trade which has been loading out of Townsville has raised some concerns. If alternate markets are not established quickly this situation will put pressure on the higher cost input grazing properties in the region. The existing northern meatworks have developed staffing levels and slaughter numbers to a stable level and any increase in cow numbers for slaughter may result in a lowering of the market price for cows. If the situation runs for a prolonged period of time, it will adversely impact upon values for those high cost breeder properties that depend on good prices for their old cows. It is too early to be predicting what is going to happen in the longer term but suffice is to say that efforts are being made by the marketing bodies to establish new or increase existing export markets.

It would appear that shipments of cattle bound for Egypt from the port of Townsville are on the increase which is of some benefit to the northern grazing industry in light of the comments made in the previous paragraph.

Several small properties have gone to contract but as yet have not settled. The resultant value range will only be relevant to "starter' blocks.

We cautiously await the next move in the grazing sector. Any sizeable downturn will adversely impact upon equity ratios and for this reason all sales are being scrutinised. Caution is the word until market trends can be determined. The low volume of sales through 2010 to date does not help. Sales have slowed.

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CENTRAL QLD

Recent political events have done little to stimulate the rural market in the Central Queensland region. Limited sales have occurred generally around the area, however there is still a steady stream of listings entering the market.

The outcome of the reported sale of the May Downs/ Derranloc aggregation adds some interest to an otherwise bland market. The properties located east of Middlemount were purchased by an adjoining owner.

Sales activity can provide a good reflection of market confidence and indicate likely sale periods for properties priced to the current market conditions. The following table indicates the rural sales activity in the Central Highlands Regional Council area since 2005.

Year	Number of Sales (1,000ha+)	% of Total Sales in '05-'10 Period
2005	37	26%
2006	32	23%
2007	20	14%
2008	26	19%
2009	20	14%
2020 (YTD)	5	4%

The low number of sales in the current year is probably a reflection of the lower than normal level of demand (largely suppressed due to tightening credit policy), with an about average level of supply. This in effect may result in some further pricing adjustment, depending on the vendors' ability to hold in the market.

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NORTHERN TERRITORY

Indonesian Live Export Market Of serious concern to the NT pastoral industry is the most recent statement (early August) by the Indonesian Government regarding the significant restrictions on import volumes for Australian live cattle for the rest of the rest of 2010 (July - December). Peak bodies for the live cattle export industry (including MLA, NTLEA, the NTCA and the CCA) are currently trying to come to grips with the flow on effects that the relatively sudden statement made by the Indonesian Government that Indonesia will dramatically cut the number of import permits for live cattle from Australia. In early August, the Indonesian Government made clear to Australian live cattle exporters their intentions for the reduction in the number of Australian cattle imports during 2011 as part of the country's plan to be self sufficient in beef production by 2013/14. It now appears that there is more certainty that the annual number of permits into Indonesia from Australia would be cut by over 300,000 head and that only 452,000 head worth of permits would be allocated for import into Indonesia for the period January 1 to December 31 this year. Approximately 300,000 head have already been exported from Australia to Indonesia in the year to date with approximately half of these being NT cattle. In addition, around 50,000 of the 452,000 will no longer be valid due to the 350kg weight restriction, leaving only 90,000 head for export from Australia over the next six months. We note that about 715,000 head were live exported from Australia to Indonesia in 2009 (288,887 of which were NT cattle). Peak bodies in the industry report that while the above statements have been made by the Indonesian Government there is likely to be 'more to the current situation than meets the eye' and they are currently heavily engaged to bring more clarity to the situation.

....it now appears that there is more certainty that the annual number of permits into Indonesia from Australia would be cut by over 300,000 head....

Potential Abattoir

Given that the near total reliance on the Indonesian live export market has always underpinned a greater risk for beef production in the Northern Territory, the possibility of reopening an abattoir in the north has gained new life given the relatively sudden news about the likely direction for the NT's live export market. Our investigations as well as several recent media announcements reveal that a number of abattoir proponents have been in discussion with the Department of Housing, Local Government and Regional Services about the possibility of a processing facility capable of putting through around 140,000 head per annum. Proponents of the abattoir say that the facility could process stock from the Territory as well as the East Kimberley and Western Queensland and must be located in Darwin to be competitive. If constructed, the abattoir may have the potential of curbing the impact of the Indonesian import restrictions on NT/Kimberley cattle property markets.

To date, there have been no sales of pastoral properties in the NT (or Kimberley, W.A.) to provide an indication as to the impact of these recent developments. However, one would imagine that the uncertainty will continue to stifle confidence within the current market which at present remains fairly flat.

Contact:

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South Western WA

The value of water historically in Western Australia has had little to no consideration due to water supplies being readily available in the past and little regulation of the industry. In recent years however water value has gained greater significance as climatic conditions in the majority of the state, other than the Kimberley, have seen prolonged dry spells and lesser productivity on dryland farms.

With the ownership of water licences vested in individuals rather than associated with the land, water can be traded separately to property either by sale or lease. For intensively developed properties with extensive irrigation and infrastructure, we believe the water and land to be inextricably linked, as the value of such infrastructure can only be realised if a prospective purchaser can guarantee the supply of water, although the vendor of the property and water could be different entities.

Trading water licences is still a fledgling industry in Western Australia, with inconsistent data available for analysis of the true value. Many supply bases have water available and a licence can be applied for with relatively little cost. In supply areas that are now fully subscribed there is more likelihood of water having a quantifiable value.

Within the South West region of the state we have attempted to analyse recent sales of a number of properties either having or being developed with an extensive irrigation network. In short, the sales we have been able to obtain data for have essentially ‘thrown in’ the water as part of the transaction. In one instance, the water involved was in the vicinity of 2.9 gigalitres. A further complication is that the Property Transfer System notes the value for the land transaction with the water quantity transferred separately. So, within a transaction, the value of the water could be included if ‘thrown in’, whilst another transaction may see a separate payment for the water involved, the details of which we are unlikely to be able to obtain.

