Herron Todd White

Independent Property Advisors

The Month In Review

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Independent Property Advisors

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Peace of mind for your property decisions.

Herron Todd White
Independent Property Advisors

Supreme Property -
The Top End in our Market.

(click)..Oh… Helloooo. Do join me by the jacuzzi next to the guest house, just beyond the heli pad around behind the putting green won't you? Now don't take a left or you'll end up in the trampoline room just pass the aircraft hanger, and a turn right would be a delightful bore as both the theme park and waterslide aren't operating today. In fact, let me send my good man Chauncey round in the Bugatti and he'll prepare you a nice Chinese Oolong Tea for the ride. Tootles!...(click)

OK, I'll stop now. It's fair enough to say that aspiration is the cornerstone of any effective capitalist system and when you are living in the country that features in the term "The Great Australian Dream", you just know that one of the benchmarks of success will be your abode. Every town has enviable real estate that drives most of us to sweet reverie so in the coming pages we are going to visit some serious property.

The upper echelons of the local market are also important because they are a pretty good gauge of the overall economy. One must admit it's a bit tough justifying the second beach house when the ASX has taken a dive, so when dry fiscal times are upon us there will be belt tightening at the top end – even if the trouser apparel is a Selfridges & Co. gold number (est value $32,000. That's right, for a belt!).

With this in mind we've asked our professional purveyors to give you the good oil on how this sector is operating from one end of this wide brown land to the other. You'll also find a timely rundown on where these markets are heading and even a little heads up on where the bargains might be had if you're fortunate enough to be fishing in these climes. For everyone else, we have allowed you to dream a little dream by wandering through the very best homes from around Oz, all from the comfort of your desk chair.

And how do we pay for all this luxury (get ready for a seamless segway)? By a quick trip to the office which is the theme of this month's commercial contribution. This issue sees our office sector observers take a look at the prime office real estate from all areas. Once again, a terrific gauge as to the state of the economy.

So take a little you time and discover what you're missing by enjoying our pre end of year rundown on all the good bricks and mortar. If you're lucky enough to be in the market, how about spreading some of the fortune around by calling up your local Herron Todd White office and getting high end advice on your premium piece of Oz.

See you at the polo club.

Kieran Clair
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1 November 2011

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Commercial Overview

Prime office real estate is an effective gauge of the commercial economy. It is a sector that will perform well when plenty of cashed up investors are looking to secure blue chip investments. It is also a truism that when you start seeing disposal style sales at this end, then the economy is probably in a spot of bother.

Sydney

If 2011 is the year of the rabbit in China, then 2011 is certainly the year of the foreign investor. Since the sale of 259 George Street in July to overseas investors on a 15.3% premium to its 30 June 2011 valuation, the focus in the Sydney office market has shifted firmly offshore. While foreign interest in Sydney offices is coming from around the world, transactions to date have centered on Asian buyers who appear to be buying with cash or very low gearing and as a consequence, are willing to accept a lower yield than Australian investors who are burdened by a higher cost of capital. Discussions with agents involved in these transactions reveal that foreign buyers are actively seeking Australian investments for a multitude of reasons, including currency hedging and portfolio diversification, however the largest driving factor is the stability of the Australian economy and property markets compared to other locations throughout Asia.

Outside of the prime markets, conditions have equally improved, with a number of sales occurring in the sub $50 million market. Investors in this market have been somewhat more opportunistic, targeting B and C grade properties which have strong rental growth upside. Most recently, the sale of 8 Spring Street for $37.5 million in October proved Australian investors are willing to commit to properties given the right conditions.

In the strata market however, conditions remain subdued, with this market relatively unaffected by the deals at the top end of town. With continued high levels of vacancies across the Sydney CBD, investors remain concerned about the prospect of a lengthy vacancy period following tenant relocation. Quality A grade properties remain in demand from owner occupiers and investors alike.

In the suburbs, leasing and investment demand for all office property types remains low, with the exception of quality properties, featuring a strong lease covenant which are still favored by risk adverse investors.

Canberra

By nature of the quality of tenants in the ACT, the office property market exhibits far less volatility than other capital city office markets. As such, conditions have remained relatively unchanged in the first nine months of 2011. Vacancy remains high with the market still feeling the impact of a 36% increase in total supply since 2008. As att July 2011, the office vacancy rate stood at 13.3%, having fallen only slightly from the 13.4% rate recorded in January 2011. Vacancy remains high across all grades, but highest in C and D grade properties at 14.5% and 34.9% respectively.

As a result of this increase in vacancy, rental rates have fallen across all property grades. Secondary properties have been most impacted, with many of these unable to meet the minimum occupation requirements mandated by the federal government. Given the limited number of non-government tenants with large space requirements, it is likely that rental rates for these secondary properties will remain subdued for some time to come.

Despite the depressed leasing conditions, investor interest for quality properties remains strong within the ACT. Most recently, a property fund from Austria, 'SIGNA' has shown interest in purchasing 50 Marcus Clarke Street, Canberra, for a rumored $250 million. The 40,000 square metre building is leased to the Department of Education, Employment and Workplace Relations for a period of 15 years. While these types of assets remain in strong demand, there is limited incentive for owners to place these properties on the market.

Melbourne

The Melbourne CBD office market continues to attract a wide range of buyers which include overseas Asian and European Funds, whilst some A-REIT's appear to be looking at disposing of non-key assets. The stability and anticipated rental growth within the CBD office market is a key attraction to these investors and one which is set to continue until late 2013 as vacancy rates continue to fall. Melbourne CBD has appeared to fare well despite the current economic situation in global markets.

Existing Stock

According to the PCA Office Market Report released in July 2011, the Melbourne CBD has a current stock level of 4,108,650 square metres which represents a modest increase of 0.65% from January 2011.

The Melbourne office market recorded a positive net absorption of 54,999 square metres in the past six months to July 2011, with supply accounting for 36,136 square metres and a drop in recorded withdrawals from 13,403 square metres in January 2011 to 9,295 square metres in July 2011, representing a substantial decrease of 44.2%. This is an indication of the strengthening office market in the Melbourne CBD and the present demand.

	Construction (Office NLA)	DA Approved (Office NLA)
2012	98,758 m2	-
2013	131,984 m2	57,417 m2
Mooted	-	318,544 m2

Source: PCA Quarterly Development Survey (Spring 2011

Included within the 57,417 square metres of approved office space in 2013 onwards is the Scots Church redevelopment of 150 Collins Street (Scots Church P/L / APN Funds Management), with Westpac Banking Corporation reportedly pre-committing to between 14,000 and 18,000 square metres of office space in the new ten-storey office tower with an aim to be recognised as a six star building in Melbourne. 838 Collins Street is expected to commence construction in September 2012 which will create circa 10,000 square metres of office space (137 strata office suites) and retail. The Docklands Precinct will also experience further development going into 2012 and 2013 with the construction of 395 Docklands Drive (22,000 square metres), 685-691 La Trobe Street (two office buildings, one 12-storey and one 15-storey), whilst 121,844 square metres of office space remains mooted in the Docklands Precinct (Source: PCA Quarterly Development Report, Spring 2011 and Cordell).

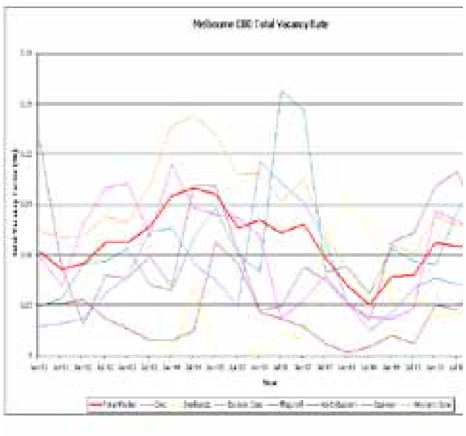
Vacancy Rates

The total vacancy rate across all grades fell from 6.6% in January 2011 to 5.8% in July 2011. Individually however, C grade space once again experienced a further increase, from 9% in January 2011 to 9.8% in July 2011, reflecting the demand for such space. A and B grade space experienced a decrease of 1.3% and 0.2% respectively. Premium grade space also showed a decrease from 5.8% in January 2011 to 4.7% in July 2011. The overall vacancy rate remains well below the 20 year historical average trend of 12.5%.

... stability and anticipated rental growth with the CBD office market is a key attraction ...

After the vacancy rate across all grades peaked at 6.7% in January 2010, it has now fallen further to 5.8% in July 2011 according to the PCA July data, and is expected to decline further until late 2013 as the market absorbs the remaining new office space. The Melbourne CBD has recently seen net absorption (additional space leased over a fixed period of time less space vacated during the same period) of 54,999 square metres (six months) with the CBD now reaching the end of a heavy construction cycle and as a result of this, there will be limited new stock being added to the market over the next two years. Consequently, the overall vacancy rate is anticipated to fall to around 4.5% by late 2013.

This bodes well for rental growth. Historically, the Melbourne CBD office market is considered to be at equilibrium at around 6% to 7% vacancy. The graph below shows vacancy rates for Melbourne CBD precincts versus the overall vacancy rate (bolded red).



Rents and Incentives

The CBD office market rental growth witnessed at the beginning of 2011 has maintained momentum, with net face rents expected to grow over 6% throughout 2011 with further significant growth expected in 2012. Corporate tenants are increasingly looking for significant space but will experience rising rents and a lack of available space. This could result in more corporate tenants being pushed towards CBD fringe precincts such as St Kilda Road and East Melbourne which will only be viewed as a positive for these strengthening precincts.

The table below is a snapshot of indicative rents and incentives within the Melbourne CBD office market.

Grade	Indicative Net Face Rents ($/m2)		Indicative Incentives	
	Low	High	Low	High
Premium	$450	$650	12.5%	17.5%
A	$350	$450	17.5%	20%
B	$300	$350	17.5%	25%

There has been a moderate increase in premium net face rents since April 2011 with rates up to $650 per square metre in the CBD office market. Rents are forecast to increase and incentives will decline in line with the rental growth anticipated over the next two to three years.

Investment Parameters

CBD investment sales activity has remained steady in light of the improving business conditions and interest rate stance of the Reserve Bank of Australia, but the strength of the Australian dollar has perhaps deterred some off shore investors in the short term. Along with overseas funds, domestic superfunds and A-REIT's continue to re-enter the market and there have been continued notable acquisitions during the first half of 2011. The low levels of future supply within the CBD office market, coupled with positive rental growth and strong demand by white collar employment, has proved integral to the investment market activity and business confidence is starting to return. With the lack of new supply within the CBD, investment opportunities are harder to come by with many preferring to hold on to assets for the time being.

The market indicator table below reflects current investment parameters in the Melbourne CBD office market.

Grade	Indicative Capital Value ($/m2)		Indicative Market Yield	
	Low	High	Low	High
Premium	$6,000	$7,500	6.5%	7%
A	$4,250	$6,000	6.75	8%
B	$3,000	$4,250	8%	9%

Melbourne CBD office yields tightened throughout 2010, before stabilising in 2011 to current levels. We expect yields across all three grades to firm by the end of 2011, however, at present, yields appear to have stabilised, probably as a result of the overseas economic uncertainty.

Sales Activity

150 Queen Street was acquired by Chip Eng Seng Corporation for $25.5 million in September 2011. The vendor, Charter Hall, sold the B grade building reflecting an initial yield of 1.30% and a capital value rate of $3,128 per square metre. This prominent 14 level commercial building currently comprises 11 levels of office accommodation, two levels of retail accommodation and basement parking for 26 vehicles, with a total net lettable area of 8,153 square metres. Approximately 76% of the building is currently vacant. Major tenants include Westpac (40% of income), Powerwrap Limited (8% of income) and Suit City Warehouse (7% of income), with a weighted average lease expiry of 1.16 years. We understand the asset was purchased with medium term plans for a residential project development subject to council approval. The building requires significant capital expenditure if the existing office use is to be continued.

Record Funds Management Limited (Korda Mentha as Managers and Receivers Appointed) completed the sale of 601 St Kilda Road which was acquired by a private investor in September 2011 for $30 million, representing a passing yield of 10.61% and a capital value rate of $2,823 per square metre. The prominent low rise building has a net lettable area of 10,626 square metres over four levels with parking for 231 vehicles and street frontages to St Kilda Road and High Street. The building is fully leased to AAMI until 14 December 2014. The building offers reasonable quality 1990's office accommodation with a NABERS Energy Rating of 4.5 stars.

Brookfield (BPPF) and MTAA Superannuation Fund finalised the sale of Southern Cross West, 111 Bourke Street, Melbourne in July 2011 for $120 million, which represents a residual 50% stake. The sale reflected an initial yield of circa 7.1% and a capital value of $5,078 per square metre. The 20 storey mid to high A grade office building was competed in 2009 and offers ground floor retail tenancies and 20 levels of office accommodation, with a total lettable area of circa 47,265 square metres. There is significant reversionary upside in the rents, however this cannot be accessed until the end of the Australia Post lease in 2019.

Outlook

We have seen a slight slowdown in new leasing enquiries and offshore buyers diminishing overall due to the strong Australian dollar. Yields so far have remained stable in 2011 despite forecasts of tightening. New leasing requirements within the market include Victoria Police (27,000 square metre) and Medibank Private (30,000 square metres). However, the limited supply pipeline in 2012 and 2013 will only drive rents higher.

The medium term outlook for the Melbourne CBD office market is good, with continued solid growth expected. The positive factors to take into account are that vacancy rates are currently at 5.8% and forecast to decrease to circa 4.5% by the end of 2013. On the back of this, effective rents are anticipated to increase 25+% over the next three years and yields are expected to compress further.

The strive for greater building efficiency has gained momentum over the past six months. Key bodies such as the Royal Institution of Chartered Surveyors and the Australian Property Institute are actively promoting climate awareness, practical guidance on commercial valuations and the Carbon Pricing Mechanism through the RICS Sustainability Week and the Australian Property Institute's tour of Swinburne University Advanced Technologies Centre, the first project to be awarded the Five Star Green Star rating by the GBCA. The rating system now ranges from one to six stars, with the six star rating being awarded for "Market Leading Performance", and represents a 50% reduction in greenhouse gas emissions or water use from a five star rating' (nabers.com.au), whilst three stars is seen as best practice in Australia.

Adelaide

Adelaide's prime office space continues to be in demand with decreases in vacancies in both premium and A grade stock over the first six months of 2011. This trend has continued since the start of 2010.

	% Vacancy	
	Premium	**A Grade**
January 2010	9.1	10.8
July 2010	6.4	9.1
January 2011	3.8	8.3
July 2011	2.1	7.3

Source: PCA

Tenant activity has been on the increase since the end of 2010 and has been mostly driven by smaller leases (under 1,000 square metres), however this is possibly due to the lack of large office areas currently available.

Yields have been relatively stable, however with decreasing vacancy rates and rental increases, are now starting to tighten and currently sit around 7.5% to 9.5% with the expectation that they will slowly contract even further to more traditional levels in the next twelve months or so.

Tenants' expectations for improved standards of accommodation, better services and energy efficient features are continuing to drive the demand for prime quality stock over second grade buildings. This may in turn increase demand for secondary stock as investors look to value-add by refurbishing secondary stock in order to retain or attract tenants and to increase rental growth in the longer term.

The increase in demand for quality by tenants in combination with very limited new development and low vacancy has put upward pressure on rental rates for prime stock over the past twelve months which in turn have increased by 7% to 8% over that time period. Rental growth is expected to continue over the next two years or so and incentives are also expected to reduce over this time.

Developers are starting to consider new construction as the office market begins to perform well, however, unlike pre-GFC, significant pre-commitment is more than likely required before any of these projects will get off the ground. There are currently three buildings under construction with almost 100% pre-commitment. These are the new South Australian Police Headquarters at 130 Angas Street which is close to completion, City Central Tower 8 at 12-26 Franklin Street with completion expected toward the end of 2012 and Rundle Place at 90-100 Grenfell Street with completion due in 2013.

Recent sales include MTAA Super House at 55 Currie Street, Adelaide, which sold for $81 million in May this year for a yield of 9.41% and 77 Grenfell Street, Adelaide, reportedly sold in an off market transaction in June 2011 for $91.7 million, a yield of 7.5%. These are the highest sales for an office building in Adelaide since 2004.

MTAA Super House settled in May 2011 for $81 million

Brisbane

The Brisbane CBD office market has seen no addition to net lettable supply in the past year to July 2011, with total vacancy rates sitting at approximately 7.4%, down from 9.4% in January 2011. As expected, the resources and mining sector has been one of the most active in the Brisbane CBD over 2011, with notable leases including BHP-Billiton which has committed to over 5,000 square metres of space at 12 Creek Street, with a further 1,088 square metres being sub-let to the company to accommodate their Queensland coal operations.

There is a further 38,900 square metres of new and refurbished supply projected for the remainder of 2011, as well as 102,337 square metres projected for 2012 and 174,555 square metres projected for 2013. Commercial office CBD vacancy decreased in all grades from January 2011 as demand continued to supersede supply as a result of growth in the mining and resource sectors. As of July 2011, A grade vacancy decreased further from its peak of 14.3% in July 2009 to sit at 4.1%, as tenants continued to occupy their pre-committed space in recently completed developments. Although rates remained in double digits for both B and D grade office space, vacancy has decreased overall, currently sitting at 10.9% and 10.5%, respectively. As at July 2011, the vacancy rate of C grade stock has decreased from 8.6% in January 2011 to 6.9%.

Furthermore, the Brisbane fringe CBD office market has seen an addition of 30,084 square metres of net lettable supply in the past year to July 2011, with total vacancy rates at July 2011 sitting at approximately 8.8%.

By grade, vacancy in the Brisbane fringe decreased with the only exception being that of C grade stock. A grade vacancy decreased from 6.1% in January 2011 to 4.3% in July 2011. B grade stock vacancy decreased only slightly by 0.4% in the six months to July 2011, currently sitting at 14.9%. Conversely, the vacancy rate for C grade stock increased slightly from 7.1% to 9.2% and vacancy for D grade stock remained unchanged.

One of the major drivers of high vacancy rates of B and D grade stock remains the opportunity for tenants to upgrade their tenancies (and in some cases decrease rentals) as new stock is released onto the market; with landlords offering up to 30% incentives to entice tenants to make the switch. The flow on effect of this is that the disparity between the values of A and B grade buildings in both the CBD and fringe is now quite significant; particularly for those B grade buildings with high vacancy rates.

... prime yields may only tighten marginally in the short term given the modest rental growth outlook ...

As reported by the Property Council of Australia, Queensland's economy experienced a post-flood rebound in the June quarter following a significantly negative result in the March quarter of 2011. As Queensland's economy continues to recover, it appears that the decline of prime gross face rents has stabilised but is likely to hold at current levels for the next two years. Secondary gross face rents are likely to continue to decline in the short term as much of the backfill accommodation anticipated to enter the market is secondary stock. Continued growth in white collar employment is also expected, particularly through growth in professional services, mining and engineering as a result of a solid pipeline of major infrastructure projects. Although white collar employment has grown in the CBD, total vacancy is forecast to hover between 8.8% and 10.1% until mid 2012 as a result of the new supply under construction and backfill that will enter the market. Secondary vacancy is anticipated to increase further over the next twelve months as backfill accommodation becomes available as tenants move into 123 Albert Street, 111 Eagle Street and 145 Ann Street. Incentives are also likely to remain at historical highs until vacancy begins to decline.

While several institutions are now in a position to invest again having recapitalised, adding to competition for stock, it is likely that prime yields may only tighten marginally in the short term given the modest rental growth outlook. For the remainder of 2011, expected growth in coal production is projected to deliver firm growth for the Queensland economy.

Perth

The following overview will focus on Perth's prime CBD office property market, specifically identifying the main drivers in value for this this category of property. From 2010, Perth's CBD office property market has been in an upward trajectory. This year sales of properties above $10 million have increased dramatically on strong investor sentiment regarding the future of Western Australia's economic growth and limited new development mooted from 2013 onwards.

The Perth CBD office property market continues to strengthen as vacancies continue to fall, rents are again on the rise and incentives offered are diminishing. The Property Council of Australia's (PCA) "Office Market Report July 2011", reveals an overall vacancy rate in the Perth CBD of 7.8%, however this vacancy comprises no premium grade stock and A grade office vacancy is at a low 6.6%. A major Perth real estate company recently claimed that Perth's CBD office vacancy is in fact much lower, suggesting actual vacancies have fallen to under 3.5% as at the end of September. Most analysts are forecasting only marginal increases in vacancies (approximately 8%) arising from the anticipated addition of approximately 165,000 square metres in office accommodation by way of new construction by the end of 2012. The PCA estimates that this new supply of office space will add 53,300 square metres this year with the remaining 105,321 square metres due in 2012. Mooted new development is estimated at a little over 58,000 square metres. Most property analysts consider that the new supply is insufficient to stave off continued declines in vacancies anticipated over 2013 and 2014. Most expect vacancies to again contract over 2013.

