

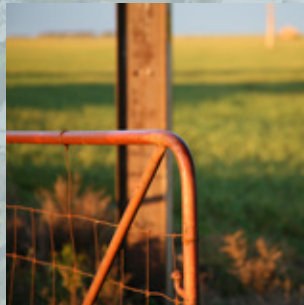
# November 2015

Month in Review



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# Investor driven

Investors are not a mythical beast – unlike the unicorn, leprechaun or cheap inner-city parking, investors are a real and substantial gang that provide the counter-group to owner-occupiers.

Yet, investors are often referred to in sweeping terms as if they're a mob of semi-organised itinerants looking for a safe place to camp e.g. "Investors are running to the security of second hand housing", or "Investors are reacting to interest rate rises". Frankly, the investor demographic is more nuanced and complex than that.

And here's the important thing – most of us are property investors in some capacity. Even as a home owner there is an element of your abode that you will treat as an investment. Also, there's a higher percentage of investors among the readers of Month In Review than in the general population (and they are all very smart and extremely good looking as well).

Investors are sometimes touted as the unemotional demand driver. Untethered to hometown loyalties, fast on calculating returns and quick to jump on opportunities, investors are about the pure maths of a property deal and how it best boosts their prospects of growing wealth. That sounds good but isn't entirely true. While they might like to deny it, many have an emotional tie to location. They pretend to be solid in their financial character, but deep down many want to fall in love with their property investment just a little.

Because they are trying to look at property like a balance sheet, but have a little bit of real estate romance in their heart as well, this buyer group is an interesting study. Investors will react to rental returns, levels of supply and demand, movements in interest rates and the shift of vacancy rates. Savvy investors keep track of the news and devour statistical analysis. Many are also top notch negotiators because they know that if they miss out on one property, another will come along soon enough.

Of course there are the emotional folk as well – the types caught up in the FOMO hype or the get-rich-quick fervor. The sort that follow the herd and find themselves more akin to lemmings than lions. It's a dangerous world for this sort – mind you a quick call to any Herron Todd White office before they jump off the cliff would provide a safety net... but I digress.

So the demographic of this buyer set is broad and compelling. What better way to drill down into market performance across this land than to analyse the investor sector? We've asked our every Herron Todd White offices to give a rundown. From central metro to regional villages, our team has the country covered and they're about to drill deep and see what investors are saying.

On the commercial front, industrial gets a look in and it's a retrospective mood we're in. This month's issue looks at the 2015 industrial property sector in detail across all our locations. How did the market perform throughout the year? What were the big influences that drove demand and supply? Were there any significant sales worth mentioning? How did rents and returns fair across all classes of industrial? It's a general discussion looking back on the year for everyone involved in the industrial scene.

There you are – investor and industrial. Regardless of where your interest lies surely the phone isn't so far away that you can't call our experts at Herron Todd White to minimise the risk and maximise the good times. Check your top pocket, hand bag, carry-all or briefcase, unlock your smart device and ring us. We're ready to help out with all your property decisions.

## QS Corner - Tax deductions for investment properties - what can you claim?

If you are a property investor, it is always a good idea to get your house in order by making sure you have all your relevant documentation organised and ready to go before you visit your accountant. These documents include all receipts for repairs and maintenance, statements including bank, property management and strata, payment summaries and finally your Tax Depreciation Schedule.

### It also pays to do your homework on what exactly you can and cannot claim against your taxable income.

When it comes to renting out your investment property, whether it be residential, commercial or rural, there are many legitimate deductions available which our expert Quantity Surveyors (who are also registered tax agents!) will identify and depreciate in order to maximise your allowable tax deductions. It is not only investors who are negatively gearing their investment properties who can benefit either - every investor has the same opportunity to claim these tax deductions.

The most commonly claimed deductions are for repair and maintenance on capital works to a property, managing agents fees, landlord insurance, water and council rates, strata fees (if the property is strata titled) and all directly related expenses

associated with the investment. However, you can also claim some interest, legal costs and other expenses associated with the purchase of the investment property.

Claiming depreciation on the wear and tear of a property can sometimes be overlooked which can result in thousands of dollars not being claimed. The concept is the same as if you were claiming depreciation on your car if it is used for income generating purposes. Some property investors don't associate the idea of depreciation with property because as an investor all they want their property to do is appreciate in value.

While the land component usually appreciates, the actual dwelling - the bricks and mortar, carpets, blinds and kitchen appliances etc - wear out and depreciate and the ATO allows owners of investment properties to claim annual deductions for depreciation on their properties.

The best way to have your property correctly assessed for depreciation is to engage the services of a fully qualified and appropriately licensed Quantity Surveyor who is also a registered Tax Agent. That way, your claims will be in accordance with the ATO's guidelines and you will have the reassurance that a qualified professional is ensuring that all depreciable items are accounted for and not overlooked, therefore maximising your return and reducing the amount of tax you pay.

It is important to do your homework on the tax benefits, rules and guidelines when it comes to property investment. We recommend you talk to your accountant or financial advisor, not just at tax time but well before you buy your investment property, so you will know exactly what your financial options, benefits and risks are. They are paid professionals who are well informed in these areas.

Herron Todd White are more than just property valuers. We are fully qualified and accredited advisors in all areas and classes of property. If you or someone you know needs Tax Depreciation advice, please do not hesitate to contact us at [tds@htw.com.au](mailto:tds@htw.com.au). We have fully qualified Quantity Surveyors who are ready to help.

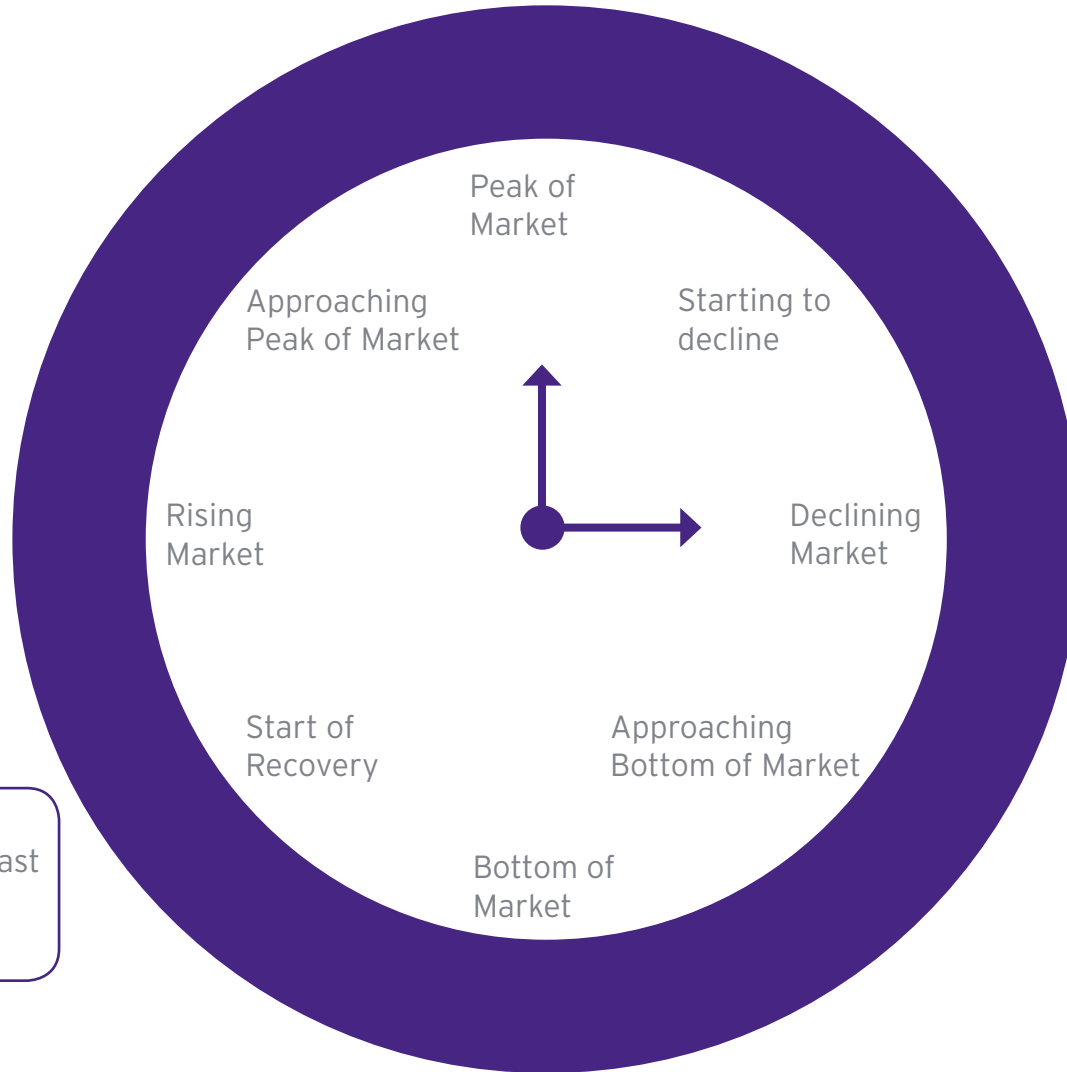
# Commercial

# National Property Clock

## November 2015

### Office

Brisbane  
Melbourne  
Tamworth  
South West WA



Entries coloured blue indicate positional change from last month.

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## New South Wales

### Overview

Industrial markets have been gaining favour again in 2015. After languishing since 2008, there has been a slow build as investors chase solid cash flows and reliable tenancies and the momentum appears to be building as a general observation. Of course, it's a big country and where some are succeeding, others may not be faring so well.

This month our commercial teams have a look back at their industrial markets in 2015. A handsome guide full of info to take along to the Christmas party.

### Sydney

2015 has proven to be a strong year for Sydney's industrial sector in which the emergence and recovery of the sector throughout 2013 and 2014 has been consolidated.

Some of the Sydney's highest performing areas continue to include the South Sydney region which remains the beneficiary of the increasing shift of older style industrial facilities into more high-tech accommodation. The demand for this type of stock has seen capital rates increase throughout the calendar year, with smaller stock achieving rates up to and above \$3,500 per square metre. Larger industrial holdings within this precinct benefit from their proximity to the Port Botany precinct, which appears to be one of the main drivers of demand in this sector.

The gentrification of industrial precincts in close proximity to the Sydney CBD such as South Sydney, as well as Sydney's ever steady push to the west is resulting in the emergence of industrial precincts such as Marsden Park, Eastern Creek, Erskine Park and the like developing into strong contenders in the Sydney industrial market. Demand levels have increased in these areas progressively over the past few years, though with the ongoing completion of infrastructure in these locations, demand has continued to strengthen in 2015 with a number of national distribution facilities setting up in this region (Woolworths, Linfox, BlueScope Steel).

The Sutherland Shire/St George industrial sector has witnessed capital rate increases over 2015 with Torrens and Strata title properties commonly achieving rates over and above \$2,000 per square metre. The strength of this market is driven by a dominant owner occupier sector, with a strong presence of local tradesmen occupying this precinct.

Generally speaking, industrial yields have fallen, in keeping with all sectors across the Sydney property market. The fall in yields is consistent with the historically low interest rates and an increase in capital values while rental rates have largely remained stable. Larger prime assets are typically achieving yields ranging between 7.5% and 9%, dependent on size, while smaller assets have fallen to the 5% to 7% range.

### Canberra

The commercial office market in the ACT remains in a state of flux with different messages being transmitted from government. The political environment appears to have stabilised with the appointment of Malcolm Turnbull as Prime Minister however concern remains about the size of government and the accommodation strategy being adopted.

The aborted tender for accommodation to house the Department of Immigration and Border Protection is a recent example. The tender cost participants substantial time and capital only to see the tender aborted and that time and money wasted. The decision came about due to local agitation from traders in Belconnen, the home of Immigration, when there was a real possibility that the combined department would move. It was decided that in the future all moves of the size proposed must also include a social impact statement. The result is that the overall vacancy of office accommodation remains high in the ACT and includes substantial space adjacent to the airport. Whether this tender will re-emerge is not known.

There are a number of properties in the CBD with leases to departments with less than two years remaining and the market watches retention outcomes with interest - will the tenant remain? Will the tenant be encouraged to move to premises held

by government under long term leases which are not occupied in part or whole? The jury is out, however the lease over 10 - 12 Mort Street has been extended by a further eight years, expiring in 2017, giving security to both parties.

Overall the commercial sales market remains strong at the top end with four significant sales occurring in the city and others in the wind. The sales include two Mirvac holdings, remnants of the former Capital Property Trust:

- 54 Marcus Clarke Street for \$14.2 million with a WALE of circa two years and a yield of 9.7%. It is understood the purchaser, Centura Metro, has an open mind relating to this property with a residential conversion a possibility.
- 60 Marcus Clarke Street for \$49.6 million with a similar WALE and a yield of 8.7%. Centura Metro also purchased 60 Marcus Clarke Street. We understand their intent is to retain this property as a commercial holding with some consideration to erecting additional space over the car park.
- 64 Allara Street sold for \$16.8 million on a yield of 7.6% and a WALE of 4.6%. The purchaser was the Cromwell Property Group who we suspect was attracted by the yield.

The above sale indicates a willingness to secure premises in Canberra even where the WALE is

substantially reduced, provided the price is right.

### **Illawarra**

Despite showing signs of improvement in respect to investment sales, the broader industrial market continues to face significant headwinds in respect to continued uncertainty surrounding the future of the BlueScope steelworks in Port Kembla. Combined with declining mining activity and a struggling manufacturing sector, the industrial property market is viewed as being the weakest of all property classes.

The bright spots continue to be the port and the significant development taking place in Kembla Grange, which is now a vehicle logistics hub for NSW. This port related activity is expected to continue as the region transitions from its traditional heavy industrial base.

Despite the negativity surrounding the industrial market, private investors are active in securing properties that have strong lease covenants, attracted by the yield arbitrage that low interest rates are providing. Rents have remained stable and local agents have reported an increase in enquiry levels for efficient small to mid sized warehouse tenancies that are well located in respect to infrastructure. Some owner occupiers are active (primarily established businesses that have traditionally been long term tenants) however this

part of the market is price sensitive with most vacant possession sales being in the circa sub \$1,500,000 range. Again, low interest rates are seen to be a large driver of owner occupier property.

Speculative development remains limited in this asset class with most projects being owner developed specific to a certain use. Some small business park complexes have been developed or are proposed at the fringe of the Wollongong CBD and in the suburbs, however this activity is scarce as the cost of site acquisition and construction typically restricts the margin to below that required to entice developers.

### **Newcastle**

Generally speaking, commercial property markets have improved in the Newcastle and Hunter region across the board. However there is one market sector that is showing significant signs of weakness in certain geographical locations. The industrial market is still relatively robust in strong and well sought after locations such as Beresfield and Thornton. While there is certainly downward pressure on market vales, we haven't really seen solid market evidence of capital value decreases. Current rents have reduced slightly from the soft peak of two to three years ago.

As we head in a north-westerly direction up the Hunter Valley where the influence from Newcastle city and the port fades and mining takes over, the

market is suffering significantly. We've noted hard evidence during the year of both capital and rental value diminution in the Rutherford market where activity has been very limited. Further up the valley to areas even more heavily mining sector reliant such as Singleton (McDougalls Hill) and Mount Thorley, local agents indicate that buyer enquiry is essentially at a standstill. We are aware of a number of industrial properties constructed in the past five years that the occupier has had to vacate. One of these properties has been on the market for sale and lease since construction in 2011 with only minor subleasing of office components occurring.

Heading back to core industrial areas closer to Newcastle, selling activity in small strata titled industrial units remains relatively strong with sales activity being dominated by owner occupiers, generally buying the property through superannuation funds. This trend remains unchanged throughout the year and has intensified marginally given the potential tax savings available under this scenario.

The industrial market in 2015 has most definitely been affected by reductions in mining sector activity and spending cutbacks which directly influences the requirement for mining services companies in the Hunter Valley. We expect this trend to continue in 2016 and if mortgage stress takes hold with any increase in interest rates, the potential for further value reductions in the Hunter Valley is high.

## Victoria

### Melbourne

The combination of a stable rental market and the slight firming of yields has seen an increase in capital values over 2015. There is an acknowledgement that many companies, particularly those in the manufacturing sector, are still struggling with high costs and overseas competition. The fall in the value of the Australian dollar has improved local competitiveness, and it is unlikely that we will see rampant price rises with these economic headwinds. A case in point is the retreat of the major car makers from the Australian market over the next two years and the likely oversupply of established buildings which will hit the market on their departure.

- Capital values in the city fringe areas are more a function of the underlying land value with the rental income often treated as a short term holding return pending redevelopment.

These areas are expected to remain buoyant in the ensuing 12 months.

Incentives have been increasing, particularly for larger and speculative developments, which offsets some of the higher asking face rents in this sector. Traditionally, the leasing market operates on an incentive equivalent to one month rent free per year of term (8.33%) but can be as high as 30% in some high end deals. Returns are typically net with the tenant responsible for payment of statutory outgoings, insurance premiums, utilities, operating costs and non-structural repairs and maintenance. Outgoings have been generally in the range of \$8 to \$15 per square metre of building area, higher for specialised buildings or buildings with particularly low site coverage.

Yields have been generally firming as a response to a prolonged period of historically low interest rates and it is particularly evident for institutional grade property where a combination of strong demand and a scarcity of 'blue chip' assets has pushed yields and IRR's to pre-GFC levels.

The market doesn't differentiate to any great extent in terms of required yield over Melbourne's main industrial markets with the exception of the City Fringe market (including Port Melbourne, West Melbourne, Abbotsford, Collingwood and Richmond)

where the high underlying land values and redevelopment potential support tighter yields.

As a general overview, we offer the following Capital Value and Rental Rate ranges:

- Capital values in the western market continue to range from \$800 to \$1,075 per square metre of building area for prime and from \$500 to \$700 per square metre of building area for secondary properties. Capital values in the northern market range from \$850 to \$1,150 per square metre of building area for prime and from \$550 to \$750 per square metre of building area for secondary properties. Capital values in the south eastern and eastern markets range from \$1,000 to \$1,300 per square metre of building area for prime and from \$600 to \$800 per square metre of building area for secondary properties.
- Prime rents in the western market continue to range between \$60 to \$70 per square metre per annum net plus GST and secondary rents are \$45 to \$55 per square metre per annum net plus GST. Prime rents in the northern market are between \$65 and \$75 per square metre per annum net plus GST and secondary rents are \$50 to \$60 per

square metre per annum net plus GST. Prime rents in the south-eastern market are between \$75 and \$85 per square metre per annum net plus GST and secondary rents are \$55 to \$65 per square metre per annum net plus GST.

Going forward, major projects include the sale of the Port of Melbourne leasehold with the proceeds committed to the improvement of road infrastructure through the removal of rail crossing 'bottlenecks'. There are planned upgrades to major freeways over the next two years including the Western Distributor project and the Monash Freeway upgrade at Hallam.

Strong demand from the transport and distribution sector has been fuelled by the rise of on-line retailing and its reliance on large scale warehousing. The proposed opening of the Melbourne Wholesale Fruit and Vegetable Market in Epping continues to drive demand in the northern industrial market. In light of this, the retreat of the major car makers from the Australian market over the next two years and the likely oversupply of established buildings which will hit the market on their departure will continue to put pressure on the market for secondary properties.

### Mildura

The industrial market in Mildura has generally held up well during 2015. Vacancy rates, particularly for modern premises, remain relatively low and rental levels have been maintained. Having said this, there have been relatively few sales and so far only one above \$1 million (compared to three sales over \$1 million in 2014).

The sales that have occurred have generally shown yields of around 9%.

In 2015 we have seen some development start in the section of Benetook Avenue between Fourteenth and Fifteenth Streets. Development in this strip has been held up for many years by the cost of connecting to stormwater drainage infrastructure. With little remaining vacant land in Mildura's traditional industrial area, it is a welcome sight to see development now moving further along Benetook Avenue, filling in one of the last remaining gaps in one of our main arterial roads.

## South Australia

### Adelaide

2015 has been a period of consolidation within the Adelaide Industrial sector which continues to be impacted by a generally weak local economy and reduced activity within the manufacturing sector. In particular the impending closure of General Motors Holden Plant in 2017 is negatively impacting upon the local manufacturing industry.

The State Government in December 2014 announced grants to assist automotive component manufacturers previously dependent on the car manufacturing industry to diversify into alternate industries such as defence.

The grants have done little to slow the short term impact of the transition however as at July 2015, the South Australian unemployment rate increased to 8.2% (ABS), being .06% above the May result which represented a 15 year high and well above the national average of 6%. By September 2015 this had reduced slightly to 7.7% but South Australia remains the highest State or Territory in the country with Queensland the second highest at 6.3%.

Adding to the lack of confidence in the South Australian economy and the manufacturing sector in particular, has been the continued debate over the construction of Australian Defence Force submarines. In early 2015 Prime Minister Tony Abbott announced that the circa \$50 billion contract is to be decided via a competitive evaluation process with manufacturers from France, Germany and Japan in contention for the contract. Submarines have previously been constructed by the Australian Submarine Corporation (ASC) within its \$120 million facility in Osborne. In September 2015 the Government confirmed that all three potential offshore manufacturers would include local construction in satisfying the contract. The detail remains unclear and the evaluation process for the tender is not expected to conclude until the end of 2015.

In light of the above economic climate, industrial sales activity has continued to be subdued with the most activity occurring within the \$3 million to sub \$5 million markets which are dominated by owner-occupiers and private investors.

There are reports that institutional investors are continuing to show interest in Super Prime asset classes within South Australia due to the higher than national average returns on offer. However this is not yet translating into a shift in market sentiment in the lower sub markets.

In general investment activity has been weak with prime rents and values either reducing or holding. Falling construction rate has meant a limit in the availability of prime asset classes and reduced rental returns makes the construction of new buildings less viable. The impact has therefore seen a continued divide between prime and secondary stock which may be facing obsolescence issues in the current market.

Going against this trend is the supermarket company Aldi which is due to open its' first stores in early 2016. The Regency Park distribution centre is nearing completion which began construction in late 2014 comprising nearly 33,000 square metres of office warehouse accommodation at a reported cost of \$70 million.

