



HERRON TODD WHITE

SOUTH EAST QUEENSLAND

PROPERTY MARKET OVERVIEW

Herron Todd White

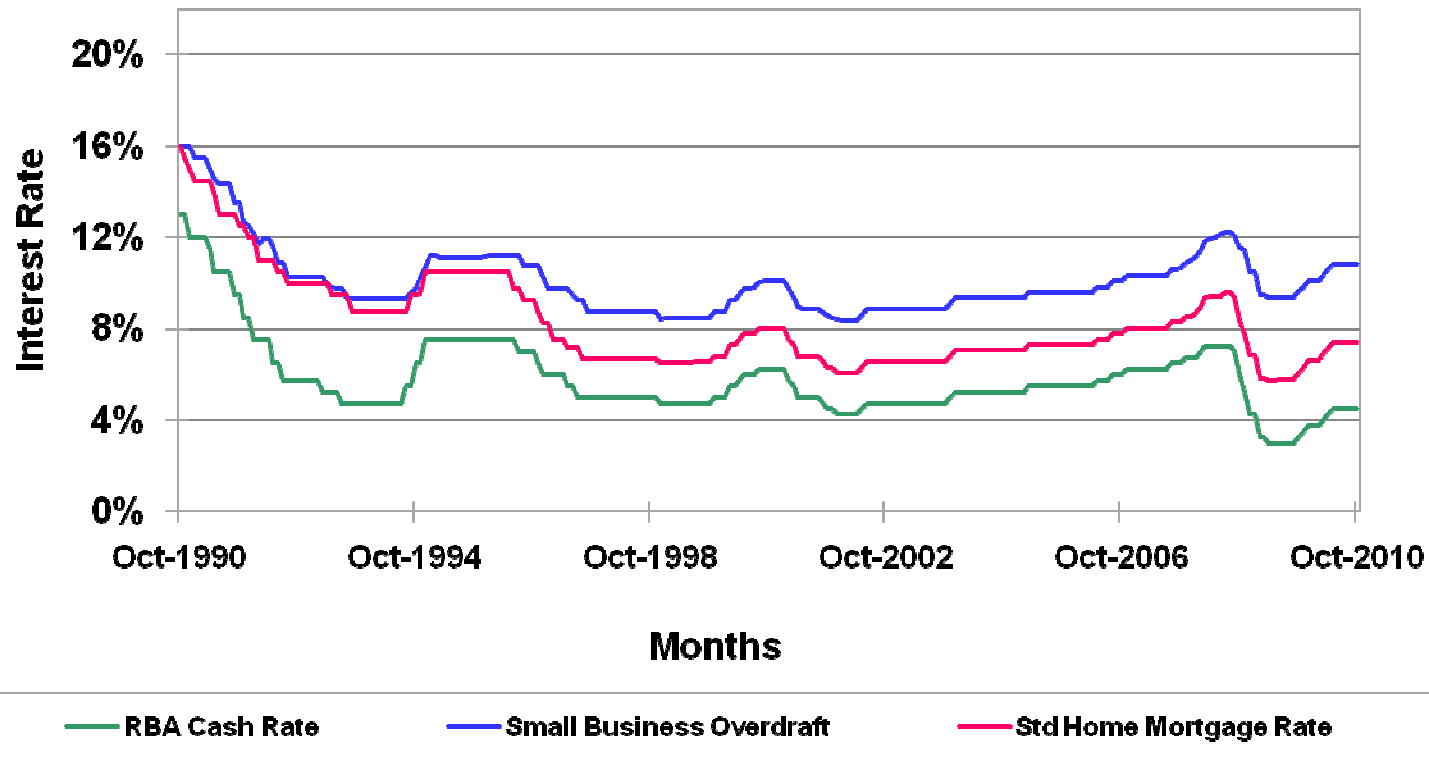
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COMMERCIAL MARKETS

