

The month in *review*

JULY

2010



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Contents

	Page	Topic
	3	Feature - A Lazy Half Million 2010
	4 - 15	Commercial – Industrial
	16 - 32	Residential
	33	Contacts
	34 - 39	Rural
	40 - 56	Market Indicators

Peace of mind for your property decisions.



A Lazy Half Million 2010

There was a time not so many years ago when we began to think the annual 'Lazy Half Mill' issue of the Month In Review was threatened with extinction. It was being hunted down by an aggressively rising market, with the end result heading towards a trophy hung above the hypothetical fireplace mantle of cashed up buyers. These same ruthless collectors of bricks and mortar were no doubt planning to, some decades into the future, gaze upon their prize property and lament to their offspring "Back in my day, you could get yourself a nice inner city flat for the same price as that chocolate milkshake (hold the malt) you are now guzzling!". The kids would have, of course, ignored them as they hardwired their iPod implants into another episode of the highly successful 'Celebrity Master Subcontractor'. copyright K Clair Productions

It seems times change like PM's. When the roaring markets of 2002 to 2007 looked set to relegate \$500,000 dollars to an 'also ran' in property, someone put on the brakes with the subtlety of a pick-axe and, low and behold, the dough is now a force of buying power. Best of all for buyers in some settings, its power looks likely to grow... of course for sellers this can be kryptonite.

Despite this sweeping Marvel based generalisation, there are sectors and areas that continue to perform like a World Cup hero milking a dubious foul. The key appears to be a run to quality and a comforting hug from the fundamentals – stay away from scary secondary locations and positions as these are the first hurt if times are tough.

The good folk here at HTW have put their clever socks on and taken a walk in the shoes of a proverbially cashed up buyer set to splurge their spare change on a nice little bit of Australia. The refreshing results of our enquiries prove some imaginative thinking beyond the usual "unit vs. house" musings. Amongst suggestions contained within, you will find guidance towards affordable flats, land banks and relaxed rural lifestyle blocks – each and every one competing to woo you away from that lazy half mill.

This month for the commercially inclined, we have sought and found some of the most salient national advice on the direction of this country's industrial markets. Our people are, frankly, brilliant and have gathered a collective wisdom unparalleled in modern publications to provide you with a hot inside running on how industrial property performs... and best of all its free to the first 12,000 or so readers to check out this month's edition.

Finally, have you ever thought that you are just frankly parting with far too much tax to the government. Ever considered that you might know a better more entertaining way to spend your money beyond upgrading roads and keeping services connected? Well we couldn't let the end of financial year pass without reminding you that there are some pretty impressive dollars to be made by making sure you get a tax depreciation schedule completed on your investment property. We have been providing this service for many years now and in the vast majority of cases the refund advantage well and truly exceeds the cost of the service. As the late Kerry Francis Bullmore Packer once said:

"Of course I am minimising my tax. And if anybody in this country doesn't minimise their tax, they want their heads read, because as a government, I can tell you you're not spending it that well that we should be donating extra!"

So be your own media magnate and give us a bell.

Enough hard sell, enjoy this months MIR and Happy New Year to one and all.

Kieran Clair
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1 July 2010

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Commercial Overview

In most of our previous publications we have endeavored to present a commercial theme for our submissions. It often provides a link between markets across the country because the contemporary investor is no longer tethered to his local stomping ground when looking to put some money into commercial property. Over the next few months we are looking to head away from tying our contributors down and instead give them carte blanche to tell you straight just how their markets are performing. This month, each of the offices have looked at their local industrial sector and gauged its success. The results are the expected mixed bag although it's good to note that more than a few areas are in the throes of bottoming out. For these locations, the potential upside means there may well be some good long term buys available over the coming year.



Sydney

Industrial property market conditions are significantly softer now from the highs of 2007-08. Our research indicates that buyers remain much more conservative and cautious than before, enquiry remains at significantly reduced levels, and investors maintain hardened views on yields, though confidence is slowly returning to the market.

The South Sydney industrial market has seen value levels fall and activity decrease since mid to late 2008. However relatively speaking, activity has been stronger than other industrial sectors throughout Sydney with private investors and speculators seeing the long term potential in becoming buyers and institutions becoming sellers. This is a role reversal from the previous few years.

Net face rents are stable and range between \$120 to \$180 per sqm per annum for prime grade and \$105 to \$135 per sqm per annum for secondary grade stock. Industrial yields in South Sydney have eased to a current range

of 8% to 8.75% for prime grade stock. Incentive levels currently range between 8% and 10% of the initial lease term.

The Western Sydney industrial market, like all Sydney industrial markets, has seen a reduction in demand, reduction in capital values, softening of yields, and increase in supply resulting in an overall decline in values since the GFC. The leasing market has also seen a decline in rental returns. Land values have declined in the order of 20% to 30%.

There is currently an oversupply of industrial premises in Western Sydney and an appropriate yield range between 8% to 10%.

The Southwest Sydney industrial market saw similar impact from the GFC as greater western Sydney industrial. The leasing market has seen a decline in rental returns. Land values have declined in the order of 20% to 30%. However over the first half of 2010 we have started to see yield stabilise and capital values recover marginally.

This can be attributed to significant infrastructure in the region particularly the M5 Motorway, which links directly to Sydney Airport, Port Botany and Canberra/Melbourne and the M7 Motorway that can link to Sydney's north.

Net face rents for the prime south west industrial property are currently sitting between \$95 to \$110 per sqm, while secondary rentals are placed at between \$70 and \$80 per sqm. Yields currently range between 8% and 9% for prime industrial property while secondary property ranges between 8.5% and 10%.

Ongoing enhancements to Sydney's freeway network will continue to drive demand over the medium term for Western Sydney Industrial property. These enhancements include the widening of the M5 between Prestons and Macquarie Fields, currently underway that will ease congestion in the south-western corridor. Industrial areas in Ingleburn and Smeaton Grange will also benefit.

Finally the northern Sydney Industrial Markets have seen value levels fall and activity decrease since mid to late 2008. Generally, owner-occupiers have been more active

than investors, spurred on by the previous fall in interest rates. Gross face rents are variable and range between \$140 to \$220 per sqm per annum for newer industrial strata stock.

Investment yields for industrial property in Sydney's north range between 8% and 8.75% for prime stock, to between 8.5% and 10% for secondary stock.

Looking forward, demand for industrial space will likely remain subdued during 2010.



Canberra

The Fyshwick market remains the most popular of the three industrial areas in Canberra. The area has found significance in the past 10 years as the most profitable location for the sale of bulky goods items. This change created a bubble of growth within the market with more users entering the market including the likes of the Good Guys, Domayne, Wow Sight and Sound and Bing Lee. These tenants also attracted smaller businesses to co-locate. These businesses are now well established and have settled within their position in the market. Further competition has been found in the EpiCentre Estate that has been trading from some 18 months. The centre provides retail sales including bulky goods and has included the relocation of a number of businesses including Snooze and Freedom Furniture from the heart of Fyshwick.

Further releases within the precinct have included uses such as motor vehicle sales and light industry. We are aware that recent purchasers of these sites are intending to change those uses from motor vehicle sales and light industry to bulky goods retail use. Further retail in the EpiCentre Estate will in all likelihood have an impact on Fyshwick. At this stage what impact on existing buildings in Fyshwick is uncertain as it's difficult to determine the extent of existing businesses taking space at the EpiCentre Estate and the overall effect this will have on retail in Fyshwick.

A site sold by the LDA in early 2008 on the corner of Ipswich and Newcastle Streets has commenced construction with the Canberra Motorcycle Centre and Capital Subaru agreeing to lease terms. The site has excellent visibility and prominence offering the tenants modern showrooms and also consolidation of all aspects of their businesses under the one roof. The buildings are expected to be completed by December 2010.

The current market for vacant land is slow with both limited buyer demand and tenant enquiry. The current economic downturn has reduced activity in many of the commercial markets including that of the subject.

This retail emphasis in turn affected the traditional industrial market, where a number of tenants left the Fyshwick area in favour of the cheaper Queanbeyan and Hume industrial areas. Businesses that remained have been subject to growing rentals and the emergence of a two tier market for new stock. The two tier market is generally attributed to the increasing cost of construction and the increases in the costs of land.

A number of sites have been sold recently in the EpiCentre Precinct with wide purpose clauses, allowing a greater diversity of uses. The last auction of sites at the EpiCentre Precinct was March 2010, with only one of the five sites offered selling post auction at sub \$300 per sqm of GFA.

Overall the Fyshwick market is still viewed as the healthiest of Canberra's industrial areas providing a mixture of small, medium and large industrial and bulky goods use space.



Central, North & West NSW

DUBBO

The Dubbo industrial property market has seen limited activity over the past 18 months. Supply levels remain above demand and as such values for most segments are soft. Rental levels have also come under some minor downward pressure.

Due to the lack of growth within the industrial sector over the past 12 months, there has been limited demand for new industrial space.

The industrial market is dominated by the owner occupiers and as business conditions remain relatively tough, demand for industrial property remains low, resulting in some downward pressure on values, particularly for vacant industrial land.

Yields have risen by approximately 0.5% to 1% over the past 12 months with a good general range of 9% to 11%, although lower yields can be achieved for securely national leased properties or low lump sum value properties.

....due to the lack of growth within the industrial sector over the past 12 months, there has been limited demand for new industrial space...

There remains a reasonably good supply of developed industrial land on the market and due to there being high levels of supply, values should remain soft in the short term. The secondary industrial market is being underpinned by the comparative high cost to construct new premises.

TAMWORTH

In Tamworth, demand for industrial premises relies upon both owner occupiers and investors with a slight dominance towards owner occupiers. These are a mix of industrial business servicing the regional population as well as the agricultural industry and a growing mining sector. Demand for industrial property in general has slowed and the outlook is steady, however value levels appear to be holding for better quality property, particularly in Taminda. Values for secondary industrial property are under some downward pressure.

A recent sale of an industrial property by an owner occupier for \$2 million in Taminda is an indication that values are holding, particularly for the more desirable industrial property close to the CBD and transports corridors.

Yields for securely leased industrial property range from 8.5% to 10%. Land value rates vary due to location but can range from \$50 per sqm to slightly above \$100 per sqm.

BATHURST

The Bathurst industrial property market has seen a decrease in activity over the past 12 months with supply levels relatively high and demand for new industrial space limited. As such values levels for most components, including rentals, have also come under some minor downward pressure.

The limited number of sales and lack of enquiries in 2009 was indicating values, particularly for vacant land, were under downward pressure. The local council, who are the major industrial land developer in the city, has recently reduced land rates to stimulate activity with a number of sales occurring after a period of limited sales activity.

....with values at their current levels there is opportunity to buy in the current market with the potential to achieve a good capital gain in the medium to longer term....

Industrial land values are now generally range from \$40 to \$60 per sqm with lots on highway corridors attracting a premium above this range. This is a reduction on values achieved in recent years. Yields are in line with most regional inland centres ranging for 8% to 10%.

The fundamentals for industrial property in Bathurst remains relatively positive over the medium to longer term due to a growing population, improved transport infrastructure and close proximity to Sydney. With values at their current levels there is opportunity to buy in the current market with the potential to achieve a good capital gain in the medium to longer term.

ORANGE

The Orange Industrial market has improved over the past six months with an increase in leasing and vacant land purchases. This has been the result of an improvement in the mining industry, which has a strong influence on

industrial activity in Orange. The lack of improved sales is more a result of limited supply rather than demand related issues. It remains to be seen what impact the Labor Government's mining tax will play, but we have no doubt that any adverse impact upon mining will impact on industrial activity in Orange.

The Cadia East Gold mine expansion has been approved and construction will continue over the next couple of years. There are reports that some 444 additional jobs will be created by 2012 which will continue to underpin the local economy.



Southern NSW & Northern Vic

ALBURY

The industrial market in Albury-Wodonga has been slow during the past year or two, but so has the whole market. Industrial yields have remained steady at 8% to 9% for most properties with rents for a standard workshop with small office ranging from \$40 per sqm to \$80 per sqm, the average for a modern workshop being between \$55 and \$70 per sqm.

WAGGA

The industrial market in Wagga continues to be thinly traded, which has resulted in values remaining static. One industrial property in East Wagga recently changed hands for more than \$1.5 million to an investor which shows that although the market is slow, good buildings with market rents still attract interest when placed on the market. The rental market is also still static with few deals being completed and in the short term we do not see this part of the market improving.

One issue that is likely to cause problems in the Wagga industrial market is the impending changes to the LEP. The Draft LEP is due to be gazetted in the next few months and it has only a small part of the Sturt Highway industrial land ear-marked for bulk goods uses. If you want to develop bulk goods or have a bulk goods use in a building it can only be in a few designated areas. All other highway frontage land will only be able to be developed with traditional industrial buildings and uses. This will cause bulk goods-zoned land, buildings and rent to increase in value as there will only be a limited amount available, and it will cause land, buildings and rents in some areas to fall, as they will not be able to have bulky goods uses any longer. This may mean that in the near future some bulk goods companies may not be able to start up in Wagga due to a lack of available space.

LEETON/GRIFFITH

Industrial markets throughout the MIA have been very quiet with only a handful of sales occurring during the past 12 months. Investment sales have been scarce with the majority of purchasers being existing tenants taking opportunities created by weakened market demand and softer price levels. Analysis of sales assuming market rentals are showing net returns of between 9% and 10.5%. Most sales have been between \$200,000 and \$350,000 with sales in excess of \$500,000 very rare.



Melbourne

Melbourne contains Australia's largest industrial property market. This is due to strong demand from a number of industries and an extensive supply of flat developable land. Industrial property in Melbourne comprises a range of different uses including manufacturing, mechanical, warehousing and distribution centres. Nearly half of Australia's container ship freight is processed through the Port of Melbourne, which creates a strong demand for national warehousing and distribution centres. Melbourne is also home to a number of large industries including; automotive manufacture, food processing, textiles, clothing and footwear, paper and paper products, information technology, telecommunications and aircraft production. Melbourne is also well serviced by modern road infrastructure including; The Western Ring Road, City Link, The Deer Park By Pass, and East Link all providing excellent access to major industrial locations throughout the city.

The Melbourne market is divided into the following geographic regions.

North West: Somerton, Campbellfield, Epping, Thomastown, Broadmeadows, Tullamarine, Footscray, Sunshine, Altona, Deer Park, Laverton North, Derrimut, Brooklyn.

City Fringe: Port Melbourne, West Melbourne, North Melbourne, Richmond, Collingwood, Abbotsford, Brunswick, South Melbourne.

South East: Dandenong, Mulgrave, Braeside, Clayton, Moorabbin, and Rowville, Knoxfield, Scoresby, Bayswater, Croydon, Keysborough, Mt Waverley, Notting Hill.

Some recent activity in the North West region includes a major pre lease by K-Mart at 111 Leakes Road, Laverton

North. The retailer has committed to lease 76,700m² of warehouse space. Australand has purchased the Altona Gardens Industrial Estate for \$30 Million. The fully serviced 35 hectare site will be developed in five stages over a two to three year period. The development provides 65 lots ranging from 3000m² to 15000m². The South East region has recently seen the completion of a pre committed Aldi Distribution Centre at 75 Coleman Road, Dandenong (52,800m²). A recent investment sale in the area was 270 Gaine Road, Dandenong South. This 5,225m² office/warehouse was sold by Colliers after an expression of interest campaign for \$4.65 Million at an initial yield of 8.20%. In the City Fringe an investor has purchased an industrial property at 320 Plummer Street, Port Melbourne for \$5.2 million. The 7,500m² (\$693/m²) site has access to 3 streets and is located next to the new Prohasky Street freeway access. Land values for englobo parcels and serviced lots are averaging around \$165m² in Campbellfield and \$210m² in Dandenong and Laverton North for a standard 2000m² lot.

Land values on City Fringe sites are harder to predict given that some areas including Port Melbourne and Footscray are subject to future residential rezoning. Access to major arterial roads is a major factor in determining industrial land value.

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Suburban Investment yields currently range between 8.00% and 9.50%. South Eastern industrial properties tend to achieve slightly sharper yields than properties in the North West.

Indicators for the industrial market continue to show signs of growth. Container movements at Eastern Seaboard ports increased in the second half of 2009 and volumes have remained strong in 2010. In February 2010 there was 940,000m² of industrial accommodation for lease. In the past two months 200,000m² of the vacant industrial space in has been leased.

As vacancy levels decrease and tenant enquiry rises, prelease activity should increase over the next 12 months. Some upward pressure on existing rents is also expected in the second half of the year. Values reached a trough in late 2009 due to the Global Financial Crisis. They are forecast to record moderate growth in 2010.



Regional Vic

MILDURA

The industrial market in Mildura has recently been quiet with few sales or re-leasings. The growth industry in the region over the last decade has been the transport and logistics industry, and Mildura is geographically central to the six (oops seven) Capital Cities. Yields in the Mildura industrial sector have remained constant over the past 2 years at between 8% and 10%.

There are now at least three proposed large solar power generation projects at planning stage in the region within 30km of Mildura. These projects that could involve many hundreds of million of dollars, create significant employment and help put Mildura on the map as a centre for renewable energy, is heavily dependent on government funding. Should one or more of the projects proceed the service industrial sector is likely to see solid activity which will likely see increased rental and value levels.



Adelaide

In overall terms, the industrial sector is subdued, still finding its feet in the uncertain period following the peak of the Global Financial Crisis (GFC). There is a belief that Australia and indeed South Australia, has fared better than expected an air of optimism pervades in the market generally. This is offset to some degree however by recent interest rate increases and further uncertainty in Europe.

....property owners are boosting incentives in order to entice pre-commitment and jump start development....

A low volume of transactions makes the market difficult to read however it appears that prime yields and rentals have remained relatively steady while these indicators have slipped markedly for properties of lesser quality or in secondary locations.

Tighter bank lending policy has subdued development with a lack of new space becoming available in the short term. The effect of this hiatus in supply is expected to be felt in the medium term when demand returns, pushing up rentals and firming yields. Property owners are boosting incentives in order to entice pre-commitment and jump start development.

It is widely believed that the industrial market bottomed in 2009 and that a recovery of sorts has begun. Recent sales show glimpses of strong yields however there appear to be lingering doubts. Manufacturing industries including General Motors at Elizabeth, were hard hit by the GFC and are finding their feet while the Resource Sector which has underpinned confidence in the state and was expected to lead the recovery, is presently in limbo following the recent announcement of a 'Super Profit' tax.

In summary, the consensus is that the industrial market reached the bottom of the cycle in 2009 and has remained reasonably resilient. Optimism is evident in many forms however recovery is anticipated to be cautious and steady through 2010 and into 2011.



Brisbane

The industrial market has in recent times shown tentative signs of stability in a period that has generally been unstable. As confidence slowly returns to the market, basic property fundamentals such as location become primary price drivers. As a result, greater activity has occurred in the prime industrial Tradecoast precinct that includes the suburbs of Eagle Farm, Pinkenba, Hamilton, Hendra, Murarrie, Morningside, Hemmant, Lytton and Tingalpa. These suburbs are within close proximity to major transport routes including the Gateway Motorway, the Port of Brisbane, Brisbane Domestic and International Airports, the Pacific Motorway and the recently completed Clem7 tunnel.

However, although activity has increased, achievable yields still remain in line with 2009 which reflects investors' continuing reservations about further uncertainty within the market. In the sub \$3 million primary industrial market, achievable yields generally range from 8% to 9%, considering location, access and exposure, property age and condition, lease terms and strength of tenant. Keener yields have been achieved in fringe CBD suburbs due to their underlying land value and long term redevelopment potential. Investment sales in the \$3 million to \$10 million primary industrial market are achieving yields generally from 8.25% to 9.50%, softer for more secondary properties.

Although some positive signs of increased activity have occurred in prime industrial locations, it should be noted that this level of activity has not been generated in the secondary and tertiary industrial precincts. An oversupply of stock is still prevalent within many secondary industrial locations both on the north and south sides of Brisbane after the severe decline in demand experienced throughout 2008 and 2009. This oversupply is however, more contained to the strata unit market with further oversupply to the freestanding market being somewhat protected due to the very limited availability of development funding. As demand stabilises in these locations, we envisage it to take a further 12 to 24 months to take up the current oversupply of industrial stock. There are industrial strata unit complexes approximately 50% vacant in some locations.

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On a positive note, new state and local government infrastructure plans and construction are underway across the area that will aid in market recovery by providing greater access and exposure to secondary areas. Such infrastructure includes the Centenary Highway upgrade and the new Richlands Railway and Bus Station. Yields currently being achieved in secondary industrial locations for sub \$3 million properties range from 8.5% to 9.75%. Again, these yields remain in line with 2009.



