



Herron
Todd White

Independent Property Advisors



The month in
review

2010 DECEMBER

We advise. You decide.

- Property Advice and Valuations
- Tax Depreciation Schedules
- Research reports and other services
- Quantity Surveying



www.htw.com.au

1300 880 489





Contents

Page	Topic
3	Feature - 2010 - The Year in Review
4	Invitation - Save the date
 5 - 16	Commercial – Retail
 17 - 34	Residential
 35	Contacts
36 - 40	Rural
41 - 52	Market Indicators

Peace of mind for your property decisions.



2010 - The Year in Review.

What a year!

In the white water adventure sport of the 2010 property market, it just didn't pay to pull out the fluffy pillow and relax on the deck. Those that tried were in for a pounding.

After waterfalls and high drops into rock pools throughout 2008 and 2009 exhausted the market into sedation, many could be forgiven for thinking a slow drift on the pond-like surface of flat performance might be on the cards. Everything seemed to have steadied itself somewhat and whilst most weren't expecting galloping growth, a featureless market of consolidation might be just the tonic for the weary traveler... what were we thinking!?

Well the good ol' U.S. of sub prime continued to play havoc with our tiny economy. We braved the bumps well but uncertainty is a killer. Everyone kept watching the unemployment stats and mortgage default figures like The Ashes Series decider and every time there was so much as a hiccup... whap! Up went the battlements.

On top of this, there is apparently more than the U.S.A., China and Australia sharing the globe... who'd have thunk it!? Greece went ahead and let us all know just what it could do. Suddenly someone shouted "sovereignty" and "insolvency" in the same sentence. As with the previous set of alliteration, their economy sounded akin to a tire letting out air. It was yet another reason for everyone to get coy over here in Oz. Irish Coffee anyone?

Then, as it turns out, the unemployment figures go up by one as K Rudd is made redundant by his organisation. Don't you think it's a strange outcome when the country's CEO is shown the door? It made all of us that vote reassess whether in fact death and taxes would be the next certainties resigned to the scrap heap. Now if there is a political party that can relegate those two to the "has beens" column, they're almost certain to be running the country in a few years.

To add to the colour "moving forward", we had what some regard as a mundane campaign followed by the most edge of the seat finale that any federal election has dished out in recent memory. As Rob Oakeshott's speech continued (I'm fairly certain parents at his local school were sponsoring him per word as a fund raiser. Should be able to afford that Large Hadron Collider for the science lab now) so dawned the realisation that the indie candidates were at the wheel. There's nothing like certainty to restore confidence to the market... and this was nothing like certainty I'm sure you'll agree.

Finally in the year that was, who actually thought interest rates might stay low? Well... some of us did as it turns out. Of course a 1% RBA cash rate rise plus some independent movement from the major banks over the course of the year did nothing to help anyone who extended themselves just a teensy bit too far in order to upgrade their indoor Jacuzzi and oversized barbeque in early 2010.

We at Herron Todd White like to air both our dirty and pristine laundry around this time of year. Our offices have bravely looked upon their hit predictions made in our 'Month In Review February 2010' and let loose with both our successes and foibles. It's this no shame approach to taking a position that has made us a leading market advisor and also helped make a few bucks for our clients along the way.

Commercial territory is covered by the retail mob this month which is appropriate given that most of you will be able to roll your credit card like a cigarette paper come January. Their year wrap of all things shop like should help make you sound both confident and well informed even after a couple of cold ones at the office party.

So there you have it for 2010. Enjoy catching up on the year that was and don't forget us, your pals in property come the next decade. In finale, we at Herron Todd White want to extend to everyone a safe, happy and hopefully relaxing season amongst those you love. May your most delicious pudding be calorie free and may Santa ram as many wished for presents down you chimney as it can handle.

See you next year.

Kieran Clair
Certified Practising Valuer
1 December 2010
kieran.clair@htw.com.au



HERRON TODD WHITE
**RURAL BREAKFAST
2011**

Brisbane: Wednesday 23 February 2011

Sydney: Thursday 24 February 2011

Melbourne: Friday 25 February 2011

Our team of rural property specialists together with guest speaker Jennifer Wainwright from Aux Venture will provide you with the latest information on matters relating to the rural property market and foreign investment in rural Australia.

For more information or bookings contact
karen.marsh@htw.com.au or phone 1300 880 489



**Herron
Todd White**

Independent Property Advisors

www.htw.com.au



Commercial Overview

If ever a sector were at the mercy of the economy it must be retail. With so much riding on consumer confidence it was hard for the retail players to get really comfortable at any time during 2010. Those that stuck to the fundamentals were the safest participants but there was plenty of opportunity to feel some hurt in the sector. A look back across the retail real estate market by our offices proves that you needed smart thinking and resilience to weather the storm.



Sydney

The Sydney retail property market has been relatively quiet during 2010, though value levels have remained generally steady. This month we have identified a number of markets that have been particularly active or have suffered during 2010. The markets identified include Sydney CBD retail, bulky goods and strip retail along arterial roads.

Prime Retail

The most consistent performer during 2010 has been the Sydney CBD retail property market. This market has had significant supply constraints pre the completion of the Pitt Street Mall Redevelopment in the second half of 2010 and during this time there has been consistent demand for prime located retail space. Consequently the Sydney CBD retail market has particularly strong market fundamentals and therefore it is viewed as one of the more attractive retail investment markets in Sydney.

This market has a strong appeal with retailers and demand is heavily outweighing supply with vacancy rates currently in the order of approximately 0.6%. Historically low vacancy has led to a significant increase in achievable rents and in turn stabilised yields. Achievable rents and yields within the Sydney CBD retail market are in the order of:

- Super-Prime: \$4700 to \$13,000 per sqm with yields in the range of 6% to 7%,
- Prime: \$950 to \$4500 per sqm and yields in the range of 5.5% to 7.5%
- Secondary: \$530 to \$2300 per sqm and yields in the range of 6.75% to 8.5%.

Super-prime retail space located within Pitt Street Mall has recently undergone redevelopment and this project has successfully rejuvenated and strengthened the Pitt Street Mall retail precinct.

The Westfield development within Pitt Street Mall has a retail and office component with a total GLA of more than 100,000sqm (Retail approximately 40,000sqm) and has an estimated value of approximately \$600 million. Westfield recently announced that it has opened the centre with 100% occupancy for the retail component.

Bulky Goods

An opportunistic market identified within retail market in NSW during 2010 is the Bulky Goods Market.

The main driver for bulky goods retailing is the housing construction cycle supported by employment levels. Dwelling approvals appear to have reached a turning point from the highs achieved in March falling 6.6% in May.

Bulky goods net face rents have been relatively stable over the past 12 months as retail sales growth eased and first home buyer activity decreased. Previously in the five years to July 2008, Eastern Seaboard bulky good rentals grew by an average 17% due to a buoyant local economy and strong tenant demand. Moving forward, with consumers more cautious, discretionary spending such as household goods is likely to remain subdued with only modest rental growth expected in the short term.

With access to funding remaining limited, the volume of transactions has fallen significantly from the 2007 and 2008 levels; however of the scarce properties transacted, the majority have been purchased by private investors. After softening by an approximately 200 basis points,



average bulky goods yields have stabilised over the past year to range between 8% and 10.25%.

Underperforming markets

Whilst these markets are some of the best performing or offer the best returns there are a number of localities that have seen significant decline in market appeal.

Strip retail located on main arterial roads within Sydney have seen a decrease in demand and a large increase in vacancy rates over the years.

Parramatta Road, one of Sydney major arterial roads, is in a state of flux as the profile of the area changes. Many retail/commercial uses find the location unsustainable due to a lack of parking and high volumes of heavy traffic detracting customers. This strip is very price sensitive and an extended selling period is usually required as the pool of likely buyers is limited.



Canberra

The Property Council of Australia has indicated that Canberra currently has close to zero space in the pipeline for construction of retail centres, which is not surprising considering the amount of retail recently constructed and the extension and refurbishment of Westfield Belconnen.

The lack of retail construction in the pipeline for the ACT meant any vacancy increases in 2010 were more likely because of negative absorption as tenant demand shrunk, and not due to supply issues.

Canberra has enjoyed solid population growth which has benefitted the retail sector and has no doubt contributed to a growth in consumption.

....the Property Council of Australia has indicated that Canberra currently has close to zero space in the pipeline for construction of retail centres...

The retail property sector has proven to be the most resilient commercial property sector in Canberra post the global financial crisis, when compared to the industrial and office markets.

The economic downturn has affected shopping centre owners, particularly those centres classified as regional and sub-regional centres and bulky goods or homemaker centres due to a higher proportion of income coming

from tenants reliant upon discretionary spending, such as fashion, jewellery, furniture and electrical goods.

The ACT retail market offered prospective purchasers better opportunities in 2010 due to vendors accepting that yields achieved in 2007 were no longer realistic.



Newcastle

The last time we touched on retail in Newcastle our discussion was dominated by GPT related statements and a summarised sound bite version of the great rail debate. But that was some time ago now and obviously we have moved on..... but we haven't really have we? As this article was being written the front page of the Newcastle Herald is screaming the headline 'City for sale – door open for single buyer to grab GPT spot'. So here we go - round two for the GPT retail debate.

When GPT originally decided to abandon their attempts at redevelopment (the reasons are well documented and we don't wish to retread that ground here) it was revealed that they would divest their holdings over a period of time in an attempt to stop a large institution purchasing the site and developing a product that would compete with their now market leading Charlestown Square. How this would occur in reality was never mentioned and appears difficult to manage and maintain whilst retaining value for shareholders.

Maybe these difficulties had become apparent to GPT as well. The entire site was advertised in the Australian Financial Review on November 18, leading to the Herald headline above on November 19. It is reported that GPT invested over \$100 million in amalgamating the sites at times paying more than market rates. That is often the case when an amalgamation is in progress. The total area of the combined sites is 18,254sqm, which we don't need to point out, is a substantial chunk of Newcastle. With the exception of a couple of properties it covers two whole city blocks. There wouldn't be many players in the market that could afford to and want to acquire the entire site holus bolus.

The landscape for retail in the centre of Newcastle will not be the same again for some time with this announcement. Everything that has occurred over the past two or three years has been gearing up to the GPT development. Plans have been put on hold, leasing decisions have not been made and there has been a lack of direction by existing retailers and potential new tenants. Still like a relationship that has gone sour when somebody has been jilted before they are ready, the sale(s) may provide that much needed closure for the people of Newcastle, and the opportunity to move on. We may get some direction back and decisions being made for the long term rather than the short term decisions that have been the key drivers of the market recently.

The retail market has been patchy in Newcastle in 2010. The two major retail events dominating the scene centered on GPT. In addition to the discussed CBD, GPT have recently opened up their expanded and improved Charlestown Square. This will no doubt further provide customers with all their wants and needs and the reasons



to come into the city for their retail experience will further diminish.

The inner city suburbs have continued to perform well as a contrast with vacancy rates low and turnover of tenants low. The strips offer solid investments given the solid fundamentals present which include the lack of new supply. Most strips areas - specifically New Lambton, Lambton, Adamstown, Hamilton, The Junction and Cooks Hill - are built in the middle of established residential areas with affluent residents. There is limited room for expansion so supply stays relatively constant whilst demand continues to increase. This is almost the opposite of the Newcastle CBD where there are numerous vacant tenancies and supply greatly outweighs supply.

An area which has been patchy to say the least is the mixed use developments in the Honeysuckle area. Many of the new mixed use buildings have retail/commercial on the ground floor and many have been vacant for a considerable period of time. Take up rates are slow. We envisage these units will be filled up slowly as more people begin to live in the units above and create the critical mass required for new business to become established. The trend appears to be for restaurants and cafes to take the space up. A small community is developing and it will only get more vibrant over time.

The retail market in Newcastle has been patchy at best with a couple of highlights but more 'talkback' doom and gloom counterbalancing the positive.



NSW Far North Coast

The NSW Far North Coast comprises property located north of the Clarence River, east of the Dividing Range and south of the Tweed Coast. Within this large expanse of area, there is a diversity of commercial property type, quality and pricing.

The commercial and industrial market on the NSW Far North Coast has generally been slow over the past 12 months with continued low sales volumes and stable to steadily increasing supply. As has been the case over the past two to three years, quality generally prevails. Investors are unwilling to speculate on properties with inherent issues without strong returns and or stable tenancies. Quality properties in good locations have continued to show reasonable market interest.

This slow performance of the commercial property market has been a result of continuing uncertainty in the

world financial markets, continuation of reduced market confidence, increasing interest rates and uncertainty as to whether the Reserve Bank will continue to raise interest rates. The property market was also affected by the Federal Election, which created a distraction for potential purchasers making decisions regarding property transactions.

