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The month in  
*review*

2011 FEBRUARY

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## 2011 “The Year Ahead”

**Nigel Tufnel:** The numbers all go to 11. Look, right across the board, 11, 11, 11 and...

**Marty DiBergi:** Oh, I see. And most amps go up to 10?

**Nigel Tufnel:** Exactly.

**Marty DiBergi:** Does that mean it's louder? Is it any louder?

**Nigel Tufnel:** Well, it's one louder, isn't it? It's not 10. You see, most blokes, you know, will be playing at 10. You're on 10 here, all the way up, all the way up, all the way up, you're on 10 on your guitar. Where can you go from there? Where?

**Marty DiBergi:** I don't know.

Nigel Tufnel: Nowhere. Exactly. What we do is, if we need that extra push over the cliff, you know *what we do?*

**Marty DiBergi:** Put it up to 11.

**Nigel Tufnel:** Eleven. Exactly. One louder.

**Marty DiBergi:** Why don't you just make 10 louder and make 10 be the top number and make that a little louder?

**Nigel Tufnel:** [pause] These go to 11.

“This Is Spinal Tap” (1984)

I've waited about five years to use this quote...

As Nigel's amplifier drives itself further than all other ear splitters in the rock and roll game, so too might we property devotees strive to see 2011 be the year of 'one louder'. Since late 2008 we have been wrapped in a hum drum revival for real estate. It has been a middle of the road performance for most sectors as market don a beige pallor and sit quietly in the corner waiting to see if suitors such as interest rate rises and international equities markets are going to start a quiet riot.

It may all fall upon deaf ears however. In general, there has been no line on the horizon so brightly illuminated as to indicate that that the shining light of a strong property upswing is about to work its way towards us. Interest rates are an unknown quantity and the seesaw markets from the Dow to ASE are creating a cold world.

In addition, Australia has seen about the lousiest start to a year that any country should be asked to front up to. With natural disasters kicking in right around the first day of 2011, the full fallout for many is still to be felt.

It is upon this stage that we have asked our Herron Todd White shamans to consider how the year ahead looks. They will bravely give you a rundown on what 2011 might do to their piece of the property cherry pie. As usual, we will ask them to look back in November and see how they fared, but for now they can take a stab at it and hopefully bring in the good midnight oil for you dear reader.

As usual, do not attempt to launch into an incendiary property performance this year without a sound check with the professionals. There is a Herron Todd White real estate engineer ready to tweak the knobs and ride the faders all in an effort to get you a pearl jam for 2011. Just call!

Finally, some levity for what has been a foul start to the new year. My other favourite Spinal Tap quote:

**Marty DiBergi:** David St. Hubbins... I must admit I've never heard anybody with that name.

**David St. Hubbins:** It's an unusual name, well, he was an unusual saint, he's not a very well known saint.

**Marty DiBergi:** Oh, there actually is, uh... there was a Saint Hubbins?

**David St. Hubbins:** That's right, yes.

**Marty DiBergi:** What was he the saint of?

**David St. Hubbins:** He was the patron saint of quality footwear.

Gold!

A hopefully happy rest of the year to you all.

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1 February 2011

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## Commercial Overview

The nation's office market performance over the past few years has, across many sectors, been a lacklustre affair as business has had to tackle the spectres of international equities, interest rates and consumer confidence. Although due for an upswing, the commercial market as a whole continues to be tethered to these outside effects, however certain sectors and regions will obviously perform to varying degrees.

This month's issue tries to shine a light on what might happen in the year ahead. Although we do not deem it possible to be able to predict the future, the professionals at Herron Todd White have attempted to provide some guidance for the office market throughout the nation in 2011.



### Sydney

The start of any year always brings about a certain level of optimism regarding the year ahead as landlords and agents alike hope for a return to improved market conditions. Certainly the first four weeks of 2011 have been no exception to this rule, with all of the major agencies spruiking the outlook for the Sydney market in the local press. The question is however, will this optimism be proven correct over the year to come? As with any market, the answer to this question rests on the outlook for supply and demand.

Starting with supply, the Sydney Metropolitan area has more than 10 million square metres of commercial office floorspace, with 4.7 million square metres contained within the confines of the Sydney CBD. Over the coming 12 months the metropolitan market is forecast to grow by some 140,000sqm, with both Darling Walk and 1 Bligh Street in the Sydney CBD due for completion. During this period it is not expected that any buildings will be removed from the market, with the majority of the future pipeline being withdrawn in previous years.

With the supply of office space unlikely to fall in the coming 12 months, any uplift in rental rates or capital values will be dependent upon an increase in demand. Starting with occupier demand, it is expected that an improvement in the financial services sector will place upwards pressure on white collar employment, subsequently driving demand for prime office accommodation. Despite strong pre-commitment levels and a lack of new premium office space, floor space in the upper levels of the 1 Bligh Street, development has yet to secure a tenant, suggesting that firms remain cautious about committing to top rental rates. Outside of the CBD, demand is expected to increase only slightly, with companies still unsure about the outlook for the Australian economy. In terms of rental growth, it is unlikely that 2011 will see a significant increase in rental rates, with a fall in incentives required before any rental growth occurs.

The improvement in investor demand witnessed in late 2010 is expected to continue into 2011, as funds which remained idle during the Global Financial Crisis move to draw down from their cash reserves. The expected increase in transaction activity over 2011 is not forecast to result in significant yield compression, with buyers still cautious on the outlook for the market. Owners however, will see an improvement in total returns over 2011, as increases in net effective rental rates drive both income and capital value growth. Unfortunately the news is not as positive for strata offices and smaller buildings targeted at owner occupiers, with increasing interest rates swinging the lease/buy equation, firmly in favour of leasing.

With the above in mind, we can objectively conclude that on the whole, the outlook for the Sydney office market is positive, just how positive will depend on the resilience of the Australian economy and in particular, the strength of the financial services sector.



### Canberra

With almost 2.2 million square metres, Canberra is Australia's third largest office market. The Canberra tenant profile is dominated by the Commonwealth

and ACT Governments which sets it apart from other smaller provincial, non-state capital cities. Consequently, performance can be volatile given market size, elections and decisions made by the Federal Government which directly affects the number of public servants employed. On the upside, volatile business conditions do not seem to directly affect the Canberra market as much as other capital cities.

Total employment remains steady in Canberra and therefore white collar employment growth is unlikely to match the level of supply scheduled to be in place for the Canberra office market over the next 12 months. As a result, total vacancy is expected to remain relatively high and any further rise to continue at a slower rate. Total vacancy for the Canberra office market is forecast to peak at 14% in the short term, before trending down in 2012 aided by the limitations on new supply and stock removal.

**...with doubts lingering on the strength of the economic recovery, coupled with high vacancy levels, rental incentives are likely to remain at their current levels for another 12 months....**

As a result of subdued tenant demand and continued funding constraints, new supply will remain below the historical annual average in the short term with significant pre-commitment required in order to be feasible.

Prime gross effective rents are forecast to grow, reflecting the increased cost in delivering to the market quality new 'green' sustainable buildings. Existing buildings will continue to benefit from escalator clauses in the lease whilst those other buildings seeking new tenants could see negative growth in rents. With doubts lingering on the strength of the economic recovery, coupled with high vacancy levels, rental incentives are likely to remain at their current levels for another 12 months.

While signs are emerging that several institutions are now in a position to invest again, having recapitalised, it is likely that prime yields may only tighten marginally in the short term on the back of the rental outlook forecast.

As a result of the muted rental outlook for the Canberra market and the improbability of yield compression in the short term, capital values are forecast to marginally decline over the next 12 months.



## Newcastle

As we awake from the Christmas yuletide celebrations, where is the slumbering behemoth that is the Newcastle Office Market? Is the beast about to be unleashed? If the metaphorical beast is unleashed upon Newcastle will it still be sporting its winter fat and a hangover worse than a John Farnham 'finally it's over' wrap-up party? Will it rise up, stretch and start its early morning Zumba routine. If it does, will it require more room??

Rental and yields have remained relatively constant over the past 12 months or so with the trend being

slightly down if pressed on a direction. The well reported downturn in the retail sector has done little to depress the office sector, with the two sectors not appearing to share a strong mutual link. Newcastle continues to have a soft vacancy rate of around 15% as of June 2010. Development has slowed in part due to these figures. The newer accommodation along Honeysuckle Drive is being absorbed, often at the detriment of older space in the Newcastle CBD. This tends to reflect society's liking for shiny new things.



There is limited demand for lease space of older stock in Newcastle and we foresee over time some of this space being removed from the market and possibly converted to residential or mixed uses. A-grade rentals appear to be holding firm at just under \$300 per square metre net. Some space transacts above \$300 per square metre although this is not considered the norm. Incentives in the marketplace appear to be relatively high, over 15% or around nine months of rent free over a standard five year lease term and this is symptomatic of the higher vacancy rates and subdued economy prevailing at present.

We believe that the prime factor in the market is the overall vacancy factor around 15%, which is higher than long term averages and this will limit further development in the short to medium term. The only exceptions to this might be for design and construct projects to pre-committed larger tenants or government departments. In this event the major impact will be on the remaining space in the centre of Newcastle and we can expect further falls in this the B and C grade sectors.

Maybe the beast will go back to sleep for a while, and come back doubly energised and refreshed next year.



## Southern NSW & Northern Vic

### ALBURY

The market for office properties is fairly thinly traded as usual with the leasing agents also reporting a tough market for office leasing resulting in longer lease up periods and higher holding costs. Yields for commercial property are expected to increase by about 0.5% to 1%. Tougher market conditions are generally expected over the coming year.

## WAGGA

The office market in Wagga Wagga is expected to have a stable 2011 and remain fairly static. As this sector of the property market has been quiet over the past few years in Wagga Wagga we see nothing to change this in 2011. We expect rents to remain stable and believe that the turnover of office style properties will remain fairly static resulting from steady demand. This will result in yields remaining stable.

We are unaware of any large office developments slated for Wagga Wagga in 2011 and believe that the market here does not require any more space as this may flood the market.

## LEETON

The commercial office market in 2011, like the residential market in Griffith and Leeton will be impacted by the outcome of the Murray Darling Basin Water Sharing Plan. With the agricultural season being more favourable in 2010, businesses were looking forward to better days but since the announcement of the Draft Plan, a conservative approach is dominating expansion and purchase plans. Uncertainty surrounding the future of the local economy, a difficult credit environment and the likelihood of further rate rises means sales of commercial space will be scarce in 2011. Those properties which have already been on the market for an extended period will have to adjust their price expectations to more competitive levels (7.5% to 9% net) to achieve sales or continue to waste their agent's time and advertising expenses. Where possible I would suggest landlords avoid market reviews as the oversupply of space over the past few years has put downward pressure on rates. On the flip side if your lease is up, negotiate with the knowledge the ball is in your court and if you have any rainy day pennies stashed away blow the dust off them and go shopping!



## Melbourne

The Melbourne CBD office market has experienced a recent substantial increase in supply with approximately 225,550sqm of office space being under construction as of March 2009. Early expectations for the absorption of this space had been negative. Some industry experts suggested that CBD office vacancies could rise to 10% by late 2010 with rental incentives also predicted to increase

to 25% to 30%. This was due to an expected decrease in the rate of white collar employment flowing on from the Global Financial Crisis.

However, the current feeling is that the vacancy rates peaked at 6.5% in 2010 from a low of 4.8% in July 2009. The current vacancy rate of 6.3% shows a marked reduction in the December quarter of 2010. These rates are expected to decline over 2011 as the market absorbs the remaining new office space. Melbourne has recently seen net absorption (additional space leased less space vacated) of 84,000sqm compared to the national average of 63,700sqm. We are now reaching the end of a heavy construction cycle. As a result of this there will be very little new stock coming on to the market over the next two years and vacancy rates are estimated to fall to as low as 4.5% by the end of 2012.

***...some industry experts suggested that CBD office vacancies could rise to 10% by late 2010 with rental incentives also predicted to increase...***

Victoria's economy is in good shape with employment growth, industrial demand, retail spending, and population growth all increasing in the December quarter of 2010.

We are now seeing strong permitted site sales as developers seek to take advantage of predicted low vacancy rates, increasing rents and capital values. Access to finance is still a barrier to growth as the major lenders are lending with unprecedented caution.

Some recent sales activity in the CBD office market include:

- 15-17 Queen Street sold in December 2010 for \$9 million fully leased with a passing income of \$606,490 per annum net reflecting an initial yield of 6.73%. The eight-level Boom Style building was originally constructed in 1888 and has since been refurbished to a modern standard.
- 485 Latrobe Street sold in August 2010 for \$141 million on an initial yield of 7.75% and a capital value of \$4200 per sqm. The 34,046sqm (NLA) office building was jointly owned by Investa Commercial Property Fund (ICPF) and Investa Enhanced Fund (IEF).
- 50% of 570 Bourke Street sold in September 2010 for \$76.50 million on an initial yield of 8.86% and a capital value of \$2177 per sqm. The 35,146sqm (NLA) portion of the office building from Trinity Funds management sold in February 2010. Charter Hall's (CHC) Core Plus Office Fund (CPOF) purchased a 50% share of the building from the Perron Group. The A-grade commercial office building comprises a 522-bay parking station comprising both tenant and public car parking. The building is 96% leased to major tenants including the Victorian State Government, ANZ, Willis and Allianz, and had a weighted average lease expiry of 4.1 years upon settlement.

Recent major Leasing activity has seen Telstra lease 23,500sqm of office space at 300 Latrobe Street in September 2010 for an undisclosed rental and PBL have leased 8678sqm of office space at 717 Bourke Street, Docklands for a net rental of \$360 per sqm. Nine/PBL

has joined several major tenants at 717 Bourke Street including, Global Campus Management, AHAC, and The Financial Services Ombudsman. Office rents within the development range from \$310 to \$375 per sqm with variations being explained by the size of office space leased.

In news outside of the CBD, 199 Toorak Road has sold for \$20 million on a sharp initial yield of 5.61% and a capital value of \$4956 per sqm. The 4038sqm office building was marketed as a potential development site with existing schemes in place and a good holding income. This explains the yield achieved which is well below current market parameters.

Based on the current scenario we should see a return to moderate increases in gross effective rents in 2011. Increased purchasing activity and tightening vacancy rates from 2011/12 could see yields firm and capital values increase over the medium term. The absorption of backfill space will remain a significant issue in 2011 given that many major tenants have relocated to new facilities over the past 12 months. Owners of non prime office stock may need to consider refurbishment or increasing rental incentives in order to fill space left by major tenants.



## Regional Vic

### ECHUCA

With two large national retailers opening in late 2011, the signs are good for the local economy and while there are limited sales volumes to look back on, one sale in late 2010 returned a passing yield of just over 6% (national tenant). While 2010 was a challenging year for local businesses, we would anticipate some improvement heading into 2011, though it is likely to take some time for improvements in the local economy to filter through to improved business confidence.

### MILDURA

The professional office market in Mildura is predicted to see no major changes in the next 12 months. Any major changes will be dependent on changes in the local economic outlook and this is expected to remain subdued.

Recently completed is a large two-storey medical centre which is located between Mildura's two main hospitals. This 'state of the art' centre has mostly been committed to various specialist medical entities at levels in excess of \$300 per sqm, well above prevailing office and existing medical centre levels in the area. This may see some increase in vacancy levels particularly of older style medical premises in the City.

**....there have been few sales of office buildings in the past year and this trend is expected to continue....**

A new Centrelink office is expected to be constructed in 2011, and expressions of interest have been advertised.

There are presently around 50 unoccupied retail and office premises in the city centre area, well up on previous years' levels and whilst rental levels have remained static through the year, there is now a supply – demand imbalance. There have been few sales of office buildings in the past year and this trend is expected to continue. Established small to medium businesses tend to own their premises, more often than not via a self managed super fund, whilst the relatively few larger premises, which tend to be occupied by banks, professional businesses and government departments, are mostly tightly held by local investors.



## Adelaide

The commercial office market is mostly affected by supply and demand for tenants and that was relatively stable during 2010. The vacancy rate is reportedly very low for office accommodation therefore office accommodation offered for sale for owner occupation is in reasonable demand and that demand may well increase if the State Government's view is correct, being that the state is very well placed economically for strong growth.

There are very few new office projects in the pipeline or approaching commencement and until such time as new office accommodation comes online, the vacancy rates in existing office buildings is likely to remain relatively low.

There appears to be very few large vacancies in the fringe office markets along Greenhill Road and Fullarton Road notwithstanding the fact that there are always smaller tenancies available for lease.



## Brisbane

Towards the second half of 2010, the Brisbane commercial office market witnessed a stabilisation after the turmoil of 2009 and it is expected that this will remain the case into 2011, as the market begins the long road to recovery. However unlike Sydney, Melbourne and Adelaide; Brisbane will continue to suffer with an oversupply of stock, given that the current level of construction activity in the CBD and fringe is reportedly rated as the second highest in Australia's history. Whilst vacancy rates as at July 2010 were approximately 10.9% down from 11.3% in

January 2010, there is 91,063 square metres projected for 2011 and 2012 on the top of the 38,000 square metres of new supply which came onto the market in the last six months of 2010. As a result this additional stock will ensure that the vacancy rate will hover between 11% and 12%. As the new accommodation comes on line, it is expected that the fringe locations and secondary stock will be the hardest hit. A major test for the CBD will be the absorption of the 63,000 square metres which 111 Eagle Street will bring to the market later on this year. The outlook for the Brisbane CBD market in the short to medium term would indicate that the rental market will remain a tenant's market. At present incentives for commercial office accommodation around the CBD generally range between 20% and 30% and it is expected that this will remain the case throughout 2011, with a continuation of the gross face rentals being achieved over the past six to 12 months.

Another major factor which is sure to influence the market this year will be the impact of the recent floods. At this point in time it is too early to gauge the extent of the fallout; however the suburbs under the most amount of pressure after experiencing some of the worst of the inundation will be Milton, South Brisbane and West End. With an already high rate of vacancy and quality stock perpetually coming onto the market, it is expected that many tenants with options for renewals will seriously consider other less affected fringe areas such as Bowen Hills, Woolloongabba and Fortitude Valley or the CBD itself. As 2011 progresses we expect to see a greater disparity between the newer and older assets, as secondary and tertiary properties experience higher vacancy levels, lower rents and comparatively softer yields.



## Gold Coast & Tweed Coast

The Gold Coast office market remained in a poor state through 2010. The vacancy rate reached a record high of 23.4%, the highest in the country, and reduced rents, increased rental incentives and lower overall values were the norm.

Now, in early 2011, with a continued bleak economic outlook and low business confidence coupled with the yet to be felt effects of the devastating floods in nearby regions, it is hard to see conditions improving any time soon.

However, having said this, some agents have noted a slight increase in enquiry, putting this down to the fact that some buyers and prospective tenants now consider the market is at the bottom of the cycle, and that there are good deals to be made. Although rents and value levels

may not necessarily improve dramatically over the short to medium term, over a longer timeframe one would assume there would be potential for reasonable growth.

Through 2009 and 2010 the take up of A-grade office space was low due to prohibitively high asking rental rates not affordable under the poor economic conditions. However, in late 2010 there were a number of leasing deals struck for 1000sqm-plus floor areas within A-grade buildings. The incoming tenants were typically established organisations with large space requirements, and some with 'green' business philosophies.

Corporate Centre Two is a new five-star rated 'green building' located within Bundall's financial precinct. It is an eight-level, 8000sqm contemporary style office tower. Leasing within the complex had been slow, however, Wyndham Resorts have recently taken a ten year lease of 4521sqm over four floors. Consequently, this building is now substantially leased.

**...rents and value levels may not necessarily improve dramatically over the short to medium term....**

The Rocket, Robina's flagship office building, comprises a new 16-level, 11,000sqm contemporary style strata titled tower. Sales and leasing have been quite slow, however, as with Corporate Centre Two, a large floor area of over 3000sqm has recently been taken up. Allconnex Water has leased the space and will use it to consolidate their Nerang, Beenleigh and Cleveland branches.