Alistair Weir

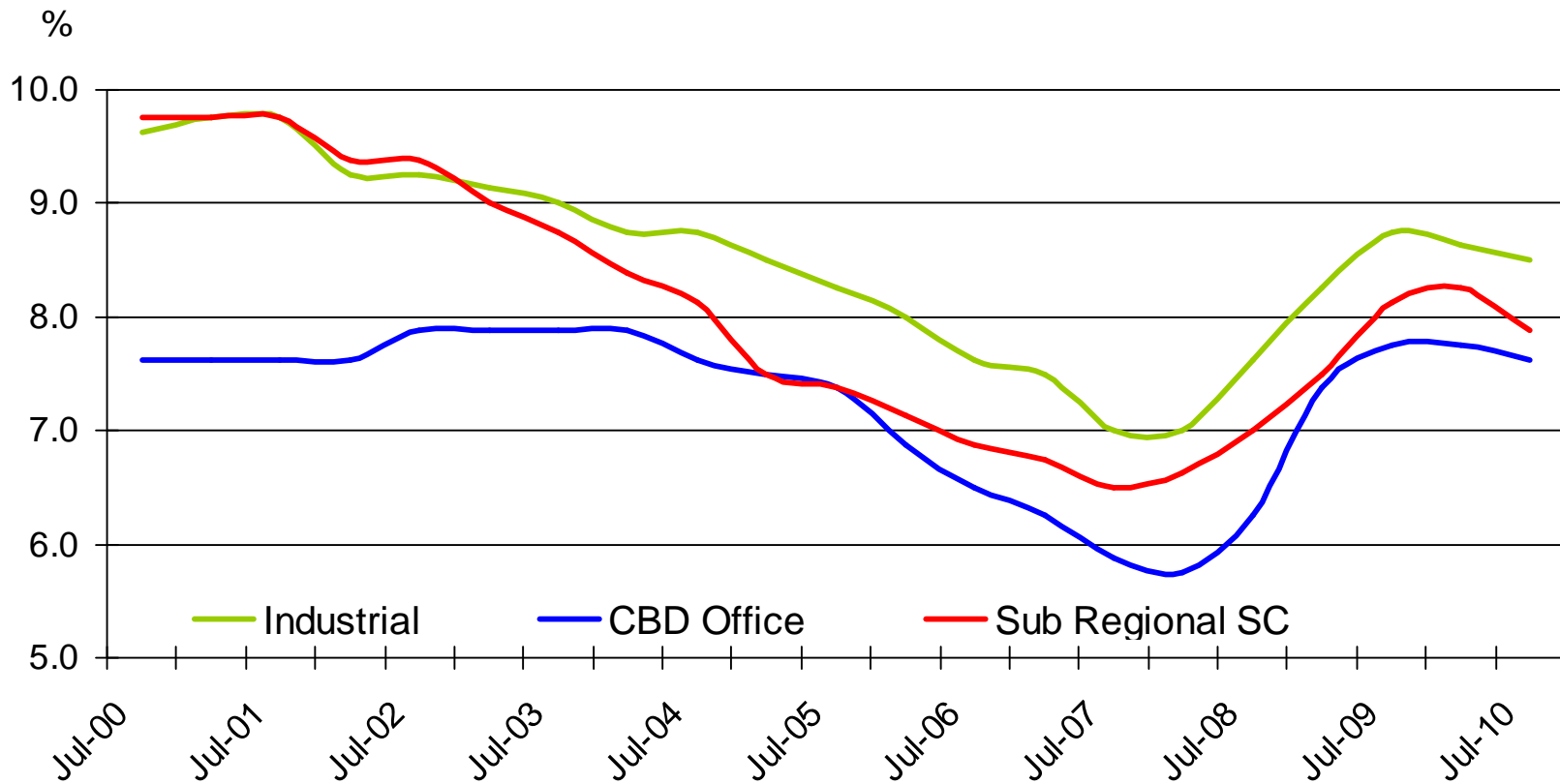
National Commercial Director

Interest Rates



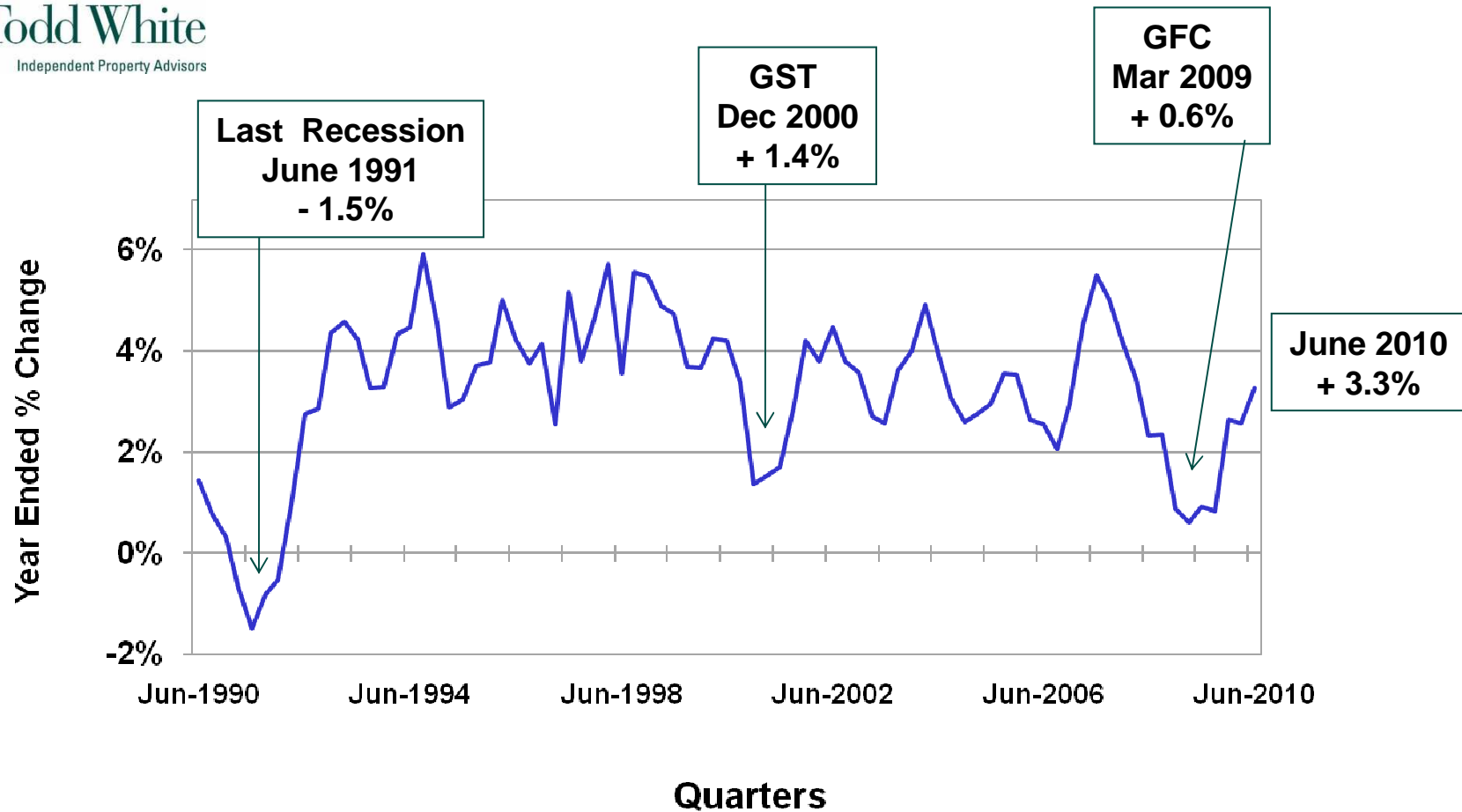
Source: RBA

SEQ Prime Yields



Source: Herron Todd White Research

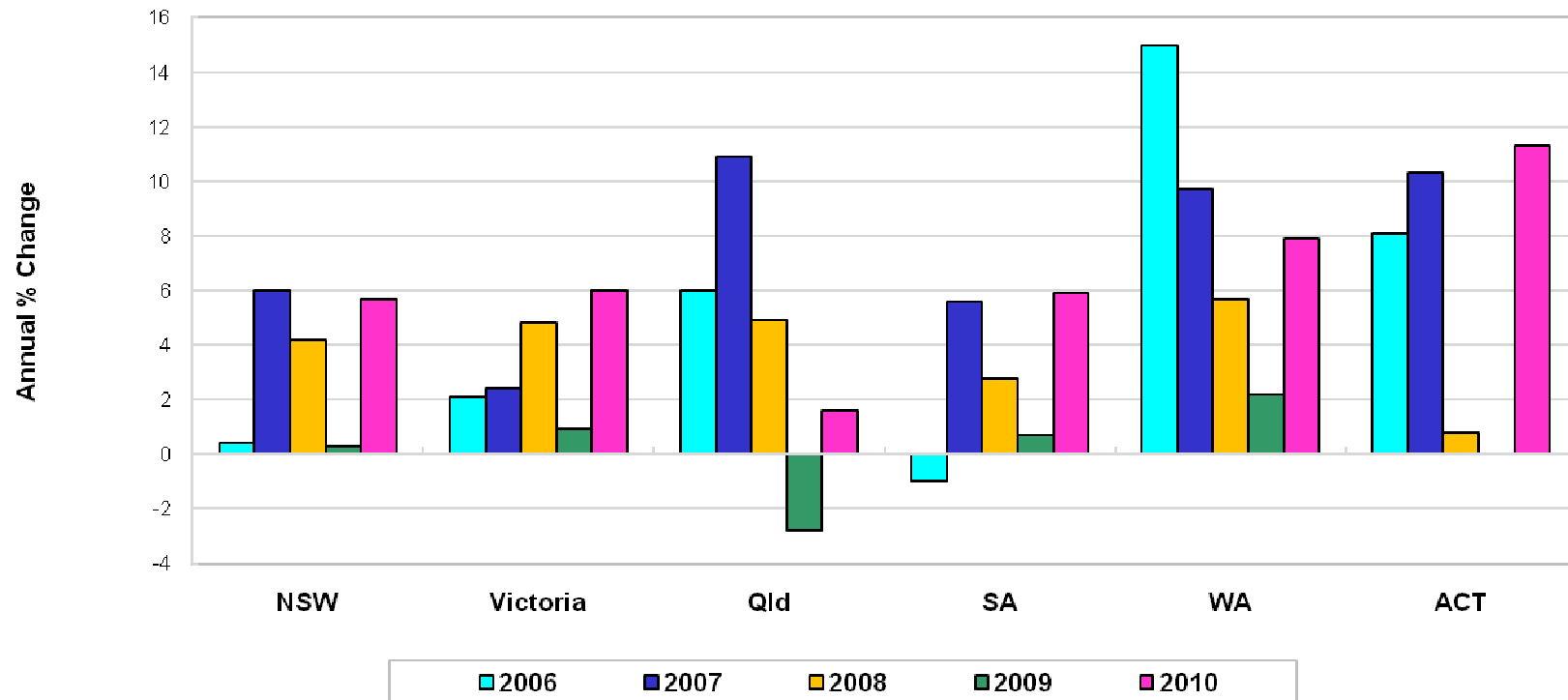
Annual GDP % Change



Source: ABS Seasonally Adjusted Data

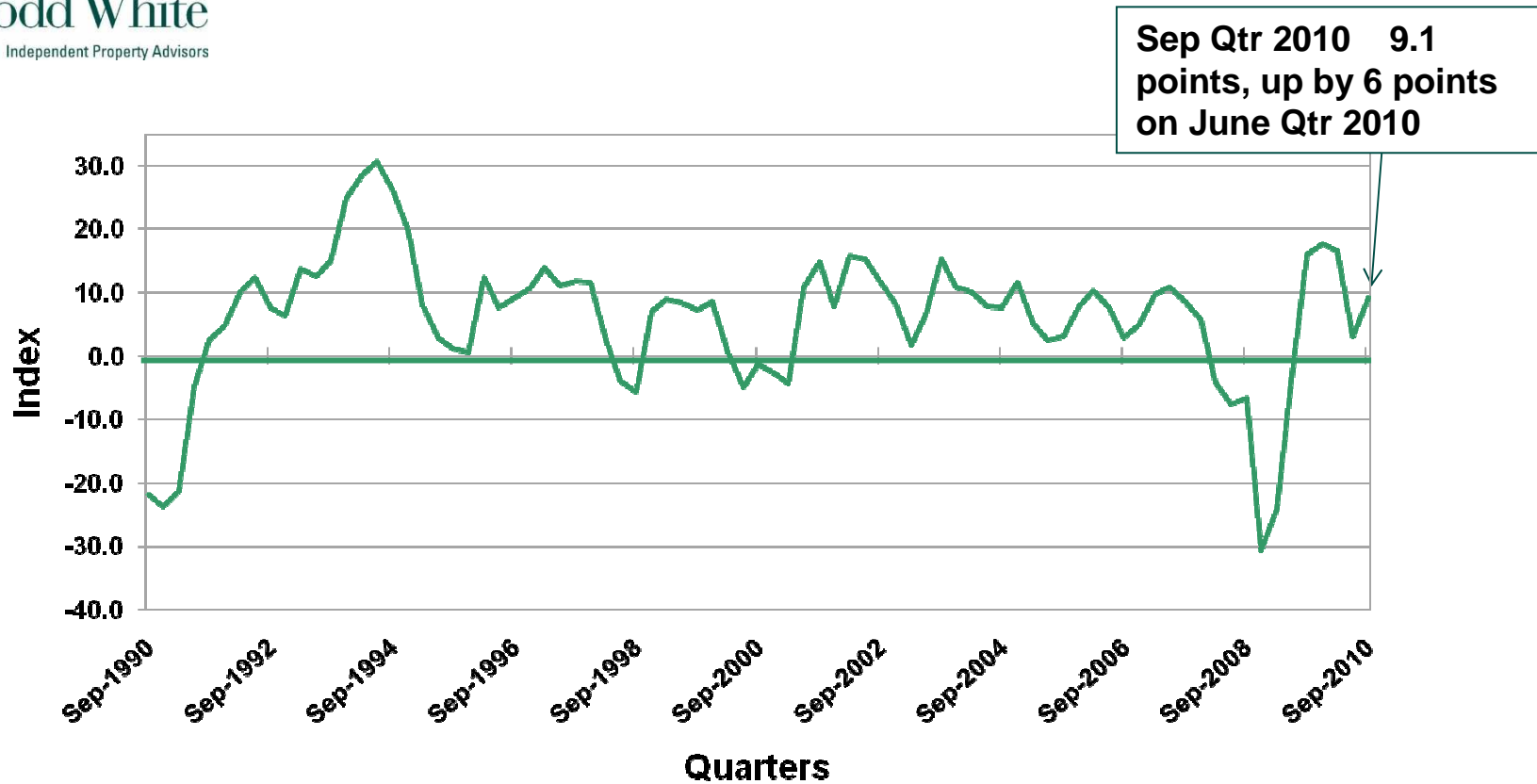
State Growth Change

QLD was the only state to show Growth decline in 2009 and is the worst performer in 2010.



Source: ABS Seasonally Adjusted Data

Business Confidence



NAB highlights re-emergence of the multi-speed economy in its Sept 2010 monthly report.