The Lismore retail market experienced a reasonably significant drop in retail rents over the 2009 calendar year. Rents have stabilised over the past 12 months. This scenario of decreasing rents has been evidenced in some market review lease negotiations between landlords and tenants.

The Ballina retail market has been generally well held over the past 12 months. While there has been some evidence of increased vacant space, landlords have still been able to achieve steady to slightly stronger rents.

The Byron Bay retail market has continued to experience steady demand over the past 12 months. Retail spaces in prime locations have seen stable rents. Secondary locations have experienced some vacancies and downward pressure on rents. Local retailers are reporting a fall in turnover due to a reduced number of visitors and increasing number of national brand outlets which are increasing competition and forcing down prices traditionally achieved by the Byron Bay retailers.

...the Lismore retail market experienced a reasonably significant drop in retail rents over the 2009 calendar year...

Traditionally, the Byron retail market survives on the peak tourist season. Due to the lower tourist levels experienced over the past 12 months and resultant falls in turnover, there has been evidence of further vacancies over the mid-year/winter period. However, Byron Bay has a

continual inflow of would-be retailers and these vacancies are generally taken up. Consequently, despite poorer economic times, rents in prime locations have been stable and secondary locations, while weaker, appear to be stabilising.

Traditional investment yields have generally increased by 1% to 2% over the 2008 and 2009 calendar years. The past 12 months have shown yields in Lismore in the order of 9%, while Byron Bay which previously showed yields at or below 5%, is now 6.5% to 7.5%. Ballina yields are also in the order of 7% to 8%.

The past 12 months have seen a relatively limited supply of larger quality office accommodation throughout the Northern Rivers region of New South Wales.

Property owners are reporting some inconsistencies in the market although good quality spaces appear to be achieving stable to slightly increased rents.

The market for industrial properties over the past 12 months on the North Coast has been soft, with generally moderate demand in the current economic climate. Large industrial properties are rarely available as they tend to be tightly held. Smaller industrial properties are being sought by both owner occupiers and investors.



The industrial market in Byron Bay has weakened in recent years, however, stabilised over the past 12 months. Strata titled industrial units within this locality have continued to attract reasonable interest due to entry level investment opportunities (under \$400,000) with investors competing with owner occupiers, some of which utilise premises for residential use, albeit illegally.

Overall, the market for industrial properties has been affected by a soft rental market and increasing statutory outgoings, resulting in owners being forced to accept low returns on investment.



Southern NSW & Northern Vic

ALBURY

The retail market in Albury/Wodonga over 2010 has seen only moderate leasing activity with marketing agents reporting limited tenant enquiry levels for secondary space, however vacancy rates for well position shops along Dean Street and throughout Central Albury still remain low. Locally, retail net rents have remained flat over the last 12 months similar to the national trend. Net rental rates in Central Albury would now be expected to fall within the range of \$200 per sqm for larger, secondary premises, to \$600 for well located premises along Dean Street.

The retail investment market has also been flat, with lower than expected investor interest in the previous 12 months. 'The Mates building', a CBD specialty shopping centre on the corner of Dean Street and Kiewa Street recently passed in at auction with a vendor's bid of \$13 million. The centre has a GFA of 9420 sqm including national tenants such JB Hi-Fi, and a rear development site of 2340 sqm. Based on the vendors bid of \$13 million, including the development site, this represents a yield of 8.64%.

....locally, retail net rents have remained flat over the last 12 months similar to the national trend....

Toward the smaller end of the retail market, a stand-alone 300sqm showroom (with rear storage shed) on High Street, Wodonga sold at Auction last month for \$320,000 reflecting a passing yield of 8.03%. The property sold with a four-year lease, with this sale providing a good indication as to current capitalisation rates for retail properties with moderate risk profiles positioned along the region's main arterial roads.

In summary, we consider that retail property has generally outperformed the industrial and commercial market in Albury/Wodonga, albeit only marginally.

WAGGA WAGGA

The retail market in Wagga Wagga has had a quiet year with few sales and below average leasing transactions. The number of shops vacant has increased in the past year, and the lease up time has definitely lengthened. In saying that, there have still been a few strong sales.

A building has just sold in the main street fully leased with two tenants for \$1.15 million, with an initial yield of 7.28%. We have also seen a number of new shops open and a few shops close with some long term businesses shutting the doors due to difficult times.



Melbourne

The retail market is heavily influenced by the level of consumers' disposable income which in turn impacts on retailer's turnovers and their ability to pay rent. In 2008 and 2009, the Global Financial Crisis (GFC) initially reduced economic activity by reducing consumers' willingness to maintain current debt levels that were underpinning retail spending. Nevertheless, although tenant's turnovers may have softened over the GFC, investors have been relentless in 2010 competing for prime retail premises, keeping yields at historical lows.

The Melbourne's Prime Strip Shopping retail market generally consists of Burke Road, Camberwell; Church Street, Brighton; and Chapel Street, Windsor to South Yarra.

Burke Road, Camberwell in Melbourne's eastern suburbs, has a retail mix comprising fashion retailing, restaurants, and cafes. A Safeway supermarket and Target anchor the precinct. However, a new development named 'The Well', at 793 Burke Road, is anchored by a Coles supermarket and a JB HiFi outlet. The development contains 27 specialty retailers. This precinct has maintained an average vacancy rate of around 4% throughout 2010. Net rents in Burke Road range from \$800 to \$1200 per sqm. A good example of a typical vacant possession sale this year was 610-612 Burke Road Camberwell, which sold in April for \$6.146 million. The 400sqm, two-level retail building achieved a building rate of \$15,365 per sqm. A good investment sale in this area was the August sale of 925 Burke Road, Camberwell, a two level retail building leased to a hairdressing studio which sold for \$1.555 million on a sharp yield of 4.18%.

Church Street, Brighton is located in the affluent south eastern bayside suburbs. A Safeway and Coles Supermarket anchor the precinct at either end of the street. The area features the refurbished Dendy Plaza which contains a mix of specialty retailers such as The Dendy Deli, Palace Cinemas, and a Coles supermarket. Net rents in Church Street range from \$400 to \$800 per sqm. Church Street has kept its vacancy rate around 2% in 2010. An investment sale of note this year in the precinct



was the August sale of 58 Church Street. The single level retail building leased to Buxton Real Estate sold for \$1.75 million on a sharp yield of 3.47%.

Chapel Street spans three suburbs, namely Windsor, Prahran and South Yarra, with rents becoming more expensive as one moves northwards towards South Yarra. Chapel Street is a well known fashion shopping precinct located in the inner south eastern suburbs. The South Yarra end of Chapel Street is dominated by upmarket fashion, cafés and restaurants. This end attracts the highest rentals in the strip. The Windsor end of Chapel Street is largely made up of home wares, pawnbrokers, and variety shops with lower rents, but is slowly becoming more fashionable. The Prahran or Central area of Chapel Street contains the funky Greville Street Precinct with a number of cafés, specialty retail shops, bars and night clubs. Net rents in Chapel Street range from \$1000 to \$1500 per sqm, depending on the address. Chapel Street has maintained an average vacancy rate of around 4% in 2010. Most of the vacant shops are situated in arcades which do not have a street frontage. An example of a vacant possession sale in the Windsor end of the precinct was the June sale of 115 and 117 Chapel Street, Windsor. The two double level retail shops, separated over two titles, sold for \$4.17 million reflecting a building rate of \$3971 per sqm. There was some potential upside to this property as the zoning is suited to both commercial and residential development.



Despite economic downturn, property in Prime Retail Strips continues to be tightly held and highly sought after. However these properties are still dependant on average disposable income which affects the tenant's ability to pay rent. Nevertheless, investors continue to strongly compete resulting in very tight yields. The market is clearly dominated by private investors who are prepared to pay a premium for prime locations.

The RBA's recent decision to raise interest rates to 4.75% and the strong Australian dollar have caused some concern for retailers leading up to the Christmas shopping period. Australian Retailers Association Executive Director Russell Zimmerman said retailers needed the RBA to continue its freeze on interest rate rises in the lead up to Christmas to give retailers a chance to recoup over a year of slow trade during the end-of-year holidays.



Regional Vic

ECHUCA

Though sales rates were relatively slow throughout 2010, indicative yields of 5% to 6% for prime retail property suggest this segment of the market remains resilient, regardless of the broader economic drivers. Most notably, 2010 saw two major national retailers open up in Echuca.

Aldi commenced operations from Anstruther Street in April, while Bunnings recently opened on Ogilvie Avenue. The Bunnings store particularly appears to have generated some movement in the market for bulky good retailing sites nearby, with the sale of two properties in close proximity to the store. The central business district saw several sales throughout the year and properties generally met with good demand.

MILDURA

Our early 2010 comments were 'Mildura's retail businesses seem to have weathered the financial storm relatively well, and we have not witnessed any major shift in rental levels or occupancy levels for prime retail premises. Anecdotal evidence suggests that the larger retail chains/franchises have maintained turnover. The prime section of Mildura's retail area (the Langtree Mall) is traditionally well held but smaller, fringe businesses and locations have languished, however this is not a new trend, and our advice for investors continues to centre around being wary of these secondary locations. The rental demand for premises in these locations is traditionally from small family businesses, and these businesses tend to struggle in the leaner economic times with vacancy rates rising strongly during these downturns'.

....a major refurbishment is presently underway to Mildura's Langtree Mall, which has had a detrimental effect on local trading....

Unfortunately whilst there are positive signs of improvement in the region (drought breaking rains, prospects of solar farm construction, etc), the spending patterns of the local population have remained very sluggish.

There are presently 48 unoccupied retail and office premises in the City Heart area, well up on previous years' levels. Whilst rental levels have remained static through the year there is now a supply – demand imbalance.

About to commence construction is a large 1st Choice liquor outlet, a Big W and a Dan Murphys, all National operations. A major refurbishment is presently underway to Mildura's Langtree Mall, which has had a detrimental effect on local trading but hopefully will attract increased custom when completed.

There have been no major sales of landmark type retail properties in Mildura during 2010.



Adelaide

The retail sector has had a reasonable year with both turnover and rental affordability remaining relatively steady throughout the year. This is despite the widely held view that reduced discretionary spending, due to the numerous rate rises throughout the year, might have had a greater negative impact.

Private investors have shown some interest in the retail sector with a demand for quality investment assets



around the \$1million to \$5million range, especially those with high profile, national tenants with strong lease covenants in place. This was illustrated by market reaction to a portfolio of 12 Hungry Jack's properties across South Australia, which were all sold earlier this year, mostly at auction, with yields ranging between 5.5% to 8.5%. This contrasts to a similar portfolio of Red Rooster branded properties which struggled to catch the attention of investors.

Numerous shopping centres with a major anchor tenant, either Woolworths or Coles or another nationally recognised retailer, have transacted during 2010. These include The Avenues (\$23 million), Northgate Village (\$18.6million) and Centro Murray Bridge (\$21.75million).



Vacancy rates have remained low in prime retail locations, including Rundle Mall (CBD) and Jetty Road (Glennelg), with the major regional centres (Westfield Tea Tree Plaza and Westfield Marion) continuing to perform well.

We note a new direction in CBD retail activity which centres around Rundle Street East. This precinct has long been the popular scene for the café and latte set however now is attracting a high end retail niche. Numerous high end fashion stores and designer brand outlets, not previously in Adelaide, have opened stores and this area is being marketed as the place to be for exclusive access to this retail experience which complements the existing café culture, dining and entertainment venues in this district – a unique shopping and socialisation experience!



Brisbane

The weak economic conditions triggered by the Global Financial Crisis (GFC) have continued throughout the calendar year. The initial shock of the GFC may have passed, however as we move away from the epicentre we are still feeling the aftershocks. The poor economic health of the markets overseas and the high Australian dollar are negatively impacting on trade, placing pressure on the profitability of many businesses. Compounding this is the withdrawal of the Government's expansionary policy and rising interest rates. This has a real impact on disposable incomes and the population's propensity to spend money.

This is directly affecting retailers and their ability to pay rent, thereby reducing demand for retail space and the capital value of retail property. Nevertheless, generally speaking retail property as a whole has continued to be the best performing commercial property sector, with bulky goods the only sub-sector significantly affected.

After the initial softening of demand in the retail leasing market in 2009 (that resulted in a rise in vacancy and a decline in rents), 2010 has seen retail vacancy rates and rents in Brisbane generally remain static. Whilst demand remains depressed, the retail supply pipeline has continued to decline due to the shortage of funding available for development. This has given respite to the existing stock as the market has been given a chance to absorb some of the existing retail supply, keeping vacancies low.