## Queensland

### Brisbane

No	Address	Sale Date	Sale Price	Land Area (m <sup>2</sup> )	GLA (m <sup>2</sup> )	Passing Yield (%)	Analysed Market Yield (%)	\$/m <sup>2</sup> GLA	IRR %	WALE (Years)
1.	85 Radius Drive, Larapinta	08/2015	\$18,150,000	21,930	10,088	7.82	6.94	\$1,799	7.90	6.32
2.	64 Axis Place, Larapinta	06/2015	\$6,875,000	7,747	3,742	7.68	7.22	\$1,837	7.81	3.77
3.	373 Sherbrooke Road, Willawong	07/2015	\$10,660,000	8,018	3,415	7.08	6.25	\$3,122	7.60	7.83
4.	7-9 French Avenue, Brendale	12/2014	\$18,650,000	19,116	12,282	7.82	7.82	\$1,518	9.15	7.08
5.	18-28 Calcium Court, Crestmead	11/2014	\$5,300,000	5,994	3,311	7.20	7.20	\$1,600	7.92	5.00
6.	69 Rivergate Place, Murarrie	10/2014	\$27,000,000	15,755	11,552	7.92	6.97	\$2,337	8.27	8.53
7.	55 Curzon Street, Yeerongpilly	09/2014	\$10,500,000	13,180	7,151	3.06	7.77	\$1,468	8.83	3.28
8.	128 Bluestone Circuit, Seventeen Mile Rocks	06/2014	\$4,400,000	4,000	2,328	7.02	6.86	\$1,890	8.12	7.00
9.	731 Boundary Road, Darra	04/2014	\$15,620,000	17,320	9,884	8.00	8.00	\$1,580	8.67	4.83

Throughout 2015, there has been a substantial increase in transaction activity, however this is by far more heavily weighted to prime assets and larger assets offering a strong WALE of five plus years.

Buyer and market activity for investment properties with solid WALEs in the greater Brisbane area is very strong at present due to the low interest rate

environment. This has resulted in firming yields for these prime assets over the past 18 months, evidenced in the above table. However, there is increasing disparity between prime and secondary stock with strong yields for primary stock ranging between 7% and 8.5% and relatively soft yields for secondary stock ranging between 8.5% and 10%. The spike in demand for these more modern

assets is driven largely by the limited supply being constructed which is a by-product of the hesitation to proceed without some certainty of future cash flow and hence the need for a pre-commitment.

There has been an increase in leasing activity for prime industrial investment properties in the greater Brisbane area which is a positive sign in a somewhat volatile broader industrial market. However secondary stock is not as attractive with rents falling and vacancy rates increasing. Rents for prime industrial assets are ranging between \$100 and \$140 per square metre per annum net with secondary assets ranging between \$60 and \$95 per square metre per annum.

### Toowoomba

The Toowoomba industrial property market has experienced mixed conditions over the past year.

Industrial rents have remained relatively static with a slight reduction in leasing demand experienced. The decrease in demand has corresponded with the decline in activity within the nearby Surat Basin energy and mining sector.

The supply of smaller vacant industrial lots in the western suburbs remains low which has resulted in land values holding firm. However these values are still slightly below the market peak of 2007 and 2008. Sale prices for vacant land in other industrial locations have slowly rebounded since values

declined in 2013 when receivers lowered prices in the 7SD Industrial Park to clear their remaining stock.

New industrial development has predominantly been restricted to the Charlton/Wellcamp industrial precinct located to the west of Toowoomba. This precinct is in close proximity to the existing Western Railway, the proposed Inland Railroad and the connection point between the existing Warrego Highway and the planned Toowoomba Bypass (construction set to commence in late 2015) which will also provide a link to the Gore Highway to the south. The precinct is primarily to provide larger scale end users, with the minimum lot size set at two hectares. Construction of the first land subdivision in the Charlton/Wellcamp industrial precinct (known as Witmack Industry Park) has concluded with a number of design and construct projects within the estate also completed. Development of the Wellcamp Airport & Business Park has also commenced with the airport opened in November 2014 and lots in the business park available in late 2015.

The low interest rates have resulted in strong demand for industrial properties by investors. This has resulted in a firming of yields for fully leased properties, with some properties sold subject to long term leases even achieving sub 8% net yields. Analysed yields for vacant industrial properties have remained relatively static.

Major recent industrial sales in Toowoomba include:

- 339 Anzac Avenue, Harristown - sold for \$6.2 million (8.06% passing yield) - seven year lease to Wagner Group.
- Lot 11 Heinemann Transport Park, Wellcamp - sold for \$5.9 million (7.08% passing yield) - 14 year lease to Nu Farm.

#### Gold Coast

Market confidence has been improving for the most part of the year. While owner-occupiers continue to drive the market, the appetites of investors are growing steadily and sellers who have held back due to undesirable sale outcomes are now more confident of achieving their price. Holders of land banks are encouraged to sell as buyers are now prepared to pay more.

In central Gold Coast, the stock of serviced industrial sites has diminished further even as end users snapped up available sites, pushing up land values in the process, at a faster rate than generally expected.

In an industrial estate located on the Pacific Motorway in Gaven Central, the last four blocks in a row have sold to a buyer for \$400 per square metre. This is still below the last peak level, but it is a far cry from the mere \$250 per square metre paid for two vacant sites on the same street 12 to 18 months ago. Two other allotments in the same area achieved

earlier sale prices of \$335 and \$370 per square metre but they were bigger and directly exposed to the highway.

In the northern region of Yatala, sellers are making significant capital gains as well. One of two conjoined sites at M1 Yatala Business Park on Darlington Drive purchased two years ago for \$200 per square metre has been resold for \$315 per square metre.

At Alloy Industrial Estate on Pearson Road, further sales of vacant sites have cemented the market value at \$290 to \$300 per square metre, similar to the prices achieved in 2004.

Two new industrial buildings in the estate have been sold for \$2.14 million and \$3.21 million. At Centra Park Yatala, a tenant has purchased a large outdoor work site of 5,900 square metres at a cost of \$247 per square metre. These sales show that land values in the northern Gold Coast region have caught up with the traditional industrial precincts in central and southern Gold Coast. However the dwindling supply of suitable industrial land in these parts is creating pressure for a further surge in land values that may again cause a distinction between the highly established traditional areas and the developing Yatala Enterprise Area, which still has an abundance of land.

The alternative prospect of buying old industrial sheds to be pulled down and redeveloped ultimately

results in paying a higher price per square metre compared to undeveloped sites. For example, a 9,250 square metre property in Arundel with an old shed sold for \$365 per square metre while a 2,635 square metre property in Burleigh Heads sold together with old improvements for \$435 per square metre. In the Southport Trades Precinct, small sites with old style workshops continue to sell for about \$500 per square metre. In Molendinar, some industrial properties with old structures have been transacted at site area Improved rates of \$350 to \$450 per square metre.

While land values are on the rise, sale prices for freestanding industrial buildings are generally stable at the level of \$1,300 to \$1,800 per square metre of gross floor area. A five unit complex at Stanmore Industrial Estate sold for \$1.025 million in August while a brand new building at Alloy Street sold for \$2.14 million. The most significant sale was a large cold storage facility at Motorway Business Part for \$11.05 million, indicating an exceptionally high price of \$3,051 per square on the lettable area and returning a yield of about 8% to the investor.

There were a few vacant industrial properties in Molendinar that were confirmed sold in the third quarter of the year for prices ranging between \$1 million and \$2 million. In Burleigh Heads, an industrial building sold to its tenant for \$1.45 million exhibiting a market rate of \$1,617 per square metre

on the gross floor area and yielding 7.3% based on the existing rental income. A three unit complex at Millaroo Drive near Helensvale Westfield went for \$1.2 million, also showing a floor rate of \$1,615 per square metre and a passing yield of 7.75%.

A notable sale is a multi-tenanted showroom and warehouse complex at Oxenford which sold for \$2.06 million at a yield of 6.21%. This shows a floor rate of \$2,315 per square metre. A large strata unit on Brisbane Road in Biggera Waters has been sold for \$1,943,500 equating to \$2,862 on the surveyed floor area. Both sales are reflective of industrial buildings suitable for showroom uses.

The market for small units has seen progressive activity with those selling between \$300,000 and \$500,000 being more common. Sale prices are generally between \$1,400 and \$1,700 per square metre depending on the quality, size and location. This is not showing much increase in value compared to the past few years but sellers are pushing harder for an increase. Potential buyers may find it harder to seek out bargain buys as units asking for less than \$1,400 per square metre are scarce and investors are gradually returning to the market.

On the whole, 2015 has been a good year for the industrial market. The level of demand has grown stronger and not fluctuated as was the case in previous years and this has motivated sellers to

reintroduce their properties to the market, some were acquired at bargain prices during the down years and now is the opportune time to dispose for capital gain. On the other hand, rental rates are not moving upwards with rates being stable at between \$100 and \$120 per square metre per annum plus outgoings. This could be the reason why a majority of the properties are sold to owner occupiers including sitting tenants that ultimately become the owners. With borrowing rates remaining low, acceptable yields for the year are between 6.5% and 7.5%.



### Hervey Bay

The industrial market in Hervey Bay has continued at much the same pace over the past 12 months with limited sales and leasing activity. The continued lack of demand has resulted in a high volume of small strata unit sheds becoming vacant and difficult to lease or sell. Leasing rates remain volatile and sometimes erratic depending on lessor circumstances. Some vendors are now accepting rentals on a gross per week rate rather than a net rate per square metre per annum.

There has been very little construction over the past 12 months and what has been built is generally owner-occupied.

Looking forward, low confidence in this sector along with the lack of any significant industrial market drivers is an ongoing concern and it is difficult to see anything changing in the short term. Rental rates are likely to remain low due to strong competition between landlords to attract a tenant, with very attractive terms and incentives on offer.

### Bundaberg

Bundaberg's industrial market has remained stable over the past 12 months, while displaying a sense of optimism as a result of the planned developments in the Bundaberg Port area. A proposed Knauf plasterboard plant and other proposed developments have the potential to increase the intensity of activity

in the Port area and could improve the industrial markets in the Bundaberg market. There has also been an improvement in sales of small industrial sites in Bundaberg. The improvement of these sites appear to be localised to good quality estates in high exposure locations. The improvements at this stage have not lead increases in the broader industrial market in Bundaberg.

### Gladstone

There has been little activity in Gladstone's industrial market throughout 2015. Flowing on from 2014, there has been even less activity in sales and leasing in this market with only a handful of sales occurring. Local agents report limited amounts of enquiry from buyers and extremely low enquiry for leasing. As a result of high vacancy levels in this sector, there have been significant rental reductions in order to secure tenants for both large and small industrial premises.

Similar to the nearby industrial market of Rockhampton, the owner occupier market is dominating any sales as a result of low interest rates and in the case of Gladstone, also a result of reduced value levels from the high sale prices during the market peak. While there is no re-sales evidence as yet to indicate the level of price reduction from peak market sale prices, we note re-sales within nearby central Queensland mining towns that have shown price reductions between 40% and 55%.

Given limited sales numbers and rental negotiations throughout 2015, it is fair to say that this has been a slow and tough year for this market sector in Gladstone and it has been difficult to determine where the bottom of the market lies.

### Rockhampton

A wrap of the industrial market for 2015 in Rockhampton shows small amounts of investor activity, with most of the demand driven by the owner occupier market. The greatest proportion of sales is for smaller industrial stock sub \$1 million to owner occupiers. The presence of this buyer type in the Rockhampton market has been driven strongly by low interest rates.

Key investment sales in the industrial market occurred mostly during 2014, however there has been some investor activity in 2015, with a handful of investment sales for properties between about \$800,000 and \$1.5 million. These sales reflect analysed market yields between about 8.5% and 10%. These properties have generally had three to five years remaining on their current lease terms. Investors remain extremely sensitive to tenant strength and unexpired lease terms.

2015 has been quiet for industrial land sales across areas of Rockhampton, Gracemere and Yeppoon with only a handful of sales across these areas. The risk associated with unknown council contribution costs

required to develop land appears to be deterring some buyers from the option of development.

Rentals have remained stable for the duration of the year and the presence of incentives remains strong in order to secure tenants.

Overall, a wrap of 2015 shows a fairly quiet but stable market across the industrial sector.

#### **Mackay**

The Mackay industrial property market continued to face its challenges throughout 2015 due to the prolonged coal industry downturn which is directly affecting the mining services industry in the major industrial area of Paget.

Despite this, some opportunistic owner occupiers have been entering the market in 2015 at value levels up to \$1.15 million. The owner occupiers are now viewing the market as being more affordable to buy than lease, especially in this low interest rate environment. While value levels have softened in this sector, property is still trading.

Demand for industrial warehouse tenancies in Paget is weak. There is an increasing volume of vacant industrial warehouse and workshop property in the Paget market, with up to an estimated 58,000 square metres of gross lettable floor area currently available. The high volume of vacant space will put downward pressure on rentals, however this will be a positive outcome for lessees from an affordability perspective.

Demand from investors has fallen. While they remain present in the market, these purchasers are attracted to properties displaying strong cash flow security and good tenant strength. A number of syndicates have been exploring options in Mackay which is a positive sign for our market. Secondary industrial investment properties are generally attracting weaker yields or in some instances investors may bypass the opportunity to purchase poorer quality investment properties for an alternative, similar value property at a lower yield and with superior tenant strength.

Demand for land is currently very weak. Market evidence since early 2014 indicates a significant variance in the achieved rates per square metre. This is more reflective of the volatility in the market as opposed to varying attributes of the sites.

The most recent sale of an industrial lot at \$102 per square metre is at a new, lower level for industrial lots in Paget in recent times. It is difficult to predict whether this is a one off sale or whether the market's expectations will mean that this is the new benchmark value at which industrial sites will sell.

A recent auction of four vacant industrial lots in Paget yielded no bidders and no offers. The marketing agent reported no interest.

2015 saw a number of buyers jump in and take advantage of low interest rates and lack of competition from buyers of industrial assets. Others sat on the sidelines and watched the direction of

the market with interest. The remainder of 2015 is shaping up to be uncertain, both in terms of sale volumes and new lease commitments. The market is unlikely to improve while the coal industry remains unstable.

#### **Townsville**

Over the past 12 months, Townsville's industrial market has remained entrenched at the bottom of the property cycle. Activity picked up slightly throughout 2015 but the turnaround is towards quality property offering strong investment returns with long term leases and/or national tenants.

The renewed interest seems to be driven by out of town investors seeking better returns compared to the overheated metro markets of Sydney and Melbourne. This renewed activity may be the first sign of recovery in an otherwise subdued local market.

**The level of demand is considered to be directly commensurate with the strength of the lease profile and secondary properties are still experiencing limited interest, especially those with vacancies.**

The difference between primary and secondary properties appears to be reflected in a widening gap

yield with some recent sales showing yields sub 8% for primary assets and secondary assets remaining at over 9.5%.

The depressed mining and manufacturing sectors will continue to dictate the state of the Townsville industrial markets over the remainder of 2015. There may be signs of recovery in the investor market driven by the flight of capital from the metro markets but this is in its infancy and whether it flows through to the broader property market remains to be seen.

### **Cairns**

The industrial sector in Cairns is relatively small with areas close to the CBD showing stronger demand. Though we now perceive the industrial market to be entering a recovery phase, industrial property development remains slow.

Improved industrial property sales also remain slow at levels well below the 2007 peak with prices steady. Commercial agents advise limited availability of good quality stand alone warehouse stock with slow to reasonable demand for this type of premises. Strata titled industrial warehouses are also limited in numbers for both sale and lease with similar limited demand. However rents have recently begun to claw back some lost ground as the economy has slowly improved.

The vacant industrial land sale market is especially quiet with limited sales activity. The median vacant industrial land price in Cairns peaked at \$295 per square metre in 2009 but has been around \$200 to \$250 per square metre for sales over the past four years. Our overall assessment is that industrial land is adequately supplied for foreseeable levels of demand.

There is limited quality investment stock available for purchase in the Cairns market. This will tend to support values for well leased properties over the short to medium term. The market has been gradually consolidating to the start of recovery stage and the immediate outlook is for further consolidation and improvement in the year ahead. A lack of new stock should see availability tighten as we move through the remainder of 2015. A recovery in the vacant industrial land market in Cairns will continue to depend on a more widespread recovery in the local economy which appears to be underway.

## Northern Territory

### Darwin

Darwin's industrial property market has been relatively steady throughout 2015.

There has been much speculation locally about the imminent Inpex cliff. The construction phase of this project is expected to be completed in 2017 and will therefore no longer compete for all types of resources in Darwin, including property.

Our expectation in the industrial property sector at least is that demand for industrial accommodation should continue at current levels. The commencement of the production phase for Inpex will see demand shift from construction to maintenance which will still require significant accommodation. Peak periods will also be experienced at shutdowns and if future trains of either Inpex or the Conoco Philips plant are commissioned.

Local property is as well placed as it has ever been to supply the necessary land for the required developments. There is a choice of a number of industrial estates and we note that work is commencing on the new Truck Central site at the corner of Tiger Brennan Drive and Tivendale Road. This will include blocks of land available for development associated with the transport industry.

While there were few landmark sales in 2015, the industrial property market in Darwin moved along steadily through the year. It would be fair to say that it fared better than most other market segments in Darwin and still retains a positive outlook.



Source: Inpex

*Birds eye view of Inpex with Darwin CBD in the background*

## Western Australia

### Perth

Broadly speaking, there has been a softening in conditions and reduced interest across all industrial asset types in Perth.

The Perth industrial market can be divided into four main precincts being the Core, North, East and South. The main suburbs within these precincts are:

Core: Belmont, Canning Vale, Kewdale, Osborne Park, Welshpool, Jandakot Airport, Perth Airport

North: Balcatta, Joondalup, Malaga, Neerabup, Wangara, Landsdale

East: Armadale, Forrestdale, Forrestfield, Maddington, Hazelmere, Bayswater, Bassendean, South Guildford

South: Bibra Lake, Henderson, Jandakot, Kwinana, Myaree, Naval Base, O'Connor, Rockingham, Latitude 32

The total level of vacant space in the industrial sector has been increasing over the past 12 months. The weak level of tenant enquiry is likely related to the slowing of the resources sector as is the availability of secondary space, directly affecting the space needs of a number of industrial companies.

There was approximately 218,791 square metres of industrial leases (less than 500 square metres) in Perth in the 12 months to June 2015. This is just short

of the year prior (248,816 square metres) and down on the five year average (406,045 square metres).

The transport and logistics industry leased the most industrial accommodation, taking 71,483 square metres or 35% of reported leasing activity. Leases in the Core accounted for the majority of industrial stock reported leased in the 12 months to June 2015 which recorded total leasing activity (excluding pre-commitments) of 55,914 square metres, approximately 70% of all direct deals captured in Perth.

Prime industrial rents as at June 2015 typically range from \$80 to \$100 per square metre per annum net for industrial buildings in the North and between \$70 and \$95 per square metre per annum net for industrial buildings in the South. The average rent in the North is \$90 per square metre per annum net, a 10% fall over the year.

Although leasing of existing facilities has slowed, pre-commitment leasing is becoming a key feature of the market. This certainly was the case late last year and the trend has continued into 2015 with a number of major pre-commitment deals being secured to national occupiers, including Kmart, Reece, Schlumberger, Ceva Logistics and Mainfreight to name a few.

Pre-commitment leasing transactions accounted for around 60% of market activity in the past 12 months,

suggesting that there is a higher level of confidence on the ground than is being reported nationally.

Moving forward we expect continued occupier interest for pre-commitment leasing underpinned by the desire to be in a purpose built facility, as well as on a site that offers long term expansion space. This activity will underpin a solid development pipeline as new construction is underway to fulfil these occupier requirements, particularly in the Core and East precincts.

**On the back of rising demand from major occupiers for purpose built facilities, we may begin to see some speculative development in the Core and East where the demand is strongest.**

The current cycle is also favouring occupiers seeking newer, more efficient and well located facilities, particularly near or on freight and intermodal facilities. This flight to quality is likely to boost leasing take up towards the end of the year.

There was approximately \$280 million worth of industrial property transactions in the 12 months to June 2015, down from \$509 million in the previous year and down on the five year average (\$584

million). 45 properties were identified as sold in the 12 months to June 2015, down from the total of 89 in the previous 12 months and down on the five year average of 123. Approximately 45% of the transactions captured in the 12 months to June 2015 were in the range of \$1 to \$10 million.

In the 12 months to June 2015, approximately \$87 million of the reported transactions occurred in the Core precinct. While down on the previous year when \$220 million was reported, the Core still held the largest share of transactions by value. The Trust purchaser category was the most active in the investment market for the year ended June 2015, purchasing 40% or \$108 million of stock identified as sold, followed closely by private investors at 15% (\$42 million).

Prime industrial yields as at June 2015 are estimated to range between 7.25% and 8.5% in the North and between 7.25% and 8.75% in the South. The average yield for investment properties in the North in the quarter to June 2015 is 7.88%, a 50 basis point firming over the year.

Overall sales transactional activity has fallen compared to the previous year while investment demand remains solid. The number of on market offerings has limited any major increases in total investment volume but this should improve towards the end of 2015.

The demand for large development sites has weakened somewhat as the trend shifts towards owner occupier and developer pre commitment demand for sites. As a result, land values have fallen slightly. There may be a further adjustment to land values for the second half of 2015.

#### **South West WA**

The South West industrial market is considered to be primarily driven by owner occupiers. This market is historically tightly held with limited transactions occurring annually. Discussions with local agents active in the industrial sector have indicated that there is currently limited demand for both purchase and lease of industrial property within the South West industrial market and that overall the market is considered flat.

The end of the mining construction boom during 2014 has seen cause for caution in the state and national economies. The slow down in the construction phase of the mining boom has seen a downturn in larger industrial building activity in the Perth industrial market and this has flowed through to the South West industrial markets. Industrial building activity within the South West industrial market has begun to slow in the past 12 to 24 months and land and rental values have also fallen slightly.

The current low confidence in the economy in general since the GFC has not been assisted by the continuing strong Australian dollar and the

consequent reduction in consumer spending. Overall market conditions are considered weak for industrial property in the South West of Western Australia with limited demand due to low purchaser confidence as investors and business operators face financial constraints and continue to be concerned about the state of the economy.

While we do not purport to predict future market conditions, we cannot discount the possibility of either a further levelling off period occurring or market conditions weakening due to general market factors.

