



Herron
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Independent Property Advisors



The Month In Review

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Peace of mind for your property decisions.



YIELDS “RETURNS IN TODAY’S REAL ESTATE”

Oh sure, everyone wants to get their hands on a prime piece of riverfront real estate and soak up the envy from passing ferry passengers as they battle an off-colour coffee and three day old croissant. Why wouldn't you? Big money property is a sure thing. You've bagged yourself a bullet proof investment that is certain to set capital growth hearts racing as it ever upward appreciates. You smart cookie!

Well... reasonably smart. There's an old adage about cashflow being crowned a monarch. Those with a wise head on their shoulders know that as long as the near passive income keeps itself well above average, then you are able to find eager financial suitors ready to romance you with plenty of attractive credit.

While there are obvious advantages in the trappings of capital growth driven property, it is often when times get tough that those less than perfect high return rentable shacks come into their own. There may not be a lot of glamour in a main road fronted student share house investment that has seen only 2% pa in capital gain over the past six years, but it is just this sort of property that for a reasonably cheap outlay shows a cracking above average yield ready to nurse your portfolio through the down times.

There are more than a few markets around Oz that are in a bit of a pickle at present. The ghosts that haunt buyer confidence have decided it's Halloween and while a good old fashioned exorcism seems some way off, you can always call on high yields to keep the poltergeists at bay.

This month, we have asked our residential contributors to have a gaze around their markets and paint the landscape of rental returns. With this ready guide in hand it will be easy to see where the good lolly lies when it comes to cash back on your bricks and mortar. A stroll through this month's pages will not only give salient insight on where the best returns lie, it will also flag some warnings where the rosy glow is fading.

For our commercial crew, retail property is the flavour of the month. Yields are the bread and butter of retail valuation so you just know that our folks have the low-down on their town. You'll also be pleased to know that they aren't just going to cover the good stuff. There are quite a few retail yield warnings in these pages so make sure you stay right through to when the credits roll or you might miss some important footnotes.

So when you look at your portfolio's P+L statement don't sit there slack jawed wondering where it all went wrong! Get proactive! Take in the easy read of this month's issue of The Month In Review and then follow up with some detail by calling your local Herron Todd White professionals. They stand ready to help you ensure your holdings will up the income and lower the risk. With that sort of strategy for success, perhaps your waterfront abode won't prove an unwise acquisition after all.

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Commercial Overview

Yields are a primary approach to the assessment of retail property values throughout Australia. Recent activity in the sector has seen an overall lack of confidence and a softening in demand but there are still some diamonds in the rough for income driven investors. By determining your risk profile, you will likely find the retail property that is right for your portfolio well within your location of interest.



Sydney

Conditions within the Sydney retail market remain highly fragmented, with yields ranging significantly between larger enclosed centres and smaller retail strip locations. For the purpose of this article we will focus on strip retail properties, which make up the majority of retail property transactions within the Sydney region.

The strip market has diverged from the accepted norm over the past two years. Several traditionally favoured locations fall out of favour with both consumers and retailers, while some secondary and emerging prime locations have recorded higher interest from private investors.

...yields in these locations range between 5% to 7%, depending on the strength of the lease covenant....

In the prime markets investor interest for properties within the CBD or in beachside locations is strong. Research for our recent Retail Strip Market Link (available on www.htw.com.au) has highlighted that the highest yields exist for prime locations within the CBD and properties positioned in beachside locations. The strong level of investor interest is driven by the lower vacancy rates and the higher presence of national tenants offered by these locations. Yields in these locations range between 5% to 7%, depending on the strength of the lease covenant. Outside of these locations we have seen a softening of

yields in areas which have traditionally been subject to heightened investor interest. In Balmain, Double Bay and to a lesser extent Oxford Street in Paddington, yields can be as high as 7%, as investors price in the additional risk associated with the higher level of vacancy within these areas.

The secondary markets, as per the prime markets, have recorded a similar disparity in the yields with some emerging prime suburban markets recording yields lower than the risk free rate. Discussions with agents active in these markets have revealed that a high presence of overseas buyers and local private buyers are seeking long term exposure to the retail market and consequently are unconcerned with the short term rental returns. Lower quality locations, including those situated near large enclosed retail centres, remain out of favour with investors and financiers. Yields in these locations can be as high as 11%, with higher vacancy rates and lower quality tenants driving down capital values.



Canberra

The ACT economy, unlike other states or territories within Australia, is driven by one factor - the public service. Within the ACT, the public administration and safety industry accounts for the greatest proportion of employment, with over 30% of the workforce employed within this sector. Unlike other sectors such as mining, manufacturing or tourism, the public service sector is far less volatile, allowing for the establishment of a stable economy within the ACT.

Despite this economic stability, changing consumer preferences and limited regulatory flexibility is creating a two tier retail market within the capital. This has caused a shift in preferences away from the traditional group and local centres, in favor of Civic and larger town centres. As a result of these changing preferences, occupier demand, rental rates and subsequently capital values have fallen within some of these smaller centres.

This shift in retailer preferences has resulted in a disparity in the yields recorded for group and local centres. Demand and subsequently yields are strongest for properties that feature a number of quality national tenants, such as banks or government services. These properties are trading on yields as low as 7%. Yields for properties which feature a greater proportion of private tenants however, can be as high as 10%, with investors requiring a 'risk premium' in order to commit to these properties.

At the other end of the market, continued population growth is driving demand for larger retail facilities within the capital. This has resulted in an increase in the number of development approvals and site sales for supermarket developments. This includes approval of the Dickson Centre masterplan and the \$14.38 million purchase of a 21.35ha site in Casey for development of the new Casey centre.

Despite the increased development activity at the top end of town, transactions have been limited with no major sales recorded in the past 12 months. Establishing the current market yields for these properties is therefore difficult. If these properties were to transact, we estimate they would attract yields between 7% and 8.5% depending on the tenancy mix.



Looking forward, weaker consumer spending is expected to be offset by higher population growth, subsequently driving the take up of these new developments. Market conditions for some group and local centres however, will remain depressed, as consumer preferences continue to favor larger retail formats.



Wollongong

Given the lack of investment transactions across all property classes in the market it is difficult to substantiate how yields have performed over the past 12 months. Yields for the most part have been analysed based on owner occupier sales. This skews the measure of return as owner occupiers have been willing to pay a premium over and above a typical investor. However, based on the transactions we have seen, we suspect yields have not varied substantially over the past 12 months and we expect this trend to continue for the next year or so.

Since the GFC, only quality, well located properties occupied by solid tenants with strong lease terms have attracted serious competition from investors. However these properties generally have not been made available on the open market.

In the industrial market, for investment grade product above \$1 million, we expect yields to be in the 8.5% to 9.5% range, as supported by the April 2011 sale of 10 Prince of Wales Avenue, Unanderra for \$1.05 million. This 1,020 square metre building was fully leased to Thomas & Coffey at the time of the sale with a net income of \$96,000 or \$94 per square metre, showing a yield of 9.14%.

Retail properties with strong locations along Crown Street Mall have the lowest yields in the region with returns between 6.5% and 7%. The majority of sales incorporate an upper level office component. In the suburbs, we refer to the February 2011 sale of Horsley Village Shopping Centre (a neighbourhood convenience centre fully leased to ten local tenants) for \$1.725 million, and a reported yield of 8.5%. In the far South Coast region, we cite the August 2011 sale of the CBA branch building in Bega, which sold for \$1.6 million and a reported yield of 7.4%. We expect retail properties in secondary locations to achieve yields in the 8.5% to 10% range.

The office market has been particularly dormant over the past year with only one notable sale of an investment grade building. This was for the ING developed and occupied A Grade building along Keira Street, Wollongong to overseas investors for \$25.25 million. After adjusting for the surplus development land and vacant retail space, the yield equated to approximately 10.5%. For a diversified multiple tenant A/B Grade office building with nominal vacancy we would anticipate a yield of between 9% and 10%.



Central, North & West NSW

Sales activity is limited in the retail market as a result of limited supply. Most occupants are long standing and quality retail property is rarely offered for sale. Despite this, the Dubbo market has been relatively active and we can report three sales that occurred in the past nine months in various investment categories:

1. A multi tenanted retail property containing a real estate agent, bank, office and fast food outlet (locally owned). Weighted average lease expiry (WALE) 3.92 years and a net yield of 8.45%.
2. A neighborhood retail property comprising newsagent, pharmacy and tobacconist with the tenancies expiring in 2012. Net yield 9.6%.
3. A purpose built national fast food restaurant sold subject to a 15 year lease expiring in 2013 reflecting a WALE of 2.55 years. Net yield 7.6%.

The yields are generally consistent with most regional centres in NSW, reflecting the risk profile of the tenancies.



Newcastle

The latest major happening in retail since our last report is the eagerly anticipated grand opening of the Markettown upgrade in the centre of Newcastle. Located on a neighbouring block to the existing smaller centre, the extension is located next to the McDonalds restaurant on

King Street. The project has been cited as an architectural and engineering challenge. The extension, known as Marketown East, has added over 16,000 square metres of new space to centre which now comprises 26,000 square metres in total and is the only major retail centre in the Newcastle CBD.

New additions to the centre include a full line Woolworths supermarket of around 3,800 square metres and a Dan Murphy's Liquor store of approximately 1,300 square metres. There is also a Big W store and parking over three levels. The completion of this centre has been well received with the public (or at least with certain members of this writer's family!)

The Marketown East project is in stark contrast to the proposed GPT retail centre previously proposed for Newcastle. Regular readers will be aware that GPT withdrew and subsequently placed the property on the market. Buildev entered into a due diligence phase, however have pulled out leaving the property still on the market. Not surprisingly, recent reports have indicated that GPT may revisit the proposal if a satisfactory outcome is gained from the various railine studies. For favourable outcome read chopping it off at Wickham.

....people are less likely to spend money when times are uncertain and this translates through to profit margins in retail business....

With the recent receivership status of the Colorado group, which includes Mathers, Jag, Williams and Diana Ferrari and also the failure of Borders and Angus & Robertson, there are a few more holes in the shopping centres about the region. These are being filled to some degree in the larger centres, but in the smaller shopping centres, sourcing tenants is more of a challenge.

Outside of the centres, retail has been on the receiving end of fears associated with the increase in cost of living, carbon tax and double dip recession. It appears people are less likely to spend money when times are uncertain. This translates through to profit margins in retail business, number of staff employed and more importantly for readers of a property investment article, achievable rents that can be paid. Another factor that may or may not be considered is the lack of confidence for either expanding or starting a new business. In strong economic times, new businesses start up, thereby requiring space. In strong economic times, existing businesses expand, also requiring additional space. It is evident that at the moment leasing periods are longer than normal and there is less enquiry in the marketplace for new space.



NSW Far North Coast

The Byron Bay retail investment market has not been immune to the global financial problems and the fall in consumer confidence.

As expected, Byron Bay is strongly driven by the tourist sector. Over the past two years, Byron Bay has experienced a significant downturn in tourism. In addition there has

been significant media attention on the downturn in the retail sector, some of which has related to business owners/tenants calling for landlords to decrease rents.



Byron has traditionally reported rental levels two to three times above those achieved in other areas of the North Coast. With rates in secondary locations ranging from \$300 to \$600 per square metre per annum and premium locations ranging from \$1,000 to \$2,000 per square metre per annum, many have voiced an opinion this is unsustainable in such a period of weaker economic activity. While many are calling for a significant drop in rents, the reality is there have only been modest changes with premium locations having mixed results. Some evidence shows only a marginal fall while others have remained stable or increased in line with CPI. Secondary locations also have had mixed results with falls approximately 12 to 18 months ago followed by a more stable situation. Tenants continue to seek further falls but the market appears to be holding. There has been a number of businesses close down in recent times and there are numerous businesses for sale. Vacancies in secondary locations are likely to put downward pressure on rents in the short term.

Yields have significantly firmed from 5% to 6% (as low as 3% in the peak of the market) to yields of 7% to 7.5% in current times.

The Lismore retail market has also had major changes over the past four years with significant falls in rents of up to 40% after the global financial crisis. There has been a steady increase in rents from 2011 to a more stable level. In the Lismore CBD, rents for an average lock-up shop range from \$220 to \$325 per square metre. It is difficult at this time to determine the impact of the new Woolworths supermarket and neighborhood shopping centre in Goonellabah which is likely to take further market share from the CBD. The construction of a Dan Murphy's and a new 33-room motel and convention facility adjacent to the CBD may help to hold focus in this area.

The Ballina retail market is also experiencing hard times as agents are reporting increasing vacancies and a fall in rental levels.

The recent sale of the Lismore Westpac Branch on a yield of 8.2% net is indicative of stronger yields in Lismore, when earlier in 2010, the sale of ANZ in Byron Bay showed a yield of 6.4% net. In Ballina, fully leased premises to a strong local tenant showed a yield of 7.5% net. We also understand that recently in Mullumbimby, a commercial property comprising multiple retail tenants and three residential flats sold on a yield of 7.2% net (lower end of expectations). These sales would tend to reflect that market yields have firmed, although the trend has been

consistent across the Far North Coast of NSW as similar variations between locations would have been expected when the market was stronger, albeit at lower yield levels.



Southern NSW and Northern Vic

The retail market in Wagga Wagga has slowed considerably in the past quarter. There is currently weak demand for retail space and this is putting downward pressure on achievable rents. A number of shops have become vacant in the past quarter and shops that were previously vacant have not been leased leaving an over supply of vacant space.

A number of businesses have closed in this period showing that the retail sector is hurting and consumer spending has fallen away. With uncertainty regarding the global economy it is unlikely that this trend will stop in the short term and as a result, the retail property market in Wagga Wagga is likely to remain quiet for the remainder of 2011 and into 2012.



Regional Vic

MILDURA

The retail landscape in Mildura continues to shift away from small shops in the traditional central business district to the "big box" retail outlets. So while there are a number of empty shops in the Langtree Mall, there are also plans to build a new Coles supermarket, a Lowes hardware complex and a Big W store along Fifteenth Street, approximately four kilometres from the traditional CBD.

This changing landscape is reflected in the activity of retail property investors. Buyers have an appetite for modern, securely leased retail premises. They will buy at yields that reflect the perceived quality of the tenant, rather than the specific location. So a Bunnings store, or a Coles supermarket in Mildura will sell at similar yields to most regional centres, typically in the range of 7% to 7.75%. While sales of this class of property are infrequent, yields do not seem to have softened dramatically in the past 12 months.



Meanwhile the smaller, traditional retail premises, with a local family run business as a tenant are proving harder to sell, and will most likely only appeal to local investors. There has been a more evident softening in yields for this

class of property in the past 12 months, with yields now in the range of 8.5% to 9.5%. The premium evident for premises that are in a prime location, and the softer yields evident for properties that are on the retail fringe, or lack pedestrian/vehicle exposure.

Retail properties offered on a vacant possession basis are currently proving difficult to sell. Whilst there has not yet been any significant discounting of rents in order to obtain tenants, there is considered to be some risk of this occurring.



Melbourne

Overall wrap of retail market

The Melbourne retail market has witnessed a weakening in consumer spending in recent times, however Melbourne is still performing strongly in several retail sectors when compared with other Australian cities. This increase in consumers' hesitancy to spend, coupled with their shift to focusing on reducing debt levels and increasing savings, has been reflected in a reduction in retail trade levels in some areas of the city. Reasons for the diminishing consumer sentiment could be further related to the prospect of rising interest rates and recent government taxes (carbon tax and flood levy). Retailers continue to encounter challenges, including the increasing popularity of online shopping and a strong Australian dollar.

Furthermore, the tough environment in which certain retailers are finding themselves has been an impetus for several large closures of popular retailers. Clothing retailer Colorado, Borders and Angus & Robertson collapsed in early 2011. The ability of tenants to maintain current rental levels when faced with diminishing turnover levels may have been a contributing factor to these closures.

However despite this, retail properties, particularly within the Central Business District, have been strongly traded in recent times and we have witnessed a number of retail properties transacting on historically low yields. A two-level, freehold retail building situated at 269 Swanston Street sold in March 2011 for \$6.5 million reflecting an investment yield of 3.12%. Furthermore, very high capital value rates have been witnessed in 2011 indicating strong investor interest in Melbourne retail. Lot 14/55 Swanston Street was let to Krispy Kreme at the time of sale in June 2011. The 20 square metre retail premises sold for \$2.1 million reflecting a rate per square metre over the area of \$105,500 per square metre. International retailers have shown strong interest in the Melbourne CBD retail market which has resulted in several large leasing deals in 2011 including the introduction of clothing retailer Zara who recently struck a lease of a three level retail building within the prime Bourke Street Mall retail precinct.

What is retail property returning to investors in the way of rents?

Retail rental levels throughout Melbourne vary enormously with rental rates in prime suburban strips reflecting an indicative rental range of approximately \$700 per square metre to \$1,600 per square metre. Whilst

CBD retail rental rates can range from \$5,250 per square metre to \$9,250 per square metre in the Bourke Street Mall and \$1,100 per square metre to \$7,000 per square metre in other CBD retail areas.

Yield drivers

Yields achieved for Melbourne retail properties are affected by and vary based on a number of factors. A high risk investment will usually warrant a higher return as well as investments in larger price brackets will also usually witness a yield premium due to the larger sum of money being invested. Retail yields are also driven by other factors such as strong/weak lease covenants, development potential, location, condition, proximity to services, exposure and the wider economy. Furthermore, yields can vary due to the passing rental of the tenants being above or below market parameters.

Forecast in retail

Despite the tough retail environment, real estate agents have reported strong transactional activity and Melbourne's appetite for retail property is expected to remain strong in the short term. Prime Melbourne retail is still in high demand whilst secondary retail is perhaps harder to lease/sell.

Should consumer spending continue to weaken, then rents may fall which could lead to a softening in capital values.



Brisbane

The Westpac-Melbourne Institute Index of Consumer Sentiment fell by 3.5% in August from 92.8 in July to 89.6 in August, following a fall of 8.3% in July, which indicates that consumer sentiment is at its lowest level since the onset of the global financial crisis in early 2009. Growth in total retail turnover in Queensland has also slowed significantly over the same 24 month period and in Brisbane, this has been further exacerbated by the recent floods and a declining population growth rate.

The depressed spending environment has had a direct affect on retailers' profits and their subsequent ability to pay rent, which in turn increases vacancies, reduces effective rents and increases the cash flow risk associated with many retail properties as an investment. Accordingly, there has been a significant decompression of yields over the past 24 months. This movement was varied and depended greatly on the sub-sector, the location of the property, the strength of tenant and the tenancy mix. Prime yields have softened by between 0.5% and 1% with secondary yields softening by 1% to 2% which has increased yield spread between prime and secondary properties.

Yields for well located retail convenience centres with a strong tenancy mix range from 7% to 8% and secondary yields are generally between 8% and 9%, with others above 9%. 1888 Logan Road, Upper Mount Gravatt is a retail convenience centre with a good tenancy mix, which sold at auction in April 2011. The centre has a gross lettable area - retail of 735 square metres and the tenants include Pizza Hut, Subway, Night Owl, Thirsty Camel bottleshop, an Indian restaurant and there was also a small vacancy. The property had a weighted average lease expiry of 2.09 years and sold for \$2.9 million, which reflected an analysed yield of 7.72%.

Prime neighbourhood shopping centres with a Coles or Woolworths major are currently achieving yields from 7% to 8.5%. The variance between the lower and upper end of the yield range depends on the location, lease expiry profile, age and condition of the centre as well as the moving annual turnover of the major. Yields for secondary neighbourhood centres with a supermarket sub-major such as IGA generally range between 8% and 9%. The Twin Parks Shopping Centre on Wynnum Road, Tingalpa sold for \$8 million in November 2010, which reflected an analysed yield of 8.09%. The centre has a gross lettable area - retail of 1,628 square metres and is anchored by an IGA supermarket with 17 specialty shops. The centre had a weighted average lease expiry of 3.49 years and sold with one vacancy.

....prime neighbourhood shopping centres with a Coles or Woolworths major are currently achieving yields from 7% to 8.5%....