In terms of sales, the recent sale of units by receivers at Southport Central is continuing to have a somewhat negative impact on the market. Southport Central has absorbed numerous buyers and tenants at low price levels/rental rates, resulting in a softer demand for other competing buildings.

Another test of the market will be at The Oracle development in Broadbeach, which is now in the hands of receivers. This is a high quality mixed use, primarily residential, twin tower development which incorporates 34 strata offices with a total floor area of 6636sqm. It is not yet known how receivers will deal with the complex, however, it will likely be an interesting test of the residential apartment, office and retail markets in this region.

It is clear that conditions in the Gold Coast office market will continue to remain difficult for the foreseeable future.



## Sunshine Coast

The Sunshine Coast economy is dominated by three main sectors - tourism, retail and construction. The region also has a strong agricultural sector. Into 2011, strong efforts are being made to diversify the regional economy by the Sunshine Coast Regional Council however these three sectors remain the main drivers.

Unfortunately all three sectors have been adversely impacted by the recent weather events and general economic conditions. Though we escaped with minimal flood damage, the latest rain event, which happened during the tourist industry's busiest time, may be 'the straw that breaks the camel's back' for a number of operators. Concern exists that if conditions do not improve in the short term, a number of operators will be pressured to close their doors as tourists delay holidays and construction sites become inaccessible.

Into 2011 we see large variations becoming more obvious between modern well located properties with secure lease covenants to those older properties in secondary locations. Though we see yields are unlikely to deteriorate much further, rising incentives, rising vacancy rates, falling rents, increasing interest rates, and access to credit do pose ongoing risks to the market.

The office market across the Sunshine Coast is still experiencing a glut of office product available for sale and lease. The 10 storey office building in the Maroochydore CBD is nearing completion along with the La Balsa project at Mooloolaba. This level of supply is expected to put downward pressure on values for both rental levels and end value levels.

**....concern exists that if conditions do not improve in the short term, a number of operators will be pressured to close their doors....**

With the additional incentives offered to tenants those companies seeking larger areas have been able to negotiate favourable outcomes. YOUI Insurance has agreed to occupy approximately 3500sqm of office space within 'The Edge' at Lake Kawana. The Edge is the first green star certified project on the Sunshine Coast and has experienced difficulty leasing space to date.



## Southern Queensland

### TOOWOOMBA

Demand for office space in Toowoomba is forecast to be moderate during 2011. Many commentators had predicted general economic activity to increase during the year on the back of the gas and resource development in the Surat Basin, however due to the widespread flooding throughout the Darling Downs, activity has ground to a halt and predictions for a buoyant 2011 are generally being scaled back.

The gas and resources sector combined with decentralisation of government services are still likely to be the major drivers of demand in the short to medium term, however solid early commitments would be required to underpin any new large scale office development in the City. Subsequently, any activity during 2011 is likely to be confined to refurbishments.



## Central Queensland

### ROCKHAMPTON

And the river through it . . .

The city of Rockhampton is built on the banks of the mighty Fitzroy River and this month, nature reminded us, as it did for much of the state, when nature turns, it can wreak havoc. The Fitzroy peaked at 9.3m on January 5, inundating some 400 homes and leaving the city of Rockhampton and its 60,000 residents cut off from its southern counterparts for 14 days. The Rockhampton Airport was also closed for close to three weeks. This has been the largest flood the region has seen for almost 20 years.

The mop up has begun and local businesses are calculating their losses due to two weeks of isolation.

How the latest flood is likely to impact the commercial property market is yet to filter through. The market remained relatively dormant through 2010 and after a wet start to 2011, this is likely to continue through 2011. The office sector in particular has been greatly inactive during the past two years. Vacancy levels remain low throughout the city and yields are stable at between 8% and 9%.

A notable transaction for the end of 2010 was the acquisition of a 600sqm vacant allotment on Musgrave Street which was sold at auction for around \$400,000. Another property to sell under the hammer at auction in November is a property at the corner of Kent Street and the Highway which sold for \$342,000 at a well contested auction. This is a 675 square metre allotment which is improved by an aged residential dwelling which has been converted into professional offices.

The Capricorn Coast market also remains flat after experiencing an increase in values and sales volumes through 2006 and 2007.



### BUNDABERG

The outlook for 2011 is expected to be for steady recovery and growth after a very slow 2010 for both leasing and sales activity. The trend towards new office developments on the city fringe and along Barolin Street is expected to continue. Interest rates are the main risk to a reduction in yield rates to provide capital growth.

Bundaberg business can also expect to see some benefit from the new Coal Seam Gas developments in the Sarat Basin and Gladstone. This should add some impetus to the market.

Sugar prices remain high, macadamia nut prices are continuing to increase, cattle prices are high and in general small crop prices are strong. Monduran and Paradise irrigation dams are full and general prospects for agriculture are strong, which also supports steady growth prospects.

## HERVEY BAY

2011 will see the completion of two new office projects along Main Street and Torquay Road. Initial 'off the plan' sales and leasing was steady for these projects however enquiry has now slowed. We consider the next six to 12 months will see a continuation of slow to steady growth within this sector. Most interest will be for sub-\$1 million property with strong tenancy profiles. Anything above this price point may realise softer yields.

The tourism industry is showing signs of volatility which could dampen business confidence in our region. Tenants associated with the industry may experience leasing pressure if visitation numbers fall. This could result in an increase in vacancies and rental rates.

## MACKAY



Vacancy rates for commercial office space appear to be stable at present, with slow demand and limited supply. Overall, the commercial office market remains relatively stable with limited growth since late 2008.

There is limited commercial office development under construction in Mackay, with the exception of 'The Avenue' in North Mackay which is due for completion early 2011. Upon completion 'The Avenue' will comprise a commercial complex incorporating two detached freestanding single level mixed retail/commercial building and one detached freestanding lifted two level commercial office building, with a total lettable area of 2571sqm. The project is considered unlikely to affect existing supply, with the majority of the commercial space pre-committed.

There is currently limited commercial development due to be delivered within the next six months.

The current ceiling for office rents in the Mackay city centre is about \$385 per sqm gross. Taking into account the cost of developing new office space, any new supply will most likely require a rental benchmark well above \$385 per sqm to support development. This conundrum between construction cost and rent value appears to be the reason why no new office accommodation has been constructed in the city over the past 10 years.

We are aware that the State Government is currently looking for 3500 to 5,000 sqm of new office accommodation. As outlined above it is likely the required rental will need to be well above existing passing rentals to make this development feasible. It is unlikely to be completed this calendar year and is considered to have little immediate impact on the commercial office market.

The biggest factor influencing the Mackay commercial market is the coal industry. The future of the mining industry in the Mackay Region is looking sound, with high levels in investment in new mines and other infrastructure projects already committed. During 2009 and 2010 there were 15 advanced coal projects established in the Northern Statistical Region of the Bowen Basin which either had a mining lease granted or under application.



## Cairns

The Cairns office market underwent a considerable period of expansion from 2007 through to 2010 when several new office buildings were constructed, resulting in the addition to the market of a number of quality buildings with four star green ratings. These buildings are now all mostly fully let and have addressed the undersupply situation that previously existed in regard to prime space. A State Government office tower with 9500sqm of leasable space was the last to be completed in September 2010, and there are no further office buildings presently under construction.

**...now that the State Government office tower has been occupied, it is expected that 2011 will see an increase in vacancy levels in secondary backfill space....**

The most recent sale of a large office building in Cairns is at 112-120 Bunda Street in a fringe CBD location. This is a near new four level office complex providing ground floor foyer, car parking, shop and three levels of 'A' grade commercial office space above. The property has a total net leasable area of approximately 4344sqm. Other improvements include two lifts, minimal landscaping and 84 off-street undercroft carparks. The building has a four star green rating. The property is multi tenanted to Government tenancies with some vacancies. It sold for \$18.8 million in May 2010 showing a return on a fully leased basis of 7.35%.

Gross effective office rents in Cairns have remained stable since the market peak, when prime rents reached around \$360 per sqm per annum, up from around \$275 per sqm in early 2007. While the softer market conditions have

eased upward pressure on rents, there does not appear to have been any significant fall in rents.

Now that the State Government office tower has been occupied, it is expected that 2011 will see an increase in vacancy levels in secondary backfill space. This is likely to place downward pressure on secondary rents, and may see the emergence of incentives. It is however considered that modern, good quality office buildings will remain in high demand and sustain existing rental levels.



## Townsville

The office market in Townsville's CBD has experienced a tightening vacancy rate during 2010 within the A and B grade sectors. This has come at the expense of increasing vacancy rates within the C and D grade space with much of this CBD office space becoming functionally obsolescent with regard to changing business needs.

During 2010 the office sector remained at the bottom of the market cycle with limited transactions occurring. Preliminary indications from our January 2011 office survey indicate that over the past 12 months there has been a combined net absorption of approximately 1000sqm of A and B grade office space.

The \$56 million Flinders Mall redevelopment is progressing well and is due for completion mid 2011. It has been reported that interest for retail space within the mall has been good with enquiry from banks, dining and retail stores. If this interest was to transpire to tenancies, it may create a flow on effect to the office sector. We are already aware of one CBD office tower, which is set to undergo a major refurbishment during 2011 including full internal and external upgrades. It is possible that we may see more of this occurring over the coming 12-18 months, as the increasingly functionally obsolescent C and D grade stock undergo major refurbishments to bring them up to A or B grade standard. This is likely to occur however, only if A and B grade space is continued to be absorbed.



For the year ahead this market is likely to remain patchy with low levels of activity and with perhaps some slow improvement towards the back end of 2011. The decreasing A and B Grade office vacancies that have

occurred throughout 2010 are likely to be a 'wait and see' market during 2011 as the impact of recent flooding in the Central and Southern Queensland present themselves in our local market.



## Darwin

Valuers read market perceptions, including those based upon predictions by economists. Usually, those include the assumption that trends will carry as they have in the recent past. That is often wrong because markets, although usually linear, can be overwhelmed by non-linear events - such as recently with the GFC. So we leave predictions to those holding themselves out as experts in making them.

Unfortunately, predictors are a mixed lot, and the market enfolds them all to a greater or lesser degree. This results in only the most willing and able putting their signatures on contracts to purchase a property. And however willing the market may be (given the stellar future predicted for Darwin by organisations such as Access Economics), the 'able' part is becoming even more threatening for the Darwin property market.

Events far beyond Darwin's borders have huge effects on this Darwin market. It is a small town in a location which should have a large one in terms of meeting Australia's logistical challenges - particularly in servicing the South and East Asia regions' resource demands. As such, international players in general and the international energy and finance sources in particular, have an even greater impact on Darwin than they do on Australia in general.

***...predictors are a mixed lot, and the market enfolds them all to a greater or lesser degree....***

In the case of the former, there is a global glut of gas. Nevertheless, there is still good reason to believe that, later this year or early 2012, Inpex will confirm that it is coming to Darwin. That should provide a great fillip to the commercial and industrial property markets here, as should other logistic infrastructure developments to varying degrees. These include the Darwin International Airport's \$100 million-plus development as a transport hub, the Marine Services Support Hub, the Defence Support Hub, and so forth, all of which appear as both viable and sound at the national strategic level. In the case of the latter though, the finance industry, the situation for Darwin appears less promising.

There is only so much that local banks can obtain through the international market. Offshore borrowings by depository corporations have increased 14-fold over the past 20 years, while the CPI has increased only twofold over the same period. Much of that finance must now go towards the reconstruction requirements following the recent massive floods along the Eastern Seaboard. While that is right and proper, there may well be collateral damage here in terms of availability of developmental finance.

In general, therefore, the market is predicting a pick-up in demand mid to later this year, which seems the most reasonable scenario on the evidence. The degree of that pick-up will be tempered not as much by Darwin's potential as by the banking sector's willingness and ability to facilitate that potential. Even with the best will in the world, that ability is something that remains to be seen.



## Perth

The big news at the start of 2011 was that Perth's largest office/retail development, the \$500 million Raine Square Tower, has fallen in the hands of receivers, with the developers having missed a \$50 million payment to Bankwest and the Bank of Scotland. The project, which began in 2006, is now due for completion by this year's end, with the receivers indicating that it planned to see the project through to its completion before offering it to the market. Interestingly the receivers have confirmed already having fielded enquiries, both locally and overseas, to purchase the property, and indicated a willingness to sell the property at the right price. This development has been beset with a number of problems from the beginning, and this is likely to continue as the developer intends to challenge the appointment of receivers through the courts. The ongoing saga relating to this development is unusual for a building whose 44,000sqm office space is already fully pre-leased to Bankwest and 13,000sqm retail being 70% leased. Many property developers will continue to struggle over the course of the year, as the impact of the GFC continues to bite with declining property values, rising interest rates and increased global uncertainty in the economic and financial markets.

### **....the suburban office market is also tipped to continue its downward trend....**

With many property owners also feeling the pressures of maintaining funding structures, the Perth office market continues to offer good buying for cashed up local and foreign investors. Recently 10 Stirling Highway, Nedlands sold for \$7 million at a passing yield reported to be above 8%, although our enquiries suggest that the passing income of some of the tenancies are presently above market. Demand for office space in this location is relatively firm though, however the current market would unlikely pay at the present rates the building achieves. The three-level property, comprising approximately 1500sqm in building area, with 55 car bays, situated approximately 5km west of the Perth CBD, was purchased by an overseas investment group.

For the year ahead the Perth CBD, West Perth and inner suburbs are anticipated to remain relatively flat. The main buyer group is expected to be private and institutional investors with substantial capital reserves, as bank lending is expected to remain tight and interest rates are expected to continue an upward trend. Property values will continue to be determined more on passing and prospective income returns rather than on anticipated

capital growth. Current conditions are simply not conducive to speculative purchases. The flat market conditions in this sector are tipped to continue despite forecasts that vacancies will again fall to low levels over the course of the next one to two years. This is because this sector of the market has shown increasing sensitivity to external factors. Investor and consumer sentiment has been quite unstable since the GFC and will keep many local buyers on the fringe of the market. Of course this market may indeed experience a worse outcome, if demand for our commodities suddenly drops. The major groups occupying the Perth CBD and West Perth markets are either mining companies or businesses servicing the mining sector. As we already experienced shortly after the GFC, contraction in the mining sector results in a relatively quick escalation in vacancies and falls in values.

The suburban office market is also tipped to continue its downward trend, mostly due to the imbalance between supply and demand. This sector of the market is dominated by owner occupiers, whose businesses are largely dependent on local catchments, which are largely unaffected by the booming mining sector. This is particularly the case for the outer suburban markets. We have recently undertaken a number of valuations in the suburban sector and find the general condition of the markets poor, with higher than average vacancies, lengthy letting up periods, and high incentives being offered to prospective tenants. Overall sales volumes have failed to recover since the onset of the GFC.



Significant external threats to the Perth office property market are numerous. The world financial markets continue to be plagued by excessive and unserviceable debts, which appear to have merely transferred from large banks to sovereign states. European and the US economies are both languishing with inordinately high debt. In Europe we have already experienced the debts crises of Greece and Ireland, and currently there are concerns that the same fate will befall Belgium, Portugal and Spain. The US has its own debt problems with the fear that many US states may default on their debts. Clearly the international bond markets have become jittery, evidenced by rising yields. These issues, if unsolved, will have a certain impact on Perth's office property markets bringing higher interest rates and simultaneously lower available lending capital.

Major international economies also continue to experience persistent problems, such as the lingering high unemployment and rising inflation in the US and several European nations. Closer to home there is increasing

concern over the sustainability of the extraordinary recent economic growth of China. China is encountering inflationary pressure, asset bubbles, rising currency values and rising interest rates. China has generally maintained growth rates above 8% since the 1980s which also adds to the speculation that one of these days the 30 year trend will reverse. With China holding the mantle of the state's largest trading partner, any sudden contraction in this trade will likely see significant falls in commodity pricing and trading volumes.

Western Australia has demonstrated resilience over recent years in the face of the recessionary pressures brought about by the GFC, largely due to the maintenance of a generally positive balance of trade. Stability in Perth's office property market will necessarily require the continuance of this pattern.



## South Western WA

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Here we are half way through January and it feels like Christmas was yesterday.

Looking ahead at the year 2011 for the commercial property market in South West WA, I expect more of the same as was experienced during 2010. Overall this was a fairly steady market with a small but steady volume of sales transactions, a reasonable stock of properties either for sale or lease, steady values and rental rates and steady building activity for new premises.

Generally the market is considered to be past the bottom of its cycle, however given the flat local economic conditions I do not expect any great market increase during the coming year, at least while the global economic uncertainty continues. However there is an increasing number of design and construct projects underway or planned for the office, retail and industrial sectors. These may give guidance to the market as the year progresses.

Even though the local economy was supported by a number of large infrastructure and expansion projects during 2010 many businesses were still relatively quiet. As these projects continue, hopefully business activity will build momentum during 2011 with a corresponding pick up in market activity for the commercial property sector.





## Residential Overview

In what kicked off as one lousy start to a year, many Australians will be dusting themselves off and getting on with the job of rebuilding. The shockwaves in the property market for those regions are probably still to be felt and there may also be some flow on effects for those areas not directly impacted.

On top of this we have seen a reasonably lack lustre performance across the board in property since late 2008. There have been a few highs and lows but in general the markets have been operating cautiously.

We trust that our annual year ahead issue will provide some grounding as we travel into 2011. Never has there been so graphic a demonstration of how dangerous it is to crystal ball gaze than the start of this year. You have only to see how a freak flood event or major bushfire can wipe hundreds of thousands of dollars off the value of seemingly stable assets overnight. Our staff have attempted to provide you with their best guidance on the new year based on the available evidence as it currently stands.



## Sydney

### East, Inner West and Lower North Shore

Despite a sluggish start to the spring period and the unexpected rate hike in November, residential property in Sydney's 'Inner Ring' suburbs finished 2010 in relatively good health. Market activity has proven resilient with demand continuing to meet supply, ensuring values across the 'affordable' and 'mid-range' price brackets remain stable.

Unlike the Outer Ring, property values within the Inner Ring are less correlated with interest rate movements, as property owners and purchasers alike, have a greater

capacity to absorb interest rises. With this in mind, it is likely that the stable market conditions witnessed in the last half of 2010, will continue into 2011. Lower priced apartments however, are likely to witness a fall in demand, as first home buyers withdraw from the market in light of interest rate rises.

Indeed looking forward it is possible that many first home buyers will be effectively priced out of the market, as capital values rise beyond threshold levels for government first home owner subsidies. Of the 11 Local Government Areas within the Inner Ring, six have a median unit price above the NSW government threshold for stamp duty exemption.

When compared to previous years, 2011 will see a fall in building completions within the Inner Ring, as projects commenced prior to the Global Financial Crisis (GFC) have all but reached completion. Subsequently the majority of projects placed on hold during the GFC, but have since commenced construction, are not expected to reach completion during 2011.

As growth in population continues, traffic congestion and infrastructure constraints will ensure demand remains strong for inner city locations even if interest rates continue trending higher.

### Bella Vista

Overall, 2010 was a positive year in terms of sale volumes and residential values in the greater Sydney region. This continued in the face of the inevitable interest rate rises by the RBA. With further interest rate increases likely in 2011, the outlook may not be as positive.

Since October 2009 the Reserve Bank of Australia has moved to increase interest rates seven times, with the official cash rate rising by 175 basis points. In addition several of the major lending institutions have raised rates beyond that of the Reserve. With further increases in interest rates likely, the increased demand from first home buyers that has supported the Western Sydney market over the past two years is likely to wane. With mortgage stress currently a pressing problem amongst first home owners, it is likely that any further interest rate

increases will see a rise in property foreclosures within the Western Suburbs.

This situation is already playing out within the South Western suburbs, with foreclosures increasing in the first four weeks of 2011. With future interest rate rises likely, capital values within the South West region are likely to come under further pressure, as the inevitable mortgagee in possession sales drag down property values.