# Residential

# National Property Clock

## November 2015

### Houses

Sydney  
Melbourne  
Dubbo  
Newcastle

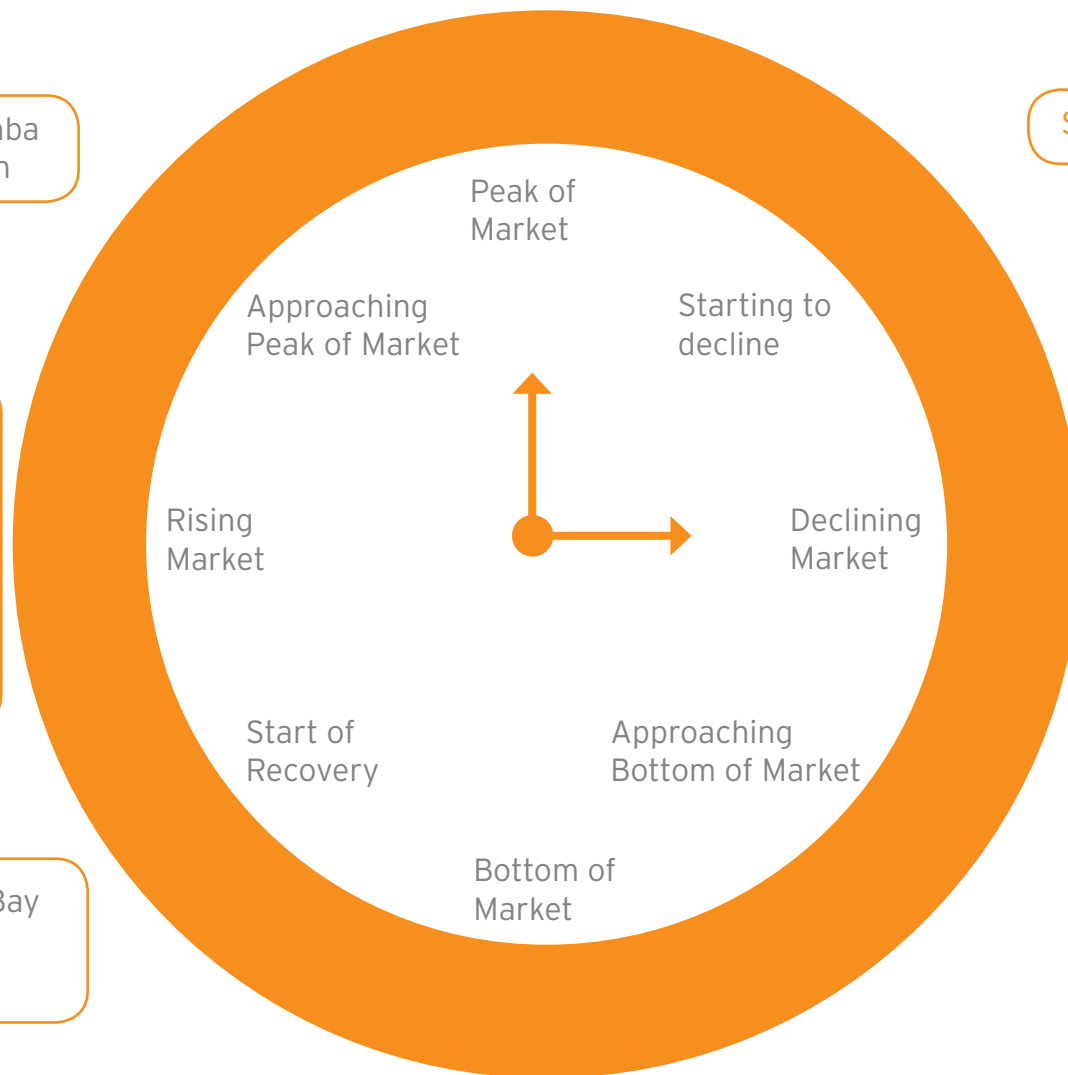
Toowoomba  
Tamworth

South East NSW

Perth  
Darwin  
Emerald  
Alice Springs  
South West WA

Brisbane	Echuca	Sunshine Coast
Adelaide	Wagga Wagga	Coffs Harbour
Canberra	Albury	NSW Mid North Coast
Cairns	Bendigo	Barossa Valley
Gold Coast	Horsham	Latrobe Valley
Ipswich	Griffith	Iron Triangle
Mudgee	Mildura	Adelaide Hills
Ballarat	Gippsland	

Hobart	Hervey Bay
Launceston	Bathurst
Burnie/Devonport	Orange



Townsville  
Whitsundays  
Mackay  
Rockhampton  
Bundaberg

Gladstone  
NSW Far North Coast  
Shepparton  
Mount Gambier  
Riverland

**HERRON  
TODD  
WHITE**  
RESIDENTIAL

Entries coloured blue indicate positional change from last month.

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# National Property Clock

## November 2015

### Units

Sydney  
Melbourne  
Brisbane  
Whitsundays

Dubbo  
Newcastle  
Orange

Toowoomba

South East NSW

Adelaide  
Barossa Valley  
Adelaide Hills  
Iron Triangle  
Albury  
Wodonga  
Wagga Wagga  
Tamworth  
Griffith  
Mudgee  
Bendigo

Latrobe Valley  
Gippsland  
Mildura  
Echuca  
Horsham  
Ballarat  
Coffs Harbour  
NSW Mid Nth Coast  
Gold Coast  
Ipswich  
Sunshine Coast

Hobart  
Launceston  
Burnie/Devonport  
Bathurst  
Cairns  
Hervey Bay

Emerald  
Gladstone  
Perth  
Darwin  
Alice Springs  
South West WA



Canberra  
Townsville  
Mackay  
Shepparton  
Bundaberg

Riverland  
NSW Far North Coast  
Rockhampton  
Mount Gambier



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## Overview

Investors are a mixed bunch and their demographic can vary from project to project, let alone across state and city lines. To help understand how the property market is performing, we have asked our offices about their investor buyers. Where they are looking, what they are paying and how they are reacting to things like interest rates and changes in the Australian Prudential Regulation Authority (APRA) guidelines.

## Sydney

In mid 2015 with interest rates stuck at record lows due to the slow down in the wider economy, the Australian Prudential Regulatory Authority (APRA) made changes in financial lending criteria in an attempt to prevent a property price bubble. As a result, Australian banks raised interest rates for property investors and introduced tougher loan-to-value standards in response to a move by regulators to rein in the riskier corners of the country's house price boom.

Two big announcements followed these changes in regulations, being an increase in variable interest rates and a maximum of 80% loan to value ratio for investors.

All four major banks have announced that they will increase their standard variable interest rates to be slightly higher for investment loans over owner

occupier loans to meet the APRA requirements. This is a new decision and we have not seen the full effect this will have on the property market as yet, however we are seeing signs of slowing.

Now that investors can only borrow up to 80% of the property's value, there is a significant buffer for the banks if the borrower was to default, however it becomes harder for an individual to actually save the 20% deposit or to use the existing equity in their primary dwelling or portfolio for the deposit. With fewer people able to access the 20% deposit, there will be fewer investors in the market. This could lead to less demand and more supply which directly affects the value of a property. APRA is hoping that with less investors in the market, this area will be filled with owner occupiers and will cool or slow the market down.

There are signs that the market may be cooling. There has been a continual decline in auction clearance rates in Sydney from low 80% in July 2015 to mid 60% in October 2015 according to Corelogic data. This is a combination of the record number of auctions listed (so volume sold as a percentage is decreased), the expectations of vendors to exceed prices that were being achieved by neighbours no more than three months ago and a decrease in the pool of purchasers as we enter into a new wait and see phase of the property cycle.

It is fair to say that much of the growth in Sydney in the past eighteen months has been fuelled by the investor market. On the ground, completing the mortgage valuations, we have seen that this has been a combination of local buyers such as baby boomers using the equity in their main dwelling to purchase additional property for their superannuation, interstate investors who have heard the get rich quick scenarios and are banking on quick capital appreciation and overseas investors looking to build a property portfolio.

Given that the changes took effect mid year, it is too soon to say what the full impact of the tightening of bank regulations has been on the property market but indications are that the regulations appear to be working. This change in criteria could have a positive impact on the first home buyer market which traditionally competes heavily with entry level investors and could open up opportunities for the owner occupier.

In conclusion, we believe the investor market in NSW will remain stable over the medium term as the banks have not made it impossible to buy an investment property, they have just tightened their criteria. These changes will not exclude people from entering the market as investors but force them to be in a more secure financial position before entering into any agreements.

In the past few years, Sydney has also had the benefit of many new developments partially due to a change in approval policy; partially due to the underlying demand and supply imbalance in the market and partially due to the demands of the overseas investment market that is regulated by government to the purchase of new property only. This product is appealing to investors and owner occupiers as developers and the government offer benefits such as reduced or no stamp duty, monetary incentives and non-monetary incentives. We have seen new developments or off the plan purchases become the most popular because of the combination of incentives received and, due to the heat in the market, the assured capital appreciation from purchase to settlement. To date we have not become aware of any changes in these policies and can only assume they will remain for the foreseeable future however doubt over immediate capital appreciation may see some investors withdraw.

As a snapshot we have provided some insights into the various sub markets of the metropolitan area and a review of the current investor market in each.

#### **Inner City**

Zetland, considered a city fringe suburb, is a very high density area with predominantly large unit complexes built within the past ten years. Due to the high density and relative price points, investor demand has always been high. Large developers such as Meriton have a high presence in Zetland and although now starting to become established,

there are still plenty of new unit complexes under construction. Overseas investors seem to be in the majority in Zetland especially of new order stock and may be less influenced by interest rates and APRA changes. We are yet to see any slowing in this sector of the market. The median unit sale price according to RP Data's Suburb Statistic Report rose from \$795,000 in October 2014 to \$885,000 in September 2015. The same publication reports the indicated gross rental yield at 4.2% with a median asking rental price of \$650 per week.

#### **Northern Sydney**

In the northern areas of Sydney we have noted an influx of investor purchased residential units flooding the rental market, particularly around the Ryde LGA. Property managers have advised that prospective tenants have become more discerning in their choices, are negotiating asking rents down and are looking for units with additional features such as views, common property facilities and unit orientation. It is anticipated that it will take a longer than normal time for these units to be leased. Owners of these units will need to be competitive in their pricing in order to secure tenants. This will have a flow on effect to established units in the area with rental levels being adjusted down in the short term.

Currently the median unit price for Meadowbank is \$643,000 with -1% growth in the 12 months as per APM with a median rental of \$420 per week as per RP Data. This results in a gross yield of 3%.

#### **Western Sydney**

Just up the road in Parramatta we have noticed strong growth within the residential sector, especially over the past year. The vision of the suburb becoming Sydney's second CBD has seen construction boom within the region, with unit development the main driver and overseas investment acquiring off the plan purchases one to two years in advance.

The past 12 months have been very good for dwelling investment returns compared to the rest of NSW, giving investors a capital gain of 13% to date with the median price for a house in Parramatta being \$772,000. Advertised rent reached \$490 giving a gross rental yield for property investors of 3% according to RP Data and APM.

The high level of interest in apartment living in Parramatta from both local and overseas investors was reflected with the strong sale transactions over the past 12 months with the suburb becoming a focal point for economic growth and increase in population. The median price for a unit in Parramatta is \$541,000 with a capital gain of 12% to date and advertised rent reaching \$460 giving a gross rental yield for property investors of 4%.

#### **South Western Sydney**

Investors in South Western Sydney have been very visible in the property market in the past 12 months. Typically investors are from out of town and are using the equity in their current dwellings to purchase an investment property in an outer ring

suburb of Sydney which they expect will grow in value and provide consistent rental return due to the number of families moving to these areas for their affordability and general population sprawl.

- **South Western Sydney has been a popular hunting ground for investors because of new stock which draws their attention for a number of reasons such as tax benefits, low maintenance and the ability to draw high quality tenants.**

Price points have generally been in the sub \$750,000 range and being below the Sydney median price is one of the key factors.

Yields have not generally been the attraction for investors - the capital growth has been the driving factor. Therefore with the new APRA regulations and the reported slowing of the market, investors may leave the market allowing for first home buyers to finally gain a foot hold.

#### **Inner West**

Throughout the inner west suburbs of Alexandria and Erskineville, investors have always made up a high percentage of property owners due to the

relatively close proximity to the CBD. However, over the past two years, investor activity has dramatically increased due to the construction of several new high density unit developments, particularly in Erskineville. A large industrial section at the southern end of Erskineville has seen the most construction and suddenly there has been an increase in supply and investors have flocked to the area. The price point of these units, at approximately \$600,000 for a 1-bedroom unit and \$850,000 for a 2-bedroom unit, appears to be at about the right level for investors in these areas. Many of these unit were purchased off the plan up to two years ago and at the time, a 1-bedroom unit would achieve around \$550 per week rent and a 2-bedroom unit around \$750 per week. This would have seemed like a fair yield at the time but we are now seeing these same units sell for significantly more due to the extremely strong growth in the market.

The consequence of this has been decreased investor interest in re-sales of these units due to a now very low yield. Local agents have recently stated that as investors try to increase the rental price there has been decreased demand, pushing vacancy rates up in the areas for the first time in years. This has the potential to lead to decreased investor demand throughout Erskineville and surrounding suburbs with more newly constructed stock to come onto the market.

#### **St George District**

The suburb of Wolli Creek, approximately 10 kilometres south of the Sydney CBD has become an investor hotspot in recent times. Again, this is a suburb that has seen a large scale transformation with many high density unit developments constructed. Investor demand has been fuelled by the addition of retail space in the area, including a newly constructed Woolworths, and Wolli Creek train station offering access to two major rail lines. The demographic of these investors has been both local and overseas.

According to the most recent RP Data Suburb Statistic Report, the median unit sale price in October 2014 was \$640,000 and in September 2015 was \$742,500. The same publication reports the indicated gross rental yield at 4.3% with a median asking rental price of \$560 per week. This is the same story for investors seeing a dramatic gain in capital growth but resulting in a reduced yield. With this said, we have not yet seen any dramatic slowing of investor demand. It may be slightly too early to make a fair assessment on this, so we watch with anticipation how things will develop over the coming months.

#### **Canberra**

The investor market in Canberra has generally increased as of late with the loose fill asbestos (Mr. Fluffy) government buyback scheme proving to

be the main stimulus for investment. The nature of this scheme opens up the potential for smaller developments and subdivisions to occur, in particular, smaller townhouse developments.

Potential investors or opportunistic builders and developers are actively looking for the right block with the appropriate zoning to possibly develop. This generally leads to a ripple effect within the suburb as values could increase due to the increased activity stimulation these potential blocks attract. This has not come into full effect but we see that this trend is on the cusp of occurring.

However we can currently see that demand for general investment has tightened due to the slowed market conditions of Canberra. The current lease variation charges that developers must take on has been the biggest obstacle in investment and development.

There is still a significant amount of construction occurring in Canberra, whether it be units, in particular the north side and Molonglo Valley, or the development of green sites in Lawson, Moncrieff, Wright and Molonglo. The strong population of builders, which is a mixture of local and out of towners can see the potential opportunity of investment in these blocks of land and are expressing interest in these areas.

These particular Mr. Fluffy blocks are predominantly within certain established circa 1940s to 1980s geographical pockets around Canberra where asbestos has been previously used. These pockets are mostly the inner city, Weston Creek/Woden Valley and the older suburbs of Belconnen and Tuggeranong.

The yields that achieve a stronger return are found in the newer suburbs of Gungahlin and Woden Weston (5% to 6%) as the price points (\$500,000 to \$700,000) are relatively low and the quality of surrounding services is appealing. This yield is also evident in the modern areas of Macgregor as this suburb provides affordable modern dwellings (\$400,000 to \$600,00). The inner suburbs have a 3% to 4% yield due to the higher price points (\$600,000 to \$1 million) of these areas and the increase in newer boutique unit developments. As always in Canberra, it's the inner suburbs that retain relatively strong capital value. Location is king.

Lawson is a brand new suburb in Belconnen and is in very close proximity to the University of Canberra and Westfield Belconnen. The vacant land sales have been very strong and we have noticed that some investors have been looking to build large dwellings accommodating a higher amount of bedrooms and bathrooms, perhaps looking to rent out the many rooms to potential students and increasing their gross yield. Location is the major driver, however

until the suburb and general development of buildings and the respective services are completed in the area we cannot fully determine the extent of this.

The availability of the Mr. Fluffy sites with development potential in the ACT will eventually run out in the medium to long term however the NSW government has recently acknowledged the presence of Mr. Fluffy dwellings in the NSW Queanbeyan region. Perhaps similar townhouse and unit developments will occur in these areas.

### Illawarra/Shoalhaven

This region has felt the overflow from the hottest Sydney market in years with investors seeking out good returns for a (relatively) low outlay compared to Sydney. In our opinion, this has been confined to new units in the CBD precinct and entry point dwellings across the northern beaches from Fairy Meadow upwards.

Detached housing in these areas is particularly sought if it is brick or weatherboard, not fibro, and has secure car accommodation or storage, and most important is within easy access of the train line south to Wollongong or north to Sydney. Areas surrounding Fairy Meadow, Corrimal and Woonona come to mind as readily sought after in the under \$750,000 value range.

In regard to strata title properties, investor activity has been mostly evident (along with strong owner occupier demand) in taking up new stock in the plethora of new developments in the CBD area and North Wollongong.

Most of this stock is typically 2-bedroom, 2-bathroom, single car space properties, with general price point in the \$450,000 to \$520,000 range. Prices vary depending on views, access to beaches, public transport and the size of the outdoor living areas. Many of the new developments have been pre-sold prior to commencement or completion of construction, indicating a wider investment market than is thought to exist locally. In some instances overseas buyers have been prominent according to our sources.

There has been strong demand for townhouse and villa properties in established suburbs with record prices being achieved, however these are being acquired in the main by owner occupiers and downsizers.

Rents vary of course but investors are typically overall looking at a 5% gross return - gambling on the future capital gain rather than net income to provide a healthy return.

The Illawarra region is undergoing some economic uncertainty again due to reductions in employment numbers in mining and manufacturing. Currently,

there is a very real threat of a substantial scaledown of the Bluescope steel manufacturing facilities at Port Kembla and as the demand for coal is pegged back, many of the mines are shedding employees.

Combined with tightening lending criteria, this would reduce investor activity in our region as rental returns shrink and future capital growth is threatened. Particular investment sectors to be most affected by these events would be the unit market in the inner ring and infill medium density.

#### Southern Highlands/Tablelands

The residential property market in the NSW Southern Highlands has been increasing for the past 18 months. This is most apparent in the lower price bracket, up to \$1.3 million. Investor activity is strongest under \$1 million with investors being a mix of local and Sydney based purchasers. Traditionally detached homes are the most common property type for buyers in the region, which are typically modern project homes on the periphery of the townships at East Bowral, Renwick or Moss Vale, or well located, renovated older style homes close to town centres. There is also demand for well located townhouses and villas, in particular with a seniors living focus for retirees, that are close to local amenities such as the hospital, shops and parks.

Price points vary for homes across the region from say \$480,000 up to \$1,000,000. Gross yields typically range from 4.5% to 5.5%. In Moss Vale and

Mittagong, a modern project style home can still be purchased in the \$450,000 to \$500,000 range.

The Southern Tablelands offers more choices and affordability for potential investors with lower price entry levels than the Highlands. Goulburn, with a population of around 24,000, has a steady workforce and is a popular country holiday destination. Due to the high real estate prices in Sydney, Goulburn offers an affordable option for Sydney investors and there has been increasing activity from this sector.

Depending on dwelling, land size and quality of the home, for between \$400,000 and \$500,000 an investor can purchase a new, modern home and expect a rental return of between \$400 and \$520 per week. Yields are in the range of 4.75% to 5.75%. There are not many strata title properties in this region, with the preference being for detached dwellings.

Investor activity has assisted in contributing to the increasing price and volume trends apparent in the Highlands and the Tablelands. Rental levels have been steady to increasing in the Highlands. In Goulburn, rental levels have actually marginally declined over the current period. This trend is due to additional supply together with some Canberra commuters leaving Goulburn to return to the ACT.

In our opinion, if lending criteria was to tighten, this would reduce investor activity in the Goulburn

region to a degree. There would be less investment properties, vacancy rates would tighten and rental levels would increase. In terms of an impact on the overall Southern Highlands market, it is considered this would have minimal impact, as most buyers are local home occupiers and people relocating from Sydney.

## In general, investor activity is sustainable in the medium term throughout the Southern Highlands and Tablelands.

### Newcastle

The following column is prefaced by saying that what is stated herein was known at the time of writing. Future events have a way of making charlatans of us all or if we are lucky, prophets of great foresight.

Westpac has recently indicated they are going to increase their lending rates for variable homes loans by 20 basis points. You could say this came without warning but that's not really the case. APRA has been making noises about the capital raising of lenders for some time. The general consensus appears to be that several markets are overheated and a correction could be a major economic issue for Australia. The first attack came in the form of an increase for investors on their loans and this recent move is a natural follow-up. The other major lenders

have not yet committed to a similar rise although expectations are widespread that they will soon follow.

The recent move to increase the interest rate for investors has had the effect of subduing the ardour from some investors to portfolio build, likely the prime goal of the rise. While the actual increase itself is minor, the psychological effect is something more substantial. We have had a long sustained period of interest rate decreases. The last increase by the RBA dates back to November 2010 and since that time investors have seen capital values rise, rental rates rise and portfolio values increase with little to no effort. To suddenly see an interest rate increase is a fundamental shift in mindset that may rock a few and place on the back foot those investors who have leveraged their portfolios too high.

Discussions with agents indicate that investor enquiry in the Hunter is waning slowly. Previously agents could sell investment stock to a list on a database without the irritating hard work that open homes and general listing duties generally require. Instead of setting a price on the off chance that someone takes the hook, prices now require a little bit of prep work prior to unleashing them on the market. One might say that purchasers are at that point where they are exercising a small, but increasing amount of power to be choosy. Are the days of the seller's market over? We aren't that keen

to declare that statement fact yet, but fledgling signs are there, as if a tiny seedling is emerging in the first few days of spring from the damp, steaming ground. What could stop it? Why, your retired dad doing you a favour and attacking your weeds with Roundup™ of course. Nothing like dad maintaining a garden.