Gold Coast & Tweed Coast

GOLD COAST

It's coming to the end of the financial year and there seems to be a little spurt of activity in the industrial marketplace. There has been some buying interest by investors and owner occupiers alike. In the Yatala Enterprise Area, a large modern factory of 2140sqm was reportedly sold for \$3.1 million after lying dormant for more than two years. At the time of writing, it is yet to settle. One or two small strata units may have changed hands but the market for larger units of more than 300sqm remains quiet. Much of the problem is this area has been well documented and is a result of a construction boom several years ago.

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

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

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

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

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

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



Sunshine Coast

The industrial market on the Sunshine Coast has continued to struggle as 2010 unfolds. There is still a high level of vacant land in the region with take up still slow in areas such as Caloundra, Coolum and Yandina. Vacancy rates for buildings have also increased and there is evidence unfolding of rental levels dropping on rental review from local tenants.

So what positives can be gained from the current market?

The first positive is in the three main industrial areas at Warana, Kunda Park and Noosaville not appearing to be as affected as other locations. Vacancies, while increasing have not been as noticeable as other locations and therefore rental levels have not retracted to the same rate. Also there has been some turnover of product in these locations, which indicate that although value levels have softened, they have not dropped by the circa 30% that the land value has in the Coolum area.

Smaller strata units in the Kunda Park location, typically sub \$300,000, are still achieving strong values of over \$2000 per sqm for basic space. This market is appealing to mainly owner occupiers, who although dropping in number, are still active at lower price levels.

There have also been some \$1 million-plus sales in these locations for a mix of investors and owner occupiers. The owner occupier purchasers have been very specific in their wants and if the available building supplies these requirements, then value levels near peak values have been achieved. If vacant buildings have access problems, or are poorly constructed/designed, then the market has heavily discounted this stock.

Investors have been very circumspect in terms of tenant background in purchasing industrial properties. If the tenant is locally based and attached to the construction sector, then investors have typically shied away due to concerns about the longer term viability of the tenant. Larger national type companies on long term leases are being preferred.

Overall the industrial market on the Sunshine Coast is likely to continue showing varying trends, until current supply issues are taken up.





Southern Queensland

TOOWOOMBA

The Toowoomba industrial market remains subdued following a period of high activity and substantial growth in underlying land values and rental rates during the period from 2006 to 2008.

However, the rapid development of the Surat Basin resources province, combined with a recent announcement regarding the much anticipated Charlton-Wellcamp industrial zone has the potential to be the catalyst to kick start this sector, although at present the proposed Resource Super Profits Tax (RSPT) has created a lot of uncertainty in the mining and gas industries.

The Charlton-Wellcamp Regional Industry Zone, is a large greenfield industrial development area of approximately 1000ha, located approximately 15km west of the Toowoomba CBD. The Queensland State Government was to kick-start the precinct by developing an industrial estate to the northern side of the Warrego Highway. Charlton North Industrial Estate was to comprise of 22 lots ranging in size from approximately two hectares to 11 hectares. Development Approval was granted for the project, but the State Government announced a suspension of the project and is likely to dispose of the holding.



The proposed second range crossing and Toowoomba Bypass is planned to meet the Warrego Highway near the Industry Precinct and will offer good access to the Warrego, Gore and New England Highways. The proposed inland rail network is also proposed to integrate with the estate.

The lack of progress to date can be attributed to the uncertainty surrounding the timing of the much needed Toowoomba Bypass and the inland rail network and infrastructure costs. The long-term future for the estate is considered to be positive, with limited industrial land remaining in Toowoomba, but is very much reliant on a large estate being developed to initiate activity and to start providing infrastructure to the precinct.

Toowoomba based building and civil construction company F.K. Gardiner and Sons (FKG) announced in May 2010 that they have entered into an infrastructure agreement with the Toowoomba Regional Council for the provision of trunk infrastructure to the Charlton Wellcamp industry zone.

Under the terms of the agreement, FKG will put forward more than \$7 million for the construction of reticulated water and sewer systems, road works and improvements to the stormwater system. This infrastructure will benefit not only FKG's own project within the enterprise area, but will also provide the catalyst for the expansion of other development proposals. Headworks charges collected by council from future development contributions will be returned to F.K. Gardner and Sons.

The vision for high standard, large-scale development now seems much closer to reality, however the lack of support from State and Federal Governments for transport infrastructure must be addressed to really move forward and capitalise on this latest positive initiative.



Central Queensland

ROCKHAMPTON

Rockhampton's dire shortage of industrial land was addressed earlier this month with the announcement of a \$10 million allocation to commence construction on an overpass to provide access to land alongside the Capricorn Highway west of Gracemere. The Stanwell Industrial Corridor has been earmarked for development for the past decade. However, access to the land is available by crossing a major railway line which carries huge quantities of coal from western mines to the Ports of Gladstone. The project in its entirety is expected to fetch \$50 million in construction costs and the State Government has pledged an immediate \$10 million with a promise of future funding.

Herron Todd White Central Queensland's Managing Director, Wayne Litherland contributed to a presentation to Cabinet as part of the Planning & Infrastructure Advisory Committee of Rockhampton Regional Development to lobby for the funding.

....the latest investment sale of industrial property was a 1200sqm warehouse in Alexandra Street, leased to a national tenant associated with the mining industry, which sold at a yield of 7.6%....

The exact location of the overpass is yet to be determined. However it is likely to be between the Malchi-Nine Mile Intersection and Kabra.

The availability of this parcel of industrial land is likely to attract major heavy industry players to the region.

The industrial market is greatly unchanged and there have been very few sales. Vacancies are still relatively low across the region and industrial warehouses between 600 and 800 square metres are achieving rents between \$120 and \$130 gross per annum. Yields are generally around 8.5% to 9%. However, the latest investment sale of industrial property was a 1200sqm warehouse in Alexandra Street, leased to a national tenant associated with the mining industry, which sold at a yield of 7.6%. The yield is keener than we have seen for investments in the past few months. However, it demonstrates investors' willingness to pay a premium for quality cash flow.

The re-badging of a profiled local commercial agency to a nationally aligned franchise may expose the region to a wider demographic of potential purchaser.

BUNDABERG

Activity in the Bundaberg industrial market from a leasing and sales perspective is currently slow.

We note that vacancy rates particularly for larger premises have been escalating. Our analysis of leasing advertisements indicates in excess of 10,000 square metres of vacant workshop/warehouse space with areas in excess of 350 square metres in Bundaberg. Most of this however is in older, secondary buildings. Landlords have been holding asking rents at prior levels, however are now becoming more willing to negotiate. Vacancy rates in smaller premises have increased, but not to the same extent.

Although there is very limited evidence, we consider that current yield rates are in the 8.5% to 9.5% range. Demand for vacant land is also very slow with no recent sales of industrial allotments.



HERVEY BAY

The Hervey Bay industrial market still remains flat with slow activity and limited enquiry. A number of mortgagee/forced sales of vacant land have sent a flutter through the market however to date, the market appears to have acknowledged them as low with base prices still remaining around \$110 per sqm excluding GST in the Dundowran and Urgan estates.

Developed stock is experiencing a similar situation. Take-up is slow which is doing little to ease the oversupply issue for strata units with a number still available for sale or lease. Rental rates fell considerably in 2009 however now appear to have stabilised. At rental rates in the range of \$70 to \$90 per sqm, it is difficult for vendors to achieve an appropriate yield that is greater than replacement cost. Until the level of supply declines, these conditions may continue. Other sectors are currently achieving yields in the range of 7.5% to 8.25% properties with good lease conditions and well exposed locations. If industrial property owners can offer such a product, it is likely to attract interest.

MACKAY

Whilst the GFC impacted the Mackay industrial market to a certain degree during 2009, coal export tonnages continued to increase over previous years. Queensland 2009 export tonnage was 167,920,620 tonnes, up from 158,693,425 in 2008, or an increase of approximately 5.8%. This helped stabilise the industrial market towards

the latter half of the year. The commencement of 2010 saw increased confidence in the mining sector with planned expansions and the announcement of a number of mining projects. However, the Federal Government's announcement of the introduction of the Resource Super Profits Tax (RSPT) from July 1, 2012 has dampened confidence in the resource sector. The future growth of the industrial property market in the Mackay region may be dependant on the implementation of the RSPT.

Recent investment sales within the Paget area have seen yields as low as 7.87% for a brand new industrial unit occupied by an international tenant and a sale price of \$800,000. The primary purchaser pool for industrial property in Mackay is sub \$4 million and the recent sale of a large, modern industrial office and warehouse premises at \$7.4 million reflected a yield of only 9.57%.

Our investigations indicate approximately 22 small industrial units available for lease and 32 units for sale, including some investment stock. This is of some concern as there is potential for a further 32 units to be introduced to the market in approximately 12 months, the majority of which are at a price lower than existing levels. Albeit this stock is within a secondary location and demand is as yet untested.



Cairns

The Cairns industrial market has come back from its peak of early 2008 with a slowing in the rate of sales. The tight serviced industrial land supply situation that previously existed has now been alleviated to some degree with the State Government introducing some additional lots to the market at Woree. There are now about 30 lots with areas of 2000 to 3000 square metres available, albeit at ambitious asking prices. Lots of this size are also much larger than the typical small owner occupier requires which is more in the 1000 square metre range.

....commercial agents advise limited availability of good quality stand alone warehouse stock....

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. Yields for industrial properties in Cairns have eased back by about 10% from the record low levels observed at the start of 2008. We believe yields for industrial premises at present analyse in the high 7% to low 8% range, from the 6.75% to 7.25% range previously evident. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonable demand for same, and rental rates appear to be holding. Strata titled industrial warehouses are proving more difficult to lease, with most demand being from owner occupiers as opposed to tenants.

Despite the downturn in the local economy and reduced demand from tenants and purchasers, rents have remained reasonably static over the past three years.

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values over the short to medium term. The outlook for secondary stock and smaller industrial units is for continued slow activity over the next 12 months or so. A recovery in the vacant industrial land market in Cairns may depend upon a more widespread recovery in the local economy.



Townsville

As urban sprawl continues to change Townsville's landscape, the general local perception of our industrial market is also changing.

It seems that gone are the days of industrial property being recognised as one core market with an emerging acceptance of three distinct sectors to the market being the Business and Industry, Light and Service Industry and the Core Industrial sector.

The service industry sector is generally the light industrial uses of electricians, tradesman, etc with properties including a workshop/warehouse component accompanied by an office component, and generally suited to the sub 5000 square metre allotments. It seems however, that the perception of developers and buyers are becoming somewhat out of kilter, as the newer industrial estates pump out 2000 square metre allotments in a bid to satisfy investment returns, purchasers within this service industry sector are seeking lots larger than 2000 square metres, but still under 5000 square metres. This is leading to a discrepancy between what developers think should be constructed and what the market is actually wanting.

....gone are the days of industrial property being recognised as one core market with an emerging acceptance of three distinct sectors....

Another example of the changing industrial landscape is the construction of industrial units, which is perhaps more common in the south east corner of Queensland, due to a land scarcity and greater population. However this style of property has struggled to date within regional markets such as ours. This could be attributed to the desire of smaller service industry 'owner occupier' purchasers looking for 'their own space' including having a land component and attached office/workshop scenario with the perceived benefit of potential capital growth within the land component over time.

Supply of developed industrial/service industry lots in the Townsville area over the coming years is expected to remain strong, with competition coming from a number of locations including developments at Shaw Road, Everett Street, Bruce Highway (Shaw), Woolcock Street, and within the expanding estates of the Bohle and Mt St John Core Industrial precincts.

The Stuart Industrial precinct in conjunction with the Townsville State Development Area may also provide entry point land/property in the short to medium term. This area may become more attractive to certain purchasers upon completion and subsequent linkage of the Flinders Highway (Western Transportation Corridor) via the Stuart Bypass (northern access road) and the proposed Southern bypass (Port access road) with the Port of Townsville.



Darwin

As mentioned in our previous reviews of the Darwin industrial land market, there have been hardly any industrial land sales in Darwin for all of 2010. While this is only a little market in terms of Australia's total stock, let alone the world's, it may be something of a 'canary in a coal mine'.

That phrase refers to the former practice of coal miners taking canaries down the mine with them. A bird's death would provide warning to the miners to get out fast, because they could be next. The bird killer was something we now know of as coal seam gas.

With shale gas, coal seam gas is one of the main energy supply rivals to the vast natural gas deposits off Australia's north and north-west coastlines – the deposits that have so enhanced Darwin's potential, and remain so pivotal to Darwin's industrial land market. The most notable of those are about to be serviced by the Gorgon Project in Western Australia. However, there are several others, including Conoco Phillips' field being serviced here at Wickham Point prior to export to Japan, and Woodside's. Woodside was considering whether to come to Darwin or to Dili, or to build a floating platform instead. It has now decided upon the platform. Inpex has also decided to pump gas all the way to Darwin from its Ichthys field, but has recently made a series of announcements of delays.

When looking for reasons for such delays and changes - which anyone wanting to understand the Darwin industrial market must do - we have to go right up to the global scale to find answers. And at that global scale, the International Energy Agency (IEA) refers to a huge glut of gas worldwide by 2015. Shale gas will supply a major part of the US market by 2030, and coal seam gas from Queensland and other sources will also compete with natural gas from around Darwin. Beyond the glut, the same report sees a fall in oil demand and a rise in

gas demand such that oil and gas will be about equal contributors to energy supply by about 2030.

Such predictions are demonstrably dicey. The old economic saw of 'ceteris paribus' underpins them, but other things – ceteris - are not always equal - paribus. For example, there are those at professorial level that consider that Peak Oil has already begun, and that accidents such as the Montara spill here and the one in the Gulf of Mexico will be the least of our worries with the consequences of that. Similarly, on the climate front evidence is emerging of the major component of coal seam and other natural gases – methane – is unlocking itself from the permafrost off Siberia – the most likely precursor of runaway climate change. Put those two together, and all bets such as the IEA predictions are off. Such global scenarios are beyond the competence of any one person to predict, but predictions must still be made for investment decisions to follow.



The good news is that those prepared to put their money where their mouths are still look favourably at Darwin. The latest evidence of this comes from the Land Development Corporation's Darwin Business Park, which put five lots on the market for sale by Expressions of Interest last May (the EOIs close July 7). Those sites ranged from a hectare to about 1.7ha, and the target market was specified as 'businesses engaged in the oil and gas, mining, transport and logistics industries'.

We have been reliably informed that there has been 'strong interest' in them from such local, national and international businesses. Admirable sites they may be, and therefore more desirable than most; but with negotiations for the three last remaining blocks in the Business Park well advanced, development of further stages also well advanced, and over \$200 million of private sector development committed in the Park to date, this little canary is still singing away.



Perth

Industrial property has overall maintained a steady recovery from the lows of early 2009, due to the industrial sector's strength on the back of a continuing mining boom. Western Australia's economic base is essentially the resource sector, which despite the GFC and

subsequent financial problems of Europe has maintained strong growth. The primary drivers of this growth have been the continuing expansion in China, India and other Asian economies such as Japan and South Korea. In addition, Federal and State stimulus packages directed into infrastructure development and stimulating the residential property sector have also contributed to healthy industrial sector.

Businesses directly involved in providing plant, equipment and other services to the mining sector have been the biggest beneficiaries. Construction businesses have also benefited from large infrastructure projects and the booming first homebuyer participation of 2009. Businesses involved in these areas have had to expand to meet demand and it is this which has provided the basis for the recovery in the industrial property market, as the expansion requires larger and more modern and efficient facilities. Generally, the strength of industrial property is the limited investor participation, particularly from investors purchasing on more of a speculative basis. Of course all property sectors require some level of investor activity, however the previous boom was partly fuelled by excessive speculative investment, and driving prices to unsustainable levels. The industrial property at the peak of the boom was typified by excessive leverage brought about by the major lenders providing high levels of cheap finance and the general view at the time that growth would continue for ever after. Of course, the GFC proved that all asset classes including property also fall from time to time, and investors who were highly geared suffered significant pain, while their wealth declined. Lending in the commercial sector overall became tighter, which exacerbated the problems for investors who lacked capital reserves.

...generally, the strength of industrial property is the limited investor participation, particularly from investors purchasing on more of a speculative basis....

On the other hand the mining industry faces threats from a number of fronts, such as poor recovery in the US, sovereign debt issues in Europe, the continuing instability in the financial sector and the issues surrounding the proposed Federal Government's Resources Super Profits Tax (RPST). In relation to the RPST it is important to note that any negative impact to the mining sector will certainly carry over into the state's industrial property market. The mining sector is without doubt the most important driver to users of industrial space in the Perth industrial market. Many purchase price valuations we undertake relate to businesses who are either directly or indirectly involved in mining. These businesses tend to be not only capital intensive, but also labour intensive so future closures, or delays in new development of mining projects will have a magnifier effect in reverse. This could be compounded even further if commodity prices fell simultaneously. Industrial property values would therefore experience a significant softening.

Federal and State stimulus spending will continue to decline. The Federal Government's First Home Owner Boost concluded in December 2009, which has led to First Homebuyer participation in the residential market falling below the long term average of 19% to a current 16%.

These issues will undoubtedly keep speculative industrial property investors away from the market, however, as long as businesses can survive possible future downturns, industrial property values should at least level.



Industrial properties in the Perth metropolitan area are generally divided into four major regions being central, northern, eastern and southern. Only the southern region has a continuing abundant supply of new industrial land available for development. The central region comprising suburbs such as Osborne Park, Balcatta, Belmont and Bayswater are well established older suburbs which are almost fully developed. The northern suburbs, such as Malaga, Landsdale and Wangara still have a supply of vacant industrial land, however, this is a diminishing supply. In the east, suburbs such as Welshpool and Kewdale are established older suburbs with little industrial land remaining. Even newer suburbs such as Canning Vale have a shortage of vacant land. The Forrestdale Business Park has some remaining stock ready for development. The south has the largest remaining supply, with Bibra Lake and Latitude 32 providing opportunity for new development. The demand for vacant industrial land has since about July 2009 experienced resurgence and values range from about \$270 per sqm to \$450 per sqm depending mostly on location and size. Large lots are still in scarce supply and as a result we have noted a compression in rates between larger and smaller lots. For a deep pocketed investor there is potential to acquire a large lot, develop it and lock-in a good tenant to secure a relatively solid longer term investment.

Developed industrial property has similar characteristics to the vacant land segment, in that larger sized developments are in shorter supply and experiencing higher demand. Compression is particularly notable in the rental market, with rates at least equivalent to smaller sized facilities. Generally rental rates for workshops, warehouses and factories seem to range between \$85 and \$110 per sqm. Although it is usual that larger facilities have a superior utility, as often they include fixtures such as gantries and high level fit out to their office components. In the larger segment of the developed industrial market we note a higher level of investor activity, however, at levels which are sustainable. Recent evidence suggests that investors in this segment look for passing yields between 7% and 8%, implying that these buyers are anticipating capital growth. It will be interesting to see whether their anticipation is correct in the coming years, particularly with the possibility of a global recession.

The industrial property market will provide a good indicator of the health of the global economy, as much of what underpins this sector of the property market is demand and pricing for commodities. Western Australia

is a single based economy and although its dependence on resources has been of huge benefit over the past 10 to 20 years, it may also be our Achilles heal in the future if economic recovery in the US and Europe fail. The dramatic growth in China and the rest of Asia has been on the back of high consumption of their manufactured goods to these large economic blocks and the drawn out recoveries may also mitigate further growth in the Asian region.



South Western WA

It has been a slow period for the industrial property market in South West WA with a small but steady volume of sales transactions and a reasonable stock of industrial properties either for sale or lease.

The flat market conditions have seen few speculators as opposed to the 2005-2008 period which saw strong speculator activity, high demand and increasing values. The majority of purchases are now by those that have a use for the property. Building activity continues with a steady supply of new warehouse/workshop stock becoming available in the small to medium light industrial property segment.

While prices have generally stabilised during 2010, it still remains a buyer's market and there is an emerging over-supply of vacant land in the Bunbury region. This has the potential to impact land values in the short to medium term if higher clearance rates are required.

Rental rates have remained generally stable and we would not expect much increase until the supply situation decreases.

The majority of warehouse/workshop type industrial properties in the Bunbury area have land areas ranging from 2000sqm to 1ha, would have values in the range of \$700,000 to \$2 million and rentals predominantly range from \$60 to \$110 per sqm per annum. But values and rentals can differ widely depending on the size and quality of the property.

....the flat market conditions have seen few speculators as opposed to the 2005-2008 period which saw strong speculator activity....