Unlike the registration of property sales, there is no central database in Western Australia from which water transfer information can be obtained, analysed and compared. Having such a system would be of great benefit to water users, valuers and prospective purchasers, as some informed opinion can then be made as to the true value of this resource in the different regions of the state.

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

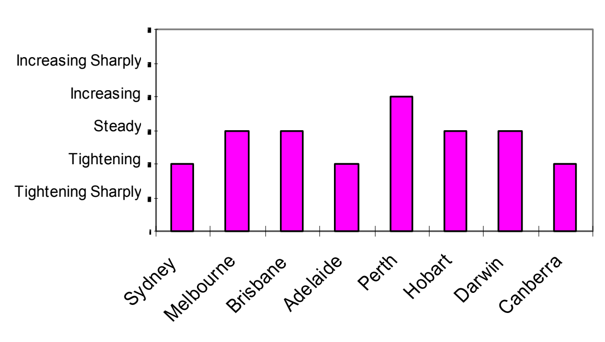
Capital City Property Market Indicators as at August 2010 – Houses

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	Tightening	Steady	Steady	Tightening	Increasing	Steady	Steady	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Strong	Strong
Trend in New House Construction	Declining	Steady	Steady	Steady	Declining	Declining	Increasing	Increasing
Volume of House Sales	Declining	Declining	Steady	Steady	Declining	Declining	Declining	Steady
Stage of Property Cycle	Peak of market	Peak of market - Declining market	Peak of market	Peak of market	Declining market	Declining market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never

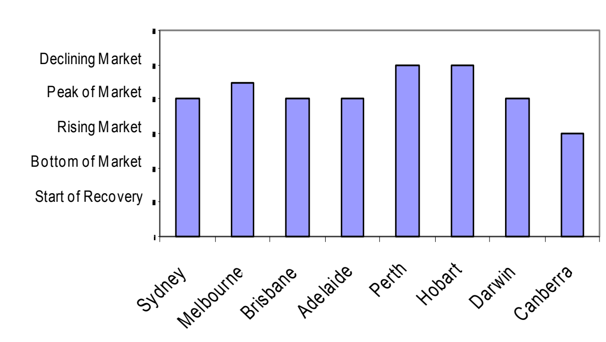
Red entries indicate change from previous month to a higher risk-rating

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

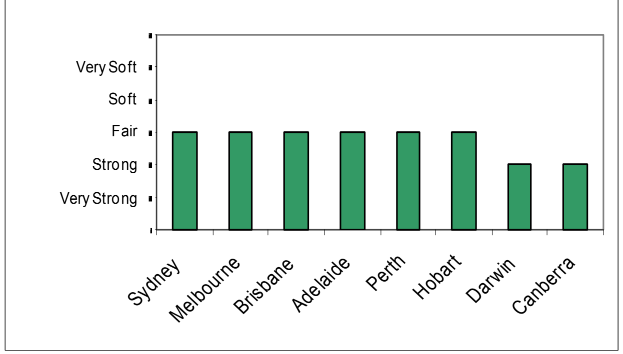
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Houses



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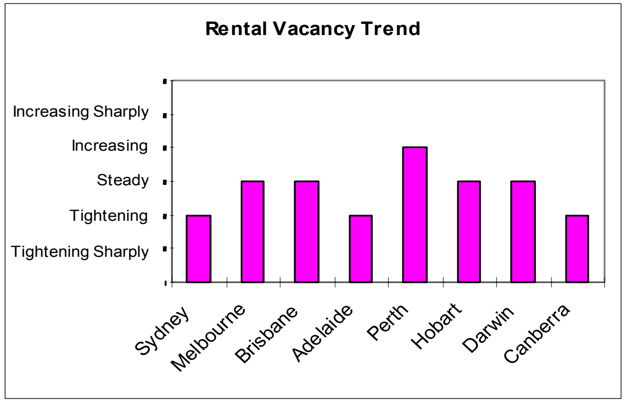
Independent Property Advisors

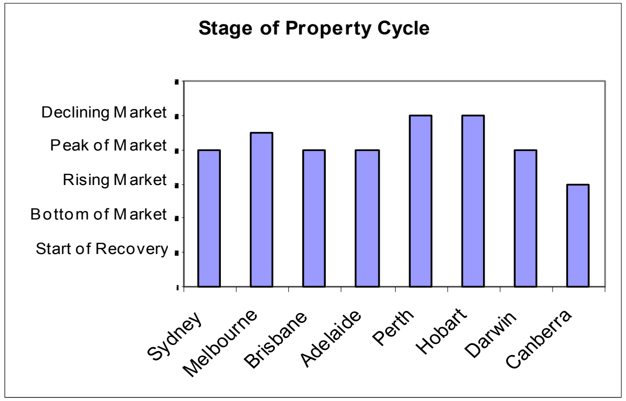
Capital City Property Market Indicators as at August 2010 – Units

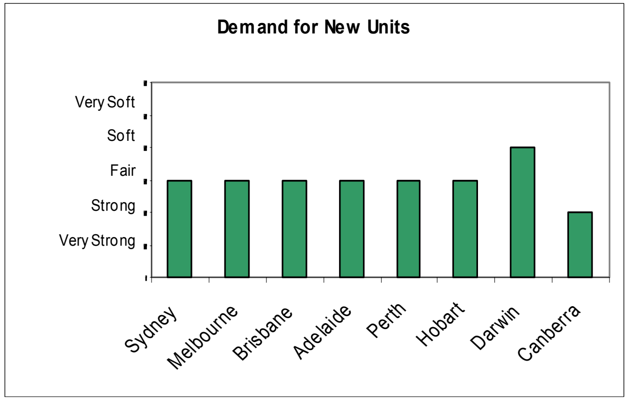
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage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