Rental rates in the Hunter region have been stagnant for a period of time now, unless you are in an area impacted by mines where the rates have been falling for a number of years now. Rental rates are one side of the yield/value/income triangle. Recently values have been increasing, so if the income portion of the equation remains largely unchanged, then the yield portion of the equation does only one thing and that is fall. Recently we have seen a number of yields in the 3.5% to 4.5% range which is exceedingly low and investors in that case have an over-reliance on capital growth to keep their investment equation in balance. This is also likely to mean that unless rental rates start increasing again, values may have to correct themselves.

### NSW Central Coast

It's not quite lights out for the investor, but it has been getting darker. For some time now, investors have been very active in the local market, but recent changes by APRA on investment borrowings forced on lenders have had an impact on this segment of the market. We see the will is still present, but the ability to finance the dream is diminishing.

For the most part, the local investor market has been driven by out of town buyers, mostly Sydney based, where property prices are seen as unsustainable and value for money is being sought outside the city limits. To this end, due to it being immediately north of Sydney, the Central Coast region has been favoured by these investors.

In the main, the type of property being sought by investors includes the typical 3- to 4-bedroom, double garage home in the suburbs. Minimised maintenance requirements and proximity to services and transport is seen as a bonus. This type of property is the traditional real estate investment and at present, our raw data suggests that gross yields are between 4% and 5%. Also included in the mix is the ability to value add and a popular trend has been the addition of a granny flat or second dwelling under the complying development rules. It definitely increases the income stream with gross yields seen between 6% and 7%. As time goes on, we will see whether this strategy works to increase value.

Away from the obvious though, we have seen a number of investment purchases for properties not previously considered as typical investment class property. This includes high value and high maintenance rural lifestyle properties. The purchase of this type of property is somewhat confounding as the returns are generally low and we can only guess that these buyers are banking on long term increases

in the asset value. This, we think is pure speculation and a brave, but perhaps foolish decision leading into a volatile period in the market, if we are to believe that previous cycles are to be repeated.

If looking at the unit market, which includes villas and townhouses, we see these as another staple in the investment market. We guess that like many other regions, units have been just as popular when it comes to investment property and there are number of recently completed developments and others at the starting line. We are seeing gross yields for these properties between 4.7% and 6%.

In simple terms, the APRA led changes are designed to strengthen local banks' reserves should another global financial crisis occur. When a body like APRA introduces these measures, they ought not be taken lightly - they are quite likely the closest thing we have to that mythical crystal ball.

The effect on the lenders has already influenced the market as activity has slowed a little and we see this becoming more obvious in the short term as both lender and borrower become accustomed to the new rules. Very recently, the major lenders have increased borrowing rates slightly under the guise of passing on the APRA changes to borrowers. It seems to us that this may just be the excuse needed to slow the market down a little and we suspect that greater levels of attention led by our policy makers and the media will accomplish this.

Should this occur, then the effects will likely follow that seen in previous cycles where the current seller's market will end and a downturn in the market and values will be seen.

### NSW Mid North Coast

This month we are looking at what investors are doing to our market.

Firstly, on a general note, Westpac has increased its lending rates for residential investment property loans by between 0.27% and 0.3%, and other banks have followed. There has been a trend of decreasing interest rates since January 2011 and during that time investors have seen capital values rise (sometimes significantly), rental rates rise and portfolio values increase. This recent increase in rates may have the effect of slowing the rate of investor sales within the residential market, however it is still too early to assess the impact of these changes.

In the low to mid market segment of the Mid North Coast (\$250,000 to \$600,000), investors are still very active, with many mum and dad investors, interstate and self managed super funds all competing within the same market segment. This is still causing values to rise but, conversely, it is resulting in decreasing yields and returns.

Recently we have noticed that while there remains good demand for rental properties, rents have

steadied after a rapid rise during the first half of the year. Currently within our region, it is not uncommon to find low end investment properties being purchased with neutral to positive gearing.

There is still a significant amount of house and land packages being constructed along the Mid North Coast, specifically for the investment sector, with many builders in expansion mode.

There are large numbers of new dwellings currently under construction or about to start construction. These dwellings are often marketed to mum and dad and first time investors and often through wealth style investment seminars. If demand were to lessen significantly in this segment, we may find an over-supply of new dwellings coming on to the market over the next six months.

However, we also note that currently, potential owner occupiers are finding it difficult to compete with these investors and if the investment segment of the market was to cool, then the owner-occupier market may increase and take its place. We note that Westpac has advised that their fixed rate owner occupier rates will drop by 0.30% when their investment rate rises.

When investment loan rates do rise, the initial rise is unlikely to significantly curb demand in this residential market in the short term, with rental returns remaining above previous years. Yields continue to be acceptable to the investment market and compare well with other non-property investment strategies.

## Victoria

### Melbourne

#### Eastern Suburbs

Investors are very active in Melbourne's eastern suburbs, in particular Glen Waverley. Typically, investors in the Glen Waverley residential investment market are from overseas.

Residential stock located within the Glen Waverley Secondary College zone and within walking distance of The Glen shopping centre and Glen Waverley metropolitan train station are particularly appealing to investors. This is typically due to Glen Waverley Secondary College's academic reputation among the local and Chinese communities and the practicality of being near a major transport hub and shopping centre. The location map below pinpoints where these three major drawcards are located.



Looking at detached housing specifically, investors can be attracted to dated dwellings in original condition on at least circa 650 square metres which may be suitable for future subdivision or redevelopment. Under the Monash Planning Scheme, dwellings within close proximity of Glen Waverley Secondary College and The Glen shopping centre are typically located within a General Residential Zone Schedule 2 (GRZ2). The planning schedule to this zone outlines that there is no maximum building height requirement for a dwelling or residential building within the zone. This feature encourages higher density living and development in the area.

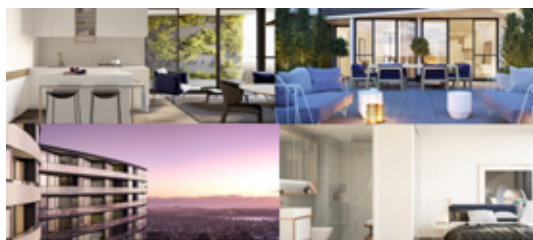
The entry price point for a typical original single level detached brick veneer dwelling on a 650 square metre site located within the Glen Waverley Secondary College zone is around \$1.3 million. The entry price point for a typical circa 650 square metre original single level detached brick veneer dwelling located outside the Glen Waverley Secondary College zone is around \$900,000.

Typical yields for newly completed two storey brick veneer detached dwellings with a double garage range from circa 2% to 3%. Typical yields for newly completed townhouses in Glen Waverley range from circa 3% to 4%. Typical yields for newly completed apartments range from circa 4% to 5%.



Speculative off the plan apartments have been of considerable interest to investors in the Glen Waverley area. Recent apartment developments within walking distance of The Glen shopping centre have almost sold out within hours of being put to the market for sale with strong interest from investors. Such apartment complexes include the Galleria tower

that media reports have said sold 100 apartments in just 90 minutes in early October 2015. The Ikon apartment complex located directly adjacent to the Glen Waverley train station also experienced a similar rush in under 24 hours from overseas investors wanting to buy in the popular area when they were first offered to the market in 2012.



**Galleria Apartments**  
Located at 32 O'Sullivan Road, Glen Waverley – directly opposite Glen Waverley Secondary College

2015 has seen a strong increase in capital values in the area, however recent legislation changes to foreign investment regulations in conjunction with lenders tightening lending criteria to investors (both local and foreign) has led to signs of market conditions cooling in recent weeks. However premium properties or properties which offer a point of difference are still hotly contested and achieve strong results. Should a significant change in current market conditions occur whereby investor demand significantly dropped we would expect to see a decline in property values in the area, especially in those properties which have risen sharply over the past 24 month period.

### Melbourne CBD

Melbourne city town planners have approved the construction of over 20,000 apartments within the next four years which shows that Melbourne's inner city apartment market is still highly attractive compared to the approximate approval numbers of Sydney's inner city of around 5,500 apartments to be built in the next four years.

The Melbourne unit market remains strong for investors and the residential investment market is predicted to become stronger and is only at the early stages of growth. The RBA has flagged this investor trend as a concern as recent reports indicate that the apartment market is beginning to soften with prices remaining steady and rental vacancies relatively high with a large uncertainty for popular international students who are attracted to these rental opportunities.

The risk of a downturn in the unit market is high with the potential problem of an oversupply of units within the city and inner city areas.

According to REIV the medium unit price for metro Melbourne (September 2015) is \$ \$532,000 with a 2.6% quarterly change. The outer city apartment market experienced a 3.9% quarterly change indicating growing market activity within the outer regions from investors. (<http://www.reiv.com.au/property-data/median-prices/median-unit-prices>)

### September Quarter 2015 Metropolitan Median Prices:

September Quarter 2015 Metropolitan Median Prices				
Prices for regional Victoria are also available.				
Metro Melbourne	Sep-15 Quarter	Quarterly change	Jun-15 Quarter	Annual change
House	\$729,500	4.5%	\$698,000	8.2%
Unit	\$532,000	2.6%	\$518,500	5.1%
Inner	Sep-15 Quarter	Quarterly change	Jun-15 Quarter	Annual change
House	\$1,236,000	-0.2%	\$1,239,000	17.5%
Unit	\$560,000	2.4%	\$547,000	2.4%
Middle	Sep-15 Quarter	Quarterly change	Jun-15 Quarter	Annual change
House	\$861,000	4.4%	\$825,000	13.6%
Unit	\$586,500	1.7%	\$576,500	8.8%
Outer	Sep-15 Quarter	Quarterly change	Jun-15 Quarter	Annual change
House	\$550,500	5.1%	\$524,000	7.9%
Unit	\$415,500	3.9%	\$400,000	5.2%

Source: (REIV)



Melbourne City Development: Upper West Side. No. of Dwelling: 2,600 over 4 buildings.

(Source: Urban Melbourne).

### South Eastern Suburbs

Middle south east and bayside regions appear to be attractive for investors. Depending on the property investors choose, they may invest in detached housing to get the negative gearing investment for tax benefits for future capital growth or development opportunities or they can invest in apartments with slower capital growth, but with high and stable rental yields. Established areas provide a choice of different property types which can meet any investor's goals. Currently investors in middle south east and bayside regions are fairly active and are purchasing detached houses, townhouses, units and apartments.

Outer south east regions appear to be mainly attractive to first home buyers and families with medium household income. Investors are not very active at this stage due to low capital growth and consistent competition from the construction and development industry, which continue to offer affordable brand new housing. Investors who purchase in outer south east regions are looking for investment diversity geographically and also to meet different investment targets such as finding long term tenants for stable rental yields.

Middle south east and bayside areas consist of local investors in established markets and mainly overseas investors for brand new strata townhouses and apartments. Bayside offers consistently strong

capital growth with stable rental return of 4% to 4.5% for units. Rental yields for apartments and units experience a stronger rent in comparison to the housing market in general. The outer south east area is mainly dominated by local investors aiming to achieve long term stable cash flow in terms of rental income.

Investor goals can differ and therefore they will choose the market and area to meet their targets such as consistent cash flow, low vacancy rates and high rental yield. Investors in the outer south east area are looking for long term tenants who will stay in the property for two to five years. They are usually young families with children in primary school who are willing to rent a new detached house with private backyard and easy access to local parks, shopping and schools.

The medium housing price in the outer south east area can range from \$380,000 to \$450,000 for a single storey dwelling and \$550,000 to \$630,000 for double storey residence. However investors in this region typically do not spend more than \$500,000, with current rental yields in the outer south east area generally ranging from 4.5% to 5%.

Townhouse and unit markets are emerging in outer south east areas and appear to be mostly an untested market. Some developers offer limited

stock of townhouses called "cityliving" which engage people by offering close proximity to schools and parks and to reside in particular estates at a more affordable price, whereas townhouses and units appear attractive in the bayside region due to higher land prices and more expensive detached housing. Rental yields are also higher in the bayside area for townhouses and units compared to detached housing.

Investor activity within this area will not be as sustainable over the coming year as banks begin to lend less for investment properties. The hardest hit properties will be off the plan apartments. With the lack of confidence for investors combined with expected cash rate rises from the RBA on the horizon, it is unlikely that investment levels will grow in the medium term.

It has been suggested that not only would there be a decrease in house prices, but due to falling house values, home owners will cut back on spending as they will consider themselves to be worse off than before as their safest investment, bricks and mortar, has lost some of its market value.

### Horsham

Investors represent approximately 30% of the market for Horsham residential real estate. The recent changes to lending practices by major banks

has seen the level of interest and demand in this sector of the market decline over recent months. Investors in the Horsham market tend to be mainly local buyers who live and work within the region. Typically, the first home buyer and investor market segments are much the same with the majority of investment properties in Horsham in the sub \$300,000 price range. Recent changes to LVR's and rental return requirements have not only knocked some investors out of the market but softened the demand within this market segment, caused largely by the increased equity and servicing components required for loans. Coupled with the current dry season for the local farming industry the value of housing in this sub \$300,000 bracket is expected to stabilize after many months of positive growth.

Units and dwellings that appeal to investors in the Horsham market typically comprise well renovated or near new accommodation that requires minimal maintenance and generally returns a 5% to 7.5% gross return.

#### **Mildura**

Investors have traditionally made up a considerable portion of buyers in the Mildura region. In the main, they have been buying modern stand alone dwellings in the \$250,000 to \$350,000 price bracket.

Demand from local investors has been relatively stable during the past few years, while demand from out of town buyers was higher than normal during the period from around 2010 to early 2015, boosted by the activity of several promoters who were selling house and land packages, often at prices not supported by local evidence.

Demand from out of town buyers appears to have slowed during 2015, partly affected by a strengthening in land prices and a resulting shortage of affordable land. It is also possible that this pool of buyers has reduced, due to the slowing economy in the resource states.

We expect local investors to remain active, despite some tightening in lending criteria and concerns that interest rates may rise.

Homes that are attractive to investors typically contain 3- or 4-bedrooms and are less than 20 years old, thereby providing depreciation allowances and less maintenance issues. Low vacancy rates have contributed to rents for this type of property increasing by around \$20 per week in the past two to three years. This has helped keep gross yields

between 5.5% and 6%. Yields for small units are higher, however these traditionally have shown less capital gain.

#### **Ballarat**

Investors in the Ballarat residential market have been increasingly active over the past five years to the extent they would now make up around 20% to 30% of the residential market in the price bracket from \$100,000 to \$300,000.

The demographic of the typical investor in the area would be anything from locals over 30 years old with a home and some disposable income to invest, to baby boomers from Melbourne and other capital cities.

They are however all attracted to the market by the same three property investment pillars of affordability, capital growth and rental returns. As the Melbourne market bounded ahead over the past three years with record low interest rates, many investment properties have become out of the price range of many investors. Additionally, the capital growth has decreased the gross yields from the same properties to less than 4% in most cases. This has left many investors searching farther and wider for more affordable properties that deliver a more palatable rental return, closer to 6%, with the opportunity for capital growth.

We are of the opinion that the activity in the investor market at present is sustainable in the medium term, particularly in the established and period housing markets. This is primarily due to the affordability of the properties which occupy this segment and the nature of the people purchasing them.

As an example of the impact if banks raise investment loan rates, we note that an investor purchasing a \$250,000 Edwardian dwelling in Golden Point with a loan to value ratio of 80% would see an increase in monthly repayments of around \$30 per month. This would not discourage an investor.

However in the event lending criteria tightened in such a way that a more conservative loan to value ratio of say 70% was required, an impact would be felt in the market as prospective investors would be required to compile a greater deposit to enter the market.

If investor demand dissipated we would see an increase in selling periods initially which would be followed by a softening in capital values. The sectors hardest hit would be those where there is already a strong supply verging on an over supply. In Ballarat this section of the market is new villa units and townhouses.

#### Gippsland

The markets of Ninety Mile Beach, Wellington, Loch Sport, Paradise Beach, Golden Beach, The

Honeysuckles and Seaspray remain quiet. There is more interest in established improved properties over vacant land as the Bushfire Management Overlay has added costs to new dwellings. The Loch Sport sewerage scheme is about 30% completed. Initial cost is \$800 for a collection tank. Future development will attract a connection fees of about \$10,000 (in lieu of the cost of an onsite envirosep system). This has not influenced vacant land sales which remain in the \$40,000 to \$60,000 range without water views. Values of residential properties are similar for all five towns. Values have been static for several years now. The price of an average quality dwelling in good condition without views is in the range \$170,000 to \$220,000, above average is greater than \$220,000.

#### East Gippsland

Investor activity in East Gippsland remains low with low interest rates and reasonably good rental returns not seeming to stimulate the market. The best returns are found in the lower brackets, say the \$200,000 to \$275,000 range, where gross yields are in the 6% to 7% range. Yields are lower for higher value ranges where for a \$350,000 investment, 5% would be typical. Agents are reporting only a few recent enquiries from investors looking to buy.

## Queensland

### Brisbane

While investors continue to fuel the fire of our major southern cousins, we in Brisbane are enjoying some great attention while avoiding a feeding frenzy, which is just the way we like it. Brisbane should be seen as a long-term option for investors.

We'd also like to believe investors are well informed buyers who keenly research their markets before making the big decision to purchase, but this is sadly not always true. Plenty of property is sold to unsuspecting non-locals charmed by the idea of depreciation benefits and easy cash, and this is rarely smart buying.

The strongest activity from investors in the past year has been city-centric - suburbs close to the CBD such as Fortitude Valley, Newstead, New Farm, Teneriffe, Bowen Hills, and Hamilton have experienced the lion's share of investor buyers in the north. South of the river, investors have been keen on South Brisbane and West End where towers continue to grow across the suburbs. While these areas offer solid, blue-chip real estate with the location, location, location box ticked, different developments are attracting different buyer groups, and some may be in for bad news on future growth.

Some projects appeal predominantly to locals, however others are selling to interstate and international buyers who may not be overly informed about what's happening on the ground in our city.

In addition many are sold prior to completion with marketing arms determining who gets to buy the product, rather than buyers choosing for themselves.

In Brisbane, many of the fundamentals you'd apply across the nation for good investments work here too. Being close to amenities, public transport and school catchments are major pluses, and café precincts or proximity to the city all work in particular when appealing to young professionals as tenants.

In Brisbane, buyers are (or at least should be), looking at the quality and condition of the product, but this must be considered in tandem with position and proximity to nodes like universities, school catchments, public transport and other amenities, so rent can be maximised.

There is of course also the important question of money.

When talking about price points for investor stock the New Farm/Teneriffe/Newstead area will set you back around \$800,000 to \$1.1million, while a bit further out in Ascot, Hamilton and Clayfield, investors are spending around \$500,000 to \$800,000.

If you're looking at the inner- to mid-ring suburbs of Greenslopes and Annerley on the south side, expect to pay \$550,000 to \$650,000 for an entry level 3-bed, 1-bath home. Travel a little further out to Sunnybank and entry level property is around

\$500,000. For those wanting to dip their toe into the Brisbane market without making a major outlay, Marsden on the south side has product in the early \$300,000s however there is a bit of stock at present and rents are relatively static

For many buyers, successful serviceability of a loan is all about returns. Gross yields in Brisbane are generally 4.% to 5.5% across most holdings.

When looking at the price for units on the south side, established units in Coorparoo and Greenslopes reflect figures from \$350,000 and up for an entry level, 2-bed, 1-bath attached dwelling. Closer in and new one bedders in West End and South Brisbane are over \$400,000, while two bedders are in the high \$500,000s.

As for market outlook, the sustainability of investor activity over the medium term depends on a number of variables such as interest rates, APRA regulations and the old chestnuts of demand and supply. Inner city units are at risk of oversupply and falling values may follow in the short term.

The problem is compounded by Brisbane's migration levels being at an all-time low. They haven't increased relative to the amount of development being undertaken within the Brisbane region, so things could get tight for some markets.

The APRA regulations are already impacting the market here - particularly with buyers who are

already at their maximum LVR. If demand begins waning, the inner city unit market would be most affected and there'd be a flow on effect due to the substantial supply forecast for units.

That said, Brisbane is generally a solid market for investors. Our tip is to buy as close to the CBD as possible and get value for money by looking seriously at second hand stock being sold locally, or homes where the land value is solid. It's the best way to mitigate risk.

#### **Toowoomba**

In the Toowoomba residential property market the investor subset remains active. However, the last half of 2015 has seen a stabilisation in investor driven development, perhaps in response to reduced mining activity in surrounding areas. Evidence of this is that while the median house price continues to increase, the volume of house sale since the peak at the end of 2013 and start of 2014 has slowly reduced, showing early signs of a softening consumer sentiment across the market.

Although investors continue to play an influential role in the level of development activity across Toowoomba, development of new units and dwellings on non-traditional small lots built to an average standard with basic to good finishes is concentrated in suburbs such as Glenvale and Kearneys Spring to the west of the CBD. The typical investor pool is comprised of mostly out of town investors seeking

house and land packages.

There has been a notable slowing in rental demand and a subsequent decrease in gross yields being achieved for investor product. As such, this may encourage the investor subset to reduce risk appetite. Moreover, the tightening of investor lending criteria may negatively impact the Toowoomba residential market in that the construction of new units and dwellings on non-traditional small lots in these areas is near completely reliant on investor and tenant demand. This is the case as the nature of these rental dominated estates or precincts is often synonymous with average street appeal and a general lack of maintenance which has traditionally deterred interest from the owner occupier market.

In summary, it is unlikely that investor activity in Toowoomba will continue to increase at the rate seen in the previous year given the reduced mining activity in surrounding areas. However, while Toowoomba's median house price remains below \$400,000, the affordability of investment is likely to continue to attract some level of investor attention.

#### **Gold Coast**

##### **Southern Gold Coast/Tweed Shire**

Investors are playing a key role in the property market on the southern Gold Coast and in the Tweed Shire. We note investors are very active in the sub million dollar market, in particular in beachside locations.

Investors in the market place are a mixture of both local and interstate, in particular from Sydney and Melbourne.

Typical investors are interested in properties with a steady or good rental return with low overheads.

The price points for localities such as Burleigh Heads, Burleigh Waters, Miami and Palm Beach is around \$500,000 to \$550,000 for established housing. Duplexes and units in these localities are around \$365,000 and \$400,000.

We believe that investor activity at its current level is not sustainable over the medium term in the property market.