A particular sale of note in the Bunbury area was of the 'Cash and Carry' premises on McCombe Road Davenport for \$6.356 million in April. This sale comprised a 9369sqm site with highway exposure, quality built modern distribution warehouse complex with 4200sqm GLA plus 800sqm loading canopies and extensive hardstand/parking areas. The sale analyses to a yield of 8.5% with a national tenant on 10+10 year lease commenced April 2005. The yield reflects the large scale nature of the property and high value range for this locality.

The sale of 8 Maxted Street, Davenport, for \$800,000 in February is typical of more standard developments. It comprised a modern single level Colourbond warehouse/office complex with 668sqm GLA on a 2256sqm site.

Busselton has not had the large industrial land releases that Bunbury has had over the past decade. Subsequently there is a stronger retail presence and industrial values in Busselton are closer to Bunbury's mixed business precinct values. The sale of 9 Bradman Street, Busselton, for \$725,000 in February comprised a standard modern style iron warehouse with small offices, 420sqm GLA on a 1330sqm site.

On a larger scale there are vast tracts of land for heavy and noxious industry available in Kemerton. Planning for the Shotts Industrial Park near Collie and the Preston Industrial Park in Picton are progressing well and the Department of Planning has recently announced it will be launching a South West Regional Industrial Land Study which will guide the future of land supply in the region over the next 20 years.

Due to population growth and the broad economic diversity of the South West WA region it stands poised to deliver strong economic growth in the long term which should underpin long term demand for industrial property in the area.



Residential Overview

Our annual "Lazy Half Million" edition of the Month In Review has become one of our most read issues each year. It is a ready reference to yearly performance in a price bracket which, for many investors, is at the heart of their portfolio's profile. By adopting \$500,000 as a value level and looking back upon previous issues, it is a simple matter to gauge the performance of the country's market as well as identify some of the areas that look set to improve in the coming twelve months.

As you will see the purchasing power of the dollars in the national property market remains fairly strong and if you can pick your sectors, there are plenty of attractive opportunities in most centres. In many cases it's a matter of ensuring you do your research, stay in control of your borrowing and prepare for the long term growth.



Sydney

To give justice to this topic in Sydney we have divided the greater metropolitan area into regions and highlighted our picks from there.

This year's focus on the lazy half million has seen a shift from our 2009 suggestions which we consider reflects the impact on the Sydney market following the upsides achieved from the First Home Buyer Grant in 2009.

From our valuers speaking with local agents, recently, less and less people are attending auctions. Interest rates have scared off buyers and we believe it has hit the ceiling in particular those areas that most benefitted from the FHB boom and in the next year, prices may correct in value.

CITY FRINGE

Paddington and Darlinghurst

Investment of \$500,000 in the areas of Paddington and Darlinghurst generally allows investor to buy into a one to two-bedroom unit. In light of the recent strong capital values and strong yields in such areas, investors would be wise to target both strengths as yields and capital growth are forecast to further strengthen in the foreseeable future.

The proximity of these areas to the CBD, beach and other highly sought after local amenities ensure demand and capital value will remain high for Paddington and Darlinghurst.

Despite the impact of the GFC on the Sydney property market, such areas displayed resilience with regard to growth, rental return, demand and desirability.

EASTERN SUBURBS

Elizabeth Bay

The highly desirable tight real estate pocket of Elizabeth Bay is a highly commendable investment decision for any Lazy Half Million investor, which would buy you into a one to two-bedroom unit.

Recent strong capital growth and yields in the area would encourage investors to aspire in shooting for both growth and yield.

The proximity of Elizabeth Bay to Sydney's CBD and other local amenities are pertinent factors contributing to the area's attraction. The impact of the current economic and political climate has had no impact on Elizabeth Bay given its proximity to the workplace, an advantage which the area will continue to capitalise on.

NORTHSIDE

Neutral Bay

Neutral Bay remains popular with owners and investors alike, thanks to its close proximity to Sydney CBD, North Sydney employment centre, Sydney Harbour as well as good public transport. Despite the suburbs consistent performance in terms of growth, a lazy half million will still buy you comfortably into the one-bedroom unit market (with parking), where further capital growth may be targeted.



Older, low rise, one-bedroom units with car parking can be purchased around the \$350,000 to \$400,000 mark with near new, recently renovated or units affording city/harbour views generally selling between \$400,000 and \$500,000. Rents can range from \$350 to \$450 per week and \$450 up to \$575 respectively. These top end rents are generally only achieved by brand new unit developments.

INNER WEST

Drummoyne

With current potential for capital growth exhausted in many inner western suburbs, Drummoyne still offers good investment opportunities in the sub \$500,000 market. A lazy half a million can buy you into the bottom end of the unit market, which generally includes 1960s/1970s low rise, walk up style unit blocks with a 2/1/1 or 1/1/1 accommodation mix. Rental income for these types of properties ranges from around \$400 to \$500 per week for a two-bedroom or \$350 to \$400 for a one-bedroom of similar condition and style.

Recent market activity suggests surrounding suburbs (such as Gladesville) are catching up in terms of values achieved, so the likelihood of Drummoyne prices also increasing looks promising. The current infrastructure improvements being undertaken on the Iron Cove Bridge may also reduce congestion in the suburb and further enhance the suburbs popularity once completed.

NORTH WEST

The Ponds

The Ponds is an emerging residential suburb in north west Sydney. Typically \$500,000 will buy a new three-bedroom, one-bathroom project home on a 350-400sqm allotment.

We see this as being a good investment with future, steady capital growth. Typically this style of property appeals

to first home buyers of the young professional DINK's. The area is serviced by new schools, shopping centres representing new, modern infrastructure and is close to Rouse Hill regional centre and Blacktown City Centre. This represents a good starting point for first buyers as typically they will be surrounded by people in the same demographic and there is likely to always be strong demand in the western suburbs of Sydney. Furthermore this type of area and housing should always be attractive to first home owners, a market that has been incentivised by successive federal governments.

SOUTH WEST

Cabramatta – Shoot for Yield

Two bedroom units situated in the Cabramatta market are coming back onto the market. With the end of the first home buyers grant/market there will hopefully be more opportunity for investors to come back into the market and be able to snatch a unit for the right price and get a substantial yield.

For under \$500,000 market in Cabramatta, can get you a substantial amount of property.

- Can get you two two-bedroom units. A 1980s - 1990s brick home situated on a 500-750sqm block with rental returns of \$350 to \$500 per week.

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

MID WEST

Auburn

Auburn has benefited from good growth within recent years and strong rental yields. The suburb has infrastructure in place and good transport options. Property under a lazy half million comprise of strata units/townhouses/villas and two to three-bedroom homes on an average block size of 550sqm. Units range in value from \$200,000 to \$400,000 with rental returns from \$240 to \$480 per week. Townhouses range in value from \$320,000 to \$450,000 with rental returns of \$350 to \$500 per week. Rental returns of houses under half a million dollars range from \$350 to \$520 per week.

BLUE MOUNTAINS

Wentworth Falls

Wentworth Falls is seen as a good location for property around the \$500,000 mark. This will typically buy a 1990s style, single level home of four bedrooms and two bathrooms in good condition on a good sized allotment.

This is seen as a solid location for capital growth which may see a future spike on completion of major upgrades to the Great Western Highway over the next 18 months. Conversely, current prices may be slightly depressed due to traffic difficulties due to the current highway upgrade.

Wentworth Falls lends itself to many market segments (first home buyer upgrade, tree changers, retirees) so demand should stay reasonably strong.



Wollongong

In an attempt to maximise growth in the short, medium and long term the Wollongong investor who has a lazy half million still has a choice in this market. Last year we predicted the following would be good buys:

- A new residential dwelling in an establishing outer suburb such as Flinders, Gerringong or Shell Cove.
- A block of flats.
- A unit in the CBD with ocean views.
- Or an older home close to the beach in the northern suburbs around Corrimal, Woonona and Bulli.

These all stand once again as good buys, with the most price movements seen in the latter two, once again proving that location is the key to investing in property. There has been some improvement in prices for the first two, but in the long term it is our view that value is attributed to land where there is going to be a shortage, and where it is desirable for people to live, close to beaches and employment hubs or transport links.

With further land releases being mooted in the southern areas of Wollongong and Shellharbour, the concomitant rise in land prices will be pegged back, and growth in this sector is not expected to match the more sought after northern areas.

There are smaller pockets of course in the southern areas, particularly around Shellharbour Village, Kiama, Minnamurra and Warri Beach, which will show good capital growth, but the market for the northern beaches still seems to be influenced by what happens closer to Sydney, where prices have picked up in the past 12 months.

...long term it is our view that value is attributed to land where there is going to be a shortage....

This time last year we talked of the attractiveness in purchasing a new two-bedroom, two-bathroom unit in a larger development close to the CBD, with some ocean views. In the range of approximately \$450,000 to \$500,000, such properties are attractive to both local and interstate investors. In the past 12 months some consumer confidence has returned to the investor sector of this market.

The stock is drying up and there is lag time before new projects can start let alone be completed, so we may see some increased demand for this type of property. However, there have been several projects completed in the last year at North Wollongong and Towradgi where off the plan sales were strong and projects were completed almost fully sold. Once again, location was the key and sensible pricing met the market.

Up north, there are many pockets of older dwellings within easy walk to the beach, which, whilst needing some TLC, are well located for rental return and future capital growth. Streets such as Murranar and Marlo in Towradgi and Aldridge and Thalassa in East Corrimal are close to the ocean, shops and trains, but older houses can

still be picked up for around the \$500,000 to \$550,000 mark. We predict strong growth in these localities over the medium term. The closer to the beach the better.

This time last year there was little new land available as you go north in the Illawarra and these beachside suburbs have historically been well placed for future capital growth, or redevelopment at a later stage. This is much the same in 2010 with a few blocks coming on to the market, but with a price tag starting around \$400,000, it doesn't really suit the lazy half mill investment scheme. Future capital growth is safer however in these areas.

We are also starting to see some growth and interest in the lower priced suburbs around Port Kembla. For your half million here you can pick up two older houses in need of refurbishment, some with lake or ocean views. Albeit on smaller blocks with limited development potential, they should return you over 5% gross.



A half million could get you 2 of these

We also think there is still good buying in Kiama under \$500,000, and this area should appreciate above the norm given its amenity and lack of new estates planned. Nearby Minnamurra also continues to become a valuable pocket, but soon strata tile will be the only thing you could get under \$500,000.



Canberra

The median price of houses in Canberra is currently hovering at the \$500,000 mark, making it amongst the highest in the country. It is safe to say that \$500,000 in Canberra is not going to get you very far. The newest land releases lie to the north of the city in Gungahlin. Stock is pretty standard in this area - \$500,000 will get you a relatively newly built three to four bedroom plus ensuite dwelling with the standard inclusions of stone benchtops and ducted heating/cooling. A new 'super school' is currently under construction in the Gungahlin town centre, along with other amenities and services. It is hoped that one day the Gungahlin town centre will have government departments as long term tenants. All this suggests good capital growth in the long term for the area.

In the Belconnen area (also to the north), established suburbs such as Kaleen, Giralang, McKellar, Cook and Aranda are experiencing rejuvenation, with renovators very active in the area. Entry price into these suburbs is at least \$500,000 for a four-bedroom, ensuite dwelling.

They represent good growth as they are closer to the city and mostly located next to a major arterial road leading into the city. The inner Belconnen suburbs of Macquarie, Weetangera and Page are experiencing a different kind of rejuvenation. Developers are active in these suburbs constructing high quality boutique townhouse developments consisting of one to two-bedroom townhouses. The townhouses are selling for an average of \$400,000 to \$500,000. Their close proximity to the Belconnen town centre represents a good rental yield. The best place for investors looking for a good return in the Belconnen area is the suburb of Bruce, which borders the Belconnen town centre. With its close proximity to the University of Canberra, Canberra Institute of Technology, Australian Institute of Sport and Calvary Hospital, a tenant is almost a guarantee for any property. New two to three-bedroom units can be purchased for under \$500,000 with the prospect of good returns. A significant number of high density residential unit developments have shot up in the Belconnen/Bruce area in the past two years. The biggest is yet to come – 'Altitude' is a high rise unit development to be built on Emu Bank near the Belconnen town centre. It will reportedly consist of over 300 residential units. Although Belconnen is a good area to invest, the sheer amount of existing residential units and those to be constructed poses the question of whether that market is headed for an oversupply.



Coming into the inner city suburbs of Lyneham, O'Connor, Turner and Braddon, \$500,000 is simply not enough to get you a stand alone residential dwelling. The best place such a sum of money can go is into a residential unit. Living in the city has the advantage of combining high yields with high capital growth. Braddon and Turner in particular are experiencing a change in landscape with developers knocking down stand alone residences and building boutique unit developments. Most of these are within walking distance to the city or the Australian National University. One to two-bedroom units range from \$400,000 to \$600,000. So for those with a lazy half a million in their pocket, these city units probably represent the best value for money in Canberra.

Similarly in the inner south, residential units in the Kingston/Griffith area have always had a good return in rent. \$500,000 will get you a one to two-bedroom unit in Kingston. As Kingston is composed of mostly older developments, some of the units may need some work to become more appealing to tenants.

Moving further south to the Woden and Weston Creek districts, choice becomes limited and generally \$500,000 again is simply not enough to get into these areas. Investors would have to go further south to the suburbs

of Kambah, Wanniasa, Chisholm and Gilmore in the Tuggeranong area. Capital growth in some Tuggeranong suburbs is probably not as high as in the north. But some of the properties do represent a good long term investment, for those who are not in a hurry.

The new land release of Molonglo (just west of the Canberra CBD) is already underway. Close to the National Zoo also which we are told is quite secure, Molonglo is in a very good location, being an easy 10 minutes to the city on the Parkway. But with small blocks reportedly starting at \$300,000 to \$350,000, it is clear that \$500,000 will not get you much in this location.

....choice becomes limited and generally \$500,000 is simply not enough to get into Woden and Weston Creek....

Ultimately, the best place to spend half a million dollars in Canberra may be outside of Canberra! The New South Wales government recently announced that stamp duty in NSW will now be abolished on properties sold off the plan with a purchase price of up to \$600,000. This announcement has suddenly made places like Queanbeyan, Murrumbateman and Yass attractive options for people who are employed in Canberra. \$500,000 is not enough to get you into Murrumbateman village, but it can get you into Yass or Queanbeyan. Yass is approximately 40 minutes north of Canberra on the Barton Highway. For a little over \$500,000 you can purchase a new four-bedroom plus ensuite dwelling on a 1000sqm block in the new subdivision of Hatton Park Estate, which is not far from the town centre. There are quite a few subdivisions happening in and around Yass. There is a planned duplication of the Barton Highway, which will ease traffic congestion, making it even more appealing to work in the ACT, but live in NSW. Unfortunately capital growth in these areas is much lower than in Canberra, so there is a trade off.



Central, North & West NSW

MUDGEES

A lazy half million will buy you quite a lot in Mudgee. This figure is nudging you up into the high cost market in the district. Types of property you could buy include a large modern four to five-bedroom dwelling in a new subdivision, a renovated double brick residence in town, or a rural residential allotment with a reasonable house located 15km from town.

During 2008 and early 2009 when the GFC was at its peak, these properties suffered slightly but towards the second half of 2009 they were back on track. Currently all three of these property types are travelling along well and should remain stable to strong in the medium term.

BATHURST/ORANGE

In the Bathurst/Orange area a 'Lazy Half Million' will get you either an executive style dwelling in a newer subdivision or a relatively average condition heritage style dwelling in an older part of town. Another possibility

is rural residential, where \$500,000 will get you a basic 1980–1990s era dwelling on around two hectares.

In the Orange area there is good scope for growth and potential investment due to the expansion of Cadia gold mine and the construction and expansion of services being provided at the Orange base hospital.

So if you had \$500,000 to play with you could get your hands on a rental property in one of the new development areas of Orange which are selling between \$400,000 and \$500,000 and returning \$420 to \$460 per week unfurnished and as high as \$725 per week furnished.

Alternatively a renovated circa 1920 dwelling sold close to the CBD for \$595,000 which had four bedrooms, two bathroom and two living areas. It is on a lot just over 1000sqm and had very good standard ground works. Similarly in Bathurst, a 1950s era dwelling on 1700 sqm sold for \$510,000 which was also close to the CBD and had been renovated and presented very well.



Newcastle

This time last year we looked at the places where those with or access to \$500,000 should be looking to purchase residential property in the Newcastle Region. Statistically, our records indicate there has been a 10% overall increase in values.

We reviewed five locations around the area and will look at these again after 12 months.

The Hill, Cooks Hill, The Junction and Merewether

These suburbs are close to the city, within walking distance to shops, restaurants and beaches. The standard of real estate is considered to be generally good to high. Most dwellings are older style (but numerous have been renovated) and units are small but modern.

....the standard of real estate is considered to be generally good to high with most dwelling being older styles....

The past twelve months have seen a period of consolidation in these areas with steady sale volumes and little growth. \$500,000 would secure a good standard of dwelling with an expect rental return between 4.5% and 5%.

Hamilton South, Adamstown and New Lambton

Often described as being on the fringe of the inner city suburbs and accordingly, they are well positioned (10 to 15 minutes drive from Westfield Kotara and Charlestown Square, the CBD and surf beaches). The standard of development is variable, so a keen eye is necessary when looking to buy. The market slow down saw reduced sale volumes in these localities and they have remained this way over the past twelve months. On the other hand, rental returns remain stable and investors can expect returns of around 4.5% to 5%.

Carrington

This has remained an affordable inner city suburb which essentially fronts the Newcastle Harbour area. The area has traditionally been an area dotted with workers cottages associated with the industrial uses, but it has been somewhat gentrified over more recent years.

The first home buyer's bonus scheme increased demand during 2009 and values have firmed accordingly. Rental returns have firmed to around the 5% mark.



Stockton

A somewhat unique suburb bounded by Newcastle Harbour and surf beaches. It is a 20 minute drive from the city centre.

This area is considered to have been a slightly volatile market over the years. The market has slowed more recently with values softening over the past 12 months. This however has led to increased returns as rents continue to firm. Rental returns are noted to be generally around 5% plus for this area.

Charlestown

This is a locality which has seen a major level of redevelopment in recent years. A modern (renovated) house can be found for around \$500,000 and returns are estimated to be around 5%. Due to the level of development in the area, we do not anticipate any growth in values for some time. A concern we have with this area is the emerging proliferation of new units with slow take up rates.

Our thoughts on where to invest \$500,000 would be in the inner city or fringe areas of Newcastle. But that said, an investor or home occupier would also be well advised to look seriously at Cameron Park, where a modern home with four bedrooms, two-car garage on a 600sqm-plus parcel can be found within this budget. Expect a return of at least 5% in this



NSW Central Coast

Would you park a lazy \$500,000 in a different part of the Central Coast real estate market this year?

Let's firstly review the key events that occurred over the past 12 months. The most significant events were the first homebuyer bonus scheme, only to be outdone by the GFC. Each had a varying level of influence on the market.

The first homebuyer bonus scheme certainly stimulated the lower end of the Central Coast market. Areas like Umina Beach, Narara, Hamlyn Terrace and Woongarrah saw an increase in activity with modest rises in values being seen. The upper end of the market, along the beach and ocean strips saw a slight regression in activity and values as the effects of the GFC become the centre of attention.

Twelve months down the track, would we spend \$500,000 in the same place. In all probability, yes we would. But it seems that rental returns have stabilised in the past 12 months and therefore most areas of the Central Coast have near similar yields. With this in mind, we should look to the areas that have good rental demand, but are showing signs of growth in values.

Buyers or investors with access to \$500,000 and looking to spend on the southern end of the coast will still find the odd good buy at Avoca Beach, Terrigal, Erina and Saratoga. These are areas which are already showing signs of growth as buyer confidence returns and demand seems to be picking up. In fact, Saratoga has been showing steady growth and popularity. Rental returns for these areas, for those properties hovering around the \$500,000 mark are around 4% to 5%.



Houses in Saratoga and Avoca Beach are generally older style with modern dwellings being found in Terrigal and Erina. All are close to shopping, beaches and Brisbane Waters.

The northern end of the Central Coast is definitely worth a close look. In general terms, values on this end of the coast are slightly lower and we are still seeing the odd waterfront property being purchased around the \$500,000 mark. These types of buys can only increase in value. A very modern, four-bedroom, double garage home on a 600sqm parcel can be found in places like Hamlyn Terrace, Woongarrah and Blue Haven for less than \$500,000 and the returns are a solid 5% with low vacancy rates at present.