Yields for bulky goods centres range from 8.5% to 10.5% and suffered at the early stages of the economic downturn, in particular those properties over \$10 million. This is evidenced by 544 Kessels Road, Macgregor, which is a bulky goods retail centre that sold in November 2010 for \$13.1 million and an analysed yield of 9.61%. The centre has a gross lettable area of 8,291 square metres and sold fully leased to 12 tenants with a WALE of 1.98 years. Some of the tenants include JB Hi Fi, Petwise, Aussie Living Furniture and Bob Jane T-Marts. Keener yields for bulky goods retail properties (i.e. below 9%) have generally been achieved for well located properties in the sub \$5 million price bracket.

Currently yields are stable across the retail sub-sectors. However, given the prevailing economic uncertainty, we anticipate that consumer confidence and retail spending will remain soft for most of the year. Accordingly, the outlook for retail investment yields is for them to stay flat for the balance of 2011.



Gold Coast and Tweed Coast

Yield of the day... A term that has become redundant in today's unpredictable retail market.

There are two distinct forms of retail development on the Gold Coast; the densely populated tourist centres such as Surfers Paradise; and the suburban based retail centres that cater for the local community. It has been widely reported over the past nine months that retailers are doing it tough and vacancy rates continue to escalate. Whilst these two sectors of the retail market have a vastly different client base, it appears that no particular area is immune to the trend of decreased consumer confidence.

This highlights the major issue which has the greatest impact on yield levels across the Gold Coast. Risk.

It is undeniable that investors in today's market are primarily targeting quality properties that are underpinned by a high underlying land value and/or strong lease covenants. Whilst there is always an exception to the rule, as a general observation properties that tick these boxes appear to be achieving yields within the range of 7% to 8%.



This is evidenced by the recent resale of the Priceline building on Surfers Paradise Boulevard which achieved an initial yield of around 7.3% (analysed yield 7%) in May this year. This property had previously sold in 2009 at an initial yield of 7.11% (analysed yield 6.79%), showing little change in an otherwise volatile market.

Other recent sales of note which fall within this category include:

- Bunnings Trade Centre at Gaven, which recently changed hands for an initial yield of 7.56% (analysed yield 7.13%);
- The Mermaid Centre which sold earlier this year for an initial yield of 8% (analysed yield 7.49%);
- St George Bank at Southport which sold in January 2011 for an initial yield (after rent reversion) of 7.5%;
- Red Rooster Eagleby which resold in June 2011 for an initial yield of 7.18%. This property sold 12 months earlier for an initial yield of 6.87%; and
- A small strata title retail unit within the Solaire building at Surfers Paradise which sold at auction in May 2011 at an initial yield of 7.46%.

It would appear that a relatively small number of properties would fall into the "quality investment" category and it does not take much to influence a creditable change in the yield expectations. This is particularly the case when there is a perceived risk of maintaining rent at current levels and/or keeping a tenant beyond the current lease term.

A strong emphasis is also placed on potential for alternative uses and location whereby secondary, over supplied or unproven localities are proving more difficult to sell.

A natural disparity between these primary and secondary properties should always be present in the market, however they more or less disappeared in the boom of 2006 and 2007. Yield variations can now range up to 3% with secondary properties typically falling within the range of 8% to 10%.

Some examples of the above include:

- Tyrepower at Brisbane Road, Labrador which sold at auction in May 2011 for an initial yield of 10%;
- Colonial Court at Mudgeeraba has recent changed hands reflecting an initial yield of 7.9%, an analysed yield of 8.5% and a reversionary yield of 9.15%.
- Various restaurants within Victoria Square at Broadbeach which sold around 12 months ago for analysed yields ranging from 9% to 10%;
- Two adjoining strata units at Tweed Coast Road, Bogangar which sold at auction in June this year reflecting an initial yield of 8.82%.

Today's market provides an opportunity to acquire a range of retail investment opportunities of varying sizes and quality. The potential exists to secure an excellent return on investment in the order of 9% to 10%, however such a purchase will always come with inherent risks of income sustainability. Safer options are available by selecting properties in strong locations with good lease covenants; however the underlying demand for such investments will command a lower return on investment.

Based on recent world events, it seems that the Gold Coast commercial market is not yet out of the woods and will continue to fuel a 'flight to quality' for retailers and investors alike.



Sunshine Coast

Retail investment property on the Sunshine Coast performed surprisingly well up until about mid 2010. Since that time we have seen increased levels of vacancy across all locations with downward pressure on rental levels. In many circumstances, tenants have approached landlords for temporary reductions in rentals based on lack of business. Many landlords are working with tenants to assist them through this period.

In the key tourist retail markets of Hastings Street and Mooloolaba Esplanade we have witnessed a significant level of tenant turnover and an increase in vacancy levels.

Our understanding is that a number of tenants in the Hastings Street area for example are paying what rental they can afford to landlords, which is covering outgoings at best.

On the back of these negative sentiments and the continued slow down in tourism in the area, yields have softened. Many buyers are factoring the risk of losing tenants or of rental drops into purchasing decisions and this is being reflected in achieved yields.

Areas such as Mooloolaba Esplanade, where yields were as low as 6% in many instances during the market peak are now ranging from early 7% to mid 8% depending on exposure levels. This has been reflected in other strong tourist locations, while in other locations yields have typically softened over 8% in the main.

It appears that yield levels will remain subdued into the short to medium term until tourism improves on the Sunshine Coast, which typically drives the retail market.



Southern Queensland

TOOWOOMBA

There has been limited sales activity in the retail sector in Toowoomba during 2010/2011, which has resulted in little evidence of current retail investment yields. The Wilsonton Shopping Centre sold for \$36 million in late 2009, but the centre included a large number of vacancies, a large parcel of development land, a service station and a swimming pool, making the transaction atypical and very difficult to analyse.

Retail rentals in Toowoomba saw significant increases during 2006 to 2008. This was seen as both a reflection of a strong economy, as well as a need for developers to improve returns on higher land prices and construction costs. These rentals plateaued during 2009 and early 2010 as consumer spending reduced and vacancy rates increased slightly. During this period most landlords concentrated on maintaining a strong tenant mix, secured with long tenure.

....there has been limited sales activity in the retail sector in Toowoomba during 2010/2011....

There have been a number of new retail developments planned or completed in Toowoomba that appear to have achieved a new rental benchmark for tenancies in smaller retail centres. "Red Edge Centre", completed in early 2011, is located on the southern fringes of the CBD and includes a small IGA and a mix of mostly food tenancies. The redevelopment of High Street Plaza (construction currently well advanced) is located in the eastern suburbs and is to be anchored by Supa IGA. Wilsonton Shopping Centre is currently undergoing refurbishment with a new stand alone Coles supermarket to be constructed. The proposed Coles anchored "The Glen" centre at Glenvale has reportedly been put on hold until 2012. We also note that a site is being amalgamated on the northern end of

Ruthven Street with a major supermarket based centre proposed.

A number of bulky goods properties are currently on the market and are achieving limited interest. This is largely due to the relatively high price point and the tenant type being discretionary spend retail. Although development activity in the retail sector is moderately strong, investment sales activity is extremely limited, reflecting the low level of investor appetite for regionally based retail assets.



Central Queensland

ROCKHAMPTON

There are two main clusters of retail in Rockhampton with the main concentration located in the Stockland Centre on the highway. Stockland have invested heavily in the region over the past two to three years. Their portfolio now extends from retail to residential and includes the newly redeveloped Stockland Shopping Centre which comprises 160 specialty stores and is anchored by Coles, Woolworths, Kmart and Big W as well as a 276 ha englobo parcel which they acquired at the end of 2010 for residential development.

The East Street Mall precinct is the other main retail hub of the city comprising a mix of retail and professional offices. There has been a shift in retail activity to the section of East Street between Denham and Fitzroy Streets. A number of new retailers have commenced trading in this section of the Mall Precinct as well as the new Degani's Coffee Shop which has opened on the ground floor of the ex-Post-Office building. The new additions have given this precinct a breath of fresh air. The precinct will also benefit from the construction of one of the most significant professional office developments in Rockhampton seen in many years. The complex is located on a prominent corner of East and Fitzroy Streets. Construction has commenced and will comprise a modern, commercial/retail building with a floor area of approximately 2,600 square metre over three levels. The building will also provide carparking and will maintain a 2.5 star NABERS rating. A semi-government agency has secured a tenancy in the premises at record rental levels. The balance of the building is yet to be leased, however, agents confirm strong interest levels.

Other retail offerings include neighbourhood shopping centres. The Allenstown Shopping Centre is set for a major redevelopment which is due to commence toward the end of 2011. The \$15 million extension will comprise a further nine specialty stores and some 110 off street car parking bays. The extension will see the closure of part of Canning Street joining the centre with the current car parking area directly opposite. This is a heavily trafficked centre which provides the only Woolworths south of the river and currently services a large catchment area including the Range, Allenstown, Wandal as well as Gracemere and surrounding areas west of Rockhampton such as Gogango and Duarina/Dingo.

Construction of the Gracemere Shopping Centre is also well underway. The centre will be the first for the area of Gracemere located 10 kilometres west of Rockhampton. The centre will be anchored by Woolworths and will also provide a Petrol Plus, BWS and McDonalds within the complex. The centre is expected to be completed by early 2012.

Generally the market overall has remained stagnant through the latter part of 2010 and during 2011. Rents are steady at approximately \$150 - \$220 per square metre in the CBD and yields also remain steady in the 8% to 9% range. Sales volumes within the retail sector have been steady during 2011. A notable sale is a multi-tenanted building in East Street in mid-2011 which reflected a 9% return. The income was supported by two long term tenancies and a short term tenancy.

Areas which may be of interest to investors going forward include aged retail surrounding Allenstown. Most offerings in the area require renovation. However, many provide a good return and good demand as a result of the redevelopment of the shopping centre. There are also areas located in the CBD which after renovation may provide reasonable returns. We anticipate that the retail sector will remain steady in the short to medium term.



BUNDABERG

The most significant news on the retail front in Bundaberg is that two properties in excess of \$7.5 million have gone to contract since our last report.

One is in a neighborhood shopping centre indicating an adjusted yield rate in order of 8.5%.

The other is a bulky goods retail property indicating an adjusted yield rate in the order of 9.5% to 10%. The passing yield is in the order of 8.5%.

Other sales information remains very limited in the retail sector however yield rates are generally in the 8% to 9.5% range. Lower priced property below \$750,000 generally reflects lower yield rates.

The more recent sales activity in commercial and industrial property has been in vacant premises with the majority of these being under distressed sale circumstances.

HERVEY BAY

There has been very little sales activity in the retail sector in Hervey Bay since our last report to comment on any movement in investment yields. Retailers are trying to attract every tourist dollar on offer with tenants reluctant to commit to long term lease agreements. While season is upon us which is time to make hay while the sun shines. The expansion of the Stockland Shopping Centre has created a buzz around town along with the announcement of construction of a new 96-bed private hospital. These projects will help diversify Hervey Bay's industry base which has for a long time relied on the tourism market. These projects will help to keep local people spending locally.

GLADSTONE

There has been little activity in the retail market in Gladstone since the global financial crisis. The announcements of the LNG projects which have begun construction have livened up the residential market. This heightened activity is yet to trickle through to the retail market. Activity is fairly limited with very few sales in recent years. Yields have not yet improved.



Cairns

The Cairns retail market has been progressively fading since the start of 2008 as a result of the economic downturn leading to a reduction in consumer and tourism spending. We now perceive the Cairns retail market to be at or near the bottom of the cycle and the slow state of the economic recovery in Cairns means that the retail property market could likewise remain flat for some time. Retail property sales in Cairns are extremely sporadic, and no retail properties of significance have changed hands since 2008. The only sales involving retail property have been of mixed use retail / office buildings or tenant buyouts of single premises.

...high exposure CBD space remains well occupied, with vacancies most noticeable in locations with lower exposure....

The last few months have seen an increase in vacancy levels in the retail sector from a number of business closures attributed to the tough economic environment. However this increase has only been a relatively mild increment to the high levels of long term vacancies in some areas that pre-dated the downturn. High exposure CBD space remains well occupied, with vacancies most noticeable in locations with lower exposure and/or on

the CBD fringe. Rents have generally been static, showing ranges of \$600 to \$1,000 per square metre per annum for prime CBD space, and \$1,000 to \$2,500 per square metre per annum in key tourist precincts such as the Cairns Esplanade.

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



Townsville

The retail market in Townsville is currently at the bottom of the market cycle with low volumes of transactions.

Townsville's \$56 million Flinders Mall redevelopment has been completed offering a much needed facelift to the Flinders Mall fronting inner city retail. Retailers have reported increased trade since completion of the works with some new shops opening.

The \$180 million redevelopment at Stockland, which will deliver Myer to the city, is also well underway with an expected completion time of mid 2012.

....the retail market in Townsville is currently at the bottom of the market cycle....

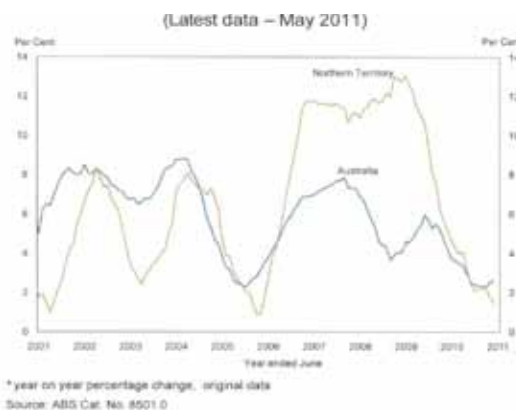
Retail yields are heavily reliant on the tenancy mix, catchment and location. Tenancy mix includes the lease expiry profile, which is considered favourable if in excess of three years along with a staggered lease expiry profile. The location and catchment are also highly considered factors as the city continues to grow. If these factors are well satisfied then returns of 8.5% to 9.5% could be achieved whether they are primary or secondary retail space.

If however, properties are offered in vacant possession, or do not satisfy the tenancy mix or catchment criteria, then yields generally increase, whilst returns for dating or buildings showing signs of economic obsolescence generally show lower returns until such a time that capital is outlaid for refurbishments and market rents are achieved.



Darwin

Up here in Darwin we like to spend, but we much prefer spending money that we have to spending money that we don't. The amount of retail spending per person has been a major difference between Darwinites and people down south. Not any more. Darwin has been heading south to join trends in southern states.



Source: Territory Economic Review, August 2011

The retail sector most affected was newspapers and books, which went down 12.1%. Toiletries, pharmaceuticals, cosmetics, etc also fell, but the losses were offset by increases in restaurants, cafes, clothing and recreational goods. So we should be seeing people getting out and about more, but not looking quite as glamorous as they did a year ago. With the news that one or more of Darwin's best bookshops may be closing, maybe their conversation will be rather less interesting as well.

While a chart on retail/commercial property sales volumes would look worryingly similar to the one above, there is as yet no hard evidence of a decline in property values in the retail sector. In fact, developments such as Winnellie Central have attracted rentals at historically robust rates. While this lack of sales evidence means that the market is difficult to read, our understanding is that if a property does sell, it will produce a higher yield than it would have before the GFC. The softening could be in the region of a percentage point, but less for high quality properties and more for poorer quality properties.

While this has been demonstrated in interstate property markets, it has yet to be established here. At present, if owners don't have to sell, the won't sell now. Major projects on the horizon is the primary reason for this. The first news of these will be later this year when Inpex is scheduled to announce its decision concerning a LPG plant in Darwin. Others include Darwin's potential support role in Shell's construction of the world's largest floating vessel, other possible LPG plants, the northward shift of Australia's defence forces, the shale gas potential south of Darwin, the proximity of Darwin to Asia's developing regions – a whole host of pots of gold at the end of numerous rainbows, some seemingly close, others farther away, but none yet here.

Presently, the retail situation in Darwin is one of steady rentals but indeterminately softening yields, with almost no-one in Darwin's powerful retail property-owning community interested in selling. With consumer confidence having taken a blow as detailed in the Retail Trading chart above, Darwin's business confidence is still above the national average. There is an underlying confidence, supported by commentators such as Deloitte Access Economics, that Darwin's beautiful people will soon be even more beautiful than they were before.



Perth

There have been numerous recent media reports on the struggling plight of retailers across the country due to the high Australian dollar, low consumer confidence and decreased spending. Although analysis of Australian Bureau of Statistics retail turnover data (original) seems to indicate that Western Australia is somewhat different.

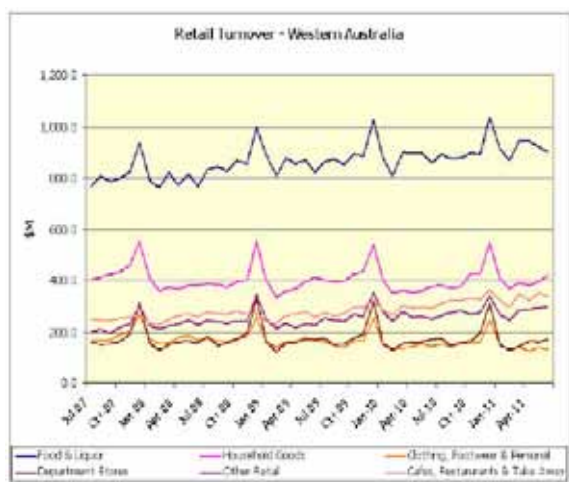


Figure 1 - ABS Retail Turnover (original)

The annual Christmas peaks are easily seen, and not surprising, however the big surprise is that the highest turnover growths have been in food and liquor spending. This category includes grocery and supermarket shopping. Going out to get a bite to eat and other retail areas (which includes recreational goods) have also shown reasonable growth over the last four years. The clear example of zero or negative growth has been in department store and clothing, footwear and personal. Overall however, the data does not support the prevailing notion of declining consumer spending. The categories that have declined are perhaps related to very cheap air travel to our neighbours in South East Asia, which often is accompanied by clothing, CDs, DVDs and electronics purchases. This has been very popular among the fly-in-fly-out workforce of the North West who often elect to fly straight to South East Asia at company expense rather than return home on their breaks.

The data generally is supported by the fact that retail vacancies in the Perth CBD and prime regional and sub-regional shopping centres appear quite low. On the odd shopping spree in the city, it is rare to come across vacant retail space with most vacancies located at the peripheries of the CBD. Rental rates also appear to keep increasing in most markets, with exceptions particularly noted in the outer suburban markets, which face increasing competition from mainly bulky good outlets.

Recent bulky goods investment sales in the \$1 million to \$3 million price bracket reveal modest yields ranging from 7%-8%. At the smaller retail property market in the Perth CBD, there are very few buying opportunities.

In both cases the current market characteristics reveal a perception of low risk among investors and owner occupiers.

...there has been a dramatic decline in asking rental rates along Bay View Terrace, in some cases up to 50%...

However, there are undoubtedly some recent pressures in this sector, particularly for those retailers who do not capture the internet shopping market. The high Australian dollar is making available products from overseas via the internet a lucrative prospect for many, even including shipping costs that are often included free or at nominal charge. It is also obvious that most retailers have to discount their stock significantly in order to achieve their turnovers. Indirectly, the retail sales turnovers indicate that the strongest sectors are those relatively immune to overseas and internet shopping such as groceries, likely an outcome of increasing population.

The risks in Perth's retail property which we have witnessed recently have little to do with low consumer confidence or spending. Recent valuations our firm has undertaken point to risks stemming from rising vacancies, surprisingly, in suburbs such as Claremont and Subiaco. These are areas located in high socio-economic catchments, yet have recently experienced significant change. In Claremont, the recently completed Claremont Quarter has added approximately 30,000 square metres of additional retail space, offering pleasant surrounds and underground parking. Many tenants formerly positioned along Bay View Terrace have taken up space in this development. The result has been a dramatic decline in asking rental rates along Bay View Terrace, in some cases up to 50%. However, most of these properties were never purchased for their income returns as historically passing yields of retail space along this strip rarely climbed over 5%. It is well known that purchasers of these properties are trophy buyers. Nonetheless the dramatic decline in rental value necessarily softens market values, which might become a problem if looking to finance future investments.

Subiaco on the other hand has also undergone significant developments over recent years adding more retail space, and there is a noticeable increase in vacancies along Hay Street and Rokeby Road. Fremantle also has recently experienced increasing vacancies. As a historic port city, many local retailers rely on the tourist business. The high Australian dollar has affected the tourist industry and undoubtedly resulted in many retailers experiencing problems.