...there has been a widening gap between prime and secondary yields achieved for retail properties....

Sales activity has been largely influenced by the strict lending criteria of the financial institutions and the risk adverse sentiment in the market. With finance difficult to obtain in the 'higher end' price brackets, 'lower end' retail (i.e. sub-\$10 million) has seen the most activity with private investors being driving force in this price bracket. There has been a widening gap between prime and secondary yields achieved for retail properties. Prime retail properties with strong tenants (i.e. national tenants) on good lease terms with a strong WALE are achieving yields around 7.25% to 8.25%, whereas secondary retail properties with weak tenants (i.e. local business tenants) on poor lease terms are achieving yields of 8.50%-plus.

The spread of yields is evident in two retail properties which both sold around the middle of the year. These include:

- 489-491 South Pine Road in Everton Park is a modern style, convenience retail centre with five tenancies and total a lettable area of 516sqm. The centre is anchored by Night Owl and the other tenants include Subway and Baskin and Robins. The property sold in May for \$2.765 million, representing an initial yield of 7.49%.
- 20 Eva Street in Coorparoo is older style, strip retail building with five tenancies and a total lettable area of 794sqm. The tenants are all local businesses. The property sold in June for \$1.71 million, representing an initial yield of 9.32%.

A notable characteristic of 2010 has been the increase of distressed retail assets released on to the market by the receivers. Therefore many vendors are forced sellers. Cashed up investors have had excellent acquisition opportunities for distressed retail assets. An example of this was the sale of 194-200 Old Cleveland Road in Capalaba. This property is a semi-modern style retail complex, comprising a total of 23 tenancy areas over three buildings. The property is anchored by the Golden Circle Factory Outlet and there were 16 leases in place and seven vacancies at the time of sale. The property sold in May for \$6,809,746, representing an analysed yield of 11.50%.





Gold Coast & Tweed Coast

2010... a rough ride for some, a year of opportunity for others.

It is commonly accepted that the commercial property market reduced significantly over the course of 2008 and 2009, but hindsight is now telling us that 2010 did not fare much better on the Gold Coast. Anecdotal evidence suggests that transaction numbers did increase over this period, however many of these were under forced or motivated circumstances. An increasing trend appeared to be 'flight to quality' by investors which left secondary and tertiary retail properties struggling to find buyers even at heavily discounted rates.

Nevertheless, the retail sector has been the real hero in today's market, with several big ticket transactions over the course of 2010. Whilst yield levels for these properties have blown out from record lows in 2007, they still represent some of the highest quantum price transactions currently occurring on the Gold Coast.

Major transactions of note include Centro Nerang which sold for \$38.5 million, reflecting an analysed yield of 8.78%; and The Forum, Paradise Centre and Lido Arcade in central Surfers Paradise which sold for \$42 million, reflecting an analysed yield of 7.28%. The latter transaction is evidence of the market's confidence in Surfers Paradise, where properties are tightly held and typically achieve firmer yield levels than other commercial property throughout the Gold Coast.

2010 also saw two other major retail holdings, Centro Surfers Paradise and Marina Mirage, placed on the market in Expressions of Interest campaigns. We understand that sale transactions have not resulted from either of these campaigns as yet. Further, the retail component of Circle on Cavill has also recently been put to the market. These three properties have/will provide a great test for the market, particularly considering the quantum values of each property, and in respect to Marina Mirage, as there is no major anchor tenant.

....vacant retail properties have no doubt been the worst affected in today's market...

But if we want to talk about the best of the best, we need to move to the likes of Pacific Fair and Robina Town Centre. Both of these regional shopping centres have been established on the Gold Coast for many years; progressive upgrades and extensions to both of these centres have cemented their reputation as the Gold Coast's two premiere retail centres.

Historically, Pacific Fair at Broadbeach has been the dominant retail centre on the Gold Coast and has attracted a range of tourist and local trade. However, it is impressive how the new Robina Town Centre has proven itself, in such a short period, to be a formidable adversary even in these volatile times. One can attribute the ongoing

success of these centres to the growing population of the Gold Coast and an underlying shift in people's perception to view 'a day out at the shops' as a social event.

On the flip side to all of this positive sentiment, the outstanding performance of the regional centres has adversely impacted on the lower end of the food chain. Older centres are experiencing increased vacancy rates and reduced rental levels; in some instances reduced cash flow, lower capital values and high loan to value ratios have influenced a number of vendors being forced to sell their properties in the pits of the market.

However, one man's loss is another man's gain.

Increased financial pressure has provided an exceptional opportunity for cashed up investors to acquire property at heavily discounted prices. Investors have proven to be very selective in their purchase decisions, which have influenced a broad gap in the yield levels between prime and secondary quality properties.

Tenant profile has proven to be a major influence in today's market. Buyers appear to be much more critical of properties that have a new tenant in place that have not yet proven themselves. Such a case was evident at a CBRE auction in May this year where two retail properties in Broadbeach reflected a yield differential of 1.25%. These two units were located within the same building, however one was leased to the Coffee Club and the other to a local (unproven) restaurateur.

Vacant retail properties have no doubt been the worst affected in today's market. Some smaller strata properties that are suitable for owner occupation have not been affected too much, but any property being considered by an investor (for leasing out) have been heavily discounted to account for the massive risk securing a new tenant.

In many cases, a vacant retail property is not a readily saleable asset in today's market and would be marked down notably if a seller is in a position where the property must be sold.

In overview, there is huge disparity within the Gold Coast retail market. Whilst all sectors have come back from the dizzying heights witnessed in 2007, there is now a notable gap between good quality and poor quality retail holdings. Rental rates across the board have remained flat or even softened in some instances, and most retailers appear to be hanging on and keeping their doors open in these tough times. Softening of yield levels and a prolific amount of MIP sales has resulted in further reductions in capital values and for those who have been forced to sell, 2010 is probably a year best not to be remembered.





Sunshine Coast

The retail market on the Sunshine Coast started from a higher base than either the industrial or office markets in 2010. It has also proven to be more resilient than either of the other two markets, primarily as the other markets have suffered from oversupply in certain locations.

There were few new retail developments that hit the market during the past 12 months, and those that did generally fared better than initially thought. The 'C Coolum' development, located opposite the Coolum Surf Club saw a strong take up of space from tenants and also saw market leading returns, generally circa 6.5% for near new five year leases. These returns were noted also on rental levels that were market leading for this location.

The Mooloolaba Esplanade noted a number of sales, mainly as a long term developer sold off a number of holdings. The sales indicated value levels of circa \$18,000 to \$25,000 per sqm and returns generally ranging from about 6.5% to 7.5%. Interestingly we also noted a large sale of 17 stratas in one line, comprising street front and arcade style tenancies to an investor for circa \$22 million at a return of approximately 7.5%. This was the largest retail sale in the region for 2010.

There were no sales noted in Hastings Street of prominence in 2010, though a sale that occurred in late 2009 indicated a return of approximately 6.25% and circa \$42,000 per sqm, to continue leading the region in terms of value levels.



The Caloundra central business area noted continued activity, though mainly through mortgagee sales in the latter parts of 2010. Value levels have softened slightly from peak levels, though have generally held up far better than in previous cycles in this location. The majority of these sales though, are of older stand alone buildings with high underlying land values.

In Nambour, we noted the upgrading of streetscaping in Lowe Street, which has improved the pedestrian flow in that area. However, Currie Street remains a problem with high vacancy levels and difficult tenancy areas in terms of limited frontages to depth.

Hinterland locations have generally fared reasonably well in 2010 with most areas noting a small increase in

vacancy and some push back from tenants on rental review. Value levels have softened, though again, not to the same levels as in previous cycles. The one notable exception to this is the Montville area, which has a high level of vacancy (circa 15%) not seen in approximately 10 years. There have been three high profile restaurant failures in late 2010 in Montville, which has further stalled this market.



Southern Queensland

TOOWOOMBA

The retail property market in Toowoomba, like most areas in Australia, has experienced varying conditions over the past couple of years.

There were significant increases in retail rentals in Toowoomba during 2006 to 2008, which was seen as a reflection of a strong economy and a buoyant property market. During 2009 however, retail rents plateaued, with a slight increase in vacancy rates experienced. This resulted in most landlords concentrating on maintaining a strong tenant mix, secured with long tenure. In general these conditions continued throughout most of 2010 for existing centres. Recently however there has been evidence of an increase in retail rentals for new shopping centres that are currently being developed. This is likely a result of developers needing to improve returns on an increase in development costs.

....during 2009 retail rents plateaued, with a slight increase in vacancy rates experienced....

Retail property in Toowoomba saw a definite softening of yields in late 2008 and early 2009, with this trend appearing to have stabilised by early 2010. Increasing interest rates throughout 2010 however is likely to again apply pressure on retail yields. The lack of recent transactions in the Toowoomba market makes it difficult to accurately gauge whether these yields have moved.

New retail projects commenced in Toowoomba during 2010, including the 'Red Edge' convenience centre located on James Street and the redevelopment of 'High Street Plaza', which is located in the eastern suburbs of the city.



Central Queensland

ROCKHAMPTON

Earlier this year we predicted that the commercial market in would remain relatively unchanged throughout 2010. We were right. There has been little evidence of an increase in demand. Sales activity in the market has been slow with approximately 30 commercial sales occurring during



2010, similar to volumes realised in 2009. Consecutive increases in interest rates over the past year are likely to have had an impact on market sentiment.

As the retail sector prepares for the Christmas rush, a number of small retailers are planning their closing down sales. Some have attributed their closing to poor car parking and access issues while others cite that it's just too quiet to sustain their businesses. The retail property market has also remained relatively quiet. While vacancy levels are still low, the closing of these businesses will mean an increase in available space in both the CBD as well as some secondary locations.

Rental rates remain around \$150 to \$250 per sqm gross and yields are steady at between 8.5% and 9%. Opportunities still remain to refurbish older style buildings.

A notable transaction for 2010 is Stockland's recent acquisition of a 278ha residential development site in Parkhurst for a reported sum of \$10 million. The site is likely to yield more than 1900 residential allotments and the proposal also includes retirement village, retail centre, schools, community facility and a small mixed business precinct. The first allotments are expected to be available in 2014. (Source: Stockland Pty Ltd).

We would like to take this opportunity to wish our valued clients and readers a very Merry Christmas and a prosperous New Year.

BUNDABERG

2010 has been a tough year in retail in Bundaberg. Rising interest rates and erosion of personal incomes have reduced retail spending.

There was very limited sales evidence of retail properties in 2010. Early in the year the 'Sams Warehouse' property sold for \$3.43 million, indicating a yield rate of 9.74% and the adjoining property sold for \$4.35 million. It comprises 3ha of land with 3176sqm of buildings. It indicated a significantly discounted added value for the spare land. Both the above were sold by receivers.

....neighbourhood shopping centre rentals are generally in the \$350 to \$550 per sqm range....

Vacancy rates have increased during 2010 and incentives to attract tenants have become more prevalent. Most vacancies are in larger premises and secondary locations. Smaller retail tenancies and tenancies in shopping centres have not been as affected and have limited vacancies to date.

Rental rates are generally in the \$175 to \$350 per sqm range. Neighbourhood shopping centre rentals are generally in the \$350 to \$550 per sqm range.

In general terms yield rates are considered to be in the 8.5% to 9.5% range for property in the sub \$ million price bracket. Strongest demand is for strongly tenanted property.

HERVEY BAY

Economic conditions such as a high \$AUS, volatile tourism numbers and increasing interest rates are all having an impact on our local retail market. The lack of discretionary spending in the retail sector is having a significant impact on local business owners with some heavily reliant on the backpacker and tourism markets.

There has been limited sales activity over the past 12 months, however Hungry Jacks and the Officeworks building are currently listed for sale. Historically, these properties were purchased on yields of 6.16% and 7.42% respectively. Premises with nationally branded tenants generally attract up to a 0.75% to 1.5% yield premium compared to other investment property, so it will be interesting to see the end sale prices to determine where this market is currently positioned. The retail component of the Hervey Bay Pier Resort (Peppers) is also available for sale by the mortgagee.

Proposed unit developments incorporating ground level retail space that were predicted to commence in 2010 have not eventuated. The continuation of the slow residential unit market is holding back any construction along this area.



Stockland has announced some interest in purchasing Centro Shopping Centre however it is currently unknown how negotiations have progressed. Expansion of this complex would show confidence in the area, however on the flip side may place pressure on rental rates as landlords attempt to stop tenants relocating. Incentives may become more prevalent to attract tenants. Currently vacancy rates appear stable.

