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Townsville in Focus

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DECEMBER

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COMMERCIAL RETAIL INDUSTRIAL RESIDENTIAL RURAL

Table of Contents

Townsville Property	1
Jobs.....	2
Business Confidence.....	2
Building Approvals.....	3
Industrial Market.....	4
Office Market.....	4
Commercial Property Yield.....	5
Houses	6
Units	7
Vacant Land	8
Rental Market.....	10
Sugar Cane	11
Cattle.....	12
Conclusion	13

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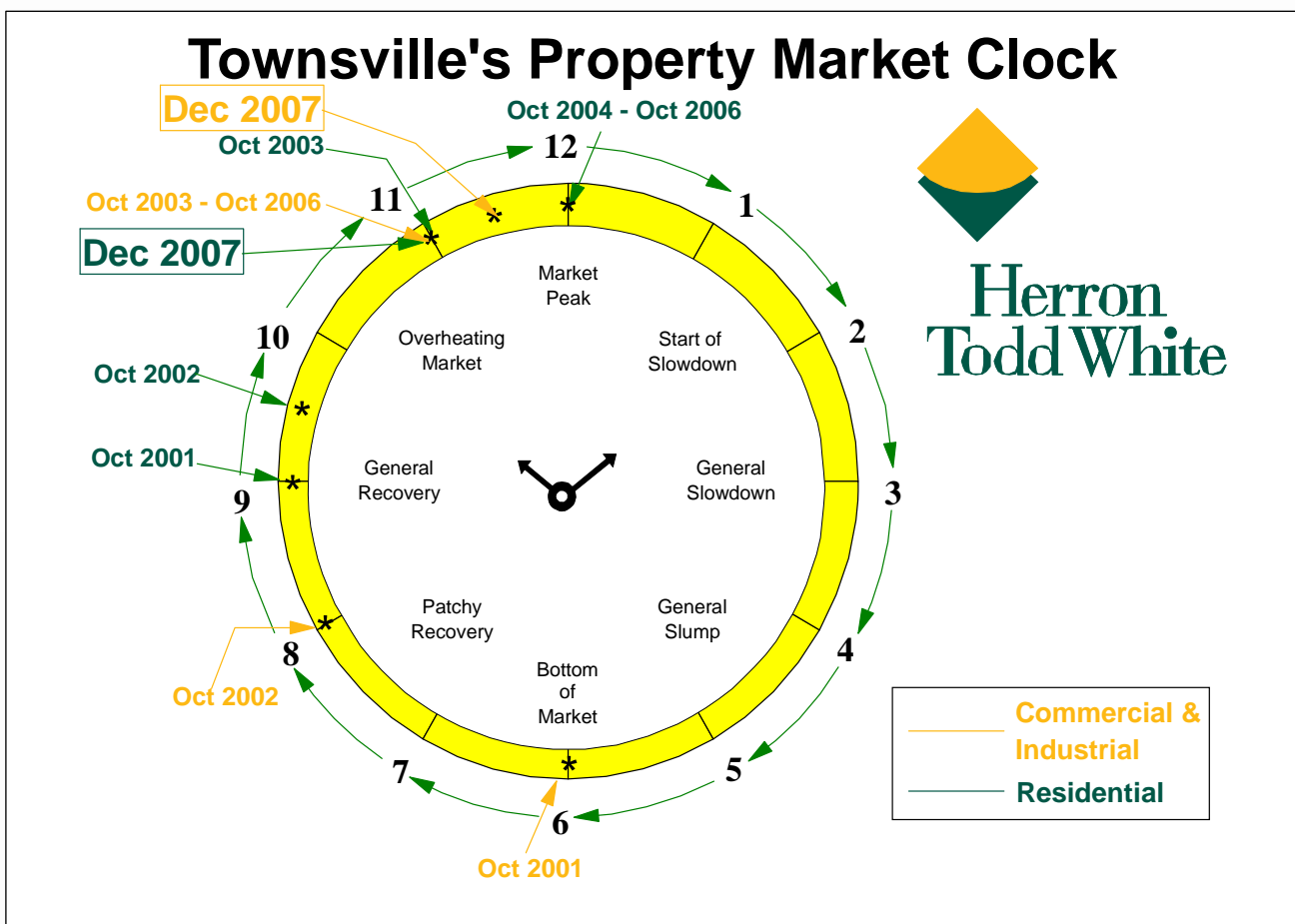
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Townsville Property

Townsville's property markets continue to indicate very strong demand for all types of property. They remain very much a sellers market, and have shown no signs of abating over the last three months.

The market's position this quarter on our Townsville property clock – refer Image 1 – is once again unchanged.