Take a bit longer when looking at the northern end of the Central Coast real estate market and do your research. It will be found that this end of the coast has good prospects for growth due to the opportunities for further development in the area being available.



NSW Mid North Coast

The main regional centers along the Mid North Coast of NSW: Forster; Taree and Port Macquarie have significantly lower median house prices in comparison with the major cities of Australia, and investors with a lazy \$500K have a good choice of residential property available to them.

Following rapid population growth over the last two decades, the seaside locations of Forster and Port Macquarie have followed similar expanding construction patterns. Purchasers of houses in this price range will typically decide between a well located but dated 1970s brick house (usually with good aspect and good proximity to water) or a larger modern house in one of the newer residential estates. The purchaser profile in this bracket is predominantly a second time home buyer (families or retirees).

It appears capital growth for these houses will likely be made t in the short term, and with rental returns typically 4.5% to-5% at best, location should be chosen over comfort in this instance which would also give rise to the benefits of a possible holiday house. Furthermore, astute investors thinking long term should reflect on possible future relocation to either of these popular retirement destinations, with corresponding avoidance of capital gains tax.

....residential property with a value of \$500,000 forms the prestige market of Taree and houses in this price range are usually located near the Manning River in Taree West....

Forster and Port Macquarie have an over supply of modern high-rise units in this price range, and according investors (who are the typical purchaser profile) have a wide selection available. However capital growth appears even less likely in the short term, returns are typically 4% to 4.5% at best, there is higher risk of an extended re-sale period, and this type of accommodation largely lacks appeal to retirees.

Residential property with a value of \$500,000 forms the prestige market of Taree and houses in this price range are usually located near the Manning River in Taree West, or on the rural-residential periphery. Demand for such property is currently weak and extended sales periods have become the norm. Bargain hunters however should beware, with increases in value in the short term unlikely.

In light of the above, we would suggest the best option currently available for investors at present would be to purchase two or more lower end properties, where vacancies are tight, higher yields achievable and greater potential exists for capital growth.

In Port Macquarie and Forster, a number of older style two-bedroom units having good proximity to beaches can be purchased for under \$250,000 and modern villas suitable for retirement and close to shops can be purchased for under \$350,000. In Taree, an investor

seeking high returns could significantly expand their investment portfolio with an acquisition of four houses (former Department Housing) at \$125,000 each returning yields of approximately 7% to 8%.



NSW Southern Highlands/Tablelands

The investor who has a lazy half mill has some good prospects in these markets.

The market in the Southern Highlands has been relatively subdued in recent years, but is recently showing signs of starting to increase. The predominant choice of property type to maximise capital growth, would be to purchase an older style dwelling and renovate.

In Bowral, an investor would need to spend \$500,000 to \$600,000 to secure such a property. Sub \$500,000 it is mainly townhouses and semi-modern homes situated on the perimeter of the town that would fit the price tag. These properties perform well in the rental market, yielding around 5% to 5.5% gross and would move in-line with general market movements.

In sections of the Moss Vale and Mittagong markets, an investor could purchase the older style dwelling for under \$500,000 and renovate to go for capital growth. Or even purchase the modern/semi-modern home for between \$350,000 to \$500,000 and rent it out.

....the predominant choice of property type, to maximise capital growth, would be to purchase an older style dwelling and renovate....

The Southern Tablelands offers more choices and affordability to potential investors with lower price entry levels than the Highlands. Goulburn, with a population of around 24,000 has a steady workforce and is a popular country holiday destination. Due to the high real estate prices in Canberra and Sydney, we are seeing renewed interest, especially from Canberra investors, purchasing their investment properties in Goulburn.

For between \$300,000 and \$400,000 one could purchase a new/modern home and rent it out for a good rental return. For capital growth, an investor could purchase an older style dwelling for between \$250,000 and \$320,000 and renovate.

The real option here for the savvy investor would be to purchase multiple residential units or townhouse/villa properties for between \$120,000 and \$170,000 each and rent them out for between \$150 and \$180 per week. An investor could purchase three of these properties for under the half mill. This market has shown good capital and rental growth this year.



Southern NSW & Northern Vic

ALBURY

In 2009, we commented that half a million dollars would invest in a block of flats, with an expectation to earn 4.5% to 6% gross return per annum. Or construct a new home in new established residential areas such as 'Eastern Views Estate', 'White Box Rise Estate' to receive tax depreciation benefits. In June 2010, this picture has not changed dramatically. Investing \$500,000 into the local residential market in Albury/Wodonga gives a range of options. Investing in a block of flats in the sought after area is still the smart choice.



Central Albury is showing the quite impressive rental yields of up to 6.5% gross for strata unit and 6% to 7% for blocks of flats. Circa 2000s single residential homes in good locations are showing 4.5% to 5% gross yield. The lowest rental yields are being shown by most top end single residential homes as there is a 'ceiling' that potential tenants are prepared to pay for residential accommodation. This 'ceiling' sits about \$550, on a \$750,000 property, with the rental at the ceiling of \$550 per week, the expected gross rental return would be between 2.5% and 3.5%. Not a good investment by any means.

If you want to get a taste for country life, investing a lazy half mill in a semi-rural lifestyle property in either Tabletop or Splitters Creek can be a good alternative. However, rental returns are only fair, as is capital growth.

WAGGA

This year's suggestions on where our office would be spending \$500,000 would be in Turvey Park. Last year's nomination of Central Wagga Wagga has now become relatively too expensive and out of reach for many people. Turvey Park, being the neighbouring suburb of Central Wagga Wagga, still has good access to the centre of town less than two kilometres away, has become the cheaper alternative. This has been reflected in the first half of the year with strong sales prices.

This area is definitely a growth area, however with the University, Army Base and RAAF Base close by, strong rents can be achieved, reducing holding costs for investors.

Our choice is based on a shortage of land in and around the centre of town. Both the north and eastern sides of town are locked with the Murrumbidgee River. Prices in Central Wagga Wagga have increased greatly during the past five years. Turvey Park looks like the next suburb to experience high demand.

LEETON/GRIFFITH

How do you best invest \$500,000 large in residential property in the Murrumbidgee Irrigation Area? In Griffith, a relatively quiet market at the moment, my suggestion would be instead of waiting for growth to occur, chase the yields! For \$500,000 I would suggest purchasing two properties in north or east Griffith as investments which could potentially rent from \$260-\$280 per week with an annual net return of between 4% and 5% each.

In Leeton my advice would be three dwellings in the town circle for around \$170,000, with an estimated annual net return of 5% and 6%, and in Narrandera four dwellings for around \$125,000 each with a net annual return of 6% and 7%.

Spend your money in the lower to middle end of the market as this has the greatest potential for growth. Investing \$500,000 with the bank, returning 6% pa is attractive, but as we bottom out in the current cycle there is potential for growth on the horizon, but not in the short term.



Melbourne

With Melbourne's property market following the national trend of a strengthening phase that's set to continue or at least remain steady into the foreseeable future, it's paramount for investors to consider potential long-term real estate prospects based on their overall historic performance.

Stick to property investing fundamentals and ignore opinions as to where the market is going, whether good or bad. Buying strong investment properties is more about asset selection rather than timing. Timing is impossible to consistently get right. Don't wait for the right time to buy. Wait for the right property to buy.

The Melbourne office submitted predictions in 2009 as to where buyers may invest \$500,000 to maximise growth. Our choices selected included inner Melbourne suburbs such as Maribyrnong, Footscray West and Altona. These suburbs did perform as predicted, given the easing of the unforeseeable effect of the Global Economic Crisis in

2008 on the property market, together with low interest rates and extended First Home Buyer Grants, they have shown solid growth over the previous 12 months and continue to show the potential for further growth into 2010 and beyond.

Below is a graphical representation of how our suburbs performed over the past 12 months.

Suburb	Median Price 2009	Median Price 2010	Variation (\$)	Variation (%)
Footscray West	\$424,000	\$563,000	\$139,000	32%
Maribyrnong	\$560,550	\$705,000	\$145,000	25.8%
Altona	\$460,000	\$667,500	\$207,500	45.1%

In terms of foreseeing the next 12 months, there are signs of the market stabilising after the RBA's sixth hike in eight months takes the official cash rate target to 4.5%, whilst competition between first home buyers, increasing population, and relaxed foreign investment laws continue to maintain a steady market. Many of the areas within Melbourne's inner north and inner North West suburbs such as East Keilor, Werribee, Broadmeadows and Reservoir provide good opportunities for growth. These suburbs, located within the 10km to 20km North West of the CBD, are now beginning to perform after being previously overlooked by buyers favouring Melbourne's eastern suburbs. These suburbs have good proximity to the CBD, good services, schools and parks. It is a natural progression that buyers will begin to purchase here more in the future.

We further keep faith in our 2009 predications that Footscray West, Maribyrnong and Altona will also be solid property investment opportunities given the extension of the First Home Buyers Grant and relatively low interest rates. Sensing the conclusion of the First Home Owner Grant boost was near, buyers rushed into these areas with median lower end house prices ranging from \$450,000 to \$500,000 near the end of the first quarter this year. That's helped keep sales activity strong and median values healthy in the state's real estate market, despite limited stock.

....many of the areas within Melbourne's inner north and inner North West suburbs such as East Keilor, Werribee, Broadmeadows and Reservoir provide good opportunities for growth....

A further and final key indicator to consider in predicting future property prices is an expected continuation in population growth that will continue to push growth into more of Melbourne's outer suburban fringe areas. The building sector has failed to keep pace. This means the property market will continue to be undersupplied, keeping prices for property strong with rents steady as vacancy rates are set to remain low. Jellis Craig Agent Anthony Lapadula, who operates in Melbourne's inner eastern suburbs, reports that as per last year, 'up to half of the purchasers this year have been part-time residents from China, Hong Kong or Taiwan'. He continues by stating, 'a growing number of Chinese people are taking advantage of a relaxation in Australia's foreign investment laws to buy property in Melbourne, given it's such a safe haven for them to park their money in terms of quality property'.

Higher end rentals, however, have remained flat into 2010, or in some cases, fallen back a little. There's no longer much demand for high-priced rents in the city and in the surrounding Docklands and Southbank suburbs. Some renters have gone off to buy, and some are not living the high lifestyle they were comfortable living a few years ago. A strengthening key sector within this market is the 'short stay' rental market given a corporate influx of professionals into Docklands, such as ANZ bank, driving up these particular rentals from interstate visitors.

Like any real estate investment, locating and purchasing the right property in the right suburb requires careful consideration and research to ensure good short, medium and long term growth. Buyers should look for suburbs that have strong positive attributes. For example overall appeal, good public transport, good schools, shops, close to arterials and above all, invest in areas that are consistently showing a growth in population.



Regional Vic

MILDURA

Last year we started our commentary by saying that the good news was that 'half a mill' would buy more than it would of a few years earlier. Twelve months on and prices seem to have remained stable and subdued, noting however that this upper end section of the Mildura market is still thinly traded.

In Mildura, \$500,000 will buy a 30-square new house with good external improvements on a rural residential style lot within 7km of the City. While this will hopefully bring the owner enjoyment, it is difficult to see much capital growth in this sector in the coming 12 months, due to the generally subdued local economy. Buyers at this price point can afford to be selective, and selling periods of over three months are not uncommon.

....twelve months on and prices seem to have remained stable and subdued....

Those chasing maximum yields will most likely look at buying a block of four units, and could expect a gross yield of slightly over 6%. Agents are reporting that the rental market has been tight for the past 12 months, and this has helped keep rents at levels equal to or slightly higher than levels applying 12 months ago.

For the best capital gain prospects, we would recommend buying two dated 1980s style brick homes in a favourable area – which can generally be purchased for around \$225,000, and then spending \$25,000 on renovation and upgrading.



Adelaide

Residential purchasers with \$500,000 to spend are spoiled for choice in Adelaide so some parameters are required. House or apartment; owner occupy or invest; capital growth or rental return? Half a million dollars will get you

into a basic house in the inner south, western or northern suburbs within 10km of the city – you should not expect the house to be too grand but in terms of capital growth, these inner suburbs are considered a good option in the longer term. In these areas it is relatively easy to find tenants however return will be limited by the quality of the accommodation.

As would be expected, housing becomes more affordable away from the city and a renovated family home 10-20km from town would bring change from \$500,000 in the majority of cases. Rental return is a reflection of the quality of the property and better returns would be expected although to the detriment of capital growth. Cashed up investors seeking to maximise rental return would be attracted to the established outer (northern) suburbs where the entry level is in the vicinity of \$200,000.



In these areas, the quality of the home is not so important as proximity to services, shops, schools and transport.

Inner city apartments and home units are in plentiful supply and offer a range of options and price ranges. In most cases, finding a tenant is not difficult and the majority of the stock is relatively new meaning minimal upkeep. Coastal areas too are popular for apartments, smaller dwellings and home units – all attainable within the \$500,000 budget. These areas have shown reliable capital appreciation and rental return over time.

Not a lot has changed in the Adelaide \$500,000 residential bracket over the past year. As for most sectors, the volume of residential sales has fluctuated over this time in response to interest rates and consumer confidence. We believe the market will stabilise in coming months as interest rates work themselves out and the Federal Election approaches.



Brisbane

We continue to be a bit coy around this part of the country. Our on-the-ground valuers are getting some disturbingly similar feedback from agents throughout the great South East. Their complaint? – they cannot get signatures next to 'Buyer' on contracts. Apparently there is a bit of tire kicking but, as a general call, there is little urgency among those holding the money. If they miss out on one property, there is a shrug of the shoulders and a slow walk towards the next option. Under these sorts of market conditions, vendors often need to decide whether to sit on the asset, or accept a fall in the ultimate sale price. There are exceptions in the market as you will see, but the lament has been palpable for a good two

months now...around the time of the last interest rate rise funnily enough.

Even so, there is still a bit about to temp you away from the lucre. The key to success still seems to be stick with the basics and stay the course with quality.

High demand rental areas with reasonably assured income are a safe bet and one of our tribe suggested St Lucia is a good place to park the dough. The nearby university and ready access to facilities add up to strong demand. One development is claiming a 6.5% return on a \$440,000 outlay for a double studio apartment design where both tenants share kitchen facilities. It's geared towards cashed up, overseas students willing to part with over \$250 per week per studio, which could prove to be a tall order. Our advice, if you're interested in this type of investment, is to consider all options. Second hand multi bedroom units are offering a solid return and, more often than not, better capital growth potential compared to new stock. Just make sure you talk to one of our valuers before proceeding headlong into any under researched option.



Keeping with quality, the closer you are to the CBD, the better your potential. Stay away from secondary locations e.g. main road or train line frontage, and look for the fundamentals. \$500k will get you a unit in and around the Toowong commercial district, or in nearby Auchenflower. Even the ever active Milton precinct should have something to offer. A 10 year old, two bedroom, two bathroom unit in either a tower or three storey walk up will be within your budget and they are rarely vacant in these locations.

....stay away from secondary locations e.g. main road or train line frontage, and look for the fundamentals....

Further afield in detached housing, the near water suburbs of Brighton, Sandgate and Shorncliffe are also within reach. You won't find a palace, but a 3 bedroom, single bathroom, post war design, dwelling on 600sqm is an option. These areas are reasonably solid with good road access routes both north and south. Property priced between \$380,000 and \$450,000 will show \$350 - \$400 per week in rental, which helps pay back the bank while you wait for some attractive medium to long term growth.

Also in detached housing there are the "outer/inner" ring suburbs, and our pick is Kedron. This suburb fringes high price localities i.e. move 2 km north to Kedron and save \$50,000. The upside for Kedron is the massive amount of transport infrastructure currently underway. Once tunnels and busways have their ribbons cut, you will be able to get to work about as quickly as your higher priced neighbours.

As for areas to avoid, we have a few of those too. The first home owner's sector has come off its heady highs and looks set to slow right up until the end of the year. For example, fringe suburbs north of Burpengary are a little

tired and beware any location where the vast majority of buyers are relying on maximum borrowing to secure low end property.

In the oversupply area, it's fair to say the new and near new highrise units in many of the Redcliffe peninsula suburbs are having a hard time finding a solid market based on well informed local buyers. Be a bit cautious if considering options around these parts and have a chat to our scribes.

So all in all we remain flat with a chance of continued softening particularly for the secondary and lower priced sector. In many respects this issue of the Month In Review could be read as a "cut and paste" of the 2009 contribution. Just ensure you are well informed, and have ready dollars unreliant on a high loan to value ratio and you might just snag a proud moment in your real estate portfolio.



Gold Coast & Tweed Coast

GOLD COAST

The first six months of 2010 have not performed well for properties priced under \$500,000. First home buyers drove the market up in the vicinity of 5% to 10% through 2009 on the back of record low interest rates, government stimulus and the overall Australian economy performing well, which enables employment to stay at acceptable levels. With many buyers being brought forward into 2009 it has left a 'sag' in the market under \$500,000. This decrease in demand and increased stock levels for property in this price bracket has seen prices ease by around 5%. If this trend continues the market could further ease up to 10%.

Given the easing in property prices and current oversupply of stock it has created a buyer's market which has given the buyer the opportunity to negotiate hard with a number of vendors to gain the best possible result for themselves.

Southport/Labrador

A number of major infrastructure project are currently under construction within the Southport/Labrador locality which will have a positive impact on both property prices and future yields which can be achieved. These projects are The Broadwater Rejuvenation Project, Rapid Transport System and the Gold Coast Hospital. A savvy buyer would be happy to park their 'Lazy half a Million' with such large government funded project currently under construction.

Parkwood

Parkwood is a central residential suburb of the Gold Coast with easy access from the Smith Street Motorway to its southern and western boundaries along with two other major arterial roads aligning the northern and eastern boundaries. The main feature of the suburb in its early development was the Parkwood International

Golf Course, which saw the area flourish with favourable quality homes lining the course.

Whilst the course remains a feature of the area, selling agents now place a greater emphasis upon the suburbs close proximity to Griffith University and the Gold Coast Uni Hospital, which is currently under construction. Whilst there is sure to be growth in the area over the coming years (perhaps minimal in the short term) it is perhaps one of the few areas where a substantial rent can be achieved from students who reside in the area in large numbers.



In some cases investors have been able to positively gear their properties as students' demand to be in walking distance to the Uni has allowed buyers to achieve higher rentals than surrounding areas. The negative press surrounding the Melbourne racial issues as well as ongoing problems with the global economy, however, has affected the numbers of international students and in turn rental returns. This is unlikely to last long. Basic three-bedroom villas/townhouses can be purchased from the early \$300,000s, with standard four-bedroom, two-bathroom homes starting from about \$450,000.

Carrara

Carrara is located on the eastern side of the Pacific Motorway (M1) and is situated approximately 13km west of Surfers Paradise on the western central Gold Coast. Development comprises an established, mixed residential area, with a wide variety of dry and wet housing ranging from basic single level dwellings to multi-level luxury waterfront/golf course front dwellings. Medium-rise and townhouse complexes and duplex style properties also make up the diverse residential area of Carrara.

Entry point into Carrara typically comprise a small, semi-modern styled, lowset brick dwellings containing three bedrooms, one bathroom accommodation with a single carport/garage constructed on a standard 600–750sqm allotment with a price point of around \$375,000. Every now and then a house will sell below the low \$300,000's, however generally there is a reason for the low sale, such as mortgage stress, family reasons, house is in poor condition and so forth.

Larger, four bedroom homes of similar quality with an in ground pool are typically selling for around the \$450,000 to \$470,000 price range and these houses are constructed on standard 600–750sqm allotments.

In addition to dwellings, modern, two-bedroom townhouse units are generally selling for around \$270,000 to \$280,000, three-bedroom townhouse units generally sell for around \$300,000 and three-bedroom duplex units are selling for around the \$350,000 mark.

Services in the area are quite good and cater for just about everyone's needs. Some of interest includes:

- Emmanuel College.
- Lakelands, Palm Meadows and Emerald Lakes Golf Courses.
- Carrara Kindergarten and Preschool.
- Carrara Markets.
- Gold Coast FC AFL Stadium (under construction).
- Nerang train station (running between Brisbane and Robina).
- Numerous local convenience centres.



Sunshine Coast

'Where would you spend \$500,000?' is a question that most property valuers will experience in both professional and social environments. This is even more the case when we are being told by the media and government that 'the worst of the GFC is behind us'. This may be the situation in capital cities and the mining towns, but this is far from the case on the Sunshine Coast.