Consequently the fall in vacancies has led to rental increases. Recent prime office lease transactions reveal net rental rates generally ranging between $750 per square metre per annum and $850 per square metre per annum. Secondary office rental rates are also on the rise typically ranging from $450 per square metre per annum to $650 per square metre per annum. Incentives in 2010 reflected rates between 10% and 15%, whereas presently incentives appear to reflect rates between 8% and 10%.

The relatively rapid rise in demand for rental space in Perth CBD office property has raised buyer interest. Sales of properties over $10 million for the 2011 calendar year have recently passed the $550 million mark. This is in contrast to 2010 sales which totalled just over $146 million. These sales show a broad range in passing yields, from 8% to 10.5% for property sales ranging from $30.3 million to $152 million.

Recent examples include the sale of 226 Adelaide Terrace, which sold in July within six weeks of being placed on the market. This property comprises a recently constructed six-level building with two basement levels of car parking and a 4.5 star NABER rating. It sold for $103.5 million at a passing yield of 8.3%. Another recent transaction is the September sale of 251 St George's Terrace for $61.3 million reflecting a passing yield of 10.5%. This nine-storey building with two-level basement car parking has a total lettable area of 9,745 square metres and sold fully leased.

Clearly there is a heightened level of confidence in this market from buyers that include foreign and national companies, institutions, syndicates and even one individual. The downward vacancy trend, low unemployment and expansion of the mining sector are factors contributing to this interest.

However the major driver of this market is clearly the mining sector which has continued to grow exponentially despite the GFC. Last calendar year the value of Western Australia's resources sector reached $91.8 billion, representing 91% of the state's total merchandise exports. The state's largest trading partner is China accounting for 40% of its exports. Mineral and energy exploration over the 2010/2011 financial year is estimated at $5.9 billion, the third highest on record, despite energy exploration over the same period actually declining. Mineral and energy exploration has led to a number of announcements over the year regarding new development and expansion in the major mining and petroleum projects. This compares with capital expenditure in the mining industry totalling $55.5 billion in the 2010/2011 financial year, which was a record and represented a 53% increase over the previous 2009/2010 financial year. The Australian Bureau of Statistics estimates that capital expenditure in this sector will reach approximately $73.7 billion in the 2011/2012 financial year. Western Australia is the clear national front runner across the country.

With such high mining investment and the strong flow on effect on Perth's CBD office market, it is obvious that this has been a major factor in Perth's declining vacancy rates and rising buyer interest. The increasing dependence of Perth's CBD office market on the mining sector has been good for the market over recent years, although this sector is traditionally volatile. The far less volatile Government sector is looking to reduce its demand for Perth CBD accommodation and beginning to relocate some of its departments and agencies to the suburbs, which according to the PCA will see State Government's lease holdings in the Perth CBD fall 3%, which will to some extent intensify the market's reliance on mining.

Since the GFC, the mining sector only experienced a brief contraction, with recovery coming quickly on China's ability to maintain its high economic growth. However, some economists have questioned the sustainability of China's economic growth, citing continued declines in exports to Europe and the US, increasing inflation and potential asset bubbles as significant near to medium term risks.

Darwin

The difficulty in describing Darwin's prime office market is that there are really only three or four buildings which truly fit that category if modern requirements such as NABERS are taken into account.

Historically, these buildings have been filled by Government however in recent years more and more corporate tenants have been clamouring for this type of space. As a consequence, although the "official" office vacancy rate in Darwin is around 8%, the vacancy rate for prime space is closer to 2%, especially now that (as it appears) the Northern Territory Government has finally come to terms with the lease of 2,000 square metres of new space in Arnhemica at Parap.

As a result, there are very few options available for a new prospective tenant coming to town and wanting to lease 1,000 square metres or more of good quality office accommodation, especially if they are intent on making a good impression on their clients by taking up a prominent space. Some smaller commercial office suites are available in developments such as the Waterfront or at Parap, but these are more suited to owner-occupiers and do not really impact on the overall supply.

The game-changer in this regard will be the 9,000 square metres of new CBD office space being sought by the Northern Territory Government by 2015, which could potentially displace some other accommodation around the CBD.

Any prospective supplier of such space will need to negotiate a rent north of $500 per square metre to make a new development economically feasible. Rentals at this level will test the resolve of existing tenants in town, many of whom will choose to stay in more affordable B grade accommodation.

However, a recent review of capital city office rents by the Property Council is a reminder that (contrary to our residential property market), Darwin is actually one of the more affordable cities for prime office accommodation: more expensive than Hobart and Canberra certainly, roughly on a par with Adelaide, but well behind Melbourne, Sydney, Brisbane and the dizzying heights of the Perth market which costs around double that of Darwin. There would appear to be potential for rental growth in Darwin's prime office space over the next few years, especially while the supply side remains static and the possibility of increasing demand as a result of the resources boom. But landlords and tenants alike should be careful in considering exactly what is "prime" space in Darwin, especially given our climate and the overhang of secondary space around town.

... There would appear to be potential for rental growth in Darwin's prime office space over the next few years ....

NEW SOUTH WALES

Bathurst

The Bathurst commercial market has shown some signs of improvement with increased leasing activity. Sale activity is dominated by a local developer who is refurbishing a number of properties (with or without pre-commitment). Again sale activity is limited by supply.

Dubbo

The commercial property market in Dubbo has improved in recent times with a number of new lettings. However to get these deals over the line, rent free periods of around three months plus discounted rents in the initial year were required. Rents have been in the order of $200 to $275 per square metre gross per annum.

There has been one recent sale of a new single level office building (1,350 square metres) in a fringe location reflecting a net 9% yield on a gross rental of $235 per square metre per annum.

Far North Coast

The current marketplace for good quality commercial space within the localities of Lismore, Ballina and Byron Bay is relatively small. There is limited supply and modest levels of demand. There is a greater supply of older style, single level, walk-up space which tends to be relatively small space occupied by older established business.

Superior, larger commercial space is traditionally dominated by Government and semi-Government entities.

Over the past four years, rents have tended to be steady generally reflecting movements in CPI due to terms of leases. Market reviews have also tended to follow CPI movements.

Government leases for quality commercial space in Lismore and Ballina generally range from $230 to $300 per square metre.

The Building Code of Australia and the recent NABERS (National Australian Built Environment Rating System) appear to be the main drivers of change in the market. Currently, Government tenants are requiring a minimum NABERS rating of 3½ and a preference of 4½ stars.

Government entities may have difficulty finding space to meet these requirements due to limited supply.

To achieve an increase in supply, these rents need to be significantly higher to create a return which could justify any significant investment required to acquire and construct or upgrade existing space. A long term lease would also be essential.

As such, given current rental levels and supply we would expect rents to remain stable unless there is some significant change in demand.

Newcastle

Last time we covered the commercial office market, I lamented the lack of new statistics. We have them this time, fresh off the press from the Property Council of Australia (PCA).

The Hunter has fared reasonably well in the marketplace since the fallout out from the GFC in early 2008. Whilst there has been caution exhibited by owner occupiers and investors alike, this has not resulted in major write-downs and rental decreases. Unlike other locations within Australia, the Hunter has been buoyed by the mining and resources boom. Recent figures released from the PCA have shown that total vacancies in office space have reduced from 14.3% in July 2010 to 11.2% in July 2011. This is a net absorption of vacant space of 3.1% and reflects the limited construction and development that has occurred since the GFC. The space that developed pre-2008 is slowly being taken up. Another factor of note is the reduction in vacancies for A grade space over the same period which has fallen from 10.6% to 5.6% and indicates that the demand is strong and at a point where upward pressure on rental rates would be expected.

As mentioned above, the total vacancy rate for Newcastle is a relatively high 11.2% and on the face of it, there is ample space available for lease. Digging a little deeper however, indicates that the major demand is in the A grade space, with the other sectors lagging behind. In the table following, we show the total lettable areas presently in Newcastle across all commercial property types.

Total Supply Newcastle (Square Metres)				
Grade	**A**	**B**	**C**	**D**
Jul 2008	59,241	78,742	71,312	10,924
Jan 2009	75,530	84,517	72,946	11,174
Jul 2009	75,530	84,517	72,946	11,174
Jan 2010	79,740	84,517	73,278	10,484
Jul 2010	79,740	84,517	73,278	10,484
Jan 2011	80,326	84,517	73,278	10,484

The table above shows that the sector seeing the most activity is the A grade, with the other sectors either remaining largely static or, in the case of D grade space, declining somewhat over that period. A grade space has added approximately 21,000 square metres since July 2008 which reflects an increase of almost 36% in stock and this has predominantly been within the Honeysuckle location. B grade space has increased by a more modest 7% whilst C grade has increased 4% and D grade has fallen by 4%. It is interesting to note that the majority of new tenants in the A grade space appear to have come from existing older buildings within the traditional Newcastle CBD and many tenants have been upgrading or trading up in quality.

Orange

Market conditions are improving in Orange with increased take up of office space. There is a limited supply of small office space (under 120 square metres) and the take up of new, larger space developed over the last 24 months is slowly being occupied.

Commercial sales activity in 2011 has been slow with only one major sale year to date. The lack of sale activity is a result of limited supply.

Southern Highlands

The Southern Highlands office market is concentrated in its three largest towns of Bowral, Moss Vale and Mittagong. Despite visions of having the bulk of the office development concentrated in Moss Vale (home of Wingecarribee Shire Council), it has evolved to be scattered throughout the three towns.

There are few "prime" office developments in the area and demand is driven by medical tenants, small service firms and various other professionals (accountants, lawyers etc) that have satellite locations for Sydney-based staff who live in the Highlands, providing commuting flexibility. Packaged accommodation is popular for one to two person operations as evident from the recent refurbishment of the Station Masters residence in Bowral.

The office market is still relatively weak with the GFC having a particularly large impact on the region. Although stabilisation is evident, local real estate agents are reporting higher vacancy rates, longer letting up periods (six to twelve months is not unusual in this market) and downward pressure on rents, which for good quality office accommodation tend to range from $275 to $325 per square metre gross.

Most of the sale transactions have involved smaller strata titled units with rates generally $3,000 to $4,000 per square metre. Size and exposure have the most bearing on the resulting rates as well as age and appeal of improvements.

... this is an owner occupier's market ...

This is an owner occupier's market. Investors, who typically require an 8% to 10% yield for office properties in these locations, cannot compete with the premium owner occupiers are putting on securing their own space.

Wollongong

There are three primary office locations in the region - Wollongong CBD; Innovation Campus North Wollongong; and Shellharbour City Centre. The Wollongong CBD is the largest of the three office markets and is home to the regional offices of a number of large corporations and state and federal government departments.

The University of Wollongong has had a large influence in the local office market with its Innovation Campus project. The last commercial building in the campus (Enterprise 1) opened in September 2011 with tenants including Illawarra Coal (BHP Billiton), Andrew Corp and MphasiS (a subsidiary of Hewlett Packard). Gross face rents in Enterprise 1 ranged from $380 to $430 per square metre with some tenants receiving incentives.

The prime office market in the region is characterised by low vacancy rates (0.4% for A grade space according to the Property Council of Australia). However, despite the low vacancy rates there has been little upward pressure on rental rates. The market is not willing at this juncture to pay the level of rent needed to kick start a new development. The office market is heavily driven by affordability with demand for smaller sized tenancies of approximately 100 to 200 square metres.

There are 15 projects totalling 125,048 square metres of floorspace which have secured planning approval, but have been unable to progress due to funding restrictions, a lack of a significant pre-commitment and the inability to achieve the rental rates required to justify development. An article published in the Illawarra Mercury on 31 March 2011 reported that rental rates would need to rise by 20% in order to make these developments economically viable. Of these projects, some 114,749 square metres is located within Wollongong. If all were to be completed, this would result in a 78.1% increase in total supply (currently 146,748 square metres). As such it is unlikely that all of these projects will reach completion regardless of rental growth.

Over the past 12 months, transaction volumes of both prime and secondary properties have improved within the Illawarra region but still remain subdued since the GFC. The most notable sale over the past twelve months was "Oasis on Keira" (280-286 Keira Street, Wollongong) for $25.5 million. After adjusting for undeveloped land and vacant ground floor retail space, the sale reflected a yield between 10.25% and 10.75% and a rate of $3,300 per square metre of NLA. In the near future the market should see another transaction with 8 Station Street, Wollongong currently for sale via tender. This A grade building is fully leased to the Commonwealth of Australia (Department of Defence) with selling agents reporting healthy interest. The tender closed early October 2011, so stay tuned!

VICTORIA

Mildura

Yields for office buildings in Mildura have softened slightly in recent times. The recent sale of a stand alone building at 111 Lime Avenue, Mildura, which is divided into two tenancies and includes an upstairs dwelling, showed a net yield of 8.85%, noting however that one of the tenancies is only short term.

Vacancy rates have also increased slightly, with some national businesses cutting back the size of their local representation. We would see little opportunity for rent increases until the local economy starts to improve. Net rental rates for good standard office buildings typically range from $145 to $185 per square metre, with the odd well equipped building attracting higher levels.

Centrelink has been looking for new, larger premises for some time, however developers are having difficulty finding a large enough site with the desired proximity to the central business district. In keeping with most government departments, Centrelink wants new or modern premises with a substantial amount of on site carparking.

Many of the smaller office buildings occupied by local professionals are owned by related self managed superannuation funds and rarely come on the market.

QUEENSLAND

Bundaberg

The Bundaberg office market has traditionally been centred in the CBD and fringe. Recently, the market has become more diversified and expanded along arterial roads including Takalvan Street and Barolin Street. The main attractions are the lower land cost (flowing though to lower rental rates) and the availability of car parking for staff and customers.

Very limited new office development has occurred however we are aware that two non-medical projects are attempting to get off the ground however negotiations with tenants have been protracted. The vacating of the former 'Salmat' building will add 1,100 square metres of vacant office to the Bundaberg CBD market.

Medical premises have been the main focus for development. The Margaret Rose Building close to the Mater and Base Hospitals has been the most significant new development. Achieved rentals are in the $350 to $495 per square metre gross range. Most are in the $350 to $400 per square metre range. Significantly some of the tenants pay additional amounts for car parking licences which has not previously been common in Bundaberg.

Cairns

The Cairns office market underwent a considerable period of expansion from 2007 to 2010 when several new office buildings were constructed, resulting in the addition to the market of a number of quality buildings with four star green ratings. These buildings are now all mostly fully let and have addressed the previous undersupply of prime space. A State Government office tower with 9,500 square metres of leaseable space was the last to be completed in September 2010 and there are no further office buildings presently under construction.

Gross effective rents for good quality office space in Cairns have remained stable since the market peak, when prime rents reached around $360 per square metre per annum, up from around $275 per square metre in early 2007. Vacancy levels for good quality office space have also remained low, but since the State Government office tower has been occupied, vacancy levels in secondary backfill space have risen. This is likely to place downward pressure on secondary rents and may see the emergence of incentives, but modern, good quality, green star rated office buildings should maintain reasonable demand and sustain existing rental levels.

Office buildings in Cairns are thinly traded. The most recent sale of a genuine office building was at 112-120 Bunda Street on the CBD fringe. This building is a near new, four level office complex with a four star green rating, providing ground floor foyer, car parking, shop and three levels of "A" grade commercial office space above. The property has a total net leaseable area of approximately 4,344 square metres. Other improvements include two lifts, minimal landscaping and 84 off street undercroft carparks. The property sold for $18.8 million in May 2010, showing a return on a fully leased basis of 7.35%.

Gold Coast

Although the office vacancy rate on the Gold Coast remains at a high 22.4% according to the Property Council of Australia's July 2011 figures, and market and economic conditions remain weak, there has nevertheless been a reasonable level of absorption of A grade office space over the past 18 months.

Looking back to July 2010, the PCA's figures indicated a vacancy rate for A grade office space of 40.2%, which reflected around 54,000 square metres of vacant space. However the current figures indicate a much lower rate of 25.3%, or circa 34,000 square metres, with the reduction in vacant space directly equating to circa 20,000 square metres.

There has been very little new A grade space constructed over the past 18 months and the reduction in vacant space is essentially a reflection of the level of leasing activity that has taken place.

Leasing deals for A grade space have primarily been spurred on by reductions in face rentals and the solid levels of incentives which are commonplace in the market. The demand for this quality of space is also reflective of the fact that some organisations require accommodation of a particular standard, whether it be a generally high standard or holding a green star rating, etc.

Overall, there has been a reasonable amount of take up of A grade space over the past twelve months, partly due to reducing rents and high incentives. However, it should be noted that in comparison to July 2010, the current total vacant space is similar, sitting slightly above 100,000 square metres. Essentially what has happened is that the tenants of B and C grade properties have been lured in to A grade buildings, leaving the B and C grade categories with higher vacancies.

Throughout this year, the majority of the prominent A grade buildings on the Gold Coast have either been or are currently on the market for sale, or are undergoing major leasing campaigns. These buildings include 50 Cavill Avenue in Surfers Paradise, Corporate Centres One and Two in Bundall, the Austar Building in Robina, The Rocket building in Robina and The Oracle office component in Broadbeach.

50 Cavill Avenue is the dominant office tower in Surfers Paradise. It is a 22 level modern building which has a NLA of 16,702 square metres. This building was for sale by expression of interest earlier this year, however is now off the market. There is currently a large amount of vacant space within the building however there is a major leasing campaign underway which is designed to fill this space. The ability to fill this space will depend on the level of rental and incentives offered.

... the majority of the prominent A grade buildings have been or are currently on the market for sale or are underoing major leasing campaigns...

Corporate Centres One and Two at Bundall are currently for sale by an expression of interest campaign which closes in late October. Along with the two towers, which provide a total NLA of 19,565 square metres, there is also approximately 15,500 square metres of future development land. Corporate Centre One and surrounding development land was purchased in 2007 at a price of $106 million and the new building, Corporate Centre Two, was subsequently developed on-site more recently. The overall parcel provides a prime holding, however there is a reasonable amount of vacancy across the two towers and limited demand for development land.

Corporate Centres One and Two at Bundall

The Austar Building at Robina has been for sale. Expressions of interest closed in September this year. At this stage we are unsure of the results of this campaign. This is a modern style building with a NLA of 9,565 square metres and was built in 2001.

The Rocket at Robina and The Oracle at Broadbeach are continuing with their leasing campaigns.

There have been no notable sales to date, however, as there are a number of properties for sale, going forward there may be some evidence to report.

Hervey Bay

The prime office space in Hervey Bay is predominantly situated in the most recently completed buildings which front Main Street and Torquay Road. A two level office building completed in early 2010 at 65 Main Street set a new benchmark, achieving $285 per square metre net and attracting the first government department to the area for some time. The second recently completed building is 'The Signature Building'. This development is the first of its kind in this region. It has four storeys of office and medical space with a three-level car park at the rear. Sales rates in this building have achieved up to $4,000 per square metre to owner occupiers. This building has also introduced a serviced office concept that has been well accepted by the market. A strata lot has been divided into multiple offices, each with telephone and data connections. There is a common area kitchen and boardroom for use by each of the tenants. Single offices range from nine square metres up to 20 square metres and are achieving up to $650 per square metre gross. Given the uncertain economic times, this 'baby steps' approach appears to be strategic by most new businesses not wanting to overextend yet be situated in a professional location and potentially grow into an individual strata lot at a later date. Owner occupiers are the most active at present.

Mackay

The commercial office market in Mackay is thinly traded. The last large commercial office complex sold in October 2009 for $3.575 million. Since then the limited sales that have occurred have been at a considerably lower value range.

Very little new office development has occurred in the Mackay City area. Most new development has taken place on the city fringe. Due to the high cost of development in the city centre (mainly due to the underlying land value) these emerging fringe localities have been able to provide rental rates acceptable to the market and therefore have achieved relatively good demand.

... emerging fringe localities have achieved relatively good demand ...

The State Government is currently looking for 3,500 to 5,000 square metres of new office accommodation in Mackay City Centre. It is likely the required rental will need to be well above existing passing rents to make this development feasible. It is unknown how much existing area the State Government will vacate and therefore it is unknown what impact construction of this extra office space will have on the rental market.

Rockhampton

The biggest news in the Rockhampton commercial market at present is the sale of the most prominent professional office building. The building located at the corner of East and Fitzroy Streets is a multi-tenanted, multi-level professional office building. The tenancy mix comprises predominantly government and semi-government departments and some local businesses. This is the most significant sale in the Rockhampton office market for many years and reflects a yield of approximately 7.8%.