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

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







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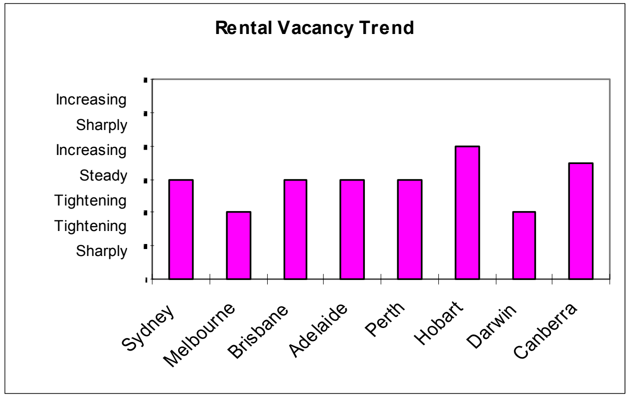
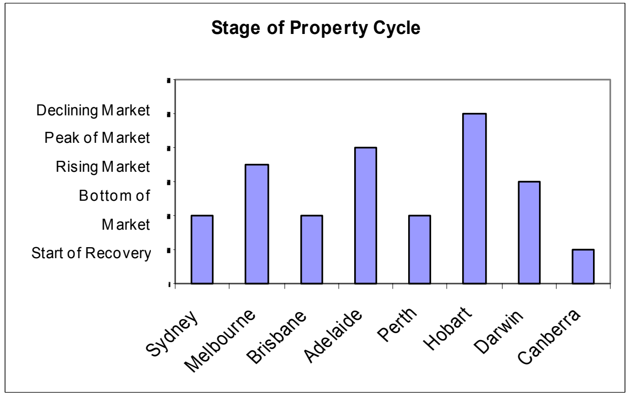
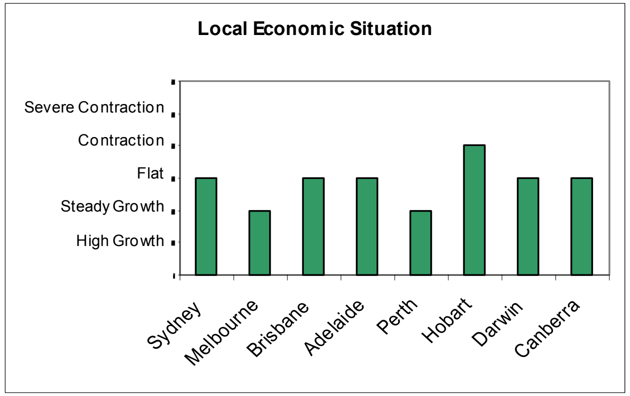
Capital City Property Market Indicators as at August 2010 – Retail

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





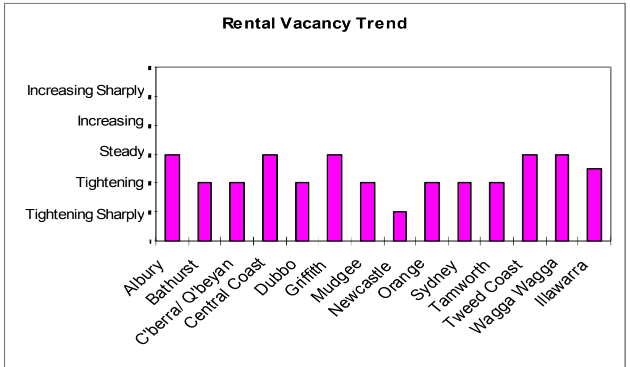


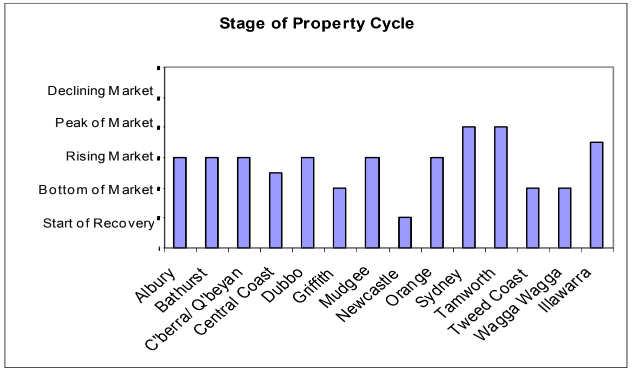
Herron Todd White
Independent Property Advisors

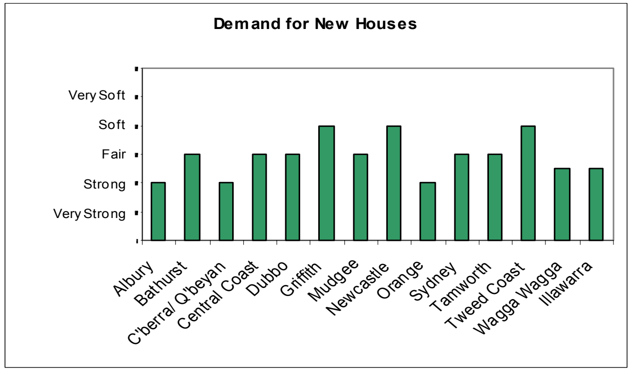
New South Wales Property Market Indicators as at August 2010 – Houses

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	Severe 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	Steady	Tightening	Tightening	Steady	Tightening	Steady	Tightening	Tightening sharply	Tightening	Tightening	Tightening	Steady	Steady	Tightening - Steady
Demand for New Houses	Strong	Fair	Strong	Fair	Fair	Soft	Fair	Soft	Strong	Fair	Fair	Soft	Fair - Strong	Fair - Strong
Trend in New House Construction	Steady	Increasing	Increasing	Steady - Increasing	Declining	Steady	Steady	Steady	Steady	Declining	Declining - Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady - Declining	Increasing - Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Bottom of market - Rising market	Rising market	Bottom of market	Rising market	Start of recovery	Rising market	Peak 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	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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