Source: National Australia Bank & RBA

Active Property Lenders

2007

Majors

- Westpac
- ANZ
- NAB
- CBA

Regional

- Suncorp
- Bank West
- St George
- Bank of Qld
- Bendigo
- Adelaide Bank

Foreign

- Bank of Scotland
- Royal Bank of Scotland
- Capital Finance
- ING Bank
- Investec

Debenture Lenders

- City Pacific
- MFS Premium Income Fund
- Octaviar (formerly MFS)
- Elderslie Finance
- Hanover Finance
- Asset Loans
- First Capital
- Hastings Capital
- Cymbis
- Secured Mortgage Management Ltd
- Donovan Oats Hannaford
- Bridgecorp
- Westpoint
- Fincorp
- Seiza Capital
- Australian Capital Reserve
- Grenfell Securities

Mortgage Trusts

- Perpetual
- Australian Unity
- Challenger Financial
- Colonial First State
- INGFM
- Macarthur Cook
- AXA

Other

- Babcock Brown
- Macquarie
- Valad
- Allco
- Investec
- Gresham

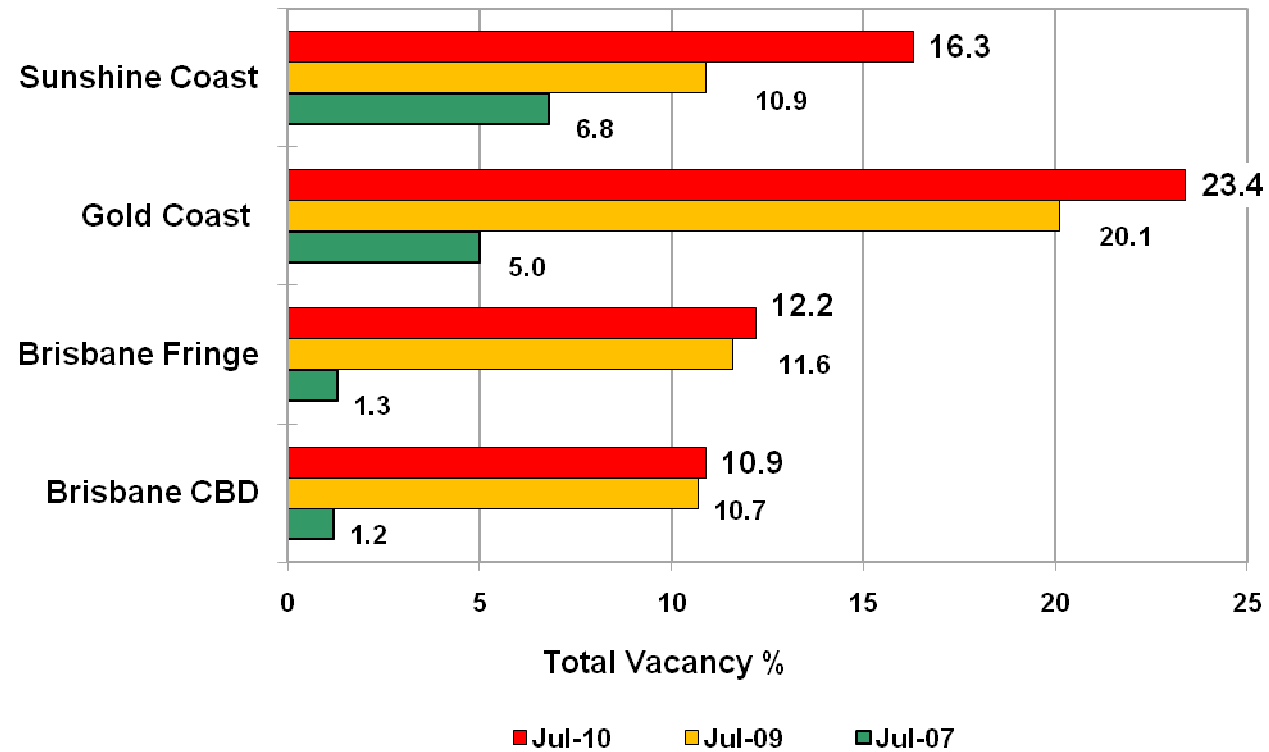
2010

- Major Banks to varying degrees
- Only 2 to 3 Second Tier Lenders (but movement happening)



Source: Ashe Morgan Winthrop

Office Market Vacancies



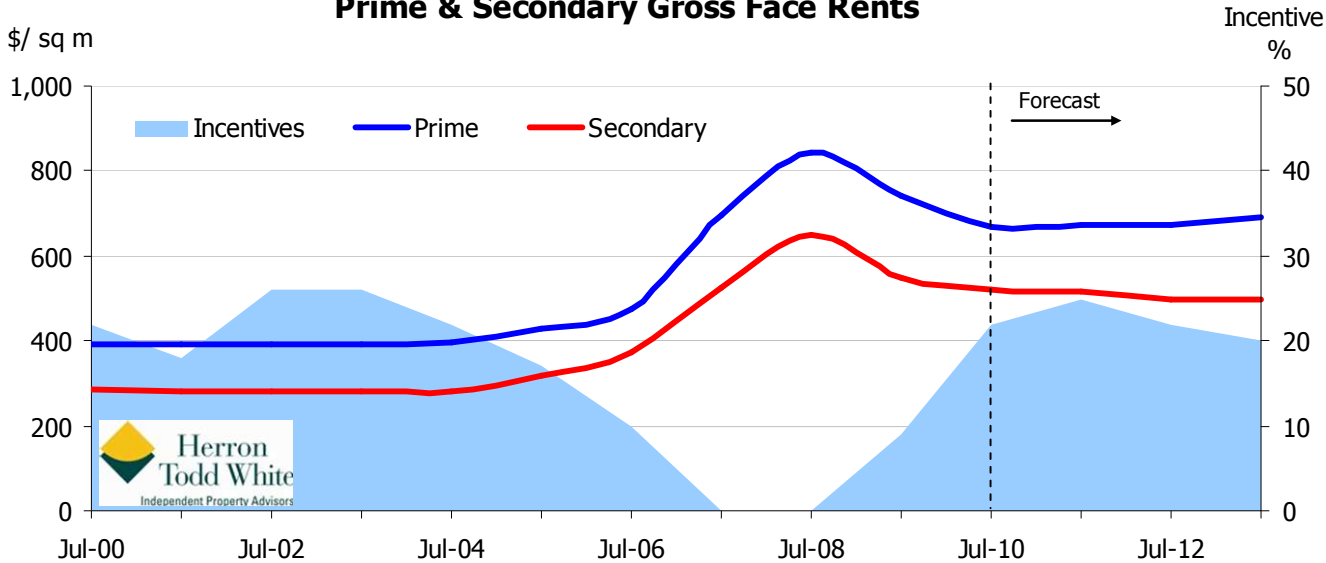
Source: PCA

Brisbane... Signs of Life!

- Very good net absorption over the past 12 months but 129,000m² of new CBD supply still to hit.
- Vacancies are lower than forecast in both CBD and Fringe.
- There is a move to quality space. Secondary vacancies are increasing.
- Strong forecasts for white collar employment.
- Probably 3-4 years before new CBD office development is in the frame.

Brisbane Rents

**Brisbane CBD
Prime & Secondary Gross Face Rents**

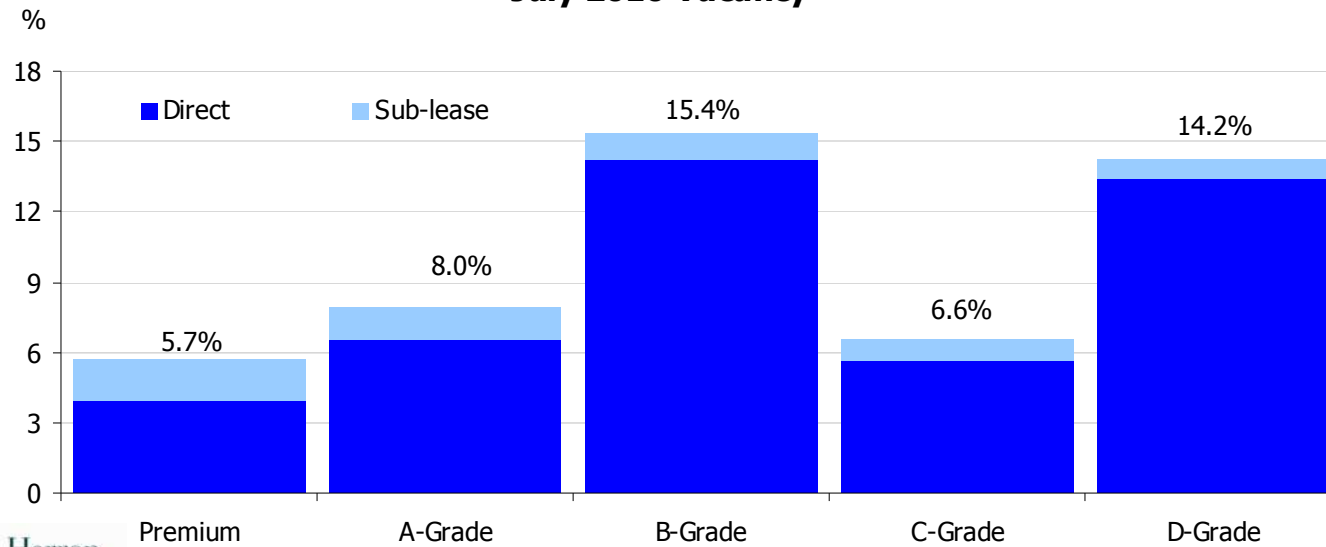


Source: Herron Todd White Research

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Vacancy Analysis

**Brisbane CBD
July 2010 Vacancy**



Sunshine Coast - Severe Pain

- Low levels of demand.
- 16,000m² of new supply shortly to be completed.
- Thinly traded market vulnerable to new supply additions.