Other notable transactions in the office and retail sector include the acquisition of a professional office building on Musgrave Street. The building was constructed circa 1980s and provides a floor area of approximately 585 square metres. It was sold for $1.6 million for owner occupation.

Within the CBD, two multi-tenanted buildings have also sold over the past few months including a building in William Street earlier this year. The building was constructed in 2010 and provides a mix of tenants including retail and professional offices. The sale reflects a yield of approximately 9%. An aged, multi-tenanted building in the East Street shopping precinct has also sold reflecting a yield of approximately 10%.

Construction of the most significant professional office development in Rockhampton for many years also continues to forge ahead. The complex is located on a prominent corner of East and Fitzroy Streets and will comprise a modern, commercial and retail building with a floor area of approximately 2,600 square metre over three levels. The building will also provide carparking and will maintain a 2.5 star NABERS rating. A semi-government agency has secured a tenancy in the premises at record rental levels. Agents report good enquiry for the balance area within the building.

Construction of a multi-level professional office building is also well underway in Macaree Street in Berserker. The building will reportedly be partially owner occupied with some balance space available for lease.

Vacancy rates in the office sector remain relatively stable throughout the city.

Sunshine Coast

The prestige office market on the Sunshine Coast is primarily centred around Mooloolaba, Cotton Tree Esplanade and Duporth Avenue in Maroochydore. There are other areas that are considered to be prime quality space, however these areas are the only ones that have quality office complexes and extensive views of the water.

These areas have traditionally noted limited vacancy levels and during the most recent market cycle, with increased levels of supply, this has not changed. During the past two years, vacancy has been limited in this area and gross rental rates have generally held steady or dropped by approximately 5%. This is compared to the remainder of the market, where vacancies over 10% and drops in rental levels of up to 20% have been common.

A perfect example of the power of a prestige office complex is the recently constructed La Balsa complex in Mooloolaba. It is located approximately 500 metres from the Mooloolaba Esplanade precinct and comprises approximately 5,900 square metres of space. It was completed in early 2011 and, given the completion of another approximately 8,600 square metre government complex in Maroochydore, was expected to struggle to gain tenants. We have recently been advised by the owner that there are approximately only 400 square metres of space remaining, with overall rental levels ranging from approximately $400 to $450 per square metre gross depending on tenancy size. In the current office market, this is considered to be a truly outstanding achievement.

There have been few sales of either office buildings or stratas in these locations as they are very tightly held. We have noted a sale of a high quality strata with extensive views in Buderim at a value of approximately $4,485 per square metre for a 262 square metre strata. In comparison to a similar size strata in the Kawana business precinct, which would sell for approximately $3,300 per square metre, this is a premium of approximately 30% over other prime quality space.

There is considerable difficulty in developing complexes in these areas though, as they have traditionally been seen as residential development areas and commercial developments are not feasible in the current market on these underlying site values.

Toowoomba

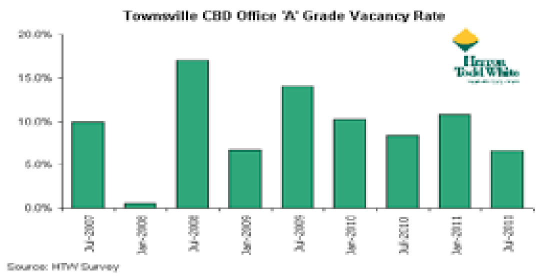
The market for prime commercial office investment in Toowoomba has been dormant over the past couple of years. This has been mostly due to a lack of supply, with most properties tightly held by investors. The last investment transaction of note in Toowoomba was the sale of the Suncorp Metway Call Centre in late 2008 for $7.8 million. This was a modern office building with good car parking and a nine year lease term to Suncorp. The sale reflected a net yield of 8.67%, which was considered high and a reflection of the post GFC climate.

The office market in Toowoomba has been dominated by vacant possession transactions. The majority of these sales have been to owner occupiers and were smaller in nature with floor areas of less than 300 square metres. A significant recent sale is of the former NAB branch located on the corner of Russell and Ruthven Streets which sold at auction for $1.2 million. The property had a floor area of approximately 826 square metres and was sold with vacant possession to an owner occupier.

Townsville

Townsville's commercial market remains slow with very low volumes of transactions within the office sector. There have been no recent sales of prime office product, however there are a number of better quality office buildings that have been placed on the market over the past twelve months.

Our office survey indicates that the A grade CBD office market at July 2011 had a vacancy rate of around 6.7%.



The prime office market in Townsville is set to expand over the coming years on a scale that has not been seen for well over two decades. With the Ergon Energy tender now closed and a number of potential sites in the CBD named as possible locations for a new office tower to provide 6,800 square metres of space, along with an expression of interest call by the State Government for a further 10,000 square metres, we would expect to see the commencement of at least one new office tower in the CBD during 2012. Current A grade rents are showing rates from the high $300 per square metre range with the potential of moving into the low $400 square metre gross.

We are also getting our first glimpse of the Bankwest building, which has undergone a multi-million dollar refurbishment. This included the upgrading of the façade and common areas along with modernisation of the building's services. Agents are reporting good interest in the property.

Bankwest Building, Townsville - before and at 25 October

WESTERN AUSTRALIA

South Western WA

The supreme office market in the south-west of Western Australia is limited, with the Bunbury Tower and the Bunbury Silos developments rounding it out. The general office market in the region remains subdued with business cautious due to the broader economic uncertainty and global volatility.

There has been a slow but steady volume of office sales transactions in the region with prices generally stabilising during 2010 into 2011 for sub $500,000 properties. Over this level there have been no sales during 2011 to gauge a clear pattern of values, however weak demand in this segment indicates a price correction is possible. Most properties are tightly held which is helping to balance the market but extended selling periods are required.

Since the GFC, reduced profits for many businesses have affected their ability to pay commercial rents. This has subsequently put downward pressure on rental rates and values, although office vacancies remain limited. The flat market conditions have seen few speculators as opposed to the 2005 to 2008 period which saw strong speculator activity, high demand and increasing values. The majority of purchases are now by those who have a use for the particular property.

There are high levels of owner occupation in the area with the majority of sales activity relating to established property for use by owner occupiers. The equivalent yield range identified from these types of sales is usually lower than that of investment sales. In keeping with the wider Australian market, analysed market yields in Bunbury have softened since late 2008 by 50 to 100 basis points. There is a wide range of yields, reflecting the diversity and quality of properties in this market.

Overall the market is near the bottom of the cycle but whether it has reached the bottom is unclear. We expect slow sales and leasing activity over the short to medium term. Due to population growth, and the broad economic diversity of the south west of Western Australia, the region stands poised to deliver strong economic growth in the long term, which should underpin long term demand for commercial property in the area.

Residential Overview

The very upper end of any residential market affords us an interesting insight into how the economy performs. It is often the high end of town that is dealing with global and national economic fallouts and upswings. This sector will often see the most dramatic swings and it is with this in mind that we have tackled the prestige sector in this month's issue.

Sydney

The prestige residential market in Sydney is generally considered to comprise properties with a value in excess of $3 million, with high end prestige considered to be over $10 million, and super prestige property (or "supreme property") over $20 million.

Prestige residential property has traditionally been concentrated in the Eastern Suburbs, the Lower and Upper North Shore, Northern Beaches and to a lesser extent the rural residential areas to the north-west of the Sydney area (The Hills district), and the far southern waterfront localities (Sutherland Shire).

When we are considering "Supreme Property", or the very, very best residential property that Sydney has to offer, the greatest concentration of these homes are in the traditional "blue ribbon" localities including Darling Point, Point Piper and Vaucluse.

Whilst other Sydney localities such as Mosman also have some homes of this nature, they are much fewer and farther between.

These traditional "blue ribbon" areas are considered to be the best of the best due to their close proximity to the CBD and to local amenities and beaches, with the very mention of the name lending prestige and sophistication to all who reside within. Additionally, the greatest concentration of prime harbour front sites are within these suburbs and when one speaks of "supreme property" in the Sydney market, most people instantly envisage their own private harbour frontage, with either a sandy beach or boat mooring and "point blank" views across the blue waters of our world famous skyline. Expansive private estates without the benefit of a private harbour frontage make up for the lack with the scope of land and improvement size.

"Supreme property" within the Sydney context is generally considered to be homes in excess of $20 million. While this may be considered the entry point to the elite of the Sydney residential market, this is by no means the top of the market.

The record in Sydney was set and broken a number of times during 2007 through to 2009, when $45 million was paid for "Coolong", a 4,000 square metre Vaucluse harbour front property. Since that time, a reported $53 million was paid for "Villa Veneto" on Wolseley Road, Point Piper, comprising a 1,426 square metre harbour front site with expansive views, improved with a modern Georgian-revival six-bedroom, nine-bathroom home costing around $15 million to construct. As this property transferred at $45 million on settlement, some doubt was cast on the record setting price.

While the amounts mentioned above sit well and truly in the upper echelons of the Sydney residential market, it is possible that these amounts could be eclipsed should any of the tightly held trophy homes throughout these prime areas be released to the market.

In general terms, the Sydney "supreme property" market remains fairly stagnant. Market conditions and value levels weakened significantly for higher value property from late 2008 and into 2009, due primarily to the impact on economic and financial stability from the Global Financial Crisis. During late 2009 and early 2010, there was an increase in both buyer interest and transaction activity, though confidence in the prestige market again weakened in mid to late 2010 and into 2011.

Despite reports in 2010 indicating growth in median house prices throughout the prestige sector, commentary in 2011 indicates further weakening in median house prices at the top end of the market and we have witnessed only moderate overall recovery in value levels.

We consider the earlier increase in sales activity at the "top end" to have occurred in line with a general increase in both buyer and market confidence, combined with lower than expected unemployment figures and an ongoing improvement in stock market performance. In mid 2011, forces including the risk of increasing interest rates, an under performing equities market, continuing instability in global economic conditions and low levels of business and consumer confidence foreshadow prolonged weakness in prestige residential market performance.

In general terms, "supreme property" remains a sought after commodity. These homes are scarce and generally unique in nature. Given the value levels involved, the depth of potential purchasers is thin and initial asking prices are generally buoyant, in anticipation of capitalising on the scarcity of these homes and their inherent calibre. However, negotiation periods on these homes can be protracted, with final selling prices still reflective of the potential purchaser's liquidity and their perception of relevant local and global market conditions.

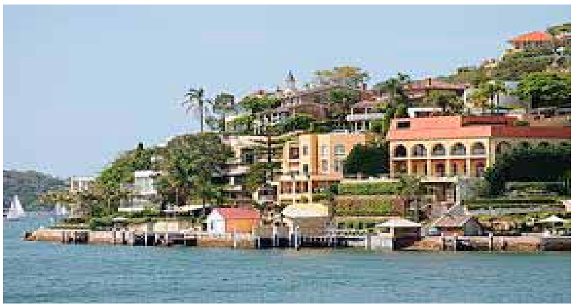
North West Sydney

The prestige market in North West Sydney typically comprises the acreage suburbs of Kenthurst, Dural, Annangrove and Galston. The most prestigious of these suburbs is generally recognised as being Dural.

The Dural prestige market is typically defined as five acre allotments, improved with large modern dwellings featuring the highest quality of inclusions and modern conveniences. Ancillary improvements at the highest end of the market usually comprise extensive outdoor living areas, extremely well manicured landscaped areas, resort style in-ground pools, machinery sheds and full size tennis courts as a minimum. Extras may include horse stabling and dressage arenas.

The prestige market is considered to be between $2 million and $4 million, although the all time sales record sits at $6.25 million. Property selling above the $4 million mark however, is very much the exception, not the norm.

A quick check of online property databases shows that there have been eight recorded sales between $2.2 million and $3.2 million in 2011 within the north-west Sydney region. Currently there are 22 properties on the market with asking prices between $2 milion and $4.35 million. Local agents report that the sub $2 million market is slow, with supply outstripping demand, and while there are interested buyers out there, they are prepared to bide their time and wait for the market to meet their expectations.



Canberra

Generally, Canberra's prestige properties are in the centrally located inner north and inner south districts. Suburbs of note include Forrest, Red Hill, Yarralumla and Deakin in the south, and Reid and Campbell in the north. Suburbs with embassy precincts include O'Malley and Yarralumla. These precincts provide residential accommodation of prestige quality to overseas officials. Generally standard residential dwellings over $2 million and medium density or unit style accommodation over $1.5 million are considered to be within the prestige category.

These suburbs are in close proximity to government departments, Parliament House, the city centre and some of Canberra's well known retail and entertainment centres including Kingston and Manuka. Properties have larger than average land parcels, provide good views and can be within close proximity of reserves and bushland. They have high quality landscaping and ancillary improvements including tennis courts and pools and the homes provide high quality, large floor plans with executive style accommodation.

Centrally located suburbs including Acton, Barton and Kingston provide prestige apartment style accommodation in recently completed developments. These properties provide high quality modern inclusions, extensive terrace and balcony areas and in some cases good quality lake and mountain views.

So how is the prestige residential market performing? The time on market for prestige houses and units in the ACT has increased as the market has become more cautious with increased supply providing greater choice. Buyers and sellers are generally well educated and informed on market value and conditions and as a result of local, national and international economic conditions, activity has declined. Although there has been a reduction in activity, prestige sales are still occurring .

In the last three months, sales of note include a property in Arthur Circle, Forrest reportedly selling for $2.5 million and a property in Drummond Row, Yarralumla reportedly selling for $2.1 million. One of the highest selling residential properties in the past twelve months was a five-bedroom, five-bathroom, 1,000 square metre mansion in Red Hill for $7.3 million. An outer suburb prestige sale of note is a property in Nicholls, "Gungahlin", reportedly selling for $1.6 million. These sales indicate that the prestige market in Canberra is still active and transactions are occurring, however volumes and consistent turnover have declined.

It is critical that vendors adapt to the generally subdued market conditions in order to compete within the market and that realistic pricing occurs to stimulate genuine buyer interest. Canberra's traditionally strong economy has supported the prestige market over the past couple of years and this trend is expected to continue.

Melbourne

Melbourne's premium housing market is recording weaker results compared with the broad ''middle'' of the market and the most affordable sector of the market.

Real Estate Institute of Victoria figures show that Broadmeadows in the northern suburbs now has a median house price of $370,500, compared with $2.175 million in Toorak .

Clearance rates remain low at under 55%. Over the June quarter, prices remained steady as the market continued to take a breather following unsustainable growth over the previous three years. According to RP Data, Melbourne's median this year has increased by 1%, compared to over 12% in 2010.

REIV statistics also show the median house price in the western suburb of Footscray rose 156% in ten years while in the eastern suburb of Camberwell, house values went up 150%. It is a gap that is likely to increase, with RP Data statistics showing it is the top end of town that is hurting most in the slow property market.

Over the past year to June, Melbourne's premium homes have seen values fall 6.1% compared with a 1.9% gain at the most affordable end of the market. During the growth phase, the trend was exactly the opposite, with premium home values increasing more quickly than the more affordable sector of the market. Between the 2009 and 2010 calendar years, Melbourne's top end recorded a capital gain of 33.6% compared with a 26.4% gain at the affordable end of the housing spectrum.

REIV spokesman Robert Larocca said the Melbourne market was changing. "It highlights the big shift in the Melbourne market over the past decade. Due to population growth and supply shortfalls the biggest pressure and price growth is in more affordable areas," he said.

"Over the next five years the blue chip suburbs will provide solid appreciations, but so too will the likes of Footscray, Caroline Springs, Newport and Seddon," he said. An analysis of property sales data to November showed the following suburbs had strong sales of properties over the $1.5 million mark for two or more transactions in the period. These suburbs can be classified as high value performers in the supreme properties categories.

Suburb	Postcode	Sale price range (million)	No. sold	Ave land rate (M2)
Balwyn	3103	$1.9 - $3	6	$2,200
Brighton	3186	$1.5 - $4.8	9	$3,000
Camberwell	3124	$1.5 - $2.2	4	$2,200
Elwood	3184	$1.6 - $1.9	2	$3,000
Glen Iris	3146	$1.9 - $2.1	2	$2,700
Hampton	3188	$1.7 - $2.2	3	$2,200
Hawthorn	3122	$1.8 - $3.2	6	$2,800
Ivanhoe	3079	$1.7 - $1.8	3	$2,700
Kew	3101	$1.6 - $2	3	$2,700

Brighton

Brighton is a Melbourne suburb approximately 10 kilometres south east of the Melbourne CBD. It consists of a mixture of detached housing of various ages and quality on individual allotments, as well as small pockets of medium density modern housing. In recent years, the Brighton property market has continued to strengthen with high demand and high prices paid. The area is well serviced by schools, shopping, parks, sports fields, walkways, arterial road access and transport. The suburb is generally considered to be a high socio-economic area. Many parts of the suburb enjoy views overlooking Port Philip Bay and many homes within the area have recently been renovated to accommodate modern family lifestyles. A feature of the suburb is its proximity to the bay lifestyle and the Melbourne CBD. The beachfront features extensive swimming, water sports and views towards the Melbourne city skyline.

Examples of sales are:

168 Church Street, Brighton, with a land size of 560 square metres and living area of approximately 300 square metres, sold on 30 September 2011 for $2.015 million.

The circa 1930 property is a renovated, two-storey Victorian terrace dwelling with four bedrooms, two study rooms, two bathrooms, two car garage and carport. Period detail includes wrought-iron laced verandas on two levels, bay windows, arched entry and leadlight. The property has ducted central heating, reverse-cycle air-conditioning, alarm, dual heated, swimming pool, and garage via a rear right of way, established landscaped gardens and walking access to beach, parks and shops.

2/198 Esplanade, Brighton, with land area of 685 square metres and living area of approximately 560 square metres, sold on 29 September 2011 for $6.5 million.

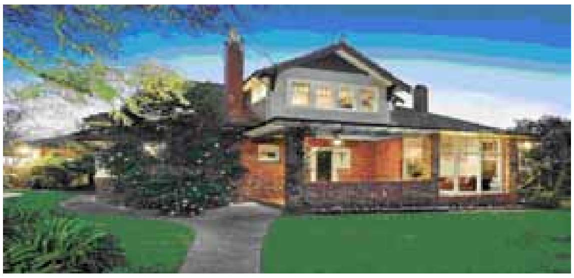
The property is a modern, three-level, rendered brick veneer dwelling with three bedrooms, six bathrooms and four car basement garage. It features a swimming pool with cabana, security system, lift, extensive landscaped gardens and uninterrupted bay views.

Balwyn

Balwyn is a middle to upper middle class suburb situated approximately ten kilometres north-east of the Melbourne CBD. It consists mainly of detached housing on individual allotments. The area is well serviced by schools, shopping, parks, recreational facilities, arterial road access as well as bus and tram transport. Residents have good access to the main retail precincts of Kew, Hawthorn and Camberwell.

Example:

25 Campbell Road Balwyn, with land size of 1,096 square metres and living area of approximately 420 square metres, sold on 24 September 2011 for $3 million.



The property is a renovated 1920s split level brick veneer with five bedrooms, three bathrooms, two car garage, and two car carport. It features open fire places, decorative ceilings and entertainment area.

Hawthorn

Hawthorn is six kilometres east of Melbourne's CBD. It consists mainly of detached housing on individual allotments and is well serviced by schools, shopping, parks, recreational facilities, arterial road access as well as bus and tram transport. Residents have good access to the main retail precincts of, Hawthorn, Camberwell, Toorak and Richmond.

Example:

21 Johnson Street, Hawthorn, with land size of 400 square metres and living area of approximately 200 square metres, sold on 8 October 2011 for $2.225 million.

The recently renovated, single level, 1920s Victorian timber dwelling comprises three bedrooms, study, two bathrooms and single car garage. The home features landscaped gardens, verandah and terrace. and is close to a range of schools, public transport, parks and shopping.

In conclusion, the supreme properties category commands premium values for the following factors:

- Location – close proximity to recreation facilities such as beaches or parks and water or city views; close proximity to schools and CBD; easy access to arterials, freeway and shopping.
- Quality of property – size of land and dwelling quality; new or period or renovated, ancillary improvements.

The near outlook for supreme or premium properties is soft.

Adelaide

The prestige property market of Adelaide includes properties starting from $2.5 million. It represents a rather small market segment with only 21 properties settled in this price bracket since the start of 2011. (Comparatively, 35 houses above $2.5 million settled in 2010 and 23 in 2009.)