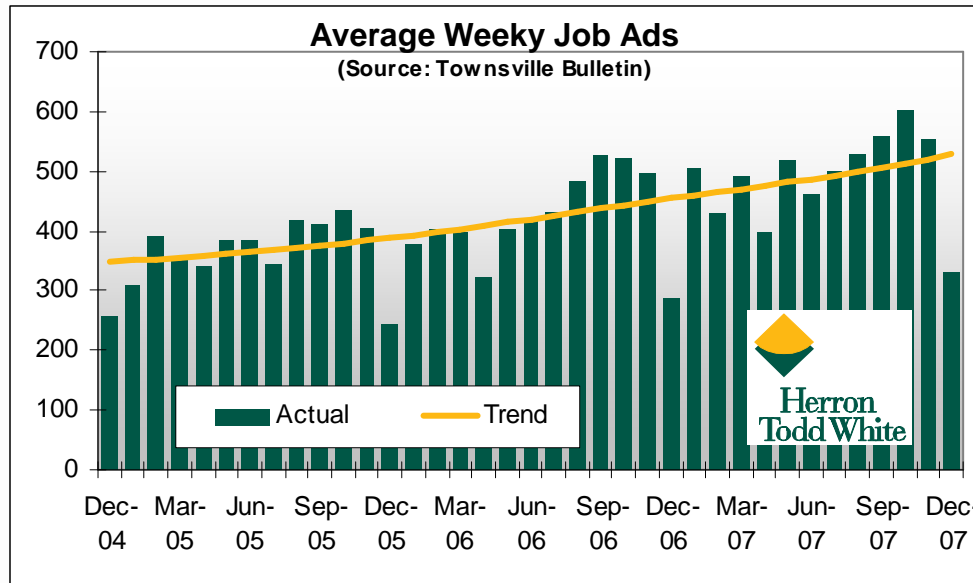
Image 1



Jobs

Image 2

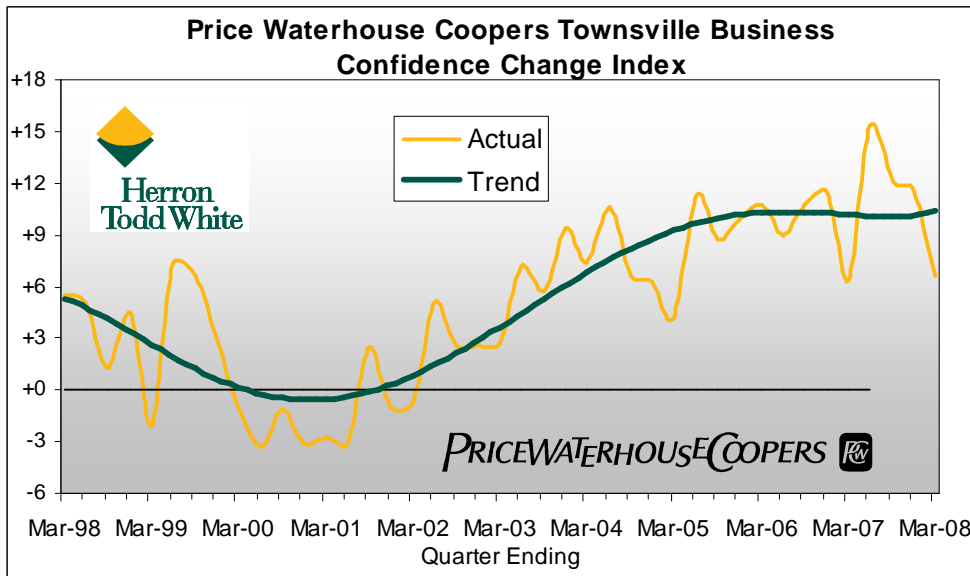
Job ads in the Townsville Bulletin – as depicted in Image 2 – have shown renewed vigour over the last three months. The job ad trend, which appeared to be steady three months ago, has



accordingly been revised back to a rising situation. The present trend in job advertisements is running about 17% above its corresponding level of 12 months ago.

Business Confidence

Image 3



The level of business confidence in Townsville, as measured by the PricewaterhouseCoopers Business Confidence Change Index, has receded from the all time high reached earlier this year, but is

maintaining strong positive levels. PricewaterhouseCoopers comment that there is also a darkening cloud looming on the horizon with the American and European economic downturns.

Building Approvals

Image 4

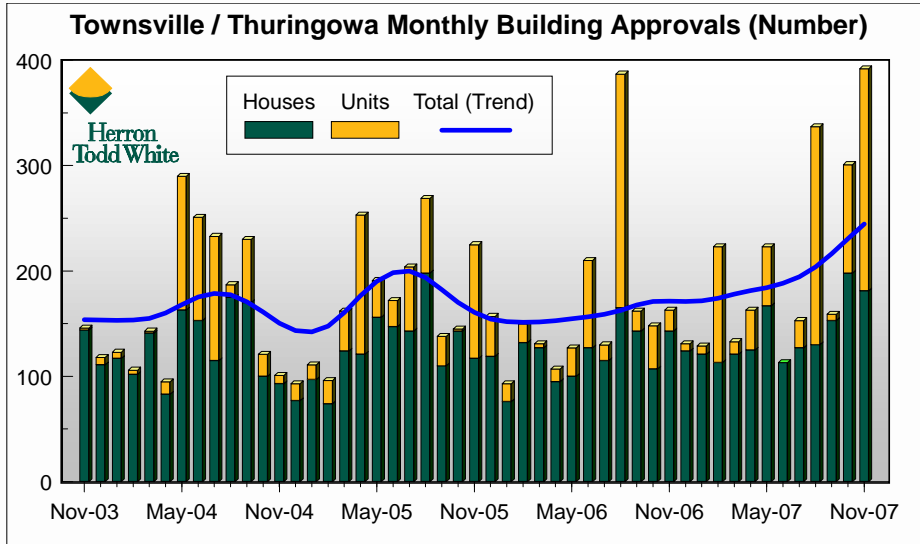
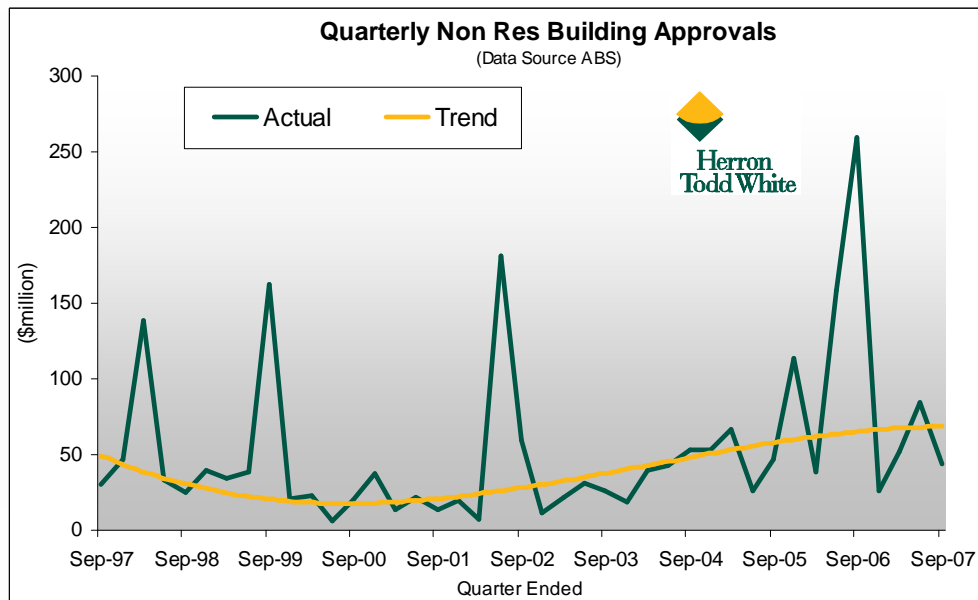


Image 4 shows that the rate of housing approvals in Townsville - Thuringowa has soared during 2007. They are now running at a trend level of approximately 240 per month, compared to approximately 170

per month twelve months ago. However it remains to be seen whether the higher levels of inherent building demand can be accommodated by the building industry, which is already stretched to the limit.