'Location Location Location' is the old maxim that has been used over many years. It still continues to be one on the main necessities when purchasing a property that provides both growth and lifestyle potential. The coastal strip between the coastal highway and the surfing beaches remains an area that needs to be viewed closely. It is the underlying land component that provides the potential for capital growth, and with the added bonus of being able to 'value add' to the existing improvements being a real positive. We do note there has been a shift away from coastal areas into more modern estates located further from the beaches with purchasers making an 'opportunity cost' decision to live in newer dwellings. Areas near educational facilities also continue to be popular amongst purchasers'

....the coastal strip between the coastal highway and the surfing beaches remains an area that needs to be viewed closely....

The above is an excerpt from last year's Month in Review. These factors are still prevalent in today's marketplace. Whilst we haven't seen any significant levels of growth in the past 12 months, the high underlying land component is still a good building block for future capital growth.

As with last year, the unit market continues to remain subdued, with substantial levels of stock available. As with housing, units that are close to beaches and amenities continue to be the main factor to look for. This combined with a well managed complex that gives some good rental returns is a bonus. As noted in previous month in reviews, there is a real ability to purchase both units and housing at below replacement cost at present.

As there is an expectation that property values will remain relatively static over the coming years, a greater reliance is

being placed on rental returns. Therefore multi-tenanted properties such as flats have become a good investment alternative.

Over the next six months there will be some good opportunities. Interest rate increases have certainly had the desired effect on the marketplace, with various agents, indicating a significant slowdown in enquiry. This combined with the uncertainty caused by a looming federal election, may lead to some pressure in certain sectors.



Southern Queensland

TOOWOOMBA

In Toowoomba the residential property market share above \$500,000 is thinly traded where we had witnessed some softening of values in 2008/09, most likely as a result of the 'GFC' and sellers becoming over anxious. However even though we saw values and volumes recovering this past six months property values are considered to have levelled off with a slight increase in selling periods and an overall decrease in sales volumes.

Agents across the board report that both residential sales and rental activity has been reduced this past quarter which could be attributed to;

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

All in all, generally values and yields are considered to be holding. This is accepted to be the result of low unemployment percentages and consumer confidence, work availability in our agricultural, mining, energy, construction and commerce sectors.

...in Toowoomba the residential property market share above \$500,000 is thinly traded....

In answering the question "Where would I put \$500,000 in the short, medium and long term?" We would suggest property primarily in the eastern suburbs which has been a safe bet in times of uncertainty. The reason being is that property in the eastern suburbs is still tightly held and short term gain may be achieved from an extension to the existing improvement, such as turning a smaller three-bedroom, one-bathroom home into a larger four-bedroom, two- bathroom home. This type of development needs careful consideration due to the high costs associated with extensions and an experienced valuer and architect should be engaged to establish an end value if short term profit is the goal.

In addition generally vacant land availability in Toowoomba is limited with values increasing as a result of low availability. As a guide the following price ranges could be expected;

Glenvale	\$125,000-\$150,000
Middle Ridge	\$200,000-\$250,000
Highfields	\$140,000-\$165,000
Westbrook	\$120,000-\$140,000

Many developers are currently quite negative about the rising costs associated with developing land. Currently there appears to be a limited amount of land being developed which may result in rising values. Subsequently we are seeing many dormant subdivisions starting to generate momentum which again is the result of limited land availability.

So our money this next 12 months is to buy land if you can find it. The best type is considered infill lots rather than new development. However careful consideration needs to be given to its cost and the overall end value for any proposed dwellings.



WARWICK

In choosing to invest \$500,000 in the Southern Downs area an investor has a wide range to choose from. Some of the choices include residential units, housing, commercial and industrial.

At present the best performing and under exploited asset is cheap residential housing under \$250,000. Housing in this sector is in short supply and high demand with rental yields on this type of property reflecting 4% to 5% and capital growth in this sector reflecting 3% to 7%.

Investing \$500,000 in Warwick I would aim to purchase two houses under \$250,000. In making this investment, three main objectives would be achieved:

1. Sustainable rental yield.
2. Sustainable long term steady capital growth.
3. Diversified risk by holding more than one asset.



Central Queensland

ROCKHAMPTON

The median sale prices in the Rockhampton and regional residential markets appears to have regained much of the ground it lost in the 12 to 18 months after the peak in late 2007. The median prices in Rockhampton, Gracemere and Yeppoon have risen by between 5% and 10% over

the past 18 months. We consider this does not reflect a growth in value but rather a shifting in market activity from a market dominated by first home buyers at cheaper price points to second and subsequent house buyers at higher price levels.

With the option of what to buy with \$500,000 buyers will have to choose between capital growth and rental return. We expect the buyer with the least borrowing will opt for the capital growth, while the buyer with greater borrowings will want the comfort of a greater income stream. Buyers can achieve a 6% to 7% gross return from residential flats in central north Rockhampton and rentals have continued to grow through the GFC. Alternatively astute buyers will be able to find well located older properties in popular areas of Yeppoon and Rockhampton. These properties will generally offer some water or city views.

BUNDABERG

Properties across the board have remained fairly static since we last visited the 'Lazy Half Million' in June 2009. We advised back then the lazy half million would have included a wide range of property types, which we believe is still the case twelve months on. They include:

- In Bundaberg, large, high quality four to five bedroom dwellings with double garages, in-ground pools and extensive landscaping generally sell below \$500,000.
- It is considered that \$500,000 will still buy a good quality four-bedroom dwelling with pool and double garage in better quality estates.
- At Bargara, high quality three to four bedroom homes close to the ocean (but not on the ocean) generally sell for below \$500,000. Bargara has seen the development of several good quality residential estates, with sales of the better quality dwellings regularly exceeding \$500,000. It is considered \$500,000 will get you a one to three-year-old good quality four-bedroom dwelling with double garage in the new residential estates. Older dwellings in older areas of Bargara still sell well below \$500,000.

So where now for our lazy half million? It is still considered that a half million dollars will buy good quality properties in Bundaberg and the surrounding district. The best buys are probably in the \$350,000 to \$500,000 range where the buyers are thinner on the ground.

The lower end of the housing market and the duplex/unit market are still very affordable compared to other regional centres with the Bundaberg rental market remaining strong, reflecting yields of 6% and above.



HERVEY BAY

\$500,000 can buy an extensive range of residential housing within the Fraser Coast region. Views within the Hervey Bay office were varied, with capital growth being the main driver in this asset class.

One valuer chose to spend \$500,000 on a property positioned close to the hospital in Urraween. Urraween is centrally located to hospitals, retirement villages, retail precincts, parklands, the TAFE College and schools. This preference was targeted at vacant land, with the intention of building a new property immediately. The house and land package would total approximately \$380,000 offering a three-bedroom, two-bathroom dwelling with study, on a minimum 800sqm lot.

...development in Urangan is set to continue with the impending Marina expansion, and another five star resort reportedly set to start construction later this year....

The financial strategy would entail holding the property for a minimum of five to 10 years with a focus on capital growth. Tax depreciation benefits are heightened for new property and would therefore assist this type of investment. The current economic and political climate has not influenced this proposal.

Another suggestion for investing \$500,000 in residential property was in the Esplanade unit market in Urangan. The unit market in Hervey Bay has been oversupplied for some time now, and values have slipped over the past few years. Development in Urangan is set to continue with the impending Marina expansion, and another five star resort reportedly set to start construction later this year.

Value for money can be achieved in the upmarket range of existing Esplanade unit stock, usually in the elevated levels that attain superior views and larger unit sizes. Once again, excellent depreciation benefits are available with relatively new developments, with an aim to hold the property for a minimum of 10 years to take advantage of capital growth opportunities. The current economic climate has influenced this decision, due to decreased demand and oversupply for this property category.

MACKAY

The lazy half million, I wish I could say it was the nest egg it used to be. Unfortunately for the Mackay Region, it doesn't get you as far as the other coastal centres in Queensland. Avid readers would have seen previously in this publication that Mackay is a very prosperous coastal city, being one of the oldest sugar producing regions in the state, and, particularly during the past 10 years, enjoyed the spoils of a booming mining sector.

Last year, we commented that 'the investment options for \$500,000 in the Mackay market include new and fairly large executive style homes in the Northern Beaches suburbs of Blacks Beach, Eimeo, Rural View or Bucasia and in the newer area of Ooralee to the south. For the same price, new but smaller, three to four-bedroom homes could be acquired in the inner northern suburbs

of Glenella/Mount Pleasant'. This still holds pretty true today, with values in Mackay generally holding fairly steady.

Last year, 'investment alternatives include older style 2x2 bedroom duplex properties in suburbs such as Mount Pleasant and Andergrove which would provide slightly higher rental returns compared to executive style housing but will require greater maintenance and management expenses.' This is still correct, with older style duplexes selling from \$400,000 to \$500,000 and offering gross yields of around 7%. This is still seen as an attractive proposition, with vacancy levels traditionally low, and with good rental levels.



With median house prices near \$400,000, it is considered that \$500,000 and under will still buy you an older, established good quality dwelling in the closer in suburbs to Mackay CBD. If new houses are your go, then as stated above, the Northern Beaches provide an opportunity for modern rendered four-bedroom dwellings for up to \$500,000. The difficulty in Mackay is that most new land subdivisions from the CBD to Rural View are now in excess of \$200,000, and with building prices among the highest on the Queensland coast, most of the new dwellings in these locations are in excess of \$500,000.

GLADSTONE

The Gladstone residential market has slowed since the historical highs of 2006/2007. The median price in the 1st half of 2009 was \$480,000, with a total of 58 house sales, this being in the \$450,000 to \$550,000 market range. The median price in 2010, to date, is also \$480,000, with a total of 43 sales, also in the same market range. This indicated that although the number of sales are slightly down, albeit with a couple of days to go until month end, the market has remained steady. There has a number of new dwellings being built, and to be built, within the \$450,000 to \$550,000 market range, indicating steady growth and a steady demand. There are still a number of non-local buyers, and a number of these seem to be investors, particularly with regard to new dwellings being built. It would appear that these are destined for the rental market, to meet the expected increase in population with the LNG work in the medium to long term.

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



Cairns

In July 2009 our thoughts were that a \$500,000 property investment in Cairns would secure a well located modern executive style dwelling typically renting for \$430 to \$450 per week. Alternatively the same amount would purchase an above average quality unit in the Cairns CBD, located on the middle levels of a new high rise unit development.

Since July 2009 the Cairns market has experienced little change and \$500,000 would have exactly the same purchasing power in today's market as it did twelve months ago. Indeed the investor at this price level would find a large range of sectors, styles and locations available to choose from – there would be something for everyone.

The \$500,000 mark in the Cairns market is relative to the current median price level of around \$360,000 for an established house and \$340,000 for a new unit.

With the Cairns still at the bottom of the residential property cycle, investors will need to be prepared to hold for the long term and pay close attention to rental vacancy rates and rental returns in the meantime.



Townsville

In June 2009, we reported that the purchasing power of \$500,000 would buy you a well finished executive style home and a range of inner city units including smaller inner city two bedroom/two bathroom units and larger fringe CBD units with three bedrooms and two bathrooms.

As we enter into June 2010 the property market in Townsville is at the start of a recovery cycle. The volume of property sales within the \$500,000-plus price bracket for houses has increased from levels observed in the early half of 2009, as confidence continues to build. Today the \$500,000 price tag is quite an active sector within the housing market with purchasers appearing well informed and willing to shop around. For this price tag you will get a modern dwelling generally offering four bedrooms and two bathrooms with double lock-up garage and fully air-conditioned. The dwelling will have a good level of fit out and offer extras by way of location or pool etc.

....as we enter into June 2010 the property market in Townsville is at the start of a recovery cycle....

The new unit market has remained static over the past 12 months, with the majority of activity being within the

sub \$500,000 market. There are a number of unit types within the \$500,000 price point in the inner city areas with developments offering positive attributes by way of location, size or outlook.

Rental vacancy rates have started to tighten again with our rent roll survey as at May 2010 indicating vacancies around 3.8% for houses and 4.6% for units, down from 4.7% and 6.1% respectively for the corresponding period in 2009.

So where do you park a hypothetical \$500,000 in the Townsville market? Our market is currently in the recovery stage of the property cycle with population growth predicted to continue at strong levels. Therefore do you look for capital growth or yields?

Some opportunities which are starting to re-emerge are possible land banking options for future redevelopment. There have been a number of recent sales within the inner city suburbs of Belgian Gardens and North Ward of older style homes of larger lots that are perhaps being land banked in anticipation of better times. Lots that have mixed use zonings and no development approvals yet obtained potentially provide good capital growth options for future redevelopment.

...rental vacancy rates have started to tighten again with our rent roll survey as at May 2010 indicating vacancies around 3.8% for houses and 4.6% for units....

Another sector is the new inner city unit market. Activity within this sector has been subdued for the past 24 months and predominately price driven. Townsville's \$56.6 million Flinders Mall redevelopment is currently underway and is expected to be completed late 2010. It will provide a much needed facelift for the CBD. During the early half of 2010 a number of unit developments reach completion with only two new inner city unit developments currently under construction. Currently there are opportunities for purchasers to shop around and negotiate prices for new units, something that was not possible during better times. This market offers potential capital growth options and tax depreciation benefits.



Tasmania

HOBART

Investing \$500,000 into the local residential market in Hobart today gives a range of options. \$500,000 gets a good quality home in close proximity to the CBD or a new home with all the bells and whistles and spare change in the urban mortgage belt suburbs.

Investing the whole amount is a no brainer - go to the CBD or close inner city suburbs. These have traditionally been the stronger areas to invest. Suburbs such as Battery Point and Sandy Bay will only get a modest to average sized and quality dwelling for the investment, but prestige locale. Other suburbs such as North Hobart, West Hobart, New Town, Glebe and South Hobart all offer

close inner city convenience and this price bracket lends itself to plenty of choices. A reasonable dwelling or unit is definitely on offer here.

Properties close to the University of Tasmania can still be purchased for sub \$500,000 and the rental returns are quite impressive. However, once you move out of the CBD and fringe areas, that return will be moderate and capital growth it would appear would be best described as minimal or static in the short term.



Then on the flip side is the question: Could I purchase two or several properties for this money? The answer of course is yes. Instead of placing all of your so-called eggs in one basket, an entry level, older style suburban home can be purchased for low to mid \$200,000. These offer average returns but still the possibility of future growth and the amenity of being still within 10 to 15 minutes drive of the CBD and in close proximity to local services and facilities.

If you wanted to drive 30 to 45 minutes of the CBD then entry level homes can be purchased in the mid to high \$100,000 category. You could possibly buy three properties for \$500,000 in the townships such as Dodges Ferry, Carlton or Primrose Sands, however rental returns are only fair as is capital growth.

You could also get two to three homes in the lower socio economic suburbs such as Gagebrook, Bridgewater, Rokeby or Clarendon Vale. The dwellings will be in fair condition and require some repair and capital input but could offer a reasonable yield, however this area has a known risk of undesirable tenants.

LAUNCESTON

\$500 k is near double the median for Launceston so it will buy you a reasonable quality holding, be it inner city or rural residential. For example an near CBD townhouse within the gated Elphinwood complex recently transacted for \$500,000 (having three bedrooms, two bathrooms and a garage) and comprising 154sqm of living. Nearby a circa 1910 weatherboard dwelling of 233sqm on a 899sqm lot sold for \$485,000. In comparison a property within Dilston just settled for \$475,000, being a 198sqm timber clad home on a 4603sqm lot (just over an acre).

Buying for an investment raises the age old question; do you go for return or capital growth. Gross yields have maintained a steady as it goes course over more recent times despite the GFC, rising unemployment and interest rate movement. An expectation of between 5% and 6% remains consistent. Given housing stress pressures we anticipate rents to continue to increase in the short term. That said we are not anticipating much capital growth in the similar term. Historically inner city and other more

sought after suburbs have out performed the average growth.

Given the drift to the CBD/inner city we saw during the previous decade I would be inclined to invest in this region.



Darwin

After years of solid growth and strong rental returns in the majority of Darwin's residential property market, it appears as though things are slowing down and the market may have reached its peak. Overall the market is likely to plateau for the short term until the next large infrastructure project commences (most likely to be the much anticipated Inpex Gas Project).

Where would one spend \$500,000 if given the chance? Unfortunately there are few options available to purchase property in this price bracket with the majority of the value of properties exceeding this price. However it is not all grim and with some careful research, some opportunities still do exist. As for rental returns verses potential capital growth, this article aims at identifying the types of properties that should remain popular with tenants and owner occupiers alike in the long term and therefore this stock should provide a solid long term investment.



There is currently an emerging over supply of newly built prestige three-bedroom units both for sale and available to rent in the Darwin CBD. This oversupply may eventually result in softening of sale prices and achievable rents in this sector of the market which could have a flow on affect. On a positive note however, Darwin has a very young and transient population, many of whom like to live close to the CBD both for ease of getting to work and proximity to the nightlife. As such the lower end of the unit market in the CBD is likely to remain popular. For example, there is currently a two-bedroom, two-bathroom unit for sale towards the end of Mitchell Street (entertainment precinct) for approximately \$490,000 with a rental return indicating around 6.5% yield (at current asking price). Although this yield appears higher than the average two-bedroom unit (generally 5.5%-6.0%), this type of product offers much better future growth potential as opposed to the three-bedroom unit market.

City fringe suburbs such as Larrakeyah, Stuart Park, Parap and Woolner are all within 5km of the CBD and each offer unique lifestyle qualities such as proximity to the Parap Markets in the case of Parap or views of the Gardens Golf Course, in the case of several Larrakeyah properties. The proximity to the CBD as well as the unique suburb features will ensure these suburbs remain popular into the future. As with the case of CBD units, the more affordable sector of the market offers the best potential for future growth.

The sea-fringing northern suburb locales of Nightcliff and Rapid Creek have always been popular with renters and owner occupiers alike. Within walking distance to the Hospital and University, the scenic Nightcliff foreshore encourages exercise and the Beachfront Hotel ensures those who get thirsty can unwind with a drink. There remain many older style one and two-bedroom units with good sea views for sale along the foreshore. As with most places within Australia, these views should ensure capital growth will continue into the future. A final suburb worth mentioning to buy units in is Millner. With future expansion of the Homemaker Centre planned, as well as the planned development of the airport bulky goods centre, Millner's popularity is likely to increase.

....the final type of property worth considering is a house in the northern suburbs. For this price one could only buy an original basic dwelling....

Townhouses and semi detached ground level units are another type of property worth considering. These appeal to a broad sector of the market including renters, first home buyers and those wishing to downsize. Some are within pet-friendly complexes (increasing appeal) and often come with relatively good sized yards and sometimes even feature a spa or plunge pool. Areas such as The Gardens, Fannie Bay, Brinkin, Tiwi and Leanyer are all well sought after for this type of property as they each offer a unique lifestyle appeal. With limited land available for further expansion in Darwin and the northern suburbs, this type of dwelling offers the next best alternative to living in a house. The broad type of purchaser that these dwellings appeal to should ensure demand will remain strong into the future.

The final type of property worth considering is a house in the northern suburbs. For this price one could only buy an original basic dwelling. However if the dwelling has good structural bones, and a floor plan that would enable relatively easy extensions and renovations, good capital growth should be enjoyed upon completion of the works. As previously mentioned, the lack of land available to be released has ensured many pockets of the northern suburbs are growing in popularity and this trend is likely to continue into the foreseeable future.

Overall, growth is likely to be minimal in the short term, however, with a growing population and limited land available for release, the more affordable property types should enjoy capital growth once the economy enters its next boom phase.



Perth

With \$500,000 to spend this month, we are limited to just 50% of the market as the median house price in Perth currently sits right on that mark. With that said, there are still some great buys in good locations.



At the top of our list is the northern beachside suburb of Scarborough. Located adjacent to one of Perth's most popular beaches, the suburb benefits from good access to the CBD, is well located to employment hubs and hosts a variety of restaurants and cafes.

Scarborough has been a solid capital growth performer over the last decade, averaging 12.2% per annum. It also has the added benefit of reasonable rental returns with consistent demand. Scarborough has long been the destination of young couples either moving out of home or moving to Perth from the country and from interstate. It will continue to be a drawcard, even through the proposed redevelopment of the foreshore, although we stress that this could take a while to come to fruition.

For our \$500,000, we would purchase a three bedroom villa, well located to shopping facilities and the beach and we would anticipate renting the unit for around \$350 per week.

In the southern suburbs, Coolbellup offers significant potential. This 1950's suburb is undergoing gentrification and in the meantime, you can still purchase an original dwelling on a 700sqm-plus lot for under \$400,000.

The median sale price in Coolbellup is just \$380,000, which is a minimum of \$70,000 under surrounding suburbs. The suburb is well located, with good access to the freeway, and only 10 minutes from Fremantle. We consider Coolbellup offers strong capital growth potential in the medium term.