Much of the retail sector relies on a strong housing market which has not fared well over the past 12 months. Buyers appear to have diminished as a result of global uncertainty, affordability and over supply. It appears that it will be some time before these factors subside and we again experience improvement in this sector. Furthermore, the unprecedented volatility in equity markets and concerns over the state of the European and US economies are likely to bring further pressures on retail property values. In these uncertain times it is difficult to predict on how long Perth's retail property sector can hold against these mitigating forces. With increasing difficulties facing this sector, overcoming the State's restrictive trading hours might be needed to relieve some pressure.



South Western WA

Overall the retail property market in the South West of WA is very subdued at present, with limited demand and very few sales occurring. Most retail properties are tightly held which is helping to keep values generally in check but extended selling periods are required.

Like many areas around the country business performances in retail are currently considered to be poor. This relates to both the Cape region which relies heavily on tourism and the Bunbury region which is more influenced by mining and port activities.

The Cape region has been commercialised around the climate, surf, vineyards, landscape and lifestyle. With the strong Australian Dollar discouraging international visitors and the lure of cheap holidays overseas (i.e. Bali) for locals, the number of tourists visiting the south west has declined. With a decreasing amount of tourists visiting the region and low consumer confidence, retailers are producing lower turnovers. Coupled with high rents generated by growth throughout the boom of 2005 to 2008, this has put a lot of stress on the retail industry.

Recent sales include a dual tenanted shop in the Busselton CBD under contract for \$615,000 which shows 6.34% passing yield on the head lease and an \$11+million sale in late 2010 for a Cape region town shopping centre which showed a 7.78% yield.

Yields have increased but they are coming off a very low base.

There has been very little recent retail development across the Cape region. The outlook is for a continued subdued market, reflecting low levels of demand and supply, and general uncertainty brought on by the prolonged instability of the international financial markets.

Generally the Bunbury retail industry has held up better than the Cape region industry in recent years however the continued global economic uncertainty and weak

consumer sentiment is now taking its toll on the Bunbury industry with more retail property vacancies appearing and almost no property sales here during 2011.

Recent retail development in the Bunbury region includes several CBD refurbishments, Bunbury Forum upgrades and the new Treendale Shopping Centre under construction in Australind which is progressing well.



Adelaide

The Adelaide retail sector fared quite well in the aftermath of the GFC. However 2010 has shown a noticeable slump in retail sales to date. Significant increases well above the CPI in water, electricity and council rates to name a few are impacting heavily on consumers' discretionary spending and uncertainty about the future due to the current global climate is not helping. With the changing face of retail spending driven by the emergence of on-line shopping and pushed along in part by the strength of the Australian dollar, retailers are facing some tough times ahead. Retail property investment however continues to provide solid returns.

Since the end of 2010 there have been numerous sales of shopping centres within the Adelaide metropolitan area, traditionally quite a tightly held sector. These centres have generated good interest and most sold within their marketing campaigns. In particular, these shopping centres are well located, have a high profile supermarket as the anchor tenant, are close to if not fully leased and have potential for further development and upgrade. Yields range around 6% to 8% with capital growth from re-development. Some examples include:

- The Avenues Shopping Centre at Stepney settled in December 2010 for \$23.01 million at a yield of 7.3%;
- Settling in February 2011, the St Agnes Shopping Centre sold for \$35.45 million at a yield of 8.29%;



The Avenues Shopping Centre

When considering retail property with a stand alone tenant for investment purposes, it is important to consider the nature of the tenant, specifically taking into consideration their strength and potential longevity. Investors need to determine whether the rent is full or if there is room for growth.

It is also important to consider the property itself and whether in the event of a vacancy, the property and location has broad appeal. These properties return around 7% to 8.5% with slightly higher returns for greater risk.

In general, retail property with a quality tenant along Rundle Mall, Jetty Rd Glenelg, Norwood Parade, King William Rd, O'Connell and Melbourne St North Adelaide and Unley Rd tends to be tightly held with good demand when released to market. Vacancies especially along Rundle Mall have increased lately with the recent collapse of some well known book and clothing retailers, however in this prime location it is expected that these tenancies will not be vacant for too long.



Residential Overview

In dire times, rental return can be the thing to keep your investment portfolio afloat. A number of markets around the country are suffering from a lack of buyer enthusiasm that has seen a tangible softening in demand. As such, many investors are relying on their rental income to keep the wolves from the door.

There is often a trade-off between rental return and capital growth but it is obvious from this month's issue that there are properties across all areas that will cater for most investor profiles. The trick is usually determining your level of interest in a real estate investment type and then taking in the research to find the right property for you.



Sydney

Landlords should expect rental adjustments again this year in excess of CPI due to low vacancy rates. Whilst uncertainty amongst buyers compels renters to wait on the sidelines rather than jump into home ownership, the outcome results in a landlords market.

Lack of property stock and market confidence will continue to put upward pressure on the rental market. Additionally, deteriorating vacancy rates confirm that these properties remain solid investments.

As investors continue to be more active, property has repeatedly proven to be the most secure store of wealth.

Since 2007, house values across state capitals have increased by 25%, whilst shares are well shy of their 2007 values and experienced enormous volatility in the process.

...investors will continue to regard property investment as the preferred vehicle for wealth management....

In the crashes of 1987, 1991, 2001 tech-wreck, again in 2002-03, and the GFC of late 2007-08, those who had an excessive exposure to equities felt the pain. On three occasions in these examples, equities markets fell in excess of 50%.

As a result, investors will continue to regard property investment as the preferred vehicle for wealth management. Even through the worst stock market downturns in 1991 and 2008 GFC, Australian properties went sideways.

Options under \$750,000

The outer western suburbs of Sydney have long been the domain of investors. These often consist of small "mum and dad" investors looking to take advantage of affordable purchase prices, coupled with strong rental demand which generally translates to good rental returns. A steady rental market and steady returns are the priority, rather than capital growth.

A recent conversation with a leading agent in the wider Penrith area indicated that they had approximately 1,000 rental properties on their books with only six properties not leased. This equates to a vacancy rate of 0.6%. This suggests that the western suburbs of Sydney should remain a good area to invest in property in the short to medium term.

Examples

A three-bedroom, two-bathroom townhouse with single garage in the western suburb of Oxley Park sold for \$270,000 with an existing tenant paying \$320 per week. This represents a yield of approximately 5.5%.

A typical, small four-bedroom dwelling in the Penrith suburb of Glenmore Park is selling for around \$400,000, attracting a rental income of \$400 per week. This represents a yield of approximately 5%.

Local agents in the outer south-west of Bankstown through Liverpool tell a similar story. Agents report that more investors are returning to the market looking for a 'good deal', with affordable prices and steady rentals.

Examples

A 1970's, two-bedroom, one-bathroom renovated unit with a single garage in Goulburn Street, Liverpool was purchased for \$232,000 in April 2011. The unit rents for \$300 per week. Assuming a four week vacancy rate in the year and 15% for outgoings, this potential investment represents a net yield of 5.2%.

A late 1980's two-bedroom, one-bathroom unit in Hixson Street, Bankstown recently sold for \$290,000 and is rented for \$370 per week. Assuming a four week vacancy rate in the year and 15% for outgoings, this represents a net yield of 5.2%.

Some of the highest yielding properties are those around Sydney CBD, Zetland, Waterloo and Redfern on the city fringe. North Shore options include Chatswood and North Sydney. Units, studio apartments and terraces are the best performers as the demographic mix of young professionals and students prefer proximity to the CBD and established infrastructure.



Examples

A three-bedroom, two-bathroom, renovated terrace in the suburb of Redfern sold for \$682,000 with an existing tenant in place paying market rent of \$760 per week. This represents a gross yield of approximately 5.7%.

A Waterloo unit with three bedrooms, two bathrooms and two car spaces sold in July for \$649,000 and recently rented on a 12 month lease for \$780 per week equating a yield of approximately 6.2%.

An inner city studio apartment with no car parking, currently under contract for \$338,000 has a current rental income of \$420 per week. This equates to an excellent yield of approximately 6.5%.

Options between \$1,000,000 and \$3,000,000

The properties returning lower yields are generally older houses at the upper end of the market on large blocks of land. Older dwelling properties attract a low yield due to the condition of the improvements and premium properties attract a low yield due to the limited number of people with high disposable incomes. Unless the properties are renovated or earmarked for redevelopment, they generally provide weaker rental yields.

Examples

A North Shore home valued at \$2.25 million on a large 2000 square metre block of land is currently rented for \$1350 per week, equating to a yield of 3.1%.

A two-storey, four-bedroom house in Lilli-Pilli sold for \$2.1 million on a waterfront reserve lot and was advertised for rental at \$1,500 per week, equating to a yield of 3.7%.

Sydney Prestige

In general terms, prestige residential property in the Sydney area is considered to be those properties in excess of \$3 million.

In real terms, most prestige residential property is purchased by owner occupiers, with a smaller percentage of these properties purchased for investment only purposes.

Properties purchased primarily for investment are bought on the expectation of generating profit via capital growth rather than relying upon negative gearing benefit.

Conditions in the "executive rental" market weakened post GFC. A large number of expatriate workers form the upper end of the Sydney rental market. In the wake of the impact of the GFC, many returned home with the subsequent flow-on effect resulting in an increase in prestige property available for rent.

Market rentals for these upper end properties subsequently weakened, given an increase in supply, with an according decrease in overall demand.

With an (up until recent) stabilising in global market conditions, and an ongoing tightening in the Sydney rental market, demand for "executive rentals" has again strengthened, with according growth in rental values.

Examples

A 2008, four-bedroom, three-bathroom quality home with a two car garage in Mosman, purchased for \$5 million in 2008 is currently rented for \$2,500 per week. This shows a yield of 5% pa.

A 1998 three-bedroom, three-bathroom apartment with two secure car spaces and wrap-around balcony overlooking Woolloomooloo Bay was purchased for \$3 million in late 2010 and has a current rental of \$1,600 per week. This shows a yield of 5.3%.



Canberra

The Canberra residential market continues to provide good opportunities for investors on the back of high demand leading a low vacancy rate and solid yields through rental growth.

- Vacancy rate – 2.5%
- Yields – housing 5%, units 5.4%
- Median Rents – houses \$500, units \$430

- Rental Growth – houses 4.2%, units 4.9%
- Capital growth – flat

High demand in Canberra is the result of a number of factors. These include low income earners being priced out of the purchasers market and a transient population created by the trades, public service and tertiary education sectors.

Although capital values have flattened, buying a house for low income families is still considered to be out of reach for some. Consequently, three to four bedroom rental accommodation is required and cheaper fringe locations in Southern Tuggeranong, Northern Belconnen and Gungahlin are popular rental locations. Investors should expect yields circa 4.5% to 5.5%.

Two-bedroom accommodation attracts investors as it produces the greatest 'bang for your buck'. This type of rental accommodation is popular amongst the transient portion of the population employed by the public service, construction industry and students embarking on tertiary education. Key areas including Braddon, City, Bruce, Kingston, Narrabundah and Turner satisfy demand fundamentals due to their proximity to universities, major town centres, services, employment centres and transport corridors. Rental yields are being analysed between 5% to 6.5%. Sales to investors also include units in new developments where they are purchasing 50% to 70% of the development in off-the-plan purchases.

At the prestige end of the market, there is a ceiling of how much rent can be attained, regardless of value. Consequently yields have been analysed around the 2.5% to 3% mark. Furthermore, Embassy properties are included in the Canberra rental market and mainly exist in Yarralumla, Griffith, Forrest and O'Malley. These properties demand higher than market rents and embassy staff are comfortable paying them.

Investor note: A benefit of investing in the ACT is you may be allowed to claim 100% of the stamp duty as a tax deduction. Furthermore, any investor who owns an income producing property nationwide may be eligible for considerable tax savings in the form of depreciation. To order a tax depreciation schedule or to get a quote or to ask for more information regarding Tax Depreciation Schedules, please contact Herron Todd White Canberra on 02 6273 9888.



Sources: Herron Todd White Research; RP Data-Rismark; Australian Bureau of Statistics.



Wollongong

A three-bedroom house in an inner area like West Wollongong, with a value of \$400,000 to \$450,000, would expect a return higher than 5% gross. Generally this is occurring within the whole area with an expectation of around 5% gross for the base model, older, three-bedroom dwelling. The median rental price is reported at \$390 per week. Rents have generally risen 7% to 8% over the past 12 months according to local research groups.

For units in the Wollongong CBD area, gross yields are a bit higher. For example, a two-bedroom 1970's unit was valued at the sale price of \$250,000 and was achieving a rental return of 6%. The median unit rental price is reported at \$300 per week. However, as unit prices increase, we are finding rental returns are being pegged back. Returns are generally below 5% gross.

Higher yields are generally found in properties which comprise multiple units on one title. For instance, a recent sale of two three-bedroom duplexes on one block in Wollongong showed a return of 6.6% gross per annum based on the sale price and the agent estimate of rental returns. This yield excludes vacancies and other outgoings and can be misleading for a true rate of return.

Units and dwellings within close proximity to the CBD and University tend to give the best returns and low vacancy rates. And whilst the slowing of release of new developments in the past two years has assisted this strong demand, we predict that the strong returns will continue in this location.

The lowest rental returns are generally in high land value areas. For example, older fibro properties on elevated blocks around beachfront suburbs selling for \$700,000 plus may only provide a return of 3%, but it is the expected capital appreciation over time that is the benefit. This is also true for older properties close to the beaches around Wollongong.

Investors generally work out a gross return basis on these types of properties, when a more meaningful exercise is to consider the net return. Once land tax, agents fees and rates are taken into account, the net returns can be very slim. Investors are advised to seek properties in known capital appreciation suburbs for this reason.

Returns have generally held strong for the past 12 months and will generally be sustainable in the short term, given a low interest rate environment is maintained along with an ongoing steady employment sector. Recent announcements by Bluescope Steel to retrench 800 jobs at Port Kembla for instance could have a downward effect on the economy of the Illawarra. Property values may follow as investors find it increasingly difficult to maintain rental growth.



Older fibro houses close to the beach will generally have a lower rental return



Central, North and West NSW

DUBBO

Yields in Dubbo remain strong with blocks of flats and units returning in the vicinity of 4.5% to 5.6% net. This is also reflected of the returns for detached dwelling in the typical mid cost range. The bottom end of the market for properties located in low socio economic areas are returning between 5.5% to 6.5% net.

BATHURST

There has been upward pressure on residential property rents in the Bathurst and Orange areas as a result of a shortage of available rental properties. This shortage is as a result of two factors - significant mining activity in the area, particularly in Orange, and a general lack of residential investment in the past three to four years which has not kept pace with rental demand.

Rents have increased significantly in the past 12 months with increases of \$50 per week witnessed in medium value properties. There has not been a corresponding increase in property values over this period.

We believe that there is a continued hesitation from investors entering the market and they are demanding higher yields from residential property. When the investment market was previously at its peak, it was common for net yields to be as low as 3.5% for quality new home investments. These net yields would now be in the order of 5% to 5.5%.

There has been a shift in residential investment strategy, particularly in Orange, to fully furnished and serviced properties which are catering for the transient mining population and providing good returns. We expect that

the demand and returns for these properties will soften once the Cadia Mine expansion project is completed.



Newcastle

Newcastle residential yields have been strong performers over the past 12 months - the bright spot of the property market in fact. For quite some time, Newcastle has had reported rental vacancies around the 1% to 2.5% level and there has been strong upward pressure on rentals. In the inner Newcastle area, suburbs like Adamstown, Lambton and Waratah, it is difficult to find a three-bedroom home for under \$300 per week. Homes in this range will often have a lack of amenities. The average value of a property at this level is likely to be in the order of \$300,000 to \$350,000 which equates to a yield of around 5%.

Decent quality rental properties in the inner Newcastle area are generally upwards of \$350 per week and have the advantage of being close to many major amenities and areas of employment. A shortage of these properties exists so they are snapped up quickly, often at higher than asking price to gain an advantage over the competition.

....Hamilton has historically shown strong capital growth over the years being close to transport....

Recently in Hamilton, three-bedroom homes were advertised from \$350 per week up to \$690 per week. The upper end of the range was for a recently built three-bedroom architecturally-designed townhouse. At that rental level we estimate the yield as a rental investment is 5% and this is independent of any capital growth which may apply. Hamilton has historically shown strong capital growth over the years being close to transport and to Newcastle. In this instance, given the age of construction, there could also be generous depreciation allowances available. Depending on investment requirements, a property such as this may be an attractive proposition.

Some of the lower priced areas like Windale, Gateshead, Wallsend and Cardiff regularly show good returns. Rental growth is still occurring due to a lack of new home starts and low vacancy rates. Rental rates in Windale for a three-bedroom home are between \$290 and \$320 per week with purchase prices still well under \$300,000. Some of these homes can show yields of 6% however are older in construction and may not produce good depreciation returns.

An area worth mentioning is Singleton. With the mining boom occurring there is a shortage of houses in the area. Rental returns are quite strong and when coupled with capital growth, makes these properties extremely attractive. Three-bedroom homes are generally advertised between \$340 and \$420 per week depending on quality and this reflects yields of around 5.5%. These homes tend to be from the 1980's onwards, with exceptions, and some depreciation allowances may still be achievable.

Historically yields have been lower than those mentioned, which is reflective of the present vacancy shortage in the region. With housing starts still quite low and the mining boom in the Hunter Valley, this situation looks to remain the same for some time. The Hunter Valley is also seen as a growth corridor where population growth is predicted to surpass the NSW average over the coming years. All bodes well for investment properties, global tragedies notwithstanding.



NSW Central Coast

Where does one invest and what does one invest in?

The answer for us is quite simple - give those fancy and complicated investment schemes a wide berth and look to investment property. Investment property is an asset that is tangible, understandable and highly unlikely to bring the world economy to its knees.

Putting your personal stamp on it is easy. It can be left untouched, modified, extended, value added, used for income offset and all the while, provide a constant income stream.

The Central Coast Region of New South Wales is situated just north of the Sydney Metropolitan. The regions qualities are endless, and those fortunate to live here would all agree that it is an "awesome" place to be.

True, we don't yet have our own NRL team, but no place is perfect. Hopefully, this is a burden we won't have to bear (pun intended) for too much longer.

In relation to real estate, the investment market is as diverse as the Central Coast itself. This month, we will have a quick tour of the colloquially termed low, mid and upper segments of the market.

Lower Market Segment

Starting with the lower end of the market, or least expensive areas, we will examine Blue Haven, San Remo, Wyong, Niagara Park and Umina Beach.

It is not unusual for purchase prices in the high \$200,000 to mid \$300,000 range for a two to three-bedroom house with a garage in these areas on land parcels between 500 and 650 square metres. They are generally aged in appearance and style, being over represented by fibro/metal constructions but considered to represent good value for the investor with rentals between \$310 and \$425 per week which show gross returns between 5.2% and 6.7%. The best yields are found at Blue Haven and this is considered indicative of the generally newer housing and higher levels of disposable income in this area. Capital gains however, are lagging behind some of the other areas.

Mid Market Segment

Stepping up the scale, this is a larger segment of the market with crossovers to the upper end in some cases.

We have examined areas that include Hamlyn Terrace/Woongarah, Killarney Vale, Terrigal and Forresters Beach. Values range from the low \$400,000's to around \$1 million. The samples chosen illustrate that rentals range from \$410 to \$540 per week, indicating that gross yields between 4.2% and 5.2% can be expected. The lower yields are noted from the properties in Terrigal which can be expected as the base values are generally high in this area.

Upper Market Segment

At the higher end of values for the Central Coast, those being above the \$1 million mark, rental evidence is scarce as a higher proportion of these properties are owner occupied or weekender accommodation. These areas include Terrigal, Avoca Beach, MacMasters Beach and North Avoca. The samples in this segment showed a very wide rental range of \$485 to \$1,050 per week and as can be expected in this segment, gross yields ranged between 2.3% to 4.85%, with the lower yields being attributed to beachfront properties with higher capital values.

Sustainability of rental levels is a question we are often asked and in terms of the Central Coast market, we have seen a stable rental market for some years now and there are no indicators to suggest that this will change in the foreseeable future as rental vacancies remain low. At present, the standout areas for rental yields are found within the lower price bracket area.