News from the west is not all bad however, capital value growth in Ryde and North Ryde has the potential to continue throughout 2011, as the refurbishment of the Top Ryde Shopping Centre boosts the attractiveness of the area to buyers who have been priced out of suburbs to the east. Likewise 'The Ponds' development in Kellyville Ridge has defied earlier predictions, with new land releases achieving higher values than their earlier counterparts. The final stage along the Schofields side of the development will be released later this year.

Outside of the metropolitan area the Blue Mountains market has been boosted by an influx of retirees seeking to depart the rat race. Over 55s developments (SEPP 5) in Blaxland, Wentworth Falls and Glenbrook are achieving prices in the low to mid \$400,000s, well above the median unit price for the Blue Mountains.

Given the likelihood of further interest rate rises during 2011, the general outlook for the Western Sydney property market is not considered as positive as 2010. Should further interest rate rises occur it is likely that the Western Sydney housing market will ease considerably, with the possibility of topping the iceberg before beginning to decline.



## Wollongong

Over the past 12 months there has been a significant shift in the property market, from a 'buyers' market to a 'sellers' market throughout the Illawarra region. Due to rising interest rates and uncertainty throughout the economy in 2008 and into early 2009, the market was thinly traded and limited value increases were achievable in the area. However, in the past 12 months there has been an injection of confidence back into the property market, which is having some positive results.

Throughout 2010 the Illawarra property market has generally been dominated by owner-occupiers, predominantly mum and dad buyers looking to secure

the family home in the mid-tier price range. With the focus changing to the mid-tier price range in 2010 the benefits have been seen generally across the board, from Helensburgh through to Kiama.

IRIS reports that the median prices for houses in the Wollongong LGA grew from \$380,000 in 2009 to \$430,000 for the same period in 2010. Units also increased, from \$308,000 to \$340,000.

This change in the market dynamic has meant that vendors are achieving stronger prices for their properties in shorter periods of time and more stock is coming onto the market. This trend is keeping local agents rather busy of late.

Due to these strengthening market conditions many investors have been encouraged back into the market over the past six to 12 months. Renewed confidence in the economy, coupled with strong rental returns has seen investors coming back to the area. They have predominantly focused on the inner CBD areas of Wollongong and fringe suburbs of the CBD such as Gwynneville, Keiraville and Fairy Meadow. This is due to the close proximity of these suburbs to the University, which allows a strong tenant profile for investors, good rental returns and low vacancy rates in these areas.

The strengthened demand throughout the Illawarra region has also encouraged a number of developers to return to the market and/or bring projects back on-line that they had previously shelved.

Sales of development sites, scarce throughout 2006-2009, have started resurgence. This is particularly the case with new units in Wollongong CBD. The lack of demand coupled with oversupply of new prestige units over the past few years saw this market sector really soften from 2005 to 2009. However, this oversupply appears to have been absorbed and the few new unit developments that are being offered for sale in Wollongong CBD appear to be going strong. There are a handful of new sites with development approval about to commence, and many more in the pipeline.

**...IRIS reports that the median prices for houses in the Wollongong LGA grew from \$380,000 in 2009 to \$430,000 for the same period in 2010....**

One of the big movers has been the upper end. The prestige property market throughout the Northern Illawarra suburbs has bounced back strongly to enter a phase of recovery. Although this market sector is still volatile, there are more buyers entering this market sector. Beach front properties over the \$1 million mark are starting to see higher turnover and stronger prices being achieved than that of the past few years. There have been two sales of beachfront properties in Wombarra, bordering Thirroul, for \$3 million.

It is becoming clear though that if interest rates stay on hold and the Global Economy continues to stabilize, we will see continued recovery and stability in the housing market throughout all market sectors in the Illawarra area in 2011.



## Canberra

Towards the end of 2010 higher supply levels, increased interest rates and lower sale volumes saw the market begin to stabilise from the growth it enjoyed throughout 2009 and earlier 2010.

The market has entered 2011 in a steady position with an outlook of a swing to a buyer's market. The increased supply levels of land, houses and units will give more options to potential buyers particularly in the Gungahlin region, which is mainly a mix of affordable and mid-range property.

Value growth during 2011 can be expected for quality properties in well regarded locations, namely inner suburbs close to Canberra's CBD, whilst growth in outer areas may be limited. People looking to sell in 2011 could expect a longer time to sell or may need to lower expectations.



The rental market in 2011 will also see an increase in supply and possible rise in the vacancy rate. Larger unit developments looking to enter the market in 2011 include the next stage of 'Oracle' in Belconnen, 'Verve' at Bruce and 'Kingston Place' in Kingston. Rents should remain steady or soften in outer suburban areas or larger unit developments.

Expectations for surrounding localities around Canberra in 2011 are for values to remain steady with limited value or rental growth and increased opportunities to purchase.

This year's federal budget will outline what the Australian government plans to do to decrease the current deficit. In decreasing the deficit there could be an impact on the number of government jobs and migration to Canberra. With the possibility of less population growth it will be interesting to see if the housing supply will continue to be absorbed as quickly as it has been in the past and what prices will be achieved for vacant land, new and established housing. Overall the Canberra market in 2011 should provide potential purchasers with good opportunities to secure a home or an investment property.



## Newcastle

Generally speaking, the market at the moment has stabilized, with the 'heat' of the first home buyer market now cooling. With fewer first home buyers in the market and the current strong rental market we are now seeing investors starting to weigh back into the market, albeit with a more cautious approach than the sometimes overly keen first home buyer.

Sale volumes have softened with the withdrawal of the additional first home buyers grant and consequently we may see market values in the outer suburbs soften somewhat if demand lags supply (the prospect of increasing interest rates may see supply in the lower end of the market increase towards the middle of 2010).

The middle market (\$500,000 to \$1 million) located within 5km of the CBD is currently seeing an increase in activity, with demand generally outstripping supply. Renovated houses within these inner city suburbs are proving ever popular and the old adage of 'location, location, location...' will never disappoint (particularly in the long term).

***...we are now seeing investors starting to weigh back into the market, albeit with a more cautious approach....***

The one inner city property type that is generally in over supply is upmarket apartments, apartments located about the city centre/harbour and priced above \$500,000. As with any market in over supply their prices have weakened. Permanent rental returns on such properties are generally not as strong as other property types (i.e. lower value units and most types of houses located throughout the city) and such units will appeal to the owner occupier who can purchase at a good price.

All in all we feel that at some stage in 2011 the market will again find its feet and purchasers will again have that confidence to enter the market.



## NSW Central Coast

It could be said that if nothing else, the Central Coast has proven itself to be a good example of consistency over the years and we have no reason to expect anything different for the coast during 2011.

There will be the odd record property price achieved somewhere, a smattering of mortgagee sales, the occasional exciting new development and without doubt, more than a few controversial real estate-related issues.

But before getting onto the details of our thoughts for 2011, we reflect back to the closing quarter of 2010. Judging by the volume of mortgage valuations, there was a late flurry of activity at the lower end of the market, but this slowed considerably as the new year settled in.

As we look toward 2011 and things that will grab our attention, we see the market being affected in some way by these following developments:

- Purchase of Gosford Town Centre Shopping Centre (formerly Market Town Gosford) by Gosford City Council for use as a commuter car park for 600 vehicles. A lot of criticism has been leveled at the council over this purchase, but to their credit they have remained solid in their decision. The removal of a large area of retail space from the existing oversupply may prove beneficial to the rest of Gosford's retailers.
- Start of the Gosford City Foreshore precinct. After many years of discussion and planning, the redevelopment of the foreshore area of The Broadwater may finally be starting. This is a large scale project that has the potential to stimulate activity in the CBD and may possibly lead to a much needed revival.



- Commencement of the Warnervale Town Centre. This is a very large project in a major release area which has been stalled for many years and we may see some progress this year. All things considered, the residential market in this release area has fared reasonably well before, during and after the GFC, and we see the new town centre being a boost for the area. This may also give other major developments planned for the area, the confidence to move forward.
- Sinking of the HMAS Adelaide off Terrigal/North Avoca. To avoid the risk of upsetting the opponents to this project, we will refrain from offering any opinions on this controversial issue. But we do note however, that others seem to think it will be a good thing. The tourist and holiday accommodation industry that exists on the Central Coast may see some benefits from the sinking.
- A new home for the mighty Central Coast Mariners Football Club at Tuggerah, appropriately called the Centre of Excellence. This is unlikely to have any real or tangible effect on the real estate market, but we are proud of our Mariners and the opportunity to remind the other football sides of our strength and prowess cannot be missed. All we need to complete the setting is the reintroduction of the mighty Bears to the NRL.
- Sea level rise and the implication/effect on real estate values. This is a significant issue which has the potential to seriously affect values of waterfront and near waterfront properties.

- Building costs and developer contributions. This is an issue that has been affecting the market for some time. Will there be any relief?
- Difficulty in securing development finance for new projects. On the back of the GFC, it seems the ability to obtain bank finance has been getting progressively more difficult. We see this as a major issue for the year ahead.

There are obviously more issues and matters that will arise during the year, but these are the ones we think will receive the most attention and each can affect the marketplace in some way, to varying degrees.

In more general terms, the unit markets within Gosford and The Entrance seemed to have stabilised ever so slightly in 2010. We see this market segment consolidating further during 2011. The absence of new developments starting should assist.

The recovery of the unit market at The Entrance was encouraging during 2010 and this area was well overdue for some good fortune, but with the completion of large residential unit complex by the Department of Housing at the southern end of the town being close, values in the area may stall slightly.

If the development of the Warnervale Town Centre commences this year, we predict a resurgence in the residential areas of Hamlyn Terrace, Woongarah and Wadalba.

Investor purchases during 2010 in the residential market were evident and with returns of around an acceptable 4% to 5%, we have reason to believe that this type of purchase will continue during the year.

As in previous years, the real estate market on the Central Coast will be buoyed by the second and subsequent home owner market. Shifts in this market are slow and during 2010, the most active segment seemed to hover between the \$600,000 to \$1 million range. We see this being the case again for 2011.

***....the recovery of the unit market at The Entrance was encouraging during 2010 and this area was well overdue for some good fortune....***

As is the case of the prestige market, that being above the \$2 million mark, we see a slow year ahead for this segment. It is likely that purchasers in this segment will be considered and deliberate in their decisions, such is their buying power. There is limited stock at present as sellers delay or postpone the sale of their property until this market improves.

Who do we see as being the big winners on the Central Coast? Well, there doesn't appear to be any indicators of a 'Stand Out' segment and at this stage, it might very well be another year of consolidation and stabilisation as we suggested last year. As we said at the beginning, if nothing else, the Central Coast is consistent.



## NSW Mid North Coast

Generally speaking, the residential property sector on the Mid North Coast of NSW slowed throughout the last quarter of 2010, which was partly due to the interest rate increase in November coupled with an increase in properties listed for sale over the summer period escalating some already over-supplied markets. These factors, together with some economists predicting further interest rate increases over the coming months, are set to ensure that the Mid North Coast of NSW market has a soft beginning to 2011, as purchasers may wait to see what happens. Assuming no significant changes to current interest rates, we are of the view that increases in demand will have emerged by mid to late in the year as people become more accustomed to the market.

In 2011, we anticipate that a majority of activity in our local market will be concentrated to the lower to mid-lower price ranges of the three main regional centres (Port Macquarie, Taree and Forster), to affordable property where loans are more manageable for a wider range of purchasers. For this reason we consider affordable property to be the most likely areas for possible price increases. We expect that the mid level price range will continue to be subdued due to borrower caution. The upper end should continue to remain thinly traded, being mostly dominated by newcomers to the area, such as cashed up retirees from Sydney, and is considered the most risky suburban area for price decreases.

### **....the Mid North Coast of NSW market has a soft beginning to 2011....**

Our main concerns for 2011 remain as they were in 2010 - those sectors with a continued over-supply, including modern high-rise coastal units, resort style investment property and large coastal land releases outside of the main cities and towns. We expect a continued weakened demand in these areas, resulting in potential significant losses.

For Port Macquarie in particular, 2011 will also see major infrastructure projects bearing fruition such as: the newly completed Port Macquarie Bus Terminal, construction of a new Coles complex near the town centre, completion of the Sovereign Hills display village, and completion of the Oxley Highway upgrade. Furthermore, the region's infrastructure gains from the last Federal Election should begin to emerge from planning stages.



## NSW Far North Coast

The residential market in the month of January is still relatively soft following similar conditions in December 2010. The market is expected to remain generally slow over the next six to 12 months primarily due to continuing uncertainty in the world financial markets; expectations of future interest rate rises; and overall reduced market confidence together with the recent flooding in areas of QLD and Northern NSW damaging consumer confidence.

In summary, property values are expected to remain relatively soft to stable, however we could see some pressure on debt levels if interest rates continue to rise throughout 2011, which may possibly see a weakening in property values.

It is considered that lenders will remain stringent in their lending policies and a continuation of tighter lending policies, especially for those properties which carry any form of risk.

The lower end of the market is expected to remain stable with the mid to upper end of the market considered to be the most vulnerable, together with a softening in demand for the prestige sectors.

The residential markets for Casino and Lismore regions are expected to show continued softening over the next six months, however properties which are competitively priced are still considered to remain saleable, with little tolerance in the market for properties which are unrealistically priced.

Investor activity is considered to remain relatively low.

Rental markets for Casino and Lismore are considered to remain soft, particularly for the upper end of the rental market.

The general residential markets for Yamba, Ballina and Lennox Head regions are considered to remain generally steady to sluggish with rates of sale to continue at low levels. However, as with the Lismore and Casino markets, if properties are competitively priced they should sell.

The Ballina and Lennox Head regions are expected to maintain a stagnant market.



The market within the region of Byron Bay is very price sensitive. Leading up to Christmas there was little activity, and the general comments from most agents were along the lines of 'it's the quietest year we have had for a very long time'. Properties were being sold, however there should be more stock turning over as there is a wide range of quality and quantity for buyers to choose from. It is definitely a buyer's market, with an example of this a property selling in December for \$483,790. The reason for the unordinary sale price was due to the hot water system having a small leak and the exact amount of the quote to fix the problem taken off the purchase price.

However the stigma from the area looking into the year of 2011 is very positive. Most agents feel that the market is going to pick up as the year moves on. The low end of the market is somewhat steady and consistent with the mid range to higher end being slow and dormant. We are

seeing longer selling periods for properties priced over the \$600,000 mark and large reductions in asking prices. Vendors are expecting to achieve the capital growth that was seen two to three years ago hence the unrealistic asking prices. Some agents are advertising listings \$100,000 over their market appraisal price because it is requested by vendors as this is the price they 'want' to achieve, not what they 'can' achieve.



## Southern NSW & Northern Vic

### ALBURY

2010 was a busy year in the Albury property market with a high turnover of residential properties - up 7% from the corresponding period last year. This increase was mirrored by a strengthening of median house prices, up from \$260,000 in 2008/2009 to \$270,000 in 2010. Likewise, the median unit price for 2010 increased to \$185,000 up from \$171,000 in 2009 based on a slightly reduced turnover. An increase of vacant lot sales suggests both individual and larger scale developers have recovered from last year's financial hangover and are feeling confident in the marketplace.

An increase in sales and median house prices throughout the 2010 financial year has brought a sense of relief for home owners who can look upon 2011 as a chance to obtain marginal capital growth.



Albury's 'prestige' market (\$500,000 and above) remains relatively steady with a similar volume of sales for both 2009 and 2010. This sales figure provides some indication that the demand for the prestige sector is still stable. Can 2011 be the year for the prestige sector to improve? The outlook is unlikely with consumer confidence still in its uncertain state of mind, large supply of prestige properties on the market, interest rates slowly creeping upwards and lengthy listing times. All these factors lean to the prestige sector most likely throughout 2011 remaining relatively steady as it has done for the previous couple of years.

### LEETON

What is 2011 going to bring to residential markets in the MIA? The answer to this question particularly in Griffith and Leeton is closely related to the outcome of the Murray Darling Basin Draft Plan. Prior to the announcement of the Draft Plan the market appeared to be regaining some

momentum towards recovery but the announcement of potential cuts to irrigation entitlements of up to 43% rocked the economy and buyer confidence. Sales leading up to December were at trickle volumes. The new year has yet to bring a flurry of sales, but at least the rental market is running hot.

The dryland farming economies of Hay and Narrandera are looking towards the year ahead with a spring in their step following the best harvest in years and the sale of the Rockdale Feedlot, between Leeton and Narrandera providing job security for 400 local employees.

The middle market will continue to dominate the volume of sales in 2011. The prestige market will do it tough and the cheap and not cheerful will also struggle. It's likely with rentals on the rise and a lack of three to four bedroom homes in the affordable \$200 to \$300 pw bracket investors will make a return in the mid- later half of the year after they have ensured prices have rock bottomed. Towards the end of the year the move towards recovery will be on its way but to ensure it stays on track another good season and security of future water entitlements will make great gutter guards!



## Melbourne

Towards the later stages of 2010 the market in the inner eastern suburbs slowed, in particular higher end properties. This was due to a combination of factors, including successive interest rate rises, uncertainty created by the Federal Election during 2010 and the absence of the first home owners grant for lower end properties. In real terms the slowdown in one way was inevitable, as it has resulted in the market levelling out. The clearance rates of the past 12 months of around 80% were unsustainable in the long term, during which there was a period of sustainable growth. The current clearance rates of around 60% to 70% are around a more 'normal' and acceptable level, that could be described as stable.

Although there has been a slow down in the market, properties that remain in tightly held areas such as Camberwell, Hawthorn, Kew and Balwyn. Those properties that are in close proximity to local and well regarded schools, transport linkages and facilities still achieve good values in the current market especially those properties which are unique. The inner eastern suburbs have always been in demand, and despite the changes in the market towards the end of 2010 and the start of 2011, properties in these areas still remain highly sought after.

Currently there is no significant infrastructure or external factors which would affect values during 2011.

**....clearance rates of the past 12 months of around 80% were unsustainable....**

Discussions with a number of different stakeholders in recent times agree with my conclusion that the market has slowed, from the peak of the market in May 2010. Offshore buyers have not had the impact in recent times either, due to the tightening of the Foreign Investment Board rules as they did prior to 2009.

The Property Data from the REIV of the median property price, for the September Quarter 2010 agree with this conclusion of the inner eastern suburbs. The data concludes that Hawthorn houses fell by 7.2% from 2009 to 2010. For the same period Kew fell just 0.8%, Camberwell rose 2.3% and Canterbury fell 9.4%.

**HAWTHORN MEDIAN PROPERTY DATA**

	Suburb	
	Hawthorn House	Hawthorn Unit
Lower Quartile	\$1,046,250	\$590,000
Sep10 Median	\$1,335,000	\$645,000
Upper Quartile	\$1,642,500	\$932,250
June 10 Median	\$1,351,000	\$701,000
Sep 09 Median	\$1,305,000	\$572,000
Quarterly Change	-1.2%	-8.0%
Annual Change	2.3%	12.8%

**KEW MEDIAN PROPERTY DATA**

	Suburb	
	Kew House	Kew Unit
Lower Quartile	\$1,002,500	\$539,000
Sep10 Median	\$1,380,500	\$650,500
Upper Quartile	\$1,887,500	\$704,750
June 10 Median	\$1,600,500	\$597,500
Sep 09 Median	\$1,391,000	\$510,000
Quarterly Change	-13.7%	8.9%
Annual Change	-0.8%	27.5%



**CAMBERWELL MEDIAN PROPERTY DATA**

	Suburb	
	Camberwell House	Camberwell Unit
Lower Quartile	\$1,046,250	\$590,000
Sep10 Median	\$1,335,000	\$645,000
Upper Quartile	\$1,642,500	\$932,250
June 10 Median	\$1,351,000	\$701,000
Sep 09 Median	\$1,305,000	\$572,000
Quarterly Change	-1.2%	-8.0%
Annual Change	2.3%	12.8%

**CANTERBURY MEDIAN PROPERTY DATA**

	Suburb	
	Canterbury House	Canterbury Unit
Lower Quartile	\$1,493,750	\$575,100
Sep10 Median	\$1,620,000	\$595,000
Upper Quartile	\$2,100,000	\$882,000
June 10 Median	\$1,930,000	\$620,000
Sep 09 Median	\$1,787,500	\$713,000
Quarterly Change	-16.1%	-4.0%
Annual Change	-9.4%	-16.5%



**Regional Vic**

**ECHUCA**

The local market eased forward in 2010 with a couple of resales indicating slight increases over the previous 12 month period in Echuca. Strong rainfall for the 2010 growing season is likely to see improved returns to the rural economy, a key driver of the local economy. This is likely to have a positive influence on the local real estate marketplace, particularly so for satellite towns where it forms a higher proportion of local economies. While slightly off as a result of the floods in late December 2010, there are no reasons why tourist numbers should be down and this industry is another key driver of the local economy. In consideration of these two facts and on the basis of a relatively steady global economy there is no reason that local residential markets shouldn't press on and outperform 2010 in 2011.