Gold Coast – Intensive Care!

- There is 7-10 years supply of commercial stock. We are unlikely to see new development for many years.
- There is a significant quantity of distressed stock (eg Southport Central) Prices have dropped from circa \$4,500/m² to \$2,500/m².
- There have been virtually no commercial sales >\$10m this year!
- Development Sites are disastrous unless they have alternate use capability.

Office Indicators 2010

	Brisbane	Gold Coast	Sunshine Coast
Gross Face Rents			
pm² pa			
CBD	\$650 - \$850	\$300 - \$425	\$350-\$425
Near City A Grade	\$440 - \$500	\$250 - \$300	\$250-\$300
Fringe Secondary	\$300 - \$400		
Yields			
Prime	7.50% - 8.50%	7.50% - 8.50%	7.50% - 8.00%
Secondary	8.50% - 9.50%	8.00% - 9.25%	8.00% - 8.50%
Other	9.50% plus	8.50% plus	8.50% plus
Sales Analysis Rate/m²			
Prime	\$4,500 - \$6,500	\$3,500 - \$5,000	\$4,000 - \$5,000
Secondary	\$3,000 - \$4,000	\$2,000 - \$3,000	\$3,250 - \$3,750
Land Rate/m²			
Prime	\$1,000 plus	\$1,000 plus	\$1,000
Secondary	\$300 - \$600	\$400 - \$600	\$400-\$600

Source: HTW

3 Sherwood Road, Toowong

- Sale Date: September 2010
- Sale Price: \$5,700,000
- Lettable Area: 797 m²
- 100% leased to ANZ Bank
- 5 years to run on the lease with two 5 year options
- Passing Initial Yield: 8.27%
- Analysed Yield: 8.27%
- Rate/m²: \$7,152/m²





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- Sale Date: August 2010
- Sale Price: \$4,275,000
- Analysed Yield: 8.74%
- Initial Yield: 10.21%
- Rate/m²: \$3,200/m²
- Net Lettable Area: 1,336 m²
- WALE of 1.487 years
- Annual reviews 4%
- Lake views

235 Varsity Pde, Varsity Lakes



- Open parking 49 cars
- 100% leased to café, developer, professional services, government

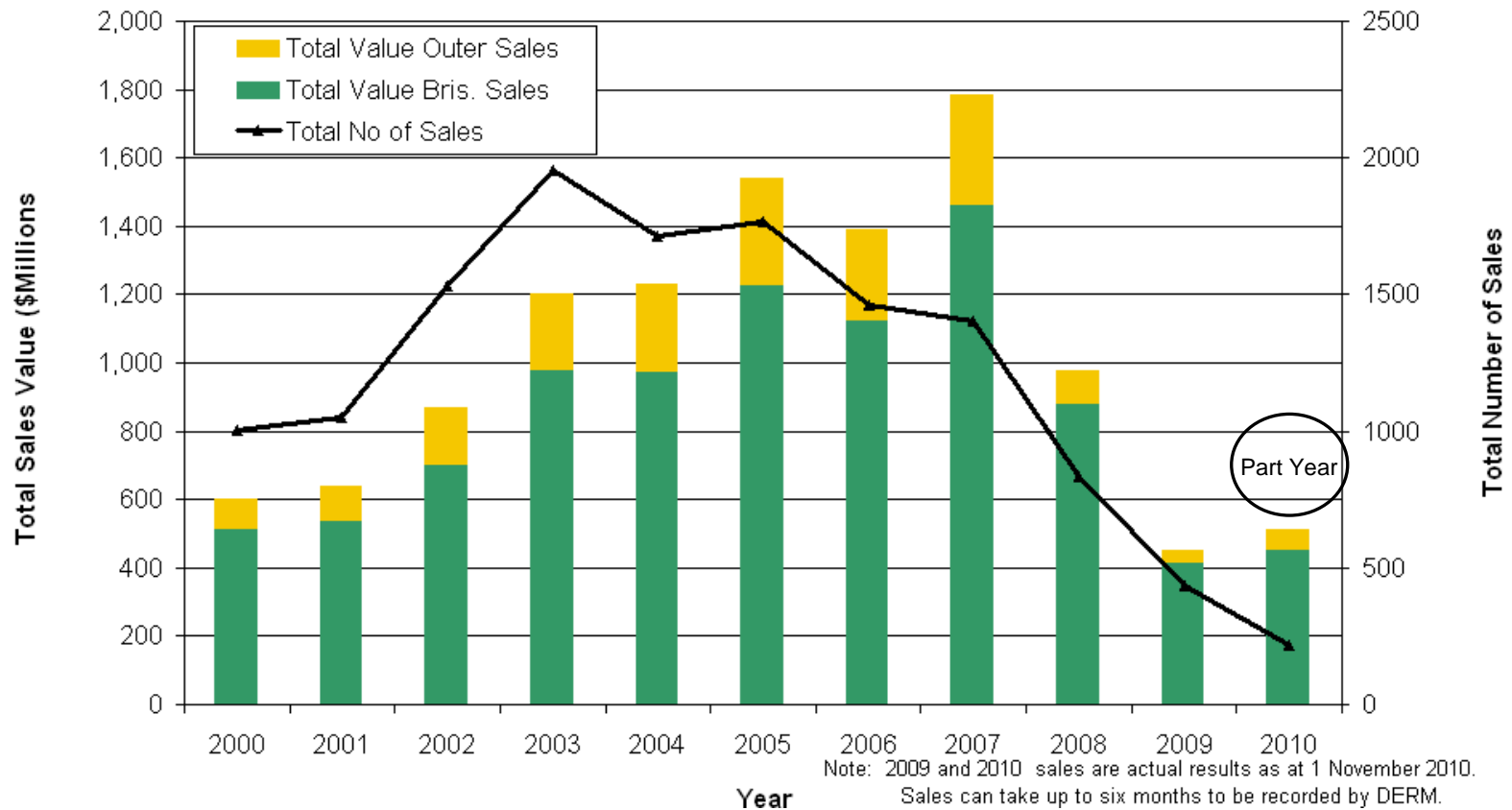
31 Brisbane Road, Mooloolaba

- Sale Date: 5 February 2010
- Sale Price: \$3,700,000
- Analysed Yield: 6.89%
- Rate/m²: \$5,648/m²
- Building Area: 666m²
- Sold on Lease Back
- 4 + 4 Year Lease
- Single Tenant



Industrial – Brisbane and Surrounds

**Brisbane and Outer LA's Industrial No. of Sales
and Value of Sales 2000-2010***





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Brisbane...slight improvement

- Brisbane markets are slowly recovering. Good land sales in Citiswich, Brendale, Larapinta but overall volumes are low.
-
- Values are stabilising but development requires precommitment.
- Still predominantly an owner occupier market with no speculative activity.
- Yatala still extremely tough. Too much speculation and high land supply.
- Still significant second hand vacancy in some areas. Rents have declined

Gold Coast Industrial

- Gold Coast land market is probably stable due to limited overall levels of supply (excluding Yatala).
- Strong owner occupier influence and properties are saleable at low value levels.

Sunshine Coast Industrial

- Land markets are oversupplied.
- Values have come back and demand is very low.
- Investment stock saleable sub \$2m.
- Owner occupier demand sub \$1m.

Industrial 2010

	Brisbane	Gold Coast	Sunshine Coast
Rents pm² pa			
Prime	\$120	\$140	\$120
Secondary	\$95	\$110	\$100
Yields			
Prime	7.75% - 8.50%	7.50% - 8.50%	8.00% - 8.50%
Secondary	8.75% - 9.50%	8.00% - 9.50%	8.50% - 9.00%
Other	9.50% plus	9.00% plus	9.00% plus
Sale Analysis Rate/m²			
Prime	\$1,300 - \$1,700	\$1,600 - \$2,000	\$1,400 - \$1,800
Secondary	\$800 - \$1,200	\$1,000 - \$1,400	\$1,000 - \$1,400
Land Rate/m²			
Prime	\$250 - \$400	\$300 - \$425	\$250 - \$350
Secondary	\$150 - \$250	\$300	\$220

Source: HTW

30 Depot Street, Banyo

- Sale Date: September 2010
- Sale Price: \$3,900,000
- Lettable Area: 2,294 m²
- 100% leased to one tenant
- 4.96 years to run on the lease with a 5 year option
- Passing Initial Yield: 7.92%
- Analysed Yield: 7.92%
- Rate/m²: \$1,700/m²



26 Enterprise Street, Caloundra West

- Sale Date: 20 September 2010
- Sale Price: \$3,700,000
- Analysed Notional Yield: 7.13%
- Rate/m²: \$1,206/m²
- Building Area: 3,071 m²
- Previously sold for \$4,125,000 in 2008



- Extensive hardstand
- Sold to local owner occupier

Retail Highlights

- Low volume of transactions. Good properties are tightly held.
- Low value properties are saleable. Yields are value driven.
- Vacancies are increasing, and tenants are doing it tough. Rent growth is unlikely for a while.
- Bulky goods still very soft.
- Good demand for value add centres.