Image 5

Image 5 illustrates that non-residential building approvals are maintaining a steadily increasing trend in the currently buoyant market climate. Figures for the December quarter are

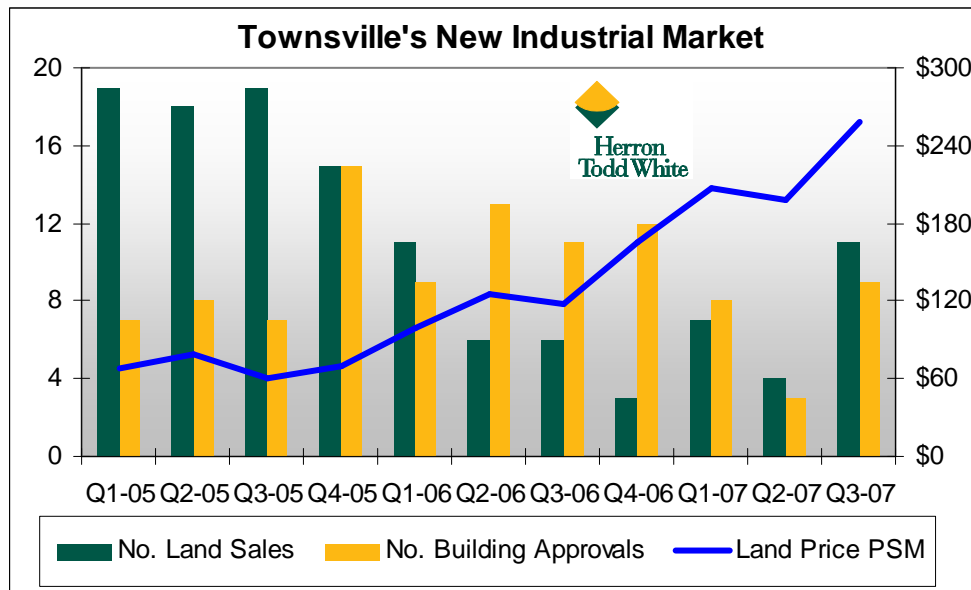


also expected to show a strong result, with approvals for \$176 million recorded in the month of November.

Industrial Market

Image 6

Townsville's industrial property market continues to experience the pressure of attenuated demand stemming largely from the boom in mining service industries.

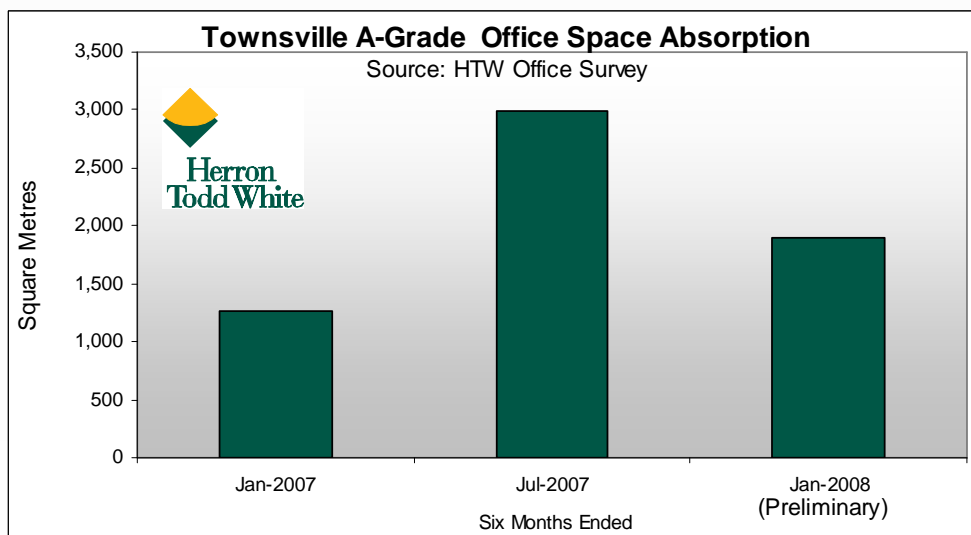


Though there is plenty of future (undeveloped) industrial land, developed sites are hard to come by, leading to significantly rising industrial land prices now in excess of \$250 per square metre.