The main prime retail complexes include Eli Waters (for sale), Centro Hervey Bay, Pialba Place, Bay Plaza and Urangan Central. Rental rates within these complexes can range as high as \$900 per sqm for less than 50sqm down to low \$200s per sqm for large anchor supermarket brands. These rates are generally insular and not achievable in secondary locations or strip shops.

MACKAY

During the past year the Mackay retail sector experienced some significant changes. Caneland Central Shopping Centre commenced construction of their expansion which will see the centre grow to 62,500sqm, inclusion of a Myer, expanded IGA and double the current number of speciality stores to 240.

Owners of the Northern Beaches Central Shopping Centre commenced construction of its second stage



which will comprise a Woolworths supermarket, McDonalds, a further 17 specialty stores, and the existing BiLO converted to a Coles supermarket. Mackay Regional Council has also recently approved Stages Three and Four of this centre, which has long been earmarked to become an even greater hub of activity and the third major commercial centre in Mackay. With a total of 45,000sqm of floor space, this centre will become slightly larger than the current Caneland Central.

A Material Change of Use for a two stage expansion of Mount Pleasant was approved which will increase floor space at this centre by approximately 15,432sqm. Additional Material Change of Use approvals were granted for extension of a small neighborhood shopping centre in Bucasia, and development of a neighborhood shopping centre in Blacks Beach (subject to appeal) and Ooralea.

The retail market in the city remained relatively stable with limited vacancies, however no real rental growth.



Cairns

The Cairns retail market had been strengthening slowly but steadily for a number of years. However while this trend started fading out at the start of 2008 and has continued to fade since, we now perceive the Cairns retail market to be at or near the bottom of the cycle. It must be also said that retail property sales in Cairns are extremely sporadic, and no retail properties of significance have changed hands during 2010. The only sales involving retail property have been of mixed use retail/office buildings or tenant buyouts of single premises.

Nevertheless retail development activity has continued apace. This year has seen the opening of the Cairns Square complex which contains 6600sqm of mixed use retail and office space over three levels in the Cairns CBD. Ground floor retail outlets with street frontage have seen good demand and been almost fully leased with strong rents paid.

Also opening this year has been the Sugarworld Shopping Centre located in the fast-growing Edmonton precinct. This centre contains a 3200sqm Coles supermarket plus 1500sqm of specialist tenancies, 90% of which have been leased.

In addition, a \$50 million expansion of the Mount Sheridan Plaza shopping centre has just commenced, to incorporate a Kmart, a second supermarket (Woolworths), discount chain store The Reject Shop, a new 300-seat food court and 40 speciality stores. The 14,500sqm expansion will take the size of the centre to 22,150sqm and add 1100 more car parks.

Despite the economic downturn that has led to a reduction in consumer and tourism spending, vacancy levels in the prime retail sector have remained stable, with high exposure CBD space near fully occupied. However there are vacancies in lesser exposure locations and/or on the CBD fringe. Rents as a general rule have been static, showing ranges of \$600 to \$1500 per sqm per annum for prime CBD space, and \$1000 to \$2500 per sqm per annum in key tourist precincts such as the Cairns Esplanade.

Yields for commercial properties in general in Cairns have eased back by about 10% from the record low levels observed at the start of 2008. Though true retail sales are rare in the Cairns market, we believe yields for retail premises have been steady in the 7.5% to 8.5% range, compared to the 6.75% to 7.25% range that prevailed at the start of 2008.



Townsville

Throughout 2010 Townsville's commercial property market has remained at the 'bottom of the market' cycle, with confidence starting to return, however to date we have not seen any tangible evidence of a market recovery.

Townsville's retail market during 2010 however, has continued to expand and change the landscape with several significant expansions/developments either reaching completion or under construction.

Townsville's three major sub-regional shopping centres have, or are all undergoing major expansions with Willows Shoppingtown opening its 13,000sqm expansion in October 2009 and Castletown Shopping Centre opening its 11,000sqm expansion in October 2010. Stockland Shopping Centre is currently in the process of its \$180 million expansion, which will increase its gross lettable floor area to 46,000sqm and is to incorporate a 12,000sqm, two-level Myer.

...Townsville's commercial property market has remained at the 'bottom of the market' cycle during 2010....

Several other major retail developments that have either reached completion or are currently underway in 2010 include stage one of a Bushland Beach shopping complex comprising 1000sqm including an IGA supermarket; Stage One of Stockland North Shore, including 5600sqm of gross floor area; a new 13,000 sqm Bunnings; and an \$18 million shopping complex called The Landing, which is located in Douglas and will include an IGA supermarket and 15 speciality stores. This year has also seen the



much anticipated start of the \$56.6 million Flinders Mall redevelopment, which is currently underway with an expected completion date of March 2011.

On the market front, the retail sector has experienced low volumes of sale throughout 2010 as the disparity between vendors' expectations and the yields purchasers are willing to pay continue. The most noticeable activity was from a national supermarket chain that has been very aggressive in the market with strategic land acquisitions, including an \$11 million dollar purchase of a 4.3ha site in Kirwan.

Retail rental rates have remained steady during 2010 with yields in the 8.5% to 9.5% range for modern quality retail properties offering dynamic tenancy mixes in strategic locations, to between 9.5% and 11.0% for older product or that not offering the dynamic tenancy mix or strategic location.

Overall 2010 has seen a changing landscape with regards to retail with several new developments/redevelopments reaching completion or commencing construction. The market has remained slow in terms of transaction numbers with yields and rental rates remaining stable.

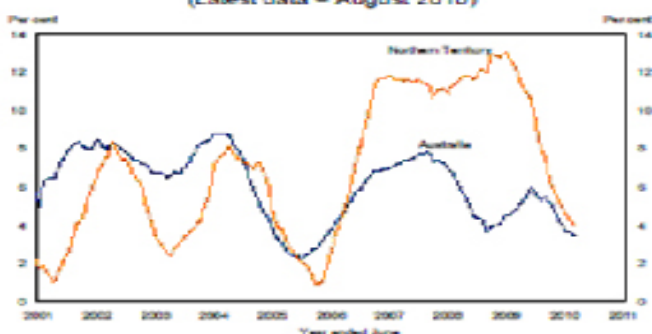


Darwin

In the past we have repeatedly stressed that despite its small size, it's difficult to generalise about Darwin's retail property market. To a large extent, that is because there is one major dominator - Casuarina Square - sucking up demand from a very wide radius and leaving the rest needing pretty sharp pencils to be successful. These others include a relatively healthy but still awkward Palmerston Centre, an improving CBD retail centre, and the other retail developments being something of a patchwork quilt. The quilt includes some gems, such as Woolworths at Nightcliff, but more of others with trading figures which, on the face of it, not even their mothers could love. These include centres which lost their original trading niche, and centres which were not going to work from the start because they ignored fundamentals of retailing positioning.

Over recent years, Darwin's retail trading had shown year on year growth way above that prevailing in the rest of the country. Recently, however, that growth has plunged back almost down to the national average, as shown by the following graph provided by NT Treasury in November's Territory Economic Review:

Retail Trade Turnover*
(Latest data – August 2010)



* year on year percentage change, original data
Source: ABS Cat. No. 8501.0

Treasury also explain that cafes, restaurants and takeaway foods went up by 22.3% in the year, while newspapers and book retailing went down by 29.9%. These changes have been reflected in CBD property, which added many new food outlets in 2010. Several of them such as Il Lido, Fiddlers Green and Ocean Fresh have joined the Coffee Club and the Curve restaurant down at the Waterfront Development, which with its wave pool and other facilities is proving itself to be a considerable enhancement to Darwin's lifestyle. One highly experienced local agent commented that retail in general is still going well, and that Darwin CBD retail now has the highest occupancy rate he has experienced in his long career.

At the scale of multi-tenanted property developments however, 2010 will be remembered more for its lack of sales than any benchmark transactions. We have previously mentioned two properties on the market, both of considerable quality, that are as yet unsold. A third such property, The Hub at Palmerston, is now also for sale. With an estimated net income approaching \$1.2 million and tenants including those of the calibre of Westpac, Ultra Tune and similar, its sale could provide a much needed indicator of the direction that Darwin's retail property market is heading; or, at least, the market at that scale of values. Once again, anyone wanting to put their foot in Darwin's warm waters should not confuse lack of size with lack of complexity. Do so, and you could get stung, and painfully. Gain local knowledge, and you could get rewarded, and generously.



Perth

The retail property sector has had a mixed year with sales turnover being heavily dominated by the premium end of the market. Landgate data reveals retail property sales for the 2009 calendar year totalled slightly above \$590 million, with properties above \$10 million representing approximately 83%. In contrast total sales over this calendar year to November amount to slightly under \$900M, however properties over \$10M account for 97% of that total.

Premium end retail property sales appear to have little difficulty finding buyers, with strong interest during marketing campaigns. Most buyers at this end of the market tend to be institutional buyers who have been able to acquire properties via venture capital rather than commercial lending. Lending conditions in the commercial sector have eased however remain tight and in a rising interest rate phase. Sales at this end of the market are limited only by the limited availability of such properties, as owners of such properties are generally reluctant to sell as these properties offer secure and strong returns.

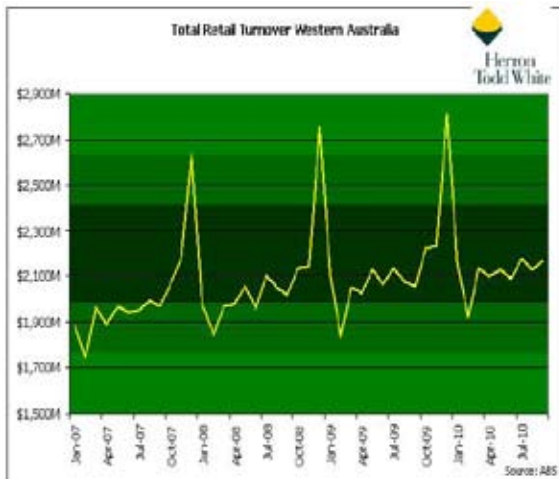
...Landgate data reveals retail property sales for the 2009 calendar year totalled slightly above \$590 million....

At the lower end of the retail property market turnover has declined in comparison with the previous year, faced



with increasing obsolescence and tougher competition from CBD and regional shopping centre markets. Investor participation at this end of the market is very low and primarily driven by owner occupiers.

Despite Western Australia's high average incomes and low unemployment growth in retail turnover growths has been slower than previous years and there have been many media stories published on the difficulty the sector has faced throughout the year. The graph below depicts total retail turnover since 2007 for Western Australia, showing flatter growths for the 2010 calendar year. Rising interest rates are the most likely cause as income earners face increased burdens in servicing existing debts. Another factor affecting retail sale turnover is low consumer confidence in the face of continuing instability in the global financial markets. Overall the retail trading sector has had a tough year, although to some extent the difficulty may have been mitigated by the high Australian Dollar.



Given the difficulties faced by retailers it is likely that rental growth will remain flat, although existing rentals are generally governed by leases with strong covenants which incorporate either fixed or CPI reviews and often includes a ratchet clause.

The flight to quality in the retail property sector is similar to other commercial property markets and with sales at the premium end of the retail property market generally achieving returns between 8% and 9%, pressure on the lesser quality properties has been acute and further explains the limited activity in that segment of the market.



South Western WA

Demand in the commercial market in Western Australia's south west region can be summarised as steady, albeit with limited sales transactions. There has been a small amount of speculative activity and the leasing market has held up well with continuing good demand.

It is noted however that there are still a few vacancies in the recently constructed small retail/showroom premises in both Dunsborough and Margaret River.

There appears to be an under supply of shopping centre retail space available in most CBDs with very few vacancies. The current expansion of the Bunbury Forum and Eaton Fair as well as new shopping centres in Australind, Treendale and Dalyellup, should cater for this supply in the Bunbury Region. With the development of so many retail areas an oversupply situation could develop.

Prime retail in the CBDs is tightly held with many owner occupiers and only very few transactions and generally consistent occupation by tenants. Yield particularly in Busselton and Margaret River continues to be very low.



Some sales of significance in the South West of WA include :

- The Ranger Outdoor warehouse in Bunbury, which sold in May for \$4.2 million. The property is a modern, part two level retail showroom complex. The building retail area is 1613sqm with 487sqm mezzanine offices. The property is subject to a 10 plus 10 year lease to national tenant commencing November 2009. The sale analyses to a yield of 7.13%.
- 1/126 Bussell Hwy, Margaret River sold in February for \$1.375 million. This is a modern approx 214sqm concrete tilt and iron shop front achieving good exposure on the main street. The sale showed a yield of 5.3%. 39 Queen Street, Busselton sold in April for \$1.635 million. This is a 320sqm retail shop on the main street. The property was purchased for occupation by Priceline.