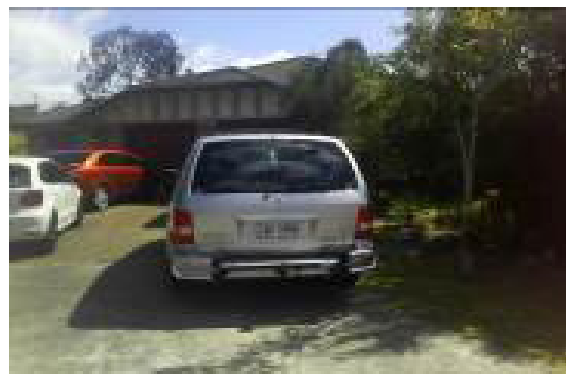
If investor demand did start to drop, it would have negative implications for the market on the southern Gold Coast and in the Tweed Shire as investors are prevalent. The demand for property would slow and prices would likely fall due to more stock being available to purchase.

The types of properties investors have purchased recently include:

- Melbourne investors purchasing a rural lifestyle property.
- Local investor from Bonogin purchasing a townhouse unit.
- Melbourne investor purchasing a unit.



*Melbourne investor purchasing a rural lifestyle property.*



*Local investor from Bonogin purchasing a townhouse unit.*



*Melbourne investor purchasing a unit.*

### **Coastal North**

Investors in the coastal north area are moderately to highly active, with the typical investor appearing to be mainly international using local builders and smaller project developers.

Investor activity in the central high density beachside locations has traditionally been driven by both local and non local investors. Lately we are seeing an increased amount of non local and particularly Asian investors, who are prevalent on new product.

New residential stock which fits criteria for Foreign Investment Review consideration and approval seems to be appealing overall to these investors on Hope Island, as this location is pre-approved for Foreign Investment Review.

General housing stock in and around the Southport CBD and spreading into Labrador and Ashmore are also appealing to these investors.

In central Surfers Paradise, investor activity is steady to strong with the a sub \$500,000 price point seeing the most activity. However, high body corporate fees and property outgoings are deterring investors. For example Unit 26, The President, at 29 Northcliffe Terrace, Surfers Paradise sold in May 2015 for \$358,000. This is a circa 1973, 2-bedroom, 1-bathroom unit of 86 square metres. It is an absolute beachfront development comprising 30 units on a parent site of 1,533 square metres. The agent reported that due to the high underlying land value, rates were circa \$5,000 per annum plus the body corporate fees of approximately \$150 per week made the unit unviable for many potential investors.

Investors are looking for larger dwellings on larger parcels with Residential Choice classification that can be split for higher density development such as duplex and triplex development.

The most intense demand however appears to be for residential estates close to the Southport CBD or highly regarded established precincts such as The Southport School ('TSS') location and areas with Broadwater proximity.

Investor activity away from the beach side locations is stronger than previously, with villas and townhouses in larger cluster unit developments in the more outlying suburbs having seen some increase in price levels from low to mid \$200,000s up to high \$200,000s.

Local owner occupier buyers are competing with local and interstate investors in these outlying suburbs for freestanding houses. Pacific Pines which was developed through the 1990s and 2000 has seen healthy increases in price levels over the past 18 months with entry level now circa \$380,000. This locality is well serviced for schools, shopping and transport, appealing to both investors and owner occupiers alike.

General sales for duplex and triplex parcels reflect values of \$190,000 to \$240,000 per dwelling site in the Southport CBD area.

In more prestigious areas such as Paradise Point this range is running at \$275,000 to \$325,000 per dwelling site.

Interstate buyers are purchasing new units, however, typically at levels above local market price points.

Student accommodation has slowed with a recent and apparent slight drop in values. We have not seen any activity on flats, however these are perhaps more tightly held.

Despite recent rate rises signalled by Westpac which may affect the larger city markets, values on the Gold Coast are still comparatively low and appealing to interstate and foreign buyers. There is still room to improve as Gold Coast was hit very hard after the GFC.

#### **Upper North**

Investors in this area are very active indeed and have been very predominant in this area for nearly a year. The majority of investors are Sydney buyers and to a lesser extent Melbourne buyers for established housing. The new housing is targeted by a mix of interstate buyers from all over Australia and Chinese buyers.

Established housing investors are mostly active in Eagleby and Beenleigh areas with price points around \$240,000 achieving circa \$320 per week rent or 6.93% yield.

New housing investors are mostly active in Pimpama and Ormeau where the price point for a typical 4-bedroom, 2-bathroom, 2-car house on a 400 square metre lot is between \$460,000 and \$480,000 achieving circa \$420 per week or 4.55% yield.



*3 Geelong Crt, Eagleby QLD*  
Sold October 2015 \$242,000 rents \$320 per week.



*33 Tarlo St, Eagleby QLD*  
Sold August 2015 \$238,000 agent advised will rent for \$330 per week.

Investors in the upper north area are far less active in the townhouse and duplex unit market, accounting for only a very small percentage of sales. We are of the opinion that investors prefer housing due to historically stronger capital growth compared to units.

We believe that the investor activity is sustainable in the medium term with interest rates currently at record lows. Sydney investors can't stay away in particular with the median house price in Sydney over \$1 million. This shows that these investors can buy four houses for the price of one Sydney house.

Whenever banks tighten lending policy it will have an impact on the market, but how much impact is a case of let's wait and see.

#### Hervey Bay

Sales relating specifically to investors have remained steady throughout 2015 for the Fraser Coast. Most investors target property in the sub \$350,000 range, with only minimal activity above this price point. Rents have been gradually rising over the past two years, with some property achieving gross yields above 6%.

Many agents now comment that they simply do not have enough housing stock to cater for the ongoing demand, with a mix of interstate, intrastate and local buyers competing for existing property. Hervey Bay currently has at least five separate estates being

developed with the next stage likely to cater for house and land packages under \$400,000. Going forward, demand is expected to remain constant for investors as these new estates move to completion. Growth in rental return is not expected to continue however and is likely to stabilise in the short term, with affordability being a major factor.

#### Emerald

Investment in the local market is limited to a few active locals. There appears to be no out of town investors currently active which is the opposite of four years ago. It appears the worst is over for Emerald with an average drop of 25% in values over the past three years and rents dropping significantly over the same period. The market appears to be leveling now for the time being and there are some bargains about. There is no news on the horizon which will cause capital growth in the short term but historically the region goes through cycles and we are currently near or heading towards the bottom of a cycle. Any new major announcements of redundancies or mine closures in the local resource sector could cause a new low in the property market. Many locals would like to buy an investment property in the current market but have lost all equity in their own property if purchased in the past six years. Those who do have equity or are cashed up are shopping around. Residential properties currently show 5% to 7% gross return.

#### Bundaberg

Investors are attracted to the Wide Bay region due to the affordability of land, houses and units in the area. Interstate investors seem to be attracted to new stock in outer suburbs such as Moore Park Beach and Branyan producing housing around mid to high \$300,000 and obtaining rentals of around \$340 to \$350 per week. However, these houses when offered back to the market for sale to local purchasers are not achieving original construction prices.

Sales volumes have remained steady in 2015 but values have remained static with most activity being in the sub \$350,000 range.

Rentals appear to be stable with a standard 3-bedroom timber house in Bundaberg averaging \$260 to \$290 per week and a 4-bedroom modern brick house averaging \$345 to \$370 per week. Vacancy rates are at about 4%.

Confidence appears to be growing with the current low interest rates, federal government incentives and average vacancy rates encouraging both first home owners and investors to remain in the market during 2015.

#### Gladstone

There is very little investor activity in the market at present compared to three to four years ago when investors were pretty much the only buyers in the market. The demand for accommodation in

association with the construction of the multi billion dollar LNG plants was the highest Gladstone had ever seen. However the market has been declining, significantly in some sectors since the peak in 2011 and 2012. In 2015, there has been a general stabilisation of the market for existing established housing. Sales activity has spiked at various times throughout the year as prices are now much more affordable. Most of this activity has come from owner occupiers or local investors out for a bargain.

The unit market has been the hardest hit in terms of value with most values now approximately 40% to 50% less than their value in the peak. There were over 900 apartments and townhouses built during the boom. This market is unlikely to improve in the medium term future. Most of these units were marketed towards investors and the new APRA guidelines are likely to further stagnate sales and possibly lead to further value reductions.

New construction activity is very low. Gone are the days of house and land packages being marketed to investors. The packages are still being marketed, however the uptake is much slower.

While many believe the residential market in Gladstone has hit the bottom, there are a few important factors which may say otherwise. There

are still approximately 7,000 workers on Curtis Island finalising construction of the LNG plants. Approximately half of these are locals who within the space of 12 months will need new employment in a region that is already struggling. Vacancy rates continue to rise, currently sitting at approximately 8%. Demand is limited in certain market sectors. These items coupled with APRA's new guidelines regarding investment lending indicate that Gladstone could be in for a bit more hurt in the future.

#### Rockhampton

Historically, investors have been a significant influence in the Rockhampton region, in particular in the entry level market sector. Investors in this region vary from both mum and dad investors to interstate investors who have often seen value in our affordability and during peak market conditions, were not fazed by purchasing properties sight unseen.

The investor market in Rockhampton has typically always been entry level price points however in recent years, there has been an influx of investment in new homes specifically targeted to non local investment providing a basic 4-bedroom, 2-bathroom home in the mid \$300,000s.

As in most markets, investors in our local market focus on rental return and potential for

capital growth. In a town of our size, transport infrastructure and proximity to major facilities is still a consideration, however not as important as it is in the major capital cities.

**Expected yields vary depending on the property type, but broadly speaking, between 5% and 8% can be anticipated.**

Investment in the unit market has a smaller influence in the market overall, yet between 6% and 7% gross yields are still attainable. Rockhampton has seen significant development in the short term and holiday accommodation sector in the past five years and supply is now becoming tighter, yet this is a relatively new market sector in which resales are largely untested.

Multi unit dwellings have always been a sound option for investors due to the lower risk of vacancy, however given the affordability of the Rockhampton region as a whole, rental returns for aged dwellings are also attractive.

Smaller sub markets in our local area such as Gracemere and the Capricorn Coast are experiencing similar conditions to varying degrees,

with Gracemere being the first sub market in the Rockhampton region to reflect a downturn as a direct result of investor withdrawal. This downturn has been exaggerated by the significant number of non local investors paying highly inflated prices for house and land packages about three or four years ago on the basis of unsustainable rental guarantees which are now expired. This market was significantly developed, in particular in Gracemere between 2011 and 2014, off the back of the resources boom in mining towns within easy commuting distance of Rockhampton, including Gladstone. Once demand appeared to have reached its peak and the Gladstone market started to show signs of easing, developers of these housing projects quickly withdrew from the local market, particularly in Gracemere, and are no longer active in the area. Significant declines in values have been experienced in those resales that have occurred.

Locally we have been experiencing a downturn in investor activity to date in 2015, however market indicators show this is more as a result of lower confidence and job security rather than the changes to the APRA lending criteria for investors, which appears to be targeting the more heated markets of Melbourne and Sydney. Ideally, with the implementation of these new guidelines, interstate investors may start to return to our local market as a

20% deposit on a \$200,000 to \$300,000 house may be more attainable for investors than a 20% deposit on a \$700,000 plus property.

#### Mackay

Prior to 2014, the residential market was heated with both national and international out of town investors. They tended to favour house and land packages, or near new dwellings or units. A particular residential estate known as Blacks Beach Cove, located in Mackay's northern beaches, was marketed predominantly to out of town investors. A typical modern 4-bedroom, 2-bathroom dwelling with double garage accommodation was priced between \$450,000 and \$550,000 and would achieve between \$500 and \$600 rent per week. Vacancy rates in the Mackay region were below 1%.

However since the downturn in the mining sector and influx of investor house and land products, there is very little investor activity in the Mackay residential market and property values of investor type products have fallen by up to 30%. The same 4-bedroom, 2-bathroom dwellings within Blacks Beach Cove are currently selling between \$280,000 and \$350,000 and achieve between \$270 and \$320 per week. Vacancy rates within the Mackay region are now in excess of 9%.

#### Townsville

Of all settled house and units sales to date within the Townsville property market during 2015, just under 20% were to out of town buyers.

Data indicates around 15% of houses were sold to out of town buyers at a median price of \$375,000. These buyers have shown a preference for modern and semi modern low set masonry and block style homes or older renovated homes. These styles of homes are generally lower maintenance.

Out of town buyers accounted for 34% of all unit sales registered to date in 2015 at a median sale price of \$325,000. Investors in this category seem to favour more modern units or semi modern units in desirable locations.

Overall investor activity has been subdued throughout 2015. We have not seen any significant variations in activity since the recent changes around lending to investors transpired, however it would appear that investors are willing to shop around to different lenders to get the best rates.

Townsville's residential property market currently sits at the bottom of the market cycle with limited short term growth in returns or capital forecast. The rental vacancy rate remains above balanced market conditions. We consider current investors to be speculative and savvy investors who are in a position

to hold property for the medium term until market conditions improve.

### Cairns

Outside investors have shrunk considerably as a force in the Cairns market.

Our analysis shows that overall, outsiders buying into Cairns has reduced from high on 50% of the market in 2003 down to around 22% of the market today. The switch is especially noticeable for units, where outside buyers have reduced in activity from near 70% in the heyday of the market in 2003 to approximately 36% of a much smaller market in

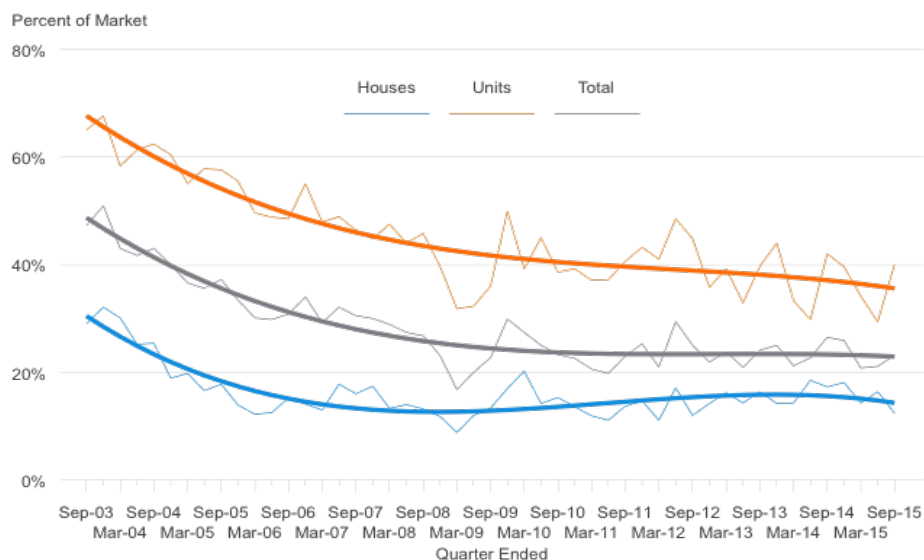
2015. The flip side is that the Cairns market these days is being sustained primarily by intending occupiers and a smattering of local investors.

Over the same twelve year period, investor yields have improved from 6.3% to 6.8% for units and 3.6% to 4.9% for houses, though it must be said that the increased yield has in many cases been more than frittered away by higher ownership costs, particularly through escalated building insurance charges.

Part of the explanation for the investor slowdown over the period has been the slowdown in new

housing construction, especially of units. The absence of large unit developments has seen the absence of new units targeting out of town investors by project marketing specialists. Even though building conditions have improved significantly in Cairns over the past three years, building conditions are still patchy and only a fraction of normal.

By rights Cairns should be returning as an investment hotspot given its relative affordability, especially compared to investment in the capital cities, and its good prospects as the economy continues to improve on the back of increased tourism. This is evidenced by the Golden Lakes unit development which commenced marketing earlier this year and has seen most of its first stage of 74 units sell to Chinese buyers. In addition the seven-tower Aspiat Nova 8 development in the CBD, likely to ultimately consist of over 1,100 residential units, is also poised to commence its first stage development aimed largely at investor buyers.



\* All sales are classified to the date of contract  
\*\* Recent quarters are provisional and subject to revision  
Source: HTW Analysis of RPData

*Outside Buyers in Cairns*

## South Australia

### Adelaide

We do not keep statistics regarding the number of investors buying and selling in the market however investors are considered to be moderately active.

The typical demographic of an investor is hard to qualify. In Adelaide there is a mix of local, interstate and overseas investors. Interstate investors are more likely to be buying on the back of investment seminars with investment groups. Overseas investors from what we have seen are more likely to be involved in purchasing off the plan apartments in multi-storey developments in the CBD.

Investors have generally purchased units as they are considered affordable and easier to manage. They are more likely to purchase in new developments along with smaller properties which are infill developments in established locations close to existing infrastructure and finally they purchase detached dwellings or have constructed dwellings in mortgage belt locations to the north and south of Adelaide.

When it comes to detached housing investors need to work out whether they want capital growth or rental returns. In general they have sought new or near new properties in outer areas where there is good rental income and there may also be depreciation benefits. Inner ring investors are more likely to be more cashed up and rental income is not the driver for the

investment decision. They are looking at a longer term for the investment and therefore capital growth.

When looking at price points we have looked at inner, middle and outer suburbs in both the northern and southern suburbs to make comparison. Outer suburbs such as Munno Para and Seaford Meadows are expanding and there has been a lot of new residential development occurring in the past few years. New or near new properties in Munno Para can cost investors between \$250,000 and \$300,000, whereas the equivalent property in Seaford Meadows can range from \$400,000 to \$450,000. Seaford Meadows typically fetches higher prices due to its proximity to the beach and the rail line which commutes residents to and from the CBD. We have compared markets based on standard 3-bedroom, 2-bathroom homes with one or two car spaces for our comparisons.

Middle suburbs such as Mawson Lakes and Ascot Park are areas which have also had vast development occur in recent years. A newly built standard 3-bedroom, 2-bathroom home of similar style can be purchased for \$400,000 to \$450,000 in these suburbs. These two suburbs have been very popular with investors, particularly Ascot Park where re-zoning has meant that older trust homes have been purchased and demolished to make way for brand new medium density developments.

Higher price points are evident in inner suburbs such as Prospect to Adelaide's north, and Parkside to the south. In demand character homes are found in these localities, and we have seen an increase in price paid by investors wanting to own a piece of these niche markets. Recent sales for character dwellings in these areas range from \$800,000 to in excess of \$1 million.

The gross yields differ when comparing properties in the inner, middle and outer suburbs. Investors are achieving gross yields of around 4.5% to 6% per annum in Seaford Meadows and Munno Para respectively. Munno Para is achieving a higher yield as the price paid for detached dwellings is lower than those at Seaford Meadows, but investors are achieving similar rent prices for newly built homes. Typical rent for a 3-bedroom, 2-bathroom home in these localities ranges from between \$300 to \$400 per week.

Middle localities are achieving similar gross yields of around 4.7% to 5.2% per annum. Mawson Lakes and Ascot Park are offering investors the chance to rent properties for upwards of \$400 per week, which has been very popular amongst young families and students who wish to live near the CBD but not pay premium rent prices. Yields in inner suburbs are lower than outer and middle suburbs as investors who purchase these properties are more interested in the future growth in value rather than rental

returns. Homes in Prospect and Parkside typically yield between 3.5% to 4% per annum.

Townhouses and Units are achieving similar yields in areas such as Mawson Lakes where the purchase of a 3-bedroom, 2-bathroom unit can achieve you a yield of around 5.2%. This figure was reached using sales of between \$260,000 and \$340,000 with rents ranging from \$300 to \$400 per week. The trend is similar in inner suburbs such as Parkside where units can fetch you a yield of around 3.8% per annum. This is when comparing rent prices of around \$380 per week for 3-bedroom, 1-bathroom units with a value of \$520,000.

#### Mount Gambier

Investor interest in the Mount Gambier region has been relatively good in recent years. In comparison to cities and other regional areas, the returns on properties in Mount Gambier are considered quite good. While the rental returns are attractive for investment properties, capital growth in the region has remained relatively stable.

Local and out of town investors are purchasing properties in Mount Gambier. Local investors typically will spend less on a property (say under \$250,000) and generally lean towards a detached family home. In recent years the number of unit sales occurring has stabilized, however they are approximately half of what they were around five years ago. In recent years we have averaged around

70 units sales a year, while from 2007 to 2009 there were approximately 140 unit sales per year.

Out of town investors often have larger budgets and will invest in properties with a value greater than \$300,000. Properties in Mount Gambier are much more affordable than other regions and \$300,000 will buy a good quality family home and will appear to the investor that they are getting good value for money compared to other locations. Also in this price range the dwellings are likely to have been recently constructed offering good tax depreciation benefits to the investor.

Gross yields for groups of flats range from 6% to 8%. Yields vary for a number of reasons, but typically the location, age of improvements and condition are the main influences.

Maisonettes have higher gross yields ranging from 8% to 10%. While the yields are higher these types of properties are generally riskier as they are situated in less desirable locations, accommodation is basic and properties tend to get poorly treated.

Houses in regional areas can show gross yields of around 5% to 6%, however they typically are a more risky investment as market values can fluctuate and they can often have extended periods of vacancy.

## Tasmania

Of all buyer profiles within the Tasmanian residential property market, the Real Estate Institute reports that 17% of total residential sales can be attributed to investors. Within this investor sector the REI further reports that as a percentage of sales occurring within each region (southern, north west and north), investors are most active in the north of the state. Traditionally investors and first home buyers compete for established entry level properties up to approximately \$250,000, however the first home buyer's boost has deflected the attention of first home buyers to newly constructed dwellings in order to capitalise on the grant. It is unlikely the state government will extend the first home builder's boost grant indefinitely or at its current level after December 2015. Consequently it could be expected there will be greater than current levels of competition between investors and first home buyers in this market level.

Investors generally seek suburbs popular with renters being suburbs that contain either large employers, good access to public transport networks and facilities such as shopping centres, schools and child care facilities.

Suburbs in the southern region that have achieved the greatest volume of sales in the past twelve months in this entry level price bracket of up to \$250,000 are Glenorchy and Claremont. Both suburbs are to the north of Hobart's city centre on the western side of the Derwent. Glenorchy is approximately nine kilometres from the centre while Claremont is approximately 14 kilometres from the centre of town. The majority of these sales have been houses. Reported gross yields in Tassie's south for residential property range from 4.7% to 5.3%.

The north of Tasmania reportedly offers the highest gross yields for residential investment property at between 5.6% to 5.8%. Suburbs in the north where the greatest volumes of sales have occurred within this bracket over the last year are Mowbray and Newnham. Both of these suburbs are near to the University and two good shopping centres. Investors considering these suburbs should take note that the relocation of the Launceston campus of the University to Inveresk has the support of state and local governments and on approval is expected to be completed within five years.