Office Market

Image 7

Townsville's office market is currently experiencing a construction boom in response to strong demand for premium office space. Our CBD Office Survey (refer Image 7)



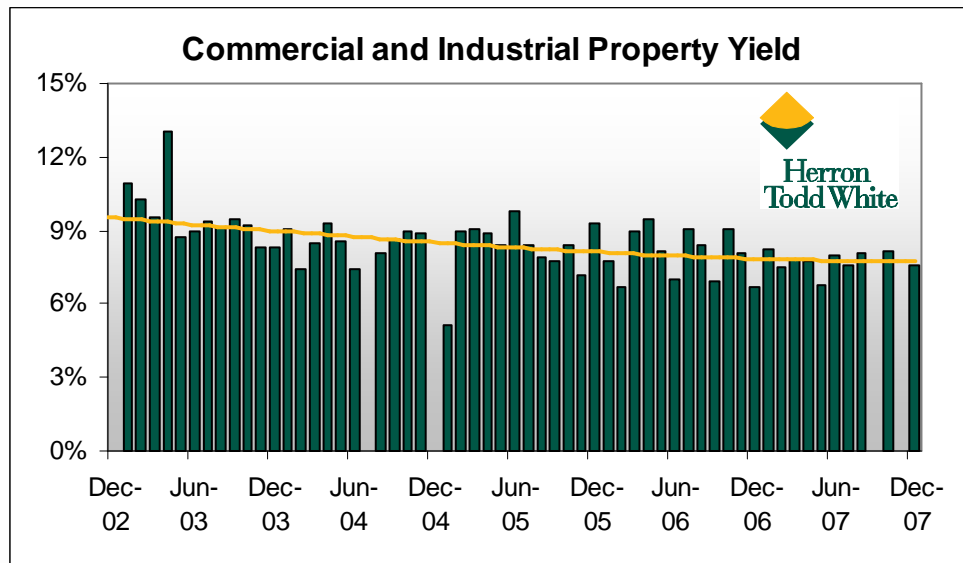
indicates a net absorption of some 4,900 square metres of "A" grade office accommodation over the past 12 months.

Commercial Property Yield

Image 8

Continuing strong demand for commercial and industrial property has caused yields to remain settled in the 7% range (refer Image 8). However buyers are also quite prepared to purchase on yields below 7%

where they see a potential to raise rents or where there are future development or re-development prospects.



Houses

Image 9

Image 9 shows that despite continuing strong population growth, the number of houses sold each month is slowing, as a result of the shortage of properties for sale and affordability concerns.

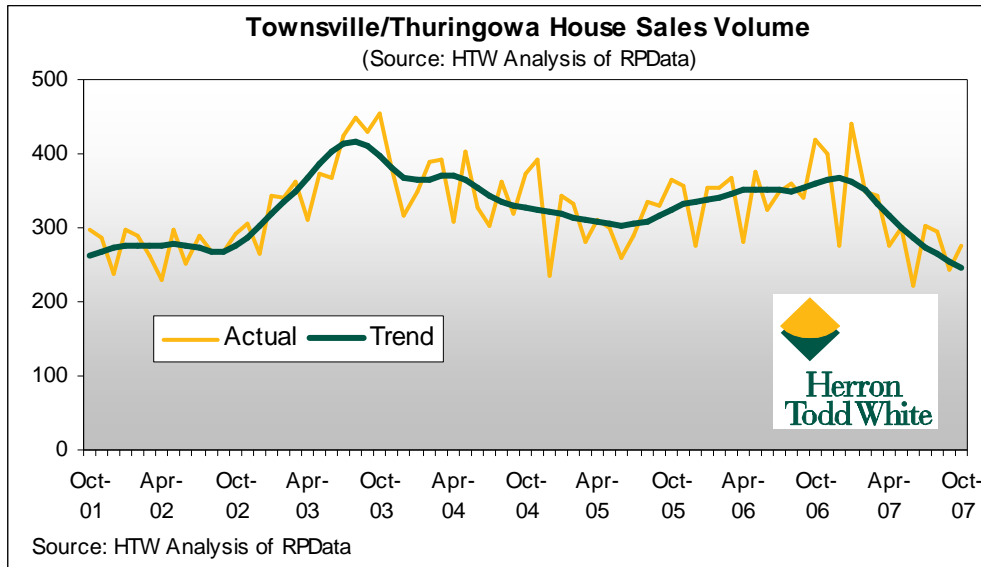
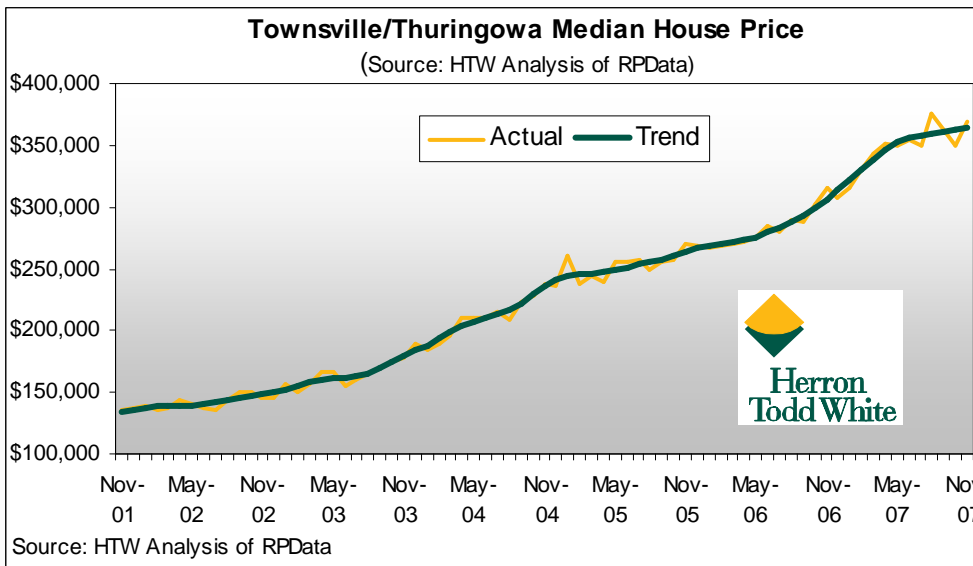