## MILDURA

The residential market in Mildura has been fairly stable throughout 2010. Agents are still getting sales, but the buyers have in most cases had the greater bargaining power.

As we roll into 2011, we continue to see much reduced 'internet' buyer activity, which is hurting prices for the bottom end of the market. In most cases first home buyers can afford to by-pass this segment, and so there is quite a bit of available properties for sale in the sub-\$170,000 bracket. Values have reduced as a result, and this sector is likely to remain subdued.

Well presented homes continue to meet genuine demand from both investors and owner occupiers, and a modest lift in values in the \$220,000 to \$350,000 bracket is a distinct possibility during 2011. This observation is underpinned by the tight rental market. Agents are in most cases suggesting rents be lifted by around \$20 per week as homes become available for rent or are re-let. This is likely to see some tenants decide to buy and also stimulate greater investor activity at this end of the market.

**...we are continuing to see much reduced 'internet' buyer activity....**

The phenomenal summer rain experienced in recent months, combined with the relaxing of water restrictions has restored the appearance of Mildura's parks and gardens, and also brightened the outlook for larger residential lots. Maintaining the appearance of 4000sqm of land under limited water availability was a substantial deterrent to buyers, however hopefully this memory will now fade.



## Adelaide

In late 2010 the residential market slowed significantly, with high numbers of properties on the market, relatively low levels of transactions occurring and low levels of buyer interest. Those properties that did not sell prior to Christmas will no doubt re-emerge on the market in the new year together with new listings and we are expecting an oversupply situation for a period of time.

The market had essentially steadied during 2010 and was showing signs of value declines in late 2010 and it remains to be seen how things kick off in the New Year.

Influencing factors in the residential market will obviously be interest rates movement and overall influences of economic factors such as employment and inflation. Market confidence will always play a part in determining whether the market strengthens or weakens.

At this stage we expect 2011 to be a relatively steady year in terms of house prices and any price rises will be specific to certain sectors of the market which are likely to be the inner suburban prestige market and the coastal market.

Typical suburbs which may be expected to hold value and perhaps improve would be areas such as Toorak Gardens, Dulwich, Rose Park, Norwood, St Peters, Walkerville, Gilberton and Medindie, although it is possible that the very upper end of those markets, being the \$2.5 to \$4.5 million may hit a hurdle this year after some significant rises last year.

Middle markets, including areas such as Nailsworth, Prospect, Flinders Park, Kidman Park, Camden Park and other suburbs within a 5km to 10km distance from the CBD will most likely stabilise in prices and possibly retract to some extent for some property types.



## Brisbane

It's Christmas. So what do you give a market that has been trading cautiously on the back of a raft of uncertainty and has finished the last few years in a net position somewhat similar to how each of those years started?

A flood of course! Oh jeez... thanks... How thoughtful! Now did you keep the receipt because I don't think it's my size (XXXL)? Also, I'm not so partial to this particular shade of brown.

Seriously? What's going on?!? Brissie has been keeping a fairly low profile after the downsizing of our market post late 2008. Uncertainty has been the elongated leash against which our market is straining to escape. Interest rate rises, international monetary uproar and the end of the first home owners grant over the past few years has meant an end to double digit annual capital growth in our region with a large cross section of market sectors being relatively flat each year. There had been in recent weeks, however, a palpable sense of something coming. It seems the first homeowner slump from the end of the grants was finally draining away and a few savvy investors were keen to revisit the real estate in SE Qld.

While these first inklings could hardly be described as the beginnings of a boom, they may well have proved some foundation for at least a noticeable upswing in temperament.

Cue the water.

Whilst we have an opinion on how these things will play out, the market will be the true test because no one really knows how buyer's collective thinking will treat this new uncertainty when it comes time to raising the hand at auctions and alike.

That said the impact is likely to be varied. Property that has seen minor inundation will be tough to sell but may well see a single digit discount on pre flood price level in the short term if sale is to be achieved.

To state the obvious, the more severe the inundation, the more severe the effect. This will be amplified at the prestige end of the market. This is where buyers are financially secure enough to say no and look elsewhere no matter what the dollars. Sellers of riverfront, prestige, fully flooded property may well have a hard time finding anyone interested at something even close to pre 2011 value levels. The low price sector will probably fair a little better in percentage terms.

All in all the call is one of caution going into the new year. Investors do not like uncertainty and that is what they have in spades at present.

If there is a silver lining of sorts, it's the black humour punch line that the building industry is going to see plenty of activity in the next six to 12 months. Infrastructure and residential rebuilds will be a priority. The flow on will be plenty of work and demand for rentals this year so don't be surprised by rental increases over the coming year exceeding the levels of 2008, 2009 and 2010.

The chance of a premium for flood free property in a given area has been touted about the place. It is a brave soul who would predict this with total confidence right now but it will certainly be a market worth watching.

Overall, tread warily in 2011. A conservative eye may serve you well and always stick with the location fundamentals.



## Gold Coast & Tweed Coast

### GOLD COAST

With the start of a new year it is probably a good time to wipe the slate clean and erase from our memories what turned out to be a fairly forgettable Gold Coast residential real estate market in 2010.

For a year that began with so much promise, 2010 ended as a bit of a fizzer. What began with economic stimulus, buoyant sales and a bit of an upswing in values, petered out as interest rates slowed the economy and good news stories about the market dried up. Towards the end of the year, the market had swung to the pessimistic side of the pendulum and it became a question of not if another developer/project went into liquidation, but when.

Then the great flood of 2011 hit our neighbours (Brisbane, Toowoomba, Rockhampton, Emerald etc plus northern NSW) and we are all trying to come to grips with what impact these floods will have on the economy and the property market.

So where do we go from here and what does 2011 have in store for the Gold Coast's residential market? A simple SWOT analysis may provide some clues.

### Strengths

Even in the midst of some of the toughest market conditions for many years, there are many reasons to maintain optimism for the future of the Gold Coast residential market.

With a population of over 500,000, the Gold Coast is developing its own critical mass with education, marine industry, sporting and cultural events helping to underpin the tourism industry, (our biggest strength but see also 'weaknesses' below). The Gold Coast now boasts national sporting teams in rugby league, soccer, AFL and basketball not to mention ongoing commitments to motor racing and horse racing. Griffith University, Southern Cross University and Bond University continue to draw national and international students, as do the numerous English language colleges. These activities bring national focus to the Gold Coast resulting in increased visitations/holidays and continued investment in infrastructure (sporting stadiums, new regional hospital, light rail system, new Surfers Paradise foreshore, expansion of Robina Town Centre, etc.).

This increased and more varied economic activity has coincided with a steady population growth of more than 3% per annum (Office of Economic and Statistical Research, Queensland Treasury) bringing a steady demand for new housing.

Within a relatively small geographic area, the Gold Coast offers residential buyers an incredibly diverse range of property types, most of which can out-compete similar capital city property on a price comparison basis. Buyers can choose from master planned broad acre 'mum and dad' subdivisions; low, medium and high rise residential unit living; rural residential living; waterfront living; and for a lucky few, beachfront. Most of these property types can be purchased within the price range from \$300,000 to \$750,000, however, you may have to dig a little deeper for quality waterfront and a lot deeper for beachfront.

Most residential areas can easily access major shopping and infrastructure within 5km (10km for the outer suburbs).

**...we are all trying to come to grips with what impact these floods will have on the economy and the property market....**

A further unintended strength of the Gold Coast in 2011 will unfortunately come at the expense of our northern neighbours. The recent, massive floods that left much of Central and Southern Queensland devastated left the Gold Coast virtually untouched with no loss of lives or infrastructure and little damage to property, so at a local level, it should be 'business as usual', with the Gold Coast in a position to support the Queensland economy while

the mining, agriculture and other tourism areas rebuild and recover.

### Weaknesses

For all its status as a growth area, there are a number of weaknesses that may impact the residential property market in 2011.

As mentioned above, tourism is the biggest industry on the Gold Coast. The tourism market had a relatively weak 2010 and may continue to perform below par in 2011. The high Aussie Dollar has led to a tougher tourism market with domestic tourists tempted to travel overseas and foreign tourists having less spending power. Shorter stays by overseas visitors and fewer domestic travellers mean higher vacancy rates and lower returns for property investors on the Gold Coast. This has the obvious effect of putting pressure on unit sale prices as well as lower clearance rates for new developments.

Related to the above is an ongoing oversupply of new and near new unit stock in the central Gold Coast suburbs of Broadbeach, Surfers Paradise and Southport.

Finding somewhere to house the Gold Coast's booming population is a growing problem. Most broad acre subdivisions are being pushed further north into the 'growth corridor' between Coomera and Beenleigh (southern Brisbane). Whilst supply issues are not likely to be an issue in 2011 due to the overall soft market, a turnaround in the market could easily lead to supply constraints as land developers scramble to release land and open up new estates. Taking a long term view, the Gold Coast is running out of land suitable for subdivision. Planners and developers will need to become more flexible and imaginative to solve this issue.

### **....there is an ongoing oversupply of new and near new unit stock in the central Gold Coast suburbs....**

Many buyers are also having to set aside dreams of the traditional 'bricks and mortar' with a big back yard, as developers are already offering smaller lot housing, attached housing and apartments in traditional lower density suburbs.

### Opportunities

As the saying goes, out of adversity comes opportunity. Whilst the residential market is currently soft across most sectors and really doing tough in some Gold Coast areas, there are good opportunities for some buyers. In spite of short term fluctuations in the market, property values on the Gold Coast have always trended upwards over the long term.

For those wishing to enter the market as first home buyers, 2011 represents a chance to purchase a property in a buyer's market with property values at a low and most genuine sellers willing to negotiate to achieve a sale.

Many popular economists believe that interest rates will remain steady for the early part of 2011 which may provide relief for some mortgage stressed home owners and buyers. When the full economic cost of the losses caused by the recent flooding is taken into account by

the Reserve Bank, there may be more reason for the Reserve to keep interest rates steady until the full impact of the flooding becomes known. We may even see a .25% reduction if they know what they are doing.

For those buyers willing to accept some short term risk, there is a very wide choice of investment units available from mortgage stressed resellers and liquidated developers stock at prices much lower than those achieved in recent years.

Provided that buyers themselves are 'cashed up', there is a good supply of a variety of residential stock available for purchase.

Prudent buying near new and proposed infrastructure may pay dividends in the long term. A previous example of this was the 'buzz' that surrounded the opening of Westfield Helensvale where property owners in surrounding suburbs had waited for many years for a large shopping centre to service this area. Current infrastructure which may create a similar positive impression in the residential property sector includes the Gold Coast's light rail project and the new regional hospital under construction.

### Threats

Coming off such a slow finish to the market in 2010, it seems unlikely (and many would say unfair) that the residential market would soften any further in 2011 however that possibility should be considered.

Interest rates remain the 'bogey man' in the residential property market. With heavy media coverage and constant speculation by both commentators and those 'water cooler economists' in most workplaces, buyers and sellers are almost hyper-sensitive to movements in official and retail banking rates. This leads to volatile market conditions.

As the rebuilding effort gets underway to flood-affected property throughout Queensland, there is going to be enormous pressure on the supply of labour and building materials which may slow housing completions, increase costs of new housing and renovations and lead to an inflationary effect on property values.



### In conclusion

I think we are all looking forward to 2011 in the hope that the market has bottomed out and expectations are for an overall improvement in the volume of sales and value levels.

Most of the agents in the central Gold Coast area are reporting a definite increase in the number of buyers in most market segments, with an increase in the volume of sales as compared to late 2010.

Local buyers are very well informed and aware of current market levels. Throughout 2010 most vendors were not prepared to meet the market. It seems that in these early weeks of 2011, many vendors have now come to terms with where the market is at, and have adjusted their expectations accordingly. Most agents are advising that if properties are listed at current market levels, then properties are selling within a reasonable amount of time.

Therefore, the general mood in early 2011 is that the majority of market sectors across the central Gold Coast area have bottomed out and this year should see an improvement in the volume of sales, compared with 2010, and possibly a slight improvement in value levels towards late 2011. We will unfortunately, continue to see sales that will spook the market. Two recent examples of this are:

- 47 Gaw Terrace, Bonogin was under contract mid-2010 \$960,000. This contract fell over but the property sold at auction December 2010 \$860,000 (same agent for both contracts).
- 62 Hedges Avenue, Mermaid Beach was under contract in May 2010 for \$2.8 million via Ray White but the buyer defaulted and did not settle. The property was sold by the mortgagee at auction on January 23 for \$1.71 million via a different agent.



## Sunshine Coast

The question on most property commentator's lips is 'will coming out of 2010 and going into 2011 be like jumping out of the frying pan and into the fire'? Whilst this saying has been around for a long time, it may sum up what we experience moving into 2011.

There is no doubt that 2010 was a tough year. With increasing interest rates and strains on the local economy, the result was that high uncertainty and low demand led to sale volumes being down right across the coast. And to throw another spanner in the works, Mother Nature didn't help with the weather conditions throughout the Christmas holiday period.

There is pressure being felt throughout the whole market place with significant stock levels. These supply levels are well above market trends and in a funny way are creating opportunity for buyers, because as we move forward,

there will be 're-pricing' of the market. If vendors are serious about selling now, then they need to get serious and be prepared to meet the market.

This 're-pricing' has started to occur within the prestige markets, in particular Noosa Heads and Sunshine Beach. Buyers that were previously sitting on the sidelines have started to snap up properties that are showing a 'perceived bargain' - significant reductions from either the initial list price or prices that the properties were previously purchased for. It's interesting that this increased activity can spur other buyers along in a belief that the market has 'bottomed'. This remains to be seen.

'Re-pricing' is starting to show signs of occurring in other sectors/areas as pressure keeps mounting on vendors. The opportunity will not only lie in buying a property at the 'right price', but also having the possibility of getting into an area that is traditionally tightly held.

**....supply levels are well above market trends and in a funny way are creating opportunity for buyers....**

One question that we all would like answers for is how the floods will affect the property market. Well, one big positive will be that there will be an increase in demand for tradespersons in the recovery efforts. That may help with the 'under employed' on the coast. Adverse impacts may be an increase in insurance premiums. The jury is out on what the exact effects will be.

All in all there is one constant that will remain, the Sunshine Coast is still one of Australia's most desirable locations to holiday and live. That is one thing that will never change.



## Southern Queensland

### TOOWOOMBA

The recent flash floods in Toowoomba have left the market unaffected with most people acknowledging that the flooding was a very abnormal event.

The Toowoomba office has experienced an increase in refinancing and mortgage consolidation loans with a steady volume of new loans and purchases.

No one particular sector is experiencing a lift in volumes or values and we are expecting the market to remain static this next quarter.

The main drivers for 2011 which will affect our market are expected to be;

1. Affordability - as in previous years, our number one prediction for growth in the year ahead is the affordability of our housing in comparison with other cities which should attract both owner occupiers and investors to Toowoomba.

2. Employment opportunities – Australian Bureau of Statistics reports a national average of 5.1%.
3. Interest rates - generally the consensus is for inflation to rise steadily as a result of the recent flooding which could result in a 25 basis points rise expected in May. This may cause further mortgage stress for those property owners with limited equity and job insecurity resulting in over anxious sales and a return to the rental market.
4. Rental availability - the availability of rentals at present is extremely low and is predicted to firm as university students enter back into the market as well as additional pressure of new employees moving to the region in the first quarter of 2011.
5. Vacant land availability - the availability of vacant land has always been limited in Toowoomba and is already undersupplied with developers reporting long delays in approvals. Moving forward, it doesn't look like improving as developers are finding it ever increasingly hard to find finance for projects and the rising costs of headworks is reducing the profitability of new projects.

Again the suburbs that are likely to experience the best growth are those in close proximity to services such as schooling, parks and shopping. This should include the eastern suburbs and those in close proximity to the CBD.

It is predicted that the western suburbs will remain static. However this should be softened by the general affordability of housing in these suburbs.

Keeping these issues in mind, plus a renewed confidence from investors and the continued influence from the energy and mining industry, we are predicting that the market will continue to make a slow recovery with slow to mild growth. This will be dependent on the availability of finance, low unemployment percentages and consumer confidence.

## IPSWICH

The property market was easing through the final quarter of 2010 and prices began to retract. Since then Ipswich and the Lockyer Valley have experienced major flooding that almost reached the peak of the destructive 1974 floods. Thousands of properties have been affected through the Western Corridor and this will have a significant impact on the property market, in particular those properties inundated by flood waters.

**....thousands of properties have been affected through the Western Corridor and this will have a significant impact on the property market....**

In the short term we expect activity in the market to continue to soften which will force prices downward. This is likely to continue for at least the next three to six months and for the property market to improve by the end of 2011 there needs to be growth in the Australian economy. For properties that have been flood affected, it is unknown yet how much they will be discounted by, but expect it to be considerable. There will be almost no demand for these properties given the circumstances and any interest will be from investors looking for a

bargain. Local agents have already reported that there has been interest from savvy investors looking for cheap real estate.



## Central Queensland

### ROCKHAMPTON

During January 2011 the City of Rockhampton was isolated by major flood waters. Low-lying suburbs of the city and surrounding rural/rural residential land were covered in water at levels not seen since the flood of 1991. The Fitzroy River, which bisects the city, peaked at 9.2m (30 feet) on January 4 and remained above major flood levels (8.5 metres) for a number of weeks. The southern access the city (Bruce Hwy) was closed to traffic until 19 January, and the airport was closed to fixed wing aircraft until 24 January.

The residential suburbs of Rockhampton affected by rising flood water include Depot Hill, Port Curtis, Allenstown, Wandal, Koongal, Lakes Creek, Berserker, and Park Avenue. It has been reported that 500 people had to be evacuated out of their homes.

In Rockhampton history suggests that after such a major flood event, the affected suburbs become less attractive to owner/occupiers and investors, and consequently values reduce. Looking forward, as years goes by without another flood event, these areas have in the past recovered to similar levels as the unaffected suburbs.



Satellite Image dated March 2004



Satellite Image dated January 2011

We consider the balance of the market to remain steady, due to uncertainty regarding interest rates and the local economy recovering from regional flooding.

## BUNDABERG

Flooding! Who will be paying for the repairs and how will this affect my property? This is probably the main issue affected home owners are concerned about. Most of the flooding in Bundaberg was however in previously known flood areas. It is likely that these properties will be more difficult to sell and values may decline while the floods are fresh in people's minds however over time this will reduce. After the initial shock, the building and earthworks industries will receive a boost as a reconstruction gets under way.

The prestige market in Bundaberg remains flat with very little sales volumes, the demand for coastal units is slow and listings are high.

Mid range property will also remain flat but with a greater volume of sales than the prestige market with people still upgrading their homes.

Affordable housing will probably see the most activity in terms of volume of sales, mainly due to Bundaberg having some of the most affordable house prices in the State

Sugar prices remain high, macadamia nut prices are continuing to increase cattle prices are high and in general small crop prices are strong. Monduran and Paradise irrigation dams are full and the general industry prospects for agriculture is strong.

It would appear interest rates will remain relatively stable and therefore we expect confidence in the market to steadily grow over the year.

Generally we anticipate the Bundaberg residential market will steadily increase towards the end of the year and return to its more traditional steady increase in property values.