Retail 2010

	Brisbane	Gold Coast	Sunshine Coast
Rents pm² pa			
Prime Mall	\$3000-\$5500	\$1,250 - \$4,500	\$1,500 -\$3,000
Secondary	\$200 - \$500	\$300 - \$600	\$400
Yields			
Prime	7.50% - 8.50%	7.00% - 8.00%	6.75% - 7.50%
Secondary	8.50% - 9.50%	8.50% - 9.25%	8.00% -9.00%
Other	9.50% plus	9.00% plus	8.50% plus
Sale Analysis Rate/m²			
Prime	\$6,000 - \$12,000	\$10,000 - \$20,000	\$10,000 - \$25,000
Secondary	\$2,500 - \$5,000	\$3,000 - \$5,000	\$3,500 - \$5,000
Land Rate/m²			
Prime	\$1,000 plus	\$2,000 plus	-
Secondary	\$300 - \$600	\$400 - \$600	-

Source: HTW



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110 Mountain View Av, Miami

- Sale Date: April 2010
- Sale Price: \$5,300,000
- Analysed Yield: 8.35%
- Initial Yield: 9.12%
- Rate/m²: \$3,354/m²
- Net Lettable Area: 1,580 m²
- WALE of 2.204 years
- Annual reviews mostly CPI
- Older convenience centre
- Open parking 80 cars
- 100% leased to SPAR supermarket, 14 shops & service station





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- Sale Date: October 2010
- Sale Price: \$3,400,000
- Analysed Yield: 6.45%
- Initial Yield: 6.45%
- Rate/m²: \$4,474 /m²
- Gross Floor Area: 760 m²
- WALE of 5.92 years
- Annual reviews CPI
- Totally refurbished showroom

58 Bundall Rd, Bundall



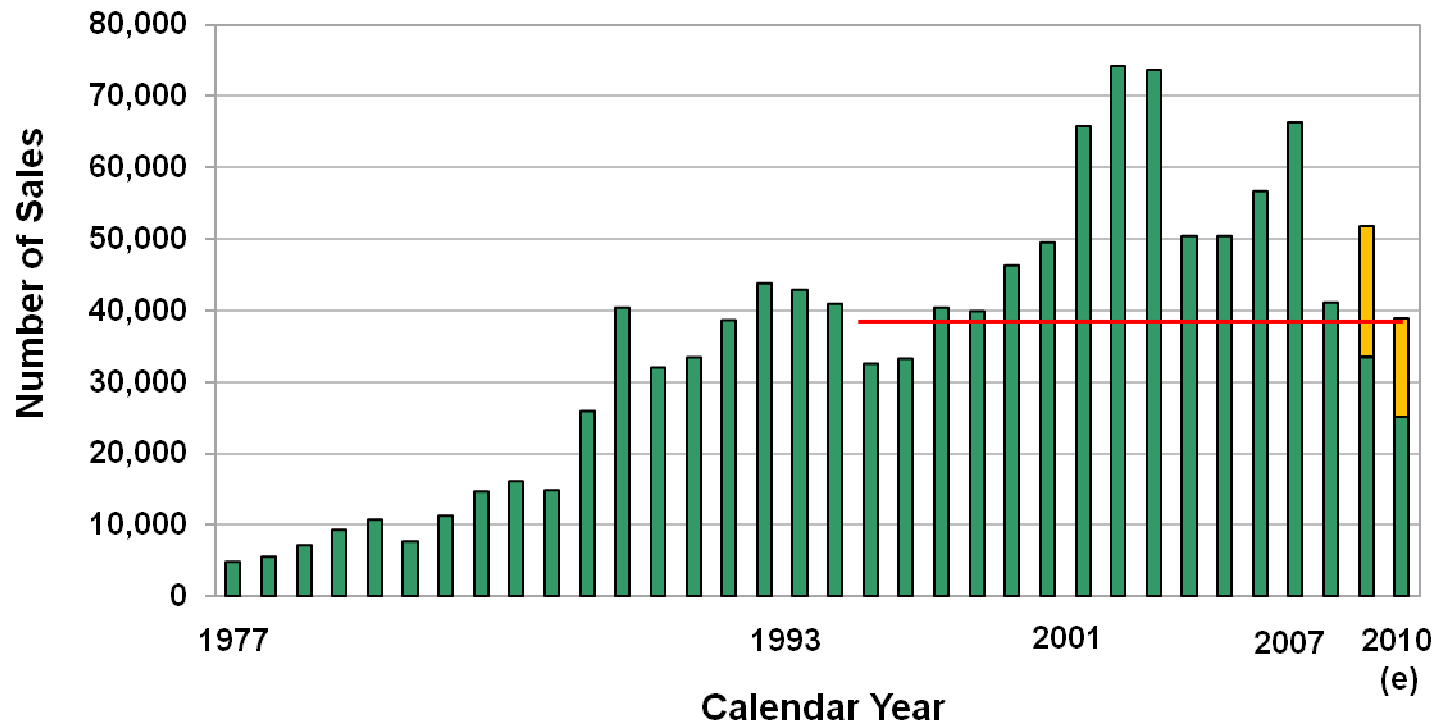
- Open parking 19 cars
- Leaseback for 6+6 yrs to interior design/furniture package business