....scarborough has been a solid capital growth performer over the last decade, averaging 12.2% per annum....

Closer to the city, units through South Perth and Como are still attractive and can be found in the sub \$500,000 category. Not only do these appeal to CBD workers, but the nearby Curtin University offers a new wave of prospective tenants each year.

The recent debate over the proposed Resources Super Tax has had a cooling effect on a firming residential market. Discussions with selling agents have revealed declining home open numbers and falling sales statistics.

A reduction in activity in the existing dwelling market may be countered by a reduction in vacant land approvals which have been in consistent decline since 2005. According to the Department of Planning, the number of lots within developers' applications has dropped 37% this quarter, with final approvals down 10%. The overall effect of this may be that values will remain static in the short term with good growth prospects once consumer confidence returns, with a lot riding on announcements relevant to the livelihood of the resource industry.



South Western WA

The lazy half million in the southwest of Western Australia, where to spend it and what to buy, this is the question?

Sales have been searched for the past 6 months in the price range of \$450,000 to \$550,000 and, it seems, what you can get is really quite a lot. Whether it is a 485sqm vacant lot located next to a canal or a larger 784sqm vacant lot with ocean views, a modern 4 x 2 in a beachside suburb or a small office on the main street of Bunbury WA right through to an acre bush block with a 1980's 3 x 1, the choice could be yours. This is only in the greater Bunbury area with more options available further south in towns and regional areas.

Part of the reason for such a large choice and variety in the area is that the median house price for the Bunbury area (as per Pricerfinder) is only slightly over \$300,000, making properties of \$500,000 well over average as far as quality is concerned. The continued influx of immigrants from both overseas and interstate and the large numbers of 'fly in fly out' workers has seen an increase in the numbers of families in the area that can afford, and demand, something better than the basic. This, coupled with traditionally lower pricing (compared to Busselton, Dunsborough or most capital cities) has meant the market for these second or third house purchasers is priced about right to satisfy the needs of the buyer.

Are there any good buys to be had in this market? Well probably yes, as the sentiment out there at present could be characterised as flat in the extreme. Sales are taking place but not with any great urgency and generally on more favourable terms to the buyer than the seller. Sellers in no hurry will sell in reasonable time provided the price is realistic but there appears to be no real heat in the market. This is possibly due to the ongoing speculation around double dip recessions and P.I.G.S. in Europe, (hopefully not a contagious swine flu).

None of these factors however take away from the basic drivers of supply and demand and with the ongoing population increase and large infrastructure projects providing well paid work, logic would dictate that the prices in this sector of the market will increase over the longer term and possibly at a faster rate than the average.

So be it an apartment or bush block, renovated dwelling in a good location or just new and flash, the options to buy are there to be had in many shapes and sizes in the south west of Western Australia.

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Rural – Market Directions

As we hit the midway point for the year the rural property market is coming to a critical period. After good rains throughout the first half of the year throughout Southern Queensland, New South Wales and Victoria rural producers are generally feeling reasonably confident with commodity prices overall relatively good with the exception of bearish grain prices.

If seasonal conditions continue to remain good the outcome should be positive cashflows and improving confidence levels which will lead to an increase in sales volumes and having a stabilising effect on values. Expectations are that value levels in the higher rainfall areas, particularly suited to the production of fat lambs, may actually improve, however if conditions deteriorate and we enter a dry second half of the year, values levels will come under downward pressure.

The trend overall in 2010 to date has been for sale volumes to be significantly down from previous year levels. The areas that are under the greatest downward pressure remains the lower rainfall cropping areas and the wine grape industry. As reported out of Mildura there has been approximately 30% of wine grape growers leave the industry and approximately 4,000 hectares have been removed in the Sunraysia area alone. Whilst there are a significant number of vineyards listed for sale, very few sales are occurring and analysis is indicating that they are selling for their land and water value in some cases.

In Southern Queensland the rural property market remains subdued whilst in Northern Queensland the sugar harvest has commenced with the outlook a little bit bearish in relation to some possible smut concerns and low prices. Also further north, cattle prices are being affected due to the Indonesian policy in regard to export specifications being more tightly adhered to this year and this is resulting in lower prices for cows and heifers in the market.

The upcoming release of the Murray Darling Basin Plan has many irrigators feeling nervous as to the potential outcome. Whilst there has been a consultation process with the government it would appear that the final announcement in relation to the plan will contain some significant adjustments to long term allocations via the

setting of sustainable diversion limits. This could have the result of reducing a long term allocations and whilst levels are not known at this stage there have been discussions that losses in some valleys could be as high as 30%. The last round of government buy-back of irrigation water has also seen the price paid by the government softening with values down between 5% to 10% in most valleys.

In summary, sale volumes remain low, even though vendor expectations have been reduced in many areas transactions are still not occurring at anywhere near previous year levels. Many purchasers are being negatively impacted by the availability of finance but probably more importantly they are just waiting to see how seasonal conditions pan out over the remainder of the year and particularly what impact this has on the grain harvest of 2010.

David Sullivan Ph: (02) 6334 4650

1 July 2010



CENTRAL NORTH & WEST NSW

Good rainfall continues to fall across the central and western areas of NSW, leading to above average rainfall for most areas for the year to date. These current seasonal conditions have seen rural property listings reduce significantly as land holders seek to benefit from the positive seasonal conditions at present. Not only are the listings reducing at present, but the physical sale numbers are reducing. Overall sales of holdings above 400ha for our central and western areas totaled 270 in 2008, 240 sales in 2009 and 162 sales for 2010.

The current market can be typified by the presence of a few 'cashed up buyers' finding their preferred properties and paying values which would even be considered to be strengthening, however this pool of buyers is limited and the balance of the holdings still listed received very little interest and overall we consider the market to be in a contradictory state because of this. Agents report a very tough market yet their clients sometimes hear of these isolated stronger sales occurring and are confused by the difference.

There is still a reasonable level of corporate interest in the market at present and we believe that there has

been an offer and acceptance of a major pastoral holding in central western NSW. Our understanding of the sale details indicate that value levels are holding after the initial softening from the highs of 2007.

As the release of the Murray-Darling Basin plan draws closer there is continuing debate over the possible outcomes and consequences of this report. The difficulty in analysing the content of the draft arises from the lack of access by peak industry bodies. The Water Management Act 2007 which is the over riding driver of the Murray-Darling Basin plan is in its 72nd draft at present, with industry bodies last having access at draft 64 and as such there is large conjecture about the eventual content and outcomes of this plan. We note that the language from the agricultural minister Penny Wong has changed of late. The minister has been quoted in late May as saying 'while the new limits are yet to be finalised, it is only reasonable to expect that irrigators will face significant cuts in their water use'. Interesting times ahead.

Contact:

Scott Fuller Ph: (02) 6884 2999



SOUTHERN NSW

ALBURY

The late summer/early autumn rains have provided the best start to the season for many years. This has injected early confidence into the livestock markets and buoyed expectations of better yields from cereal crops than has been achieved for a long time. However, this early start is reliant on good follow up rains, and the following rains have been very patchy. Most areas in Southern NSW and Northern Victoria have received little rain, and cereals that have been planted are now looking for a serious drink in many areas. The Upper Murray (not a significant cereal growing area) is faring much better and has continued to receive regular rainfall and these areas are looking the best they have for many years.

The rural property market in Southern NSW and Northern Victoria is proving to be challenging due to a number of factors including the current high value of the \$AU, the GFC and the worldwide glut of cereal grains, particularly wheat. It is anticipated that rural property values in lower rainfall country will, at best, remain static in the short to medium term, but values in the higher rainfall country may increase in the medium to long term due to very strong lamb and mutton prices. More recently cattle prices have improved and this may add further strength to the value of higher rainfall country. In addition, dairy is now on the recovery trail and this will further underpin property values in the more sought after higher rainfall areas.

....most areas in Southern NSW and Northern Victoria have received little rain, and cereals that have been planted are now looking for a serious drink in many areas....

Other than the Four Arrows properties that have recently sold there have been few large holdings placed on the market. There have been a reasonable number of smaller properties offered for sale in this area, with mixed

responses. Responses vary from being withdrawn from auction just prior due to lack of interest from potential purchasers, to selling prior to auction, and everything between these two extremes. Those properties that have sold have transacted at prices equivalent to the strong prices achieved in the past, with no signs of prices dipping.

Demand for rural lifestyle properties remains strong for properties that are located close to the major centres and these types of properties have increased in value over the past six months or so. Values for rural lifestyle properties located further from major centres have remained static and in some cases have been dropping.

Many areas of Southern NSW and Northern Victoria are at a fork in the road - if we get follow up rain fairly soon we may see the season develop into the best we have seen for a long time, but if the follow up rains do not arrive soon it may turn into the same story that we have experienced in the past six or eight years - a start but then the season peters out.



WAGGA WAGGA

More rain is needed in all areas surrounding Wagga Wagga at the moment. Some rain was received over the Anzac Day long weekend but we have not received much since. A number of sales have occurred in the past few months in areas surrounding Wagga Wagga, like Bethungra, Tumut, Tumbarumba, Coolamon and Borombola. This shows that properties in tightly held areas and properties that are priced realistically are still selling, while values are generally remaining static.

LEETON

The markets have remained subdued with little follow up rain since good rains in early Autumn. It is definitely a buyer's market at present with a wide selection of property types being offered throughout the Riverina and MIA. Continued uncertainty over Federal Government moves to further restrict water licences through the Murray Darling Basin has created a reserved attitude among any prospective buyers looking at irrigated holdings.

The downturn in the wine industry caused by a worldwide oversupply has seen a lot of local vineyards listed. Officially none have sold at this time but within the wider region analysis of sales of larger holdings greater than 100ha planted indicates properties have sold for near to bare land value.

Looking back at my column a year ago I noted a number of large Riverina properties listed including Tubbo Station Narrandera, Toronga Station Hay and Dellapool Narrandera. As many readers will already know both Tubbo and Toronga have now sold although Dellapool remains listed for sale. Both sold properties were purchased by local buyers and it is a positive indicator for large grazing properties in the Riverina in general.

There has been a number of Mortgagee in Possession auctions during the past month. These properties, mainly dryland cropping and grazing, have been passed in. While the banks are keen to dispose of many of these properties and there are interested purchasers, unfortunately, with ongoing dry conditions, low levels of buyer equity and tightened finance conditions for rural lending, no one has the cash to splash.

So what are my predictions for the next six months you ask?

Unless there is a significant turnaround in seasonal conditions in the next six weeks I expect we will continue as we are until early 2011. Dryland cropping properties will remain on the market unsold. If there is a break and things start to look good come spring we will see more listings come on in the hope the seasonal conditions will be enough to tempt buyers to come out from their slumber.

Demand for grazing properties with decent stock facilities and access to stock water will remain steady and may improve in the latter part of the year given the outlook that demand for meat products will continue to outstrip supply.

Large viticulture properties will be the hardest hit in the global grape glut. As we are seeing, I believe the current trend of pushing out these large areas and returning them to grazing will continue, with investors looking for answers as to why their 'too good to be true' tax dodge investments are falling over and not offering any returns.

Contact:

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Regional Vic

MILDURA

The good rains predicted at the end of last month did arrive and has given a boost to the dryland sector in particular. It is interesting to note that the sales of dryland cereal cropping properties in the Mildura Rural City council area have fallen dramatically with fewer than five recorded sales in the past 12 months of holdings over 150 hectares. Of the sales to occur the price trends have remained relatively stable to the peak values of late 2007 – early 2008, (Up to \$750 per hectare in the Millewa region and up to \$1100 in the Mallee region) noting that grain commodity prices (particularly wheat and barley) have fallen during this period. Offsetting this has been a jump in sheep and lamb values.

Recent reports in regard to the wine grape sector reveal that there has been up to a 30% exodus of growers from the industry with a reported 4000ha of vines taken out of production in the Sunraysia region alone over the past two years.



Irrigators throughout the Murray Darling Basin are anxiously awaiting the release of the Basin Plan, which is due for release by the Murray Darling Basin Authority (MDBA) in the coming months. There has been much speculation that the MDBA will seek to reduce the volume of water historically extracted by irrigators, via the implementation of Sustainable Diversion Limits. While no-one knows what the final outcome will be, irrigators are bracing for cuts of up to 30%, and if this occurs, there will be a knock-on effect throughout regional towns and communities along the length of the basin.

Many questions remain unanswered, not the least of which is whether affected irrigators will receive any form of compensation.

Further to the water topic it is interesting to note that whilst the Murray River catchment areas have received very good rainfall and runoff over the past seven months the Murray system inflows for the 12 months to May 31, 2010 totalled 3200GL which is the 13th lowest in 119 years of records being kept. This further emphasizes that it is likely to take many years of above average rainfall before storage levels recover fully.

The third Commonwealth Government buyback tender (VIC and SA only) for water entitlements which had a total budget of \$120 million, has recently completed and resulted in a further softening of values on previous prices paid. It has been confirmed that offers up to and including \$1950 per megalitre were accepted with the majority being between \$1800 and \$1,900. This shows a significant drop from the average of \$2070 per mega litre achieved in January and the \$1957 per mega litre average in March.

Another blow to the local area is the announcement that the Merbein Saw Mills will shortly close (leaving 24 employees without a job) after 35 years of operation. This is the result of the NSW Natural Resource Commissions creation of new national parks and state reserves of former red gum forests accessible for logging. Other saw mills at Darlington Point, Barham and Deniliquin are also closing down due to losing access to areas where they had logging rights.

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

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FAR NORTH QLD

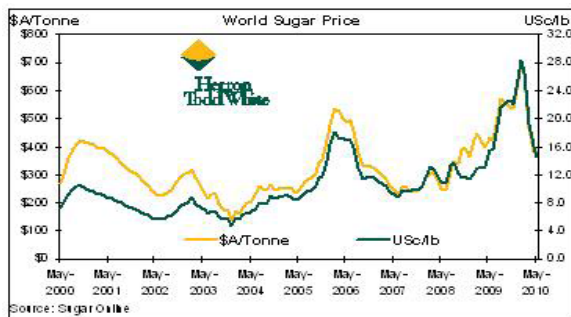
The negative affects of the Global Financial Crisis and Credit Crunch continue to be felt in rural markets throughout Far North Queensland. Sugar and banana commodity prices also continue their roller coaster ride making it very difficult for farmers to manage their business operations.

Sale volumes for coastal farming lands in the Cassowary Coast Region (Innisfail to Cardwell) have declined significantly from the market high of 75 sales in 2007 (2005 – 45 sales, 2006 – 60 sales, 2007 – 75 sales, 2008 – 25 sales, 2009 – 23 sales, 2010 to date – 0 sales) (land over 30 ha). The slowdown is mainly attributable to the demise of the corporate (Managed Investment Scheme)

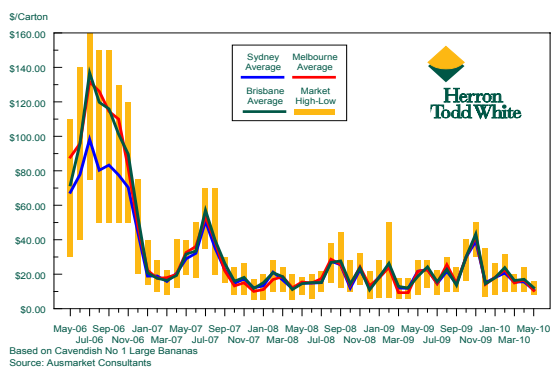
forestry growers who left the market in late 2008 as a result of the GFC and have not returned. Two of three major MIS entities active in FNQ have now failed and this could result in up to 5000ha of farming and grazing land flooding the market as receivers sell off assets. It is expected to soften demand and values for sugar cane lands and smaller coastal grazing lands.

The Far North Queensland pastoral market has also been affected by the slowdown with limited sale volumes for leasehold pastoral properties during 2009 and early 2010. Property values in the Peninsula market have fallen significantly from the high in 2007/08. Recent market transactions would indicate an average fall in value of around 20% to 30%. The recent slow market has also resulted in an increasing number of forced sales, which have generally yielded poor sale prices due to the lack of genuine potential purchasers.

Sugar and banana commodity prices have slid dramatically in recent months, making the recent 30 year high sugar price look like a distant memory. Banana farmers had enjoyed a relatively profitable run since the Cyclone Larry in March 2006, however a market oversupply has ended their run.



World Sugar Price



Wholesale Cavendish Banana Price

The best performing market in Far North Queensland over the past five years has been premium quality cropping lands on the Atherton Tablelands. Fertile volcanic red soil farming lands in what is described as the 'Golden Triangle' (Atherton – Tolga – Kairi), have risen by about 75% over the past five years. Sale numbers are historically limited due to properties in this area being tightly held. Many properties do not make it to the open market with many deals done between long term family growers and adjoining owners.

Contact:

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NORTHERN QLD

Hinchinbrook - Sugar Cane: The annual harvest is about to commence. The Hinchinbrook area appears set for a reasonable harvest, although there is some concern about how good the crop really is following a big wet. The smut does continue to be an issue and many growers have been active in introducing resistant varieties as the ratoon age permitted.

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

...many growers have taken advantage of advanced sales and have a percentage of this year's crop forward sold on the higher prices of last year...

Robert Carey and his investors have been dealt an unexpected blow in their proposed new mill development for the Ingham area. Access to the tramway network is not necessarily essential for the project but would make it more efficient. I am sure the matter will resurface as Robert and his associates continue to push the project forward to meet their time frame requirements.

The Burdekin: This is one of the most reliable growing areas in the State. The cane from the Burdekin is virtually guaranteed annually with the ever reliable irrigation water.

Again sales are continuing to occur but not on a scale of previous years. Values appear to be relatively stable.

Cane prices have fallen somewhat in very recent times and this drop is partially offset with the decrease in the value of the Australian Dollar. Many growers have taken advantage of advanced sales and have a percentage of this year's crop forward sold on the higher prices of last year. Cane growers have not committed to higher farm prices in line with some of the returns being achieved from forward sales. This is reflective of the future uncertainty of the direction of sugar in the medium term outlook.

Bowen – Tomatoes and small crops: Last year was not rewarding for many tomato growers in the Bowen Region as a result of a mild winter causing a glut of tomatoes coming on the market from other areas. This year is crucial for many in relation to a positive cash flow. The Bowen growers do know their crop and how to manage it but this accounts for nothing when the crop goes to market. Expectations are cautious but growers, like all farmers, are very optimistic for a good year.

Sales in the area again have been limited in number and there are no underlying trends coming from the sales to date.

North Queensland - Grazing Property: The Trade Minister in Indonesia has announced the intention to adhere to existing import specifications that have been loosely followed in recent years. This has raised some uncertainty in the cow and heifer markets, as they will no longer be demanded by Indonesia. The cow prices in sale yards have softened as a result of an increase in supply that has been met by little demand.

There are a small number of contracts for cattle properties that have been executed. It is positive to see some sales occurring. The value rates reflected by these sales are showing a variation in strength. This has come down to how long the vendor has been prepared (or able) to wait until a better deal is tabled.

Contact:

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NORTHERN TERRITORY

Current Live Export Permit Restrictions into Indonesia

As reported in last month's Rural Month in Review, restrictions that were imposed on the issuing of live cattle import permits for Australian live cattle into Indonesia due to an oversupply situation (of fat cattle in their feedlots) are continuing. This was reportedly the result of high levels of imports which has coincided with a normal dry seasonal turn off period for local Indonesian cattle and a soft local meat market. The result has been poor prices and slow sales leading to significant lobbying by Indonesian farmers to reduce Australian imports. The government has responded by reducing import permits issued and restricting the weight of those imports. As well as the restrictions on permits which is adding uncertainty to the already flat NT/Kimberley pastoral market, the new restrictions on live cattle weights into Indonesia has to be grappled with.

Indonesia—live cattle weight restrictions

An announcement made by the President of the Northern Territory Cattlemen's Association regarding the current live export issues concerning export weight and permit restrictions was made following the WAGFFC (Australia-Indonesia Working Group on Agriculture, Food and Forestry Cooperation) meetings that were held in Darwin in early June. Indonesia has confirmed that it will impose a 350kg per animal limit on imports of all live cattle into Indonesia. We note that this weight restriction has always been part of the political decree. Previously both lighter and heavier cattle were weighed as a consignment onto the ships and as long as the 350kg average was adhered to all was well. However, now the 350kg rule will be strictly enforced with AQUIS obligated to monitor the weight limit which forms part of the new permits. The Australian Government and the live cattle industry have been unable to obtain clear and detailed advice from Indonesian officials as to how the measure will be implemented, however, the most recent feedback from industry is that Indonesian quarantine officials will be weighing cattle on arrival in Indonesian ports via a gangway weighing mechanism.