The Wide Bay Burnett Regional Plan which is to be finalised in 2011 will be of significant interest to the region. The draft plan was released in late 2010 with public submissions closing on 24 December 2010. Of particular interest/concern to the Bundaberg public is the location of the 'Urban Footprint' concentrating development in the eastern fringe of Bundaberg and Bargara and the mandated density of 12 to 15 dwellings per hectare. This would be far denser than traditional development in Bundaberg and there is concern on how this will affect the residential market in Bundaberg.

## HERVEY BAY

As residential units remain oversupplied, enquiries have remained low and extended selling periods have been required. Now that the Peppers units have sold hopefully the unit market can begin to recover in 2011.

The prestige market in Hervey Bay remains static with very little sales volumes and the demand for such property is slow.

Mid range property will also remain flat but with a greater volume of sales than the prestige market. With more listings there is more competition in this sector and extended selling periods are generally required.

Affordable housing will probably see the most activity in terms of volume of sales. New house and land packages are creating a price ceiling for entry level homes sub \$315,000. This is likely to continue for some period.

Most of the flooding in Maryborough occurred in previously known flood areas such as Granville, The Pocket and around the Ululah lake area. Properties in flood affected areas will become more difficult to sell and values may decline since the recent floods.

Everyone within the property industry is confident that 2011 will be an improved year. Interest rates look to remain relatively stable and this is likely to lift confidence in the market.

## MACKAY

Welcome to 2011!! We hope all our dedicated Mackay followers had a great Christmas and new year period, and look forward to a prosperous year ahead. To try and help this become a reality, we will give our predictions on the year ahead.

A number of mixed signals have emerged as 2010 drew to a close. On the positive side, we have large expansion projects of the Bowen Basin mining district, large infrastructure projects and large government and retail projects in and around Mackay all expected to take off in 2011. On the down side, we have seen mother nature hammer Mackay with record rainfall amounts through winter and spring, causing havoc to the sugar cane harvest, with in excess of 1 million tonnes left unharvested across the region, all while sugar prices were at 20 year highs!! The rain also played havoc with building projects, many falling well behind. The flood devastation caused to our southern neighbours of Rockhampton, Emerald and Bundaberg will also be felt in this district, with the mining industry unable to deliver during this period. The proposal to increase the number of fly in fly out work forces to the mines may also impact on our markets.

***....mother nature hammered Mackay with record rainfall amounts through winter and spring, causing havoc to the sugar cane harvest....***

Mackay markets are heavily reliant on the fortunes of the Bowen Basin and associated mining activities. We think that the first 6 months of the year will be fairly static, due to the floods down south, the poor sugar harvest, and the mining industry recovering from lost production. The focus early through 2011 will be on the reconstruction efforts in the flooded towns including Brisbane, which will impact on skilled labour for other projects in this district. We see positives for the markets in the latter half of 2011, however, as the local projects mentioned above gather some momentum. We have seen toward the end

of 2010 the rental market tighten significantly, which we expect to stay tight throughout the year.

So overall, while the market is expected to stay relatively flat through the first half of 2011, we think that the latter half of 2011 shows promise and will gain some momentum.

## GLADSTONE

Santos has confirmed its final investment decision approving development of the US\$16 billion, 7.8 million tonnes per annum GLNG project. GLNG involves the development of coal seam gas (csg) resources in the Bowen and Surat Basins in southeast Queensland and the construction of a 420km gas transmission pipeline from the gas fields to Gladstone and two LNG trains. The project will create 5000 jobs in construction in addition to 1000 permanent jobs in production and there will be 1500 jobs created in the first half of 2011.

When you combine this with the announcement in October 2010 by BG Group that it would proceed with phase one of its \$15 billion csg project, 2011 is looking like a very buoyant year for the Gladstone region.

We expect that the increased levels of demand created from the csg projects will underpin the market and continue to put upwards pressure on building costs, rental values and property values especially for new dwellings in \$450,000 to \$550,000 value range. We do however draw attention to history, where commencement of large projects within Gladstone have resulted in surges in demand during construction followed by periods of lower demand resulting in volatility in the residential market.



## Cairns

The Cairns residential property market throughout 2010 has steadfastly remained at the bottom of the property market cycle, experiencing slow demand but nevertheless maintaining a degree of resilience, and we are not expecting big things from the Cairns property market during 2011.

The economy is slowing getting better with gradual improvements in tourist industry conditions and a large reduction in unemployment, but it is taking a long time for these improvements to filter through to the economy and property market in general. The construction industry in particular remains at a low ebb, with a dearth of private sector housing construction now that the Public Housing and Education stimulus projects are drawing to a close.

**....the ray of hope is that by about mid-year, the economy will be sufficiently back on its feet for the property market to start stirring again....**

The other factor is that vacancy rates for rental property have been progressively tightening over the last six

months. According to our Herron Todd White Rent Roll Survey, vacancy rates for houses have come down from a trend level of 4.1% in June 2010 to 4.0% in December 2010, and for units have come down from 5.5% to 4.8% over the same period. During 2011 we are expecting to see vacancies continue to tighten as demand for tenancies continues to grow and the absence of new supply coming into the market.

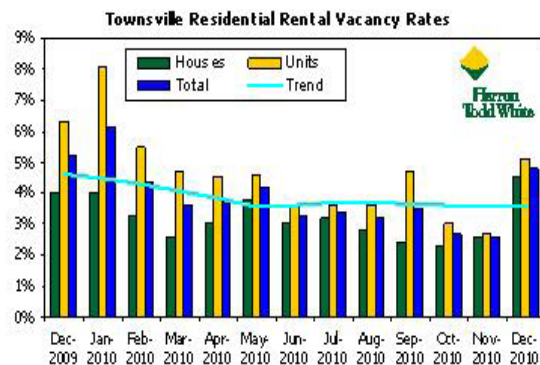
The ray of hope is that by about mid-year, the economy will be sufficiently back on its feet for the property market to start stirring again, aided by rental market availability moving into mild shortage. The immediate effect will be on sales activity, which if sustained, will feed through into modest price gains later in the year as the market momentum.



## Townsville

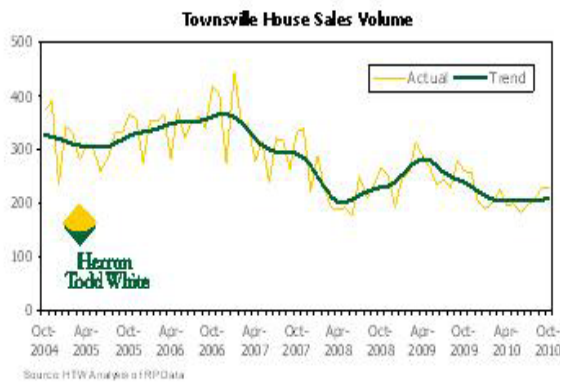
The year ahead for our local market shows positive signs for continued recovery bolstered by major infrastructure and other projects currently underway coupled with the arrival of the 3rd Battalion Defence Force, which will be relocated to Townsville during 2011.

Rental vacancy rates during 2010 have continued to tighten and are trending at rates lower than the previous year. Throughout 2011 we expect to see a tightening rental market, which could see some upward pressure again triggering rent rises.



Source: HTW Rent Roll Survey

During 2010 the volume of house sales fell from the first home buyer bolstered figures in 2009 and towards the later part of 2010 were showing some slight increase in sale volumes. The median sale price as at November was around \$375,000. A scenario which may unfold during 2011 is increased activity by first home buyers being forced to return to the housing market in light of possible rent increases. Investors could also be enticed back to the market as vacancy rates tighten and rents start to increase. This scenario would see a further positive influence on the volumes of sale.



During 2010 the vacant land market was underpinned by significant land allotment purchases by the Defence Housing Authority (DHA). The year ahead is expected to see less activity by DHA in the vacant land market as they secured themselves a 100 hectare site at Rasmussen in the later part of 2010 with a potential 900-lot realisation. This market may prevail as a 'wait and see' sector if we see local trades people leave Townsville for work in the flooded regions of Central and Southern Queensland. This departure may see a potential skills shortage within the local housing market, which could result in an increase in the cost of construction.

**....the outlook for Townsville's residential market in 2011 is for continued small steps forward with major projects underway....**

The new unit market remained subdued during 2010 with a number of developments, which commenced construction pre-2008 reaching completion. These developments have been forced to drop asking prices in light of the current market conditions including the volume of new unit stock currently on the market. During 2011 we could see the launch of new developments to the market, which may be more affordably priced compared to the premium unit stock of pre-2008.

The outlook for Townsville's residential market in 2011 is for continued small steps forward with major projects underway and the population/economic increases with the arrival of the 3rd Battalion contributing to the positive fundamentals of the market. We consider that there are a number of possible opportunities that may arise during 2011 and it will be very much a 'watch this space' scenario.



**Tasmania**

**HOBART**

Well, another year is upon us and it looks as if the year will be interesting indeed.

So it's time to knuckle down and pull out the crystal ball to look into the year ahead.

It is particularly difficult to assess the residential market in Hobart for the upcoming year of 2011. Hopefully the world economic conditions have settled and the market

will stay relatively steady. Predictions overall are that the market will remain somewhat flat due to the current domestic and global conditions and the possible reality that forecast interest rates rises may also restrict volume of sales.

The market has been quite active in the sub-\$300,000 category of late due to affordability. Throughout 2010, the market crept along slowly, values remained flat and even came off slightly in certain areas. This may be the same for 2011, however predicted unemployment rates coupled with shifting consumer sentiment may auger for a very flat market indeed.

One other problem is simple - affordability. This could prove to be the key for the year ahead. It is predicted that unemployment and interest rates will rise in 2011, placing more pressure on household incomes. We are unsure if the Queensland floods will impact on the local market in Hobart but it is thought that generally prices for goods and services may rise as a result and hence hurt the household income.

We have noticed bank repossessions are indeed increasing, particularly over the past six months. This could be a sign that the market may come off slightly in value. Tasmania's bankruptcies also increased 3.5% in the past year while the rest of the country saw a decrease of 14.2%

The status quo is expected for this year. It appears as if the market has slowed. However interest rates may be the key to the success of the market. Consumer sentiment is presently low in Hobart so all augers for a flat market in terms of capital growth and also the volumes of sales throughout the region.

**LAUNCESTON**

HTW Tasmania would like to welcome all our readers and clients to 2011. We hope the festive season was enjoyable for all – even if our waistlines have increased a little from over indulgence!

The year ahead should prove to be very interesting and a test of the durability of the Tasmanian market. Speculation regarding the health of the states forestry industry still remains a significant talking point, particularly the continued job losses which are currently being reported in local media. The markets that will obviously be hardest hit by this downturn are those regional towns which not only rely on the industry for employment, but demand for goods and services. These market areas have already softened, with longer selling periods and some examples of lower resale values becoming evident in an over supplied market – any further downturn will only further stress these market areas.



Tourism-based regional towns are also expected to continue feeling the pinch in the face of a high Australian Dollar and decreased visitor numbers, as the global economy continues to recover. In addition to this we are continuing to see reduced demand for the purchase of second dwelling/shack residences. An expected continuation of this trend, as interest rates and living costs rise, will obviously lead to a gradual over supply.

Some optimism can be drawn from employment figures released by the Labour Economics Office in December. The reported unemployment had a further small retraction to 5% – this possibly being explained by the large amount of construction and infrastructure works being undertaken around the state (as a result of both planned spending and government stimulus), as well as large scale developments such as the Woolworths distribution centre at the Launceston Airport Industrial Park.

As has been generally the case up to this point, the Launceston market is expected to remain stable, however with very little to no capital growth. Selling periods for properties may continue to lengthen slightly, with some price reduction possible in the middle range, and expected in higher prices properties. Further interest rate increases and buyer caution may result in a more severe retraction. Only time will tell if the earlier mentioned forestry industry downturn will impact these traditionally stronger markets, however given the importance of the industry to the state economy it is possible. A possible migration of workers from regional areas to stronger employment centres, such as Launceston, could be a possible source for the continued stability. The rental market is also expected to reflect this stability, with continued modest growth of 3% expected in rental rates. The main driver of this growth expected to be the currently low vacancy rate of 2%, which is not expected to ease anytime in the short to medium term.



The North West has also suffered its fair share of bad news in the past 12 months, with two paper mills, a vegetable processing plant in Smithton and carpet manufacturer in Devonport all announcing closures and subsequently job losses. This is expected to affect the market going forward into 2011 – however to what extent is uncertain. It is expected that the prices demanded in all ranges will soften, with those properties in the stronger regional centres of Burnie and Devonport to be less affected than the smaller surrounding areas. The continued stability of this market, much like those depending on forestry, may ultimately be dependent upon the area attracting new industry and creating employment opportunities.

In summary we expect to see the market to remain flat across all centres, with very little or no capital growth, with the full impact of industry downturn upon the market yet

to be known and the continued threat of interest rate rises dampening demand.



## Darwin

In broad strokes, Darwin's residential property market experienced stabilisation and slight weakening in a number of residential locations and submarkets for the first time in a number of years throughout 2010. Looking forward, we expect 2011 to continue in much the same manner.

Affordability is likely to again, be one of the main issues for most market participants in 2011. The developing suburbs of Bellamack and Johnston, which are starting to take shape, will offer a range of housing options, for the Palmerston market, which aim to address this affordability issue. Darwin, inner Darwin and northern suburbs appear to be, largely, maintaining a stable market direction, with no real respite or viable options available for first home owners or entry level participants. This is due to the lack of infill or green field site opportunities for developers to present viable and/or variable housing options for the market.

The composition of residential apartment complexes within Darwin's CBD will continue to develop its breadth of apartment product throughout 2011. Already a number of mixed studio, one and two bedroom apartment complexes have commenced construction with completion dates late 2011 or early 2012, many of which have already been sold to investors as entry level rental stock. These residential complexes are a shift away from the larger two and three bedroom apartment buildings that were constructed in recent times and are now facing a potential oversupply situation. Furthermore, the prestige or executive three bedroom apartments, within Darwin's CBD, are likely to continue to struggle to achieve current asking prices as purchasers are spoiled for choice. Accordingly we are of the opinion that it will remain a buyer's market at that end of town for some time.

Prestige suburban locations will continue in a steady fashion throughout 2011 on the back of a number of market transactions late last year. These inner Darwin suburb locations including Larrakeyah, Fannie Bay, Parap and Bayview offer a prestige address with many purchasers willing to pay a premium to occupy the more stately homes in Darwin.

**....the composition of residential apartment complexes within Darwin's CBD will continue to develop its breadth of apartment product throughout 2011....**

The Inpex announcement is still looming as one of the two big unknowns for the residential property market in Darwin, and it certainly continues to occupy a large amount of 'crystal ball' conversation space. It would be fair to assume that a final investment announcement confirming Darwin as the preferred location for the development would provide a significant stimulus to the property market, buoying confidence and turning

the activity wheel over. The second unknown is the decisions of the Reserve Bank. Further interest rate rises will undoubtedly have a large impact on the market, particularly through the mortgage belt location of Palmerston and sections of the northern suburbs.

In a nut shell - it is fair to say that the market is likely to stabilise further in the coming months, waiting for the next big thing to kick start activity once again.



## Perth

The Perth residential property market finished 2010 in a state of oversupply, with a peak of 17,600 properties on the market before declining to seasonally lower numbers. The volume of properties listed for sale is likely to increase in the first quarter of 2011 before a gradual reduction created by an increase in activity later in the year.

Investors are likely to play a key role in 2011, as values have subsided in many areas whilst the rental vacancy rate remains below 3.5%. The traditionally sought after central suburbs of Como, Victoria Park, Scarborough and Belmont are likely to be strong performers.

In recent years first home buyers have been lured into outer areas to buy/build their dream home. These areas have witnessed significant oversupply and a drop in demand since the First Home Buyers Bonus ceased. Whilst the housing industry and land developers are lobbying the government for further stimulus, we believe that this may do more harm than good in the long term. The main issue for first home buyers is affordability, and traditionally developers have created attractive 'affordable' estates in outer suburbs such as Byford, Baldivis, Ellenbrook and Butler. However we have witnessed significant increases in land values throughout many of these estates, with prices often rising with each land release, eroding the profit margin on offer. According to REIWA, the median land value throughout Perth is currently \$270,000 which is a 20% increase in 12 months. In comparison, the median value of existing properties has risen only 4% in the same period.

**....investors are likely to play a key role in 2011, as values have subsided in many areas....**

There are rumours about that the State Government is considering a further stimulus package directed at first home buyers to kick start the housing market. Whilst this may have a short term positive impact on the construction market, any direct impact for middle and upper market established housing segments is likely to be minimal.

Without any further stimulus, we believe that first home buyers will return to buying in older, established areas with a focus on local facilities and access to transport hubs. It appears that many such areas have underperformed and are ripe for investors and first home buyers alike. Examples to keep an eye on include Parkwood, Coolbellup and Bibra

Lake in the south and Greenwood, Padbury, Westminster and Hamersley in the north.

The premium market remains thinly traded and value levels can be difficult to interpret, particularly amongst a significant variance in advertised prices of comparable stock.

The luxury apartment market is one sector that is yet to reach maturity, with limited transactions in areas with significant off the plan purchase activity through 2007/2008. We anticipate a slight increase in activity throughout the year, which will help expose true value levels in many developments which have been struggling to bring off the plan sales through to settlement.

Overall we foresee a mild growth in the second half of the year, with less reliance on the first home buyers to prop up the market and a trend towards educated investor activity.



## South Western WA

Well, here we are back into a new year with renewed vigour and enthusiasm and looking forward to a year of uncertainty and vagaries. Possibly slightly cynical but that's what seems to be out in the market right now. As the year came to a close and through the Christmas break we saw sales with investors buying as cheaply as possible and conversely other properties attaining very reasonable sale prices where purchasers saw the value. One agent spoke of having one property with four purchasers chasing it, while other properties that were reasonably priced just sitting with no interest at all. One mortgage broker was flat out and others were barely ticking over. Certainly the business we are seeing coming through the door is patchy at best.

The lower end of the market seems to be travelling fairly well provided vendors are prepared to meet the market, but the upper mid (\$500,000 plus) sector is more or less stagnant in the greater Bunbury area, with little interest from purchasers.



In other parts of the region results have been equally patchy. The prestige market in Dunsborough showed some signs of recovery late in 2010 with two sales above \$2 million and a short stay tourist unit with direct beach frontage selling for \$4.15 million. This put a positive spin on things leading up to the Christmas break. However while the level of enquiry during the break was strong

the number of transactions that occurred in this market was minimal. It is expected that the prestige market will continue to struggle in the first half of 2011 or until there is more stability in the global economy.

The talk in Margaret River is currently about the proposed coal mine which appears to be dividing the town. While the mine is proposed for a rural locality the emotions are well and truly felt in the town centre. The side in favour of the mine believes it will provide more employment opportunities and increase activity in the area which is struggling due to a decrease in tourist numbers and the downturn in the wine industry. The other side is opposed to it for environmental reasons, inferring that it will ruin the reputation of the region as a pristine tourist destination. Either way it provides further instability to the region which is already suffering from an oversupply of residential land.

***...it is expected that the prestige market will continue to struggle in the first half of 2011 or until there is more stability in the global economy....***

So what will 2011 bring? My feeling is that unless something drastic happens, 2011 may well be a re-run of 2010 with no real direction in the market and on average prices bumping along at similar levels to what we are currently seeing. Some real estate commentators have suggested this year will be flat before a big increase in 2012 which may provoke some investors into the market but I haven't quite worked out the reason for that optimism as yet.

Interest rates are a big question mark with the floods in Queensland destined to slow growth somewhat meaning the Reserve Bank may well be happy to keep things on hold for a while. This can only be good for the WA market without the flood impact (at least in the South West) and no interest rate rise the reasons to buy locally may become quite compelling. Only time and the good lord know, and to this point he isn't telling, but one thing is for sure it will be interesting to watch.

Happy New Year!



## Esperance WA

The town of Esperance is located approximately 720km south east of Perth on the central southern coast of Western Australia. The town services a shire population of approximately 14,500 people and provides main town facilities and services for a catchment area of some 200km radius. The nearest major centres are Kalgoorlie-Boulder 400km north and Albany 500km west.