Image 10

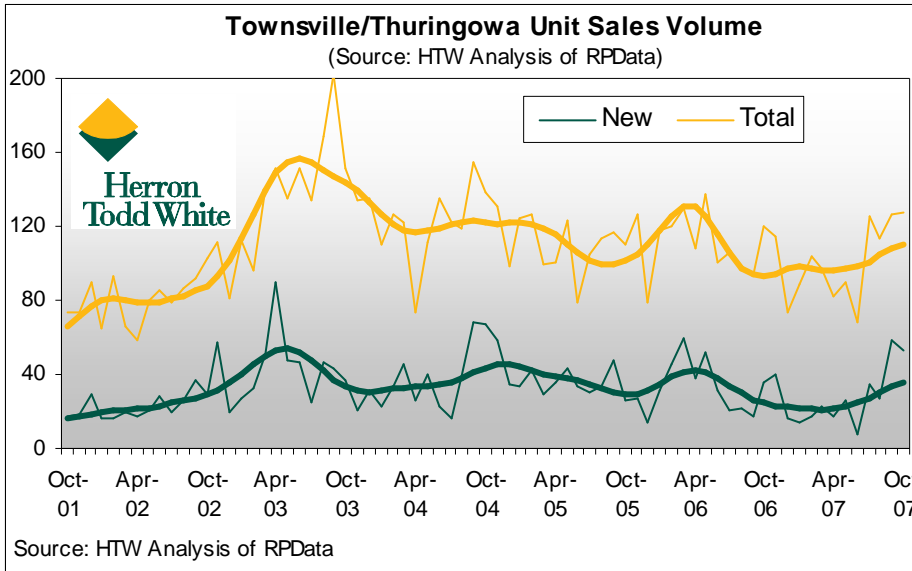


Our median price analysis, refer Image 10, shows that median house price growth has tapered in the last six months. The rate of median house price increase is now down to about \$2,500

per month, but the median house price for November 2007 still came in tentatively at \$364,000.

Units

Image 11

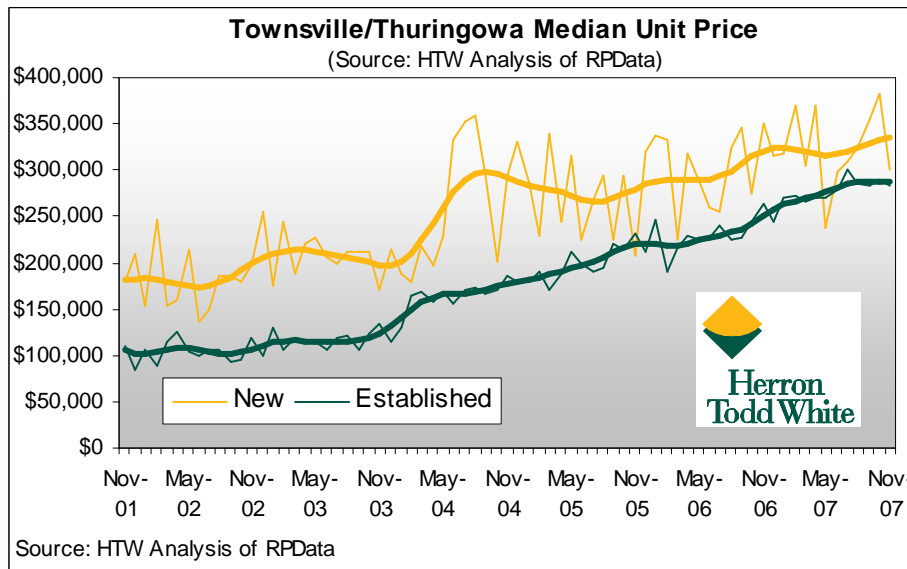


Unit sales in the market (referred to in Image 11) are experiencing an increasing turnover rate on the back of buoyant new unit sales, which have shown a considerably rising trend over the last six months. Established unit sales are presently

in slow decline due to the shortage of properties for sale and rising prices.

Image 12

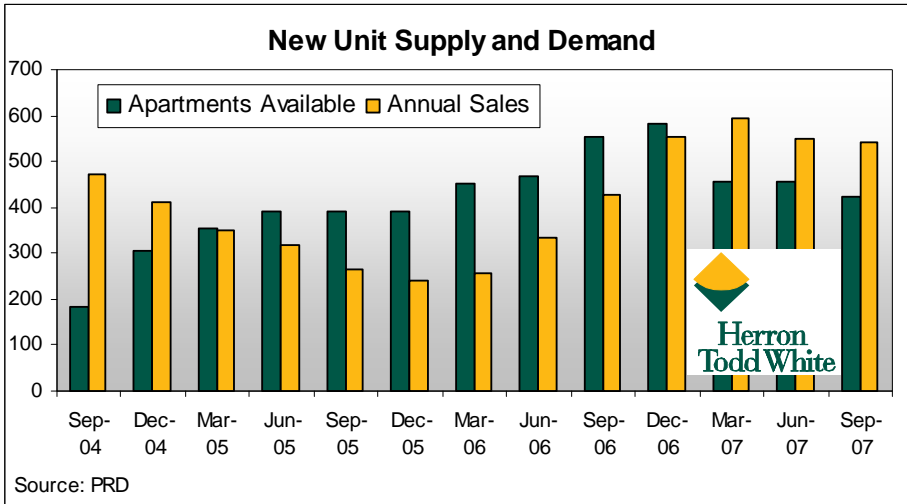
Image 12 shows movements in median unit prices separately for new and established units. It shows that price growth in the established unit market has also tapered in recent months, with their median price settling at \$287,000 in



November 2007. However this still represents a median price increase of 15% since November 2006. Median new unit prices have been extremely volatile in recent months, affected by low numbers of settled sales entering the statistics due to extended lead times.