....indonesia has confirmed that it will impose a 350kg per animal limit on imports of all live cattle into Indonesia....

It appears that the proposed weight restrictions are linked to Indonesia's ambitions to achieve beef self-sufficiency by 2014 as stated by the President SBY. The Minister for Agriculture Suswono has signed a deal with the President to achieve this ambition. As a result of the current oversupply of cattle, the Directorate General of

Livestock Services (DGLS) in Indonesia recognised they needed to re-assess their systems and therefore began enforcing regulation on imports and subsequently animal weights. The Indonesians do however, see Australian cattle as a means of achieving self sufficiency and intend on calculating feeder cattle into that equation. This is why they are determined to restrict weights and stop heavy cattle entering and going directly to slaughter. This could be interpreted as a possible increase in demand for lighter cattle for the future, but still doesn't solve the heavy cattle issue.

The decision could quite possibly have significant impact on the herd dynamics and business models for most Top End cattle operations where significant proportions of cull cattle (aged breeders, bulls, scrub bulls etc) in a typical herd are heavier than 350kg and are currently exported to Indonesia. This market has provided a significant proportion of the annual cash flow for most cattle stations in the Top End over the last twenty years so and alternative markets would need to be found either domestically (which is far less profitable given distances) or in other export locations (which take many years to develop). The NTCA have reported that they are not confident that they will be able to negotiate a more favourable weight restriction outcome and they do not expect to have any prospect of modification of the weight issue until after Ramadan in September.

While there is much debate within the industry about the seriousness of these restrictions and whether in fact the Indonesian government is just 'playing a political game' and that similar problems to this have been circumvented in the past, we are aware that it does have many players in the industry very concerned. To date, we have not seen sales activity in the pastoral property market reflect these circumstances in the form of falling value levels (there have been very few sales to consider as evidence) however, like the GEC this issue is not going to help lift the already subdued confidence levels. The issues above also highlights the high degree of dependency that northern pastoral properties such as the subject place on the Indonesian live export market which has taken 90% of all live exports from the NT in recent years.



Live export cattle

Contact:

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South Western WA

Rural activity in the wheatbelt this month is centred on cropping with seeding well underway. With 2009 being one of the worst seasons for around twenty years wheatbelt farmers are anxious to ensure the 2010 crop is a financial success to enable them to claw back some of their financial losses and arrest the decline in equity.

Summer rainfall was generally low to non existent with little cyclone activity. As a result there is almost no moisture in the ground particularly in the northern and eastern wheatbelt which generally rely on thunderstorm activity to enable farmers to sow there crops 'dry' at the break of the season.

At this point of the season a broad generalisation would be that a third of the state is in a reasonable position, a third is in average condition while a third is in a difficult position. The rainfall pattern to date shows good falls in coastal and south western regions, average falls to the western portion of the northern, mid west, central and south east while the eastern regions of the wheatbelt have only received lower and scattered rainfall.

Our experience is that shires in the upper and lower Great Southern through the lakes to Esperance are well advanced in terms of cropping. A lot of farmers have finished seeding early to mid June when the end of the month is considered one of the latest dates feasible to still achieve an average to above average crop. Statistically any plantings after this generally see average yields at the best as rainfall reliability falls away prior to the crop coming to maturity.

As a consequence of seeding there is little market sales activity in wheatbelt areas until spring, when the crop outlook is easier to predict. Given the current economic outlook it is likely that sales of WA rural properties will not commence till after the crop is in the bin and a full account of the financial impact can be accounted for. In most cases property settlements occur just prior to the end of, or early in, the new year to enable the purchaser to undertake preparation for the following cropping season. As a result there is little evidence to determine rural land values and the previous years values are generally quoted until the new selling season trends are identified and analysed.

Contact:

Peter Lee-Steere Ph: (08) 9791 6204

Comparative Property Market Indicators - June 2010

The following pages present a generalised overview of the state of property markets in Capital City, New South Wales/ACT, Victoria/Tasmania, Queensland, South Australia/Northern Territory/Western Australia & MENA locations using financing risk-rating scales. They are not a guide to individual property assessments.

For further information contact Richard Jenkins, Research Director, Herron Todd White, on (03) 9642 2000, or by email on richard.jenkins@htw.com.au

Comparative Analysis of Capital City Property Markets



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

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

Comparative Analysis of New South Wales/ACT Property Markets



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

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

Comparative Analysis of Victorian/Tasmanian Markets



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

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

Comparative Property Market Indicators - June 2010

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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:

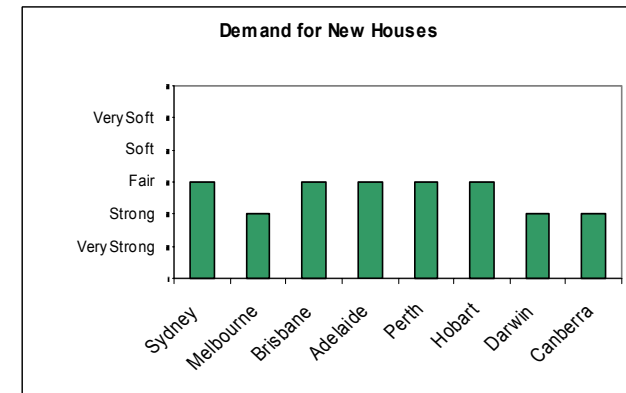
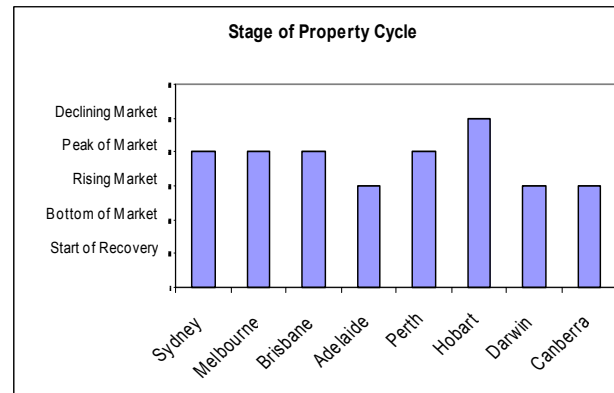
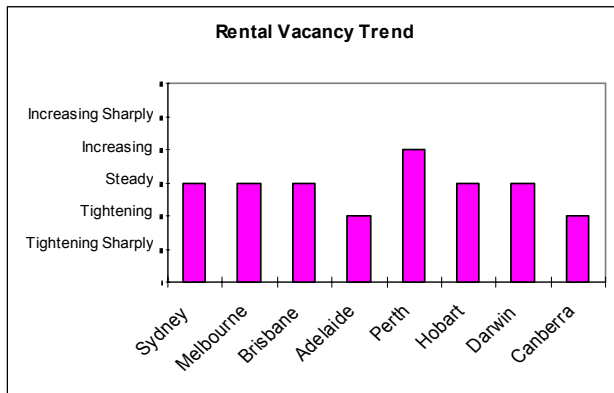
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

Capital City Property Market Indicators as at June 2010 – Houses

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

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

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

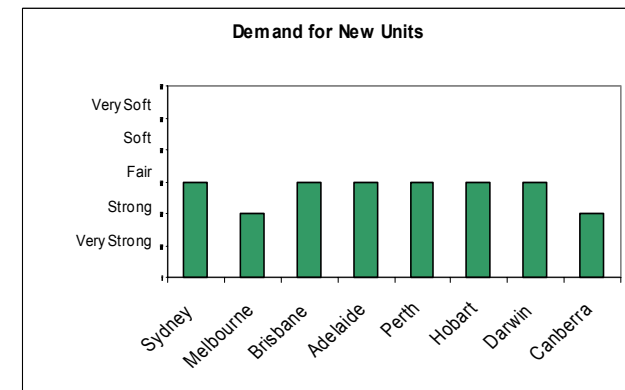
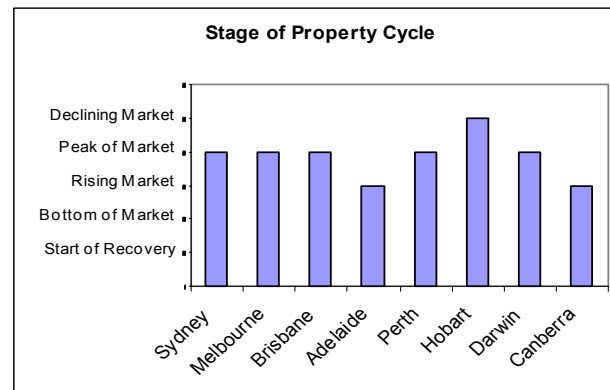
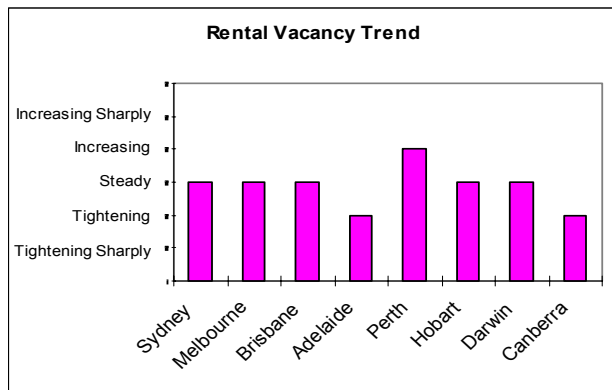


Capital City Property Market Indicators as at June 2010 – Units

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

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

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

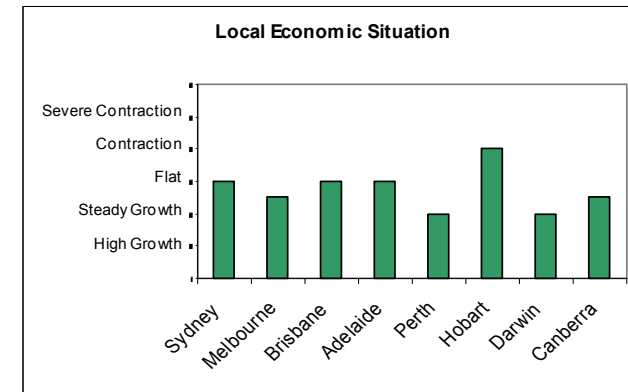
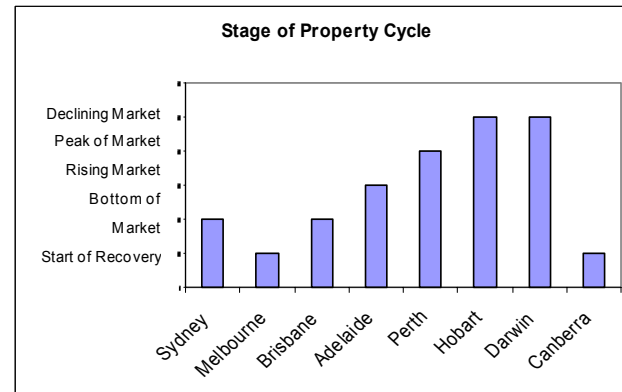
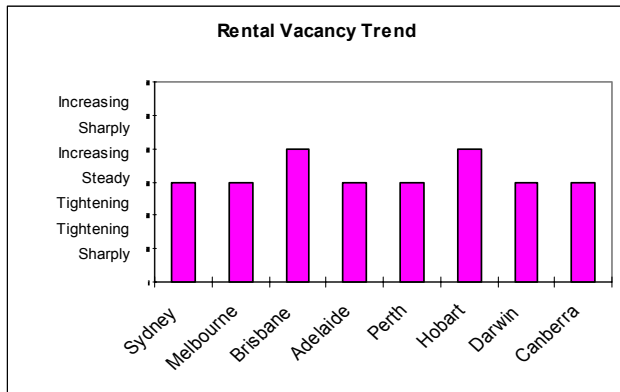


Capital City Property Market Indicators as at June 2010 – Industrial

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

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

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

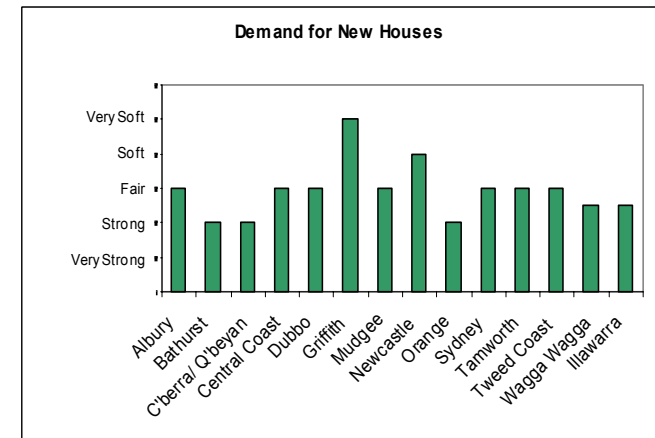
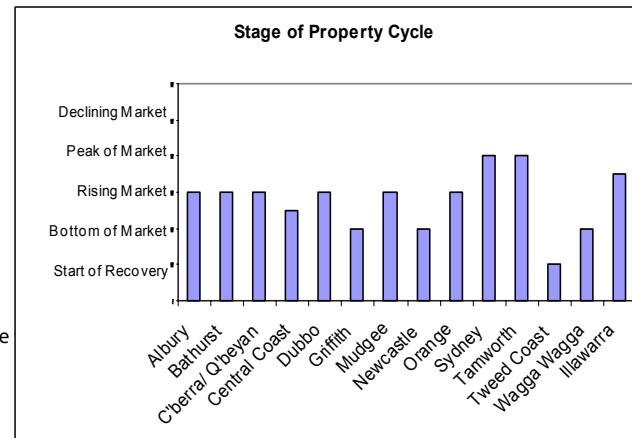
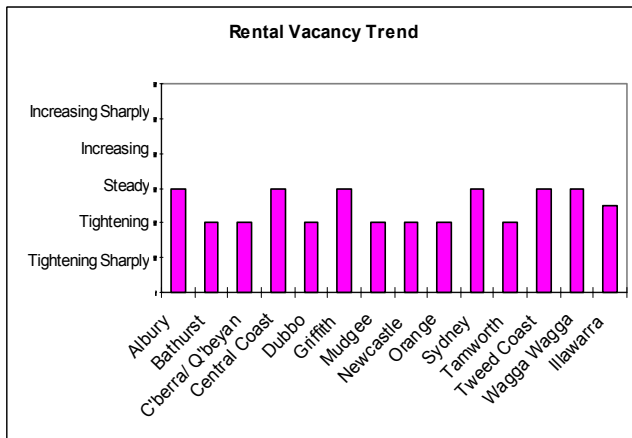


New South Wales Property Market Indicators as at June 2010 – Houses

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

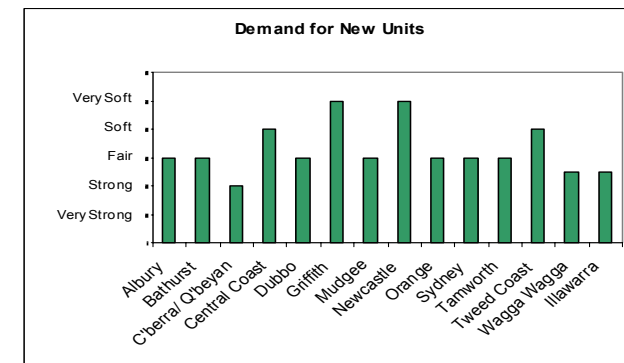
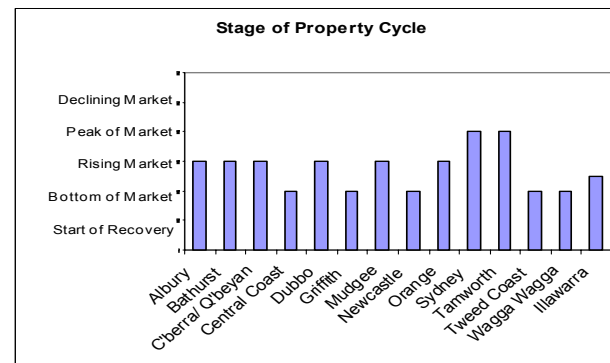
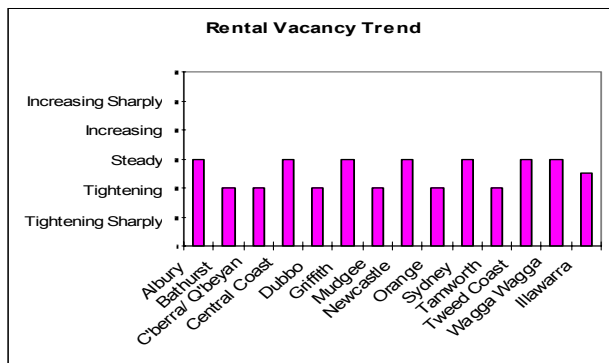


New South Wales Property Market Indicators as at June 2010 – Units

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

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

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

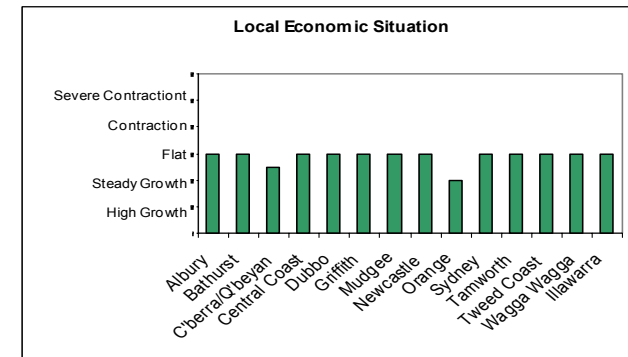
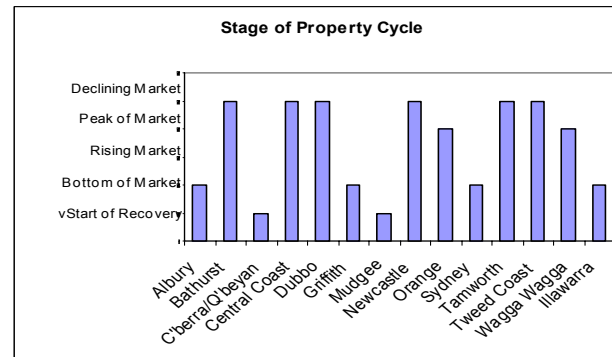
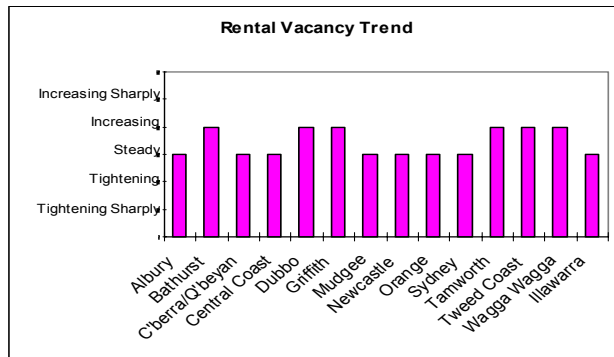


New South Wales Property Market Indicators as at June 2010 – Industrial

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	Over-supply of available property relative to demand - Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand - Large over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	
Rental Vacancy Trend	Steady	Increasing	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	
Rental Rate Trend	Stable	Declining	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable	
Volume of Property Sales	Declining	Steady	Steady - Declining	Steady - Declining	Steady	Steady	Steady	Steady - Declining	Steady	Steady	Steady	Declining significantly	Declining	
Stage of Property Cycle	Bottom of market	Declining market	Start of recovery	Declining market	Declining market	Bottom of market	Start of recovery	Declining market	Peak of market	Bottom of market	Declining market	Declining market	Peak of market	
Local Economic Situation	Flat	Flat	Steady growth - Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Flat	Flat	Flat	
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant - Large	Small	Significant	Large	Significant	Small	Small - Significant	Significant	Significant	Significant	Significant	