Applying these same parameters to the north-west reveals highest sales volumes in this market bracket were achieved in the Devonport region, the largest population centre in the north-west. Reported gross yields for the north-west are between 4.8% to 5.6%.

Should Tasmania make good on its announcement to accept up to 500 asylum seekers this may be a driver for residential property investors to capitalise on housing demand in the near future. The government may consider schemes such as the National Rental Assistance Scheme as an incentive for private investors to meet resultant potential housing demand through its \$1.2 million commitment to support such an intake.

## Northern Territory

### Darwin

Darwin is still attaining the highest rental yields of any capital city in Australia, sitting at 5.5% for both houses and units despite recording the most substantial decline in values with a fall of 3.2% over the three month period to August 2015 according to the Corelogic RP Data Home Value Index. At the same time, the level of investment lending has shown signs of cooling in recent months, with lending finance data released by the Australian Bureau of Statistics showing a 35.6% decline in the value of new lending to investors in the Northern Territory between May and August 2015. Local agents have seen lower levels of investor transaction in the past 12 months with owner occupiers forming a greater proportion of buyers in the current market.

**Darwin CBD is currently experiencing a high level of apartment construction driven by strong demand from first home buyers due to the FHOG being limited to new properties.**

There are a number of developments under construction and near completion, including Horizons on Harvey, Mauna Loa Apartments, Jepun on Smith Street Mall, Catalyst, 29 Daly Street Darwin, Tech 1 and a number of boutique buildings on inner streets

of Stuart Park and Larrakeyah, with a total of 500 apartments.

Among these developments, 2-bedroom sales above the \$600,000 mark have seen fewer transactions compared to 1-bedroom, studio and 2-bedroom apartments in the price range of mid \$400,000 to \$550,000 which particularly appeal to investors and are offering a gross yield in the range of 5% to 6%. Although rents have come back in the past six to eight months, the relatively higher rental yield compared to other state capitals keeps properties in Darwin attractive to interstate investors, especially new apartments, due to the benefits of better rental rates, tax savings, less maintenance issues and depreciation benefits.

In previous years, up to 70% of off the plan apartments were sold to investors. In contrast, the current demand for off the plan properties has shifted towards a more even market of investors and owner occupiers. In the past, several developments in the inner Darwin CBD were offering attractive incentives of up to 8% guaranteed rental returns. These developments had been well received by both local and interstate investors. Today, most of the current off the plan apartments no longer provide such incentives apart from the Northern Territory Government's Real Housing for Growth head-leasing initiative developments. Under the plan, 2,000 new homes will be constructed in the Northern Territory in the next four years and these properties will be

leased to eligible key service industry workers at 30% subsidised rent. At present, properties available under the scheme are The Eclipse development in Coconut Grove in Darwin's north, Farrar Village development in the satellite city of Palmerston and a number of developments in Alice Springs. These developments have been well received by investors due to the attractive return of guaranteed rental income stream for a ten year period. Looking at detached housing specifically, Defence Housing Australia properties in the northern suburbs of Muirhead, Bellamack, Johnston and Zuccoli in Palmerston are still attracting both local and interstate investors offering yields ranging from 5% to 6% with a ratchet clause in place which ensures rent cannot fall below the contract rental price.

At present, Darwin is experiencing higher than normal rental vacancy at 3.3% as a result of rising home ownership as tenants have been able to get a foot onto the property ladder. Looking to Palmerston, owner occupiers formed a greater proportion of buyers in the new subdivision of Durack Heights and Zuccoli as FHOG are available to purchase house and land packages. Established stocks of both units and detached dwellings in Palmerston, Darwin CBD and the northern suburbs have been the hardest hit segments in the current market. Local agents have advised that these stocks are experiencing extended selling periods and a lack of interest as investors and first home buyers are purchasing new properties.

The continued decline in house prices for established homes will affect investor borrowers who are looking to borrow money using their equity to purchase investment properties plus the need to stump up a bigger deposit.

The current trend of softening in Darwin is likely to persist over the coming years. The cumulative effect of APRA's tighter lending conditions and more expensive mortgage rates will affect investors' confidence and the long term sustainability of Darwin.

## Western Australia

### Perth

The level of investor activity in Perth has steadily declined over the past six months in line with a reduction in rental yields, an increase in the residential vacancy rate and an increasing supply of housing stock.

Perth's median rent has declined by 5.8% over the previous 12 months, including a decline of almost 3% in the previous quarter alone.

The majority of investment activity at the moment is targeted towards new turn key products, with both apartments and villa complexes attracting interest. However the market is extremely price sensitive and the majority of activity is in the sub \$500,000 range with the motivation being that it represents a lower risk option. Market activity above \$500,000 is largely driven by the owner occupier market, although we note that while money is cheap relatively speaking, there remains some speculative investor and developer interest in the market.

A large number of apartment developments are approaching practical completion and pricing of any unsold stock is extremely sensitive. This is prevalent in the CBD and city fringe locations such as Rivervale, Maylands and Northbridge. Given the declining

market conditions over the previous 12 months, many off the plan contracts are now showing a high premium which is unobtainable in the current market. True pricing levels can be hard to ascertain as developers withhold stock from the market until post settlement of the off the plan contracts rather than re-pricing their unsold stock which has the potential to inflict valuation pressure on those contracts.

A decent portion of the current contracts approaching settlement are from overseas buyers and local investors, however this has swung over recent months to a larger portion being interstate buyers, as locals become more cautious. Comparatively, Perth is still seen as relatively affordable with a reasonable yield (average of 4%) on offer. Local buyers are using more caution in investment decisions, however there has been a spike in the level of owner occupiers upgrading into new apartment complexes. The consequence of this is that the established apartment market in areas such as South Perth has stagnated as the interest is directed towards newly marketed complexes. The majority of this activity is in the \$600,000 to \$900,000 market segment.

In the detached housing market, investors are generally seeking a turn key product, able to achieve a return on investment from day one. This is leading to a decrease in interest in the current marketing strategies of some developers, whereby the investor is required to settle on a small allotment (sub 250

square metres) prior to construction commencing, as opposed to genuine off the plan developments. The inherent risk in this scenario is a front loaded profit, whereby the land is sold at an inflated amount, with the building contract subsequently appearing to be reasonable value. However the developer is simply reducing the risk profile of the development for themselves by bringing as much profit as possible forward in the development timeline. As the overall risk profile of the residential market increases, investors are seeking a less one sided contractual position. This is particularly prevalent in inner suburban areas which typically attract a more sophisticated investor. We note that as demand for this product eases, developments in outer areas are increasingly at risk of failing to satisfy pre-sale requirements and developers are increasingly defensive of maintaining contracted positions and are often seeking alternative financial solutions for their buyers. This is currently being witnessed in East Cannington, Beckenham, Kelmscott, Aveley and throughout the Peel region.

Amongst all the doom and gloom, there is a significant upside to the Perth residential property market at present. From an investor's point of view, they are currently spoilt for choice, both in terms of type of product and location. Any cash buyer in the market will be in a very strong negotiating position in a market where some segments are down 10% over the previous six months. Interstate investors are already increasing their presence in the market

place and we would anticipate that this will continue as markets in the eastern states continue to cool. If this fails to occur, the lull is likely to be for longer and potentially deeper than currently forecast, although as we have seen many times previously, the media is likely to play a significant role over the next 12 months.

#### **South West WA**

This month we will be focusing on investors in the South West property market. Investors are mainly active in the lower end of the market and have been looking to capitalise on a stronger than normal rental market that has seen an increase in yields over the past two years. Higher yields and low interest rates create a good market for investors and this has strengthened property values in the lower market segment.

A good opportunity for long term capital growth in the South West is along the coastal strip located on the northern side of Bussell Highway traversing the suburbs of Busselton, West Busselton, Broadwater and Abbey. This coastal strip is approximately 500 metres wide and runs for approximately 10 kilometres along the Geographe Bay.

As the City of Busselton continues to grow at a strong rate, this well located section of land will continue to grow in desirability and affluence as the urban sprawl continues to be pushed further away

from the coastline. This consequently will result in good capital growth over the medium to long term as an increase in population will lead to stronger demand of a product that has limited scope to increase in supply. While the rental return of these investments is generally quite weak, purchasing within this coastal strip provides a strong opportunity for capital growth over the medium to long term.

While yields have increased they do remain lower compared to the capital city and this coupled with Perth historically achieving better long term capital growth results in many investors shying away from the South West market and looking north to the metropolitan region.

However when the property market in the metropolitan region is strong the South West property market does benefit as it attracts the out of area emotion driven investor seeking a holiday home and part time investment. Nevertheless, this particular buyer profile has weakened over the past 18 months as property values in the capital have declined resulting in a more cautious approach to investment.

Historically the South West does not attract investment purely on capital growth potential and returns but on an emotional level as the region is a very desirable holiday destination given its beaches, surf, vineyards and breweries. This investment is



generally aimed at the lower market segment that competes with the first home buyer. Investment does occur in the middle to higher market segments but at a reduced level.

#### **Esperance**

The residential investment market in Esperance appears to be more incidental than dedicated. Typical investors vary from Goldfields based owners having their coastal getaway to local people upsizing and being able to retain their current property to generate some rental income. Local farmers also have town properties for either their own use or as an off farm investment. As with most areas, returns also vary with the higher returns associated with higher risk.

At the lower end of the residential market, Nulsen is hard to go past as a starting point for entry level homes providing affordable housing and higher returns on investment. For less than \$200,000 a fairly comfortable home can be picked up with loan payments generally less than rent and at least there is a starting point for property ownership. From an investment perspective, the home you can purchase under \$200,000 could generate \$250 to \$280 per week in rental income which gives a far better return than the next market level that would see you outlay around \$100,000 more for probably only \$20 to \$30 per week extra in rent.

The reason this area is so cheap and in fact is probably the most affordable housing in the region, is the history of state housing and some antisocial behaviour. However, primary and high schools are within walking distance as are neighbourhood shopping facilities. The Esperance town centre provides regional shopping and health and recreational services are less than three kilometres away at the furthest point. This area struggled for sales during 2011 and 2012 with a turnaround in volume and values in the latter part of 2013 and into 2014. 2015 has seen strong demand as the realisation creeps into the market that this is a very affordable area. On a percentage basis, Nulsen is likely to provide the best growth for property at the lower end of the broader market.

At the next level, Sinclair and the older areas of Castletown have a variety of property for the purchaser in the high \$200,000s into the early \$300,000s price bracket. The homes are generally reasonable brick and tile about 25 to 35 years old on average and at the point where renovations would lift them to the next level. For the investor, potential rental levels are at the \$280 to \$320 per week level.

The next level up again is the better quality homes within Castletown and West Beach. Typically, these properties are selling between \$400,000 and \$550,000 and in the current market are returning rentals between \$400 and \$500 per week. From an investor's perspective, while the percentage return is down compared to the lower valued areas, the potential for a better quality tenant and a property likely to have less maintenance issues combined with stable longer term capital growth is appealing.

Rural

## Overview

Well, harvest is underway, or in many places possibly completed by the time you are reading this.

Of course, there have been a few rain events, just at the wrong time for those in the headers. Hopefully these have not had too much impact and those with a crop get it in the bin.

The reports this month from the team continue to highlight an increase in activity, especially in the grazing sector. This is well covered in the article from Frank Peacocke in the Northern Territory, and just to highlight the trend extends all the way down into south western Victoria, comments from Angus Shaw out of the Horsham and Ballarat office are also pertinent.

With the EYCI almost getting to 600c per kilogram and now back to 543c per kilogram as at 29 October, the question that begs is what is the 'new norm' for the cattle market pricing and does this new outlook support the dollars and transactions occurring. Some simple maths would suggest that a producer turning off, say, 1,000 head with an average live weight of 300 kilograms (assuming an average uplift of 0.75c per kilogram) will be \$225,000 per annum gross sales better off. Assuming they have grass and not supplement feeding, this reflects little change in operational costs. That uplift will be required in many areas to be sustained over a few years in order to help cash flows to be restored to the balance sheets

and associated infrastructure which would make many bankers very happy as well.

The positive shift in the market sentiment, sales activity and macro outlook (not just beef but most commodities), if sustained, should support the general market values moving up broadly. We still do however have some overhang of stock in districts where dry conditions and bank moratoriums holding off action are in place. The market will be tested when the real supply side of the equation is opened up. For now though, the overall outlook is still much better and is being reflected where conditions warrant.

This month there is also an overview from Scott Fuller about the slowly building carbon market for offsets and how they provide both an opportunity and some risk, which largely today is still less than the benefit accruing. The assessment rightly highlights that some proper due diligence and professional advice should be obtained when entering into these transactions.

Contact:  
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## Southern Queensland

Harvest has commenced on properties throughout the region in what is shaping up to be one of the best winter crops in recent years for many. Barley, wheat



and chickpea are yielding well overall following a wet start to the year and in crop rain during the warmer than average winter months. Those growers who put down fertilizers and were fortunate enough to get early spring rain are reporting record yields. Some growers around Meandarra and Kinson say that yields are better than the previous 1978 benchmark. To make matters even better, it would appear that prices have held and the rain might stay away until at least the majority of crops can be harvested.

On the cattle front it would appear that we may be starting to come off the record highs recently experienced. MLA's key Young Cattle Market Indicator looks to be retracting towards the 500c mark when many thought it was about to break through 600c. This is attributed to the continued drought conditions through western Queensland, talk of the expected El Nino, a reduction in quality

cattle yarded and many feedlots being at near capacity with the Christmas period shutdown fast approaching. Restockers remain active in the market which is a sign of confidence and reflects the feeling that the market will continue to improve next year should the season break.

There has been a slight improvement in property transactions in recent months though agents are reporting a lack of good quality property listings and a slight decline in enquiry over the past month.

We understand some prospective vendors will hold off from listing until the new year when it is hoped we may have received widespread rainfall. This has the potential of creating a further glut on the market which may have the opposite effect. Middleton, south-west of Bollon, recently sold at auction for a reported \$1,400,000 which reflects \$58.76 per hectare across the 23,827 hectare holding. The property has a mix of red and grey soils and is reported to have a carrying capacity of circa 8,000 DSE (reflects \$175/DSE including structures). Chain O Holes, located 100 kilometres north of Mitchell, has also reportedly sold immediately after auction

for circa \$1.2 million after being on the market for an extended period. This reflects circa \$53 per hectare across the 22,655 hectare GHPL property. Recent sales in the Roma, Wandoan and Taroom area include Talana, Yeovil and Wongalea.

The fact that several properties have sold in the region, some of which had been marketed for an extended period, indicates that some better established grazing families are confident the market has come off the bottom of the cycle or at least plateaued. While this may be the case in some areas, we are not anticipating rapidly improving values broadly. Positive developments in agriculture such as the recent Free Trade Agreement and much improved commodity prices are being countered by realities such as a dry seasonal outlook and high farm debt levels to many operations.

#### Central Queensland

Conditions across Central Queensland remain in a generally dry state with a noticeable decrease in grass reserves over the past couple of months. Fortunately some early season storms have provided beneficial fall throughout the Dawson and Arcadia Valleys, which should add grass appeal to listed properties in this area.

During the course of 2015 the market activity in Central Queensland has gained momentum, with a number of high value transactions occurring. It appears now that the supply of rural properties onto

the market is steady, while demand is increasing, particularly for better quality grower and fattening country.

There has been some genuine corporate interest in multiple properties in the area, and we expect to see some significant transactions announced by the end of this year.

October has been an active month with a number of transactions in the Emerald and Biloela districts. The Gindie farming district property known as 'Galway Downs' has sold for \$2,022 per hectare (\$818 per acre) to an adjoining owner, while the Monto district grazing property Harrami has sold for \$3.5 million or \$978 per hectare (\$395 per acre) which indicates about \$3,500/AE.

On the basis of continuing rain and a strong beef cattle market, we anticipate a high level of sales activity through to the end of the 2015 calendar year.

#### North Queensland

Despite the tough seasonal conditions, the North Queensland rural property market continues to tick along quite well.

Rural property sales this year have continued to confirm the value rates set over the past two or three years.

There may be perceptions of a strengthening rural property market, but in reality this is not the case.

Yes confidence is increasing as a result of the good cattle prices, but no, there has not yet been signs of increasing property values.

The reality is, there is a drought on, there are still business and balance sheets (debt positions) to sort out and any speculation of an increase in values would show a lack of on ground perspective at this stage.

The question begs to be asked though; do land holders really want values to increase right now? Rain and the ability to restock and consolidate business parameters are on the mind of the industry.

For those interested in where property value parameters are at, without talking about client's information for inclusions in settled sales, the following value parameters have been achieved in the current market period:

- For the district to the south of Charters Towers – there have been six relevant transactions that range in hectare rates from \$153 to \$470 per hectare bare of livestock, plant and equipment. This area has just had some short sharp scattered storms that ran a couple of creeks, however were too heavy and hard to provide grass rain. Without soft follow up rain, any short green flag (shoots) will burn off within days.
- For the district to the north of Charters Towers – there is good interest in Craiglee and Tarroni

which are on the market. Settled sales in that area are a year old by this stage. The past six sales involved varying degrees of vendor compulsion and ranged from \$24 to \$357 per hectare bare of livestock, plant and equipment. There has been no rain for some time and the Burdekin River is at its lowest in many years.

- As graziers know, there is more variation between Mitchell Grass Downs country types than some people realise. There has been a good trickle of sales in the current period. Many of these have been quietly negotiated. Sale hectare rates that have been achieved in this vast area range from \$185 to \$358 per hectare bare of livestock, plant and equipment.

This wide range is exciting in that there are so many variations between each country type. This includes, location, fencing, water, grass status, prickly acacia status and then why the two parties agreed on the price they did!

Our sales database indicates that there are eight blocks that have sold and present this hectare rate range. This is not including a couple of good quality fringe forest/broken downs sales that are to the north of the tick line, and are relevant to the northern property market.

- It is rare that any sales occur in the Cloncurry area and certainly ones with broken black soils and gidgee land classifications. The only two



sales in relevant time frames are of red country with inferior infrastructure, a bit of turpentine and snappy gum to reveal value rate ranges from \$30 to \$106 per hectare bare of livestock, plant and equipment. Certainly if a good mix of country types was to come up for sale, the local buyers would already have let the vendors know they would be interested before the property.

- The Croydon and Georgetown area has fared well this year. While there has been lower rainfall than usual, the quality of the grass has been surprising and the cattle are doing well. There are six relevant recent market transactions that have achieved a range from \$35 to \$63 per hectare bare of livestock, plant and equipment.

As we move on through towards the end of the year, the opportunity to make public submissions for the draft Great Artesian Basin (GAB) Resource Operating

Plan (ROP) will close in November. The current ROPS expires in late 2016.

While there is a lot of industry discussion about the future of water allocations in the Flinders River area, this opportunity to make submissions to create this GAB ROP regarding allocations, relocations, possible tradability to develop irrigation and drought proof blocks is one not to be missed. This is not a comment regarding the current pricing of allocations on offer, more so that that the public have the opportunity to make submissions for this new ROP.

It is good to see discussion in the marketplace regarding the Flinders River allocations and also GAB allocations as these are seen by many as the opportunity to increase agricultural economic activity, attract investment and create employment.

#### Central and Western NSW

One development that we continue to see come across our desks is the impact of carbon credit agreements on Western Lands country. Most financiers when approached by landholders with a proposal to enter into an agreement to provide Australian Carbon Credit Units to an accredited organisation will want to see from an independent source what the impact will be on what they hold security over. We have been able to review a number of these agreements over the past 12 months and we are beginning to see some trends and general impacts.

There is a tendency to look at these agreements from a commercial leasing arrangement where there is a set income that will be paid over a number of years. Generally this timeframe will be ten years and we are aware of some valuers approaching these agreements from a net present value approach.

While in a commercial sense this would appear reasonable with regard to these agreements in place on the property, this approach is generally utilised when there is an income stream associated with the property that is separate to the general undertakings on the holding. Situations such as a communications tower are often approached from a net present value of the assured income stream however due to some clauses that exist on the contracts we have investigated we believe this approach is fraught with danger. We have viewed contracts where there are clauses that allow the contract to be rescinded should the landholder be unable to provide the stated Australian Carbon Credit Units for a period of six months. As such from our perspective the agreement could theoretically be finished after six months so taking all of the proposed income into account in a valuation is a high risk pathway.

One of the most basic but important aspects to understand is what impacts you are allowing to be imposed on your property and for how long. In other words what are you actually agreeing to? While there may be a significant income to be derived for a period of ten years, what will be the impacts on the

property once this income stream has finished? In our experience there will be expectations from the provider that the necessary fencing will be either constructed or maintained, that feral animal control is undertaken and that fire breaks are constructed and maintained. This would seem a reasonable request and something that most landholders would say that they undertake anyway hence there would be no negative impact. From a valuation perspective we are still looking to quantify the level of fencing and general maintenance of both the firebreaks and feral animal control that would be considered acceptable. In some of these agreements there will be a covenant on title for 100 years. This covenant is to protect the resource that has been paid for through making sure that the level of fencing and general maintenance is undertaken during the course of the agreement. We believe this is the key to the impact on long term land values and sale, as once the income streams have been provided effectively, the property is sold with an ongoing obligation of expense. The scale of this expense will determine a prospective purchaser's perceptions of value. An additional point to think about here is the obligations of the upkeep of the covenants. Should a particular landholder believe that these expenses are unwarranted and choose not to upkeep the various obligations that exist within the covenant and a fire comes through and decimates the area under the agreement, then from our perspective and reading of various agreements, this landholder may be held

liable for the loss of these Australian Carbon Credit Units and may be forced to make good, that is to repurchase the lost carbon credit units within the market that exists at the time.

Our experience with the contracts that exist in the marketplace at present are that they are generally a positive proposition for landholders to enter into particularly for those with a Property Vegetation Plan prior to July 2010. Landholders need to be aware that there are some negative implications from these agreements, however they are generally far outweighed by the income stream received over a ten year period. We believe the key for landholders is the effective utilisation of this income stream so that assets can be used to provide an annuity or alternate income stream after the ten year period has ceased.

As mentioned we have read a number of these contracts and there are differences between them all, sometimes minor, sometimes major. We recommend that an extended consultation period be undertaken with your financier before negotiations with these providers get too far down the track as most financiers will require some independent advice as to the impacts on the long term value that the introduction of this agreement will have. To date these have been done on a case by case basis which we believe is appropriate due to the nuances of each contract involved.