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Independent Property Advisors

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

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
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	Tightening	Tightening	Steady	Tightening	Steady	Tightening	Steady	Tightening	Tightening	Tightening	Steady	Steady	Tightening - Steady
Demand for New Units	Strong	Soft	Strong	Soft	Fair	Soft	Fair	Fair	Soft	Fair	Fair	Soft	Fair	Fair - Strong
Trend in New Unit Construction	Steady	Steady	Increasing	Declining	Declining	Declining	Steady	Declining	Steady	Declining	Declining	Steady	Steady	Declining - Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining	Steady	Steady	Steady	Steady	Steady - Declining	Increasing - Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Bottom of market	Rising market	Bottom of market	Rising market	Start of recovery	Rising market	Peak of market	Peak of market	Bottom of market	Bottom of market	Bottom of market - Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Almost never	Occasion-ally	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion ally	Occasion-ally

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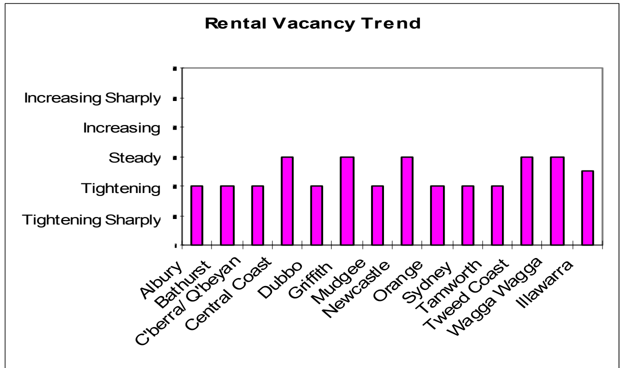

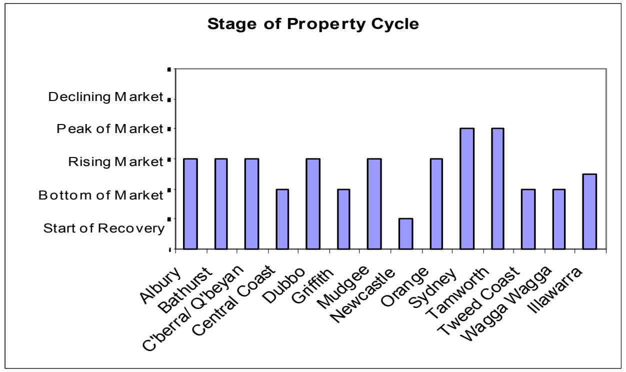

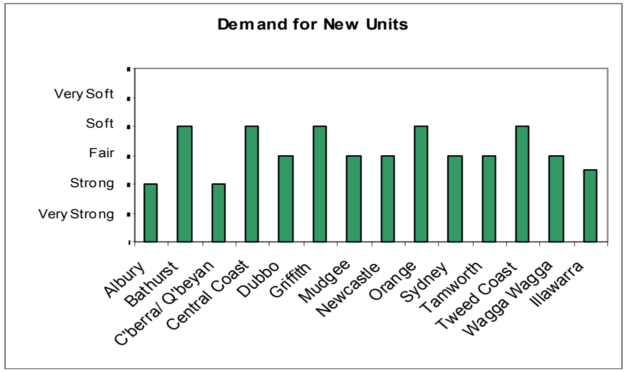

Herron Todd White
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New South Wales Property Market Indicators as at August 2010 –

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Increasing	Steady - Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady
Rental Rate Trend	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Declining significant-ly	Steady	Declining	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Declining significantly	Declining	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Start of recovery	Declining market	Bottom of market	Bottom of market	Bottom of market	Declining market	Start of recovery	Bottom of market	Declining market	Declining market	Declining market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	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	Large	Significant	Large	Significan t	Large	Small	Significant	Significant	Significant	Significant	Significan t - Large

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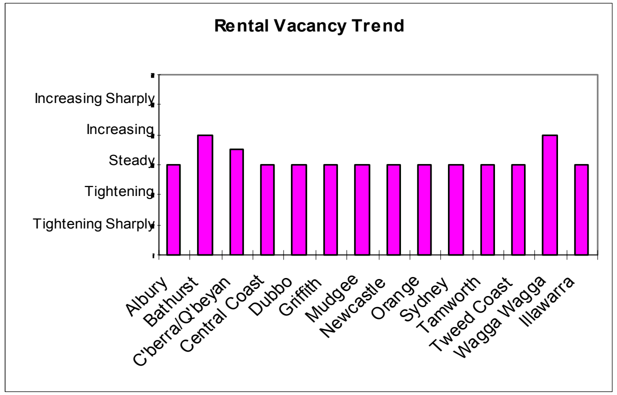
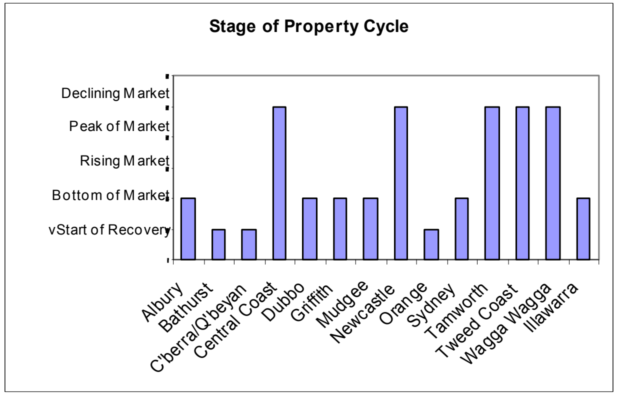
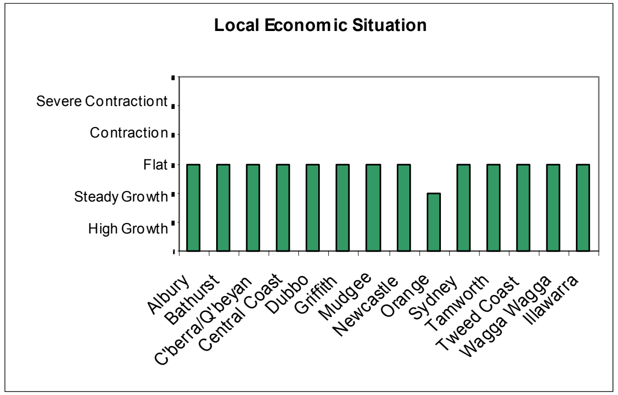
Blue entries indicate change from 3 months ago to a lower risk-rating