However, activity in the lower end of the market is reasonably strong at present with agents reporting good demand. If this continues, the rental market may see a slide in vacancy levels. Should this occur and combining the historically lower value growth in some of these areas, we may see a lowering of yields.



NSW Mid North Coast

In the main regional centres along the Mid North Coast of NSW which include Forster, Taree, Port Macquarie and Kempsey, the majority of investment property in the permanent rental market is priced under \$400,000 in value and renting between \$150 to \$400 per week gross.

Currently the permanent rental market for these main regional centres is considered relatively strong, with vacancy rates low and rents reportedly continuing to marginally firm in recent times. The socio-economic

make-up of the community rental base, which includes a large number of retirees and single income families, will limit achievable rents in the region despite recent increases.

The highest yields being returned along the Mid North Coast are for houses within former and current public housing estates where values are usually subdued from a lack of demand from owner occupiers. These however remain attractive to investors from the relatively high rentals being achieved. Take for example 1980's former housing commission properties. In Taree, a partly renovated three-bedroom brick house sold for \$140,000 (rent \$190 per week - gross yield 7.08%) whilst a three-bedroom hardiplank clad house sold for \$128,000 (rent \$185 per week - gross yield 7.54%). In Kempsey, a three-bedroom brick house sold for \$100,000 (rent \$200 per week - gross yield 10.43%) whilst a three-bedroom weatherboard clad house sold for \$110,000 (rent \$200 per week - gross yield 9.48 %).



The very lower end of market for residential property shows the best rental returns, and local agents report higher investor interest for these properties. Typifying this are recent sales in Port Macquarie such as a one-bedroom circa 1975 unit leased at \$170 per week giving a 6.22% gross yield on a purchase of \$142,500 whilst a similar aged two-bedroom villa renting at \$175 per week sold for \$125,000 with gross yield of 7.3%. Similar results are found in recent sales in Forster with a two-bedroom unit opposite a lake purchased for \$105,000 (rent \$150 per week) showing a gross yield of 7.45%.

For the majority of permanent residential investment properties, gross yields of between 5% and 6% can be consistently expected across the region. Recent sales in Port Macquarie include a three-bedroom circa 2003 villa for \$310,000 (rent \$320 per week – gross yield 5.38%), a three-bedroom 1960's house for \$245,000 (rent \$275 per week – gross yield 5.85%), and a three-bedroom 1980's brick house for \$350,000 (rent \$340 per week – gross yield 5.06%).

With the majority of investment properties in the region priced under \$400,000 it can be expected that property above any median price level can see gross yields fall below 5% to as little as 3% in line with upper end higher values.

With property values largely remaining stable in recent times, rents have been slowly increasing. This has resulted in gross yields slowly rising. Investors have been cautious because of the consistent threat of potential interest rate rises, particularly in the median price bracket.

Investors focusing on higher yields should not lose sight of investing for capital growth which could provide future equity for another investment purchase. With a majority of affordable property on the Mid North Coast in comparison to Australia's main cities, the opportunity exists that a medium to long term investment might result in significant capital gain. In the event of any future significant capital gains, we will likely see a corrective reduction in yields being achieved.



NSW Far North Coast

This month, we will discuss investor rental returns from residential property in the NSW Far North Coast. Due to the diverse types of property which are located within this region, we have structured our analysis into low, mid and upper/prestige sectors.

The NSW Far North Coast residential market continues to be 'soft', following on from similar conditions experienced over the past 12 months. Due to the lack of sales occurring within the market, there has been noticeable falls in property values which have broadly ranged from 5% to upwards of 15%. With the falling values in property prices, it would be expected that the return to an investor would increase. However, this is currently not the case. In conjunction with falling values, the rental market within the NSW Far North Coast has also been 'soft', with reports of increased vacancies and rents being reduced.

A typical return for an investment property on the North Coast traditionally ranges from 2% to 5%. Traditional flats buildings are ranging from 4.5% to 6.5%. The return on investment for standard properties is considered to be poor. Most investors in North Coast property have been more interested in capital growth and this has impacted on the historically low returns. However, due to the current 'soft' market conditions being experienced, falls in capital value of residential property, nervousness in residential property as an investment vehicle and tighter lending conditions, there are limited investors in the property market. Any potential investors currently have superior and safer investment options at this time, beginning with a term deposit at 6% - 6.5%.

....the NSW Far North Coast residential market continues to be 'soft', following on from similar conditions experienced over the past 12 months....

An example of investment property within the 'low' to 'mid' sectors of the market are properties located within Lismore and its surrounds, including Casino. The rental market within these localities is still steady, although there was a period earlier in the year in which rental levels reduced slightly. Discussions with local real estate rental managers based within Lismore and west indicate rental enquiry is moderate to steady within the sub \$300 per week mark and rental rates have stabilized. It has been noted that the supply of properties available for rent have increased steadily since the beginning of the year as "disappointed" vendors have placed their properties on the market for rent/lease with a view to possibly selling

further down the track when the market improves. Potential tenants currently have more of a choice in rental properties. This supply and demand scenario has resulted in a decrease in rents achieved since January 2011.

Evidence of a residential property purchased for investment purposes is a dual occupancy (built circa 2002) situated in rural centre of Casino (population 10,000 plus) comprising a two-bedroom and a three-bedroom attached unit, each with an attached single garage. This property is currently under contract in August 2011 for \$490,000. The property is to be leased with an expected rental of \$540 per week or \$28,080 gross per annum. After deducting outgoings, including rates, repairs, maintenance and a management fee, the investment property analyses to a potential return of approximately 4.5%.

Further evidence of a residential investment purchase is a block of flats situated in rural centre of Casino (population 10,000 plus) comprising two two-bedroom and one three-bedroom attached flats, each with an attached single garage. This property was purchased in February 2011 for \$370,000. The property is leased by long term tenants and is achieving \$580 per week or \$30,160 gross per annum. After deducting outgoings, including rates, repairs, maintenance and a management fee, the investment property analyses to a return of approximately 6%.

....it has been noted that the supply of properties available for rent have increased steadily since the beginning of the year....

An example of investment properties within the 'mid' sectors of the market are properties located within the more coastal based regions of Ballina and Lennox Head. Discussions with rental managers indicates that there has been an increase in available rental properties and enquiries have eased since the beginning of 2011. This has resulted in a fall in rental rates, particularly for properties generally within \$350 to \$550 per week.

The Pacific Highway upgrade and various major road bypass constructions have been economic drivers of the residential rental market, particularly within Ballina in recent years. However, the winding down of the current stage of the Pacific Highway upgrade between Tintenbar and Ballina is attributing to increased vacancy rates within the Ballina residential market. This is due to some workers and their families relocating for employment.

Evidence of a residential property purchased for investment purposes is a unit located within the village of Lennox Head. This property was purchased in December 2010 for \$560,000. The property has been leased and is achieving \$380 per week or \$19,760 per annum. After deducting outgoings, including rates, repairs, maintenance and a management fee, the investment property analyses to a return of only 2.8%.

The upper/prestige sectors of the investment market are also located in beachside locations, particularly within Byron Bay. The investment return on the majority of these properties is gained from holiday letting. However, the tourism industry within Byron Bay has been affected by a combination of the increasing Aus \$ (resulting

in increased overseas holidays for Australians and decreasing number of visiting overseas holiday makers) and the poor weather conditions over the last year. The poor performance of the tourist market within Byron Bay has resulted in some traditional 'holiday let' properties now being occupied by permanent tenants. This has affected the yields traditionally achieved for these prestige properties.

In summary, investing residential property, particularly in an "ambiguous" market, has its difficulties. There is currently uncertainty in the market which is affecting potential investors. These uncertainties relate to possible increases in interest rates, the current volatile investment market and continual rises in electricity, rates and water charges and the increased rental stock now available. All these factors result in doubts or threats for the residential property investor.



Southern NSW and Northern Victoria

ALBURY

Analysis of recent sales indicates that demand for residential blocks of flats in Albury has softened, and prices are reflecting these market conditions. This factor should be considered when determining loan to value ratios. Blocks of flats that have been on the market for considerable time have recently sold for considerably less than the original asking price.

An example of a recent sale is of a block of three, 1970's two bedroom units in South Albury. There is significant deferred maintenance and renovation required. The contract is for \$280,000 which appears to be within parameters indicated by relevant sales. This equates to a gross net return of 7.4% based on a combined weekly income of \$400.

The single residential rental market is tightening throughout the region, particularly in Wodonga where a rent rise is likely over the next four months of 5% to 7%. This would result in gross returns of 5.6%.

The inability of many to obtain finance is contributing to the growth in rental, together with an increasing population.

WAGGA WAGGA

In Wagga Wagga, rental prices in most sectors of the residential property market are on the way back. This is due to an over supply of properties on the rental market. These properties, earmarked for sale, are not selling and are therefore being moved to the rental market. This in turn has flooded the market and rental figures are stating to reflect this.

In the lower end of the property market, where properties sell from between \$150,000 to \$250,000, rents are not as strong as last year as there are plenty of houses to choose from. Standard three-bedroom, one-bathroom dwellings rent from \$180 per week to \$250 per week, resulting in a slight return on investment.

In the middle market, where dwellings sell from \$250,000 to \$350,000, rentals have returned to an affordable level. Houses in this bracket rent from \$260 to \$360 per week,



a considerable drop from the highs of \$380 to \$400 per week experienced last year.

The higher end of the market is feeling the squeeze. Properties that sell upward of \$400,000 are not return figures close to what they were last year due to the flooded circumstances of the rental market. In this bracket rental figures have shown significant drops and properties of this nature would rent for \$380 to \$400 per week.

While the housing market for rentals is softening, the unit market is still steady. Rental returns in units that sell for between \$180,000 and \$240,000 are achieving rents of \$200 to \$270 per week. These are viewed as solid investments compared to houses at this stage.



Melbourne

Residential yields appear to be holding up well in Melbourne considering the general doom and gloom about at the moment. When comparing the last 12 months with the previous August 2009 to August 2010 period there was little change in the percentage yield with many managing agents adopting a set return based on the value. In dollar terms we are expecting some reductions in rent as a reflection of softening property prices, however at this stage (although agents report it is getting harder to lease properties) it is probably a

reflection of owners wanting to maintain their rental levels.

Firstly we took an overview of a selection of the "outer ring" suburbs.

In Craigieburn (north side) a large proportion of rents are around \$300 to \$320 per week and showing a return of around of 4.5%. In 2009 and 2010, this level could afford a three-bedroom house under five years old with a single garage. In the last 12 months, for the same rent there were almost twice as many properties tenanted in this price range but the style was slightly older with double garage.

In Frankston (to the south) in 2009, \$320 per week would provide a 1980s, three-bedroom dwelling in good condition. Frankston has a wide range in residential yields. These range from 4.4% for older homes closer to the town centre to newer homes at around 5.1%. Unusually large homes (five to seven bedrooms) which are in short supply, close to services show as high as 5.8%.

In Werribee (west side) in 2009 to 2010, \$320 per week would rent a five to ten year old three-bedroom brick house with double garage. In 2010 to 2011, this range would accommodate a house under five years with a single garage. This is possibly a sign of the mortgage belt coming under some strain forcing people to rent out their recently acquired property. Volumes of rented properties also nearly doubled in this period.

Boronia (east side) remained fairly stable over the past two year period with yields hovering around 4.3% to 4.5%. Typically \$320 per week would accommodate you in a renovated 1970s three-bedroom house or good original 1980s home.

Next we examined the "inner circle". Carlton (north) showed approximately a 50% increase in volume with yields around the mid 5% range with up to 8% for small student accommodation. Two years ago, more low-rise apartments were rented, however the popular \$450 per week to \$480 per week range now can rent a high rise. Carnegie (south side) has a mixture of two-bedroom styles from apartments, to villas, to townhouses. Rents remained fairly stable however volumes increased.

Yarraville (west) had minimal activity. The most popular rental level was for a two-bedroom unit with basement carpark in the \$400 to \$450 per week range. Hawthorn (east) showed about a 30% increase in volume with a very noticeable variety in ages and styles in the renovated two bedroom unit category.

In summary over the last 12 months there appears to have been a dramatic increase in the number of rental properties reported and returns have remained fairly strong considering the general downturn in prices. The current trend seems to refute that rents are fixed to value. In the next few months as we head out of winter, we would also expect higher demand to underpin this currently difficult and patchy market.



Regional Victoria

GIPPSLAND

Traralgon and Sale Rental Market

The typical return for the Traralgon and Sale rental market is between 5.5% and 6%. Rental returns have remained static in the previous three to six months with minimal movement.

We predict rental returns to be similar in the next six to twelve months. Overall the property market is considered to be slow to stable.

Maffra Rental Market

Maffra rental returns have increased in the previous 12 to 18 months due to low supply and high demand. Typical returns for this area are approximately 6%. However, the previous three months indicates that rental returns are remaining stable.

We anticipate minimal increases in the next six to twelve months.

Morwell/Moe/Churchill Rental Market

Morwell rental returns fluctuate between 5.5% and 7.5% depending on the location, demographics and quality of housing. The lower end of the market (commission style housing) achieves between 6.75% and 7.5%. However, this is considered to be more risky due to the demographics and low quality of housing.

The middle to upper end of the rental market generally achieves between 5.5% to 6% (similar to Traralgon and Sale markets).

Future predictions are hard to assess due to the uncertainty of the Carbon Tax issue. There is also a concern with the future of the Hazelwood Power Station for the area. The affect of this is unknown at the moment.

90 Mile Beach Areas Rental Market

Rental returns fluctuate dramatically in the 90 Mile Beach areas. In holiday times rental returns can be very strong due to increased demand. These high returns are only seen in short bursts. In non-holiday times rental returns are considered quite low due to significantly less demand.

We anticipate this to remain the same in the next 12 to 18 months.

Rural Residential Rental Market throughout Gippsland / Latrobe Valley

Rural residential properties are generally considered to be owner-occupied and rental returns are generally quite low. The causes of this are due to the distance, cost of travel and lack of local services and facilities.

Units/Townhouses Rental Market

In the Latrobe Valley and Gippsland areas rental returns are considered to be similar to that of houses with approximate returns of around 6%.

East Gippsland Region

The East Gippsland rental market is somewhat of a mixed bag for investors with rental returns varying from anywhere between 3% to 7%. Modern dwellings in major centres such as Bairnsdale can attract rental returns approaching 6% with tenants paying a premium for a near new home. The average range for rental returns in these larger towns is between 4.5% to 5%. Paradoxically, often the highest yields can be seen in cheaper, lower quality properties. Demand for both houses and units are reasonable with relatively low vacancy rates.

...Bairnsdale in particular has grown strongly in terms of new businesses and investment over the past decade....

Lower returns are generally found in "lifestyle towns" such as Paynesville and Metung, with less demand for permanent rentals. These locations have a strong holiday rental sector with returns varying with the level of amenity, marketing and management applied.

Bairnsdale in particular has grown strongly in terms of new businesses and investment over the past decade. The economic benefits of this growth have benefited the region and created a solid property market.

MILDURA

Mildura property managers have reported that rental levels for standard housing have firmed by over \$30 per week in the past 12 months. With capital values having mostly remained static, better returns to investors are now evident.

In the lower end sector a \$185,000 house would see a rental of around \$215 per week, resulting in a gross return of just over 6%, but with higher than average maintenance costs.

New speculative style housing in the \$270,000 price range sees a rental of \$285 per week, resulting in a return of 5.5%. There is an above average number of houses being built for the investor market at present, which may result in a softening of rental levels and/or a higher vacancy rate if this trend continues.

The premium end of the residential market is virtually all owner occupiers and the rental market for a \$550,000 house would be in the vicinity of \$450 per week, showing a gross return of around 4.2%.

A block of 1980's rental flats could expect a gross yield of over 7.5%, however would likely lack capital appreciation.



Brisbane

The waters have well and truly receded in our fair city and investors are starting to take their tentative steps back into the market. It would be a brave valuer who didn't recognise that those areas affected by the flood are still being discounted by buyers, but rental demand for these properties remains reasonably sound. This means that if you are not averse to risk and are willing to throw the dice on there not being another natural disaster of this magnitude, it is possible to take advantage. If you purchase a flooded property, you may find yourself paying 5% to 20% discount on what similar but non flooded properties are selling for in the same suburb and without a dramatic discount in rent. While this strategy would not necessarily be our pick as a great idea for the risk averse, it might interest some readers.

That said, there are some suburbs that were tarnished by the flood that offer excellent value for non-flooded stock due to the overall lack of buyer confidence. For example, St Lucia has a ready source of student renters, is close to the CBD and enjoys good local services, but its riverfront areas copped a hiding in January. As a result, the dry property (and there is plenty) has also had a downturn. Not too long ago, one of our valuers had a look at a two-bedroom, three-level townhouse that sold for \$400,000 and will easily see \$430 per week in rent. A 5.5% gross return in this location is a very nice earner indeed.

It is tempting to maximise your rooms and thus your return in strong demand locations but make sure you stay within governmental guidelines. Too many unrelated residents (i.e. non family members) in some abodes means fines are looming for a few landlords around the traps. That said, if you can stay within the law then you could be on a winner. One recent assessment of a \$700,000 home in the inner suburb of Taringa saw its four bedrooms being leased at \$175 per room per week. That's \$700 per week total or 5.2% gross.

As for other locations, there is the potential to make good dollars in rent but the trade off is low capital growth. If you're willing to have a look at outer suburbs in relation to the Brisbane CBD, you can find yourself enjoying 6% gross for a \$180,000 to \$230,000 outlay. Think Caboolture and some areas of Ipswich.

As far as mid ring locations such as Stafford in Brisbane's north, you should find yourself with a steady gross return of around 4.5%. While this is about average, the silver lining is that there is still a likelihood of capital growth for this property. For those looking to entertain a combination of reasonable rent and value rises, this sort of area could be a winner.

Finally, reports of high end executive rental demand starting to blow the bell curve are surfacing. It seems that the prestige end of the rental market is entertaining tenants willing to part with \$2,000 to \$3,000 per week in order to secure some very tasty residential accommodation – and apparently demand is up and supply is down!

Overall, Brisbane isn't placed too badly in terms of rentals. Vacancy rates within 5km of the CBD are at 2.2%. Stay within the Brisbane City Council area between 5km and 10km and you're looking at 2.6%. For those areas further afield such as in the Moreton Shire or Logan City, the vacancy ups to 4.3% but in the scheme of life, that's still not a bad result. As such, Brisbane's market will offer most investors something to suit their risk profile.



Gold Coast and Tweed Coast

GOLD COAST

General market conditions across the Gold Coast are very tight. Only those properties where the vendor is willing to meet the market are selling. There is generally an oversupply of similar properties listed for sale. Feedback from locals within the property industry indicate that the market may not yet have bottomed out which is concerning potential buyers. Our opinion is that we are bumping along the bottom similar to the late 1990's and that properties will sell within a wider value range depending on the circumstances of the vendor.

Central and Southern

The established suburbs from Paradise Point to Palm Beach generally attract good rental demand due to their proximity to employment, schools, large retail centres and the beach. The available properties range from basic studio units to luxury waterfront mansions. Accordingly rents will range from \$200 to over \$2000 per week.

Solely with your investor hat on, it is the small fish that are very sweet. The small studio and one bedroom units sell for between \$160,000 and \$250,000 and yield up to 6.5% gross - but do not bank on huge capital growth. In strong markets, these properties are still at the bottom of the rung. The other end of the scale would be penthouse units which will attract \$1700 per week against a value of \$3 million. Body corporate fees could be as much as \$40,000 per annum so the rental return is halved and resulting yields may be only as much as 1.6%. Prestige housing fares slightly better for the same value range at circa 2.5% to 3% gross.



Example of prestige house that would rent for \$1500 per week

The bulk of the market however is house properties valued at between \$400,000 and \$600,000. These would be likely to return in the order of \$400 to \$575 per week or approximately 5% gross. This price bracket is attractive to both owner occupiers (first and second time buyers) and investors, so when the market turns, there is greater competition and prices rise. It could also be that as owners buy rental properties, the supply available to tenants decreases and rents will rise.



Example of 1980's house with pool that would rent for \$450 per week

Northern Corridor

Since the beginning of 2011, residential house prices within the northern corridor of the Gold Coast have dropped sharply. Even though housing has become more affordable in these months, property managers and selling agents have reported that many people are still opting to rent rather than buy. In addition to the falling house prices, negative press could encourage people to rent, particularly if the stories focus on increasing mortgage default rates.