Residential Overview

As the year draws to a close, 2010 will probably be seen as a time when market consolidation was on the cards but a few surprises helped keep things interesting. As you'll see from the following office by office wraps, the impact of political and economic events all did their bit to affect even the smallest markets. You will also find that while Herron Todd White's offices had a couple of misses from their predictions in February, all in all our advice fared well.

This year's look back at the year in review provides for some compelling observations and there will likely be some lessons learned from the last twelve months that can only strengthen decisions made in the coming year.



Sydney

South West

Looking back - during the first months of the calendar year, there was unexpectedly increased activity in the market despite the dilution of the available grants to first home buyers. Vendors made the best of conditions whilst, the majority of suburbs in the South-West region increased in value by the order of 5% or more from February through to May. Standout suburbs during this period of time were Westmead, Auburn, Lidcombe, Wentworthville and Pendle Hill.

As predicted, upgraders came back into the market this year as the economic landscape steadied. Established home values benefited throughout the region, however, a good example of this was the established suburb of Westmead which obviously benefits from a strong local economy and increased transport options.

So, the strong market conditions in this area for freestanding dwellings were driven by predominantly

established purchasers upgrading their place of residence. The most active buyers were generally professionals and young families looking to secure their piece of real estate in what is becoming one of the region's most sought after suburbs. They are mainly influenced by the suburb's proximity to the Parramatta CBD, good public transport and easy access to the M4 Motorway, which then provides easy access to the Sydney Metro area.

The remaining dwellings in original condition which were offered for sale were purchased at premium prices by buyers who were seeking to capitalise on properties in need of renovations or to rebuild. On this topic, the merit of the practice of flipping or renovating for profit becomes very marginal when one considers that unrenovated properties are often selling hotly contested and thus sold for a premium.

As predicted, our market slowed down in market activity due to the uncertainty surrounding the upcoming Federal Election in the year. This holding pattern was extended due to the close result of the election and waiting the 17 days for the elected independents to determine which party would govern the country. The traditional 'spring' period of market sales was delayed as buyers and sellers alike sat on their hands.

Generally, within the past two months, we have seen good market activity from all sectors of the market, from first home buyers to investors. Hopefully this continues up to Christmas period and everyone can have a well deserved break.

East and Inner West

The Inner West and Eastern Suburb property markets went from strength to strength for the first half of 2010 despite lower than expected volumes. The strong market activity continued well beyond expectations. Values eventually cooled off as the uncertainty of interest rates spread across the property landscape like winter's late frost, holding back the fresh new shoots of springs.

All suburbs across the inner city areas performed during this period from Annandale to Pyrmont, Rosebery to Kensington and Paddington to Bondi. Everything was



selling, as buyers took advantage of low interest rates, government stimulus and a relatively healthy economy.

In the latter half of the year, higher interest rates and the Federal Election took the sting out of the market, as buyers took a step back and adopted a 'wait and see' approach. Whether elections, interest rates or seasons it is clear that it is not so much which government or how much the interest rate but rather the uncertainty which destabilises our markets. The upshot was lower volumes and a general shift from auctions to private treaty sales and extended marketing periods. Lenders, mortgage insurers, major lenders, credit referencing organisations and building approvals all point to a year of 25% deterioration in volumes.

As spring commenced an influx of higher end dwellings (\$2 million-plus) came on to the eastern suburbs market; however the usual spring selling period was delayed. This late peak, we predict, will mean that the property market will maintain its intensity right up until the last days of December. This has created an excess of stock of higher end properties and some agents are advising vendors to delay listing until the new year.

Generally, the market has picked up over the past month however we have not witnessed the usual spring selling frenzy we have enjoyed in previous years.



Canberra

Population growth, secure employment and relatively high disposable incomes continue to drive the Canberra residential property market. Over the past 12 months the market has performed well with solid increases in value occurring for quality established properties and off the plan sales transacted in 2009. Of note, Canberra experienced its highest sale to date, with 27 Mugga Way selling for \$7.3 million in April. The rental market, similarly, has remained resilient evidenced by relatively high rents and a low vacancy rate reflecting a continued demand for quality housing accommodation in Canberra.

Lower interest rates were the catalyst earlier in the year for first home buyers and others looking to trade up and enter the market. In response, the Local Government proposes to release in the order of 3000 dwelling sites in 2010-11 and an annual average of 3000 dwelling sites in the following four years. New supply coming online was predominantly located in the northern suburbs of Macgregor, Bonner, Casey, Forde and Crace. However,

new releases in Molonglo as well as Googong over the border in New South Wales are earmarked in the future to meet ongoing demand.

The middle of the year during winter is traditionally a quieter period for the Canberra residential market, which was exacerbated by the uncertainty caused by the 2010 election and rising interest rates. The onset of spring has seen an improved level of activity in the market with a large amount of established house supply entering the market. This trend is approaching levels seen during the softer periods in the market associated with early 2004 and late 2008. Rental supply has also trended upwards, indicating that rental prices should begin to taper out in the near future.

...lower interest rates were the catalyst earlier in the year for first home buyers and others looking to trade up and enter the market....

Despite the continual boost to supply in the Canberra market, affordability still remains an issue, with the September quarterly median price of \$512,000 for residential dwellings and \$385,000 for unit titled dwellings. In comparison to 2009, these figures show roughly a 12.5% increase for residential dwellings while unit titled properties appear to have remained similar to the year prior.

In terms of dwelling commencements in the ACT, numbers were up approximately 63% on the year prior in original terms. This statistic is indicative of the current construction works throughout the ACT, as Australia-wide the growth in dwelling commencements over the past year was approximately 25% in original terms. Between this increase in dwelling commencements and the increase in existing supply coming onto the market, ACT property owners should expect to see slower growth over the next few months.

In surrounding localities close to Canberra including Queanbeyan, Jerrabomberra, Murrumbateman, Yass, Bungendore and Braidwood they experienced over 2010 a good level of activity with values either holding or slightly increasing throughout the year.



Wollongong

The Illawarra property markets rallied in the latter half of 2010, despite lower than expected volumes in the mid-year. The market activity has seen prices stabilise from the lows of 2008/09 however the uncertainty of interest rate rises still looms large in the market. As a result, we could see a cooling off of any overly strong growth in the coming 12 months.

The northern suburbs of Wollongong from Stanwell Park down to Bulli performed above the pack during this period, with many million dollar sales eclipsing the previous two years' prices. In many ways, this is the old Sydney influence coming back into the market, and is generally not reflected in the southern suburbs.

In summary, some of the winners in 2010 have been:



- Northern beach suburbs above Bulli
- Inner beach suburbs such as East Corrimal and Towradgi
- Lower value areas in Shellharbour LGA where the lower value properties have been dragged up in value in-line with the overall market demand.
- Kiama and Gerringong
- Wollongong apartments due to the drying up of the glut of new home units in the area and also in North Wollongong.

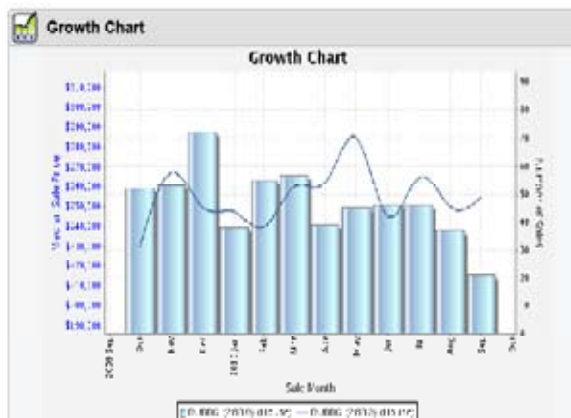
Economic conditions are picking up. Unemployment rates are finally heading south in the area after being hit severely by the GFC fall out in recent years - and the all important consumer confidence is on the rise. This regional recovery bodes well for the maintenance of values in the next 12 months.



Central, North & West NSW

DUBBO

Dubbo's median value (year to date) has experienced a 5.2% increase to \$255,000, which is a result of Dubbo's mid to high cost housing (\$300,000-plus) experiencing an increase in volumes and values. As expected properties priced from \$200,000 to \$300,000 were the bulk of our transactions, thanks to the last of the FHOB.



January delivered a highest ever sale price for a residential property in Dubbo (a fantastic \$920,000) and we have no doubt this has boosted confidence levels in prospective purchasers who at times have been shy and chosen to build. It's great to see we have finally broken that glass ceiling.



Unfortunately, after a 12 month period of high sales activity and increasing land values, the sales activity of vacant residential land in Dubbo has decreased as the year has progressed due to a lack of demand.



All of us at the Dubbo office would like to extend our best wishes to readers and clients for a safe and enjoyable festive period.

BATHURST AND ORANGE

As predicted the Orange/Bathurst region was 'steady as she goes' for most of the year, with some minor fluctuations around the Federal Election and in reaction to interest rate movements. There has been approximately 10% to 15% increase in the median dwelling price in the Orange LGA and 15% to 20% increase in the Bathurst LGA. This has led to the median dwelling price for Bathurst overtaking Orange for the first time, (albeit ever so slightly).

There was a distinct increase in investor activity in the region, with many new dwellings being purchased or constructed by investors with the reward of health returns being offered. This can be partially attributed to the expansion of Cadia gold mine just south Orange and partly due to a general migration to regional centers from capital cities which is becoming more evident.

...there has been approximately 10% to 15% increase in the median dwelling price in the Orange LGA....

Sales volumes in the region have remained constant with a change in activity from new home buyers very early in the year to second and third home buyers as a result of



the snowball effect created by the First Home Owners Grant Bonuses. There has even been a reasonable level of activity in the rural residential/executive style properties (particularly later in the year).

The Bathurst and Orange offices wish to extend our best wishes to readers and clients for a safe and enjoyable festive period.



Newcastle

What did well and what didn't do well for the year just winding down? Who shone bright to receive the accolades of the adoring public? Who was shunned by the paparazzi and ignored by the gossip column in the paper? We will now reveal the answers to those hotly asked questions in our year end wrap up awards special. The fanfare is limited and unfortunately Powderfinger have played their last gig and weren't available as our musical act. But press on we must, so here we go: The 'we could have picked this with our eyes shut' award – sub-\$400,000 houses are booming. Honorable mentions – high priced units failing to set the world alight; and a lack of activity in land sales over \$200,000 in fringe areas.

As an interesting side note before we launch into the main speech, this winner several years ago would be entitled the 'sub-\$300,000 houses booming', which probably tells us all we need to know here. The traditional first home buyer category in Newcastle is strong up to \$400,000 and property which is within this price range has done particularly well over the past five years or so, and 2010 has been no exception. We have seen strong activity through the Hunter in this price bracket which is not surprising given Australian's inherent desire for home ownership and the ability of more people to purchase at lower prices.

The winner beat out to other candidates quite comfortably. There has been the release of substantial numbers of units in Newcastle recently with the latest release from Mirvac settling in October. Mirvac are now embarking on the next phase of construction with more units to be leased to the market. We identified in February that the \$500,000-plus apartment property market was struggling and we see no reason to change that outlook, with more units added to the market and net absorption

reasonably poor for existing complexes and in particular resale stock. This trend is set to continue over the next period.

Lack of activity in land sales was never really a contender in the category given the bullish talk in local media earlier this year regarding a lack of new housing stock in Newcastle/Lake Macquarie. This had the impact of instilling some optimism in the market for land sales and creating a sense of 'you may miss out, act now'. However the lack of activity in this sector may not have been as unexpected if you drill down a little further. If the price of land is \$220,000 it may cost another \$220,000 or more to build an appropriate home with landscaping. This places the final value at somewhere near \$440,000 which is above the first homebuyers' level. By taking out the first home buyers a large pool of the potential market is gone and the demand will suffer as a result. Sales will be sluggish as a result.

The 'we kind of expected it, but wow not that much' award – the Maryville/Wickham/Carrington boom.

Honorable mentions – Adamstown/Lambton strength; serviced Apartments falling into the abyss in holiday areas

Nothing to separate the eventual winner here, all three were really strong contenders. It is safe to say it's a talent packed award and there was two very disappointed nominees going home wondering what more they could have done. Serviced apartments in particular were heard walking away muttering under its breath something about the bogus judging and lack of respect.

The inner city suburbs have completely dominated the good news story of the year from growth and price expectations. Sales have been firming up over the past 12 months and have been outstripping nearby suburbs of Tighes Hill and Islington - and even out-performing the perennial powerhouse Hamilton. There has been a resurgence of people wanting inner city living close to the harbour and amenities. Wickham and Carrington fulfill these criteria and have received the attention and adoration of the masses. Record sales have been set and reported on in local media.