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

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

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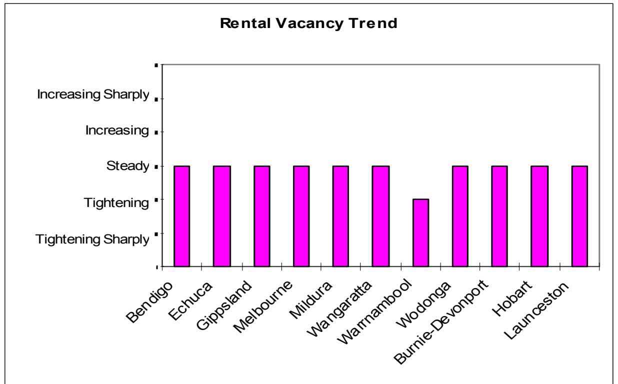
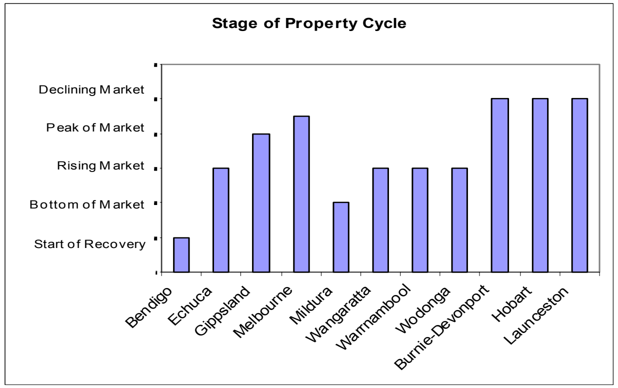
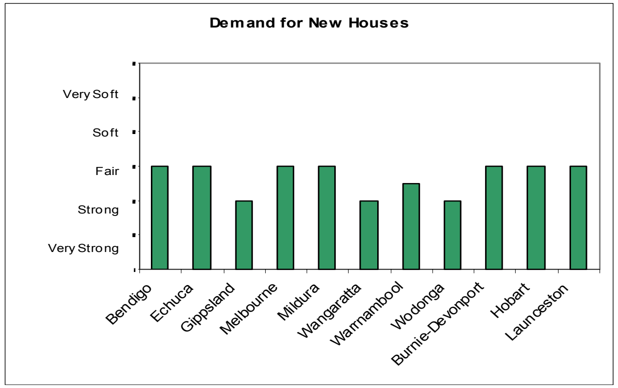


Rental Vacancy Trend



Stage of Property Cycle



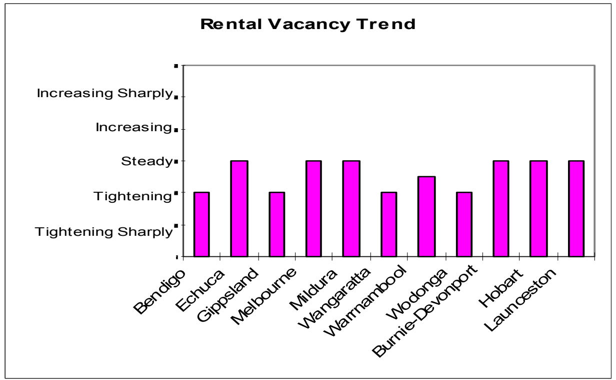
Demand for New Houses

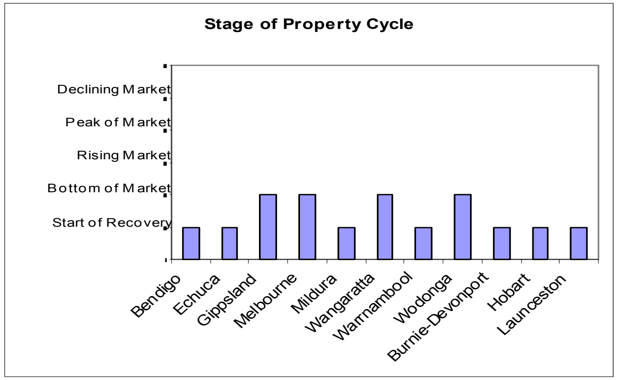
Victoria/Tasmania Property Market Indicators as at August 2010 – Units

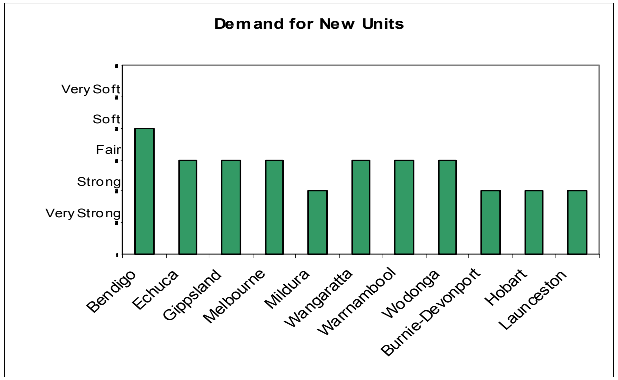
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devon-port	Hobart	Laun-ceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property 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	Steady	Steady	Steady	Tightening	Tightening	Tightening	Steady	Steady	Steady
Demand for New Units	Strong	Strong	Strong	Fair	Fair	Strong	Fair - Strong	Strong	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Volume of Unit Sales	Steady	Steady	Steady	Declining	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Start of recovery	Rising market	Rising market	Peak of market - Declining 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	Occasionally	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