Gilberton property sold for $6.2million – currently Adelaide's most expensive residential sale for 2011

In general the prestige homes of Adelaide tend to be character dwellings often built in the late 1800's early 1900's. They tend to have extensive high quality renovations and usually extensions as well. Accommodation starting from around 250 square metres would generally include four plus bedrooms, two plus bathrooms and both formal and informal living areas. Generally land size tends to be over 1,000 square metres and grounds are usually landscaped, established and well maintained. Most properties have a swimming pool or lap pool of some description and some also have a tennis court.

The suburbs that are associated with prestige properties include Unley Park, Hyde Park, Gilberton, Medindie, College Park, Leabrook, Springbank and esplanade or beachside properties located in Henley Beach, Glenelg and Somerton Park.

Demand has remained relatively steady due to the small size of the market and hence limited supply. This is not expected to change much in the short to medium term. Often properties are held in families and rarely if ever released to market.

Brisbane

The prestige property sector in Brisbane has taken one mighty hit as the result of mother nature. We live around our river and when she reared her ugly head upon us, almost everybody stayed well out of her way. It should come as no surprise then to find that some of our very best property had direct access to the Brisbane River. Here we sit some ten months on from the floods and memories of everybody's pontoons rushing out to Moreton Bay sit fresh. The premium western suburbs were probably the most badly belted with Chelmer riverfront copping a hiding.

Pre flood sales were already thin above $5 million but one example of where the money goes is in Indooroopilly:

23 Neulans Road, Indooroopilly sold on 10 December 2010 for $6.25 million. It is a 2,453 square metre inside near level lot with frontage of approximately 29 metres to the Indooroopilly reach of the Brisbane River. The property is improved with a circa 2000, two-storey, rendered brick, tuscan style dwelling providing a high standard of five-bedroom, five-bathroom accommodation and four car detached garage. Ancillary improvements are of a good standard and include an inground pool and pontoon. The property receives unobstructed views to the south over the Brisbane River.

Traditionally, Hamilton Hill with its city and river views has attracted the serious money in our town but a quick search of the data base has revealed very limited activity even in this sector. One sale of note is at Crescent Road but even that sale had a sting in the tail that shows just how we have slowed down:

43 Crescent Road, Hamilton sold on 20 April 2011 for $3.22 million. It is a 2,200 square metre inside moderately sloping lot with views to the Brisbane CBD and glimpses of the Brisbane River. The property is improved with a spacious highset circa 1913 colonial style dwelling which has been renovated throughout and provides a good standard of four-bedroom plus study, two-bathroom accommodation with formal living areas and large wraparound verandah. Ancillary improvements are of a good standard and include an inground pool, extensive landscaping and detached double garage. We note the property holds a volumetric easement over the airspace of the adjoining property to the south. It previously sold in February 2008 for $3.7 million.

Ascot is also the other address that stands tall but there has been only one sale this year that falls into the very high price bracket and since then, very little. This sale also demonstrates just how the market has retracted:

16 Jolimont Avenue, Ascot sold on 24 March 2011 for $4.8 million. It is a 1,239 square metre inside near level lot situated at the end of a cul de sac. The property is improved with a circa 1900 two-storey colonial style dwelling which was extensively renovated in 2006. The dwelling provides a high standard of five-bedroom, five-bathroom accommodation with extensive formal and informal living areas and two car garage. Ancillary improvements are of a very good standard and include extensive landscaping and inground pool. The property was previously purchased in March 2006 for $4.5 million.

Activity across the board can be summed up by two distinct price points. There is still reasonable activity for property up to $2 million. Buyers may be cautious but they are active. If they are fortunate enough to have their cash ready then they can probably find themselves some reasonable property at an attractive price.

The $2 million to $5 million real estate is another matter. This sector has continued to perform poorly since the start of the year. There are very few transactions to note and if sellers can avoid putting their property on the market they will. If you're over $5 million, then now might be the time to sit back and relax as there is nothing happening.

As units go, there are a few very nice projects mostly on the river, with views and close to the city that have experienced good money, but sales have been rare. Scott Street, Kangaroo Point as well as the Tom Dooley projects are the places to find serious unit money but even these have seen a slower sale pace. The problem is that many buyers are empty nesters looking to purchase subject to the sale of their own riverfront homes which, of course, creates problems.

Overall there is some very good property to be had in this buyer's market, but sellers are holding out when they can. The net result will be that numbers are likely to be low until confidence returns to drive the market north again.

... there is some very good property to be had in this buyer's market ...

Perth

Our investigations confirm 33 settled sales of properties with values in excess of $3.5 million for the first three quarters of the 2011 calendar year. In general terms these sales have been confined to the very popular and highly regarded western suburbs locations of Claremont, Dalkeith, Nedlands, Peppermint Grove and Cottesloe, the northern Indian Ocean side suburbs of City Beach and North Beach and Swan River side locations of Applecross, Attadale, South Perth, East Fremantle and North Fremantle. The sales disclose a variety of attributes ranging from older style homes on larger lots with expansive Swan River and Perth city skyline views to modern, architecturally designed homes and/or apartments providing high quality, executive style accommodation and ancillary improvements.

Discussions with selling agents active within the prestige property sector confirm subdued market conditions at present particularly with properties in excess of $5 million where there are limited purchaser enquiries and selling periods in excess of nine months.

Examples of prestige sales within the last nine months include:

1B Page Street, Attadale which sold for $6 million in March 2011, comprising a brand new architecturally designed home with very high quality four-bedroom, four-bathroom accommodation and excellent Swan River, Perth City skyline and Darling Escarpment views.

157 West Coast Drive, North Beach which sold for $7.2 million in July 2011, comprising an architecturally designed, tri-level residence with very high quality six-bedroom, seven-bathroom accommodation located on an elevated 869 square metre corner lot. The property has unobstructed Indian Ocean views and expansive 180 degree views from the third level.

And finally, 43 The Esplanade, Mount Pleasant which sold for $6.1 million in August 2011. The property is a 2010 built tri-level rendered brick and colorbond residence with high quality five-bedroom, five-bathroom accommodation, balconies, double undercroft garage and inground swimming pool on an 802 square metre lot with unobstructed Canning River views.

Extending our analysis to the more traditional mortgage belt areas and the "perceived premium properties" within these sectors, our investigations suggest a reasonably sound demand. For example, Canning Vale is a large suburb of approximately 24,000 people situated approximately 18 kilometres south-east of the Perth CBD, providing an interesting cross section of properties and a relatively diverse mixture of white and blue collar incomes, with healthy employment from nearby manufacturing and warehousing facilities, service industries plus a reasonable percentage of "fly in, fly out" workers.

The suburb is defined by very distinct subdivisions, from entry level strata units of $350,000 up to modern, good quality two-storey dwellings over $1 million. Much of the sales activity is generated by buyers moving within the suburb, either upgrading their property or location. Our data shows that seven properties have transacted over $1 million in 2011, whilst ten were recorded through 2010. Our company has valued a number of these dwellings and we note that the majority of purchasers were Canning Vale residents, potentially upgrading within the suburb with the vendors of these properties in turn upgrading to more traditional premium suburbs. Two examples of premium quality Canning Vale residences are shown below.

The Perth Hills is also a very distinct buyer profile and appeals to many for its country feel whilst being a mere 20 to 25 kilometres from the Perth CBD. Breathtaking views combined with well designed living areas are generally sought after by a predominantly mature demographic. Despite a profound effect from the GFC, the last twelve months has still seen some transactions in excess of $1 million, albeit at discounts from the sales achieved in the peak of the property cycle.

These sales include the unconfirmed sale of 47 Stone Crescent, Darlington for $1.6 million and the now settled sale of 40 Gooseberry Hill Road, Gooseberry Hill for $1.3 million. Both properties feature living areas in excess of 300 square metres, good entertainment areas and city views, indicating that some of the more sought after attributes within the area have helped achieved the premium prices

40 Gooseberry Hill Road, Gooseberry Hill

Other sub markets within the area, including hobby farms and semi rural lifestyle properties, remained subdued over the last year as purchasers have stayed away from discretionary markets. Evidence of this is 44 Carmel Road, Carmel which is currently under contract for $1 million. The property features a large modern dwelling improved with a pool and workshops enjoying expansive valley views on 2.02 hectares. The property was previously purchased in 2008 for $1.32 million.

44 Carmel Road, Carmel

Given most premium properties, regardless of the sub market, are appearing to represent good buying in comparison to the values achieved in the heated market conditions of 2006 to 2007, it appears to be a reasonably good time to secure a prestige property or a property within a prestige location. In fact, we have seen many recent examples where properties that were purchased in the peak of the property cycle have transacted at values way below the original purchase price, reflecting falls in values ranging from 10% to 25%. However, the ongoing instability of several European economies and to a lessor extent the US is still having a significant dampening affect on overall confidence and it is likely that we will need to see some improvement or clarity around these global concerns before we see a genuine recovery in the premium market.

Darwin

Prestige property throughout Australia is generally positioned within close proximity to water, with excellent views and dwelling designs that suit the lifestyle. Darwin's prestige property is no different. The premier suburbs include Brinkin, Larrakeyah, Cullen Bay, Fannie Bay, Bayview, Tipperary Waters and sections of Nightcliff. Prestige property in Darwin is widely considered to be above $1 million in value.

Arguably, Darwin's finest two streets are Larrakeyah Terrace in Larrakeyah and East Point Road in Fannie Bay. Properties with these street addresses are afforded views across Darwin Harbour and Doctor's Gully, and across the foreshore and Fannie Bay. They feature large, two storey and elevated dwellings, with sweeping balconies that provide exquisite water views. These locations are held very tightly, with very few 'on market' transactions occurring. The most recently settled sale within these locations was 94 East Point Road, Fannie Bay (locally known as "Jim Beam House") which sold for $4.7 million.

Taking advantage of the Top End tropical climate is also another large feature of prestige dwellings. High end properties in Darwin feature excellent outdoor living spaces, often centred around swimming pools, established gardens, barbecue and outdoor cooking facilities. With the climate allowing for outdoor living all year round, the increased outdoor living space is a feature attributed to prestige dwellings in Darwin that is unlikely to have such importance in prestige dwellings in the southern states.

Turnover of prestige dwellings in the Darwin market has slowed in recent times. Agents have reported more difficulty in moving top end residential products priced between $1 and $2 million. The prestige CBD unit market has been heavily documented with high supply and limited demand. The dwelling market appears to have stabilised in recent times. The prestige market in Darwin has been less volatile than mortgage belt locations in recent years, and whilst the annual double digit growth wasn't recorded through 2007 and 2008 as in some northern suburbs and Palmerston locations, we consider this a catalyst to the current stable market conditions.

We expect the prestige dwelling market in Darwin to remain fairly stable. The lack of waterfront locations coupled with the desire to occupy the inner suburban locations mentioned will continue to underpin the value associated with these areas in the medium to long term. .

Tasmania

The suburbs that comprise the top end of the Tasmanian market are well defined and share similar characteristics. For the southern market, properties are generally considered to be in the higher end once they reach the $750,000 mark and include suburbs such as Sandy Bay, Battery Point and the inner city.

The benchmark for the northern market is slightly lower, from approximately $600,000. Suburbs in this category include Newstead, East Launceston and the inner city as well as the rural residential suburb of Relbia and to a lesser extent, some portions of rural Riverside. Burnie suburbs include Park Grove along with parts of South Burnie and Parklands. Devonport's properties are located in the lower end of George Street and Victoria Parade with the area north of Devonport also offering some high priced properties.

These properties are characterised by higher than median underlying land values and as a result, dwellings are constructed to a higher standard as the risk of over capitalisation is reduced. Many of these suburbs enjoy water or city views and are located in close proximity of their respective CBDs. The exception to this rule is Relbia located south of Launceston. This suburb enjoys high underlying land value; however seems to gain its appeal through the large rural residential lot sizes and prestige as an executive suburg. Relbia is located within 20 minutes of the CBD and some lots enjoy sweeping rural views.

In the south of the state, we are seeing a noticeable decline in demand for these properties and consequently, in values. Anecdotal evidence suggests that a lack of confidence within the market has resulted in "upgrade" purchasers not participating in the market and selling periods extending. As a result demand for these properties is only coming from those who have already sold within this market and asking prices are subject to negotiations before a sale can be secured. The northern markets are experiencing a similar drop in demand and extension of selling periods, however whilst sales are slow they do remain steady with values generally remaining flat. The outlook for these properties doesn't really differ from that of the market in general, with the current economic uncertainty, state budget cuts and rising unemployment dampening confidence. The expectation is that values will remain under pressure until the state's economic prospects improve.

NEW SOUTH WALES

Albury

There are two distinct types of high end residential property in Albury.

The first is properties in the inner city, particularly renovated and extended historic bungalows. They are located within easy walking distance of the CBD and parks and are on lots of approximately 1,000 square metres on tree-lined streets.

A sub-group within the inner city are properties on the western hills of Albury that have extensive district views available. The properties fetching high sales are either renovated older homes or totally new structures.

The other type of high end property are semi rural properties located within five minutes drive of the CBD. They are generally on blocks larger than 5,000 square metres and have rural or river views. Suburbs such as West Albury, Splitters Creek and Doctors Point are highly sought after. These properties have large modern houses often accessorised with pools and tennis courts.

These high end properties ($700,000 and above) usually offer a well appointed large home and private yard. This sector of the market has been severely affected by the current global recession and subsequent property market slump. Fortunately there has been no run of forced sales but there has been a general tempering of values due to lack of demand and slow sales.

A recent auction of an attractive renovated property on Roper Street was passed in and is now listed at $700,000. Buyers are tending to hold back at auctions to allow properties to pass in and then negotiate, sometimes at length.

The very special and unique properties that exist will always attract the very best offers.

Central Coast

It could be said that the level of confidence in the economy can be gauged by how well the retail sector is trading. This is a good gauge of the general public's sentiment of the economy. When reading the broadsheets, it seems that one of our most famous retail icons could be doing better, but its long history and astute management suggests it is riding out the storm in a way that should give us all some confidence. The other major retailer is making a lot more noise though. These mixed messages make it hard to tell whether we are waning or winning in our confidence.

From our perspective however, the true and more accurate test of how we are travelling is to see how the prestige property market is faring. When this end of the market is firing, we can be confident that all is well. The lions of our society leave us in no doubt.

The Central Coast region of New South Wales is just north of the Sydney metropolitan area and in many ways, the property market here mimics the Sydney market after a short lag. When the market is hot or bullish in Sydney, you can bet the same will happen here a few months later.

The premium or prestige property market on the Central Coast has two main guises, the ocean or waterfront areas and a few pockets of rural residential areas.

Starting with oceanfront, by far the most expensive pieces of real estate are at Wamberal, Avoca Beach or North Avoca. These are true oceanfronts - out the door, grab the board and pick your wave type property. We regularly see $3 million plus sales in these locations with the main variant in price being the standard of house.

Matching and sometimes bettering the values of these places is Pearl Beach, where beachfronts generally start at $3.5 million. Beachfront properties here are limited and attract a premium, but Pearl Beach isn't a true beachfront location. It has a beach, a very pleasant one where the refined types can relax with a book on the sand while the children play in waves lapping at the shore. Generally in Pearl Beach, we visit the café before going to the beach and why not? Such is the ambience of Pearl Beach. Of importance in Pearl Beach is the architect's name. This is a popular place for Sydney's rich and famous to escape, relax and be anonymous.

Other beach locations include Killcare, MacMasters Beach, Copacabana, Terrigal, Forresters Beach, Bateau Bay, Toowoon Bay and Blue Bay, The Entrance North and Norah Head. Some of these areas also include true beachfronts, but with a lower price tag of between $1 and $2 million.

But beware. Environmental issues for ocean and lake front properties have the potential to disrupt values for these properties as we move into the future. The biggest of these issues is sea level rise. Time will be the judge on how these values will be affected.

Slightly away from the sand, on the headlands and cliffs, there are some magnificent houses, particularly at Killcare, MacMasters Beach, Copacabana and Norah Head with prices again around the $1 to $2 million mark.

Away from the sand even further, we have some beautiful rural residential localities on the Central Coast. Prices vary considerably between these areas, but by far the most expensive rural residential properties are found at Matcham. This area is situated between the Gosford Central Business District and Terrigal and it is not uncommon to see prices exceeding the $3 milliion mark amongst the more popular range of between $850,000 and $1.8 million.

Properties in Matcham exceeding $3 million in value are usually set away from the road with quite substantial improvements. Expect to see living areas above 600 square metres, large pool, tennis court, in-law accommodation, horse yards/paddocks and an ornamental watercourse.

As we could expect though, trading in these markets has been slow over the past several years. In fact, our statistics show that there have been less than five confirmed sales above $3 million to date this year on the Central Coast. However, we are hearing reports of several sales in this category being recently negotiated through several agents over the past few weeks. This tends to confirm a slow market as shown in the following table of approximate sales over $3 miilion over the past several years.

Year	Number of Sales
2011 to date	< 5
2010	14
2009	10
2008	12

This raises several interesting points. It could be that owners of properties in the premium or prestige market are holding on to their properties rather than taking a hit on the value, or that buyers are well aware of their position of superiority and are taking their time in making purchase decisions. We suspect both of these points are being played out. In addition, a noticeable absence is expatriates with the means to afford these properties. Although that said, we are seeing a lot of foreign investment on the coast recently, but at a much lower level price range.

Dubbo

The high end property market within the city of Dubbo is situated in three main locales - the eastern fringe comprising allotments of around 4,000 square metres; the southern fringe comprising modern buildings on a mix of standard-sized blocks and larger allotments of a couple of thousand square metres; and the south-western fringe around the golf course and south of the Thal on larger sized allotments also comprising modern dwellings. The upper end of the market comprises modern dwellings and/or dwellings on larger-sized residential allotments. The high end begins at around the $500,000 mark rising to around $900,000 with few around that value and still fewer beyond that. The market is somewhat soft but values thus far are remaining stable.

Leeton

So where do you find the pick of the property crop in my area? In Griffith if it's residential bling you seek, then Carrathool Street, Waugh Street and Nicholls Streets have delivered the numbers with prices up to $800,000. Part with between $500,000 and $700,000, and you will be rewarded with views, plently of floor area and high end inclusions. If it's ancillary improvements you seek then high end rural residential properties in Yoogali, Hanwood or Lake Wyangan have plently to offer but you will have to top up the pot a little.

How are these markets performing? It's difficult to say, as these properties are thinly traded and marketing periods are not consistent. Deep pockets can still be found for the right property. The purchasers in this market will wait years, not months, for "that property".

Mid North Coast

There are limited properties along the mid north coast of New South Wales that achieve a sales price above $1 million, with the prestige market throughout generally starting at around $750,000. As is the case with many locations around Australia, the most sought after properties are centered around water (ocean, canal, river, etc), with good access or views.

The most exclusive properties within the region are at Pacific Palms and Seal Rocks, where premium values are paid for good proximity to the beaches. Over the past five years, land values alone for direct beachfront property have hovered around $2 million, with the highest house price achieved being $3.5 million in April 2008. We are yet to see a confirmed sale above $700,000 for the region this year, with the highest achieved being $699,000 in Elizabeth Beach in April. The Pacific Palms and Seal Rocks area varies from other prestige areas on the mid north coast, being mostly investment driven on holiday derived income or the dream 'weekender' holiday house. Outside of this area, most of the mid north coast region's prestige property is owner occupied. The decline in sales activity this year is in part due to the current market conditions with the demand for holiday areas remaining soft as investors and holiday makers put coastal purchases off until renewed confidence in the market returns.

Close by in Smiths Lake and Coomba Bay, the upper prices are generally achieved by small acreages in close proximity to Wallis Lake. A recent sale in Charlotte Bay close to the lake achieved $850,000.

Elsewhere in the Great Lakes area, premium property prices likewise gravitate to water. The highs to date in 2011 for Forster/Tuncurry are $1.23 million for a coastal house in Forster with panoramic ocean views, $850,000 for a Tuncurry property with canal frontage and $1.35 million for a sizeable quality dwelling on periphery acreage with river frontage. Sales activity for premium high-rise units ($750,000+) have declined in recent years with only two sales over $750,000 to date this year. This decline is due to over supply and weaker demand particularly from investors.

For the Greater Taree region, premium prices are usually paid due to position on the Manning River, and this is evident in a recent riverfront sale on Oxley Island for $825,000. Outside of riverfront property, the premium residential market generally comprises good size modern dwellings on acreage ($550,000 to $700,000) for which demand has noticeably weakened, possibly a result of tightened borrowing following concerns over future interest rate rises. Additional areas of premium properties are the coastal towns around the Taree region (Black Head, Crowdy Head, Diamond Beach, Harrington etc) with five $700,000 + sales in these areas. Most notable is the sale of a substantial Crowdy Head home with good beach and ocean aspect for $840,000. This is the first $600,000 + sale in the town since 2006.