There is a large amount of investor stock within this region all aiming at attracting the rental market. Feedback from property managers is that rental enquiry is slow to steady. Local property managers are concerned about the amount of house properties available 'for rent' within Upper Coomera. A typical single level, four-bedroom brick home within Upper Coomera was considered to be the easiest to rent out. However, there is quite a large supply of these style homes available at present. Typical rents are currently ranging between \$370 per week to \$390 per week. In better market conditions, rental values range between \$380 to \$410 per week for these four-bedroom

homes. Values range from \$360,000 to \$410,000 which equates to a gross yield of 5.2% to 5.4%. Net yields would be circa 3.5%.



Example of investor house that would rent for \$400 per week

House properties priced over \$450 per week within the northern corridor are the most difficult to rent. Property managers report that these properties require extended marketing as this segment has been very limited in recent months. With more houses being built within the corridor, times will be more challenging for investors as this will increase competition in the search for tenants.

TWEED HEADS

The far northern coastal region of New South Wales has seen considerable softening in value levels of residential property over the past six to twelve months. This has prompted the return of investors into the market, both locally and interstate.

At present levels, positively geared properties are few and far between in this locality, however returns have been improving with property values softening more than rents.

At entry level, it's possible to buy a 20 year old, two-bedroom, one-bathroom lowrise unit in Tweed Heads West for \$180,000 which has a body corporate fee of \$20 per week. Typical rents for this type of property range from \$200 to \$250 per week depending on the condition of the property. A property with a value of \$180,000 and returning \$225 per week shows a yield of approximately 4% once outgoings are removed. This yield is typical for affordable, modest properties, whilst the yield for standard houses (\$380,000 to \$420,000) is similarly 3.75% to 4.25%.



Example of unit that would rent for \$225 per week

Looking forward, we believe value levels may soften in the short term as mortgage stress is felt by more people and mortgagee in possession sales continue to pull prices down. Overall, it is a bumpy road along the bottom of the market and returns to investors will improve in the next six to twelve months, especially if interest rates are lowered.



Sunshine Coast

The residential property market on the Sunshine Coast traditionally comprises of a large number of investment properties. These investment properties are rented out both on a permanent basis as well as on a holiday or short term basis.

There has been a softening in permanent rentals for homes and units over recent months as pressure is being felt through the wider economy. This has caused a number of people to move away from the Sunshine Coast in search of better employment opportunities. The slowing in population growth on the coast has resulted in the softening rental market. Consequently there are an increasing number of vacancies becoming available, with "For Rent" boards now visible in many areas.

Typically standard dwellings have been yielding a return of 4.5% to 5% with prestige dwellings achieving 3%. Units look to be at a similar yields however have larger outgoings through body corporate fees.

...flats that sit on a redevelopment parcel in the coastal areas are achieving a 5% to 6% return....

With a reduced chance for any capital growth, we have witnessed a swing towards multi unit dwelling properties (flats) to provide a superior rental return. Yields experienced in this sector of the market can vary dependent upon the 'block of dirt' the property sits on. Flats that sit on a redevelopment parcel in the coastal areas are achieving a 5% to 6% return. The equivalent complexes located on a less valuable redevelopment parcel of land are able to achieve returns of 7% to 8%.

The holiday or short term rental market has experienced one of the worst Christmas periods given the natural disasters experienced throughout January and February. To get bums on seats and bodies in beds, attractive package deals and room rates have been offered and some resort managers have reported high occupancy rates throughout the winter months. These results will hopefully help kickstart a positive summer season, especially if mother nature can do her bit and provide us with good weather. It is clear that the current economic crisis has also impacted on these occupancy rates with many choosing to holiday at home. Holiday units are typically returning a gross yield in the vicinity of 7% to 7.5% however after management fees etc, the net yield would be in the vicinity of 5%.

One of the drawbacks of owning investment property on the coast continues to be the additional levies that are being charged by the Sunshine Coast Regional Council. These are charged on all non-owner occupied properties, even when they are holiday homes which are not rented. This leaves a sour taste in the mouths of investors, most of whom are not locals who don't have the opportunity to cast a protest vote.

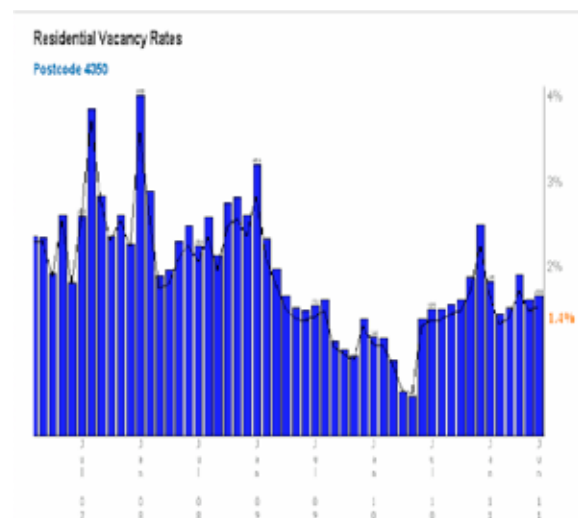


Southern Queensland

TOOWOOMBA

The rental market in Toowoomba has experienced a roller coaster ride over the past 12 months. During the Christmas period, people usually start getting ready for new work placements and students plan to return to studies at universities. In Toowoomba we also witnessed a number of home owners selling and then returning to the rental market as a direct result of mortgagee stress. This was compounded by the flooding and consequently a new influx of people looking for short term accommodation whilst their homes were being repaired. Agents reported very low vacancy rates and rentals possibly jumped \$10 to \$20 per week during this period.

As the rental market was riding these highs the residential market continued to cool. Many listed properties experienced extended selling periods with agents convincing sellers to inject their properties into the rental market. One prominent agent reported that 20 to 30 rental properties were removed from their rental list and marketed by their selling agents. These properties were then returned to the rental books following a six to eight week marketing program. This injection of rental properties certainly supplied the demand and one could argue that rental values have since softened in the vicinity of \$10 per week. The chart below (SQM Research) demonstrates the vacancy rates for the 4350 postcode area over a four year period which is currently sitting around 1.4%.



As a general guide, typical returns for detached residential property in Toowoomba could be as follows:

< \$400,000	5% to 6%
\$400,000 - \$550,000	5%
>\$550,000	4% to 5%



The older eastern suburbs are the best performing areas. Possibly the best yields we come across are renovated colonial cottages. Typically the tenants are higher income earners and usually only rent for a relatively short time prior to purchasing or moving on. Longer term tenants appear more frequently in the western suburbs, a good incentive for investors to build new product. Below is an example of an East Toowoomba property yielding 5.2% gross. It is also worth noting that East Toowoomba is also still growing at around 5% under the current market conditions.



Example of an East Toowoomba property yielding 5.2% gross

The under performing suburbs are those experiencing an oversupply of rental properties in developing estates or a less established rental markets such as Highfields, where there is a ceiling in rental values. Below is an example of a Highfields property yielding 4.6% gross. It is also worth noting that Highfields is also still growing at around 6.5%.



Example of a Highfields property yielding 4.5% gross

Moving forward it is difficult to envisage any further reduction in yields. A two geared market may occur as a result of the booming mining and energy industry, but many forecasted this years ago without much effect.



Central Queensland

ROCKHAMPTON

The Rockhampton Region has benefited from low rental vacancy rates for an extended period of time. At present, our research indicates that vacancy rates for Rockhampton City are approximately 2.3%. This factor has contributed to the regions recovery since the GFC, as investors have continued to be a prominent force in the residential market. Vacancy rates in the town of Gracemere (3.8%), located 10km south of Rockhampton, have started to increase. We attribute this change to a significant increase in house construction in the area.

Rents have struggled to keep up with the increase in sale prices that the Rockhampton residential market gained prior to the GFC. Although these price levels suffered a reduction in 2008/2009, they leveled out during 2010, partly due to investor confidence. We are hopeful that the current levels of value will remain steady. On average rents have been increasing by 8% to 10% per annum over recent years. We expect this trend to increase into the future.

Gross rental returns appear to be highest (6% to 8%) in the lower end of the market (\$200,000 to \$350,000). These returns appear to reduce (4% to 6%) in the mid to high price bracket of \$350,000 and above.

HERVEY BAY

Over the past 12 months Hervey Bay has experienced an increase in supply of property for sale as existing owners attempt to sell and enter the rental market to consolidate debt. Construction has slowed over this time and investor interest remains relatively low, resulting in increased demand for rental property. Lower priced property in the sub \$350,000 market is achieving a gross return in the 4% to 5% range with the return declining as the price increases.

Higher yields can be found on multiple dwelling properties with duplexes and flats achieving gross returns in the 7% to 10% range depending on the number of units and the location. The higher yielding properties however generally require some capital expenditure to maintain rental levels.

....construction has slowed and investor interest still remains relatively low which has resulted in increased demand for rental property....

Expansion of the Stockland Shopping Centre and construction of a new private hospital likely to commence next year could see an increase in demand. With the northern mining towns running out of stock, the Fraser Coast may be seen as a suitable 'drive in – drive out' destination. If this was to occur, it would be a significant boost for the region across all market sectors.

MACKAY

The Mackay rental market has traditionally been one of the tightest markets along the Queensland coast. Current REIQ figures put the vacancy rate in Mackay at 1.6%, being below 2% for some time. The booming resource sector in the Bowen Basin, and associated service industries located in Mackay has left no shortage of proposed tenants. An article in the local paper in Mackay reported that a company associated with the expansion of the Dalrymple Bay coal loading facility had requested rental accommodation for an additional 450 workers. The State Government has also predicted that the population of the Mackay, Isaac and Whitsundays regions is expected to grow by 100,000 people over the next 20 years.

Rents are particularly high when compared to other centres. Rents start at about \$275 per week for a small attached two-bedroom, 1980's brick unit and around \$350 per week for basic older style three-bedroom home through to around \$500 per week for modest four-bedroom, two-bathroom home and in excess of \$600 per week for executive style dwellings. While these rents on the surface look worthwhile for investors, the median value of homes and units in Mackay is one of the highest in regional Queensland.

Based on values for the above listed properties, yields would be around 5% to 5.5%. Higher yields can be found on multiple dwelling properties with duplex properties having a yield of around 7%. Larger four-unit complexes and yield around the 8.5% to 9% mark. While these large unit complexes show higher yields, the majority of sales were older buildings in need of capital expenditure for upgrades and renovations which would dilute this yield.

Investment properties in terms of rentals and vacancies have performed well over the last few years and are expected to maintain this performance in the short term. The downside to investing in Mackay is the already high capital pricing of houses and units and potential for capital growth. Of concern to the Mackay economy is any potential effect the proposed carbon tax will have on the Bowen Basin coal mining and flow on effects to associated service industries, as well as the volatility in the world economy.

GLADSTONE

Strong yields are continuing to attract investors to the Gladstone residential market with rental values still improving. Modern dwellings are still attracting the highest returns with gross yields of approximately 6% or higher. Yields for older style dwellings are generally in the order of 5.5% gross. The market for flat buildings has seen significant growth recently which has resulted in a variety of yields between 5.5% and 8% gross. With the construction work force for the major gas projects in the area expected to reach its peak in 2012/2013, we do not foresee any downwards pressure in the short term.



Cairns

Prevailing rental yields in Cairns are typified by the following examples of (hypothetical) investor purchases:

- New suburban house at White Rock, 10 km from city centre, four bedrooms, two bathrooms – purchase price \$340,000 – likely rent \$330 to \$340 per week.
- Established house at Trinity Beach, 20 km from city centre, three bedrooms, two bathrooms – purchase price \$380,000 – likely rent \$370 to \$380 per week.
- Older unit (20 to 25 years old) at Manoora, 5 km from city centre, two bedrooms, one bathroom – purchase price \$165,000 – likely rent \$180 to \$200 per week.
- New CBD fringe high rise unit, two bedrooms, two bathrooms – purchase price \$400,000 – likely rent \$350 to \$375 per week.

Most residential properties are achieving gross rental returns in the range of 4.5% to 5.5%. Across the entire rental market the median rent in Cairns is now sitting at \$330 per week for houses and \$245 per week for units. There has been minimal change in rent levels over the past twelve months.



However a major issue affecting rental yields in Cairns, particularly for units, is burgeoning body corporate fees and sky-rocketing strata building insurance costs. As a typical example, we are aware of an 18-unit complex in Cairns North where the strata building insurance premium was \$8,900 two years ago, rising to \$14,900 last year and quoted at \$52,000 for this year. With insurance costs alone in this complex growing to an average of \$55 per unit per week, or nearly 20% of their typical rental amount of \$280/week, something will have to give to preserve a decent net rental yield to investors.

Another factor affecting the rental market outlook in Cairns is a progressively tightening vacancy rate for rental property combined with the almost complete absence of new rental property construction. According to our latest Rent Roll Survey, vacancy rates in July 2011 stand (in year round average trend terms) at 2.9% for houses, 3.4% for units and 3.2% overall. As vacancy rates tighten further, we expect upwards pressure on rents as a result of demand factors as well as the rapidly increasing cost base of rental property ownership.

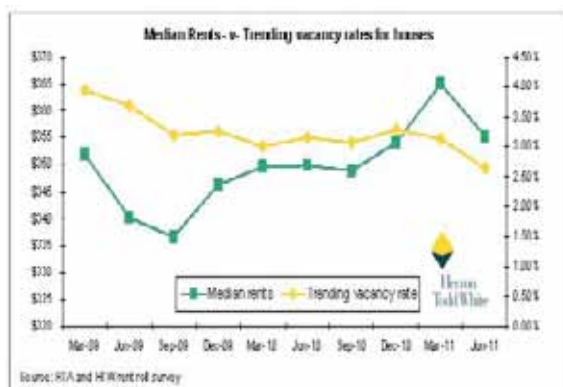


Townsville

Townsville's property market offers a diverse range of investor product including new modern homes, older Queenslanders, new high quality units and established entry level units. We also have a number of investor opportunities with the Defence Housing Authority investments and the more recently introduced NRAS (National Rental Affordability Scheme) scheme.

Rental vacancy rates remain tight, with our July 2011 rent roll survey indicating a trending vacancy rate of 2.8% overall. The typical modern residential house is generally returning around 5% and units around 4.5% - 5%. There is some variation to these yields with lower priced stock in some instances achieving stronger yields. Examples include a lower priced dwelling purchased for \$220,000 renting for \$250 per week; a medium priced dwelling purchased for \$400,000 renting between \$380 and \$400 per week and a higher priced dwelling purchased for \$1 million renting for \$750 to \$850 per week.

The graph below illustrates the median rents and the trending vacancy rate for houses over the past two years. The spike in median rentals in March 2011 was due to compositional changes and typically shows that as the vacancy rate has reduced, the median house price has increased.



The Defence Housing Authority offers investment options in Townsville's property market with returns of around 5% gross. Defence Housing Authority constructs new properties within Townsville's modern land estates and sells them to investors generally on a nine or twelve year lease-back. Investors then pay a service fee to DHA who manage the property on their behalf, including covering most non-structural repairs and maintenance costs. At the end of the lease period the property is painted internally and externally and carpets are replaced.

Another investment scheme that has been introduced to the Townsville property market over the past 12 months is the NRAS scheme. This scheme offers investors the opportunity to buy/build an affordable rental house and enter into a 10 year agreement to rent the house at a rate of at least 20% below the current prevailing market rent

to low and moderate income households. This scheme provides investors with a tax-free income incentive, which is currently around \$9,500 per dwelling per year indexed annually.

Townsville is currently at the bottom of the market cycle with continued population growth predicted. The rental vacancy rate has continued to fall over the past 12 months from a trending rate of 3.62% in July 2010 to 2.81% in July 2011 according to our rent roll survey. The combination of lower vacancy rates and the bottom of the market cycle currently present investors with some good opportunities.



Tasmania

Both major centres of the north and south of Tasmania are seeing similar trends in terms of residential gross yields. A combination of softer pricing and continued upward pressure on rents has resulted in continued increases in gross yields. The drivers of this current market situation are the previously detailed economic uncertainty impacting upon the Tasmanian market and the maintaining of low vacancy rates.

The gross yields that can be achieved in this market for houses and units have been observed within the 4.5% to 6% range, depending on the market segment. Hobart and surrounds are more commonly on the lower end of this scale than Launceston as a result of the higher median prices paid for inner city suburbs and surrounds. A higher return can be expected for flats, with yields in the region of 7.5% not uncommon, however this is dependant upon quality of the improvements and location.

The worst returns expected are those in the high price brackets, in the region of \$1 million. The impact of increased outgoings, excluding the impact of servicing any loan, would result in returns well below 4%. Conversely the best returns are often found in two unique markets. The first of which is accommodation in the suburbs surrounding both the Launceston and Hobart university campuses. Properties suited to this are often converted into multiple flats or rented on a per room basis, the latter sometimes unbeknownst to the owner. These properties can achieve gross yields in the region of 6.5% to 7.5% with a per room basis achieving 8.5% to 9%. The second market is fully furnished inner city apartments which have been known to achieve yields as high as 10% due to the recent fall in prices.

Looking into the future it is likely we will see a continued rise in gross yields as a result of housing price falls and

housing stress. Should the recently predicted interest rate fall become reality this will also result in an improvements to net yields.



Darwin

Yields in Darwin for residential properties have historically been higher than yields for residential properties achieved in southern states. This is primarily due to the transient nature of the population of Darwin, high construction costs due to the threat of cyclones, the cyclical nature of demand for rental properties over the dry and wet season and generally higher wages.

Due to these higher yields, investment properties in Darwin have proved attractive to investors over the past six or seven years. This is the period that Darwin has experienced significant rises in rental rates and market values. The earlier growth seven years ago was fuelled by interstate investors looking for affordable properties with good returns. This period coincided with a softening of the market in the southern states.

Typically at the time, an investor could purchase a two-bedroom apartment in the city for \$300,000 and achieve a rent of \$350 per week or 6% gross. In Sydney an investor may have paid \$700,000 for an apartment and received a rent of \$550 per week or 4% gross.

Since this time yields have tightened, but have only recently started rising again on the back of softer market conditions. This has led to capital values falling in some market segments, particularly inner city apartments.

....Darwin has experienced significant rises in rental rates and market values....

Properties priced in the \$400,000 to \$650,000 in inner city areas can typically expect a yield in the order of 5.5% and 6% gross. This depends on a number of factors including size, location, quality, condition, etc. These yields have risen since the peak of the market about 18 months to two years ago, when yields hovered around 5%. They now present investors with an attractive return, since money can be borrowed at around 7%. Depending on how geared the investment is, an investor will only need to cover a small portion of the shortfall of rent and other costs. The main concern in this market however, is an oversupply situation emerging on the back of increased supply of apartments coming onto the market over the next 12 to 18 months.

Palmerston, a satellite city of Darwin, typically achieves yields similar to inner city apartments across most segments of the market, including housing and units. These yields are in the 5.5% to 6% range, which have also risen since the peak of the market around two years ago. We are finding that it is now cheaper to buy a two to five year old house than it is to build the equivalent. This presents a good opportunity for investors to buy a modern property and achieve a good yield on their investment.

....there are a number of large projects due to commence next year in Darwin, which includes the INPEX LNG plant, the Marine Supply Base and the Defence Support Hub....

These rises in yields have come about due to a number of reasons, the main being falling capital values on the back of rising interest rates and reduced confidence in the Australian residential market as a whole. We are currently seeing many interstate investors that bought into these markets in the early stages of the boom selling properties at reduced values. This may be due to these investors experiencing difficult times with properties in the southern market and it may therefore be easier to sell a property interstate than to sell one locally.

Yields in the northern suburbs of Darwin have remained fairly stable as this market is mainly fuelled by owner occupiers. A typical yield on a property in the northern suburbs is around 5% gross.

As for the future, it is likely that yields will remain fairly stable, at least in the short term. There are a number of large projects due to commence next year in Darwin, which includes the INPEX LNG plant, the Marine Supply Base and the Defence Support Hub. It is unclear at this stage what impact these major projects will have on the residential market as the Government has been trying to plan for the impact of these projects by releasing large amounts of land and introducing the \$10,000 build bonus incentive.