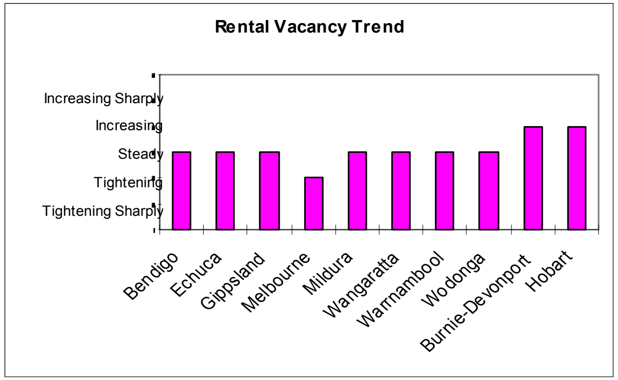


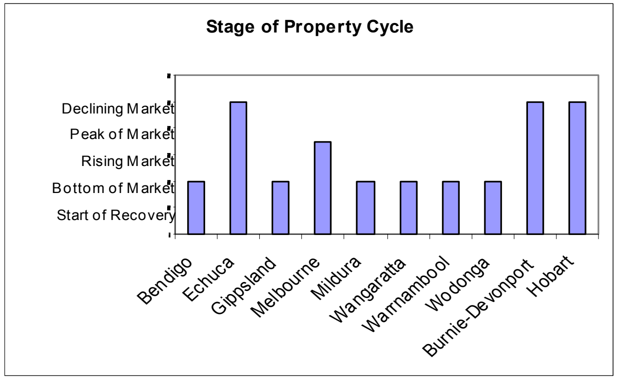
Victoria/Tasmania Property Market Indicators as at August 2010 – Retail

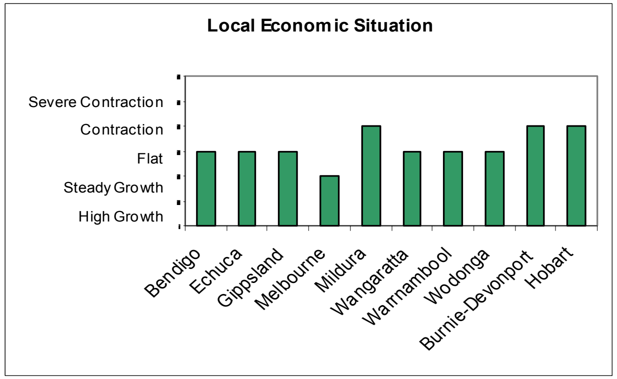
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devon-port	Hobart	Laun-ceston
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available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

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

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







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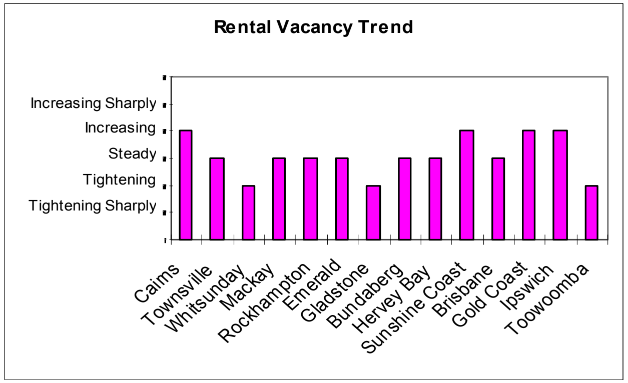
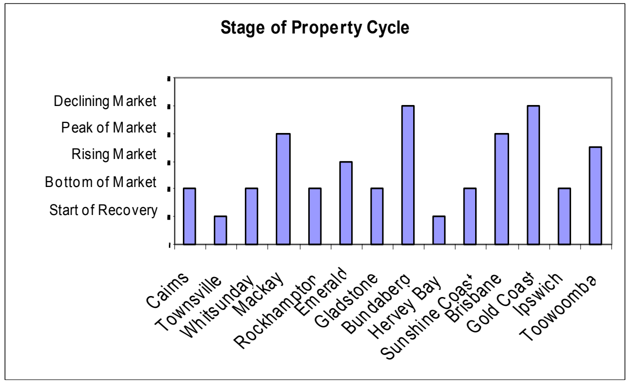
Queensland Property Market Indicators as at August 2010 – Houses

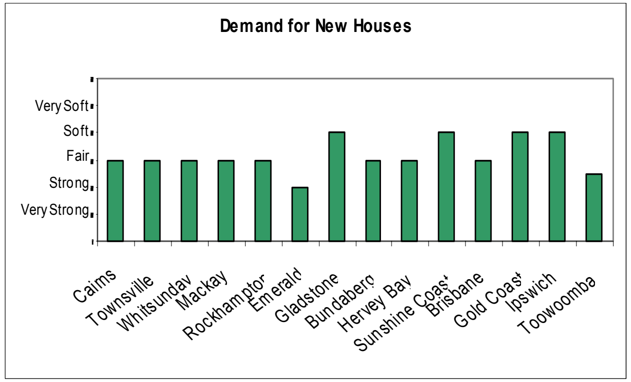
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Increasing	Steady	Increasing	Increasing	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Strong	Soft	Fair	Fair	Soft	Fair	Soft	Soft	Fair - Strong
Trend in New House Construction	Steady	Steady	Increasing	Steady	Steady	Increasing	Steady	Steady	Declining - Steady	Declining	Steady	Declining	Declining	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Declining	Increasing	Steady	Declining	Increasing - Steady	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Peak of market	Bottom of market	Rising market	Bottom of market	Declining market	Start of recovery	Bottom of market	Peak of market	Declining market	Bottom of market	Rising market - Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasion-ally