....the traditional first home buyer category in Newcastle is strong up to \$400,000 and property which is within this price range has done particularly well over the past five years....

Adamstown and Lambton have continued to perform strongly with good capital growth evident. The major benefits are the proximity to services, shopping and the larger lot sizes more appropriate for families. The prices in these areas are now pushing up over \$400,000, so it will be interesting to see if the momentum can be retained. The physical attributes are there and again record prices seem to be occurring on a weekly basis.

After heading outside for a cigarette we got a chance to pick the brains of the fiery serviced apartments. The case they mounted to us was persuasive. It mentioned that increased Mortgagee in Possession activity was noticeably occurring across the sector, returns were lumpy, uncertain



values would be kept in check by cautious buyers factoring in rising interest rates.

There had been strong supporting evidence in regions such as Pacific Palms and along the Manning River east of Taree which typified our positive outlook. There were numerous upper price range sales occurring mid to late 2009 in areas which had seen scarce activity for around two years and it appeared the worst of any downturn was over. We did however consider this might be quickly off-set by increasing interest rates. Time has proved this correct and we are again seeing minimal sales activity above \$600,000 in Pacific Palms and above \$500,000 throughout the greater Taree region. The slowing of sales activity is less of an issue in the main cities and towns, though this has led to extended sales periods and sales above \$1 million continue to remain very scarce throughout the Mid North Coast.

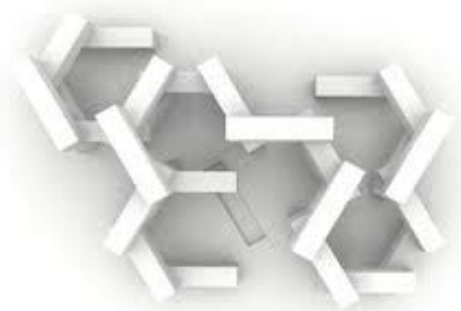
We expressed our concerns about the continued oversupply of listings of modern high-rise coastal units, resort style investment property and large coastal land releases. This situation has not changed, and some falls in value have been realised. They continue to be thinly traded, having extended sales periods, and will again need to be viewed with caution in the year ahead

In Port Macquarie, the modern unit market in the \$300,000 to \$500,000 price range has been flooded with mortgagee sales, particularly around Waugh St, whilst in Forster units above \$300,000 are thinly traded. There is a limited buyer market for this type of property, being unsuitable to most families and retirees, and unaffordable to most first home buyers.

In analysing income statements for resort style property, we have clearly noticed regional tourism having marginally weakened over the past three-year period, and further interest rate rises should see this pattern continue.

Vacant land sales in the greater Taree region have been the most thinly traded in the region. In the city of Taree itself this can be attributed to affordability and caution to interest rates. Of most concern is the coastal area to the east where there could be potential significant losses.

Looking back at the year in review, the Mid North Coast property market ends in a less positive note than we expected, though still by and large relatively healthy. The expected outlook for the overall market is a continuation of the current trend, i.e. soft sales volumes however with median price levels being maintained, until stronger confidence again returns.



NSW Far North Coast

The NSW Far North Coast comprises property located north of the Clarence River, east of the Dividing Range and south of the Tweed Coast. Within this large expanse of area, there is a diversity of property type, quality and pricing.

The residential market on the NSW Far North Coast has generally been slow over the past 12 months. This slow performance of the property market has been a result of continuing uncertainty in world financial markets, continuations of reduced market confidence, increasing interest rates and uncertainty as to whether the Reserve Bank will continue to raise interest rates. The property market was also affected by the Federal Election which created a distraction in regards to potential purchasers making decisions regarding property transactions.

In summary, property values have remained stable, albeit in a subdued state. The lower end of the market has remained stable in regards to value levels and stock that is competitively priced has continued to sell. The mid section of the market has also been stable, however, there have generally been fewer enquiries for stock within this sector of the market. The prestige market has continued to be soft, however there have been several sales within the second half of the calendar year, which indicates that purchasers are still active within this sector.

A more in depth analysis of the property market over the past 12 months include various regions situated within the shires of Lismore and Richmond, Ballina and Byron Bay.

The general residential property market for the Casino and Lismore regions have continued to show softening demand and activity with the majority of agents reporting some enquiry but a slower turnover of sales.

Vacant residential land has remained steady in demand which is primarily due to limited supply, especially within the regions of Casino and Lismore/Goonellabah.

....the mid section of the market has been stable, however, there have generally been fewer enquiries for stock within this sector of the market....

It has been noticed over the past 12 months that improved residential properties that do not sell within the regions of Casino and Lismore are due to the properties not being realistically priced. The tolerance for 'over the top' asking prices is very low among prospective owner occupiers.

Investor activity has been considered to be relatively low.

The rental market for Casino and Lismore has continued to be slow and considered 'sluggish' in the last two months.

There has been limited activity within the Casino and Lismore rural localities for larger farmlets in the \$1 million bracket. Over the past 12 months, there have been an increasing number of such properties available for sale



with little interest being generated. This is particularly noted in the Kyogle/Casino rural areas.

The general residential property market for the Yamba, Ballina and Lennox Head regions have generally remained steady over the past 12 months. However, rates of sale have continued to remain at low levels and agents have reported that sales remain 'few and far between'. This is generally due to vendors exercising their power due to it being a buyers' market. As a result, properties that are not realistically priced will struggle to sell

There is also difficulty in selling property situated within the mid sections of the market due to potential buyers carrying some 'baggage' in respect to selling another property, resulting in conditional sales. There is also the continuing difficulty for potential purchasers to obtain finance, with funders scrutinising properties in respect to any risks associated such as flooding, traffic noise etc.

The Ballina and Lennox Head regions have shown stagnated movement in the market place and higher priced properties which have sold throughout the year have predominately been purchased by buyers from outside the regions.

The region of Byron Bay has continued to remain relatively subdued over the past 12 months with reduced enquiries being experienced for all classes of property. However, properties have continued to sell within a reasonable selling period provided they are realistically priced. There have continued to be sales of prestige properties within the suburb and surrounding rural residential localities which indicates that purchasers are still active within this sector. However, the higher the price, the thinner the market.

....there is difficulty in selling property situated within the mid sections of the market due to potential buyers carrying some 'baggage'....

Overall, although the property market on the NSW Far North Coast remains slow, property values have generally remained stable. From all the staff at HTW NSW Far North Coast, we would also like to take the opportunity to thank all the readers of our monthly review and best wishes for a Merry Christmas and Happy New Year.



Southern NSW & Northern Vic

WAGGA WAGGA

What happened in your market over the past 12 or so months?

Property price has remained buoyant with an increasing level of sales activity. First home buyers have started to drop off but that slack has been taken up by investors coming back on the market.

What were the big influences and impacts on property around your patch?

Wagga Wagga has been in serious drought for more than eight years, but that officially ended this year. The overall outlook for this region is certainly more positive.

Where did we get 5 our predictions right?

- The market has remained buoyant.
- Buyers are re-entering the higher end markets.
- Premiums have been paid for quality homes and locations.
- There is a greater demand for investors.
- The market is seeing short selling periods.

Where did we go wrong?

Interest in holiday accommodation, interest levels and sales are still very low with long sales campaigns.

Are there comments where we went too far with our enthusiasm (or not far enough)?

Overall the markets have slightly more buoyant that we first predicted. Areas around Wagga Wagga have enjoyed relatively strong competition and sale prices have reflected this. Interest rates are still concerning people however overall the outlook is positive.



LEETON AND GRIFFITH

The market in the region of Leeton/Griffith has been slow for the past 12 months. There has been little market activity in Leeton, and Griffith has also slowed but still has had quite a number of sales throughout the year.

The drought that crippled the region has eased with the good rainfall in recent months. This has improved the region's winter cropping outcome and job prospects. This is good news for investors who in February were awaiting tenants to fill vacancies in their properties.

The rain has been a blessing for the area, which is still awaiting a final outcome of the Murray Darling Basin Plan. The proposed plan could have drastic consequences for the area, we can only wait with anticipation for the final outcome of the plan.

The property market has reached the bottom of the cycle and can only improve from here on in. Interest rate rises will be the next big issue because if they keep climbing it will place extra pressure on existing owner occupiers and people looking to get into the market. There are still plenty of bargains on the market but uncertainty over the Murray Darling Basin Plan is taking its toll on buyer confidence.





Melbourne

The greater Melbourne residential market is currently levelling off subsequent to a period of strong growth earlier in the year. During the past 12 months the Melbourne Metropolitan median house price increased 20.5 percent from \$468,900 at the September 2009 quarter to \$565,000 at the September 2010 quarter. The June 2010 to September 2010 quarter shows a .9 percent rise in median prices, which is indicative of levelling market conditions as a result of recent interest rate rises following the property boom from late 2009 through the first half of 2010.

With the market cycle peaking circa May 2010, clearance rates reached 85 percent with premium prices being paid for properties particularly in sought after locales. These suburbs are still demanding strong prices, however agents advise prospective purchasers are now more cautious than ever and are often tentative to reach contract. Clearance rates have more recently dropped to around 60 percent which while indicating a cooling market, still shows buyer interest.

House prices at the September 2010 quarter have reached all time highs creating issues in affordability, particularly for first home buyers. Stats show buyers are now targeting a range of suburbs with medians under half a million last quarter. Driven by population growth, the stand out suburbs were those such as Doreen, Roxburgh Park, Craigieburn and Tarneit, which saw quarterly increases of up to 10.4 percent.

The northern and north-eastern suburbs of Melbourne were no exception to the general 12 month trend, however outer suburbs driven by heavy population growth returned a continued increase during the past quarter, with Doreen recording a staggering 10.4 percent quarterly change. Suburbs located approximately 20 to 40 kilometres north/north-east of the CBD (within the City of Banyule) generally experienced negative quarterly change, which appears to sit in-line with current market conditions. From this, we can gauge that commuters are continually moving further from the CBD, chasing cheaper land towards and over the urban growth boundary. With several new estates being built in and around small country towns outside the boundary, developers are able to market to metropolitan buyers whilst avoiding the infrastructure levy. In addition to this, first home owners who build in a regional area outside the boundary receive \$26,500 in government grants, compared to the \$20,000 for a new home inside the boundary.



We'd like to take this opportunity to thank our readers who have joined us through what has certainly been an interesting year in property and wish you all a safe and merry Christmas and New Years. We look forward to seeing you in 2011!



Regional Vic

ECHUCA

The real estate market in Echuca/Moama has eased forward during the course of 2010 with moderate improvement in sales rates and slight increases in levels of value relative to 2009. The local economy is expected to benefit from improved sentiment and returns in the rural sector in combination, with renewed interest from Melbourne buyers or those relocating to Echuca. Notwithstanding this general momentum in the market place, most of the agents are suggesting that volumes through the middle section of the year were very low even once seasonally adjusted and this saw one of the local agencies shut their doors. It is pleasing to see some recovery in interest levels from Melbourne buyers who have traditionally been a good source of demand for property in the local market.

Demand for land remains relatively subdued with local builders reporting limited demand for new dwelling construction. One segment which has finished the year with a rush of activity is property with Murray River frontage, where several sales ranging from \$950,000 up to \$2.5 million were made in the back half of the year. The market for holiday park units has remained in oversupply throughout the course of 2010 with several units being discounted heavily to attract buyers and numerous others on the market.

...the local economy is expected to benefit from improved sentiment and returns in the rural sector

It is also worth noting the minor recovery of several satellite towns, albeit from very low levels, with Rochester experiencing a solid increase in sales levels and Cohuna also seeing improvement in sales rates for the lower segment of the market (\$125,000 to \$160,000). In the case of Rochester we suspect that the recovery has been fuelled by a boost in confidence in the dairy sector, which is a major driver of the local economy, while increased demand for property in Cohuna appears to have arisen from grey nomads looking for a base from which to travel.



MILDURA

As 2009 finished, we saw uncertainty in the Mildura residential market, following three years of irrigation water restrictions, the GFC, population stagnation and a depressed wine grape industry.

2010 has seen lots and lots of rain, a looming bumper wheat crop and a much brighter outlook for the region. This however has not shown out with any growth in the residential property sector's activity and values.

Maybe it takes a while for any increased confidence to show out in our market. It is evident that there is a tightening of the availability of rental houses and a \$10 to \$20 per week increase has occurred in the past quarter. Whilst rental demand has increased, the level of buyer activity has remained subdued, particularly in the lower end of the market between \$100,000 and \$200,000. The possibility of limited capital gain, lack of confidence and work prospects combined with tougher bank lending provisions and increased interest rates have kept many in the rental market and out of the buyer market.