If Darwin experiences a large influx of workers from interstate and the local market is not ready to accommodate them, then rents are expected to rise due to increased demand, which could lead to short term spikes in yields across Darwin. Property will then become more attractive as an investment and rises in capital values will likely follow.



Perth

The volatility of financial markets over the past month has seen investors clamour towards the safety of gold driving to levels not previously witnessed. With uncertainty sweeping the global economy, investors can be forgiven

for casting a sceptical view on the traditional forms of investments such as equity, cash and property.

Despite such gloom, statistics recently released by REIWA revealed an increase in median weekly rents of 2.7% in the 12 months to June 2011 and remained steady over the last two quarters. On the back this, we examine the yield presently experienced by residential property investors within the Perth metropolitan.

South of the river, residential units within suburbs such as Armadale and Gosnells have delivered 5% and 6% rental yields within the last quarter. It is likely that performances are due to solid population growth and developments experienced within the south eastern corridors. Thriving commercial hubs anchor these suburbs, providing both employment and entertainment to locals thereby increasing their desirability. REIWA statistics reveal that median prices for residential units within these suburbs hovered around the \$285,000 during the June Quarter.

Similarly of note, the suburb of Bentley successfully provided investors with 4.9% and 5.4% returns for houses and units respectively within the last quarter. This however is primarily due to a significant student population from West Australia's largest university located within the suburb. Median price for the June quarter was \$452,000 and \$344,000 for houses and units respectively.

Within the middle range sectors, Scarborough has emerged as a perennial favourite among investors due to its proximity to the beach and city, wide demographics and diversity in property type. Our research reveals an average yield of between 4% to 4.7% can be expected for standard residential units.

Increases in the cost of commuting over the last few years has seen an increase in demand for inner city apartments with rental yields of approximately 5.4% reflecting this. As further developments including the foreshore project and completion of the entertainment complex draw nearer, it is likely that demand for inner city living will continue to gather pace. Similarly, apartments within near city suburbs such as South Perth, East Perth and Northbridge are growing in prominence due to the lifestyle opportunities. Rental yields within these suburbs range from between 3.5% and 4.8% with the median prices around \$500,000.

As Western Australia continues to forge ahead on the back of its thriving resource sector, the exponential growth in population can only benefit the property investment market. However, as always, research is key to any decision.



South Western WA

The rental market in the Bunbury region has been relatively strong recently however there are a number of factors which are causing the market to ease off. These include the winding down of the Southern Desalination Plant and the winding down of the Worsley

mine expansion. The fall in capital values over the past six months has also made the market more affordable leading to many first home buyers leaving the rental market for home ownership.

Over the past 12 months there has been a significant fall in house prices (with the current median house price at \$360,000) coupled with a moderate increase in rental (now \$380 to \$400 per week) leading to a current return of approximately 5.5% in the Bunbury region.

The rental market in the Busselton region has not been as strong as Bunbury with average rentals of \$360 to \$380 per week. This has increased over the past 12 months however like Bunbury it is showing signs of easing off with a current vacancy rate of 3% to 4%. House values here have also decreased significantly over the last 12 months (the current median house price is \$375,000) and are current showing returns of approximately 5%.

The better returns currently appear to be in the newer areas for newer four-bedroom, two-bathroom project style homes. Returns are considered to be significantly weaker for prestige properties and have reduced significantly for short term tourist accommodation on the back of reduced tourist numbers to the region.

House values are not predicted to decrease much further however there is a looming undersupply situation developing due to the lack of houses currently being built in the region. Given that the region has an above average population growth rate this is likely to lead to increasing rents in the short to medium term. Assuming house values remain low then returns are likely to increase during this period.

Adelaide

Yields achieved by residential property in Adelaide remain relatively consistent at around the 3% to 5% mark. Vacancy rates have been very tight, well below traditional long term averages, hovering between 0.75% to 1.5% over the past two years. Very low vacancy has in turn put pressure on rental rates with an average increase of around 5% over the past 12 months.

Although there has been a slight decline in house prices since 2010, investors have also been cautious about entering the market due to the speculation that interest rates were due for an increase, especially on the back of inflation figures.

However, with the current excess stock, reduced levels of sales activity and vendors reluctant to reduce their price expectations, (especially those that bought at the peak of the market towards the end of 2007 and early 2008) the flow on effect has seen a proportion of these properties being leased rather than sold. This has been a contributing factor to the increase in vacancy rates to 3.15% for the June quarter (recently reported by REISA).

Maintaining a quality tenant in the property is crucial to maximising yields and with the substantial jump in vacancy rates experienced in the last quarter, this may not be as easy as it has been over the past two years.

The month in review

There is speculation that this increase is due to renting becoming less affordable, especially as costs of utilities and other essentials continue to increase. Seasonal variation could be a factor, as this time of year is usually quieter on the rental front than the beginning of a year. If vacancies continue to increase, competition for secure tenants may force landlords to provide discounts to the current level of rental rates.

Some of the best yields in Adelaide, around 5%, are found in the outer northern suburbs, but of course, carry more risk. Quality of tenant can be questionable and this area tends to be most affected by increases in unemployment, interest rates and cost of living in general. Currently showing a vacancy level around 10%, well above the 3.15% average, this region is probably most responsible for causing the significant increase in vacancy over the metro area over the last quarter. However the upside to this is that it is a highly accessible market due to the affordability of entry point.

Prestige properties in the \$1.5 million plus range, at the other end of the scale, provide poor returns due to the weekly rental rate in Adelaide topping out at around the \$1,000 mark. These properties currently fetch yields roughly around 2% to 3%, however there may be difficulty finding tenants at this level.

Adelaide city and surrounding suburbs up to about 8 kms provide yields in the middle of the range at around 4%. Location tends to attract tenants and within these areas vacancy rates have remained low. Increases in cost of living and general affordability may factor in the future, however units, maisonette style dwellings and small cottages can provide slightly more affordable options for both tenants and investors alike. These properties are traditionally quite tightly held, but in the current market various opportunities may present.

Overall investment in the property market in the current climate carries reasonable risk in the short to medium term. It is difficult to forecast the duration or lowest point of this cycle. Current global uncertainty concerning the Eurozone and downgrading of the US credit rating is a bit of an X factor when it comes to the flow on effect to the Australian property market so at this time we are not inclined to make any predictions, but would rather watch the property market closely to see how things transpire. Instinctively however, the Adelaide housing market should not suffer a significant decline in value.

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Rural – Market Directions

Across the board, the rural property market remains subdued with the general notion that vendor expectations are still exceeding what purchasers are willing to pay, however we are starting to see the gap closing in some regions, where the number of properties reportedly under contract has risen in recent times.

The Central and Southern Queensland regions which are heavily impacted by the resource sector are to an extent supported by these activities, as displaced landowners bought out by mining companies re-enter the market and seek quality blocks (see Central Queensland overview).

There is a glut in the world market for wine grapes which has severely depressed vineyard values over the past few years and it is unlikely we will see any reprieve over the next few years.

Post GFC we are starting to see some MIS forestry plantations being offered by mortgagee sale after being passed in at auction. Traditional purchasers for these assets remain cautious with the background of global economic uncertainty and volatility also contributing to local specific issues.

Cane growers remain cautious as to the possibility of achieving a full harvest for the season with harvesting delays and the possibility of a wet season stopping harvest before all farms have been cut. Growers are dreading another year with stand over cane.

Even with uncertainty in many global economies, large scale rural properties appear to still be a reasonably attractive investment option for international corporations realizing the importance of securing food supplies. We expect this trend to continue as quality

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NORTHERN NSW

Sugar Cane

The sugar cane planting season has commenced in the Condong Mill area a little earlier than usual as growers seek to have plant cane established should conditions become wet. It is important that the soil temperature is above 17 degrees Celsius for sugar cane to germinate.

The NSW Sugar Milling Co-operative is planning to provide 'planting loans' so that growers can fund the 2011 planting input costs.

There has been little activity in land sales.

Macadamias

An excellent early flowering of macadamias bodes well for the 2012 crop. Growers will be desperate that adverse weather events do not damage the crop.

Sales of macadamia farms continue with value levels well below previous peaks. Plant and equipment are commonly included in the sales of the farms.

Cattle

Pastures have in some areas suffered from too much rain and thereby have deteriorated and may need slashing. Some cattle grazing farm sales reflect values in the \$5000-\$6000 per breeding cow range.

Tea tree

The large tea tree plantation aggregation of two properties in the Bungawalbin area put to auction in late July was passed in and is now listed for sale for \$3.5 million as a going concern by the mortgagee.

Forestry

Willmott Forests land assets and forestry schemes have been listed for sale by expressions of interest by the receivers and managers. There are a number of Willmott Forests properties in north eastern NSW planted to silky-oak and she-oak plantations.

General

Purchasers remain cautious with the background of global economic uncertainty and volatility also contributing to local specific issues.

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SOUTHERN NSW

ALBURY

Spring has sprung and the grass has ris. Spring is in the air in southern New South Wales and north eastern Victoria. The wattle is starting to flower, crop growth has started to accelerate, grass is growing, cows are calving and lambing has almost finished. Things are looking pretty good as we head into spring with plenty of soil moisture and more rain predicted.

We have come through a pretty wet period which has set up what is expected to be a pretty good spring.

Water storages are near full - Hume is at 97% (41% at this time last year, Dartmouth is at 67% (36% this time last year), and Blowering is at 98% (64% last year). There is concern about the level of water storages as snow melt has just started and the Bureau of Meteorology is predicting average to high stream flows in the period August to October. There is not much freeboard in storages if we receive some heavy rainfall events. When storages are so full it is a bit perplexing why water allocations have remained at fairly low levels - 50% in the Murrumbidgee Valley for general Security and only 6% for NSW Murray Valley general security. Murray Valley Vic high reliability is 35% and Goulburn high reliability is 69%. With storages so full one would think that allocations could be increased significantly.

Very few rural sales of note have occurred in southern NSW and north eastern Victoria, and agents are reporting that there are very few potential vendors coming to talk to the agents to list their rural properties for sale in the spring selling period. Generally by this stage people who want to sell their properties when they look their best in spring are talking to agents. This does not seem to be happening.

WAGGA WAGGA

The number of rural transactions in the area appears to be improving. While there is still an oversupply of properties available to the market the increase in demand and sales is positive for the area. It has been reported that some of the interest in rural properties in the area is coming from national and multi national companies which shows

that there is a good level of confidence returning to the market. Due to the large supply of available properties we do not see this increased demand resulting in increased property values and we believe values will remain static until the oversupply of available properties is taken up.

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Regional Vic

MILDURA

Viticulture:

The local wine grape sector has suffered another blow without warning, with the Federal Government recently cancelling the Commonwealth Exceptional Circumstances Exit Grants scheme effective immediately. The scheme previously provided eligible irrigators to exit horticulture with up to \$150,000 available providing their land and water entitlements were sold. The scheme also provided assistance in exit planning, relocation and new employment opportunities. Further exacerbating the industry and more particularly to wine grape growers is the Victorian Government's 4% cap on water sales which has already been reached for the current season. This leaves many growers unable to sell off their water to ease debt concerns.

Dryland Cropping:

The eagerly awaited rainfall arrived recently with seasonal conditions for the cereal cropping and grazing sector taking a turn for the better. Cereal crops are well established and the expectation of above average yields is strengthened by the prediction of above average rainfall likely through the latter half of 2011.

In the Western Division of NSW a large proportion of the lake systems throughout the pastoral region, which have been dry for many years, are predominantly full of water. A large proportion of these lakes have cultivation licenses attached for opportunity cereal cropping which is allowed for the year immediately following water drying off. Many landholders are waiting for 2012 in anticipation for this rare occurrence with the knowledge that bumper crops are almost assured.

Water

Favourable seasonal conditions are confirmed with news from the Murray-Darling Basin Authority that storages continue to rise and are now recorded at 85% capacity. In the Sunraysia region the outflow from Lake Victoria was wound back during mid August to allow it to be topped up from its current 71% capacity. The Menindee lakes are at 113% capacity with steady volumes of water continuing to flow down the Darling River.

The latest allocations indicate that Victorian irrigators have access to 50% of their High Reliability water entitlement (with an expectation that allocations will reach 100% by Dec 2011), whilst on the NSW side of the Murray High Security Water is set at 97% and the Lower Darling system has a 100% entitlement for both High and General Security water.

Sales Activity

A further example of foreign investment in agriculture can be found with the announcement that a 75% interest in Sunbeam Foods is to be sold to the Shanghai based "Bright Foods". Sunbeam Foods is one of Sunraysia's icon businesses, commencing as a grower co-operative in the 1920s. Sunbeam Foods is one of three local dried fruit processors and also owns Mildura Fruit Company, which is Australia's largest citrus packing operation, and Mildura Fruit Juices, which is Australia's largest fruit juice processor.

Sunbeam Foods actually moved from co-operative ownership to a USA based private equity business that traded as Manassen Foods several years ago, and so is already subject to foreign ownership. While local growers have shown some apprehension to the proposed sale, the potential to gain further penetration into the Chinese food market would appear to carry a number of potential benefits.

It has been reported that Australia Vintage, which operates one of Australia's largest wineries 10kms north of Mildura at Buronga Hill, has recently signed a binding agreement for the sale of the 90,000 tonne Loxton Winery in South Australia to TWG Australia, a subsidiary of a Californian based company for \$27 million.

Contact:

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CENTRAL NSW

BATHURST

The number of rural transactions in the Bathurst area appears to be improving. While there is still an oversupply of properties available to the market, the increase in demand and sales is positive for the area. It has been reported that some of the interest in rural properties is coming from national and multi national companies which confirms there is a good level of confidence returning to the market. Due to the large supply of available properties we do not see this increased demand

resulting in increased property values and we believe values will remain static until the oversupply of available properties is taken up.

DUBBO

The continuing dry conditions across most of the Central West of NSW are continuing to sap the interest of buyers in the market. Recent rainfall, whilst slightly patchy across these areas, may help to ignite the markets interest again. There has been limited activity in the market place. A recent sale is the Burrando Aggregation at Condobolin which was offered to the market at auction. This is a 3,910 hectare holding which consists predominately of open red loam cultivation country. The property is approximately 70km west of Parkes and whilst the final figure remains confidential it is our understanding that it has sold at levels below what would be considered the current market.

....the continuing dry conditions across most of the Central West of NSW are continuing to sap the interest of buyers in the market....

Overall the recent rains that have fallen across the large part of Central and Southern NSW will impact positively on cash flows. For areas in the Coonamble District which have sown cereal crops early, reasonable cash flows will be obtained however the balance of the country will need to be prepared for summer crops.

BATHURST / ORANGE

Recent rainfall was warmly welcomed and arrived just in time for many and a little too late for some wheat growers in the western areas. Sale volumes still remain very low, even by winter standards. Subject to improved seasonal conditions leading into spring buyer enquiry should lift. Although on the negative side ongoing uncertainty in world economic markets and the high \$A impact on rural export commodity prices, may result in the market remaining subdued.

Corporate activity has also slowed over the last six months although indications are that there is some enquiry in the Central Tablelands by overseas interest for larger holdings. After a promising start to the irrigation water market on the Lachlan system in early 2011, demand remains low and buyers are not showing a wiliness to purchase above \$500 per share for general security access licences.

In the Condobolin District there were two cotton growers last year with expectations of between 15 to 20 in 2011/2012. In the event water allocations remain at above 50% and a successful cotton industry is established in the Condobolin District, demand and value levels for Lachlan Irrigation Water should increase over the medium to longer term.

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CENTRAL QLD

While the rural property market remains mostly subdued, the resource sector within Central Queensland is showing no signs of slowing. Some major projects are gaining momentum which in turn will have a flow on effect into the rural property market.

Rio Tinto's "Valeria Project" has started negotiations with landowners to acquire land for a new open cut coal mine just south-west of Capella. In more recent years, mining companies have preferred to acquire properties in whole as opposed to part taking for the mining lease area only.

The State Government's Connors River Dam Project 100km south-west of Mackay is another major development designed to supply water to mining projects at Moranbah, Capella and Alpha. The proposed site covers seven grazing properties.

There may be up to 16 properties acquired for these two projects alone, not considering the many other proposed mining and infrastructure projects in the area. This should support values in the area, particularly for better quality blocks, as many of these landowners re-enter the market.

Contact:

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SOUTHERN QLD

Over the last month, we have seen a transition in seasonal conditions leading into spring with above average winter temperatures over the past two weeks. The country is in need of rain though crops and pastures have managed to hold on through the dryer winter period as a consequence of the above average rainfall received earlier in the year.

Local livestock agents advise cattle numbers at the Roma sale yards have been steady over the past month with minimal northern cattle coming down as a result of the temporary ban on live cattle exports to Indonesia.

The local property market has gained momentum in recent weeks with a number of residential, commercial

and rural properties going under contract. There are reportedly more than nine rural properties under contract in the local area which is a positive sign following a quiet prior six months. Local agents advise that this is a result of improved cash flow and vendors realistically meeting the current market. A large holding in Mount Abundance south west of Roma is reportedly under contract for \$1.76 million having previously sold in 2007 for \$2.35 million, a reduction of circa 35% over this period. This was a distressed sale and is not a general rural property market indicator but rather a reflection of the discount currently needed to achieve a sale in a shorter timeframe under distressed circumstances.

The local residential property market has seen a further increase in sales volumes and prices over the past two months which is primarily attributed to investors cashing in on increased rental demand and rental rates. Two basic three-bedroom former government owned houses went to public auction over the past week going under contract for \$235,000 and \$240,000 respectively. The selling agent advises the properties would rent for at least \$350 to \$450 per week unfurnished which provides a good return for investors. Newer four-bedroom, two-bathroom houses are renting from \$600 to \$800 per week primarily to oil and gas associated entities.

The buoyancy of the local market is attributed to continuing development of oil and gas industry within the Surat Basin and the recent softening of borrowing costs, particularly on fixed home loans. This local market increase appears to be in stark contrast to the broader property market outside the Surat Basin which as been subdued and retreating in some instances over recent months.

Contact:

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NORTHERN QLD

The western graziers on their protest caravan to Canberra passed through Charters Towers with ten helicopters in a fly past and numerous large trucks in procession. The determination of these people to convey to Government

the lingering financial effects resulting from the Live Beef Export ban was very evident in the mood of the group.

The grazing property market continues to be sluggish, with graziers now commenting on value downturns even though there is a lack of supporting sales evidence for the average to large size properties to support any



movement. The well recognized, blue ribbon, basalt grazing block Toomba, has been placed on the market for sale by tender with offers closing early September. This property could be used as a reference for where the market does stand for quality grazing land should the property actually sell.

There are several other quality properties on the market that have created little to no interest from the rural sector.

Inorunie on the Gilbert River in the Croydon forest area is currently under contract with settlement due in the near future. This sale should be of assistance for this type of northern forest grazing country.

The Flinders/Mitchell grass downs country from Hughenden to Cloncurry also continues to reflect a state of negativity within the market. There have been several small blocks transacted but no larger economically viable blocks have been sold to determine where the market actually stands.

Cane Growing

With the harvest now well under way, many growers remain cautious as to the possibility of achieving a full harvest for the season. Some of the mills have had breakdowns of up to three weeks collectively to date which pushes the proposed completion date further into December and the possibility of a wet season stopping harvest before all farms have been cut. Growers are dreading another year with stand over cane.

The proposed new mill for the Herbert River area has received "approval in principle" from the Council subject to an additional information request. The project continues with the proposed operational dates being pushed further back on the calendar. The 2014 season may be the starting year for this mill if further delays occur.

The Burdekin and Herbert River areas have not had any significant rain that will stall/delay harvesting.

Sales of cane farms continue to be very limited with a small marginal farm in the Herbert River mill area being

recently settled at a value reflective of existing levels. The Burdekin would appear to be similar. There are no rises in cane land values in either area despite the good returns.

Horticulture

Finally some good news from Bowen; the tomato harvest is on in earnest. There have been several sales in the last few months and another property under contract with settlement in the near future, however these sales do not reflect any major movement in land values over or under the long established market levels for the district.