RESIDENTIAL MARKETS

Gavin Hulcombe

Director

SEQ House Sales



(e) = estimate

Source: RP Data & HTW

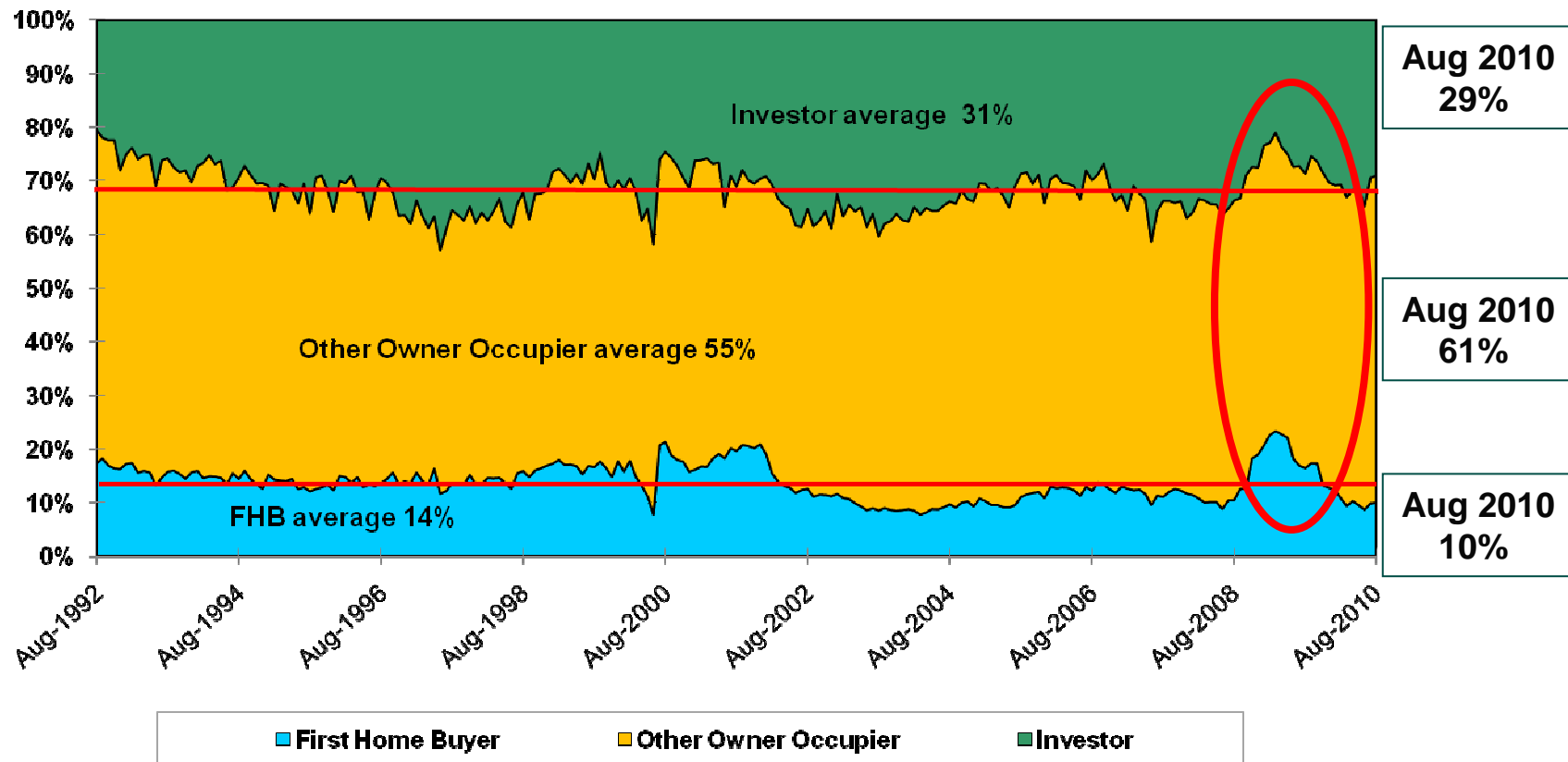
SEQ Houses Median Price

Median Prices 2010 to date

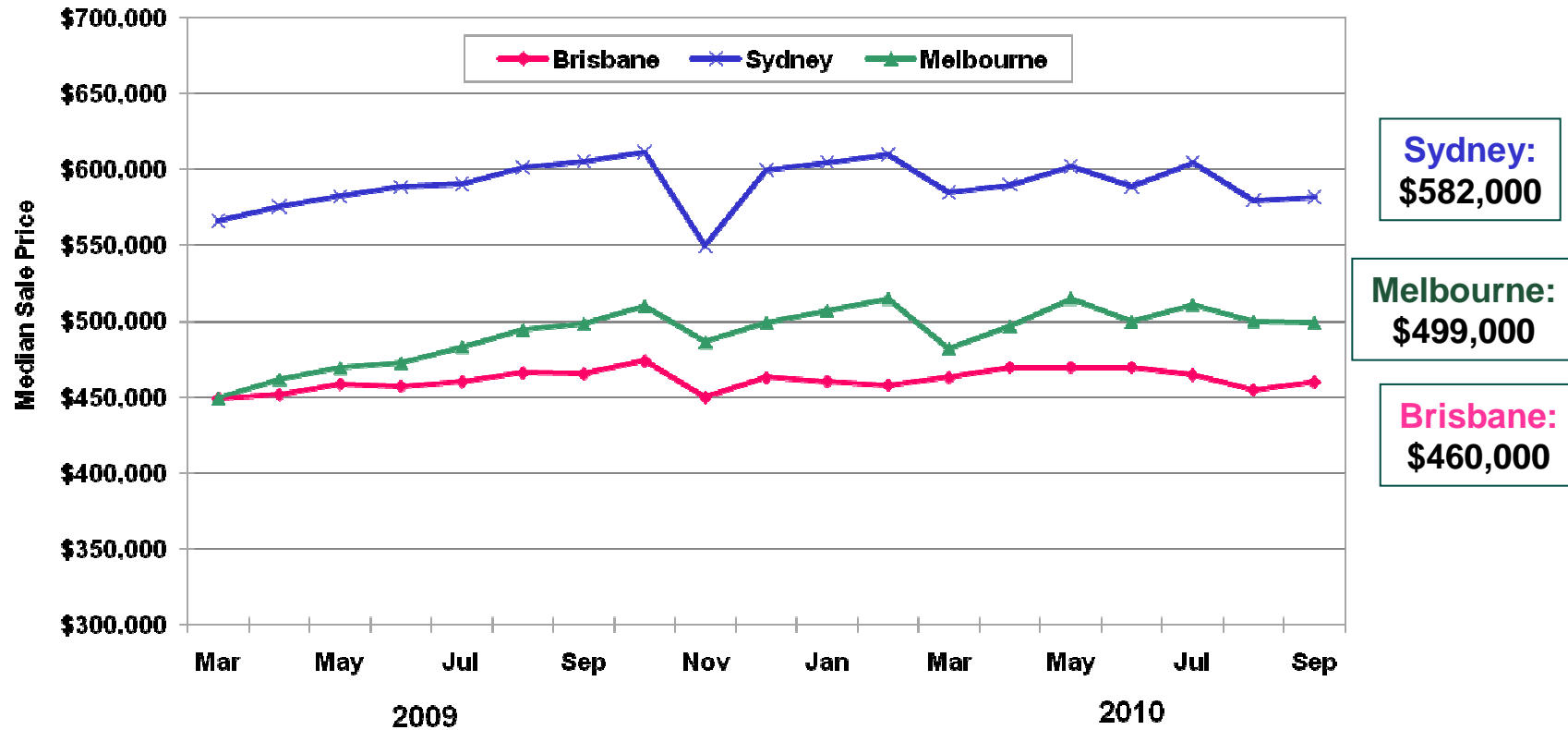


Source: RP Data & HTW

Buyer Profile



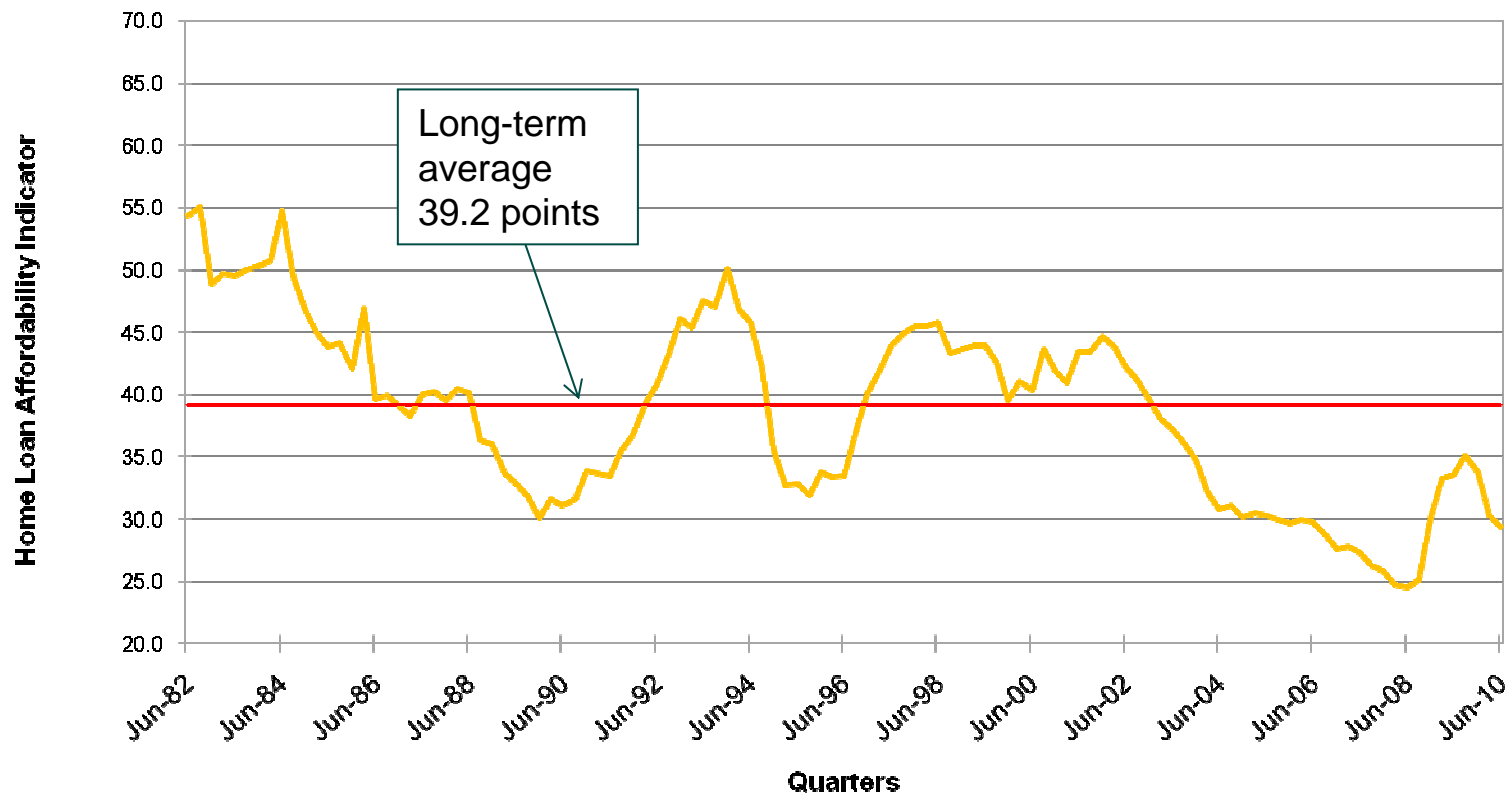
Comparative House Prices



Source: RP Data-Rismark Hedonic Index

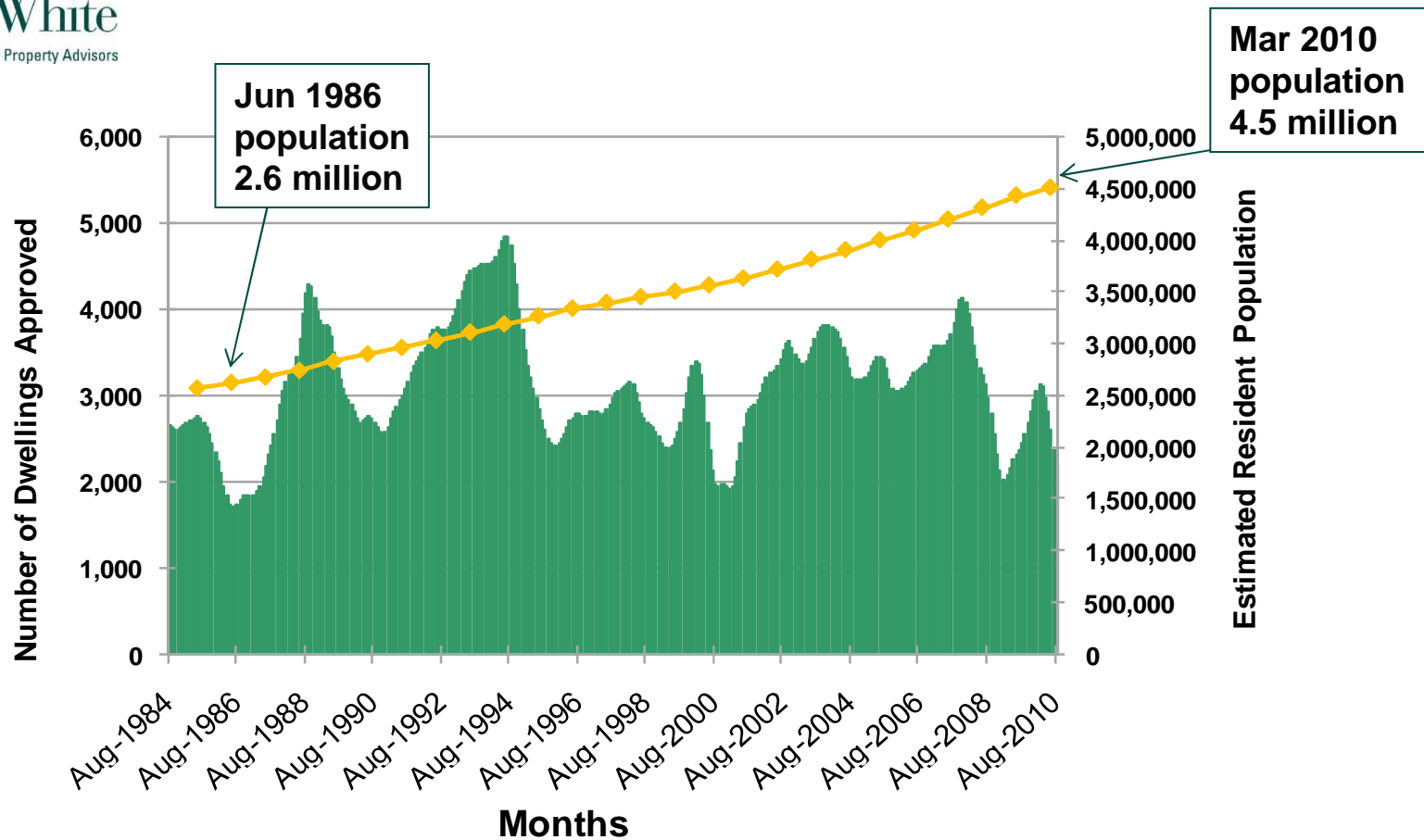
Qld Housing Affordability

Rising interest rates impact on affordability – national indicator fell by 16.2% from Sept Qtr 2009
 Qld affordability declined by 16.5% over this period