New house and townhouse construction activity has eased in 2010. Overall 2010 has seen generally static value levels, with no major changes evident.



Adelaide

With the GFC now history, the first half of 2010 continued on positively from 2009 with house buyers more active in the market and increases in capital growth recorded, the median house price in Adelaide even topped the \$400,000 mark for the first time! The second half of the year however has been patchier with a slight decline in median price reported by REISA over the September quarter - the first backward movement in the median price in Adelaide since the GFC.

The Federal Election is being blamed for reduced activity in the market place with prospective buyers reluctant to commit. The effect of the election was prolonged by the 17 day delay - the time it took for the result to be finalised!! In the meantime, the collapse of the Greek economy was also a timely little reminder that maybe we weren't as resilient as we were beginning to believe. This event was definitely something to just 'keep in mind'.

....this year has seen a noticeable increase in the number of auctions, particularly in the middle part of the year, with this method of sale now accounting for around 10% of sales....

Numerous rate rises during the year have had a marked effect on housing affordability with the percentage of income required for mortgage repayments now well above 30%. Increases to the standard cash rate have been roughly in line with the predictions for 2010, however the banks have chosen to increase their interest rates at a greater rate than the Reserve Bank, in turn putting pressure on the average mortgagee. This

has probably been the greatest factor impacting upon housing prices and market activity throughout 2010 and was compounded by the increase of around 0.4% - just in time for Christmas!

Currently the traditional spring oversupply of property, combined with a slightly more cautious approach and reduced affordability, has seen prices going sideways, with agents reporting a very fickle market. This is how we think the Adelaide property market will track until at least the end of the year.

On a positive note, after a few rough years, prestige property performed well in the first six months of this year with a marked increase in the number of sales in comparison to 2009 and numerous sales topping the \$2.5 million mark. This market has subsequently eased slightly. The lower end of the market did not fare so well, being greatly impacted by the reduction of the FHO grant. Numerous suburbs in the outer northern and southern areas, dominated by the FHO market, have fallen in value (easily around 10%) and buyer activity has been static.

Interestingly this year has seen a noticeable increase in the number of auctions, particularly in the middle part of the year, with this method of sale now accounting for around 10% of sales, well above the traditional South Australian average. Clearance rates have also been well above average.



Rental vacancies have remained tight at around 1%, are putting upward pressure on rental prices which have increased slightly throughout the year. It was expected that investors would be active in the market during 2010, however this hasn't really been the case, with increasing interest rates and limited capital growth particularly in the second half of the year turning them away.

Limited building projects saw some equilibrium come back to the apartment market. Although probably not quite meeting expectations, the Adelaide property market has been a steady performer during 2010.



Brisbane

What a year. It was nigh on impossible to get comfy and just when you'd thought you'd got the 2010 market suss'd out, it goes and decides on how much curve ball you can handle.

SE Qld had been riding sweetly on the high horse of good fundamentals with our mining sector and net migration



forming the backbone of a market that seemed unlikely to falter too badly. Our outlook at the start of 2010 was one of the ever popular "cautious optimism". In some respects and sectors however, our market was probably just a little under prepared for the ongoing inactivity. This means that heading towards the end of 2010, we have ourselves a good ol' Mexican Standoff between buyers and sellers across a number of sectors.

Confidence is always the driver and it came in fits and spurts throughout the past twelve months. In Feb, we said:

"The lynchpins seem to be confidence and interest rates with some in our midst speculating on a strong market recovery late in the year if holding charges can remain low"



How's that for a bet-hedged prophecy that had a bit of the bleedin' obvious about it!

As we now know, interest rates did move and, not surprisingly, the hoped for recovery wasn't as great as some had wanted. Also, recent numbers show that our great crutch of net migration has slowed dramatically this year. It may have come off some strong numbers to start with, sure, but when things like this soften after a long stretch of reliably good figures, there is bound to be some pain felt by those who had become accustomed to the population growth.

There continues to be inactivity in the low priced sector particularly around stock that isn't the most prime real estate. The first home buyers have left the building folks! Investors are around and are willing to take up some stock but have no desperation about them. This means that if buyers aren't under pressure to trade, the two shall not meet.

In Feb, we highlighted the affordable northern suburbs and their appeal to those coming into the market for the first time. As it turns out, activity slowed and competition for buyers became fierce. The suburb of Morayfield has seen some 450 sqm lots produced for about the first time in numbers. Some developers have hinted that it's a council driven agenda to enhance affordability in the area – the more cynical see it as a way to increase rates. We are, as always, professionally ambivalent on the reasons and more interested in the results. The outcome is that a 450 sqm lot is getting some non local investor interest at \$190,000 which could prove a problem as 600 sqm lots are still valuing at around the same figure. Resales have not yet been tested adequately.

Some of the Caboolture subdivisions outlined in our Feb edition also had a little strife in 2010 particularly in those localities of limited appeal to local residents. While investors were trying their hand, these projects which are mostly to the north of the Caboolture CBD found times tough in 2010.

In Narangba, house and land packages started the year off on the right foot but as the first home buyer numbers trickled to a dry gully, so did the optimism. Packages have been priced around \$430,000 for a house on a 400 sqm block and, frankly, they've had a hard time valuing up.

Our call on unit projects in the mid ring was pretty much on the money. Carina Heights, Carina, Carindale and Mt Gravatt all saw plenty of projects with those closest to shopping and transport proved the most saleable. One project in Mt Gravatt East had good size brand new 3 bedroom townhouses realising between the high \$400,000's and the low \$500,000's. This type of product is yet to be tested on the resale market, but there was a good mix of owner occupiers and investors trying their luck here over the course of the year.

....recent numbers show that our great crutch of net migration has slowed dramatically this year....

Our call on the upcoming success of inner city and riverfront and prestige may have proved a teensy tiny tad over-optimistic for 2010. We thought that "all things remaining equal" a 5% to 10% growth rate might be on the cards. If you averaged the results out across this market during the past 12 months, that was probably not entirely correct as all things did not remain equal. Interest rates rose, economic confidence remained shaky and we had ourselves some political murmurs. As our wizened valuers tell it, the typical property in this sector is most probably worth no more now than it was at the start of the year. There have been blips of confidence, but certainly few runaway success stories.

With that, we at Herron Todd White Brisbane want to say Merry Xmas and Happy New Year to all. Have safe and sterling holidays and make sure you give us a bell or drop us a line in 2011.



Gold Coast & Tweed Coast

GOLD COAST

Our predictions for 2010 were, what can we say, ambitious! The thought was, we had been through the pain in 2008 and following some return to normality in 2009 (increasing sales volumes and values), 2010 would be a year of consolidation for the Gold Coast.

The year began relatively smoothly with most market sectors benefitting from the trail of government stimulus and only modest increases in interest rates from late 2009. Following successive interest rate rises in February and March market conditions showed signs of waning. At this



time agents were starting to see a significant decrease in sales volumes particularly in the sub-\$500,000 price bracket.

By the middle of 2010 market conditions had eased further with sale volumes among the worst some agents had seen for some time. There was an expectation that after the Federal Election, market activity would increase and a greater volume of sales would start to occur. This was not the case. A component of the sales which were occurring was by vendors desperate to sell to prevent the bank from stepping in. Unfortunately for some the bank had already stepped in with an increase in sales by mortgagees in the last six months.

It is fair to say that since March 2010 market values in most market segments have softened by as much as 10%, if not more. The typical drivers of the Gold Coast property market - tourism, construction and population growth (interstate migration) - have been in decline since the beginning of the year. The most recent population statistics for the Gold Coast show a decrease by as much as 50% on the Gold Coast since mid 2008. This decline can be explained by our underlying unemployment levels which have increased due to the poorly performing tourism and construction sectors. All of these factors have been working together to undermine the performance of the Gold Coast property market.

The most affected market segments on the Gold Coast (those which have performed poorly) appear to be the sub-\$500,000 and new or near new apartment markets. The sub-\$500,000 market performed strongly during 2009. With the reduction in government stimulus and increase in interest rates, this market segment has now corrected, effectively eliminating any increases which we saw 12 months ago. We have seen a rise in mortgagee and forced sales at this market level which is only placing further downward pressure on these values.

The new and near new apartment market has continued to underperform during 2010. An increase in supply of new stock (completion of The Oracle Towers – 505 apartments) and the increase in near new stock either in the hands of receivers, balance developer stock or units up for resale has placed downward pressure on market values. These units are typically a discretionary purchase with purchasers looking to place them in the holiday letting pool or lock up and utilise a few times a year. The lack of discretionary income in the market place is having a significant effect on sales rates of such units. Against this background market values in this market segment, precipitated by an oversupply, will continue to lag any potential recovery of other market segments on the Gold Coast.

....the most affected market segments on the Gold Coast appear to be the sub-\$500,000 and new or near new apartment markets....

Market conditions for waterfront property on the Gold Coast have also softened since March. Even prime north facing canal front and river front properties must be discounted to achieve a sale. Secondary waterfront properties (west facing or tight canal positions) are very difficult to sell unless discounted to what a purchaser would perceive as an absolute bargain. Similar to other

property on the Gold Coast, market levels for waterfront property are back to 2004-2006 levels.

Well, no, it wasn't a great year on the Gold Coast. From all reports other states performed better which may give rise to at least an argument that the Gold Coast has hit the bottom. We are now regularly seeing sales at similar levels to those in 2005 and 2006 and sometimes below these levels. Owners/potential sellers are waiting until conditions improve to list their property. Whilst it is considered to be a buyer's market, buyers are still finding it difficult to purchase, as the quality of property on the market is not the best and/or has been on the market for a long time at an unrealistic price.



If motivated to sell, vendors should take what they can get now and purchase in the same market. At least in their case, if they are forced to take less than expected on their current residence, they can attempt to bargain on their next purchase. Furthermore they could rent and take the risk that conditions could soften further and their next purchase is at a competitive advantage.

TWEED HEADS

The predictions for the Tweed Coast in February's MIR were relevant, however the fall in values for beachfront market was unexpected. The Tweed Coast runs off the back of the Gold Coast, so, when the Gold Coast property market is performing badly the Tweed Coast follows a similar line.

The State Government's concessions for new home buyers/builders have sustained market values for land and new housing product. The larger vacant land estates at Murwillumbah have reported a reasonable year on the back on this stimulus.

The holiday unit market on the Tweed Coast has been underperforming for about five years and continues to do so. There is a significant supply of near new apartments either for sale or in the hands of receivers. These stock levels are not expected to diminish in the short term which could soften values further.

The beachfront land market in the estates of Casuarina and Salt have been dealt a blow in 2010. There have been sales as low as \$915,000 for a beachfront vacant block in the Salt estate. This same block in 2007 sold in excess of \$2 million. Beachfront land in Casuarina is now selling for less than \$800,000. Similar land was selling in 2007 for as much as \$1.35 million.



We have not yet seen any improvement in market conditions for the areas surrounding central Tweed Heads following the commencement of refurbishment works associated with Jack Evans Harbour and surrounds. It is expected on completion of these works Tweed Heads will offer new, vibrant community facilities which should attract interest from purchasers looking to settle in the area.

Like the Gold Coast there have been very few sales during 2010. Those looking to sell need to be realistic as market values have softened since the middle of the year. Once their property is sold, they then become buyers in a market which is offering good opportunities in a coastal area which appears to growing more popular as the Gold Coast becomes a little less affordable.



Sunshine Coast

On the Sunshine Coast we thought that we were off and running. Towards the end of 2009 and in the start of 2010 confidence in the market appeared to be recovering, with a reasonable level of activity and sales transactions occurring. But then it started to go 'pear shaped'.

The multiple increases in interest rates in the early part of 2010 did what they were designed to do, slow down spending. The problem was that the last interest rate rise around Easter time really appeared to be one rate rise too far, and effectively stalled the market on the Sunshine Coast. Agents reported significant declines in enquiry, which also wasn't helped by the looming Federal Election.

With the benefit of hindsight, according to PRD Nationwide Research, sale volumes in the first half of 2010 were considerably down thus confirming the drop-off. For housing, the Noosa end was down 29%, the Maroochy centre area down 25% and Caloundra part down 14%. For units Noosa was down 7%, Maroochy down 18% and Caloundra down 11%. No wonder it felt tough at the time.

As we moved closer to the Federal Election, and even post-election, confidence continued to wane as uncertainty still prevailed, and the Melbourne Cup Day rise hasn't helped. There still remain significant levels of supply of listings, well above long-term trends, at list prices that are well above market perception. There appears to be a significant re-pricing occurring in the marketplace now. This is on the back of vendors that are under pressure to sell being at the mercy of opportunistic buyers, with discounting usually required to effect a sale.