In Port Macquarie, 2011 has seen some lofty prices paid for significant dwellings in prominent positions, the highest sales to date have been $1.735 million for a circa 2005 architect designed Port Macquarie house with canal frontage near the entry to the Hastings River, $1.28 million for a considerable Lighthouse Beach home on a 2,000 square metre block and $1.1 million for a dwelling with frontage to the Hastings River. Such sales confirm some renewed economic confidence for prime located properties and no significant decline in premium property prices. Sales activity for premium high-rise units ($750,000) have declined in recent years through over supply and weaker demand from both owner occupiers and investors. There have been six unit sales over $750,000 to date in 2011, the highest being $1.21 million for a modern three-bedroom unit opposite Town Beach. Mansion style dwellings located in semi-rural areas on the periphery of more major centers around the Hastings remain volatile to over-capitalisation following weak demand from purchasers for non prime locations, although $1.5 million was achieved for a property on 40 hectares with water frontage in Wauchope.

The northernmost area in this region is the Kempsey shire and again, the cream of the crop is located in the coastal towns and villages (South West Rocks, Crescent Head, Arakoon, etc) close to water. Many of these areas are holiday hot spots and have seen a decline in sales activity due to demand for holiday areas remaining soft. There have been only two confirmed sales over $700,000 in 2011, those being a modern freehold duplex in South West Rock for $730,000 in August and a small acreage in Arakoon for $700,000 in February.

Vendors of prestige property willing to undergo somewhat extensive marketing campaigns are able to achieve good sale prices, particularly for prime located land where finite supply such as beachfront or riverfront drives demand. We are still seeing some forced sales of prestige properties in the region especially in sub-prime location where over-capitalisation is a constant threat following weaker demand from purchasers, and a discount may be required to achieve a sale. This is the main caution for prestige property in the region at present.

Newcastle

You want top-end residential do you? Well we got it and we got it in spades in the Newcastle area. Oh yes sir, follow me please and keep your hands inside the car at all times. Look no further than Merewether - premium prices by sparkling bluish ocean (well it's actually Tasman Sea but let's not get picky with the details. I consulted four atlases and all said the same thing, sorry to all those agents out there who persist in using ocean as a description in their splendid ads). Merewether offers easy access to the beach and all the local shopping hotspots. Merewether has been defying the doom and gloom offerings of the property market in recent times and transactions over $1 million are still occurring regularly. Even knockdown dwellings in certain locations are receiving near enough to $1 million. In fact this very week one of our valuers is mulling over plans of a house with a build cost of $2.7 million on one of those very blocks. Who said the economy is dead?!

What's that I hear? You want more? Merewether alone not enough to tempt your tastebuds? Well how about Dudley? How's that for a return serve? I could have said how do you like them apples, but it seemed a little aggressive. Dudley again offers some stunning cliff side water views and there is a small pocket of houses that have 4,000 square metre parcels of land with large sprawling houses. These regularly sell for $2 million and upwards. The characteristics are similar to Merewether with close proximity to shopping and services and some exclusive neighbours.

More? Well now he said rummaging around the bottom of the bag looking in all the crevices and picking delicately around the seams to see if there is anything hiding away. The bag can't be empty already can it? Hang on, what's that? Down by the old tissue and close to the lip balm?

There we go. Maybe I can tease and tempt you with the Newcastle resurgence starting from the early 1800's? Surely a typo, I hear you scoff in a 13-year-old-teenage-girl-kind-of-way. Not a typo? You say you meant to write 1800's (there it is, written again. It must be on purpose). Well finally the Newcastle chappie has gone too far, we've been expecting it for a while now after some of the recent MIR's and it's finally happened. Rank insanity at its finest.

Let me explain if I may. Newcastle was settled around 1800 and some of the early settlers picked some of the best spots to build their mansions of the day, some of them splendid indeed. Some even remain to this day in The Hill. Some have been modernised and renovated and rejuvenated (or, to paraphrase, they have been "Better Homed and Gardened") to within an inch of their lives. It is debatable whether they are still "heritage" buildings. Some have been let go completely and again debate can rage as to whether they can be saved and whether they should be saved or even whether anybody can afford to.

It's the third category that is the interest to us here. The buildings that have been maintained over time but still retain the classic features of the original dwelling, the high ceilings with the decorative cornices and ceiling roses, the ornate fireplaces and the impossibly dangerous stairs leading to precarious balconies and the like. We can also add to this list the complex and often taxing walk from the master bedroom to the bathroom. These places also offer something that most houses in town don't and that is a decent sized parcel of land with some garden space. Often these historic homes have or had good views, but many have been built out after years and years of development within town. No doubt they once had views that would make Julie Andrews from the Sound of Music feel claustrophobic and blush with embarrassment.

These homes trade infrequently and tend to sell for a premium especially if the home has some form of lurid history from the late 1800's, probably involving a cuckolded husband and a monocle, often a chase on horseback adds value. They can be difficult to maintain and there is an expectation in some parts of the community that you don't own these houses, merely bankroll the maintenance. And woe betide you if you don't - there is every chance you would knock the figs off their spot on the letters to the editor page. Those from Newcastle are nodding sagely in agreement and those that aren't current on our local current affairs are …………………….. well, in a word, lucky.

North Coast

The top end or prestige market within regions of northern New South Wales generally relate to properties priced at $1 to $1.5 million and above. Suburbs or localities that include prestige residential properties include Ballina, East Ballina, Lennox Head, Brunswick Heads and Ocean Shores/New Brighton. However, the 'supreme properties' or the higher priced prestige properties are situated within Byron Bay and its surrounding localities, including Suffolk Park and Broken Head. These 'supreme properties' generally relate to properties priced above $2 million and extend to $10 million or above.

The prestige property market within northern New South Wales also includes rural residential properties situated within the hills west of Byron Bay, including suburbs or localities such as Ewingsdale, Coopers Shoot, St Helena, Possum Creek, Coorabell, Bangalow, Myocum and Federal. Prestige rural residential properties are also located within the rural localities surrounding Mullumbimby, Alstonville and Ballina/Lennox Head.

Attributes which define the high end property market within the suburban localities include location (being within close proximity to the town CBD and facilities), frontage or proximity to beaches, rivers, etc, views and the quality of the improvements. In regard to rural residential properties, defining attributes include privacy, provision of coastal or panoramic mountain views, quality and useable nature of land, location being within close proximity to facilities such as towns with shops and schools and the quality of the improvements.

In today's softened market conditions, most prestige properties within suburban localities generally sell between $1 and $3 million. There have been limited sales for properties above $3 milion and most sales are reflecting price reductions from the peak market of 2007.

Most of the prestige rural residential sales occur between $1 million and $2.5 million, with there being very few sales above $3 million in recent times. We do note, however, that there has been one sale over $4 million. This property is located within Coopers Shoot and features 5.5 hectares of level, usable land which provides expansive and elevated views over the ocean, Cape Byron and Broken Head. The improvements are also of a substantial pavilion design.

The exclusive Wategos Beach precinct within Byron Bay is commonly known as the 'best patch' on the NSW North Coast for 'supreme property'. Wategos Beach comprises approximately 90 properties, 15 of which are situated along the beachside Marine Parade. This precinct is situated below the Cape Byron Lighthouse and the majority of properties have a north aspect over the beach, ocean, Julian Rocks and mountain ranges to the northwest. Since the mid 1990s, Wategos Beach has continued to establish itself as a prestigious enclave. Due to limited stock available, premiums have historically been paid for available product. However, due to the continuing soft market conditions, there has been a noticeable reduction in asking prices. The most recent sale within Wategos is $2.7 million for a basic dwelling providing elevated views to the north-east over the ocean. Previous to this sale occurring, the 'buy in' price for land within Wategos Beach was $3 million.

An example of a 'supreme property' currently listed for sale within Wategos Beach is the 'Watermark at Wategos' property located on Marine Parade. This is a quality built residence which comprises three holiday letting suites. The property is located in a beachfront position and provides unrestricted views to the north. It is currently listed for sale with an asking price of $12 million plus.

The prestige market up to $2 million continues to be reasonably steady; however sales rates are still slow and are affected by a reduced buyer market. Leading agents are also reporting that it is still difficult to obtain any form of commitment from potential buyers if asking prices are not considered to be realistic. For properties priced above $2 million, the market is tough and properties need significant wow factor to achieve a premium price. There has been a slight rise in reported enquires for prestige properties in recent weeks and renewed confidence may see a further increase in the number of buyers returning to the marketplace within the North Coast.

Southern Highlands

The upper end of the Southern Highlands residential property market predominantly comprises areas that are well located, with substantial residences and large, landscaped allotments, including Bowral, Burradoo, Mittagong, Robertson, Sutton Forest, Moss Vale and Berrima. Bowral and Burradoo feature tree lined streets, close to local amenities. The main prestige market in the Highlands is for rural residential properties, varying from five to 200 acre holdings.

The main attributes of these high end properties are: reputation, proximity to the Bowral town centre, views, land size, quality and size of dwellings and extensively landscaped grounds. Many of these properties are hobby farms or weekenders and they have substantial ancillary improvements.

The price points in these prestigious locations are in the order of $1 million to $6 million.

The market is soft and has weakened in the $1 million to $2 million bracket. The $2 million to $6 million market is steady. Properties that are above average and well located, with accurate listing prices will still sell. Otherwise extended selling periods are apparent. The general influences that affect this market include general economic conditions, interest rates, employment, buyer confidence. The Sydney prestige market also influences this high end market in the Southern Highlands.

The outlook for the upper end of the residential market is for a continuation of the current trend, that is a soft market that is steady to weakening.

Recent sales of some prestige Southern Highlands properties are as follows.

Robertson sold in June 2011 for $4.75 million. A 93 hectare property with a renovated older style dwelling and substantial ancillary improvements

Burradoo sold in September 2011 – confidential price. A refurbished 1887 built, substantial residence on 1.58 hectares of park-like, landscaped grounds.

Wollongong

Within the Illawarra region, the ocean is the dominating feature when it comes to the top end of the residential market. If a property has direct access to it, is situated on a cliff above it or has extensive views of it, it will be accompanied by a price tag in the upper end of the market.

Suburbs on the Northern Beaches from Stanwell Park down to Woonona often provide sales at the top end of the Illawarra market. A great example of this is the sale in Coledale of a circa 2005, three-storey, three-bedroom home with a self contained one-bedroom studio on the ground floor. The house has direct access to the beach and unobstructed views from most rooms. It sold in March 2011 for $2.55 million.

Coledale property

In Wollongong itself, Cliff Road continues to be an enviable address with houses and units enjoying ocean views and close proximity to North and City Beaches, the Belmore Basin harbour and the CBD. Units on Cliff Road regularly top the $1 million price barrier, although the number of transactions has slowed in the past twelve months. Stand alone houses are very rarely traded on this strip.

Further south of Wollongong and the criteria for premium property is the same. Suburbs and towns such as Shellharbour, Barrack Point, Kiama and Gerroa/ Gerringong continue to provide the highest level of sale prices for properties that feature the ocean. The Rockpool Apartments in Shellharbour were completed in 2006 and feature eight quality three-bedroom units that have all sold in the past four years for between $1.7 million and $2.2million, the most recent sale being Unit 7 in November 2010. The extended sales period shows the depth of the market for this type of product.

Rockpool apartment, Shellharbour

The sale of a property on Pacific Avenue in Werri Beach just north of Gerringong earlier this year provided an indication of the top end of the market in this region. The circa 2007, five-bedroom, five-bathroom prestige dwelling spans four levels and features a lap pool, two covered outdoor entertaining areas and uninterrupted ocean views. The $1.7 million sale took place in May 2011.

Pacific Avenue, Werri Beach

Moving away from the ocean, the top end of the market is still comfortably over $1 million. However instead of direct ocean views, these properties tend to be rural acreage sites featuring quality dwellings. Areas such as Berry, Jamberoo, Knights Hill and Avondale all offer properties towards the top end of the market.

Overall, demand in the top end of the market has slowed over the past two years and properties over $1.5 million are experiencing longer selling periods due to lower confidence and a sluggish economy. There is still a large influence on this upper end from cashed up Sydney buyers due to easy accessibility and relative affordability.

VICTORIA

Latrobe Valley/Gippsland Region

Overall the subject market has slowed in the past six to nine months, with sales turnover slow, prices dropping and properties experiencing prolonged periods on the market.

The areas considered to be the best of an average market place are your mid-range value properties between $225,000 to $325,000 in the Sale and Traralgon areas.

The top end of the market is the area that has slowed most from January to September. However, due to the high cost of land and high cost of building, the demand for high priced properties in Traralgon and Sale has picked up to between $450,000 and $600,000. This has only been seen in recent weeks and we are unaware whether or not this is a one off or a brighter future for the top end of the market in these areas. Time will tell.

East Gippsland Region

Within the East Gippsland region, premium priced property is mostly characterised by having water views or water frontage. Property with good rural or mountain views also command a premium, but not to the same extent as a water view.

The highest sales generally come from the coastal and lakeside towns with higher sales found particularly in Paynesville and Metung. Entry level for very good water views starts around the $450,000 to $500,000 mark, with entry to the Paynesville canal market being around $600,000. Sales in the $1 million to $1.2 million bracket are in the high end for the region, but occasionally this level is exceeded.

Lakes Entrance offers a lower price range for water views, with lake views available from mid $300,000. An interesting feature of the Lakes Entrance market is that buyers seem to be prepared to pay more for an ocean view than for a lake view.

Views over the Mitchell River and surrounding flats command the highest prices in Bairnsdale, in particular when located close to the CBD. Vacant allotments in newer developments with river views can command up to double the price of a similar block minus the view. The trend is further seen in the rural residential market, with several recent sales of river frontage properties commanding prices in the $500,000 to $800,000 range.

Mildura

Actual Murray River frontage is the requirement to be at the top end of residential properties in the various regional centres that adjoin Australia's No. 1 river. If it's Echuca, Swan Hill, Mildura, Renmark or Mannum, the highest valued land as well as virtually all of the top 5% of prestige housing will be properties with river frontage.

Two estates on the New South Wales side of the river at the satellite town of Gol Gol, within seven kilometres of Mildura, are our region's most prestigious residential locations. These comprise the Carramar Estate and the Riverbend Estate. Analysis of developed sales shows an underlying land component of over $950,000 for properties fronting the Murray in these two estates. There has been limited marketing of houses in these two estates and fewer sales. A prestige waterfront residence that won the New South Wales country house of the year award in 1999 is presently on the market at an asking price of $1.65 million to $1.79 million, well down from the original asking price of $2.5 million. The 369 square metre, two-storey residence with basement garage, pool, excellent landscaping and commanding views over the river now appears good value however has been blighted by having been on the market for over twoyears for most of the time at an inflated asking price.

Seven three-storey apartments overlooking the Murray River in the Mildura Dockside Marina project are under construction and will likely be marketed at around $1.2 million each. Each is 333 square metres in living area plus double garage and balconies with lift installed.

QUEENSLAND

Bundaberg

The suburb of Bargara is one of the best suburbs in the Bundaberg area at the moment. The lifestyle of being at the waterfront or having a view of it and its close proximity to Bundaberg lends itself to a premium being paid for these attributes. However in the past six months, houses and units have struggled to exceed the $1 million mark. In the previous twelve months, a number of units sold in excess of this. This market is struggling at the moment but with a likely interest rate cut in the near future and an increased volume of sales in the area, we see an improvement on the horizon.

Cairns

The Cairns upper property market is thinly traded but we would define it as anything above $1 million. This sector would contain:

- houses with beach or marina frontage on the Northern Beaches;
- some high quality acreage properties on the Northern Beaches;
- elevated houses with panoramic views in suburbs such as Edge Hill, Whitfield, Brinsmead or upper Mooroobool;
- penthouse apartments in the CBD, beachfront and/or waterfront unit developments.

The Cairns upper property market, like the market in general, remains slow. So far this year, there have been 11 property sales at $1 million or more, compared with 30 such sales in 2010 and 54 in the 2007 heyday in the market. The 11 properties sold so far this year have been a variety: one was on the beachfront, three were panoramic, two were on acreage, three had marina frontage, and two were CBD apartments. Most have sold at hefty discounts on their asking prices, and often after extended selling periods. Sample sales from 2011 include:

- a CBD penthouse apartment, originally listed at $1.3 million in November 2010, sold for $1.075 million in April 2011,
- an acreage property at Kewarra Beach, originally listed at $1.395 million in May 2011, sold for $1.05 million in July 2011,
- a panoramic property at Brinsmead, originally listed at $1.45 million in April 2010, sold for $1.018 million in April 2011.

Two of the most highly prized properties in Cairns are also currently on the market. One is a beachfront property at Kewarra Beach, purchased for $5.5 million in 2006 and being sold in receivership, and the other a trophy property owned by a local entrepreneur in financial difficulty high above Earlville. Both these properties are seriously on the market after failing to sell at recent auction.

So how do you sell a million dollar plus property right now in Cairns? Easily, if you want to sell it for $700,000!!

Otherwise to sell a $1 million plus property in the current Cairns market environment it needs to be PERFECT in every way. It needs to be perfect in terms of attributes and location and absolutely immaculate in presentation.

Gladstone

No particular suburb within the Gladstone area tends to stand out as being the best although the more premium single residential properties above $1 million are generally situated within Tannum Sands, Boyne Island, Gladstone City and South and West Gladstone. These properties usually have attributes including a very good view (harbour, ocean or river) or beach front location or substantial improvements in quality or size. There have only ever been a small number of recorded sales above $1 million within the area. Even with the current booming local economy, this market is still very slow. Over the past few months we have however seen the first sales of the top level penthouses within a modern residential apartment complex completed in 2010 which are substantially above values previously achieved for any units within the area. For most premium properties priced between $700,000 and $1 million, activity and values have been improving over the past twelve months as the market matures.

Gold Coast

Penthouse Units

The most popular suburbs for penthouse units are beachfront positions between Main Beach in the north and Burleigh Heads in the south. Coolangatta also offers a range of penthouse units and for boating enthusiasts, Runaway Bay and Paradise Point offer a range of units which generally include marina berths.

In the past the attributes of a penthouse unit were that it contained the top floor of a high rise building plus a roof top area which would generally have a swimming pool and entertainment area. However, in recent years this style of penthouse unit has become less popular as buyers now prefer large units over one level and do not want to be located in buildings predominantly used for holiday letting. Therefore boutique, one per floor prestige buildings have been constructed over recent years, generally in beachfront positions.

In today's softened market conditions, most penthouse units generally sell for between $2 million and $3 million with the $3 million style unit selling at the peak of the market for over $5 million. There have been a number of recent sales within the Jade complex reflecting this price reduction.

Jade Complex

The penthouse market on the Gold Coast is presently very soft. A large supply of units was constructed between 2005 and 2008 when there was strong demand from out of town buyers for high quality holiday units on the Gold Coast. Penthouse units are generally regarded as a luxury product and are sought after in strong economic conditions. They are now very much out of favour as people do not have the discretionary funds to purchase this type of product. As a result there is generally an oversupply of resale product on the market.

Beachfront

There are three main precincts on the Gold Coast for beachfront housing - the most well-known is Mermaid Beach and more specifically, Hedges Avenue and Albatross Avenue, followed by Main Beach Parade at Main Beach and Jefferson Lane at Palm Beach. The Mermaid Beach beachfront attracts the highest prices compared to the other locations and also attracts the greatest media attention in both buoyant and depressed markets. Housing varies from original 1950's beach shacks on single 405 square metre allotments to luxury mansions built over four to six allotments. The most recent land content sales have ranged from $4.17 million to $4.25 million. Quality house sales have been $5 million to $5.5 million on single blocks and $7.7 million for a luxury house on a larger 530 square metre block of land. Current enquiry for property is steady with agents noting that vendors must be keen and willing to meet the market and that in many cases, buyers are only prepared to purchase under market value.

Hedges Avenue

Beachfront Sales (Mermaid Beach and Main Beach)

Year	No. of Sales	Year	No. of Sales
1989	**4**	**2001**	**13**
1990	**6**	**2002**	**8**
1991	**2**	**2003**	**10**
1992	**4**	**2004**	**8**
1993	**9**	**2005**	**5**
1994	**5**	**2006**	**15**
1995	**5**	**2007**	**14**
1996	**5**	**2008**	**10**
1997	9	2009	8
1998	13	2010	4
1999	2	2011	5*
2000	8		

** includes under contract sale*

As well as a reduction in the volume of sales, prices since the GFC have fallen by anywhere between 35% and 50%, with the most expensive homes generally suffering the greater price drops.