Rural Sales

The agencies are doing it tough. Sales across the full rural spectrum are limited. There does appear to be a total lack of confidence in the rural sector at the present time despite reasonable returns for rural commodities. This is considered to be a sign of the times and caution does appear to be part of the decision making process of prospective purchasers in the market place.

Banking and financial institutions are reviewing their "book" and exposure to rural industry. They remain a vital cog in the wheel of the Northern rural sectors but any change in the lend/value ratio can result in pressure upon some clients. Addressing debt reduction does appear to be part of many decisions now taking place in most sectors of Northern agribusiness.

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Denis Schy, Roger Hill & Jason Searston

Ph: (07) 4724 2000



NORTHERN TERRITORY

The first boatload of cattle bound for Indonesia since the lifting of the live export ban left Darwin this month. These cattle will be processed as part of a "closed" supply chain in Indonesia. Whilst this is a big step forward, export volumes are not expected to return to pre-ban levels for this season at least.

The political machinations in relation to live export are far from over. Although two separate bills proposed the cessation of live export were voted against by the Federal Parliament, their proponents have stated that they will continue to campaign against the trade.

The emergence of new video footage of animal cruelty in a Turkish abattoir will continue to fuel the debate.

Consequently we see that the NT/Kimberley pastoral property market remains in a state of flux. These properties with good access were able to offload at least some cattle earlier this year prior to the imposition of the export ban. We may well see a relative increase in the values of such properties due to the flexibility of marketing options which these stations enjoy, compared to more isolated properties.

In the horticultural sphere, the 2011 mango season is shaping up as a good year, with a big flowering in most plantations. Indications are that the season should be early, which means that growers could capitalize on premium prices.

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Terry Roth Ph: (08) 8941 4833



South Western WA

The market for vineyards in the south west of WA has been depressed for the last two years and there doesn't appear to be any light at the end of the tunnel. The massive over supply of wine in Australia and across the world is anticipated to continue for at least the next few years and could well extend beyond this unless there are significant reductions in the number of vineyards, particularly in the cooler climate regions.

Any sales that have occurred have generally been forced sales and have shown no added value for the vines. In fact in many cases the vines were earmarked for removal.

It is therefore interesting to note that there have been a couple of sales in the Margaret River Region which seem to be bucking the trend. In August 2010, Wildplay Vineyard sold for \$3 million having previously sold in March 2006 for \$3.25 million. This is a 58 hectare property comprising 23 hectares of 12 year old vines in the heart of the Margaret River Region. Given the turmoil involving the wine over supply, and the GFC since then, a reduction of only \$250,000 appears to be minimal.

Furthermore there was a sale of a vineyard in April 2011 again in the heart of the Margaret River Wine Region for \$2.55 million. This is a 37 hectare property with 13 hectares of 10 to 20 year old vines. The sale demonstrates a significant added value for the vines. The inside word is that there is a slight undersupply of high quality old vine fruit in the Margaret River Region. Still my prediction is that this will not filter down into the lower quality vineyards or vineyard in lesser known areas any time soon.

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Comparative Property Market Indicators - August 2011

The following pages present a generalised overview of the state of property markets in Capital City, New South Wales/ACT, Victoria/Tasmania, Queensland and South Australia/Northern Territory/Western Australia 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 to rick.carr@htw.com.au

Comparative Analysis of Capital City Property Markets



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

Sydney	(02) 9221 8911
Melbourne	(03) 9642 2000
Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Adelaide	(08) 8231 6818
Perth	(08) 9388 9288
Hobart	(03) 6244 6795
Darwin	(08) 8941 4833
Canberra	(02) 6273 9888

Comparative Analysis of New South Wales/ACT Property Markets



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

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

Comparative Analysis of Victorian/Tasmanian Markets



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

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

Comparative Property Market Indicators - August 2011

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Comparative Analysis of Queensland Property Markets



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

Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Bundaberg/Wide Bay	(07) 4154 3355
Cairns	(07) 4057 0200
Emerald	(07) 4980 7738
Gladstone	(07) 4972 3833
Gold Coast	(07) 5584 1600
Hervey Bay	(07) 4124 0047
Ipswich	(07) 3282 9522
Mackay	(07) 4957 7348
Rockhampton	(07) 4927 4655
Sunshine Coast (Mooloolaba)	(07) 5444 7277
Toowoomba	(07) 4639 7600
Townsville	(07) 4724 2000
Whitsunday	(07) 4948 2157

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



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

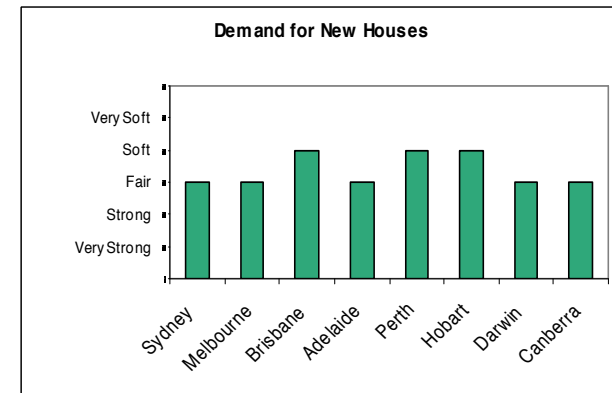
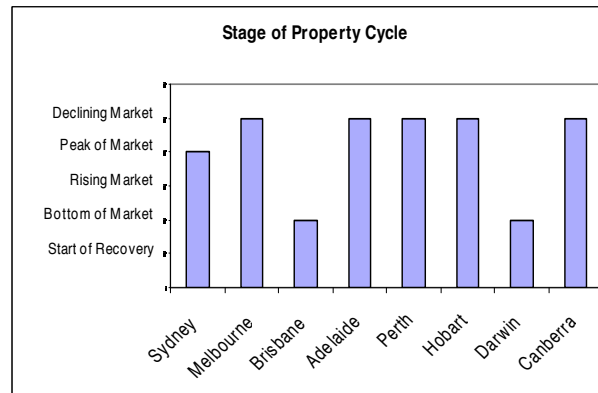
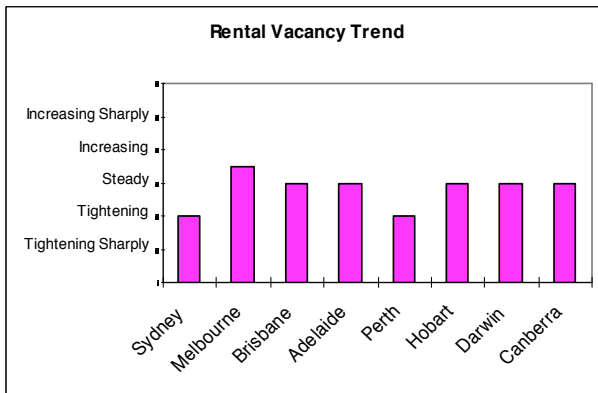
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

Capital City Property Market Indicators as at August 2011 – Houses

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

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

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

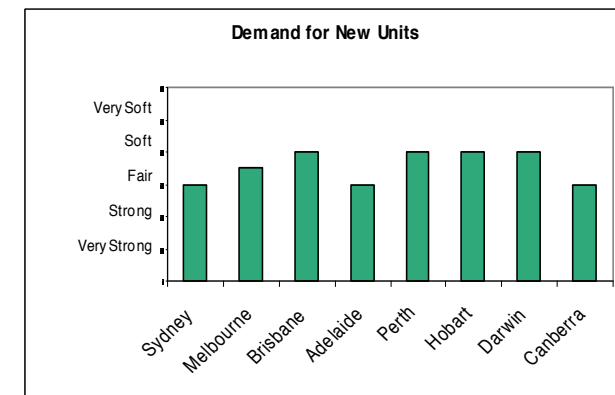
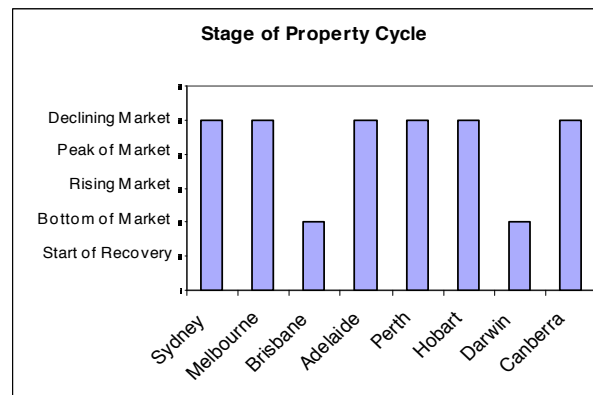
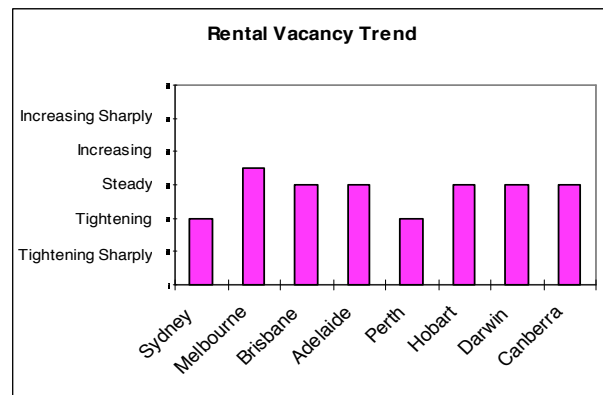


Capital City Property Market Indicators as at August 2011 – Units

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

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

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

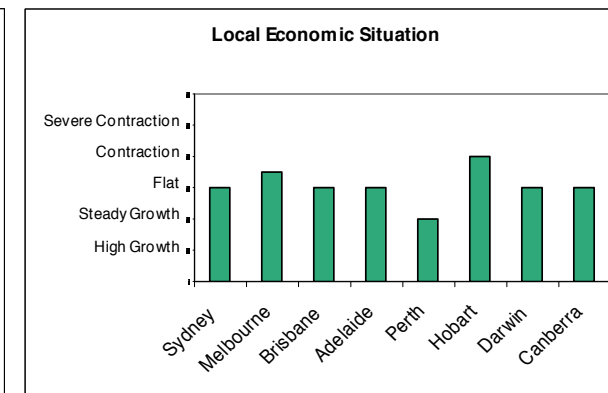
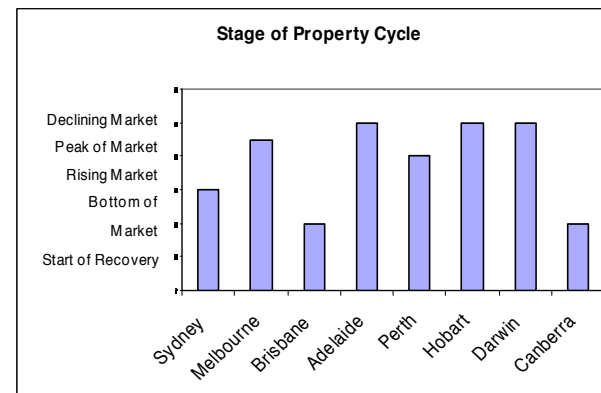
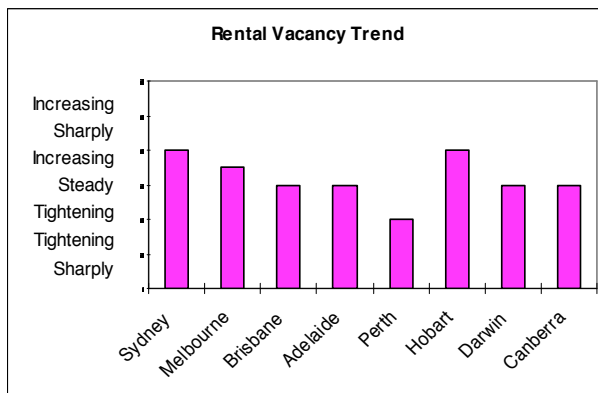


Capital City Property Market Indicators as at August 2011 – Retail

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	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
Rental Vacancy Trend	Increasing	Steady - Increasing	Steady	Steady	Tightening	Increasing	Steady	Steady
Rental Rate Trend	Stable	Declining - Stable	Stable	Stable	Increasing	Stable	Stable	Stable
Volume of Property Sales	Steady	Increasing	Steady	Declining	Increasing	Declining	Steady	Steady
Stage of Property Cycle	Rising market	Peak of market - Declining market	Bottom of market	Declining market	Peak of market	Declining market	Declining market	Bottom of market
Local Economic Situation	Flat	Flat - Contraction	Flat	Flat	Steady growth	Contraction	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Very large	Small - Significant	Significant	Significant	Significant	Small	Significant	Very 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

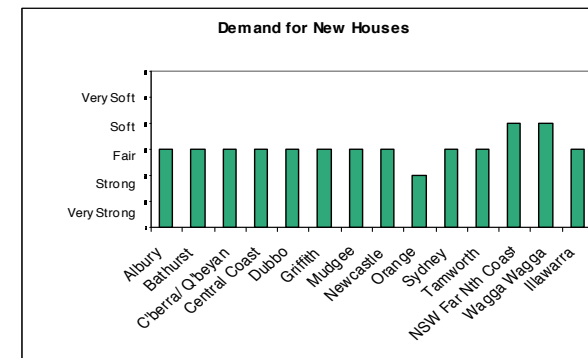
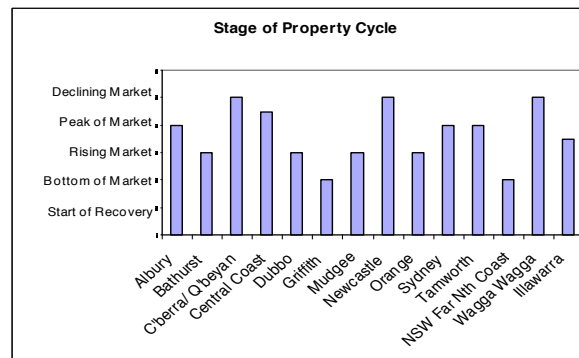
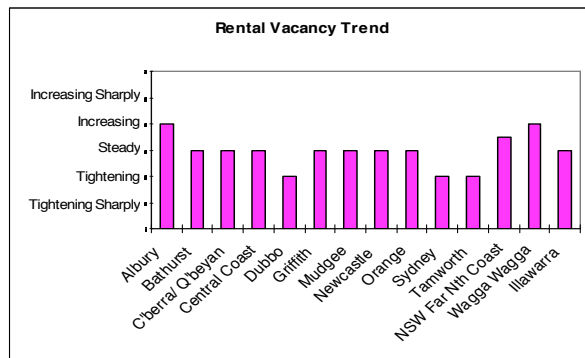


New South Wales Property Market Indicators as at August 2011 – Houses

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

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

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

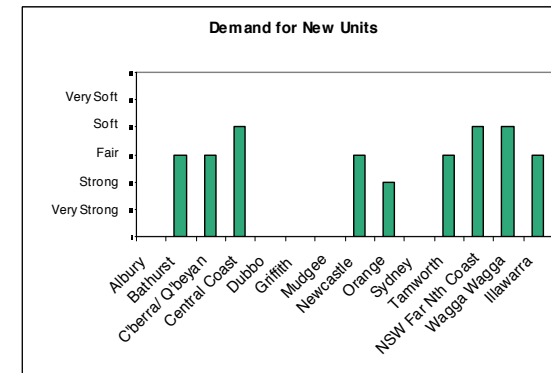
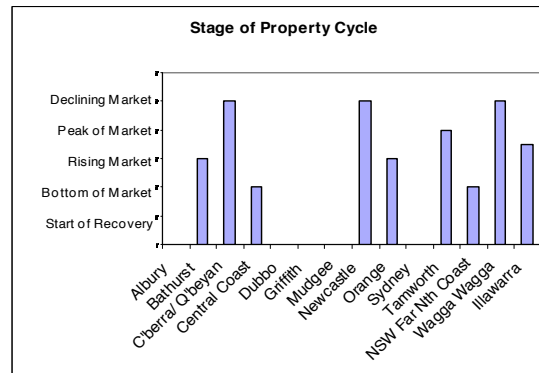
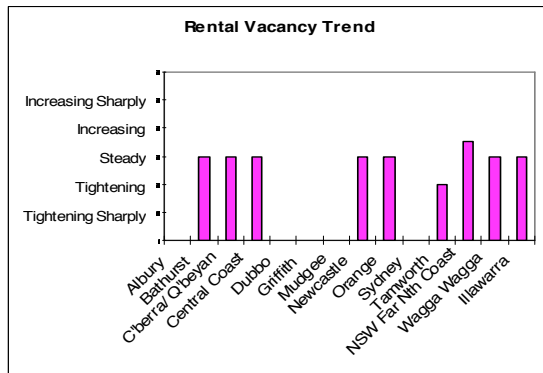


New South Wales Property Market Indicators as at August 2011 – Units

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

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

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

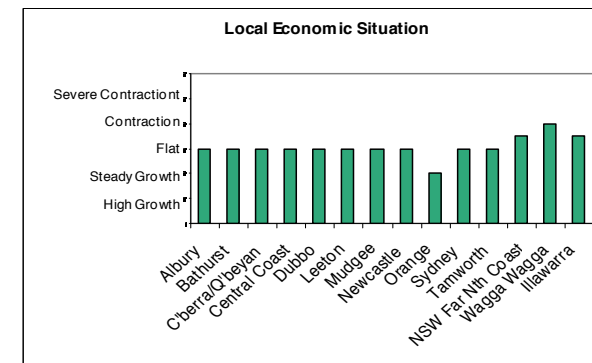
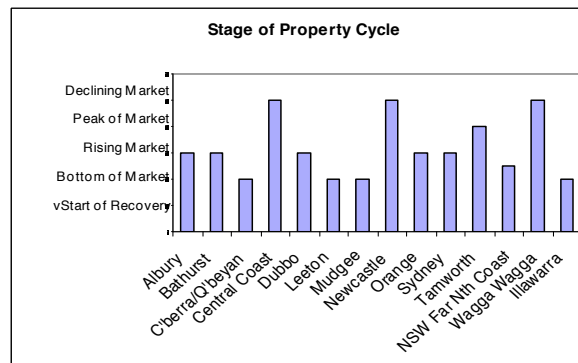
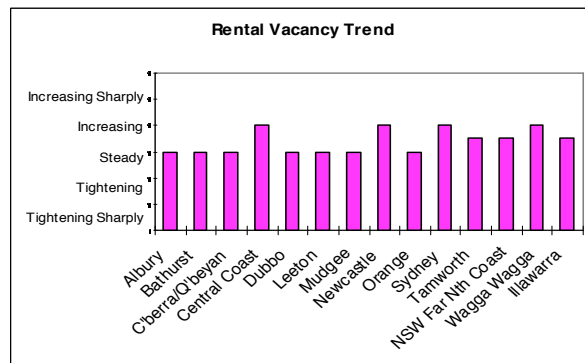


New South Wales Property Market Indicators as at August 2011 – Retail

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

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

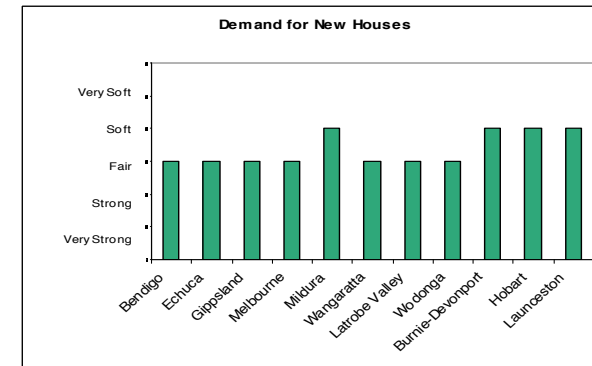
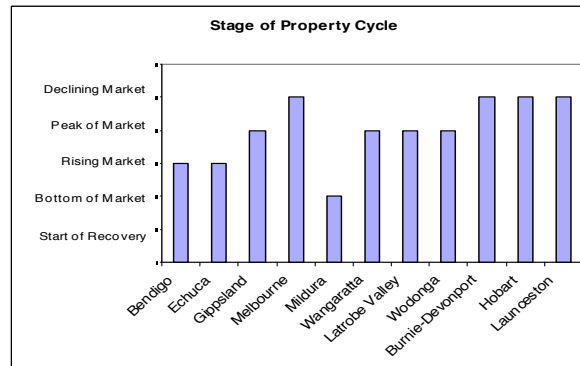
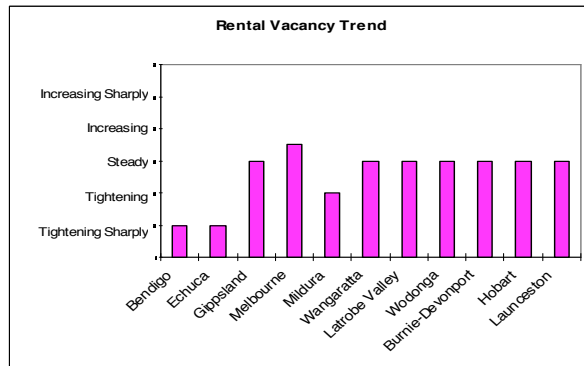