Although proclaimed a town in 1896, it wasn't until the 1960s that Esperance started to develop as the use of Superphosphate and application of trace elements became a part of farming allowing the broader sandplain soil types to become productive and support traditional mixed farming of mainly sheep, with some cattle grazing closer to the coast, and cereal cropping.

The main industries of Esperance now consist of tourism, fishing and agriculture with plantation timber and mining product from the Goldfields to the north and new mines at Ravensthorpe, approximately 200km, shipped through the port.

Esperance provides a deep water port and has available services including primary through to senior high schooling, TAFE college, Curtin University campus, hospital, recreational and shopping facilities as well as having various government offices established in the town.

As with most other areas, the property market within Esperance experienced very good growth over 2006 and 2007 fuelled by the resources boom and, more specifically, the new BHP mine at Ravensthorpe shipping through the port. With the mine closing in January 2009 and general downturn at that time, values eased as some uncertainty entered the local market.

2010 saw some stability return to the residential market with values now showing consistency for some twelve months. The most activity was in the sub \$400,000 range with demand for both owner occupation and rental sound. Sales above \$400,000 have been sporadic however again, although low in volume, indicate some consistency. Overall, agents indicate there is still a volume of listings to clear but are confident the market is stable and predict steady growth to return over the next 12 months to two years.

As with the residential market, there was little sales volume of property in the main industrial area of the town during 2010, however regular transactions in this area did still occur with some consistency now noted in realised values. As with most country towns in WA, the majority of purchasers are seeking premises to owner occupy with relatively little investment purchasing occurring.

The relatively strong rural and tourism sectors in this region should assist in maintaining a stable market of all property types over the longer term. The broader Esperance region had a sound 2010 cropping season compared to the rest of WA that suffered through an extremely dry season. Although we are yet to see if this translates to the market, agents are reporting an increase in interest in rural properties after a very quiet end of 2010.



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## Rural – Market Directions

From the very north of Australia to the very south, the theme is all too common on the Eastern Seaboard. Record rainfalls have led to record floods. Crops have been severely impacted and stock losses have occurred. Losses have occurred within the mango, sugar cane and general horticultural industries. Losses have also been experienced in the broad acre grain and cotton industries.

The negatives – Next six months:

- Cashflows severely hampered/reduced income.
- Necessary one off capital expenditure for repairs and maintenance, crop carryon and restocking.
- Road and infrastructure damage with many months of disruptions likely.
- Loss of life.

The positives – 12 months onwards:

- Great opportunities ahead for those with access to carry on finance.
- Excellent subsoil moisture throughout all areas of cropping.
- Upward pressure on all commodities.
- Increased activity within the market if the decision to sell is left to the vendors. This won't lead to any price growth but will be critical in restoring much needed confidence.
- Improvement on the levels of announced water allocations. All major storages at or close to 100% capacity.

2011 will no doubt provide to be a very interesting year for the rural sector.

Doug Knight Ph: (07) 4639 7600

1 February 2011



## SOUTHERN NSW

### WAGGA WAGGA

The rural market surrounding Wagga Wagga is expected to remain fairly static throughout 2011. At the time of writing the harvest was not yet complete with a few areas still finishing up. While 2010 ended up being a better year than the previous years it definitely did not live up to expectations. Due to flooding and large rainfall late in the year, quality was downgraded and yields fell.

For grazing properties the rainfall has seen the best spring and summer feed in a number of years. This has seen demand for sheep and cattle rise and with it prices.

The number of rural property sales remained static towards the end of the year and is expected to remain static through the start of 2011 with few transactions and limited demand.

### LEETON

While there have been widespread reports of flooding across much of the cropping areas of Northern NSW and Queensland, our region has fared slightly better than most. We copped a lot of rain through harvest which slowed the process down and downgraded crops to feed quality, but on the flip side yields were good and feed grain prices held up resulting in a better than expected outcome for many.

While this has done little to kick start the rural property market in the region it has put some confidence back and ongoing damp weather will see a good start to the 2011 winter crop season.

Good rainfall in the catchment areas late last year have seen Burrinjuck Dam and Blowering Dam at 100% capacity a level not reached for some years. This has resulted in some minor flooding along the Murrumbidgee River and the announcement of full irrigation allocation for the 2010/2011 Summer season. This has resulted in a record

rice crop being planted and horticultural production in full swing. On the downside water values have declined with the abundance.

Overall the rural property market in the region is still quiet and we expect will remain so for another 12 months with growers needing another good season under their belts before they can start to seriously splash the cash.

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## Regional Vic

### ECHUCA

The market for broadacre irrigation holdings remains static with little enquiry, although the odd sale occurring indicates levels of value are remaining static. However, the general outlook is much more positive on the back of excellent seasonal conditions and generally improved commodity prices. Whilst the harvest has been weather affected, the quality of the grain has been reasonable, allowing farmers to take advantage of good prices.

The big plus in the area has been the 100% allocation for general security water on both Murrumbidgee and Murray Valleys that will allow a summer cropping season dominated by rice in this region.

Season	Allocation
2002/2003	8%
2003/2004	45%
2004/2005	42%
2005/2006	56%
2006/2007	0%
2007/2008	0%
2008/2009	9%
2009/2010	31%
*2010/2011	100%

Allocation for General Security water in the Murray Valley.

A significant factor at this point in time is the uncertainty created by the proposed sustainable diversion limit for irrigation purposes to be implemented by the Murray Darling Basin Commission. Under the draft released on October 8, 2010, the recommended cut in the Murray

Valley for General Security water users is between 28% and 37%. The final recommendations are due to be announced at the end of 2011.

The market for general security class water is currently hovering around \$700 per unit (down from a high of \$1200 per unit as a result of government buybacks), while the market for Murray Irrigation Limited Water and Delivery entitlements (general security class water) is around \$550 per unit. The water market remains soft with little enquiry and generally only small parcels selling. This inactivity is largely as a result of the uncertainty created by the Murray Darling Basin Commission's proposed sustainable diversion limits.

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### MILDURA

A wetter than average spring has been followed by a wettest ever summer, with the result that Mildura received its highest rainfall on record in 2010, of 597mm, which is more than double the annual average of 286mm. The big wet has continued into 2011 with tropical conditions resulting in a further 135mm being recorded in the second week of January. This rainfall event surpassed the total rainfall recorded in the full year of 2006 of 123mm.



The rain is bad timing for the table grape harvest which generally commences in mid-January and the resultant damage to produce is expected to be significant. Extensive areas of vines have had wet feet in the last week, due to the drainage system having insufficient capacity to handle such extreme rainfall events. One positive in this industry is that local growers are a step closer in gaining direct export access to China with key government officials expected to visit Sunraysia in the coming weeks. Whilst not critical to survival it will be an important market moving forward, noting that Australian growers export approximately 70,000 tonnes of table grapes each year with Hong Kong being our largest export market.

The dryland cereal grain growers have now completed harvest in the northern Mallee but growers did not escape having damaged grain. Whilst the majority of grain was downgraded to feed standard, prices have held up reasonably well and yields were well above average. The wet weather has delayed growers from completing harvest in the central Mallee regions around Swan Hill, Ouyen and Murrayville.

**....the rain is bad timing for the table grape harvest which generally commences in mid-January and the resultant damage to produce is expected to be significant....**

Flood water moving down the Murray River is contributing to a 'blackwater' event, which has resulted in the death of many fish and Murray Crays. 'Blackwater' is caused by floodwaters that have spread over parched billabongs and floodplains washing many years worth of accumulated leaf and other organic material into the river system which ultimately causes oxygen levels in the water to fall to very low levels. Whilst a natural occurrence, locals are bemoaning the widespread death of fish and Murray Crays.

On the flipside, irrigation allocations in NSW and Victoria are now close to 100%, and irrigators have rarely needed to start their pumps this summer. The cost of leasing annual water allocation has fallen to \$20 to \$25 per megalitre (ML), which is in stark contrast to prices of up to \$1000 per ML paid in the period from 2007 to 2009.

Early indications suggest wine grape prices for the 2011 vintage hold little joy for growers. Two national wine makers have offered prices that are just \$1 per tonne higher than 2010 levels, which is viewed as an insult to growers. Growing costs this season have been much higher than in recent years, due to the need for constant fungicide applications. There have been widespread losses from downy mildew and it is expected that the crush from inland areas (which represents over 60% of the national crush) will now be even less than in 2010.

**....the cost of leasing annual water allocation has fallen to \$20 to \$25 per megalitre (ML)....**

Despite this pessimistic outlook, we can report the sale of a large wine grape holding at Paringa in the SA Riverland in November 2010 for \$4.49 million, excluding any irrigation entitlement, but including some plant and equipment, and the 2011 crop. The property comprised 300 hectares of established mixed variety wine grapes with an additional approximate 1000 hectares of development country. Analysis of the sale shows 'dry' levels of between \$7000 and \$9750 per hectare for the wine grape plantings. These levels are firmer than recorded sales over the past 18 months or so, so maybe there is some light at the end of the tunnel for this industry.

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**FAR NORTH NSW**

Extremely wet conditions have prevailed through December and January. December's monthly rainfalls for Murwillumbah, Ballina, Lismore and Casino were 462mm, 414.4mm, 311.6mm, and 247.6mm respectively. There were very few dry days. Extensive flooding was seen, particularly on the Clarence River, during January.

**Sugar Cane**

The sugar cane crush was completed in December in the three sugar mill areas of Condong, Broadwater and Harwood.

Respective 2010 tonnages and Sugar POL were approximately as follows:

	<b>TONNES</b>	<b>POL</b>
Condong	458,000	11.85
Broadwater	614,000	12.09
Harwood	598,000	12.1
	<b>1,670,000</b>	

These productions levels are well under previous NSW industry records of over two million tonnes. The viability



of the NSW sugar industry requires higher than current production levels.

The majority of the plant cane crops are very poor due to wet seasonal conditions. Late cut retooins in particular are also suffering. This will impact on Northern NSW sugar cane production for at least the next 2 years.

Expected 2010 crop final sugar cane price for NSW growers is about \$31 to \$32 per tonne of sugar cane. World sugar prices remain very high at around US30c per pound.

Sugar cane land values declined during 2010, particularly in the Condong Mill area.

**Soya beans**

Very few soya beans have been planted on the North Coast due to the wet conditions. The planting window will be closing for many growers in late January to early February. It is likely that the soya bean crop will be significantly reduced compared to previous seasons. This will disappoint local growers as soya bean prices appear favourable.

**Macadamia Nuts**

The stronger Australian dollar is impacting on the predominately export macadamia crop. The macadamia crop is uncertain for 2011.

**Cattle**

Abundant feed is available with the current wet conditions. With the collapse of the MIS timber companies, value levels for cattle breeding country appear to be reducing on a relatively thinly traded market.

**Rural Property**

Crystal ball gazing for 2011 indicates steady demand for premium well presented properties on generally a buyer's market. The current strong Australian Dollar, wet weather forecast, steadily rising interest rates, tight credit conditions and general economic volatility and uncertainty have undermined all important confidence in many rural sectors, despite improving and in some cases record commodity prices. Farmers will want to buy well so that they can obtain an adequate return on investment and 'keep a lid' on debts should interest rates and/or economic conditions deteriorate.



## CENTRAL NORTH & WEST NSW

Activity in the rural property sector remains relatively subdued based on the traditional slow down over the December/January period as well as an in different grain harvest. Many sales negotiations are being prolonged as purchasers try to wear down vendors from value levels that would have been achieved at the peak of the market. Across the region the 2010 harvest has been the most frustrating for a number of years. In some cases producers have been harvesting over three months. Also adding to this frustration is that contractors have increased rates due to the difficulty of getting grain off. Whilst this has had a significant impact on what could have been a glorious year, the relatively strong demand and price for feed grains has at least alleviated the some of the pain that may have occurred.

Beef and sheep meat prices still remain at historically strong levels and this is assisting in improving cash flows for producers. Cotton prices are also at levels not experienced for several years and whilst flooding has damaged crops on lower lying land expectations for the 2011 season still remain relatively strong. It is noted that due to the heavy rainfall period and the lateness of storage dams filling many producers were not in the position to plant crops to fully maximize their water allocations. We would foresee 2012 to be a strong irrigation year.

The irrigation property and water entitlement market remains subdued as a result of the uncertainty created by the Murray Darling Basin Plan. Government buy backs within the Macquarie and Lachlan systems have also slowed and this is softening values. Should water entitlements need to be sold without the Government being an active buyer some softening may become evident.



In relation to large scale corporate land listings there still remains a number on the market, predominately through the Clyde Portfolio. Whilst there have been a number of sales within the portfolio the marketing period for these properties appear to have taken longer than first expected. The interest for large scale corporate properties is predominately from overseas investors or overseas backed funds where there is a perception that rural land in Australia is relatively 'cheap'. Whilst there is 'cheaper' land in South America and South Africa the stable political environment and regulated business Governments of Australia is appealing to many investors as they see the investment as relatively low risk.

Expectations in 2011 for the broadacre and grazing property segments in Central and Western NSW is that of a subdued market with limited short term potential capital gains. Strong commodity prices and favorable seasonal conditions will assist in underpinning value levels, however there is a return to purchasers paying greater detail to farm profitability as opposed to long term capital gain when assessing value levels. Existing producers are much more likely to determine bid prices based on overall profitability and perceived levels of risk in relation to production on individual holdings as opposed to rural lifestyle/investors who generally place a greater reliance on capital growth potential.

***....the concern going forward is the impact that the widespread flooding will have on the income producing ability of the rural economy....***

A recent sale of a tablelands grazing property in the Oberon District indicates that there is some downward pressure on values with value rates indicating approximately cow area value ex building of \$7300 and a property value of \$3000 per hectare. Expectations prior to the sale were for a result of 5% to 10% above this level.

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## SOUTHERN QLD

We have all heard the saying, 'too much of a good thing'. Widespread heavy rain in the headwaters of the Condamine, the Dumaresq, Macintyre, Weir and Balonne Rivers over the past month has resulted in localised flooding, causing significant crop damage to grain and fibre crops. These heavy rains have subsequently resulted in widespread flooding throughout much of Southern Queensland and Northern New South Wales. This has subsequently seen a spike in the beef and sheep markets due to lack of supply as transport from properties becomes more and more difficult and in many instances, impossible.

The property market has been the quietest in memory over the past two months with very limited sales. Some pre-Christmas sales in the Blackall region, together with the recent under contract status of a rural lifestyle property on the Cunningham Highway near Warwick has added further evidence to the feeling that since the peak in late 2007/early 2008, the market has retracted in the order of 20% to 30%. This is however, highly dependent on location, quality of the property and industry.

The concern going forward is the impact that the widespread flooding will have on the income producing ability of the rural economy. The banking sector is going to play a significant part in the recovery process. Their attitude towards their clients, which no doubt will be correctly managed on a case by case scenario, will be critical. For some unfortunately it may be all too late and the provision of any extra carry on funding may only place another 'millstone' around their neck.

We believe the next six months will be the make or break for many operations. Coming on the back of two failed seasons (ironically on the back of heavy long term sustained rainfall, subsequently leading to flooding), the ability for many to be able to generate a winter cash flow, whilst at the same time, gain access to critical capital in order to undertake significant repairs to their properties, will be the 'straw that broke the camel's back'.

**....mango farms continue to be difficult to sell due to lack of cash flow and oversupply in recent seasons....**

However if we can get a run of 'normal' months leading into the winter planting cycle, much will be gained. All cropping country in the region effectively has a full profile of moisture. With significant crop damage leading to spikes in commodity prices, there is great opportunity ahead.

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**FAR NORTH QLD**

The 2010/2011 mango season was one of disappointment for Far North Queensland growers with only a very small crop produced in the Mareeba Dimbulah locality. Early season storms resulted in some growers losing nearly all their crops. Mango crops are biennial in nature so hopefully the 2011/2012 season will be a better one.

Brisbane Market mango prices and volumes for recent seasons are outlined in the table below, including our estimate for the current 2010/2011 season based on information available to the end of December, thus not taking into account recent flood impacts. For the 2010/2011 season thus far, throughput has been down about 30% on corresponding volumes from the 2009/2010 season but prices per tray an average \$4.50 higher.

The recent floods have not greatly affected the mango harvest as such, but have made getting product to market a logistical nightmare due to extended highway closures which have been on-going since before Christmas and more recently, the flooding of the Brisbane Market itself. Hopefully these incidents have also run their course and the season will complete on a positive note.



Season	\$/Tray	Volume (Tray Equivalents)
2003/2004	\$19.79	929,816
2004/2005	\$14.11	1,098,961
2005/2006	\$18.43	733,123
2006/2007	\$15.73	1,241,891
2007/2008	\$13.88	907,273
2008/2009	\$21.32	639,045
2009/2010	\$19.46	875,340
2010/2011 (estimate)	\$23.96	626,207

The demise of the Rewards Group and Timbercorp has resulted in their property assets being put to market. A 60,000 tree mango farm at Dimbulah which was owned by Timbercorp has recently sold, however this farm was encumbered by various investor leases as part of a managed investment scheme which restricted its use, consequently the sale price was well below market. Mango farms continue to be difficult to sell due to lack of cash flow and oversupply in recent seasons. Sales of large mango producing farms were very rare in 2010, with activity confined to the \$500,000 to \$900,000 range. Rural lifestyle buyers appear to be the main purchasers in this value range and value levels up to 20% below the market peak of 2007/2008.

**Contact:**

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**NORTHERN QLD**

The obvious is - the Wet Season is upon us. Now for the summary:

**Horticulture**

In the areas of Ingham, Burdekin and Bowen the heavy rains prior to Christmas virtually wiped out much of the water melon crop along with pumpkins and other vegies. Horticulture has taken a big hit, but on the brighter side the flow in the Don River and associated rains have assured the Bowen growers of good ground water supplies for the coming 2011 season. Bowen requires an injection of good luck and good fortune for 2011 to put the catastrophes of 2010 behind it and some hard earned dollars back into their bank accounts in 2011.

**Sugar**

The growers in the Herbert and Burdekin cane growing areas have begun the year with super wet paddocks, weeds and grass trying to strangle the crop, stand-over cane from last year and many growers having to fertilize and spray by plane or chopper. For many it will still be months before they can get on the ground. No prediction on the crop but a wait and see what happens with the rain. Prices however, as volatile as they are, appear to indicate that growers, if they can get their crop off, should be in for another round of better than average prices for their cane in 2011.

Robert Carey and his associates in Ingham continue forward with their proposal to construct another mill in the Herbert Valley area. If and when completed this facility will have the ability to produce sugar, ethanol and co-generate green electricity for the grid system.

The proposed new facility for the Burdekin by a consortium built around the Cox brothers continues to remain under the radar and can be described as a 'work in progress'.

If these two new milling operations do get over the line they will represent collectively the largest investment in new technology within the industry for many years. Both investments do aim to produce green power to the grid network.

Land values within both regions do appear to be stable with a small volume of sales only over the past six months.



### Grazing Industry

The data and projections for 2011 would indicate that the industry remains sound. For the 2010 year property values did begin to wane but there is no set percentage across the board. Each sale that did occur should be examined on its own merit before application or use.

It would appear that sales have fallen back to the expected 20 to 30 properties per annum for the region. This does represent a significant drop from the heady years of 50 to 60 sales per annum that did occur for about three consecutive years around the period of the last decade. Land value movements and sale prices are difficult to forecast into 2011 and the market shall have to show the way. If values do continue to fall away significantly in 2011, then those graziers with heavy borrowings may be forced to examine their liabilities as their debt to asset value ratio is adjusted to meet any downturn in land/asset values.

2011 could be a year where some hard financial decisions are to be made and the need to dispose of debt may give rise to more properties being offered to the market.

The North Queensland grazing industry is open for business and properties within this region still remain one of the best value for money entry points into the industry. The North Queensland Regional Grazing Lands are diverse in land types and areas like the old Dalrymple Shire (now Charters Towers Regional Council) are some of Australia's most densely, beef populated shires. The regional herd may be based on Brahman cattle, but softer cross breeds are now beginning to emerge and so the quality of the meat product is also improving.