Residential Market Dynamic

Image 13



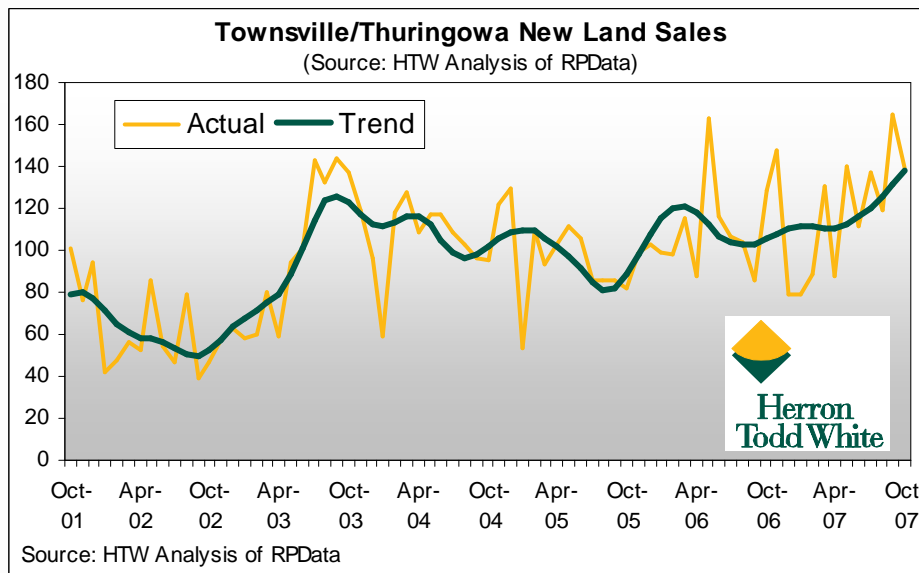
New unit sales remain buoyant, presently running at a rate in excess of 500 new apartments per annum. Though there is considerable popular angst about the large number of new

units being built, the level of stock available is tending to reduce as a result of the strong demand. There is certainly no oversupply of units on the market at present in Townsville.

Vacant Land

Image 14

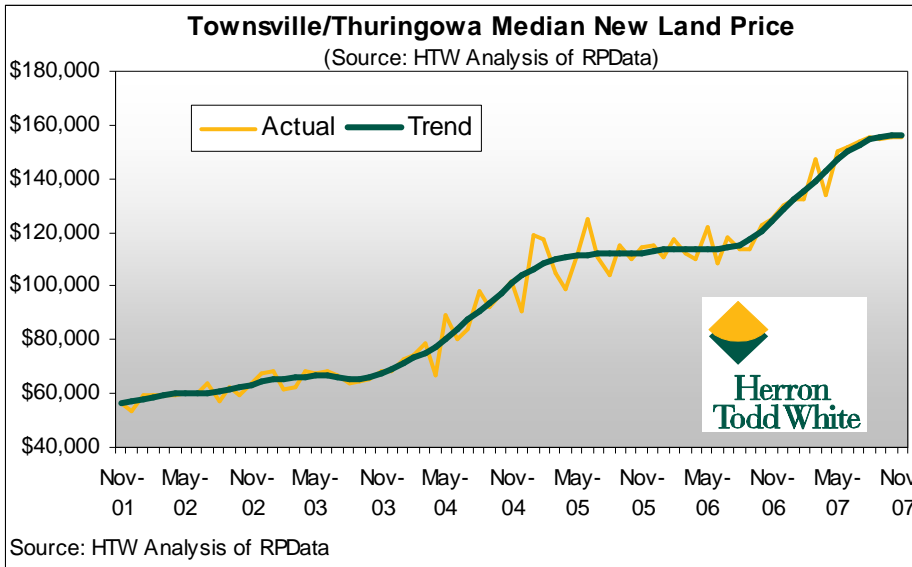
Sales volumes for vacant residential lots up to 2,000 m², depicted in Image 14, have increased in recent months with additional stock coming onto the market. However land stocks in most estates remain low with few, if any, completed lots for



sale and most availability off the plan only. There remains an expectation of strong land demand continuing for some time.

Residential Market Dynamic

Image 15

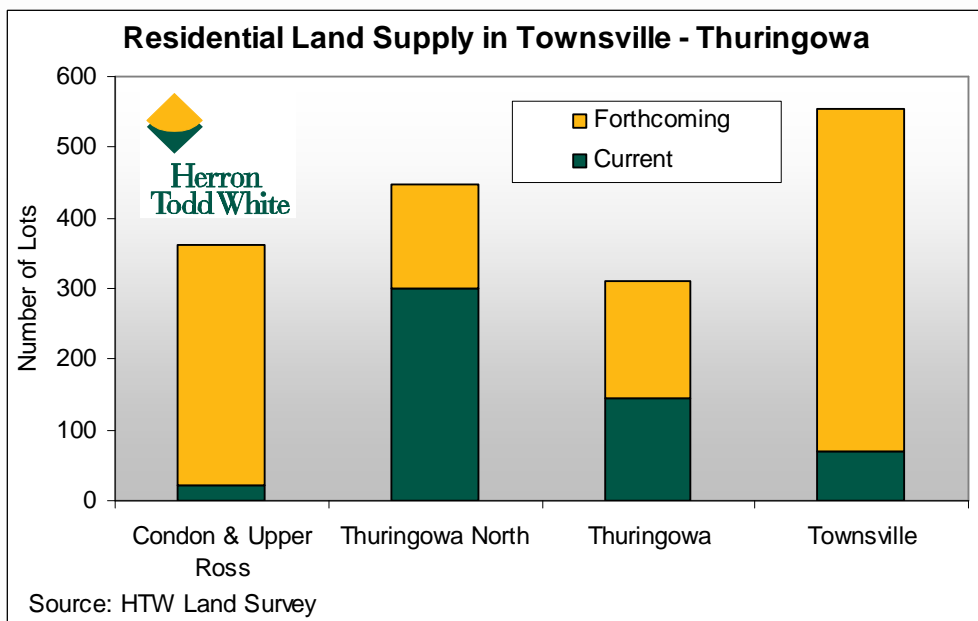


Recent movements in the median land price series, depicted in Image 15, are somewhat tentative as a result of the small volumes of sales which have been able to proceed to settlement and entered the statistics. However the latest data

tentatively show a steadying of the November 2007 median allotment price at \$156,000. However this still represents a 25% increase in the median land price since November last year.