Sales in Main Beach have been few and far between. There has only been one sale of a 400 square metre allotment (improved with a one-bedroom cottage) at $3.6 million early this year. There are only 15 beachfront house properties in Main Beach and these are generally tightly held.

The beachfront properties in Jefferson Lane, Palm Beach again vary in size but also, and more importantly, useability. The foreshore 'A' line which designates the location of the beachfront's underground seawall is situated many metres inside the eastern boundaries on some of the beachfront properties. This reduces the useable portion of the land by as much of 40%. There have been a limited number of absolute beachfront sales within the last twelve months at Palm Beach. The sales that have occurred ranged from $2.16 million to $2.45 million for older style properties.

Waterfront Housing

Besides the established estates of Paradise Waters, Sovereign Islands and Sanctuary Cove, there are also locations such as Shearwater Esplanade at Runaway Bay, Naples Avenue, The Corso and The Promenade on Isle of Capri, Cronin Island and Monaco Street, Broadbeach Waters which top the list and offer various lifestyle and locational benefits.

This can be very much a case of bigger is better i.e. multi-level 1,000 square metre houses built on 700 to 800 square metre blocks. These modern homes will accommodate five children, up to ten cars, home theatres, lifts, lap pools, cellars and gymnasiums. It you want it, it is available. An example is 18-20 Westminster Court, Sovereign Islands which sold in February 2011 for $8.3 million.

The property has a gross floor area of 1,921 square metres including a 700 square metre basement and Winnebago garage.

18-20 Westminster Court, Sovereign Islands

Rural Residential

The most popular locations for prestige rural residential properties are Tallai, Currumbin and Tallebudgera Valleys and Wongawallan. Tallai features elevated properties with excellent coastal views, Currumbin and Tallebudgera Valleys offer properties which are located close to the beach, creek frontages and a green environment and Wongawallan generally offers flatter land more suitable for horses.

Buyers of thes properties are either looking for privacy and coastal views or good useable land suitable for horses. Close proximity to facilities such as shops and schools is also important.

Most of the prestige rural residential sales generally occur in the high $1 million to $3 million price bracket, although there have been very few sales around $3 million in recent times. However there have been two recent sales at over $5 million, one at Tallai and one at Wongawallan. There would only be a handful of rural residential properties of this calibre on the Gold Coast.

The rural residential prestige market is reasonably steady up to $2 million, however, above this price level the market is tough and properties need significant wow factor to achieve a premium price.

Hervey Bay

Prestige properties are generally a thinly traded market for the Fraser Coast region, with only sporadic sales taking place from time to time. Locations close to the beach and/or with ocean and island views typically fall into the upper price range, with esplanade properties stretching from Point Vernon through to Urangan. The months of June and July 2011 proved to be the best of the year so far for higher priced stock, with sales starting at $600,000 and extending up to $810,000. These include three esplanade sales in Point Vernon and Urangan on lot sizes over 1,000 square metres. Demand appears to have slowed since then, with minimal activity and no sales confirmed above $600,000 in September.

Dundowran Beach continues to provide high quality, expansive properties that achieve above average sale prices in comparison to other suburbs close to the beach.

Earlier this year, sales up to $880,000 were realised, however these properties were on the market for an extended period of time.

Extended selling periods within the Fraser Coast region are due to the increased number of dwellings currently listed for sale at the top end of the market. This has created a price ceiling for premium residential property.

Mackay

The top end market in Mackay has remained fairly static over the past twelve months, with limited sales activity, particularly over the $1 million mark. Prestige properties in Mackay usually comprise large executive style dwellings located within the new, modern estates which fetch between $750,000 and $1 million, through to older style dwelling located on oceanfront or elevated allotments with excellent ocean views.

The prestige market has seen some activity in the past twelve months. A number of sales have occurred in areas such as Northview Gardens and Rural View in this price range. An example is 5 Pavillion Court which sold this year at $935,000. The property comprises an executive style, two-storey rendered dwelling with five-bedroom, three-bathroom internal accommodation and ancillary improvements including inground swimming pool with attached cabana and a detached shed. In the $1 million plus range, we have seen some limited activity with sales at Blacks Beach and Dolphin Heads cracking this magical mark. Two properties at Beach Road, Dolphin Heads and Turtle Place, Blacks Beach both sold this year at $1.1 million.

Both required extended marketing campaigns to achieve sales and at reduced levels to the originally listed price. Local agents report there are buyers around in this prestige sector, however they are fastidious and very price sensitive in what is still a buyer's market in this sector.

Rockhampton

In the city of Rockhampton, the best of the best can be found in a few suburbs both north and south of the river. In the southern suburb of 'The Range' the top end of the market includes spacious renovated Queenslander style dwellings on large allotments and usually benefiting from pleasant views over the city or of the Fitzroy River. During the past ten years, a number of these homes have achieved sale prices over $1 million, however sales are on the decline with homes in the $650,000 and greater price bracket usually requiring professional marketing over extended selling periods. Top end homes on the northside can be found in the suburbs of Frenchville and Norman Gardens. These homes are typically modern multi-storey dwellings with very good quality fixtures and fittings. The top end price range on the northside is also thinly traded with very few homes selling for greater than $750,000.

The Capricorn Coast, located east of Rockhampton, currently offers a number of residential properties that benefit from beach frontage, ocean and island views, or both. Some of these comprise either two-storey or multi-storey homes and have achieved sale prices over $1 million. Unfortunately this top end of the market also competes with other residential areas along the Queensland coast and has suffered a decline in value during recent times. A number of recently completed unit developments on the Capricorn Coast originally sold quite well off the plan, however sales have slowed since completion. Developers have consequently heavily discounted the balance of the units to stimulate sales activity. This has had a dampening effect on the prestige residential market on the coast as a whole.

Sunshine Coast

There is no doubt that on the Sunshine Coast, the prestige property market has been one of the headline property markets affected in the current economic climate. Prestige property on the coast is considered to be generally in excess of $1 million with the majority of areas and property types experiencing value declines.

... the prestige property market has been one of the headline markets affected in the current economic climate ...

The declines are dependent on two main factors. Firstly, the ownership profile of the area and secondly, the circumstances of the transaction.

By ownership profile, we mean if the area is predominantly holiday homes or homes that are owner occupied. If we break up the Sunshine Coast into the southern Sunshine Coast (old Caloundra shire), central Sunshine Coast (old Maroochy shire) and the northern Sunshine Coast (old Noosa shire), you can see significant differences with regard to the value declines.

The central and southern areas of the Sunshine Coast provide a greater proportion of owner occupiers, who by and large, have held on to their principal place of residence and have been able to survive the downturn (declines in the vicinity of 20%). The northern Sunshine Coast is predominantly a holiday home area, with less owner occupiers. These areas have felt the full brunt of the downturn as holiday homes are being sold to hold on to the principal place of residence. These declines are in the vicinity of 30% with one example being a north facing Noosa riverfront property, purchased in 2008 for $5.55 million, selling recently for $3.26 million, showing a 41% decline.

Circumstances of the sale are also key when navigating through sales evidence and discovering why particular properties are selling at particular values. At present there appears to be little or no urgency by prospective purchasers with vendor pressure increasing in some instances. Also, in the current climate, vendors that are under pressure to sell these prestige 'discretionary' type properties are typically at the mercy of opportunistic buyers and that is where discounting is required to effect a sale.

The funny thing about the adverse press in national papers is that it has almost become an advertisement for the coast. By that we mean that as the values have declined, affordability has returned to the sector and subsequently we are seeing a number of investors/owner occupiers returning.

The caveat is that they are only interested if they can see real value.

Toowoomba

The Toowoomba prestige residential market, which we consider to be homes that sell for $800,000 and above, has experienced a decline in the volume of sales since the peak of the market in 2007.

The graph further illustrates a reduction in the median sale price in this price bracket from $1,020,000 in 2007 to $902,500 in 2011. This trend is consistent with the overall downturn in the property market post GFC, however the poor results in 2011 can also be attributed to the January 2011 flood event and a general softening in consumer confidence in the area.

The prestige market is yet to see a flow-on benefit from the natural resource boom in the Surat Basin to the west, where speculative investment and high wages are fuelling activity.

Activity in these upper price brackets is traditionally dominated by the suburbs of East Toowoomba, an older established inner suburb with historical dwellings; Rangeville, a mix of older and modern dwellings on the Toowoomba range escarpment; and Middle Ridge, a semi-modern to modern peripheral suburb incorporating large homes on sites from 4,000 to 6,000 square metres.

Key drivers influencing prestige property values in Toowoomba are location, standard of dwelling/street appeal, land size and views. Homes in East Toowoomba are highly sought after due to their historic appeal and established gardens.

Homes that sell in excess of $2 million are extremely rare with very limited homes of this classification in Toowoomba. However, Rangeville and more specifically, the "Kara View Estate", incorporates a number of new homes or homes under construction that have set a new benchmark for size and features in the Toowoomba market. This estate is positioned on the range escarpment and provides uninterrupted views across Table Top Mountain and east across the Lockyer Valley.

Kara View Court

Kara View Estate

While no recent sales of dwellings of this calibre exist in Toowoomba, we do note a jump in activity for homes closer to the $1 million price point. Examples of recent sales include::

East Toowoomba, $1.25 million

East Toowoomba, $1.06 million

Rangeville, $995,000

Middle Range, $910,000

Overall, the prestige market can be described as slow and even depressed, with no foreseeable turnaround expected in the next twelve months. Broader economic factors such as interest rates and bank credit policies appear to have the greatest influence as this upper market segment in Toowoomba is dominated by doctors and other medical professionals who are generally insulated to some extent by local economic downturns.

Townsville

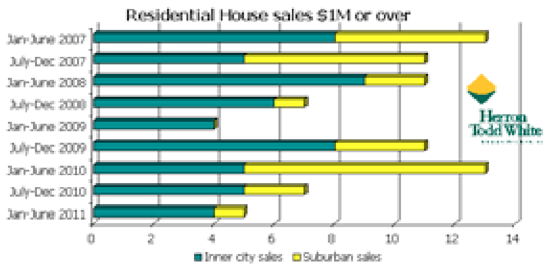
Views, views, views are the main attributes that contribute to the top end residential market in Townsville. There are two localities where these top end properties are predominantly located - the inner city area or along the banks of the Ross River.

The inner city market provides a mix of older dwellings in semi modern condition with uninterrupted views, dwellings that have been extensively renovated or extended, along with more modern constructed dwellings. These offer a combination of elevated views to the city and/or Cleveland Bay along with the added proximity of being close to the city centre.

The suburban market features large modern dwellings on flat building platforms with river or lake frontage. This market provides increased amenity through size of the home and the level of finish compared with similar value properties in the inner city market.

A look at the volume of house transactions at or over $1 million for the past four years shows the current soft market conditions.

Figures to date for the first half of 2011 indicate a sales volume of five transactions, compared with 13 transactions for the same period in 2010. This in part may be attributable to the slow start for the residential market in 2011 due to unfavourable weather conditions and cyclones.



Source: HTW Analysis PDS

Another factor may be that both vendors and purchasers are more informed these days, with vendors being aware that now is not a good time to sell if it can be avoided and purchasers are market savvy and looking for bargains and are willing to wait and shop around. We are seeing vendors forced to sell being picked off by opportunistic buyers driving prices down.

WESTERN AUSTRALIA

South Western WA

The south-west of Western Australia covers a large range of markets, with price points for quality properties varying greatly across the region. This can be seen in Bunbury, where some good quality, large, modern homes can be purchased for under $500,000 and anything over $1 million is at the very top of the range, to the likes of Eagle Bay, Yallingup and Old Dunsborough where the price of better quality properties only starts at around $1.5 million.

The drivers of price in these areas are fairly consistent however, being view, proximity to the water and in the case of those near Dunsborough, the world-class surf breaks.

When we look at how the market is faring at the moment it would be reasonable to say it isn't great. The high end property market took a big hit as a result of the Global Financial Crisis and has not really recovered since. Suggestions are that values have dropped between 30% and 40% since pre-GFC levels. The market has been slow with limited demand and substantial supply. Costly land taxes have forced many long term owners into selling as the price of retaining this style of property has become excessive. The big spenders of the last boom period appeared to be those associated with mining. While they still appear to be doing well, the emphasis now seems to be on debt reduction and saving, rather than high end property.

On the up side, there is a limited supply of properties with ocean views in the south-west and more ocean front land is unlikely to be released for residential use due to environmental concerns. It therefore seems probable that in the long run, this shortage may place upward pressure on values. However, until global economies are more settled and while confidence remains low, values are predicted to remain subdued.

Last month we discussed the change up market and the conclusion drawn was that there is a lack of options for movement and this may have an impact on the upper end as well, due to the lack of movement up the scale filtering all the way to the top of the system. An example of how this works would be someone who purchased a fairly standard four-bedroom dwelling in a modern suburb in 2007 for $400,000 with a $300,000 loan (many loans were higher). This gave them equity of $100,000 and a loan to value ratio of 75%. Due to the downturn in the market, that property is now likely to be worth around $350,000 and the equity has correspondingly dropped $50,000. If the owner now wants to trade up to a better house which has also dropped from $450,000 to $400,000, it will cost approximately $40,000 in changeover costs (real estate and stamp duty fees primarily). Based on these figures, the $100,000 the 2007 purchaser started with has now been reduced to $10,000, so to buy that better $400,000 house again will result in a loan of $390,000 and a loan to value ratio of 97.5% which probably wouldn't be approved by most banks. It is no wonder that many people cannot afford to trade up and until the property market starts to improve and create equity, it will just a be a matter of waiting it out for most.

So for those who desire the mega mansion with the 180 degree views and the ocean at their doorstep, there may be a wait involved because whether it is as a result of a potential Greek default or just the lowering values in our own back yard, it appears that the pathway to the front door is a little rocky at present.

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Rural – Market Directions

The Australian rural property market continues to be relatively quiet to very quiet in most districts, with sales volumes low. There are a myriad of positive and negative factors at play and obviously the impact of any combination of factors on market confidence will vary from district to district and between industry sectors.

The cotton sector appears to be heading for a second good year with a reasonably good cotton price outlook and good moisture profiles and irrigation water availability. Cotton growing continues to expand into the southern regions of New South Wales. However, at this stage no improvement in cotton land values is evident, as producers remain in catch up mode following the drought and a period of much lower prices.

The grain cropping sector is at a critical stage with the harvest about to start. A predicted record harvest in Western Australia could have some positive cash flow impact on investor confidence levels in 2013. However, the recent decline in wheat prices, if sustained, is likely to offset the benefits of either an average or slightly above average harvest in other major grain growing districts.

There appears to be a two-tier market evolving in the cropping property sector. The corporate or investment funds and larger family entities, who in the main don't require bank debt, are seeking out the better quality, larger cropping properties at firming values with increasingly competitive market tension in selected localities. The second tier are buyers who depend on bank debt are much more discerning or restricted in their bid price for generally lesser quality assets, with values either holding or falling.

There is little doubt that many of the larger institutional investors appear to be "sold" on the world food security and soft commodity price rise story and have been investing accordingly with a longer term outlook, because they can (financially). Meanwhile the smaller investors, whilst still believers in the sound fundamentals of the same story, are not investing as much, because they can't (financial constraints).

Like all property markets, investors don't like uncertainty. Currently the uncertainty regarding the Draft Murray Darling Basin Plan; coal and coal seam gas exploration and mining expansion and pending land use policy deliberations; global growth/debt; volatile commodity prices, equities markets and currency values; live cattle export policy and related lobbying; carbon tax and related policy uncertainty, all suggest that certainty in the market place is lacking. Whilst some investors see such conditions as an opportunity, in the main most do not and sit on their hands, particularly when they remain uncertain as to the direction of property values and when the true bottom may be reached.

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1 November 2011

Central New South Wales

Sales activity in the Central Tablelands remains relatively subdued given we are experiencing good seasonal conditions and the outlook for rural commodities remains relatively positive, although some softening in certain commodity prices has occurred in recent weeks.

Throughout inland New South Wales, the corporate sector remains the most active in the market with demand being in the large scale broadacre and grazing properties. A changing characteristic for many of these fund based buyers is that they often have a narrow commodity focus, being committed to either grazing or cropping. This does have implications on the property type these buyers are interested in and often the properties that can produce a wide varies of rural commodities don't suit the buyer's specifications. Properties that have been fully developed for cropping with relatively small areas of non-arable land are more keenly sought. In instances where there is proportionately small irrigation development or entitlements, these assets are often excluded from the sale or sold on at a later date.

A steady increase in the value of stud and breeding stock over the past twelve months is pointing to increasing confidence in the grazing industry. Over the past two years, many producers have benefited financially from good seasons and firm to strong commodity prices. This improvement in the income side of holding rural land is having a dampening impact on sales transactions. As landholders' income increases, their need or desire to sell reduces. Combined with purchasers' expectations that value levels are often 5% to 20% below the levels of two to three years ago, the gap between what purchasers are prepared to pay and what vendors are prepared to accept continues to be a major stumbling block in preventing transactions occurring.

Auction results are sending mixed signals. Some properties, generally in the more affordable price bracket, have exceeded expectations, whilst other good quality properties have failed to make reserve, despite attracting medium to high levels of enquiry prior to auction.

In summary, enquiry levels are rising, the price purchasers are prepared to pay is holding and many vendors are sitting on value levels from several years ago. The short to medium term direction of the market will be determined by who is prepared to give in first, and this will be largely influenced by seasonal conditions over the coming twelve months.

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Northern New South Wales

Very wet and cool conditions prevailed during early September before dry weather in mid to late September and more rain in October.

Sugar Cane

The majority of the planting for 2011 has been completed in the Condong Mill area but recent wet conditions have disrupted the traditionally later planting window for the Broadwater and Harwood Mill areas. Early (mid August) plant in the Condong Mill area has mostly germinated well despite the subsequent wet conditions.

There has been little activity in land sales.

Growers will be hoping for successful plant establishment to expand the total crop for 2012. World commodity prices remain relatively strong for sugar. Harvest is well progressed with all participants hoping for a 'dry' finish.

Macadamias

Growers continue to be pleased with excellent flowering of macadamias. There is some interest in importing a native ant of the Northern Territory to combat fruit spotting bug. This may follow the use of owls to combat rodents as part of an Integrated Pest Management program.

Cattle

Pastures present in very good condition. Excellent grazing conditions are set for late spring when conditions warm up. A sale by private treaty of a grazing property (with some cropping potential) indicates $6,000 per breeding cow plus improvements.

Summer Cropping

Some corn has been planted. Significant areas of land have been prepared for summer cropping. Soya bean growers will be hoping for drier conditions later in November to establish crops.

General

Purchasers remain cautious with the background of global economic uncertainty and volatility also contributing to local specific issues. The 'buyer's market' continues.

The impacts of the carbon tax are not at all well understood by market participants.

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Southern New South Wales

There has been little change in the rural scene in southern New South Wales and north eastern Victoria over the past few months. There are very few rural properties coming onto the market despite most properties looking their best during spring. Most of the area has experienced a very good spring to date, with just enough rain and soil moisture to carry crops and pasture through to now, but with some hot days coming up, moisture levels will decline and farmers will again be looking to the skies for some rain.

Rust has been a bit of a problem in some wheat crops and it has been difficult to spray due to wet soil conditions in some areas. It has not been uncommon to see aeroplanes and helicopters spraying to control rust and pests as in some cases these methods were the only (relatively expensive) treatment. More follow up rain is now needed to ensure that yields remain high.

Few rural properties of note are coming onto the market in southern New South Wales and north eastern Victoria, with the exception of "Collendina Station". This property comprises 1,276 hectares between Corowa and Mulwala with frontage to the Murray River and Lake Mulwala. It has 1,338 megalitres of Murray River and ground water, an historic two-storey homestead built in 1891, centre pivot irrigation, several cottages and the usual outbuildings. The station is going to auction on 24 November and it will be interesting to see the outcome. The number of properties on the market is unusually low for this time of the year as spring is usually the most active selling period in this area.

Irrigation water storages are still near full and the irrigation season has commenced to the west of Albury. Lake Eildon is at 99% - the highest level for many years (64% this time last year), Hume Dam is at 98%, Dartmouth is at 72% (47% at this time last year) and Blowering is at 95%. Water allocations are increasing, with Murrumbidgee General Security now at 63%, NSW Murray General Security not so good, but slightly up at 21%, Victoria Murray High Reliability at 100% and Goulburn High Reliability at 100%. The irrigation season is looking pretty good at present.