The Region still represents value for money and further land value adjustments may have to be made through 2011.

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## CENTRAL QLD

The commencement of 2011 has seen some of the most devastating floods in history hit the Central Queensland area. The impacts of these floods have wiped out entire crops, caused countless stock losses, as well severe damage to machinery and infrastructure on many rural properties around communities, more particularly Theodore, Comet and Emerald. This has been the second major flooding event causing crop and stock losses in 12 months.

Leading up to Christmas there was very little market activity, Barcardine properties 'Tara Station' (44,126 acres) and 'Bonnie Doon' (18,562 acres) sold at auction, however most other tendered properties were passed in or withdrawn before auction due lack of genuinely interested buyers. AAcO's 'Brighton Downs' (1.039 million acres) southwest of Winton also failed to reach the reserve price at auction, with reports that negotiations are still under way in an attempt to settle a deal.

**....these floods have wiped out entire crops, caused countless stock losses, as well severe damage to machinery and infrastructure....**

Typically the early months of the year are a reasonable quiet time in the market, and the start to 2011 has been no exception, not at all assisted by the flood events. The coming year will be interesting and depend heavily on the attitudes of financiers with many of their clients feeling the pressure of easing land markets, rising interest rates and flood damage.

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## NORTHERN TERRITORY

Since the writing of the December Month in Review there has been little activity within the rural market in the Territory. The list of properties for sale in the Territory and Kimberley provided in our previous report remains relatively the same with the exception of several reported sales and the additional listing of at least two other properties for sale.

One property which has come onto the market is Inverway Station in the Victoria River District (VRD). Inverway Station comprises three leases, namely

Inverway (2538sqkm), Bunda (1788sqkm) and Riveren (3016sqkm) and has been under the control of the well known Underwood Family since 1956. We had previously mentioned Bunda being for sale and now the other two are available. Another property within the VRD which has also come onto the market is Killarney Station along with the adjoining Birrimba Station which totals 5300sqkm.

Moola Bulla, 6608sqkm, located near Halls Creek in the East Kimberley is reportedly under contract and awaiting Ministerial approval to transfer. It is also reported within the same area that Charnley River Station has been sold (the price remains undisclosed). Reports suggest that the owner has entered a partnership agreement with Australian Wildlife Conservancy (AWC) to manage areas of the station which are not suitable for cattle production. AWC owns two other properties in the Kimberley region as well as others throughout Australia, however this partnership agreement is likely to be the preferred approach to how they base their model in the foreseeable future.

**....the livestock sector stock prices have reached record highs with continued strong sheep prices at the Naracoorte and Hamilton sale yards....**

Another sale that can now be confirmed is that of Bunji Bunji (approximately 1740ha) in the Douglas Daly District approximately 200km south west of Darwin. Some 420ha of the property has been cleared and is available for cultivation and the property has approval to be subdivided into two allotments. The agent indicated that the purchaser owned a rural residential lifestyle allotment in one of Darwin's better known rural residential suburbs and they intend to run a few cattle on Bunji Bunji however predominantly utilise it as a lifestyle allotment. The sale price of \$2.35 million indicated a strong sale considering the overall state of the rural market.

We wish to extend our thoughts to all those who have been affected by the devastating floods that have gripped much of Queensland. No good news can ever come out of such a disaster, however we note that it is possible that Territory cattlemen may benefit from increased demand and cattle prices for heifers and cows in order for Queensland producers to begin the task of re-stocking their properties.

We anticipate that the market for the next 12 months is unlikely to experience significant gains. The main reasons for this is due to the solid growth experienced over the past several years, combined with the lack of resolution of the live export market, in particular, Indonesia not accepting cattle weighing more than 350kg.

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## South Australia

After a rough end to 2010, with locust plagues in the north and riverland, flash flooding at Stockport and heavy rain during harvest, South Australian farmers remain cautious. As the auction season kicks off once again for a new year,

surprisingly the mood in rural South Australia remains hesitant as agents continue to find hands in pockets and only a small number of willing buyers.

Those who were able to avoid the rain during harvest saw bumper crop yields and good grain prices. On farm storage proved valuable this harvest with difficulty in some areas delivering grain to overwhelmed grain handling facilities.

In the livestock sector stock prices have reached record highs with continued strong sheep prices at the Naracoorte and Hamilton sale yards and an Eastern Young Cattle Indicator reaching a five year high of \$3.99 per kg carcase-weight. Stock numbers yarded at local sale yards have begun to increase as northern graziers can finally get stock to market after road closures and wet weather. Excess feed around the state has seen graziers re-stocking, which is expected to maintain high stock prices into the near future.

All the wet weather has been a nightmare for grape growers who have experienced heavy canopy growth through spring and have had to significantly increase spray programs to maintain fungal outbreaks prior to the upcoming harvest. Although sales of quality vineyards have been very limited in recent times a recent contract of a large Paringa vineyard has showed an underlying confidence in the industry.

Murray River water allocations remain at 67% despite the record river levels, which continues to frustrate growers.

All in all, South Australia has fared better than most states in recent months which will hopefully flow through to an increased demand for rural land in the near future.

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## Comparative Property Market Indicators - January 2011

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 - January 2011

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:

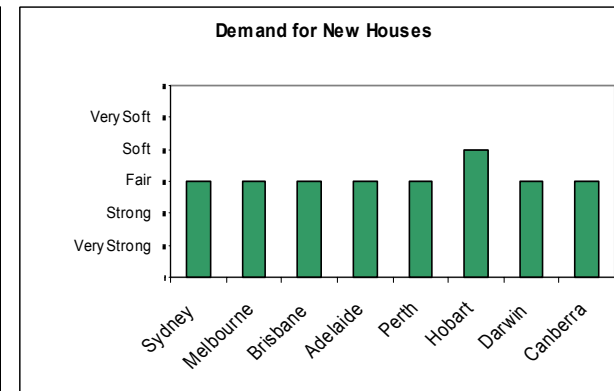
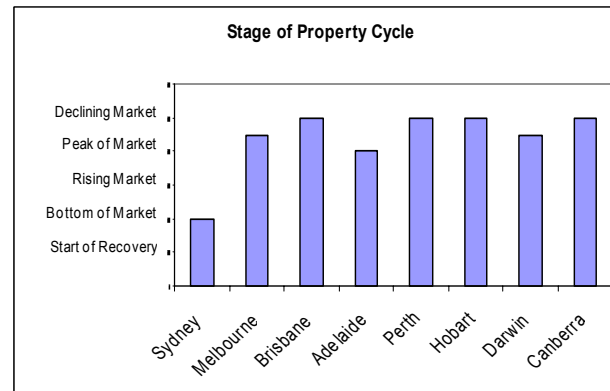
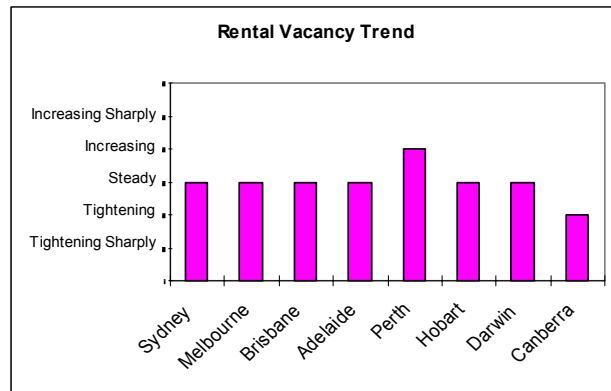
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

## Capital City Property Market Indicators as at January 2011 – Houses

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

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

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

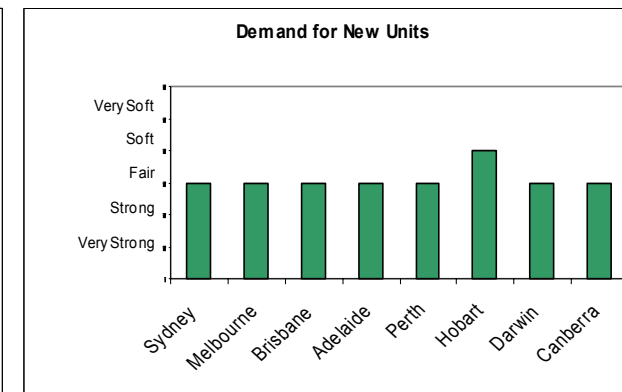
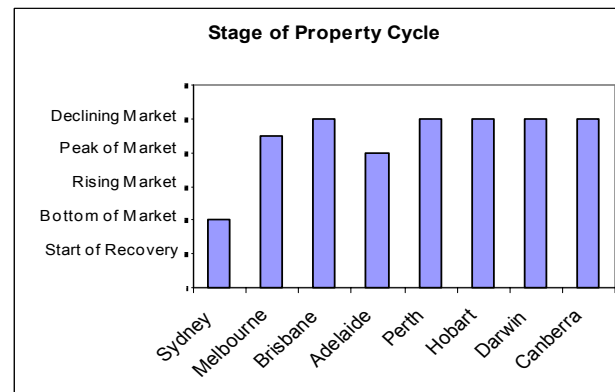
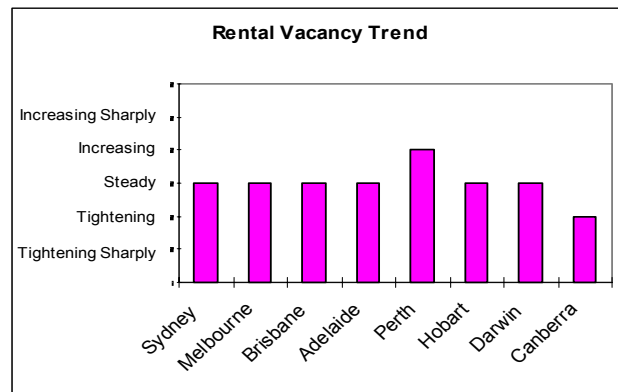


## Capital City Property Market Indicators as at January 2011 – Units

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

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

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

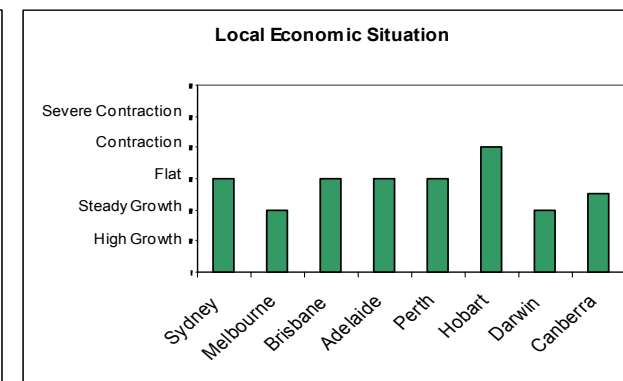
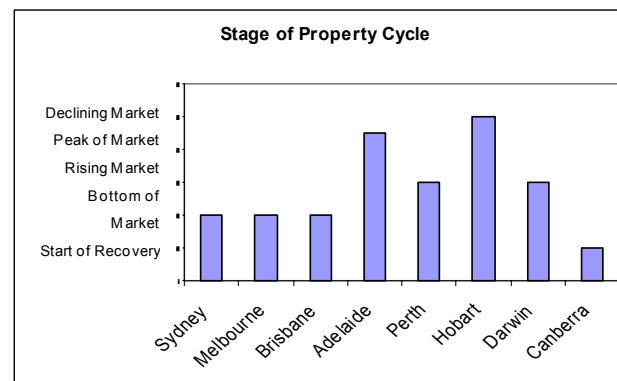
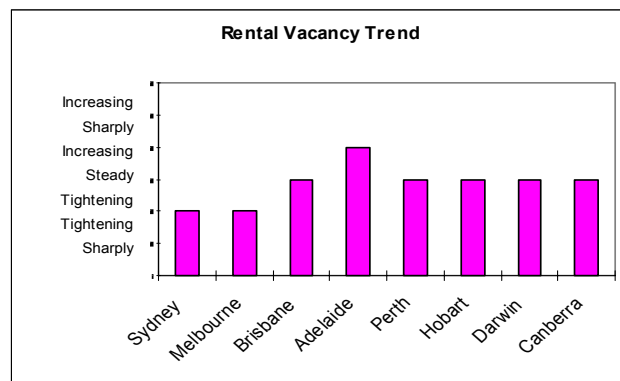


## Capital City Property Market Indicators as at January 2011 – Office

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

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

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

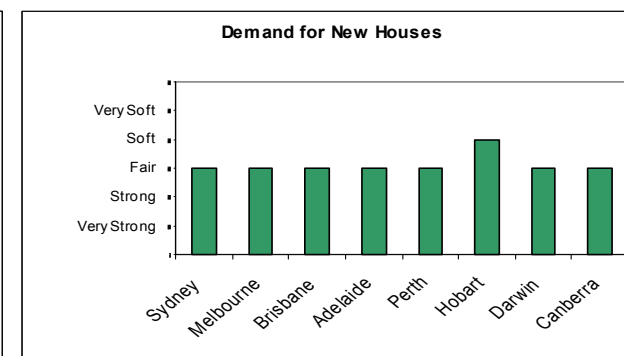
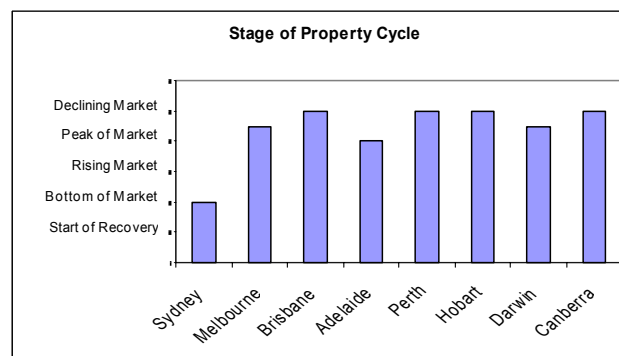
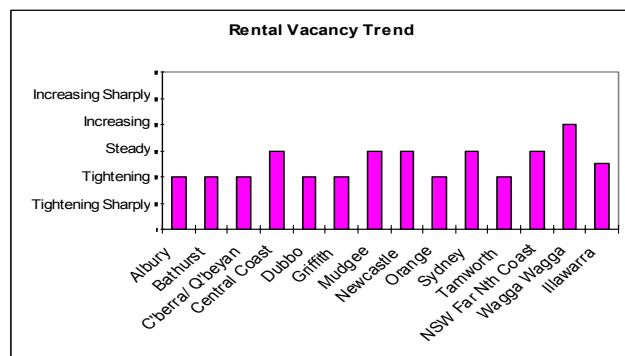


## New South Wales Property Market Indicators as at January 2011 – Houses

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

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

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

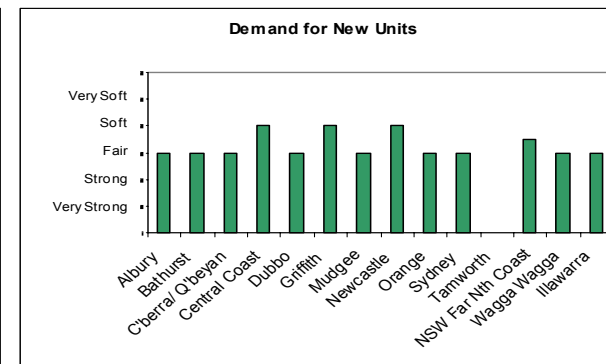
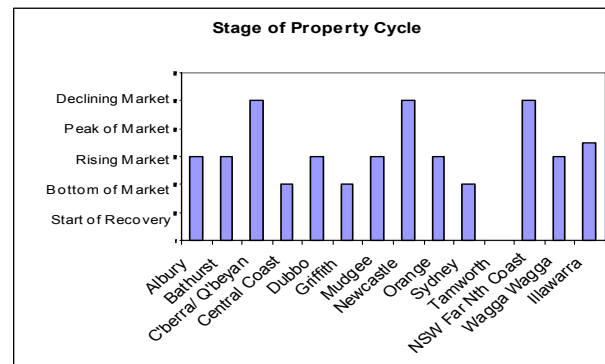
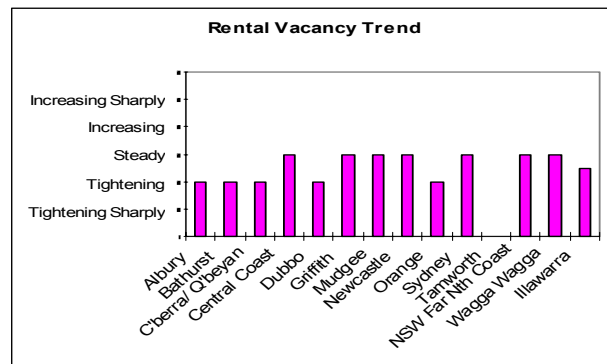


## New South Wales Property Market Indicators as at January 2011 – Units

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	NSW Far Nth Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	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	0	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	Steady	Steady	Tightening	Steady	0	Steady	Steady	Tightening - Steady
Demand for New Units	Fair	Fair	Fair	Soft	Fair	Soft	Fair	Soft	Fair	Fair	0	Soft - Fair	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Declining	Declining	Declining	Steady	Declining	Steady	Increasing	0	Declining - Steady	Steady	Declining - Steady
Volume of Unit Sales	Steady	Steady	Declining	Steady	Steady	Declining	Steady	Declining	Steady	Steady	0	Steady - Declining	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Declining market	Bottom of market	Rising market	Bottom of market	Rising market	Declining market	Rising market	Bottom of market	0	Declining market	Rising market	Rising market - Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Almost never	Almost never	Occasionally	Frequently	0	Frequently	Frequently	Occasionally

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

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

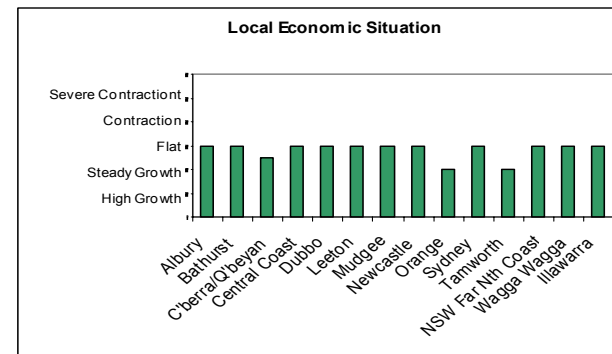
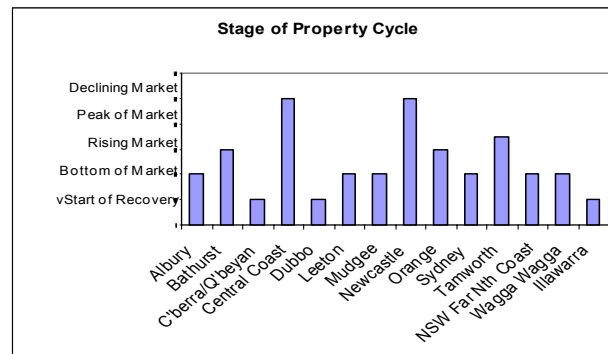
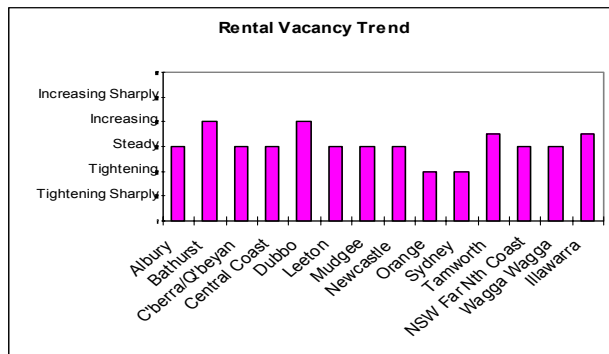