Source: REIA

Qld Population & Building Approvals

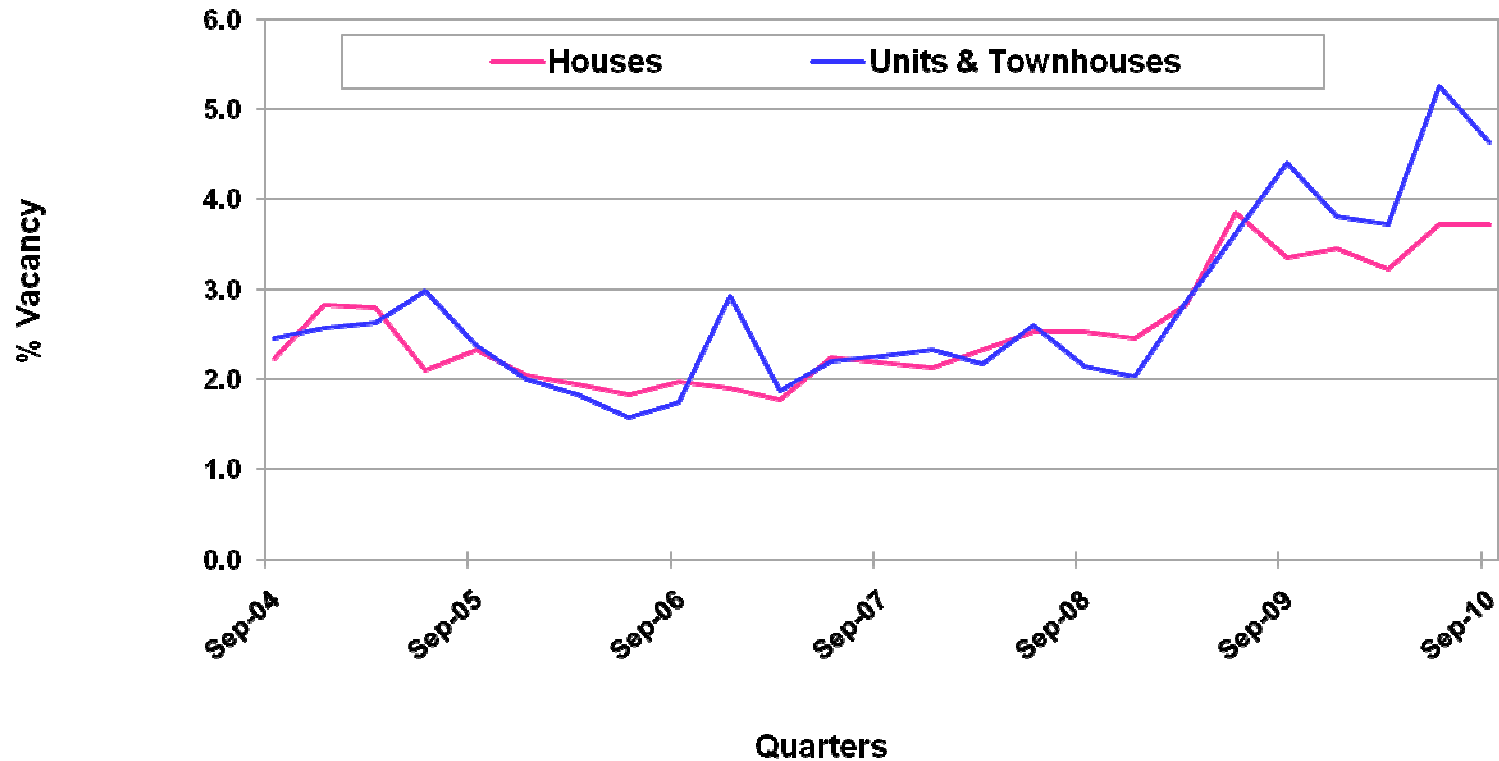


Source: ABS & HTW



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SEQ Residential Vacancy

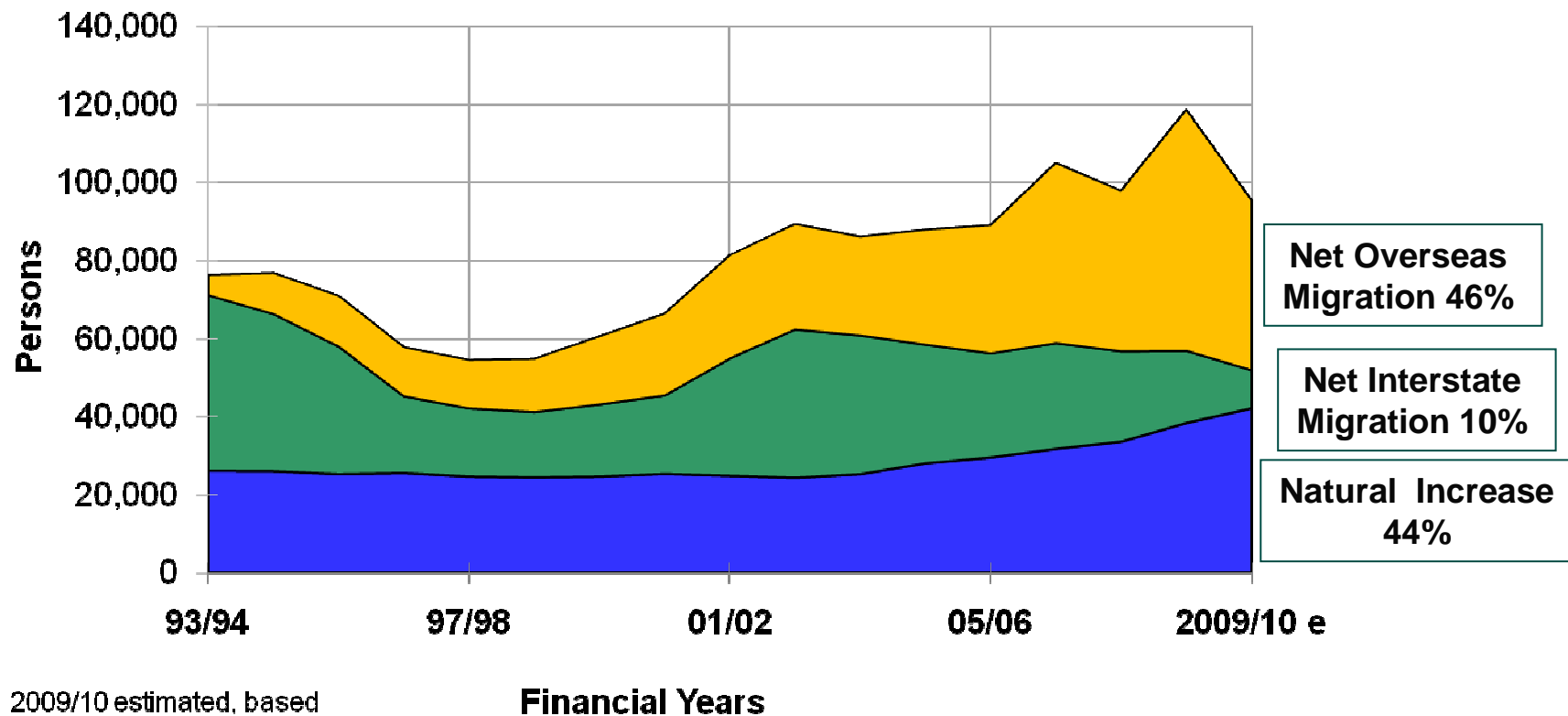




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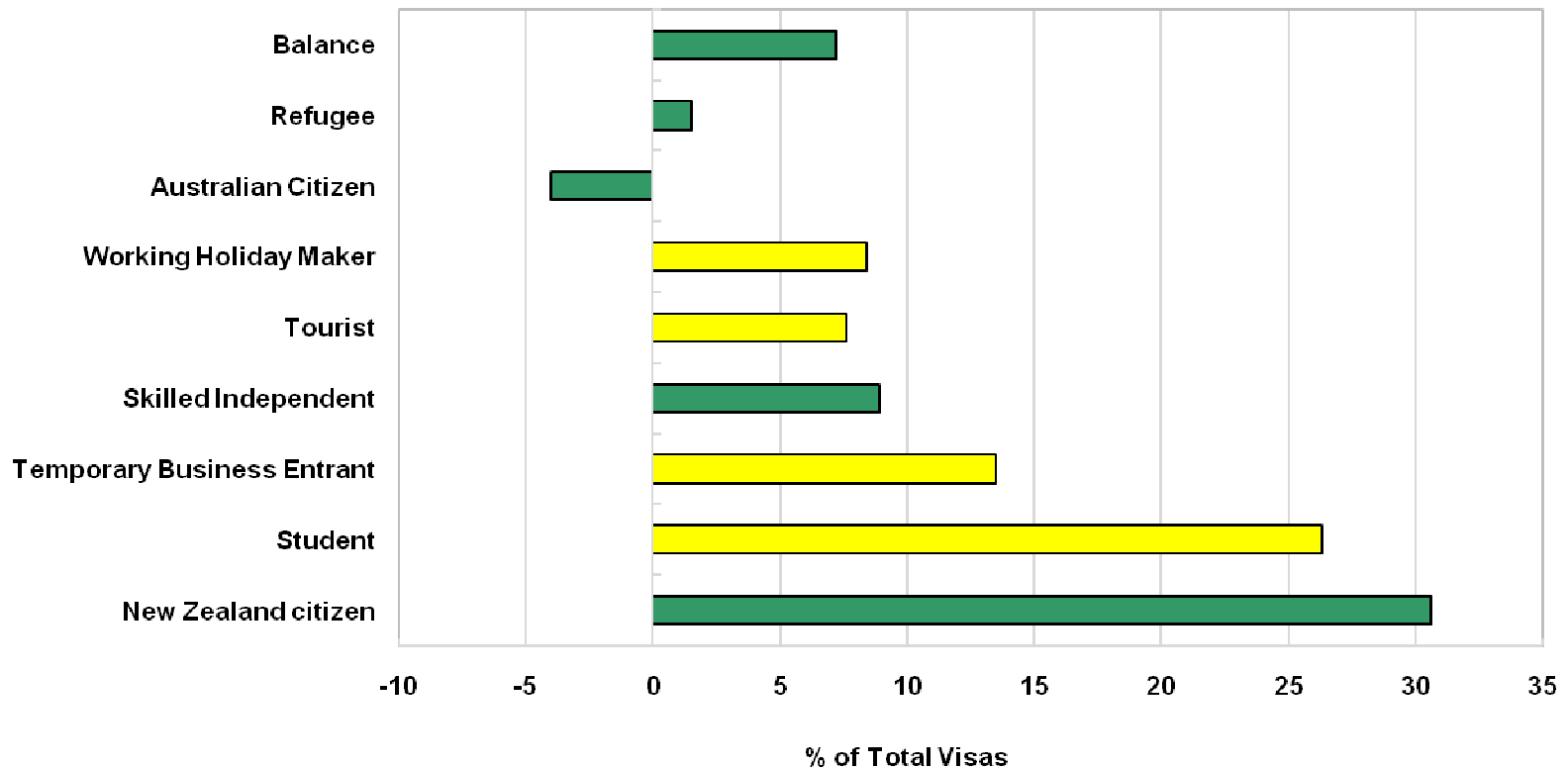
Qld Components of Growth



Source: ABS

Net Overseas Migration to QLD

Net overseas migrants to QLD in 2007/08 54,050



Source: OESR

Market Movements Since January 2010

Brisbane	Price Movement
0 – 2K	=
2 – 4K	=
4 – 10K	- 0 – 5%
10 – 20K	- 5%
20K and over	- 10%



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Apartment Projects

Brisbane

Limited larger projects, but increasing.

Gold Coast

Greater supply.

Large projects coming up for settlement.

Sunshine Coast

Significant supply of completed, unsold stock in Noosa.



Apartment Englobo Market

Recent Site Sales	Sale price	Resale	Price Movement (as a %)
Paradise Island Resort	\$61,000,000 (June 2004)	\$41,000,000 (June 2010)	- 33%
Chevron Island	\$8,000,000 (Feb 2008)	\$4,700,000 (April 2010)	- 41%
Chevron Island	\$6,863,200 (Jun 07 -> Mar 08)	\$3,000,000 (April 2010)	- 56%
Labrador	\$13,500,000 (January 2007)	\$6,600,000 (June 2010)	- 51%

Subdivision Sale Rates

Project	Sales/month	Median Price
Springfield Lakes	2009 - 35 2010 (ytd) - 17	\$169,000 \$179,000
North Lakes	2009 - 61 2010 (ytd) - 27	\$206,500 \$202,000
Freshwater Estate (Griffin)	2009 - 16 2010 (ytd) - 8	\$194,000 \$206,250