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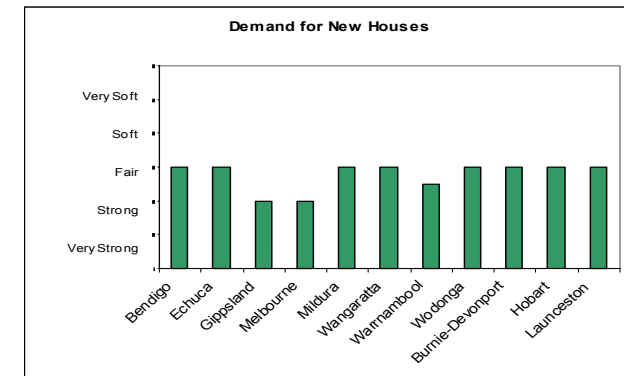
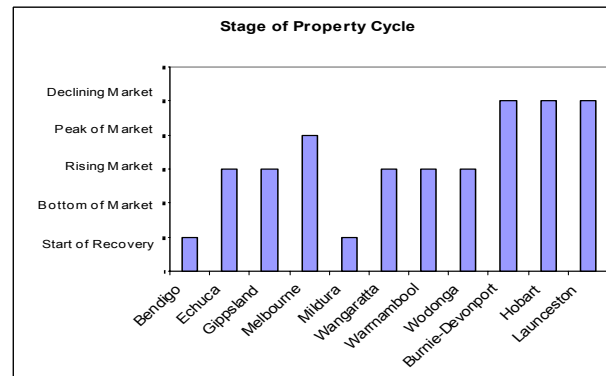
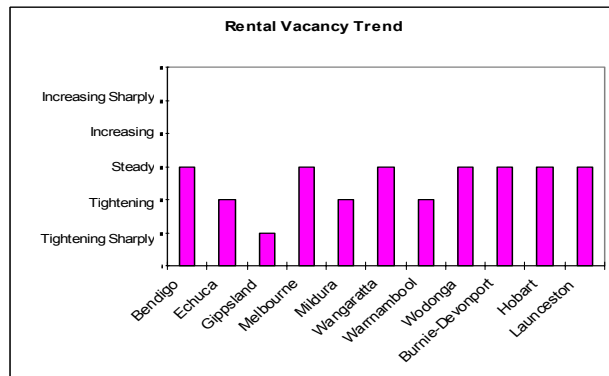


Victoria/Tasmania Property Market Indicators as at June 2010 – Houses

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Severe shortage - Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening sharply	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Strong	Strong	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady - Increasing	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Start of recovery	Rising market	Rising market	Peak of market	Start of recovery	Rising market	Rising market	Rising market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Frequently	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Almost never	Almost never

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

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

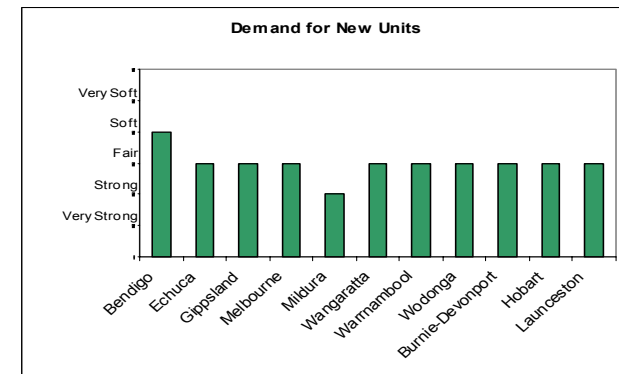
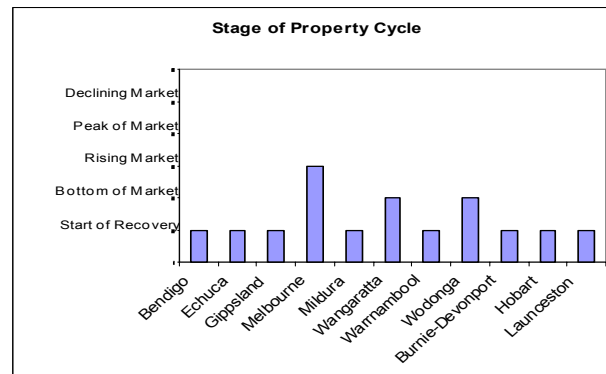
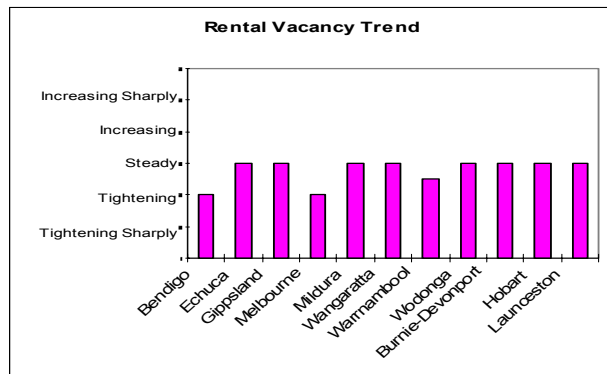


Victoria/Tasmania Property Market Indicators as at June 2010 – Units

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devon-port	Hobart	Laun-ceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening sharply	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Units	Strong	Fair	Fair	Strong	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Start of recovery	Rising market	Rising market	Peak of market	Start of recovery	Rising market	Rising market	Rising market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Almost never	Frequently	Almost never	Occasionally	Almost never	Occasionally	Almost never	Almost never	Almost never

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

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

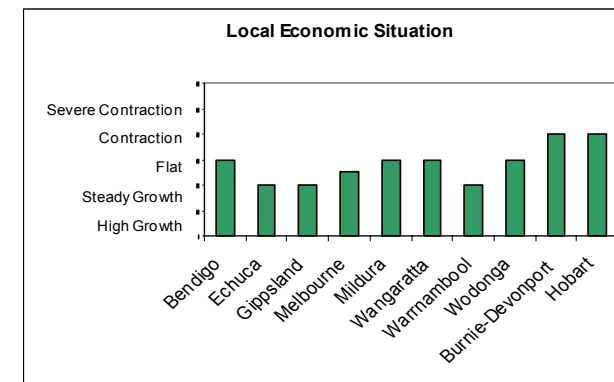
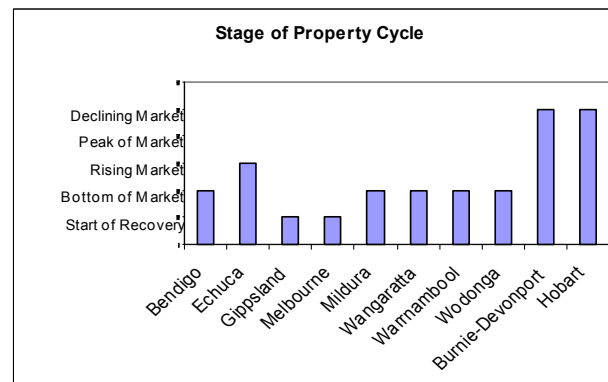
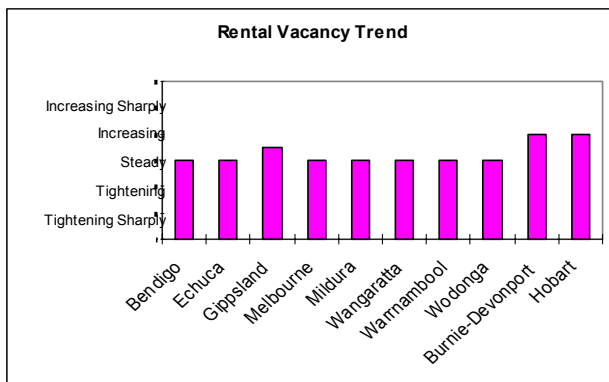


Victoria/Tasmania Property Market Indicators as at June 2010 – Industrial

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

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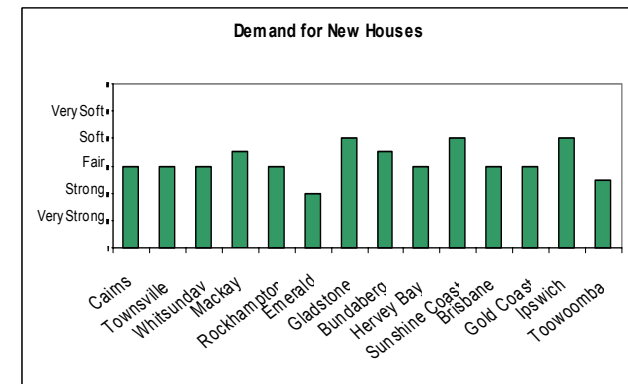
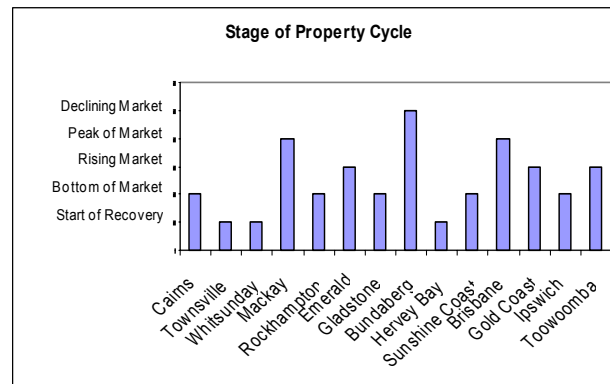
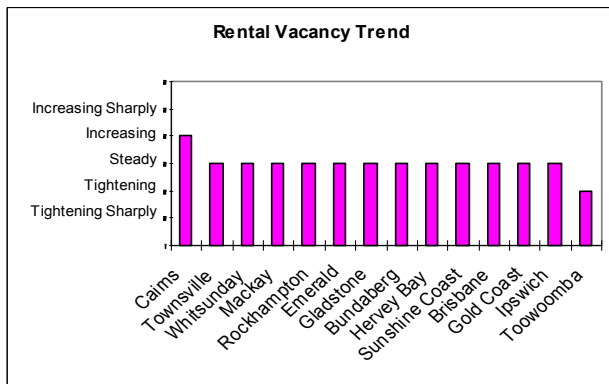


Queensland Property Market Indicators as at June 2010 – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Ipswich	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Houses	Fair	Fair	Fair	Soft - Fair	Fair	Strong	Soft	Soft - Fair	Fair	Soft	Fair	Fair	Soft	Fair - Strong
Trend in New House Construction	Steady	Steady	Steady	Declining	Steady	Increasing	Steady	Steady	2.3	Declining	Steady	Steady	Declining	Steady - Increasing
Volume of House Sales	Steady	Steady	Steady	Declining	Declining	Increasing	Steady	Declining	Increasing - Steady	Declining	Steady	Increasing	Declining	Steady - Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Start of recovery	Peak of market	Bottom of market	Rising market	Bottom of market	Declining market	Start of recovery	Bottom of market	Peak of market	Rising market	Bottom of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Frequently	Occasionally

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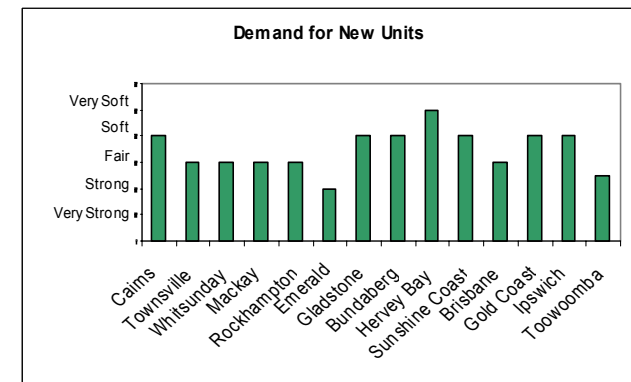
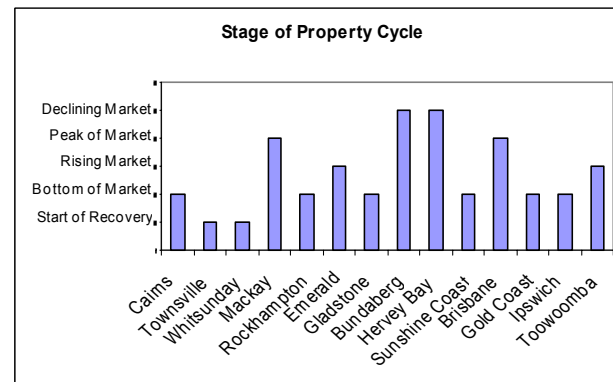
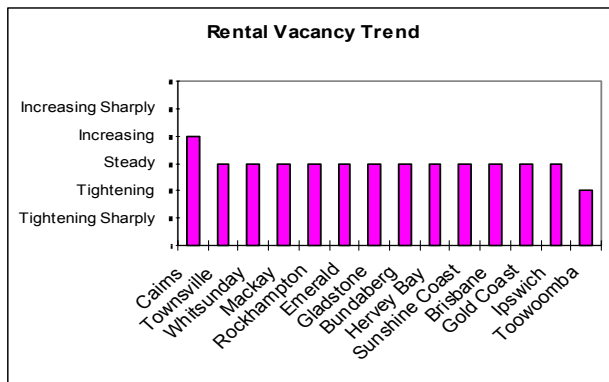


Queensland Property Market Indicators as at June 2010 – Units

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

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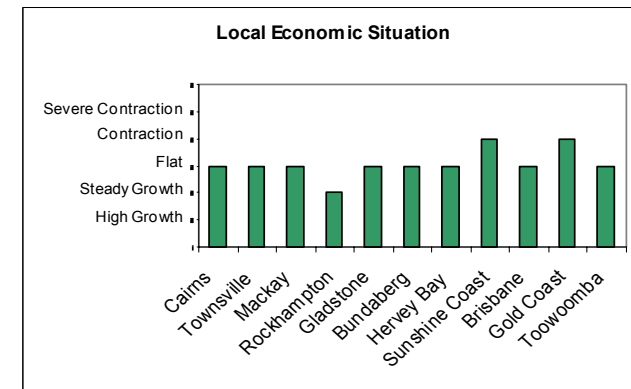
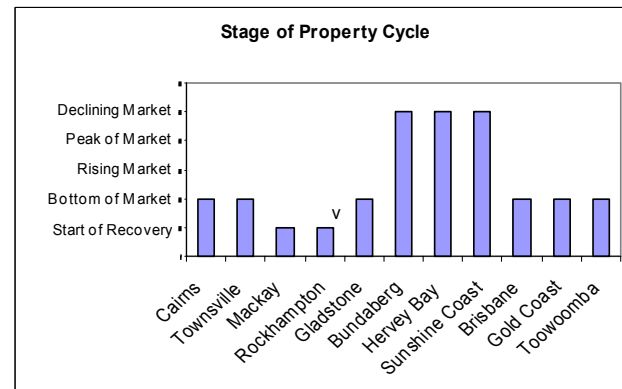
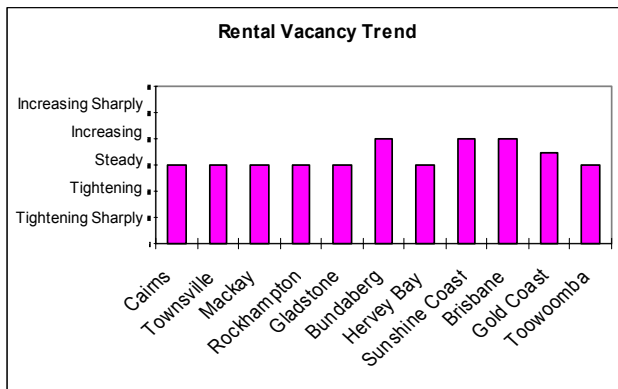


Queensland Property Market Indicators as at June 2010 – Industrial

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

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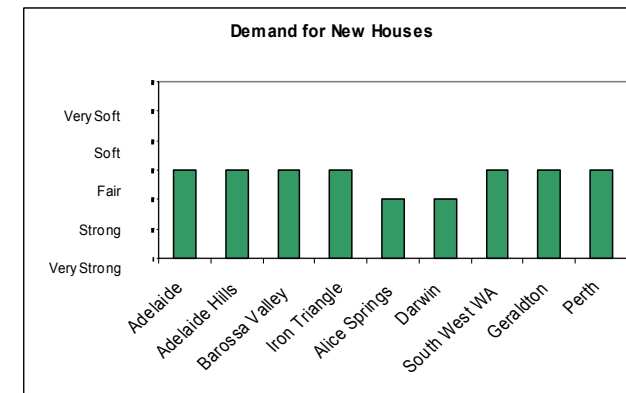
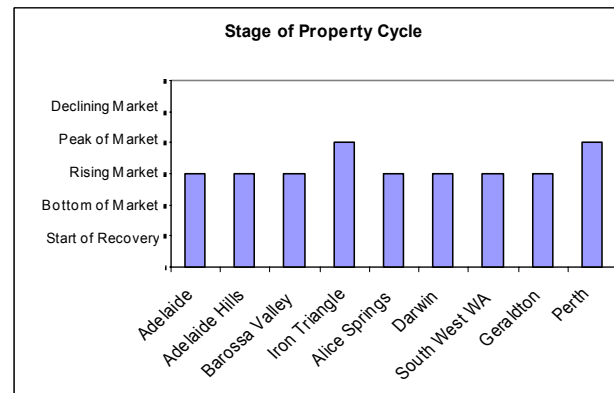
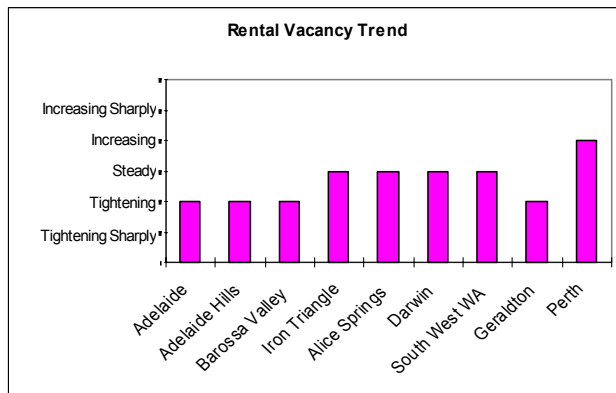


Northern Territory, South Australia & Western Australia Property Market Indicators as at June 2010 – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Tightening	Steady	Steady	Steady	Steady	Tightening	Increasing
Demand for New Houses	Fair	Fair	Fair	Fair	Strong	Strong	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Increasing	Increasing	Declining	Steady	Declining
Volume of House Sales	Steady	Steady	Steady	Steady	Declining	Declining	Declining	Increasing	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Peak of market	Rising market	Rising market	Rising market	Rising market	Peak of 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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Blue entries indicate change from 3 months ago to a lower risk-rating

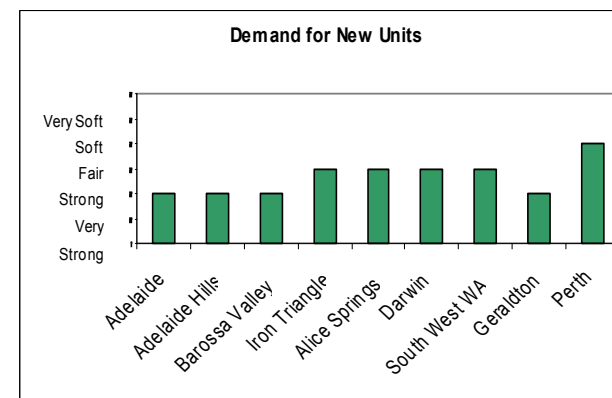
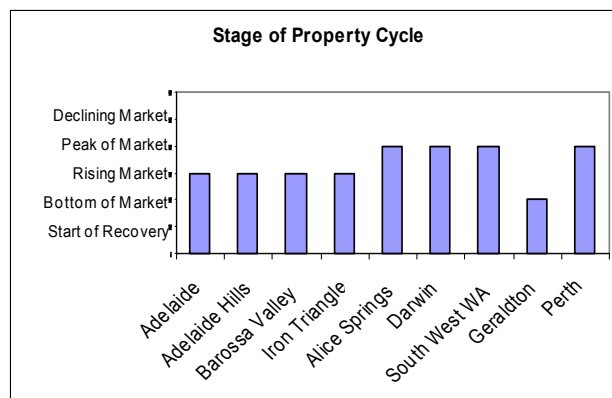
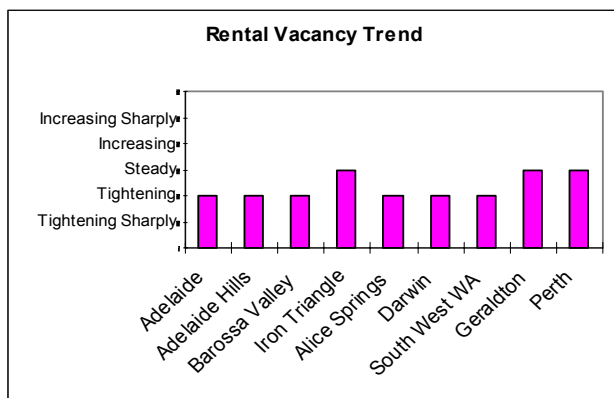


Northern Territory, South Australia & Western Australia Property Market Indicators as at June 2010 – Units

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

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

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



Northern Territory, South Australia & Western Australia Property Market Indicators as at June 2010 – Industrial

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

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

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