Image 16

Our inaugural Residential Land Survey – refer Image 16 – shows a developer stock level of 538 lots available for purchase as at October 2007, with the majority of these lots located in

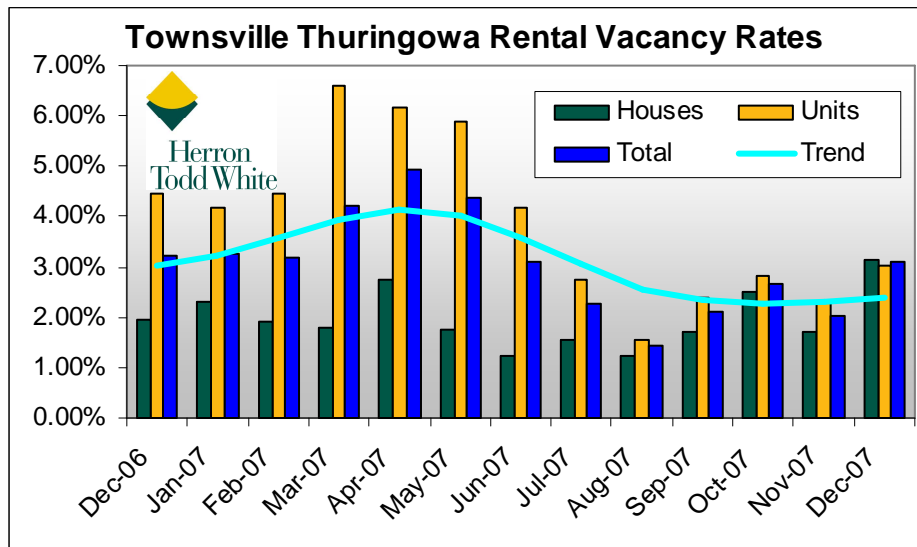


Northern Thuringowa. Developers intend to release a forthcoming supply of 1,135 lots onto the market over the coming six months, with a large number of these lots in the Townsville City precinct. By comparison, annual demand for new allotments is presently running at about 1,500 lots per annum.

Rental Market

Image 17

Our Townsville rental vacancy survey (refer Image 17) shows that rental vacancy rates have steadied at about 2.4%, indicative of continuing tightness in the rental market. The latest (untrended) vacancy rates,

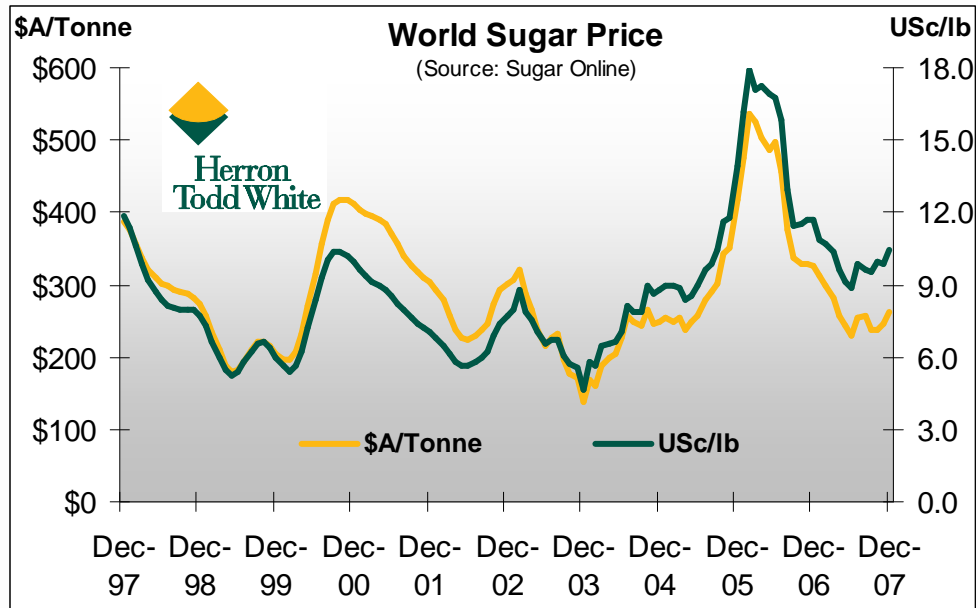


which traditionally peak at this time of year, stood at 3.2% for houses. Units vacancies were at 3.0%, and the market overall at 3.1%. We expect the market to maintain a low vacancy situation as a result of the demand for rental accommodation throughout the city continuing to match or outstrip the supply of additional properties coming onto the rental market.

Sugar Cane

Image 18

Returns to Australian sugar producers – see Image 18 – have improved in the last 3 months as a result of the dual impact of improving international sugar prices and a lowering of the Aussie dollar.



This has resulted in returns in Australian dollar terms climbing above the \$250 per tonne mark again. The world sugar price is expected by ABARE to average US11 c/lb in 2007-08, slightly lower than current levels – as a result of increased production in India, China and Thailand.