Brookwater	2009 - 2 2010 (ytd) - 0.4	\$321,200 \$450,000
Pacific Harbour - Banksia Beach	2009 - 6 2010 (ytd) - 3	\$460,000 \$458,000

Source: RP Data

Housing/Apartment Markets

- Fringe housing to remain soft/vulnerable to interest rate movements.
- Housing <\$500,000 within 10km of city/coast to remain strong.
- Prestige housing to remain location specific.
- The market will continue to offer smaller lots/smaller houses.

N.B. Baring an unexpected major economic influences

Englobo Land

- Rational buyers will prevail.
- Some hurt in fringe markets to come.
- Prime approved sites will continue to improve.
- Consolidation towards large master planned estates to continue.

Apartment Englobo Land

- Small infill sites to remain strong.
- Demand for well located medium rise sites will improve.
- Supply of suburban medium rise will increase.
- Builder developers likely to dominate the market.
- Large sites on both coasts likely to remain under pressure.

Conclusion

- Some supply to work through on parts of the both coasts
- Back to fundamentals
- Separation between prime and secondary property will remain
- Brisbane Supply and Demand largely in balance
- Recognising managing approval risk is critical
- A good platform is in place

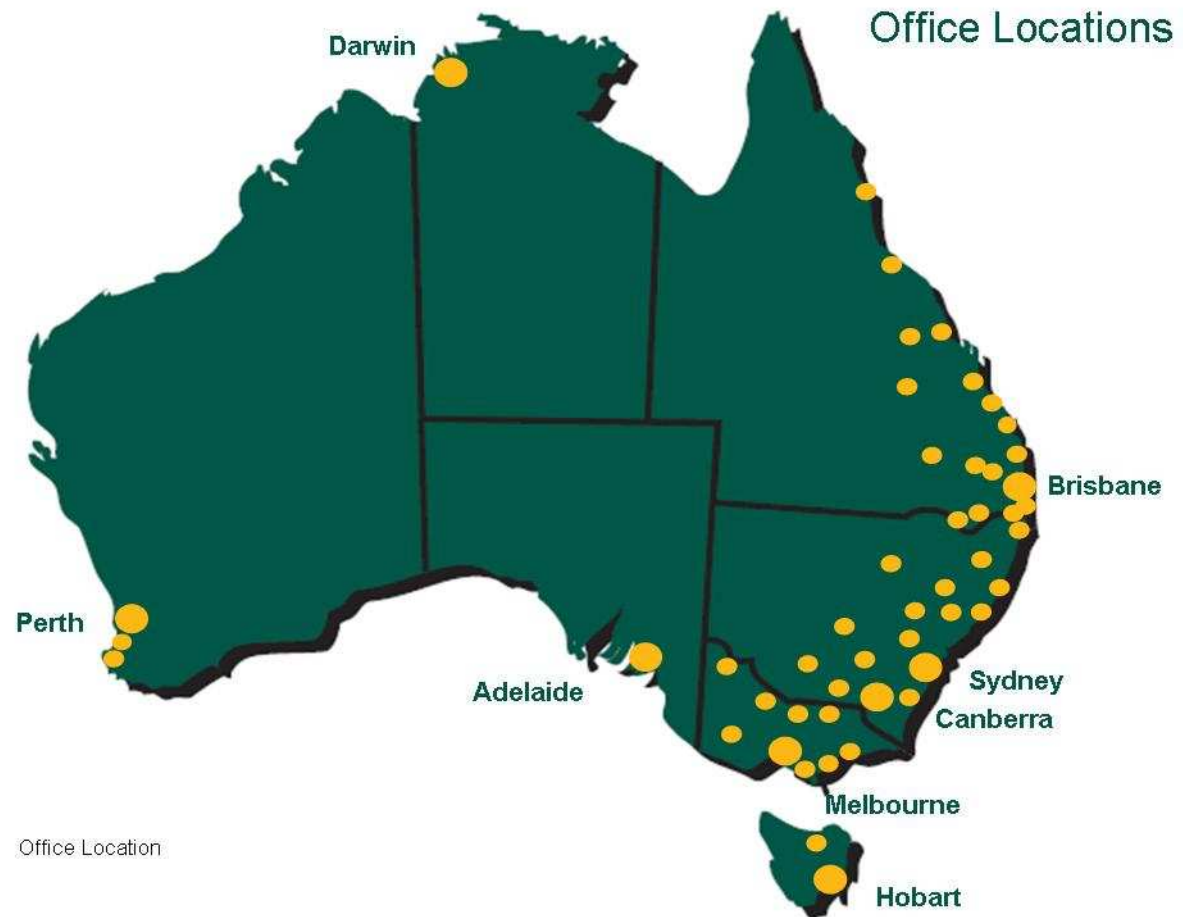
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Thank you



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Questions ?

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