## New South Wales Property Market Indicators as at January 2011 – Office

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

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

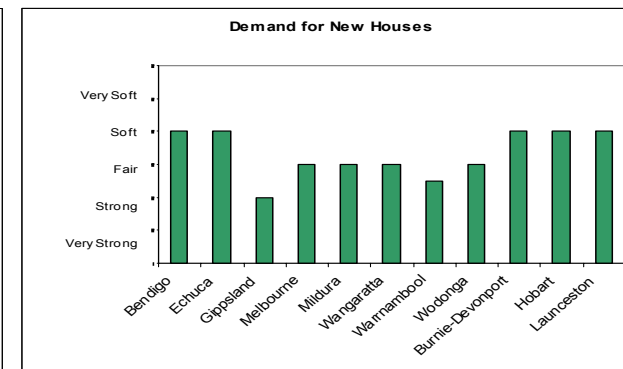
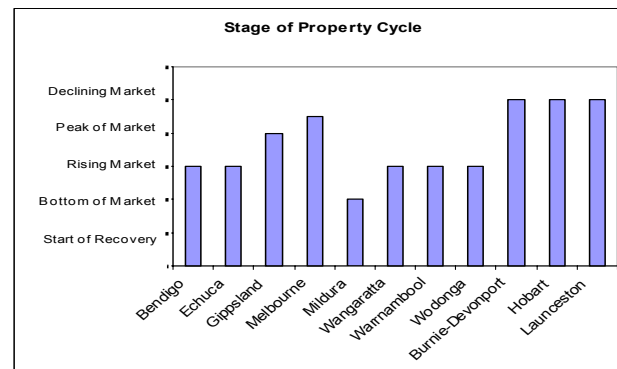
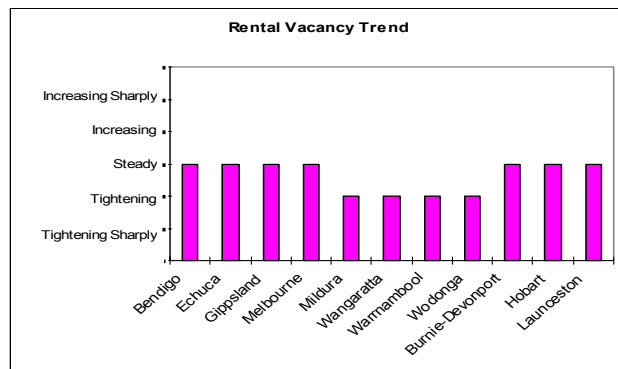


## Victoria/Tasmania Property Market Indicators as at January 2011 – Houses

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	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady	Steady
Demand for New Houses	Soft	Soft	Strong	Fair	Fair	Fair	Fair - Strong	Fair	Soft	Soft	Soft
Trend in New House Construction	Declining	Declining	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	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	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

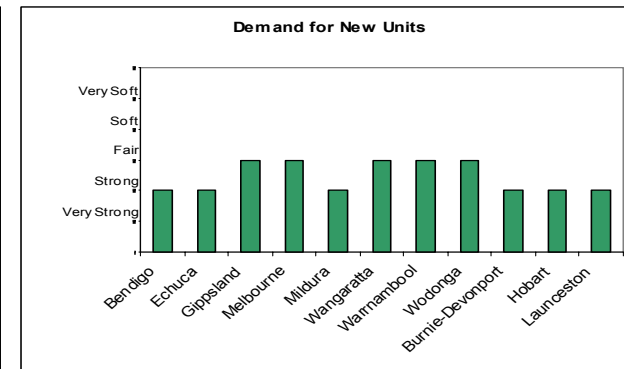
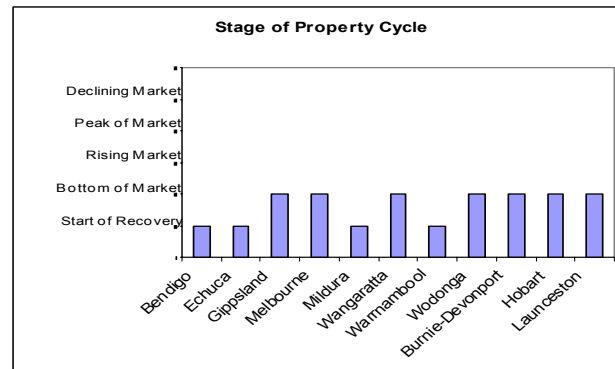
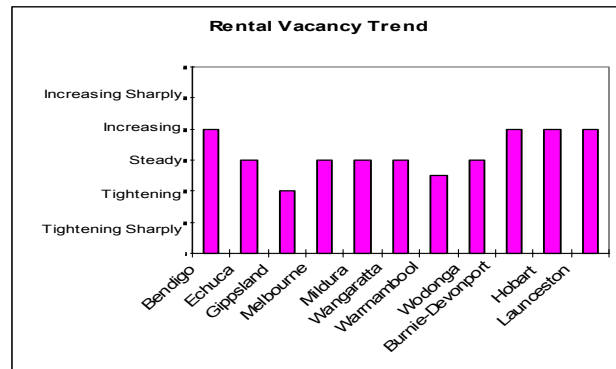


## Victoria/Tasmania Property Market Indicators as at January 2011 – Units

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

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

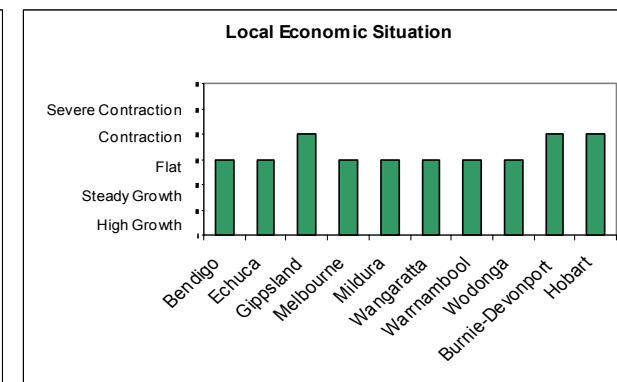
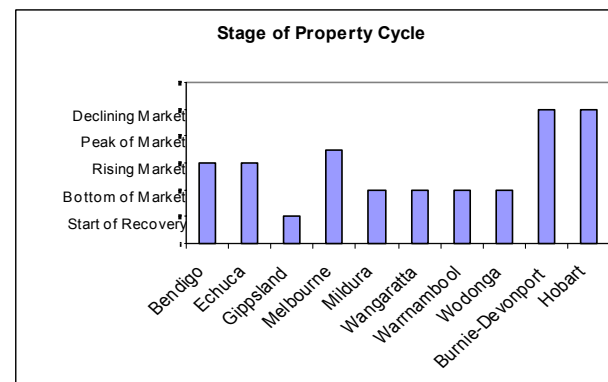
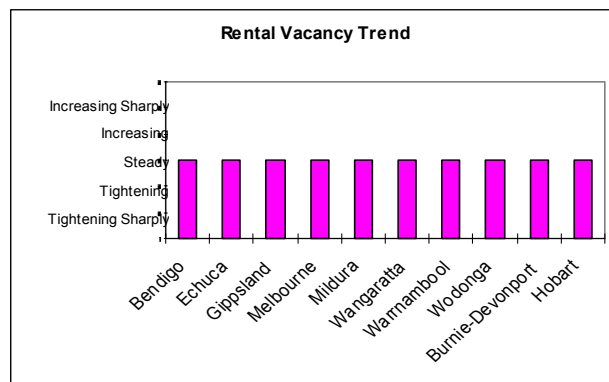


## Victoria/Tasmania Property Market Indicators as at January 2011 - Office

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

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

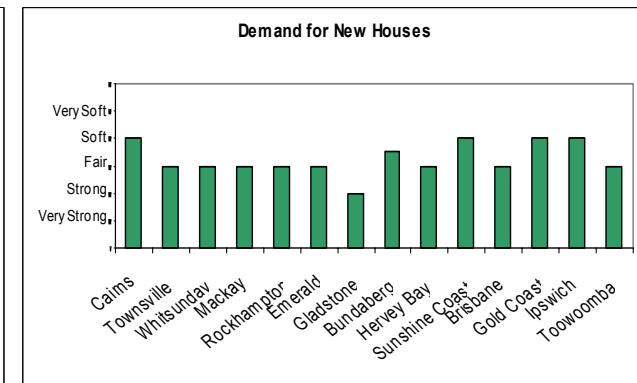
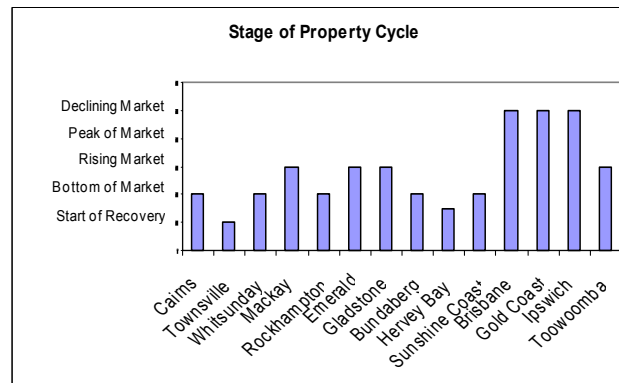
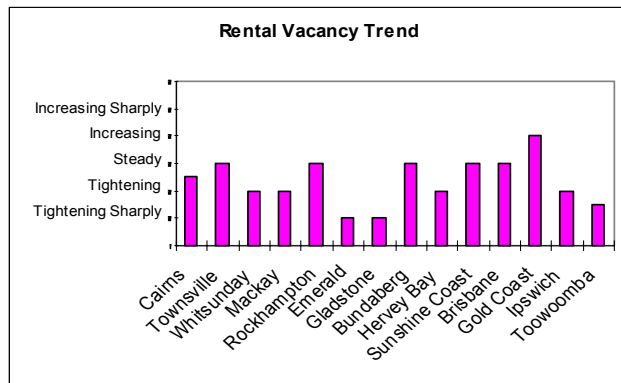


## Queensland Property Market Indicators as at January 2011 – Houses

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

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

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

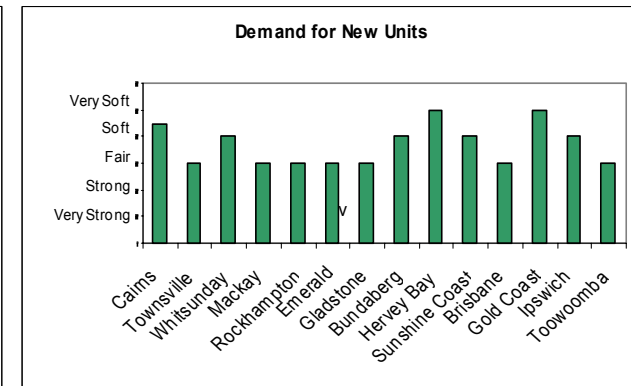
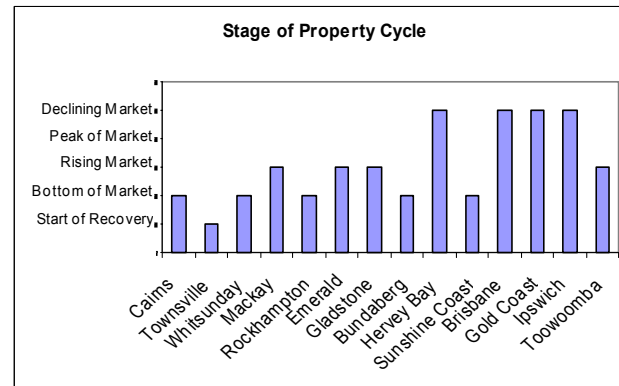
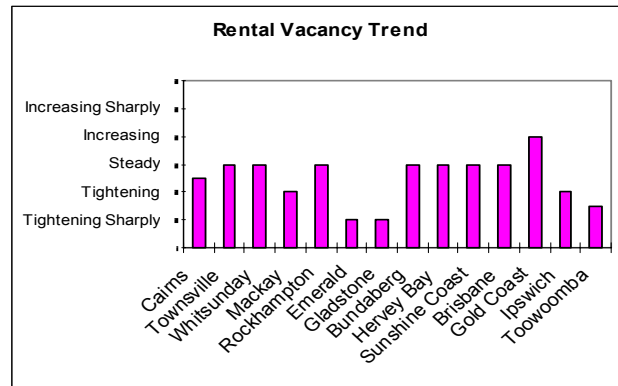


## Queensland Property Market Indicators as at January 2011 – Units

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

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

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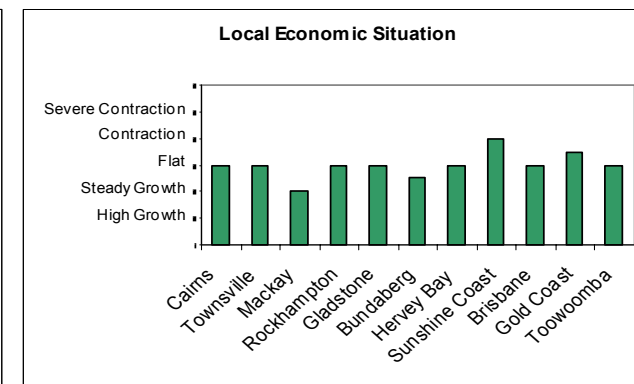
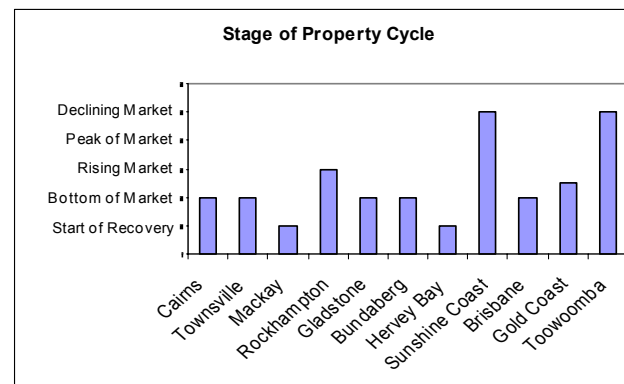
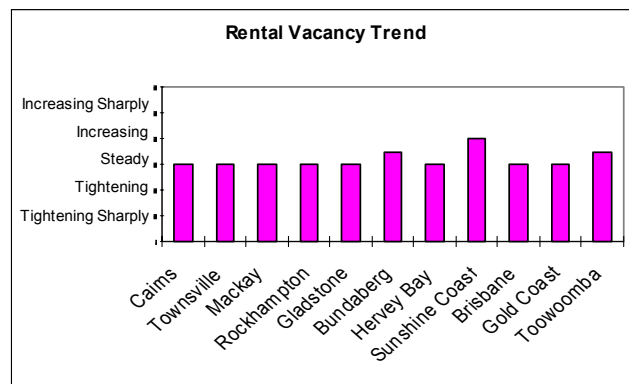


## Queensland Property Market Indicators as at January 2011 - Office

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady - Increasing	Steady	Increasing	Steady	Steady	Steady - Increasing
Rental Rate Trend	Declining - Stable	Stable	Stable	Stable	Stable	Declining - Stable	Stable - Increasing	Declining	Stable	Stable	Declining - Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady - Declining	Increasing	Declining	Steady	Steady - Declining	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Stable	Rising market	Bottom of market	Bottom of market	Start of recovery	Declining market	Bottom of market	Bottom of market - Rising market	Declining market
Local Economic Situation	Flat	Flat	Steady growth	Flat	Flat	Steady growth - Flat	Flat	Contraction	Flat	Flat - Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Small	Small	Small	Significant	Significant	Significant	Significant	3.4	Small - Significant

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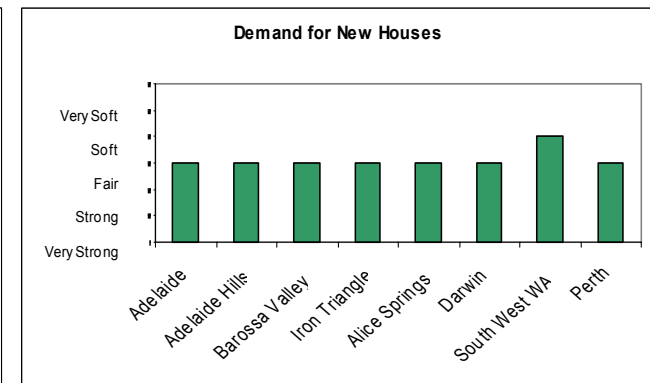
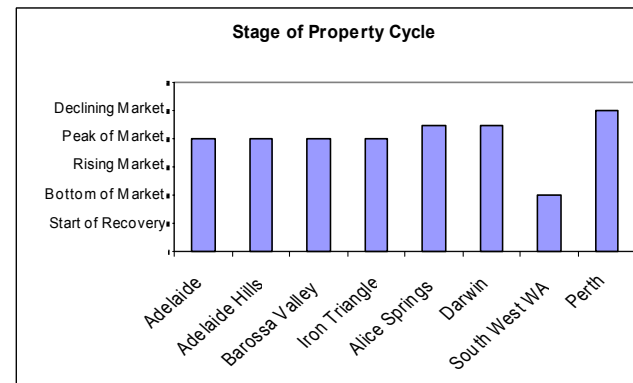
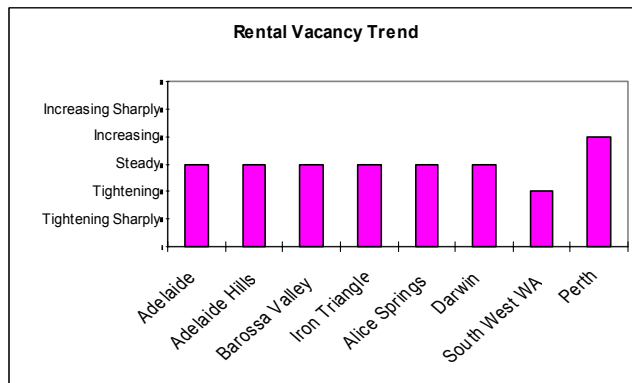


## Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2011 – Houses

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

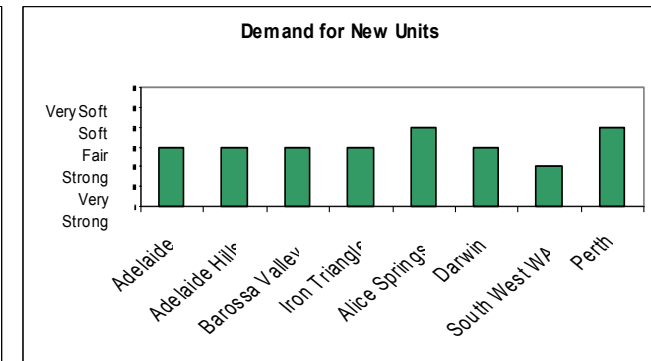
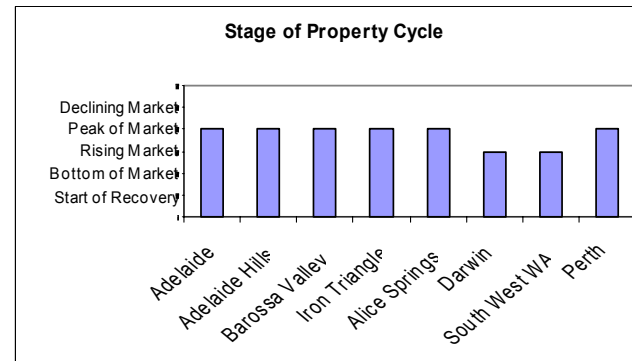
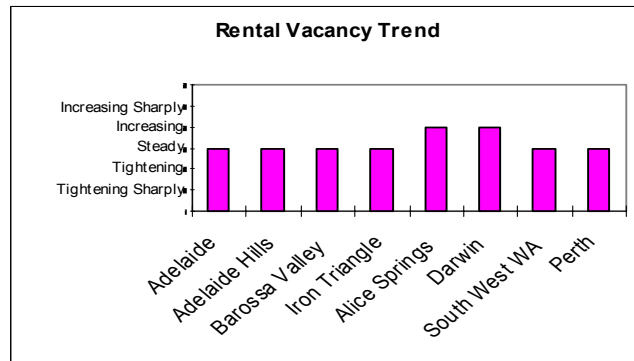


## Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2011 – Units

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



## Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2011 – Office

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

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

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