Image 19

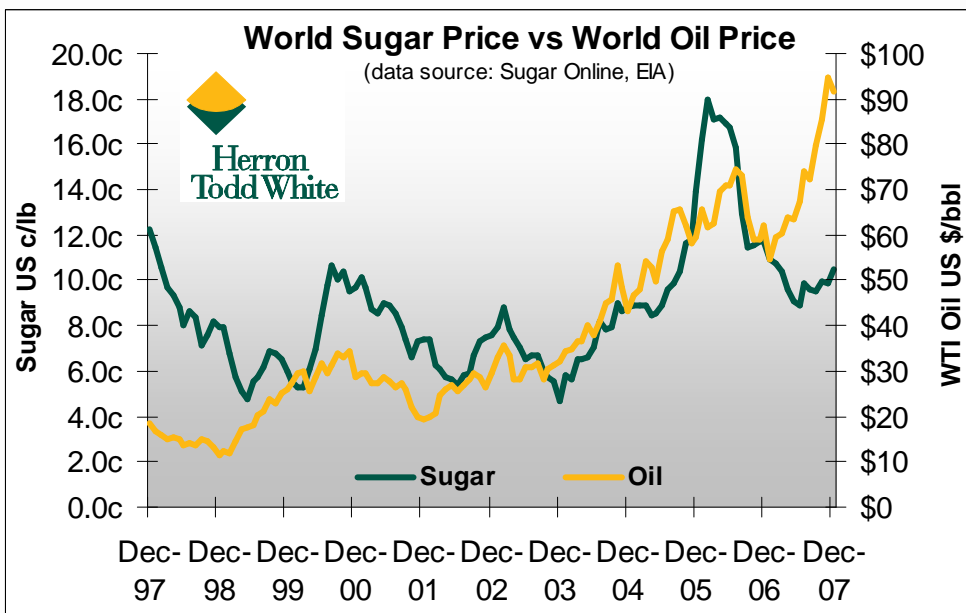
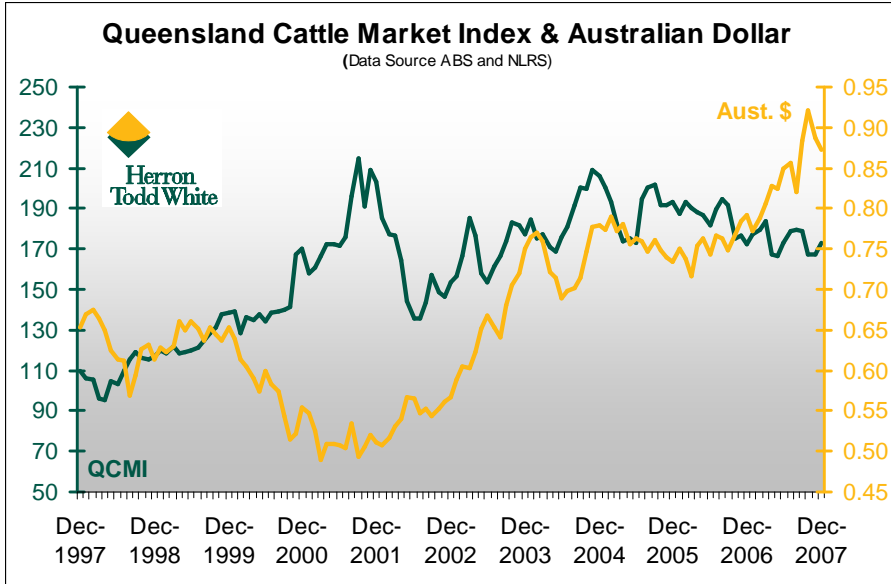


Image 19 shows that although high world oil prices were a strong influence on sugar prices in the recent price up-cycle, the nexus appears to have broken, with sugar and oil prices diverging. These

conditions are causing some hesitancy in the property market for cane farms and a lull in sales activity.

Cattle

Image 20

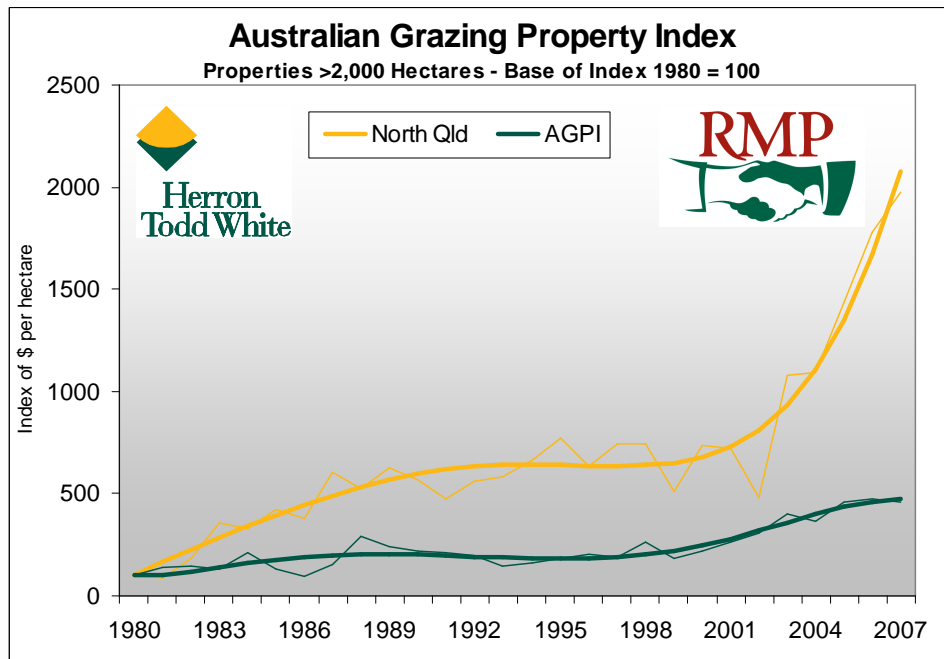


The QCMI graph – refer Image 20 – shows a softening trend in cattle prices in 2007, with the December index coming in at 173 points compared to a peak of 210 points in 2004. The recent downward drift in Australian dollar, which reduces the price competitive-

ness of Australian beef on the Global exchange, is ameliorating the negative impact of the declining QCMI, but it remains to be seen whether the easing in the Australian dollar is maintained.

Image 21

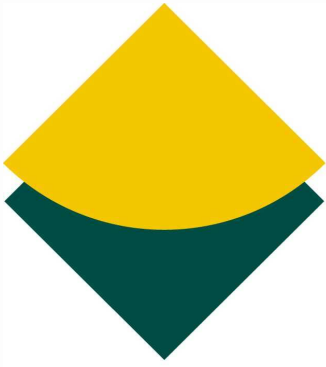
Despite the cloudy cattle price outlook, Image 21 reveals that North Queensland grazing properties have continued to increase strongly in value. Our grazing property Index for North Queensland continued its strong upwards



run during 2007, with an 11% increase for the year. The national index, by comparison, experienced a decline of 3% largely due to softening sale values in New South Wales and Southern Queensland.

Conclusion

Townsville's residential and commercial property markets have not diminished in intensity over the last three months. The strong pressure has remained, buoyed along by the strong North Queensland economy, high levels of business confidence and strong population growth. Interest rate rises have done little to dampen the market and the mood definitely remains upbeat.



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