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Regional Victoria

The market for broadacre irrigation holdings has been showing signs of improvement with recent sales indicating a clear rise in value. This would be expected with the general rural outlook much more positive on the back of an excellent 2010 season and a reasonable 2011 season.

Rain in late September should see an average harvest overall but many croppers should at this stage expect better than average yields.

The market for dry grazing country has been static, however agents are reporting offers well in excess of recent levels of value as buyers try to take advantage of the large body of feed available and the strong sheep prices.

The market for General Security class water (Murray Valley) has been hovering around $700 to $750 per unit (down from a high of $1,200 per unit as a result of Government buybacks), while the market for Murray Irrigation Limited Water and Delivery Entitlements (General Security class water) is around $600 to $650 per unit.

The market for High Security class water Murrumbidgee and Murray Valleys has fallen over the past 12 to 18 months from a high of $3,000 to $3,500 per unit to around $1,500 per unit.

Permanent bore water during the drought in the Murray aquifer stretching from Corowa in the east to Swan Hill in the west on the New South Wales side of the border was trading for as high as $1,100 per megalitre during the 2006 to 2009 drought. Due to the large amount of surface water available, there has been little demand for permanent bore water and agents are reporting that they have permanent bore water for sale at $600 per megalitre or less.

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Mildura

Some much needed rain arrived in mid to late September which has aided the dryland cereal cropping sector. September also had some isolated thunderstorms bringing a damaging hail storm which resulted in significant losses to established citrus and damage to young vines over a small area in the Colignan and Nangiloc area, 40 kilometres to the south of Mildura.

The dryland sector is gearing up for what is tipped to be an above average harvest, however frost damage in isolated pockets throughout the region has resulted in some of these crops being cut and baled for hay. As we write this report, a number of canola crops have been cut and windrowed in readiness for harvesting while a small amount of early cereal crops has commenced harvest.

With the grain harvest looming there has been growing concern as to where all the grain (which is tipped to rival last year's record levels) is to be stored, noting that a large majority of last year's grain still remains in bunker storage throughout the district. However Sydney based grain dealer, Graincorp, has responded by announcing that new bunkers are being developed at ten regional centres throughout the Mallee and Millewa districts of north west Victoria to cater for the expected large quantities of grain to be delivered into the Graincorp system.

While there has been some finger pointing in regard to lack of direction by government authorities for the local irrigation district and the demise of the wine grape sector in recent years, the local mining sector (one of the major employers in the district) is providing a positive outlook for the region. The booming mineral sands operations in Victoria's Mallee near Ouyen and more particularly at Pooncarie in southern New South Wales, 120 kilometres north of Mildura, has renewed discussion among local, state and federal governments on the possibility of the upgrading and expansion of rail networks north of Mildura and linking up with the Trans Continental rail line at Menindee which extends from Sydney through Menindee, Broken Hill, Port Augusta and Perth.

The latest water allocations reflect the good seasonal conditions with local irrigators already receiving Victorian Murray water entitlement allocations of 86%. Permanent water values have remained relatively static for some time to be around the $1,700 per megalitre to $1,750 per megalitre while temporary water is currently trading at around $25 per megalitre.

Sales activity in recent weeks has included the sale of the pastoral station, Willotia, to the agribusiness company, Tandou Ltd, for a reported $2.7 million. Willotia fronts the Darling River between Pooncarie and Menindee in south west New South Wales. It is a 47,440 hectare holding on which Tandou intends to expand its organic Dorper prime lamb operations. A reported sale of a station in the Darnick Region also shows strong levels which further emphasises the current confidence in the grazing sector.

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Northern Queensland

Grazing Industry:

The fire season has begun and graziers are worried about lightning strikes and careless flames. With the large body of dry feed available, a fire now would create havoc within its general vicinity.

Cattle prices remain sound with good returns for most lines. The muster season is fast coming to an end and properties are now preparing for pre-Christmas fires and the wet season.

Cattle station sales have taken a steep decline in numbers over 2011. There are always rumours of sales about to happen but to date very few sales have transacted in the northern region.

The proposed power transmission line from Mount Isa to Townsville, Copperstring, was dealt a blow during October with the announcement of Mount Isa Mines securing power from an alternative supply. The project is not dead but is being reviewed in line with other potential customers.

Cane Growing

With irrigation available, the Burdekin crop has not been as badly affected as the Herbert River area during this dry spell. Mill operators, Sucrogen, have offered contractors "top up" income assistance if the throughput falls below 360,000 per week. The harvest is fast coming to an end.

As the dry period continued in the Herbert area, the cane crop got smaller and it is now expected that the harvest should be complete around the end of October. The cane crop in general was down significantly and did not meet expectations.

Sales of cane farms continue to be limited with no indicative movements in cane land values to date. Two Burdekin farms have recently sold and are to be developed for growing sandalwood.

Horticulture

The tomato harvest in Bowen is virtually finished. Towards the end of the season it became apparent that a disease common in the Bundaberg area had also established itself in Bowen. This is another blow for some growers as the season was coming to an end.

A large irrigation farm has been advertised for sale by auction and it will be interesting to see if the property attracts any bids.

The northern region across most fronts is quiet. Bowen continues to be the rising star for port development and export of coal. With the Alpha and Waratah Coal projects continuing, rail and port infrastructure will become major items of expenditure which will require labour during construction and development stages. This impacts on rural industries as it draws employment away to the new black gold wealth of Queensland.

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Southern Queensland

October has almost passed us. In Southern Queensland, we have had some good spring rains with falls of over 50 milimetres recorded in places. Reports from the harvest suggest early planted wheat yields are up, however protein levels are mixed. On balance therefore, the amount of Prime Hard Wheat harvested throughout the district will probably be down on previous highs.

We expect to see major plantings of cotton throughout the region with many holdings having excellent water levels in storage. A large area of dryland will also be "punted" on, mainly on long fallow country which will still have excellent levels of subsoil moisture.

On the property front, the story of the day suggests that "Cubbie Station" is close to being sold. Eastern Australian Agriculture, which has extensive holdings in the St George and Dirranbandi Regions including "Kia Ora" and 'Clyde", has been identified as the potential purchaser with supposed US hedge fund support. It is hoped that the status quo will be maintained. This will provide great support and certainty to both the local community and the industry in general.

We have also seen some good sales of mixed dryland and irrigation country recently on the Downs. This has served to support the notion of continued good demand for prime farming country, a far cry from the lack of demand portrayed for grazing country where the market is back some 25% to 35% on previous 2007 and 2008 highs.

The recent sale of the irrigation holding known as "Campbells" for $4.25 million is only 15% down on its 2007 sale price of $5 million. When the reasons for the current sale are taken into consideration (ie. mortgagee in possession), it underpins local values. It was presented well.

We also have recently seen the sale of the irrigation holding known as "Arlington" for $2,795,000 and the dryland farm "Antrim" for $2,905,000. Both properties were sold to the one party at what could only be described as fully firm values. However, it underpins the confidence associated with quality farming country on the Inner Downs.

The farming community is expecting good things from the 2011/2012 summer and we all hope it comes to fruition. Any longer term sustainable revival in the property market will be driven by worldwide demand for food and fibre. In this, we see farming rather than grazing driving future growth in land values.

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... the farming community is expecting good things from the 2011/2012 summer ...

South Western WA

Canola in the northern parts of the Western Australian wheat belt has started to be swathed/harvested, although a recent cold front has halted proceedings temporarily. Across the wheat belt, reports of above average crops have raised confidence levels from a very low base, and headers in many areas are being prepared for that grand event in agriculture known as "harvest". Many districts have had some finishing rain events and yields are expected to be above average. The record harvest predicted will no doubt trump last year's poor results. The downside of a good harvest is often a reduction in commodity prices as supply notches above demand and the bins begin to overflow. This year, this increase in domestic supply is compounded by the goliath producer Russia re-entering the market, which, together with the uncertainty over global finances, has seen a recent reduction in wheat and oilseed prices.

In terms of the rural property across the wheat belt, the market continues to be quiet with some purchaser interest being recorded but limited / no commitment made. Purchasers in the market include corporates and local producers, with some overseas investor interest noted over the past couple of years, again with limited purchases. The corporate purchaser tends to have set criteria for property which normally includes a reliable rainfall, but this varies from purchaser to purchaser. Local producers and the corporate purchaser alike are reportedly taking a "wait and see" approach, holding tight until the result of the harvest enables them to make an informed and educated decision. It is envisaged that a good harvest will result in a shake up of what is considered to be a stagnant rural property market, although current debt reduction is also predicted.

In the south west of Western Australia, there has been some activity in the resources property sector with Bemax Resources purchasing Cable Sands properties - including active mines and land earmarked for future mining.

Overall, it is quiet on the Western front (in rural property terms that is) and as the headers leave the sheds for the paddocks, there is a mixture of optimism and uncertainty in the air. What will be the outcome of this year's harvest on the rural property market? The optimist would like to see a significant increase in sales activity however, in these uncertain times, any increase in sales activity would be just as welcome.

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Northern Territory and the Kimberley

There's still very little to report by way of confirmed sales on either the pastoral or farming fronts in the Northern Territory or Kimberley. However, selling agents who are juggling more than just a couple of listings report increased enquiry as the month of October draws to a close. Renewed interest comes from rising confidence as the live export market gathers momentum. Also, investors and hopeful bargain hunters are out there positioning themselves to do a deal.

There is currently interest from foreign and interstate investors alike. For potential foreign investors, the rebuilding of stronger live export ties with Indonesia and the confidence this brings is critical. It appears that uncertain global financial markets are again forcing foreigners to look at the long term security offered by rural investments, particularly in the beef industry and large-scale, grass fed protein grazing enterprises.

The significant cash flow pressures that were mounting for many pastoralists (and associated industries) as a result of reduced income due to the suspension appears to have eased a bit with the reopening of the trade and the healthy prices currently being achieved for in-spec cattle. It has been reported by several pastoralists that some banks can now provide more breathing space, easing the pressure to sell. Still, it is the general consensus within the industry that it will take another twelve months to better gauge the ongoing capacity of the trade. By this time, a full complement of turn-off cattle from the Top End's breeder herd will be making their way through the system and trying to find their way into Indonesia with its reduced slaughter capacity.

The recently released Farmer Report on Australia's live animal export industry has also worked to repair confidence in the industry to some extent, as among other things, the report recommends there be no interruption to the trade while reforms are rolled out. Live export agents also report reasonable demand from Malaysia for out-of-spec cattle which is encouraging for everyone, but especially those more remote, less developed cattle stations that rely to a large extent on harvesting operations.

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Comparative Property Market Indicators - October 2011

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

For further information contact Rick Carr, Research Director, Herron Todd White, on (07) 4057 0200, or by email on rick.carr@htw.com.au

Comparative Analysis of 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:

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Murray Outback (Mildura)	(03) 5021 0455
Murray Riverina (Echuca/Deniliquin)	(03) 5480 2601/ (03) 5881 4947
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Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

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Comparative Analysis of Queensland Property Markets

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Emerald	(07) 4980 7738
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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:

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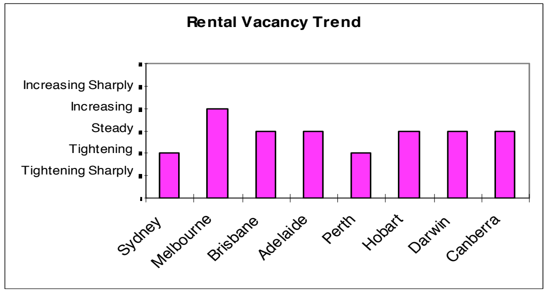
Darwin	(08) 8941 4833

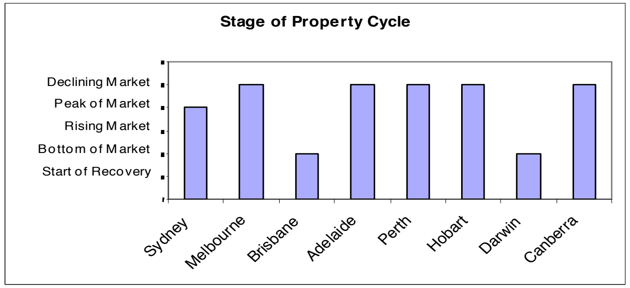
Capital City Property Market Indicators as at October 2011 – Houses

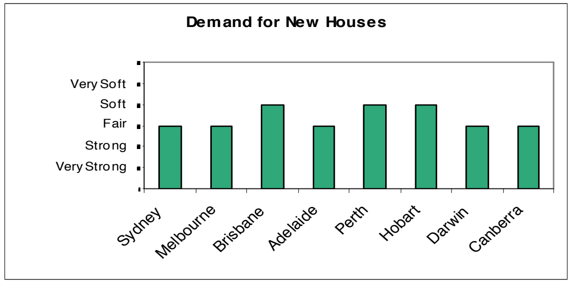
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property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

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

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



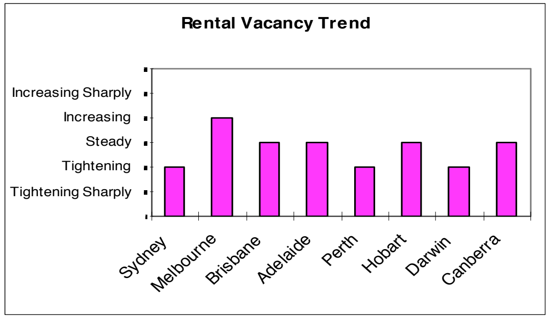


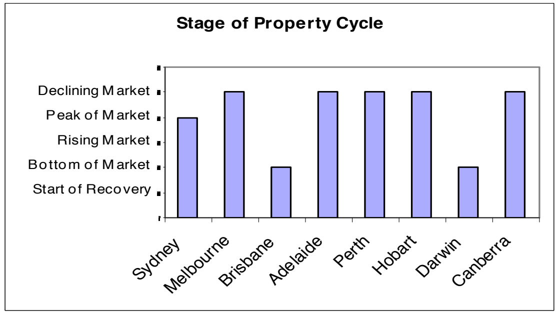


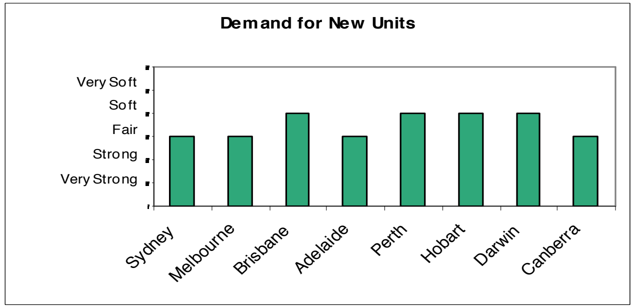
Capital City Property Market Indicators as at October 2011 – Units

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

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







Capital City Property Market Indicators as at October 2011 – Office

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	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Increasing	Steady	Steady	Tightening	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Fair	Soft	Soft	Fair	Fair
Trend in New House Construction	Steady	Steady	Increasing	Declining	Declining	Declining	Steady	Steady
Volume of House Sales	Declining	Increasing	Steady	Declining	Steady	Declining	Declining	Declining
Stage of Property Cycle	Peak of market	Declining market	Bottom of market	Declining market	Declining market	Declining market	Bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never

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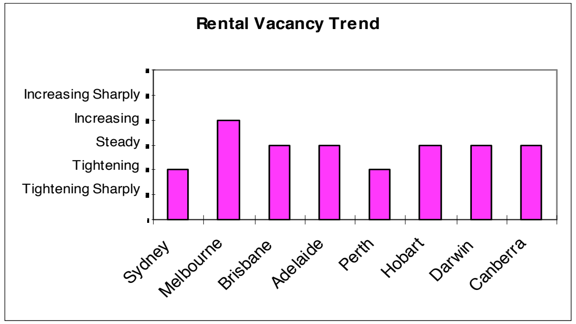

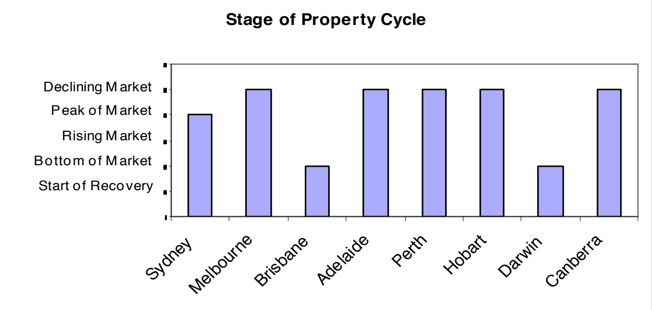

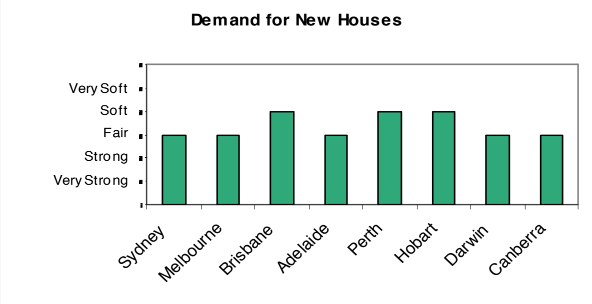

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New South Wales Property Market Indicators as at October 2011 – Houses

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Far Nth Coast	Wagga Wagga	Illawarra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady - Increasing	Increasing	Steady
Demand for New Houses	Soft	Strong	Fair	Fair	Fair	Soft	Fair	Fair	Strong	Fair	Fair	Soft	Soft	Fair
Trend in New House Construction	Declining	Steady	Steady	Declining	Steady	Declining	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Steady
Volume of House Sales	Steady	Steady	Declining	Declining	Increasing	Increasing	Steady	Declining	Steady	Declining	Declining	Steady - Declining	Declining	Steady - Declining
Stage of Property Cycle	Declining market	Rising market	Declining market	Peak of market - Declining market	Rising market	Start of recovery	Rising market	Declining market	Rising market	Peak of market	Peak of market	Bottom of market	Declining market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasionally	Almost never	Almost never	Occasion-ally	Frequently	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally

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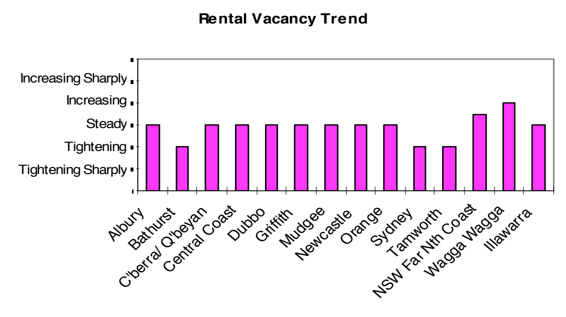
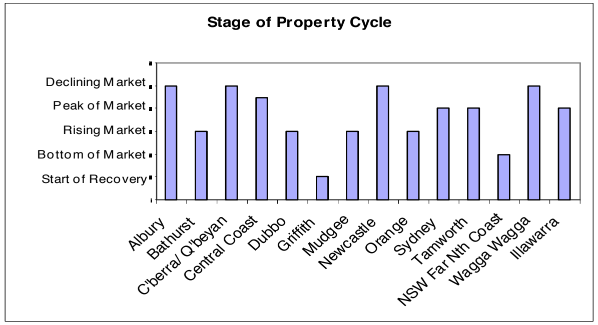
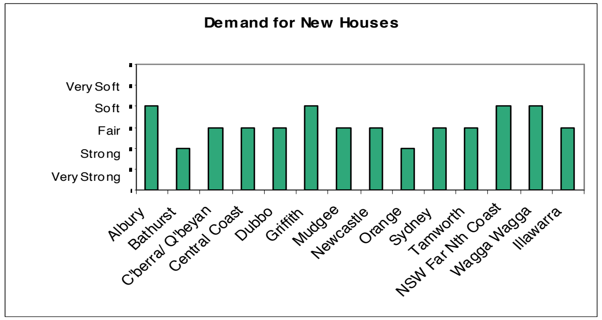
Blue entries indicate change from previous month to a lower risk-rating







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

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Far Nth Coast	Wagga Wagga	Illawarra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady - Increasing	Steady	Steady
Demand for New Units	Very soft	Fair	Fair	Soft	Soft	Soft	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Fair
Trend in New Unit Construction	Declining	Steady	Steady	Declining	Declining	Declining	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining - Steady
Volume of Unit Sales	Steady	Steady	Declining	Declining	Steady	Increasing	Steady	Declining	Steady	Declining	Declining	Steady - Declining	Declining	Steady - Declining
Stage of Property Cycle	Declining market	Rising market	Declining market	Bottom of market	Bottom of market	Start of recovery	Rising market	Declining market	Rising market	Peak of market	Peak of market	Bottom of market	Declining market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Almost never	Occasion-ally	Frequently	Occasion-ally	Occasion-ally	Occasion ally	Occasion-ally