#### Leeton

The winter season is finishing up with minimal spring rainfall and warmer conditions hastening crop development. Low irrigation water allocations are causing many summer croppers to reconsider their plans for the upcoming season as the planting window is nearing.

Rural property markets have slowed with buyers taking a step back to watch the climate and try to determine whether El Nino will once again rear its head in the coming year.

In saying this there are limited property listings across the region and demand is still relatively good for country in less marginal locations. We have seen corporate and overseas investors still showing interest but most transactions consist of existing farmers buying expansion blocks.

#### Mildura

The dry weather conditions within the north western Victoria area continue, and after a promising start to the season the lack of rainfall in the latter part of the growing season has meant that many farmers have begun harvest early for the second year in a row. Predictions in this week's press are that Victoria's wheat crop would be below two million tonnes, the smallest crop since the drought of 2008 and 09, when 1.7 million tonnes was harvested.

There has been very little sales activity in this sphere and what sales have occurred over the past quarter have shown a marginal firming of values, while most pleasing is that the market is showing a mix of new entrants and existing farmers.

**Continued confidence in the table grape industry has also been reflected by the recent contracting for sale of two vineyards in the Robinvale district.**

The sale prices cannot yet be disclosed; however they show levels well in excess of previous levels. Growers have been buoyed by a promising outlook in our key South East Asian markets.

While there is scant wine grape sales available, there has been a recent sale in Robinvale of an established winegrape vineyard with extra development land sold at levels above what was expected. We understand that the property was purchased with a view for redevelopment into Table Grapes.

Market activity for citrus properties has improved off a quiet period with returns having been low for the past two years. It is hoped with the lower Australian dollar and the signing of the Free Trade Agreement with China and the gradual removal of Tariffs that

this sector is likely to prosper. A number of sales and pending sales of older blocks have been purchased with a view for redevelopment and the value rates per hectare show a firming in development land values.

The lower western and western division of New South Wales has remained relatively firm over the past 12 months with several sales showing levels slightly stronger than that of previous levels. A recently completed sale Mount Stuart Station, a 52,750.18 hectare property in the Tibooburra area has sold for \$1.9 million. It comprises open plans of red sandy loams, gentle hills with undulations and areas of open quartz.

#### Murray Riverina

Agents are reporting sentiment remains positive albeit at a reduced level with farmers anticipating one or two tougher years that may result in a more cautious approach to future investment.

The presence of El Nino and the dry conditions has resulted in a poor finish and low water allocations for the 2015 to 2016 irrigation season and the likelihood of low allocation for the 2016 to 2017 irrigation season. The net result is that values are expected to stabilise over the next 12 months..

Levels of value for water continue to rise with General Security water below the Barmah Choke on the Murray River trading for \$1,150 to \$1,350 per

unit which is up from \$650 to \$750 per unit some 18 months ago. The driver behind the rising water values is the comparatively high value of temporary water. Through 2010 to 2013 temporary water was selling for around \$10 to \$40 per megalitre. Since August 2013 temporary water has been selling at \$80 to \$150 per unit and is currently sitting at about \$275 per unit. The high price of water is a direct correlation to reducing allocations in the area as a result of the dry conditions.

#### Northern Territory

Momentum continues in the Northern Territory pastoral property market with three more reported stations contracted for sale. Full sale details remain confidential until settlement, however we can say (and as widely reported in the press) that a deal has been struck for Walhallow / Cresswell Downs (9,997 square kilometres) located on the northern fringe of the Barkly Tablelands. The WIWO price was \$100 million and the (impending) buyer is an Australian partnership comprising a billionaire businessman and an established NT pastoral stakeholder who has some experience with other large scale cattle stations in the general region. This is a very significant sale, being the first on the Barkly Tablelands since the same property sold to Paraway Pastoral Company back in April 2009 as part of the Georgina Pastoral Co. portfolio (including Armraynald and Davenport Downs).

Paraway had generally carried around 50,000 head (mixed herd) on the station and undertook significant infrastructure improvement during its period of tenure. We understand the motivation for the acquisition is likely to have been underpinned by the property's potential to increase productivity (carrying capacity) through further development.

We are also aware of two more sales under contract in the Tennant Creek district, reportedly both to international buyers. The combined value of these separate deals on a WIWO basis is reportedly in excess of \$28 million. We understand that the potential for diversification (using the new regulations allowing 30 year diversification permits that run with title) may have been the main enticement for the purchasers in these cases.

If these three transactions settle, then the total pastoral sales for the NT this year will increase to eleven, with a combined outlay of a touch under \$150 million (real estate only, excluding livestock and plant). This compares to \$66.8 million in total sales for 2014, or \$35.1 million as an average for the period 2010 to 2014.

By the time this article goes to print we should have a result for the S. Kidman sale process which for the Helen Springs component will add tens of millions of dollars to the above figure. And then there is the offering of The Tipperary Group of stations

(Tipperary, Litchfield and Douglas West) a combined 5,382 square kilometres of perpetual pastoral lease located some 200 kilometres south of Darwin. This is a relatively unique aggregation due to its significant development (cleared land, large structures) as well as its close proximity to the Port of Darwin and trial crop of poppies (*Papaversomniferum*) which is putting into practice the diversification regulations mentioned above. The aggregation is being offered for sale either as an outright sale (bare of cattle) or as a joint venture arrangement. The joint venture option is targeting a contribution of capital to acquire livestock and plant and equipment to develop the properties and working capital requirement. We understand that indicative bids from potential investors are due in early November (hot on the heels of the S. Kidman closing date) with further due diligence and final binding bids due some time in December.

Loud in the background in all of this activity is the strengthening of cattle prices through Australia's busiest live cattle export facility, Port of Darwin, where trade cattle are still fetching \$3.40 per kilogram. Oh, and just in case you missed it, on 13 October the NT Government signed terms of agreement for the lease of the Darwin Port land and facilities of East Arm Wharf and Fort Hill Wharf for \$500 million (plus) to Landbridge Group for 99 years. The Landbridge Group is a privately owned

Chinese group that operates a 30 million tonne per annum port in North Haizhou Bay in Shandong province, strategically located between Beijing and Shanghai. They are currently expanding the North Haizhou Bay port to 200 million tonne, which is 65 times the current volume capacity of Port of Darwin. Under their new tenure here in Darwin, they anticipate spending in excess of \$200 million in capital on the port over the next 25 years (with \$35 million of that in the first five years). The Landbridge Group is reported to have an extensive network within the Asian business community which they intend to utilise to promote investment in live cattle export as well as oil, gas, mineral export and inbound tourism in the NT. We note that the NT Government has retained a 20% interest in the port.

So, on several fronts, Chinese investment in the NT has had a rapid and significant impact over the past year and a bit. On the rural front it began in August 2014 with the purchase of Elizabeth Downs, the first ever sale of a NT pastoral lease to the Chinese, followed by private Chinese purchase of Wollgorang/Wentworth (September 2015), and as mentioned above, another station in the Tennant Creek district is currently under contract to Chinese interests. And not to forget the large investment in the expansion of the Ord River Irrigation Area in the East Kimberley (Kununurra) by Chinese company, Shanghai Zhongfu (parent company of Kimberley

Agricultural Investments or KAI) within the past two years.

As far as medium to long term property values go, the big question is whether Chinese investment will become a regular feature of our rural land market in the NT and Kimberley or whether it will have exhausted itself after one or two more acquisitions and just have been a flash in the pan. We think the answer will have a lot to do with the potential for Chinese capital to unlock additional productivity, especially where a higher and better land use is physically and legally possible.

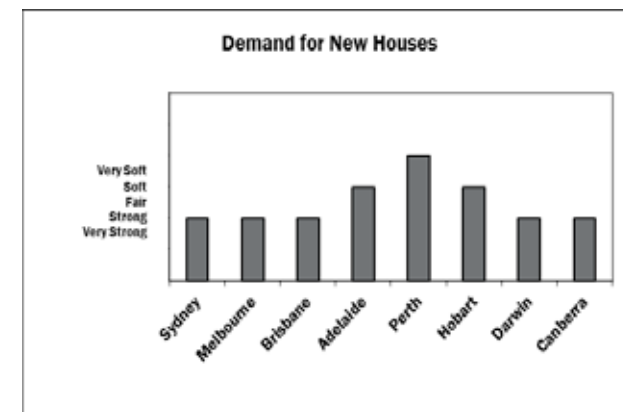
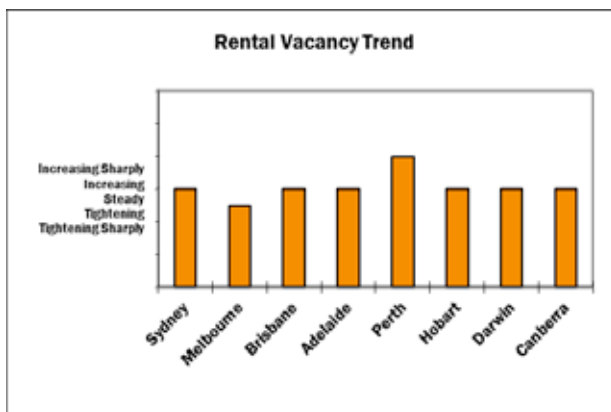


## Capital City Property Market Indicators - Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Tightening - Steady	Steady	Steady	Increasing	Steady	Steady	Steady
Demand for New Houses	Strong	Strong	Strong	Fair	Soft	Fair	Strong	Strong
Trend in New House Construction	Steady	Steady - Increasing	Increasing strongly	Increasing	Steady	Increasing	Increasing	Steady
Volume of House Sales	Declining	Increasing strongly - Increasing	Declining	Steady	Declining	Steady	Declining significantly	Steady
Stage of Property Cycle	Peak of market	Peak of market	Rising market	Rising market	Declining market	Start of recovery	Declining market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally

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

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

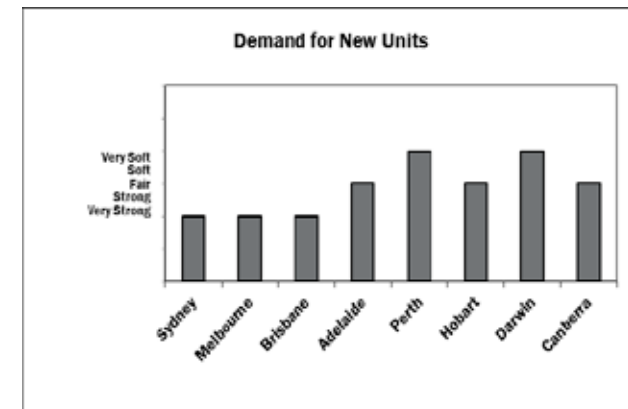
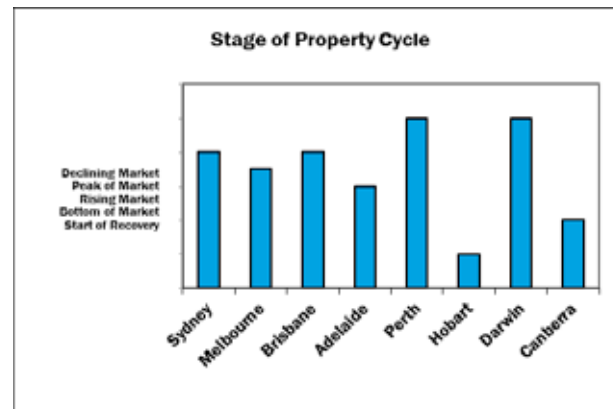
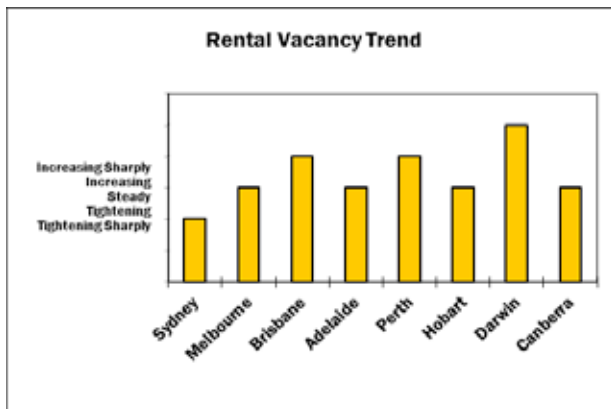


## Capital City Property Market Indicators - Units

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

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

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

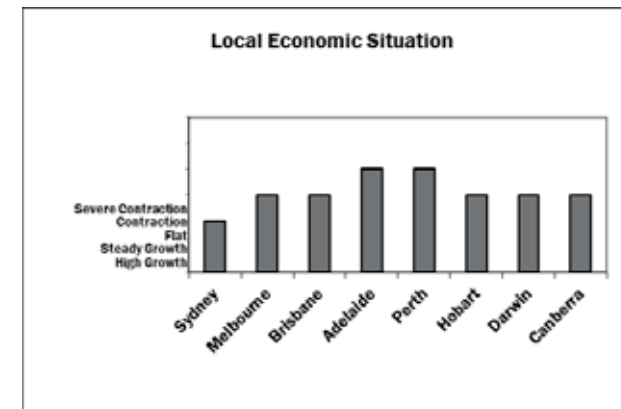
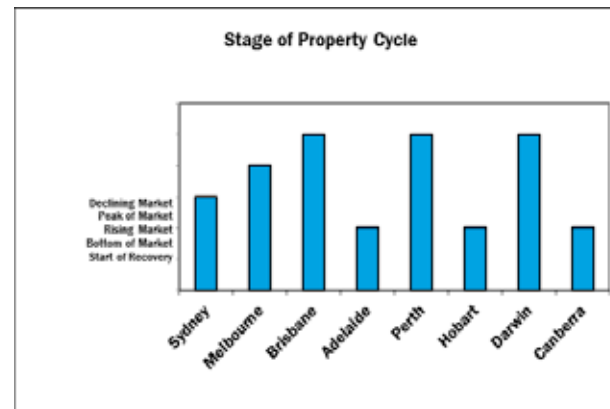
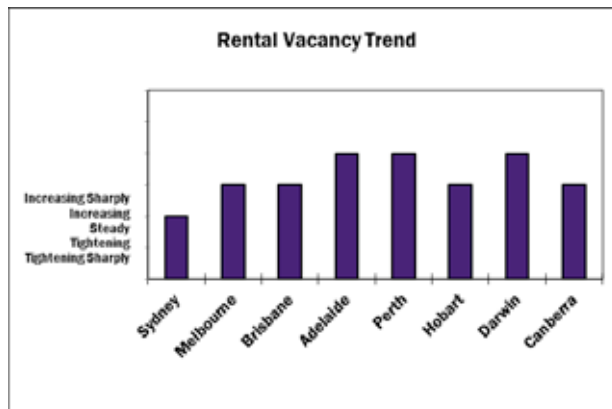


## Capital City Property Market Indicators - Industrial

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

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

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

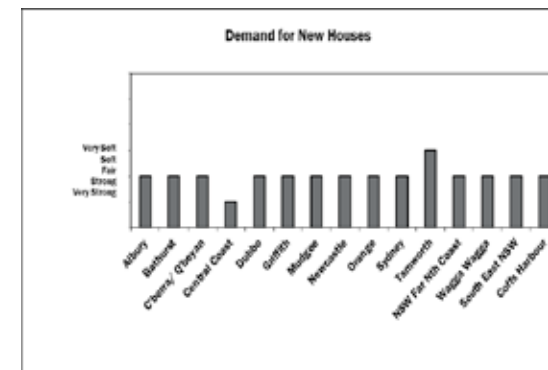
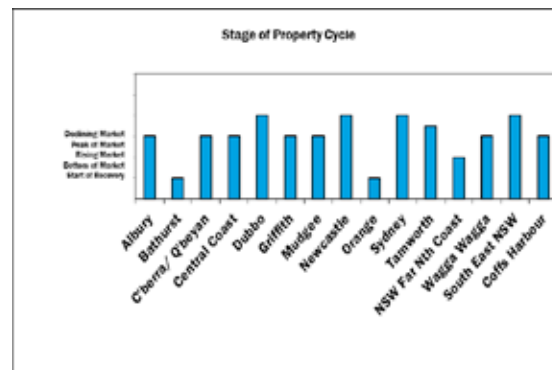
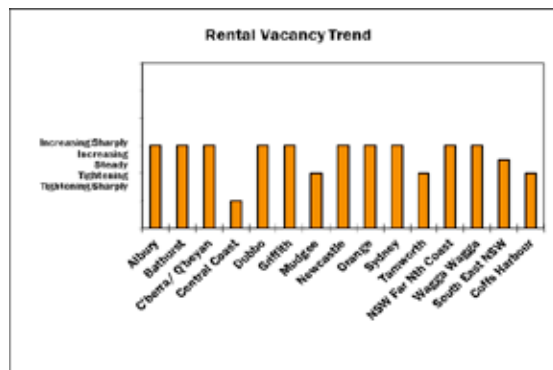


## New South Wales Property Market Indicators - Houses

Factor	Albury	Bathurst	Canberra/ Q'beyan	Mid North Coast	Dubbo	Griffith	Mudgee	New- castle	Orange	Sydney	Tam- worth	North Coast	Wagga Wagga	Wollon- gong	Coffs Harbour
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Balanced market	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	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening sharply	Steady	Steady	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Tightening - Steady	Tightening
Demand for New Houses	Strong	Strong	Strong	Very strong	Strong	Strong	Strong	Strong	Strong	Strong	Fair	Strong	Strong	Strong	Strong
Trend in New House Construction	Increasing	Increasing	Steady	Increasing strongly	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady	Steady	Increasing	Declining	Steady	Steady	Steady	Increasing	Increasing strongly
Stage of Property Cycle	Rising market	Start of recovery	Rising market	Rising market	Peak of market	Rising market	Rising market	Peak of market	Start of recovery	Peak of market	Rising market - Peak of market	Bottom of market	Rising market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Frequently	Occasionally

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

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

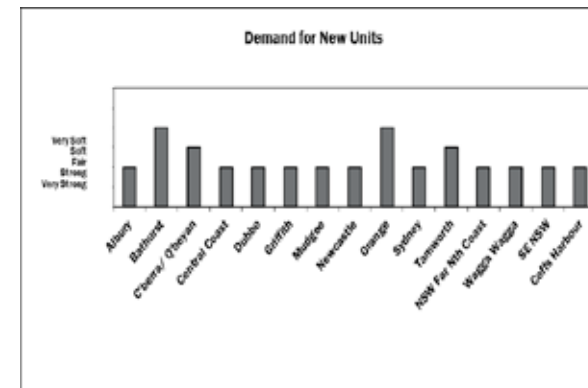
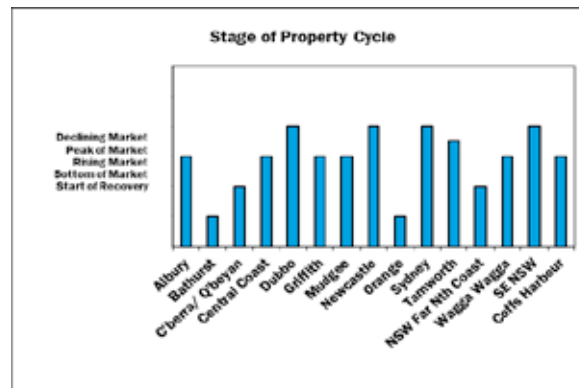
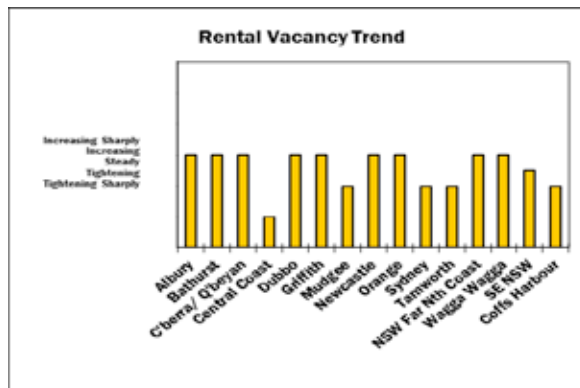


## New South Wales Property Market Indicators - Units

Factor	Albury	Bathurst	Canberra/ Q'beyan	Mid North Coast	Dubbo	Griffith	Mudgee	New- castle	Orange	Sydney	Tam- worth	North Coast	Wagga Wagga	Wollon- gong	Coffs Harbour
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Over-supply 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
Rental Vacancy Trend	Steady	Steady	Steady	Tightening sharply	Steady	Steady	Tightening	Steady	Steady	Tightening	Tightening	Steady	Steady	Tightening - Steady	Tightening
Demand for New Units	Strong	Soft	Fair	Strong	Strong	Strong	Strong	Strong	Soft	Strong	Fair	Strong	Strong	Strong	Strong
Trend in New Unit Construction	Increasing	Steady	Steady	Increasing	Increasing	Steady	Increasing	Steady	Declining	Increasing	Steady	Steady	Increasing	Increasing	Increasing
Volume of Unit Sales	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Increasing	Increasing
Stage of Property Cycle	Rising market	Start of recovery	Bottom of market	Rising market	Peak of market	Rising market	Rising market	Peak of market	Start of recovery	Peak of market	Rising market - Peak of market	Bottom of market	Rising market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally	Frequently	Occasionally	Occasionally	Occasionally	Frequently	Occasionally

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

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

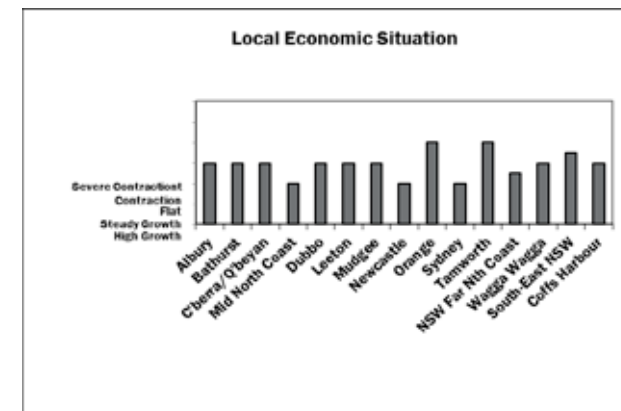
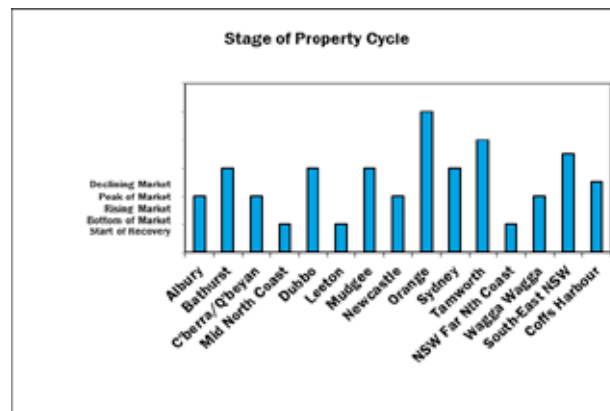