Victoria/Tasmania Property Market Indicators as at August 2011 – Houses

Factor	Echuca	Geelong	Melbourne	Mildura	Wangaratta	Wodonga	Burnie - Devonport	Hobart	Launceston
Rental Vacancy Situation	Severe 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	Over-supply of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening sharply	Tightening sharply	Steady	Steady - Increasing	Tightening	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Soft	Fair	Fair	Fair	Soft
Trend in New House Construction	Steady	Steady	Steady	Declining - Steady	Declining	Declining	Steady	Declining	Declining
Volume of House Sales	Steady	Steady	Declining	Steady - Declining	Steady	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Peak of market	Declining market	Bottom of market	Peak of market	Peak of market	Peak of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally

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

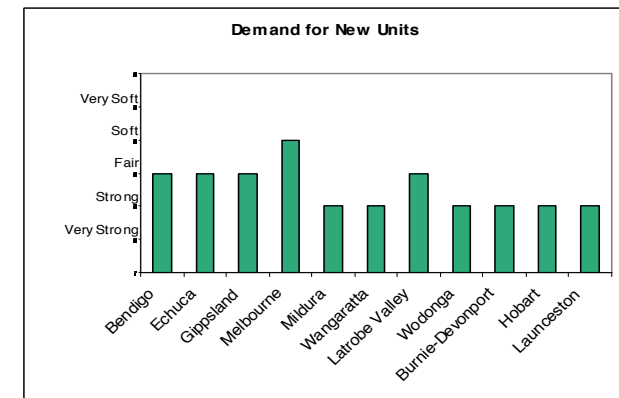
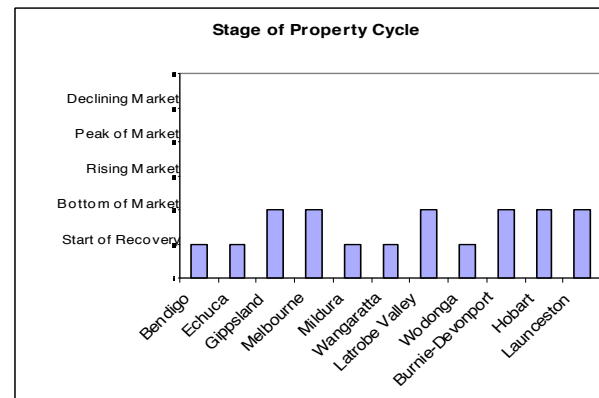
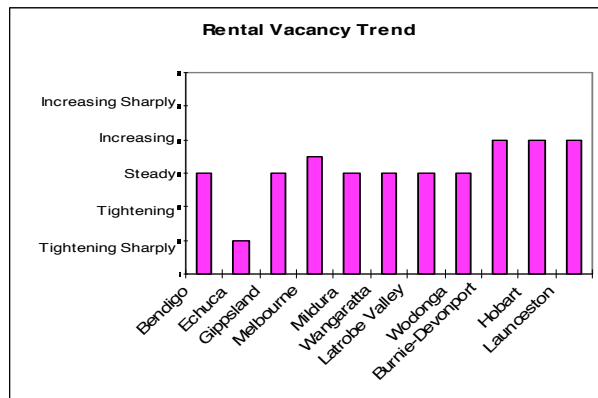


Victoria/Tasmania Property Market Indicators as at August 2011 – Units

Factor	Echuca	Geelong	Melbourne	Mildura	Wangaratta	Wodonga	Burnie - Devon-port	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Increasing sharply	Tightening sharply	Steady	Increasing	Tightening	Steady
Demand for New Units	Fair	Fair	Strong	Soft	Strong	Soft	Very soft	Soft	Fair
Trend in New Unit Construction	Declining	Steady	Increasing	Increasing	Steady	Steady	Declining significantly	Declining	Declining
Volume of Unit Sales	Declining	Steady	Declining	Declining	Steady	Declining	Declining significantly	Declining	Declining
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Rising market	Bottom of market	Bottom of market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally

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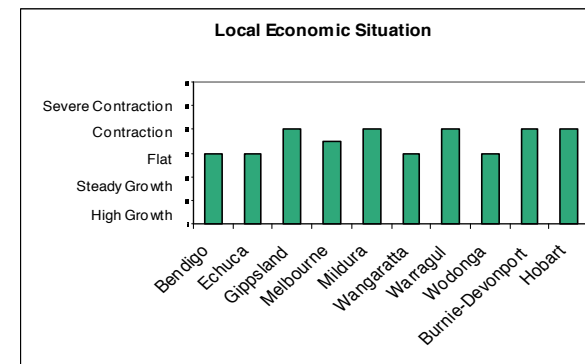
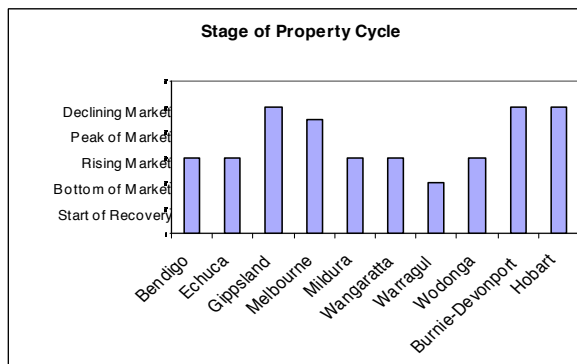
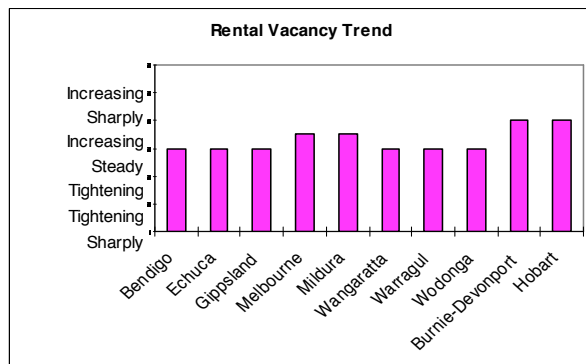


Victoria/Tasmania Property Market Indicators as at August 2011 – Retail

Factor	Echuca	Geelong	Melbourne	Mildura	Wangaratta	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	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady - Increasing	Increasing	Steady	Steady	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining - Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Declining	Increasing	Declining	Steady	Declining significantly	Steady	Declining
Stage of Property Cycle	Rising market	Rising market	Declining market	Peak of market - Declining market	Bottom of market	Rising market	Bottom of market	Rising market	Declining market
Local Economic Situation	Flat	Flat	Contraction	Flat - Contraction	Severe contraction	Flat	Contraction	Flat	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small - Significant	Significant	Significant	Small	Significant	Small

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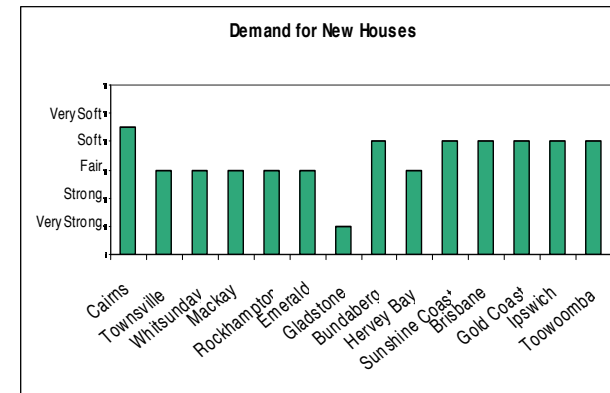
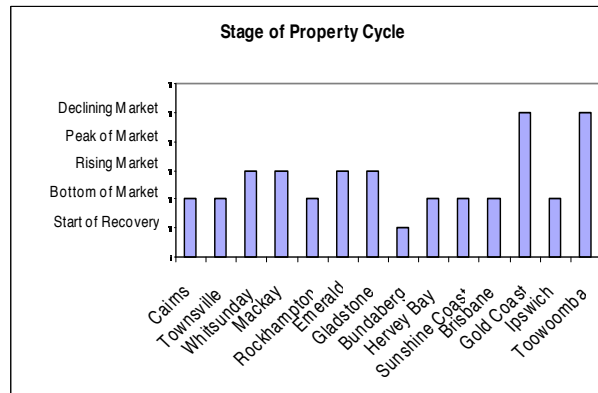
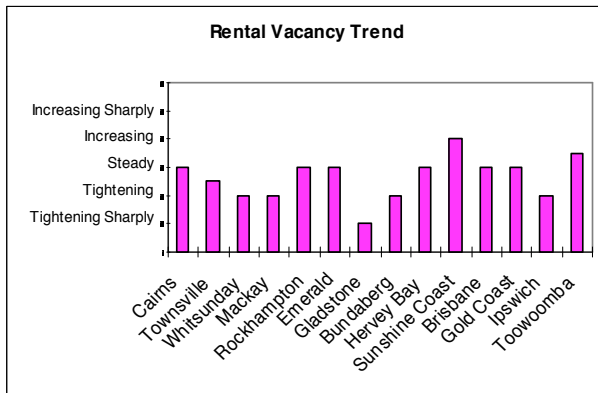


Queensland Property Market Indicators as at August 2011 – Houses

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

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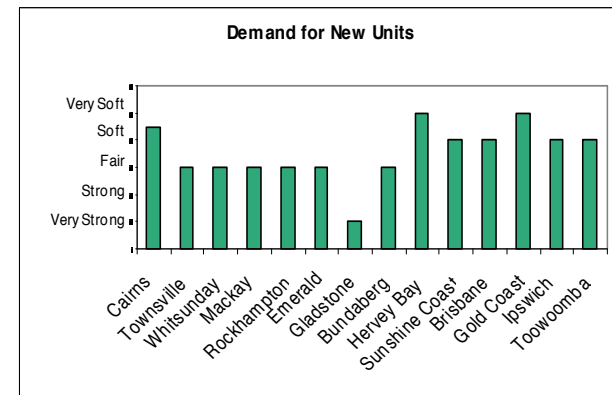
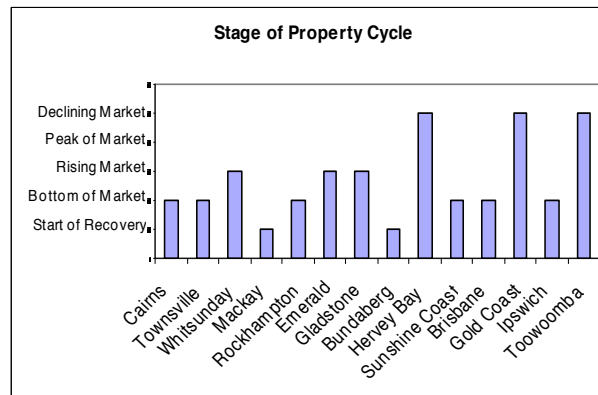
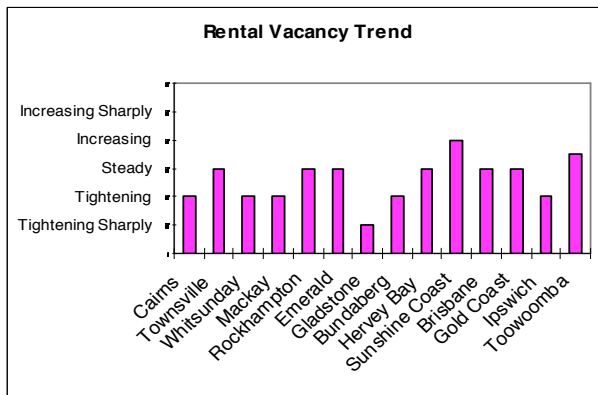


Queensland Property Market Indicators as at August 2011 – Units

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

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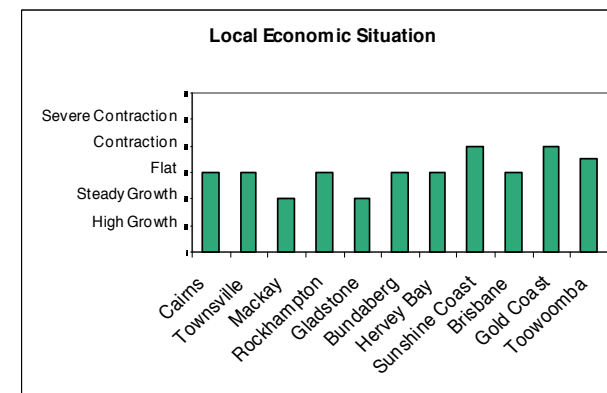
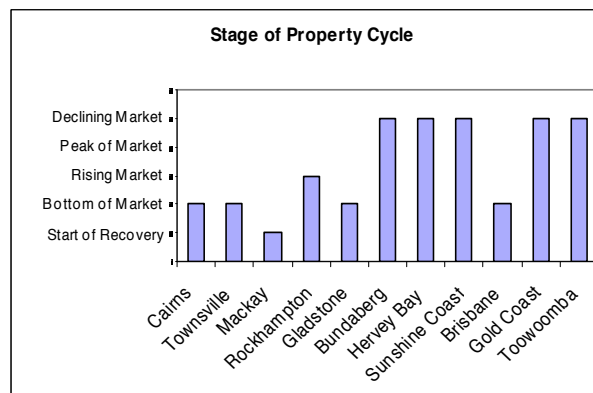
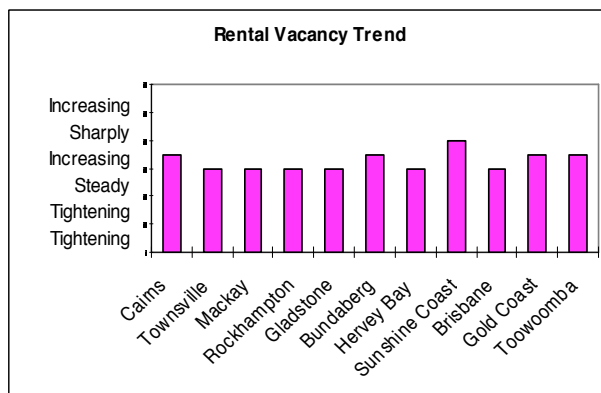


Queensland Property Market Indicators as at August 2011 – Retail

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

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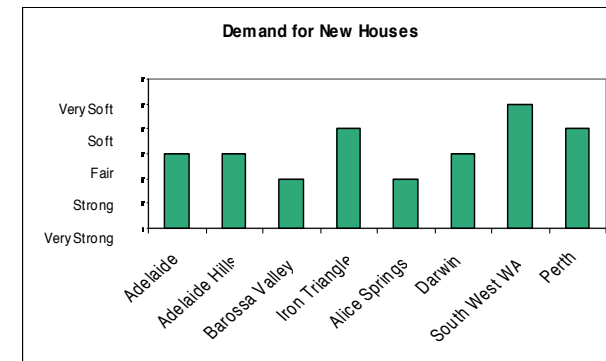
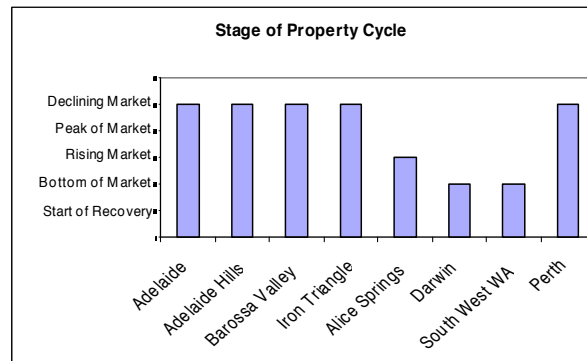
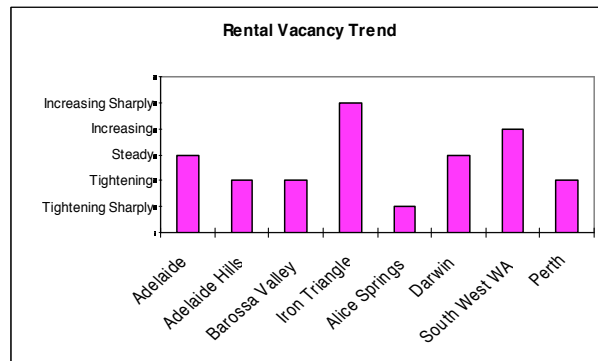


Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2011 – Houses

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

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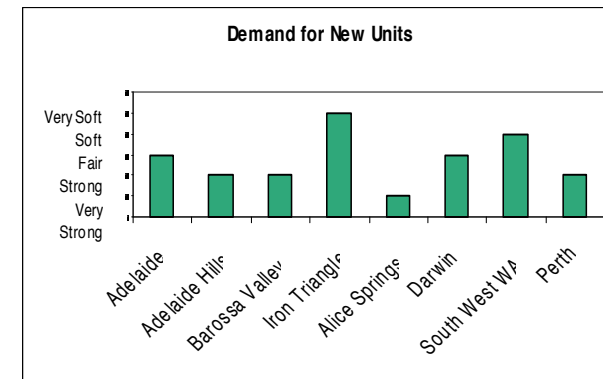
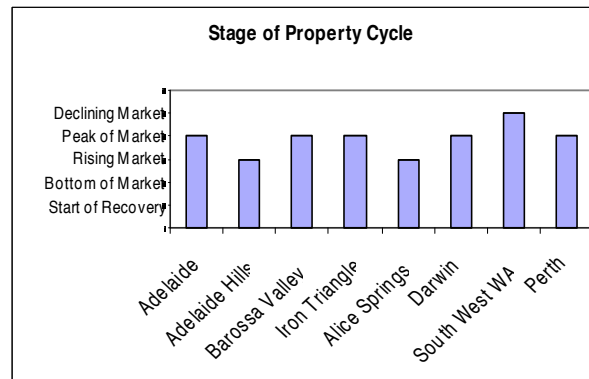
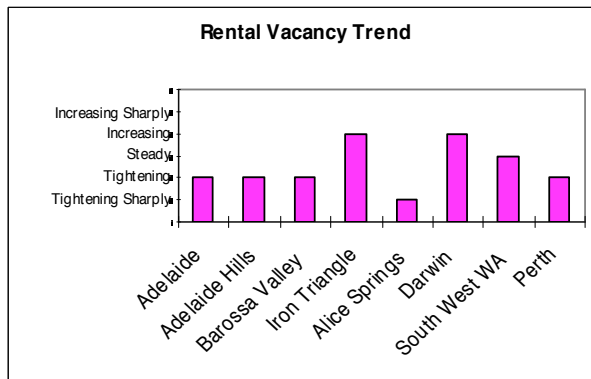


Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2011 – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Bunbury	Busseton	Dunsborough	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Over-supply 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	Tightening	Tightening	Increasing sharply	Tightening sharply	Steady	Increasing	Tightening	Steady	Tightening	Tightening
Demand for New Units	Fair	Fair	Strong	Soft	Strong	Soft	Very soft	Soft	Fair	Fair	Strong
Trend in New Unit Construction	Declining	Steady	Increasing	Increasing	Steady	Steady	Declining significantly	Declining	Declining	Steady	Increasing
Volume of Unit Sales	Declining	Steady	Declining	Declining	Steady	Declining	Declining significantly	Declining	Declining	Steady	Declining
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Rising market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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Northern Territory, South Australia & Western Australia Property Market Indicators as at August 2011 – Retail

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady - Increasing	Tightening	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Stable
Volume of Property Sales	Declining	Steady	Steady	Declining	Steady	Steady	Declining	Increasing	Declining
Stage of Property Cycle	Declining market	Peak of market	Peak of market	Peak of market	Declining market	Declining market	Bottom of market	Peak of market	Declining market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Contraction	Steady growth	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small	Small	Small	Significant	Significant	Small	Significant	Significant

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