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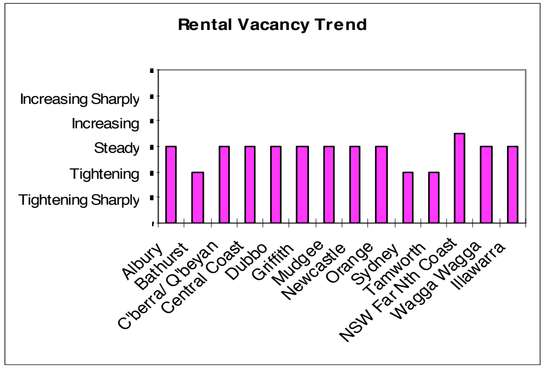

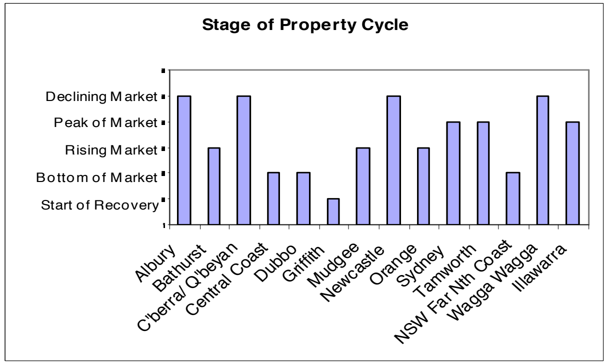

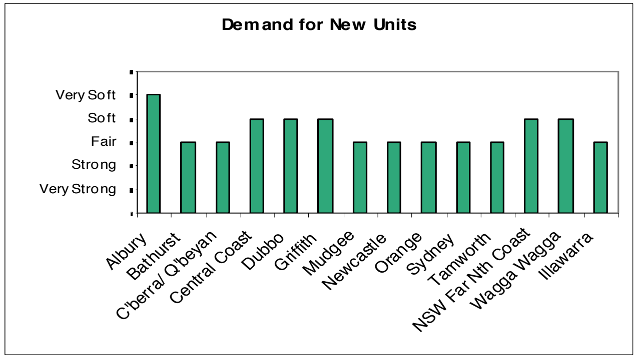

New South Wales Property Market Indicators as at October 2011 – Office

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Far Nth Coast	Wagga Wagga	Illa-warra
Rental Vacancy Situation	Balanced market	Balanced market	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Tightening	Tightening	Increasing	Steady	Increasing	Steady - Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Increasing	Stable	Declining - Stable	Stable	Declining	Stable
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Declining significant-ly	Steady	Declining	Steady	Increasing	Declining	Steady - Declining	Declining	Steady
Stage of Property Cycle	Rising market	Rising market	Bottom of market	Declining market	Rising market	Bottom of market	Bottom of market	Declining market	Rising market - Peak of market	Bottom of market	Peak of market	Rising market	Declining market	Bottom of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Steady growth	Contraction	Contraction	Flat - Contrac-tion
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Very large	Significant	Small - Significant	Large	Significant	Significant	Small - Significant	Significant	Significant	Large - Very large	Significant	Significant

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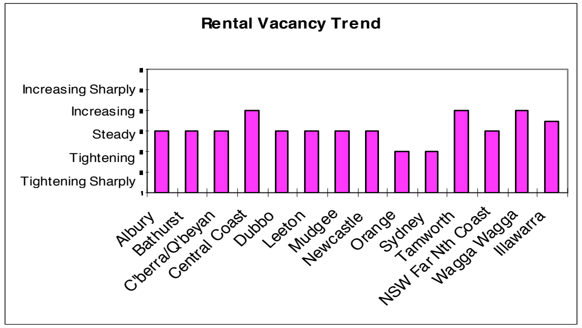

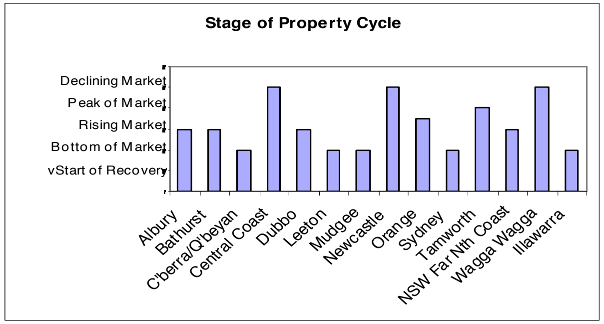

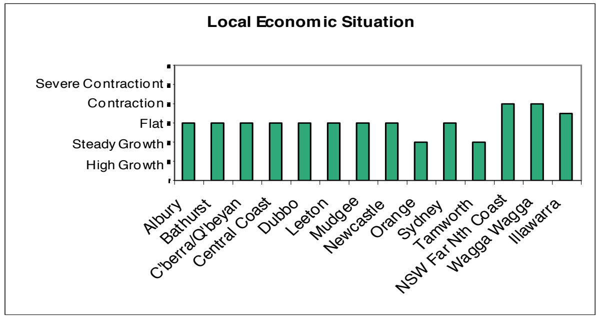

Victoria/Tasmania Property Market Indicators as at October 2011 – Houses

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

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

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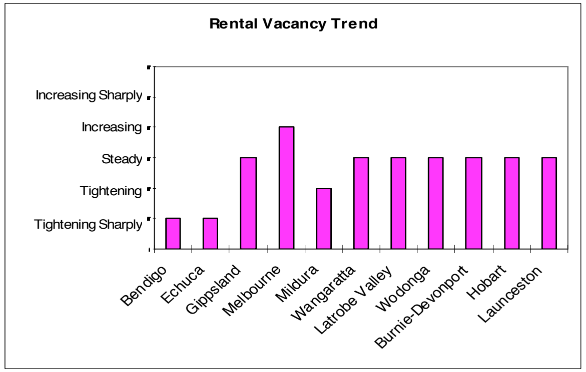

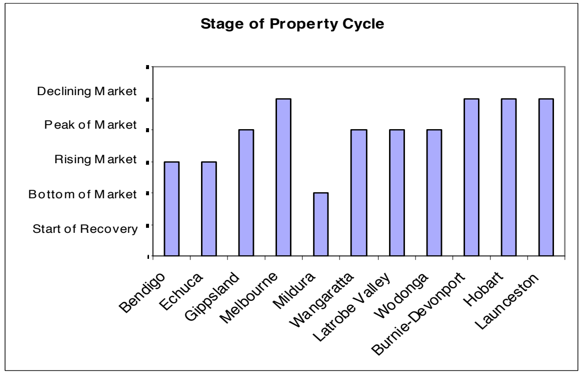

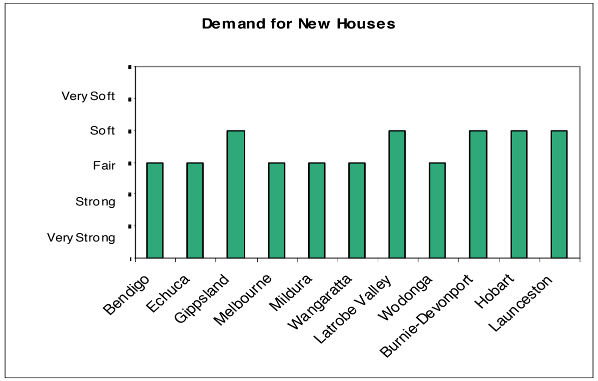

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Victoria/Tasmania Property Market Indicators as at October 2011 – Units

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

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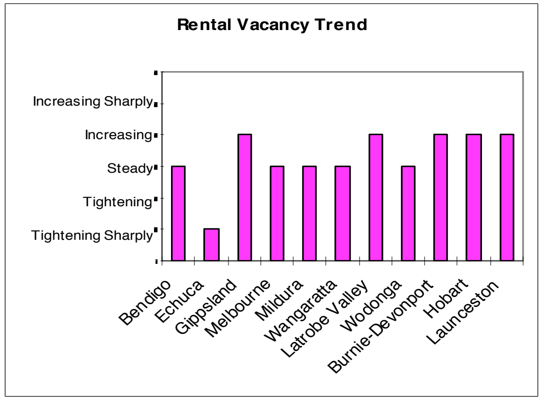

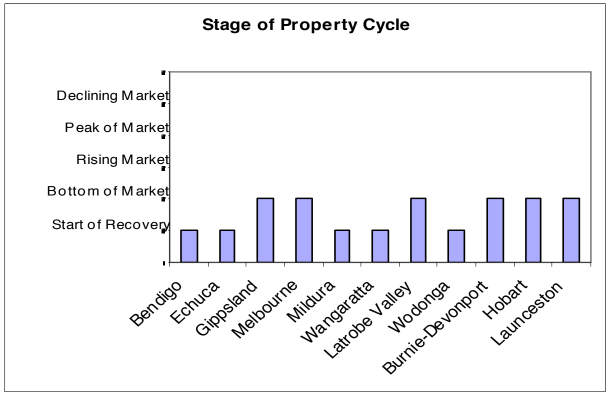

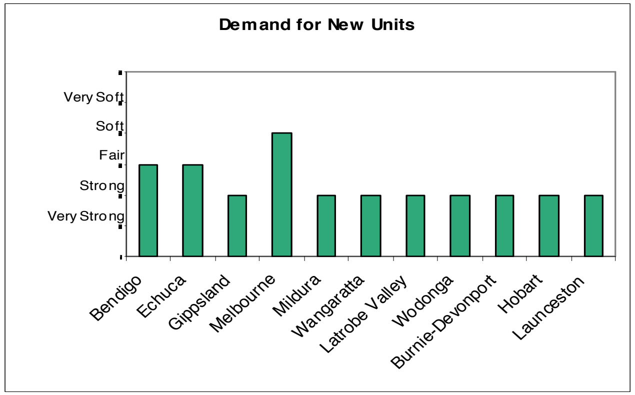

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Victoria/Tasmania Property Market Indicators as at October 2011 – Office

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

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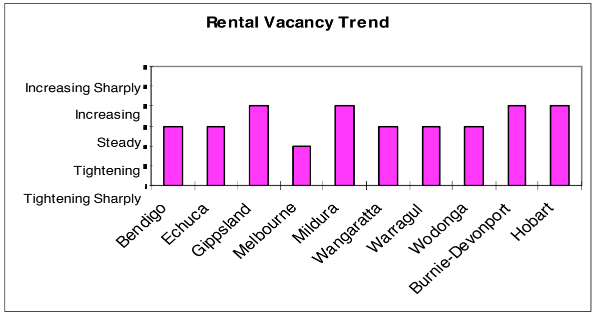
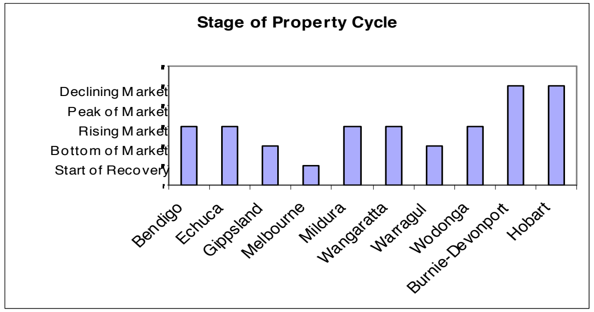
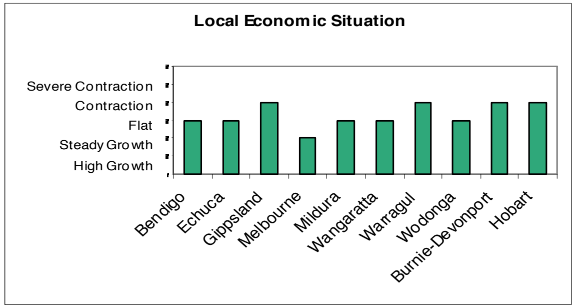


Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation

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Queensland Property Market Indicators as at October 2011 – Houses

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

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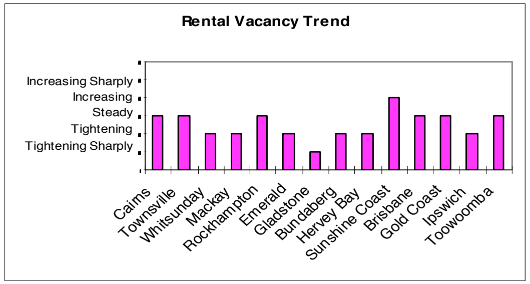

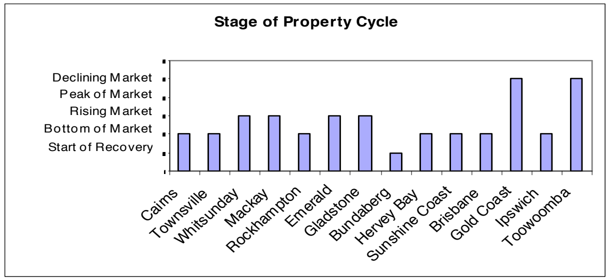

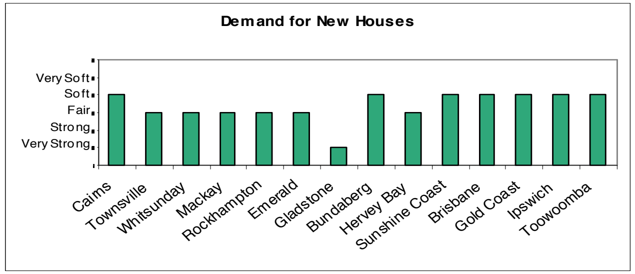

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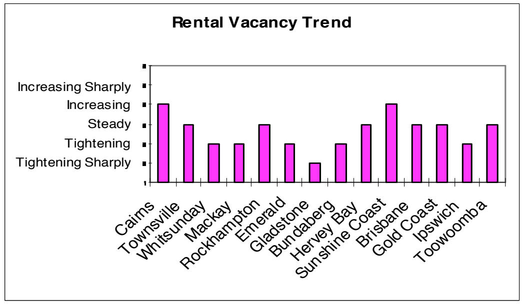
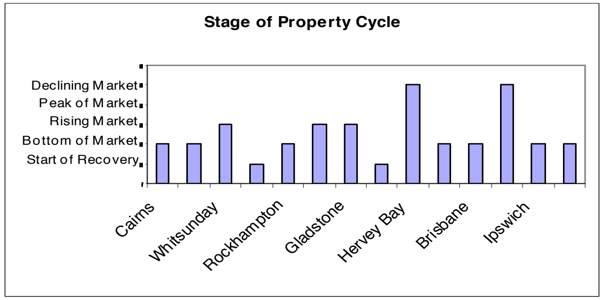
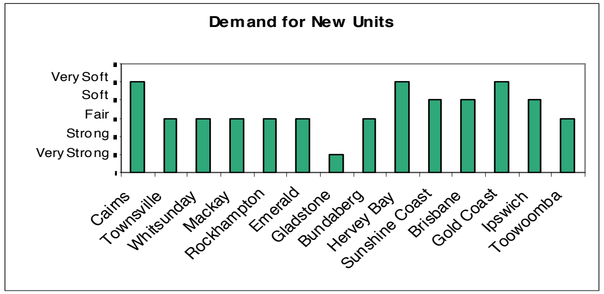
Queensland Property Market Indicators as at October 2011 – Units

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

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







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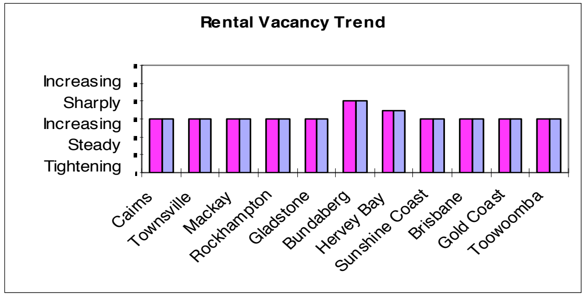
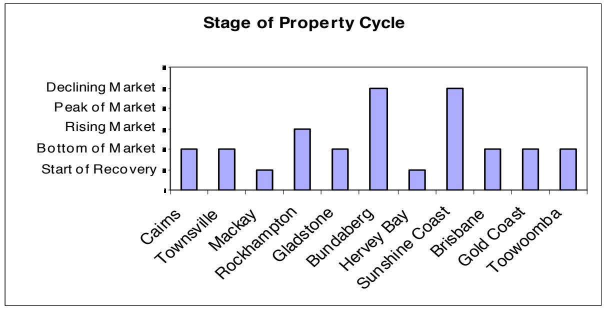
Queensland Property Market Indicators as at October 2011 – Office

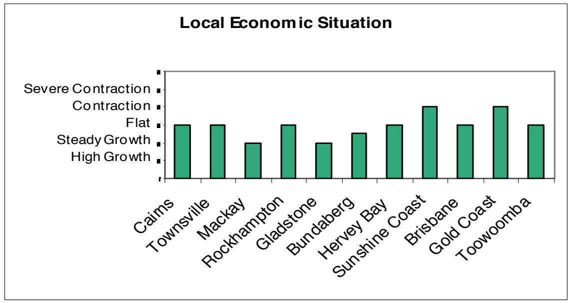
Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Over-supply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







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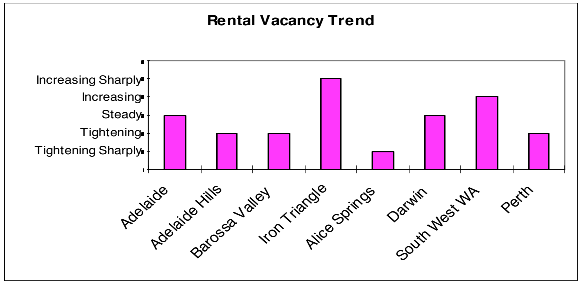
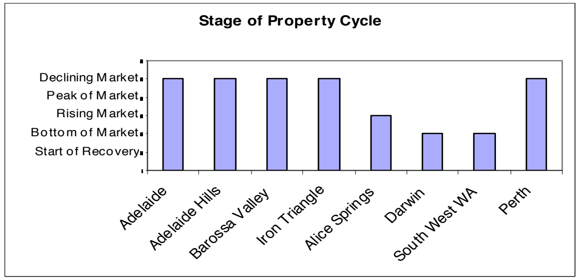
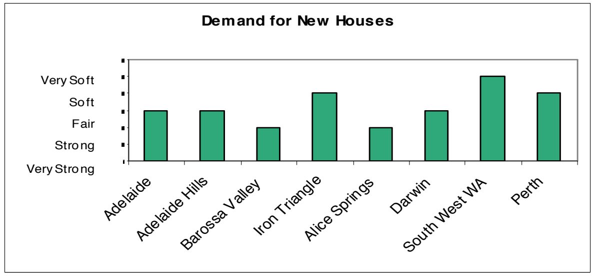
Northern Territory, South Australia & Western Australia Property Market Indicators as at October 2011 – Houses

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

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





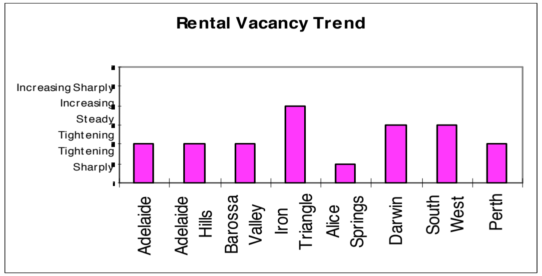


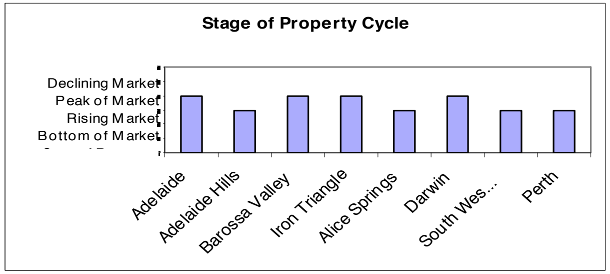
Northern Territory, South Australia & Western Australia Property Market Indicators as at October 2011 – Units

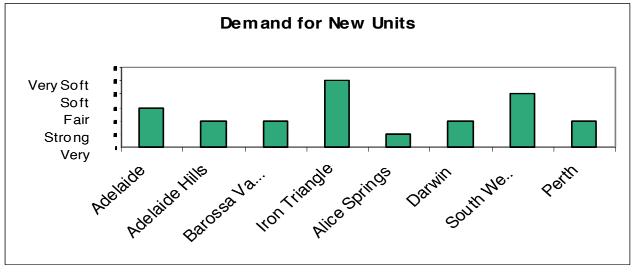
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available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

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

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







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

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

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

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