## New South Wales Property Market Indicators - Industrial

Factor	Albury	Bathurst	Canberra/ Q'beyan	Mid North Coast	Dubbo	Leeton	Mudgee	New- castle	Orange	Sydney	Tam- worth	North Coast	Wagga Wagga	Wollon- gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Balanced market	Balanced market	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	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Declining	Stable	Declining	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Rising market	Bottom of market	Start of recovery	Rising market	Start of recovery	Rising market	Bottom of market	Declining market	Rising market	Peak of market	Start of recovery	Bottom of market	Rising market - Peak of market	Bottom of market - Rising market
Local Economic Situation	Flat	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Contraction	Steady growth	Contraction	Steady growth - Flat	Flat	Flat - Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Very large	Significant	Significant	Significant	Significant	Large	Small - Significant	Significant	Significant	Significant	Significant	Significant - Large	Significant

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

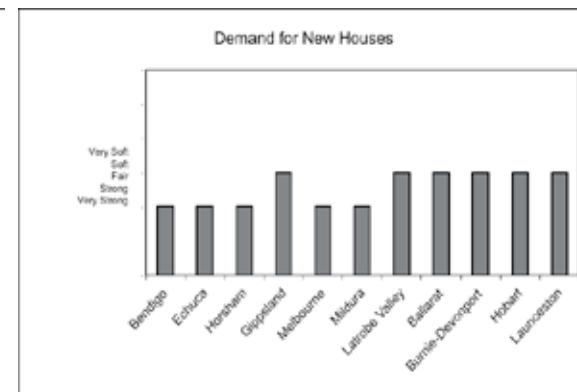
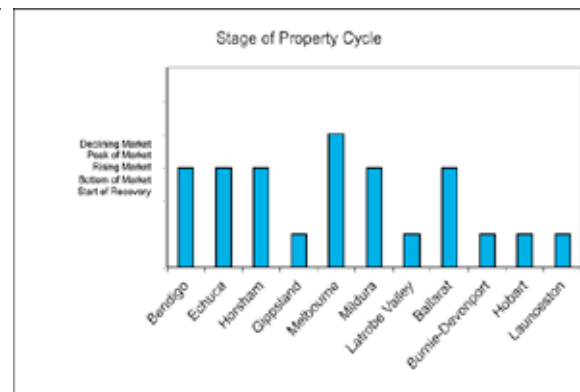
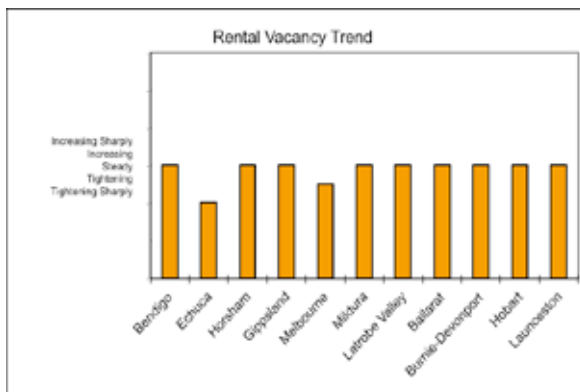


## Victoria/Tasmania Property Market Indicators - Houses

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

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

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

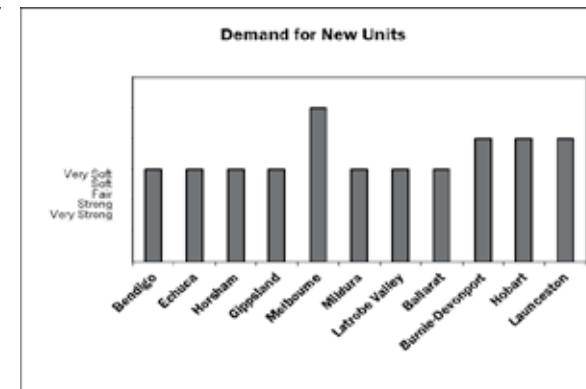
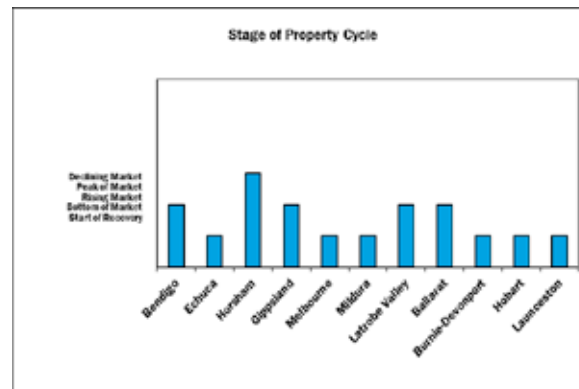
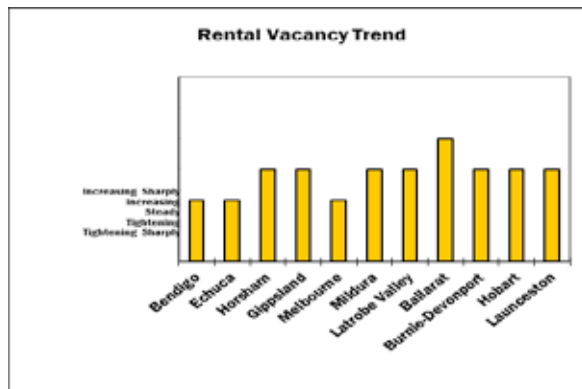


## Victoria/Tasmania Property Market Indicators - Units

Factor	Bendigo	Echuca	Horsham	Gippsland	Melbourne	Mildura	Latrobe Valley	Ballarat	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Strong	Fair	Fair	Fair	Strong	Fair	Fair	Soft	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Increasing strongly	Steady	Steady	Steady	Increasing	Increasing	Increasing
Volume of Unit Sales	Increasing	Declining	Steady	Increasing	Increasing	Steady	Increasing	Declining	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Start of recovery	Rising market - Peak of market	Rising market	Start of recovery	Rising market	Start of recovery	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Frequently	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Almost never	Almost never	Almost never

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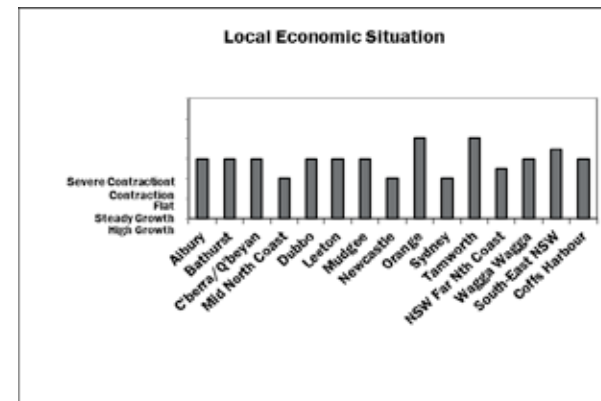
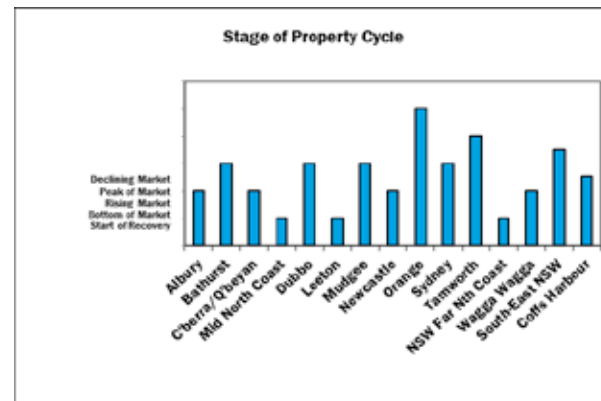


## Victoria/Tasmania Property Market Indicators - Industrial

Factor	Albury	Bathurst	Canberra/ Q'beyan	Mid North Coast	Dubbo	Leeton	Mudgee	New- castle	Orange	Sydney	Tam- worth	North Coast	Wagga Wagga	Wollon- gong	Coffs Harbour
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Balanced market	Balanced market	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	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Declining	Stable	Declining	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Bottom of market	Rising market	Bottom of market	Start of recovery	Rising market	Start of recovery	Rising market	Bottom of market	Declining market	Rising market	Peak of market	Start of recovery	Bottom of market	Rising market - Peak of market	Bottom of market - Rising market
Local Economic Situation	Flat	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Contraction	Steady growth	Contraction	Steady growth - Flat	Flat	Flat - Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Very large	Significant	Significant	Significant	Significant	Large	Small - Significant	Significant	Significant	Significant	Significant	Significant - Large	Significant

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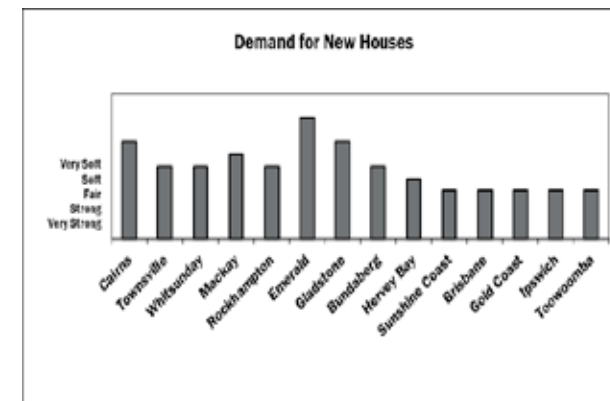
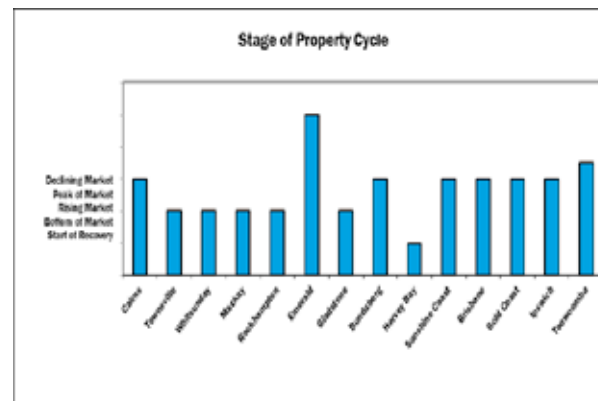
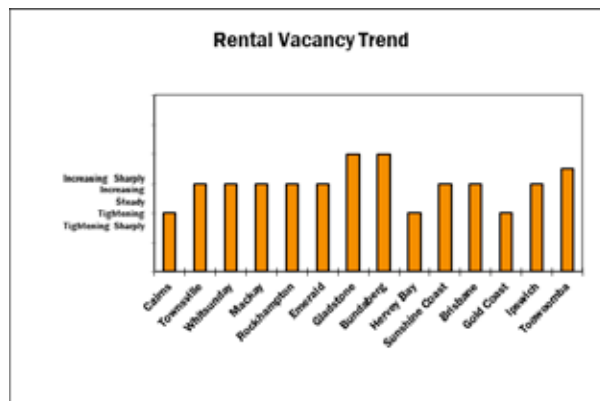


## Queensland Property Market Indicators - Houses

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

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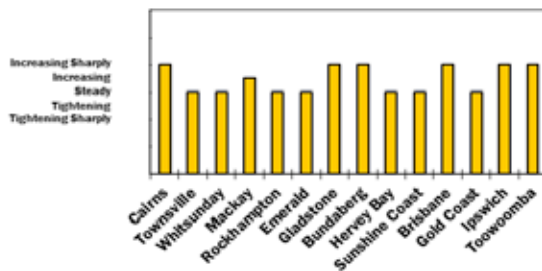
## Queensland Property Market Indicators - Units

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

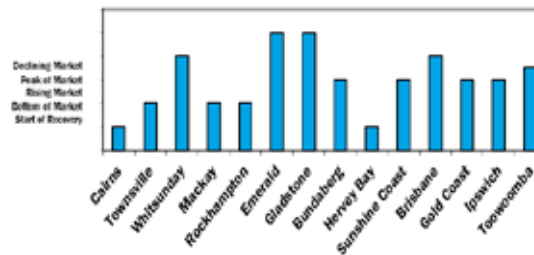
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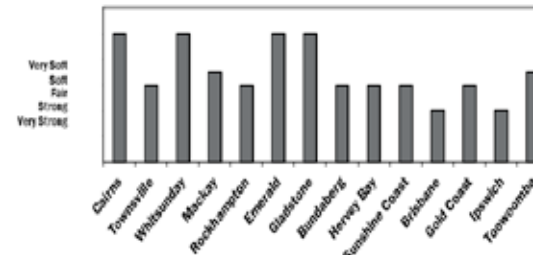
Rental Vacancy Trend



Stage of Property Cycle



Demand for New Units

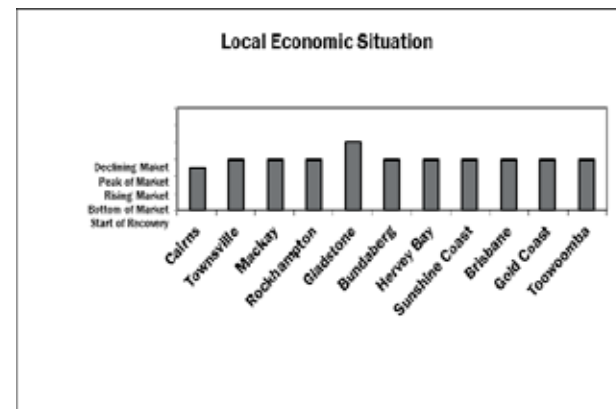
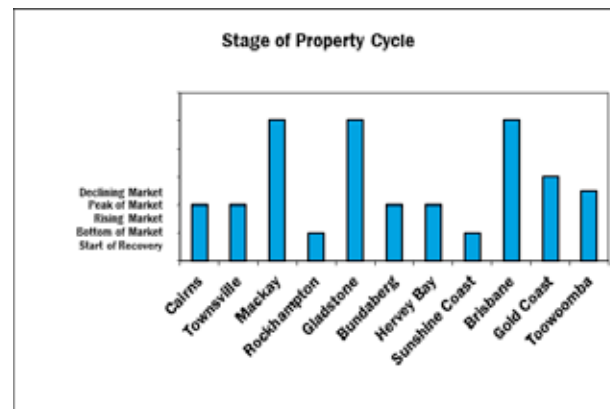
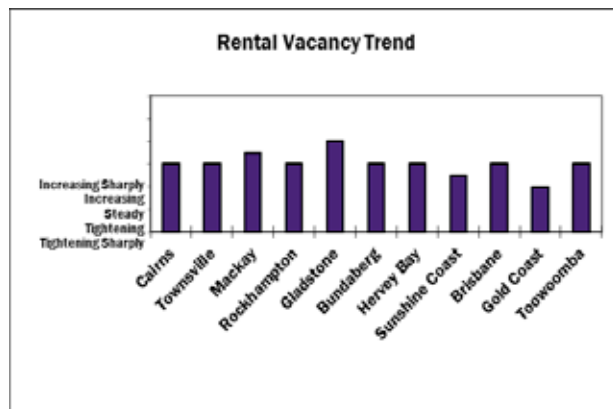


## Queensland Property Market Indicators - Industrial

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

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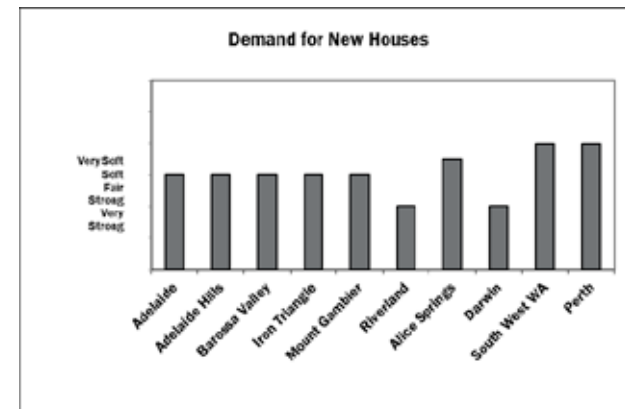
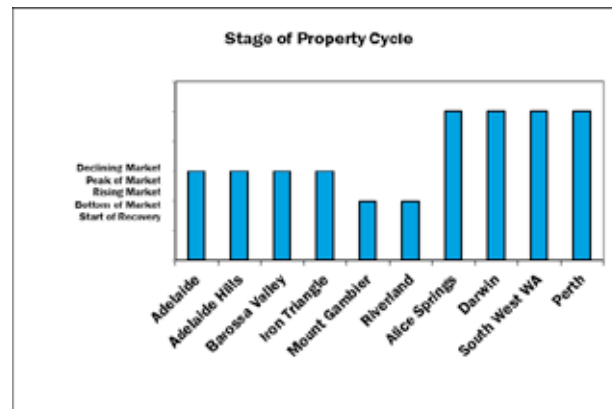


## Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

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

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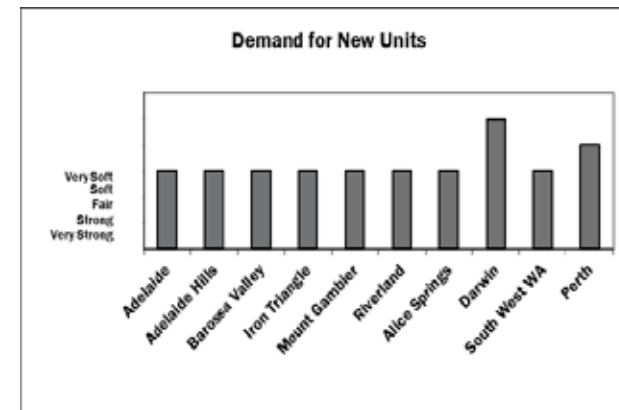
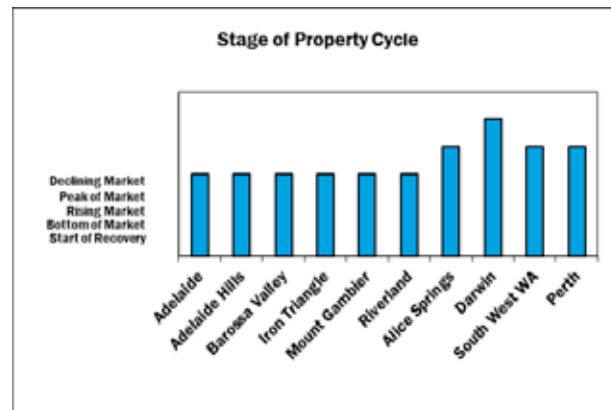
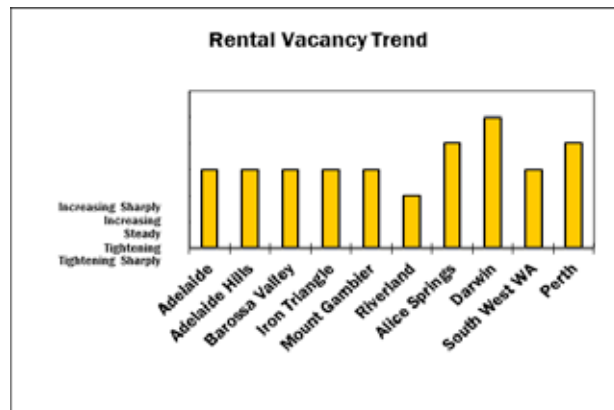


## Northern Territory, South Australia & Western Australia Property Market Indicators - Units

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

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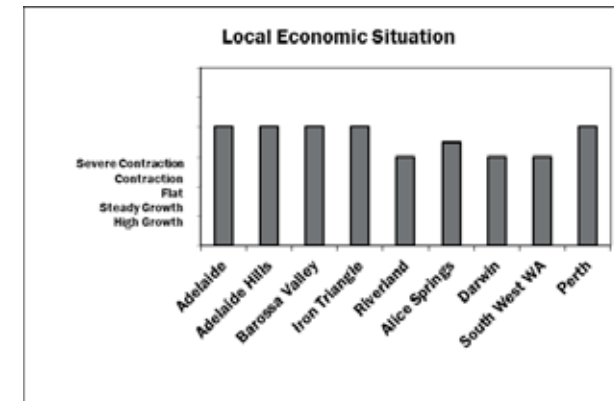
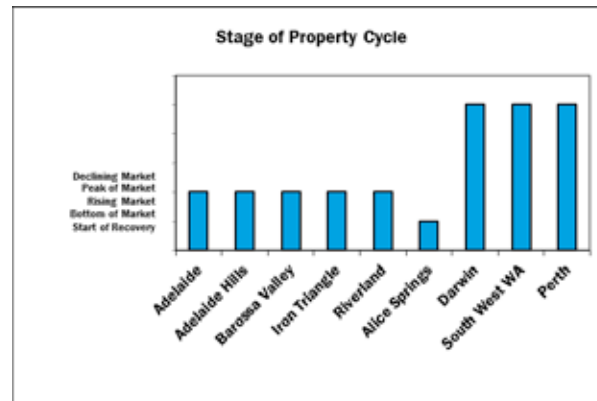
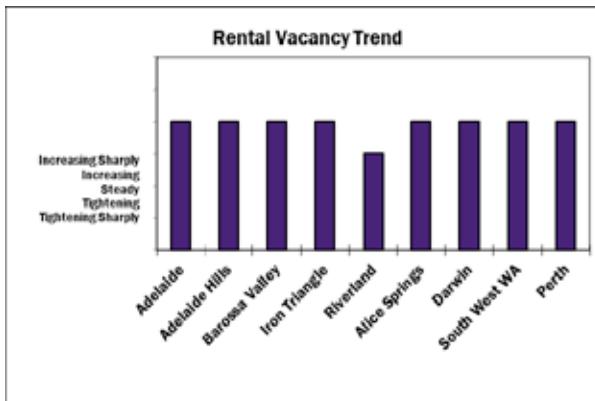


## Northern Territory, South Australia & Western Australia Property Market Indicators - Industrial

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

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