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

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





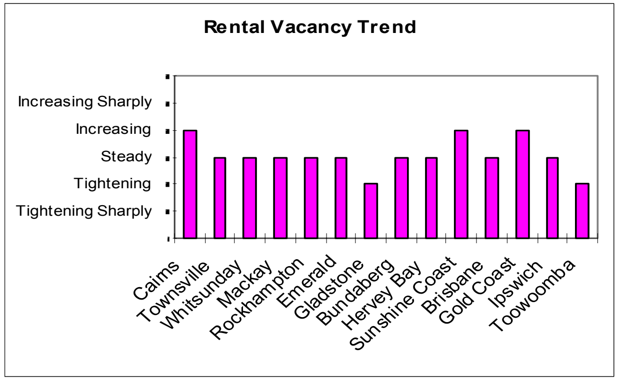


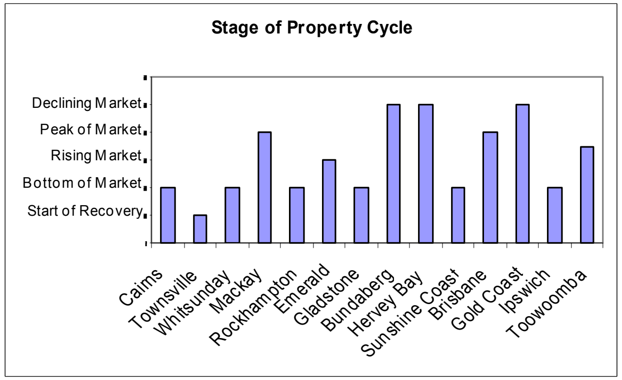
Queensland Property Market Indicators as at August 2010 – Units

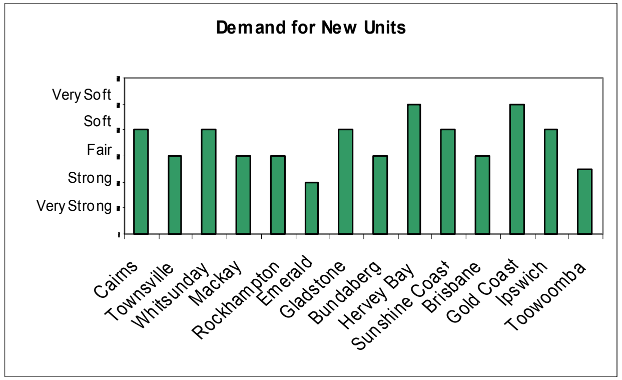
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad-stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Increasing	Steady	Increasing	Steady	Tightening
Demand for New Units	Soft	Fair	Soft	Fair	Fair	Strong	Soft	Fair	Very soft	Soft	Fair	Very soft	Soft	Fair - Strong
Trend in New Unit Construction	Declining	Steady	Declining significantly	Steady	Steady	Increasing	Declining	Steady	Declining significantly	Declining significantly	Steady	Declining	Declining	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Declining	Increasing	Steady	Declining	Increasing	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Peak of market	Bottom of market	Rising market	Bottom of market	Declining market	Declining market	Bottom of market	Peak of market	Declining market	Bottom of market	Rising market - Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Frequently	Occasion-ally

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

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







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Queensland Property Market Indicators as at August 2010 – Retail

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

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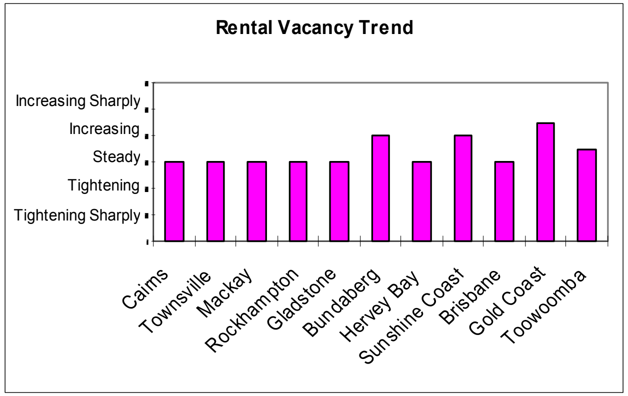

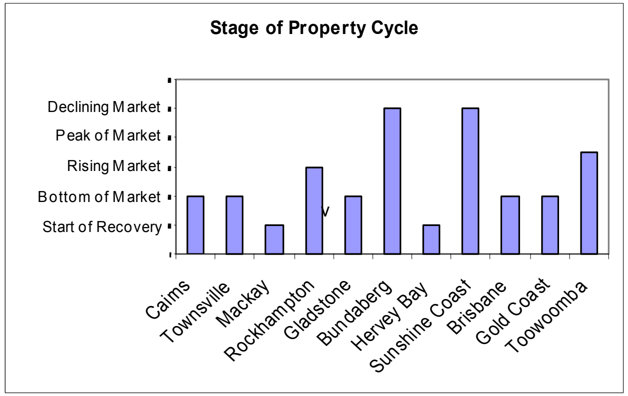

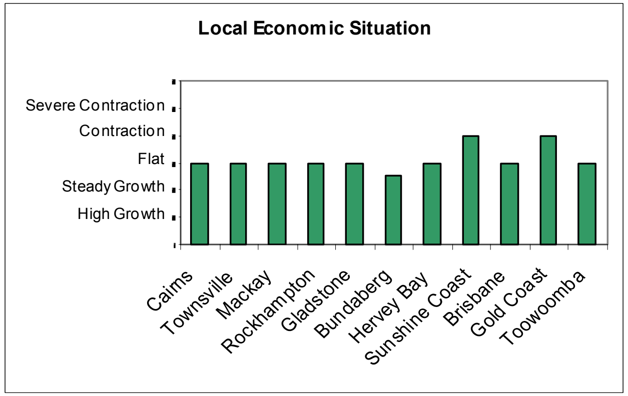

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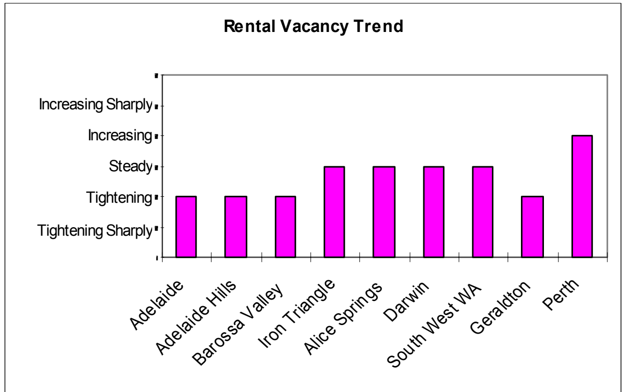
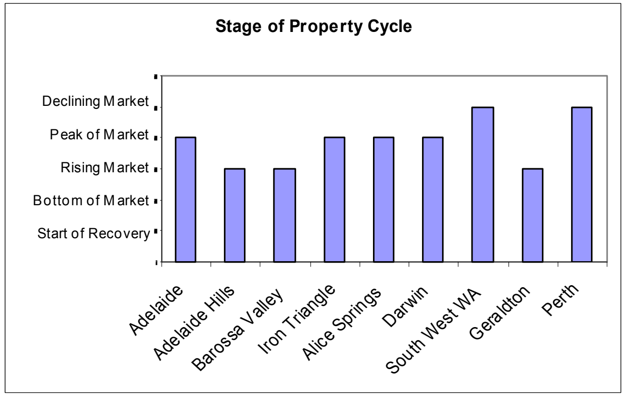
Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2010 – Houses

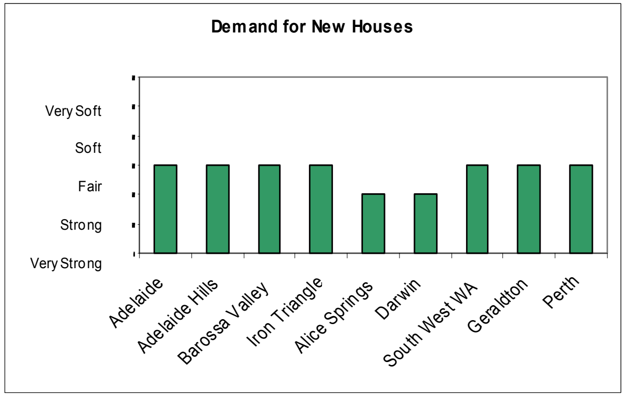
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	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	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

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







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Northern Territory, South Australia & Western Australia Property Market Indicators as at August 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	Soft	Soft	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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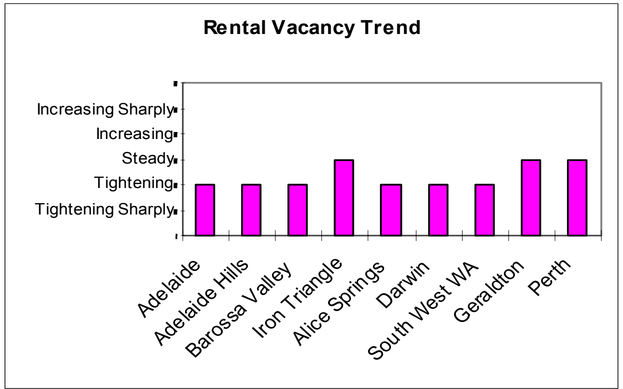

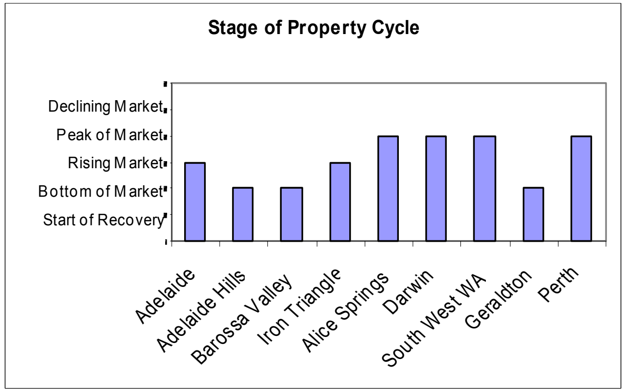

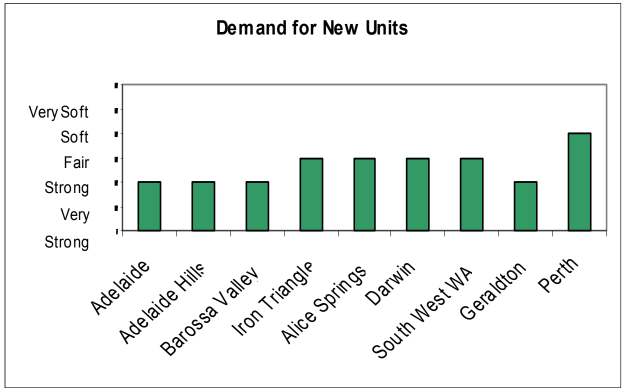

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Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2010 – Retail

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	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady	Tightening	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Increasing	Increasing	Stable	Increasing	Stable
Volume of Property Sales	Steady	Increasing	Increasing	Steady	Steady	Steady	Declining	Steady	Increasing
Stage of Property Cycle	Peak of market	Rising market	Rising market	Peak of market	Rising market	Rising market	Bottom of market	Declining market	Bottom of market
Local Economic Situation	Flat	Steady growth	Steady growth	Flat	Flat	Flat	Contraction	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	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