However, as they say, 'every cloud has a silver lining', and that is no different in the current market. There appears to be some good opportunities out there to get into the marketplace, in particular, to buy in areas where properties are usually tightly held. But be prepared to buy a property for a long term investment, as capital growth will remain subdued over the coming years. The key will be 'time in the market'.



Southern Queensland

TOOWOOMBA

The Toowoomba region this calendar year has generally remained static across most market segments. The number one factor again which underpinned our market was affordability.

Looking at the different segments; the first home buyer segment remains static although those who became caught up in the final dash for cash purchasing secondary locations may need to hold on for some growth to recoup their selling and agents' fees.

The \$400,000 to \$500,000 segment appeared to have more interest and turnover than 2009 levels. Increased activity in this segment was likely the result of more families relocating to Toowoomba

The upper and prestige segments remain slow with limited turnover.

....the suburbs which showed the best growth were those in close proximity to services such as schooling, parks and shopping....

Values for vacant land continue to rise. Up until the last half of 2009, vacant land sales in new estates were in line with older more established suburbs. As development started to slow down, land availability shortened and resulted with a rise in values. Moving forward the general consensus is that values will be dependent on how quickly developers bring new stages on line. Our primary concern is that the cost of land and cost of construction may not equate to market value and purchasers will need to do their homework prior to signing on the dotted line.

The volume of home loans for new dwellings continues to be soft. At the beginning of the year we saw a large decrease in valuation work then improving toward the end of financial year.

Rentals appeared to have remained static in some market segments although some small increases were evident in eastern suburbs. Oakey showed a dramatic correction upward due to the limited supply of housing.

This time last year the consensus was for interest rates to increase toward 8% by December 2010, with knock-on effects including a slow market recovery with slow to mild



growth in 2010 and increasing in 2011. This generally has been the case but we have seen a large increase in listings this spring where supply continues to outstrip demand.

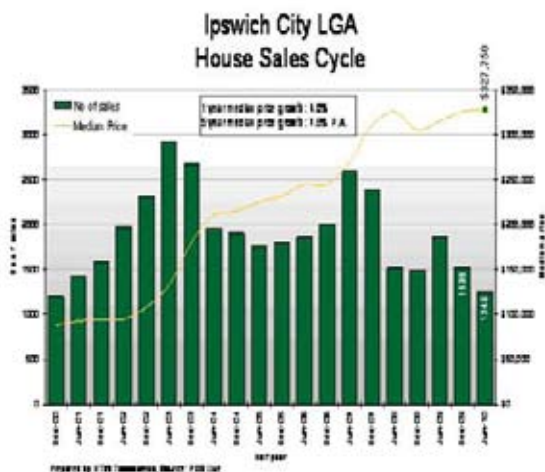
The suburbs which showed the best growth were those in close proximity to services such as schooling, parks and shopping. This included the eastern suburbs and those in close proximity to the CBD.

Western suburb values have generally levelled off and those properties which are considered to be in secondary locations are experiencing selling periods up to six months.

All in all our prediction for Toowoomba was on target for a better than average recovery in comparison to other centres. Generally the prosperity, work availability in our agricultural, mining, energy, construction and commerce sectors continue to maintain household income.

IPSWICH

We have sustained slight median price growth through 2010. Sales activity has declined since boom times and even since last year. There are no first homebuyers, less investors active in the marketplace, and the market is being driven mainly by owner-occupiers. Buyers are not aggressive and they are taking time to consider all options. They are calling the shots. This type of behaviour from buyers means that properties in need of renovation or in less desirable locations don't get a second thought and if they do they are looking for a steal.



This is evident in the lower sector of the market under \$300,000. This sector has been like a roller coaster during the past 18 months and at present is at a low point. Prices have declined by approximately 5% to 10% this year. There are some good buys in this sector of the market, however be prepared to part with a few dollars to undertake repairs and maintenance. The best locations to buy in this price bracket are Coalfalls, North Ipswich, Eastern Heights, Newtown and Silkstone. Good prices are still being achieved for properties in the middle and top sector in the more desirable suburbs such as Springfield Lakes, Augustine Heights, Flinders View, Brassall and Sadliers Crossing.



Central Queensland

ROCKHAMPTON

As predicted, the Rockhampton residential market slowed significantly during 2010, with a 52% reduction in the volume of sales compared to the same period in 2009, however median sale prices have held steady since January at \$300,000. With the end of the First Home Owners Boost in December 2009, owner occupiers stopped being a dominant force, and low vacancy rates attracted investors back into the market. Four interest rate increases during the past nine months has also influenced the declining demand in the region.

Development of new residential estates in the Rockhampton region has also been slow during the past 10 months, however those allotments that have been released onto the market have generated good interest due to the current limited supply. The expected increase in new infrastructure charges by the Rockhampton Regional Council is yet to be finalised. The associated increase in the cost to develop land will also have a future dampening effect on the recovery of the housing market.

....with the end of the First Home Owners Boost in December 2009, owner occupiers stopped being a dominant force, and low vacancy rates attracted investors back into the market....

A number of unit developments on the Capricorn Coast were completed throughout the year. Most of these complexes attracted slow interest off the plan, with listing agents struggling to sell the remaining units after construction. Most of these units are generally in the upper price bracket. This market appears to be sensitive to price point with most demand below \$450,000.

BUNDABERG

In February this year we looked ahead and tried to predict what we saw as the outlook for this year in the Residential market around the Bundaberg region.

How did we go?

Well we began by saying that 'the outlook for 2010 appears much brighter', '...sugar prices are at a 30 year high and the effect of the GFC was mitigated by the First Home Assistance Scheme...'

Sugar prices dipped in the year and then rose again and are still quite high. Unfortunately the first home owners' scheme has really not been the force in the market this year.



We continued on with saying 'the sub \$350,000 market is relatively strong.... and there is good rental demand'. This is still true late in 2010.

Vacant land we said was adversely affected and sales volumes declined significantly. This still appears to be the case.

In February we said that house and land packages were quite active and we saw that as continuing in 2010. Sadly, this has not been the case. House and land packages have reduced in volume since the start of the year. Rising interest rates and tightening lending criteria by financial institutions have possibly contributed to the reduction in volume of house and land packages.

Bundaberg is still one of the cheapest property markets and one of the most affordable places to live.

We then moved our attention to the coastal unit market and remarked that 'there is a substantial supply of coastal units...sales volumes declined in 2009, enquiry however appears to have improved...a sector that requires caution but may also present opportunities as oversupply reduces'.

The coastal unit market is still experiencing an oversupply. The volume will rise with the recent addition of the entire 'Dwell' complex of 45 units being sold by receivers. Extended selling periods are generally required for unit sales with vendors now expected to be negotiable on finance period clauses and other contract conditions.

Until next year, have a happy Christmas, enjoy the break.

HERVEY BAY

2010 presented various challenges for the Fraser Coast property industry, with mixed results across the board.

As predicted earlier in the year, residential units have remained oversupplied in this sector, with values remaining relatively low in all price brackets. The MIP auction of Peppers Pier Resort developer's stock achieved sales as low as \$185,000 for a ground floor unit (88sqm), with penthouse suites ranging in price from \$550,000 to \$785,000. There were some notable sales in other developments with a \$1.075 million dollar sale in Akama in Urangan which included a two year, 8% rental guarantee; and an \$825,000 sale in Tingeeera showing an increase in value of 5.76% on the earlier 2006 sale. Agents have indicated that the unit market is still experiencing a slow rate of enquiry, with extended sale periods across most price brackets however now that the Peppers units have sold, hopefully the unit market can begin to recover. Project (Government) housing dominates the majority of new construction with unit developments filling centrally located vacant land sites throughout Hervey Bay. This activity has provided good stimulus for local businesses and contractors.

....the Urangan Harbour project, introduced by the Seymour Group may be scaled down from the original plan, pending government discussionst....

At present, there are a variety of land estates being

developed, ranging from 450sqm sites close to major services, to larger park residential 2000sqm lots on the southern fringes. There is very little demand for vacant land with purchasers opting to enter into H&L contracts. Builders are currently the most active buyers of land within estates and generally receive longer settlement terms at discounted rates. With an increase in supply of H&L package homes available creating a price ceiling for certain product, and an already volatile established home market, any further increases in interest rates is likely to have a significantly negative impact on our property market.

In October, Downer EDi Rail in Maryborough was awarded the \$189 million dollar rail contract from the Queensland Government to build a new tilt train. The announcement was positive news for the local economy with employment from the contract expected to continue until 2014.

The proposed \$800 million dollar Urangan Harbour project, introduced by the Seymour Group may be scaled down from the original plan, pending government discussions, due to current economic conditions. The Group has a vested interest in the project, having already spent \$30 million on leases and \$500,000 on submissions to date.



MACKAY

Welcome all to our last column for this year. In this column we look back over 2010 and review where we were and where we have come to. The year certainly started with probably more pessimism than optimism in the Mackay market. Coming off the back of the GFC, and a slowing market through 2009, the signs for a bright 2010 were pretty thin. However, it can be said that Mackay has weathered the market troubles reasonably well when compared to other areas. The market appears to have held its own on previous levels, even in the face of rising interest rates, the proposed mining tax, and general affordability issues. Some sectors have even surprised, including the rural lifestyle/residential market which appears to have gained some momentum during the year, and the top end (above \$600,000) which has found some friends over the past six months with a number of sales occurring. In saying all of the above however, agents are still reporting softer demand, particularly since the last interest rate rise.

As stated in previous editions, the best way to sum up the Mackay residential market of 2010 is that while it didn't set the world on fire, it definitely isn't in dire straits either. So what will the new year deliver? Stay tuned until February edition when we will give our predictions on the year ahead.



At this point, I would like to take the opportunity to thank all of our loyal and dedicated clients and readers for their support over the year, wish you all a safe and merry Christmas, and look forward to our continued relationship into the future. Kindest Regards, the Mackay Team.



GLADSTONE

The Gladstone residential market performed reasonably well throughout 2010 in comparison to 2009. As expected, employers (in particular Gas Companies) increased activity and employment in Gladstone in late 2010 which fuelled a surge of activity within the city, and we are already seeing increasing rents and very low vacancy rates. On the 29th October 2010 BG Group announced that it was proceeding with the first phase of its \$15 billion Coal Seam Gas project which involves exploration and production of coal seam gas in the Surat and Bowen Basins, a 435km gas pipeline from the gas fields to Gladstone, and a gas liquefaction and export facility on Curtis Island. The liquefied natural gas (LNG) project is expected to create 5000 construction jobs over the next four years and we consequently remain fairly optimistic about future values within the region. However the long term affect on sales volume and value is hard to predict at this early stage. In the past, the commencement of large projects within Gladstone has preceded surges in demand followed by periods of lesser demand resulting in fluctuations in the residential market.



Cairns

In February 2010 the Cairns economy was doing it tough from the slowdown in its two major industries of tourism and construction, and we were expecting soft economic and property market conditions to prevail for most of this year.

And we were pretty well right. The Cairns residential property market during 2010 has continued to languish at the bottom of the property market cycle, experiencing slow demand but nevertheless maintaining a degree of resilience.

Volumes of real estate sales during 2010 have remained low, significantly below peak market conditions in 2007 and the first home buyer grant induced activity of 2009. In general terms since 2007, the volumes of property sales in Cairns have come down by about 40% for houses, 60% for units, and 80% for vacant land.

House prices in the mainstream residential market now range from about \$240,000 through to \$580,000. House prices in Cairns have been generally static for the last two years in a row at about 5% to 10% below the peak price level reached in early 2008.

However the property market appears to have split into two parts with reasonably solid demand for well located, quality properties but weaker demand for other properties or secondary locations.

The latest median house price in Cairns provisionally stood at \$362,000 in August 2010 compared to \$363,000 in August 2009 and \$374,000 in August 2007.

Median house rents in Cairns have tended to ease during 2010 as a result of higher rental vacancy rates. Median house rents have reduced in most categories by about \$20 per week from their peaks early 2008 through to September 2010.



Townsville

Throughout 2010 Townsville's residential property market continued to consolidate with confidence continuing to return. Our residential property clock however has not advanced from the 'start of recovery' phase, which we have been stuck in since the start of 2010.

During the past year, economic uncertainty surrounding the Mining Super Tax saw the residential property market well and truly spooked, effectively flat-lining the market over much of the June 2010 quarter.

With the Mining Super Tax issue now resolved, the latest statistics for the September quarter indicate that the number of house sales has picked up slightly over the quarter, although it still remains slow overall. The median house price is approximately \$370,000 as at August 2010, which is not much different from the \$365,000 median in August 2007. This indicates that the median house value has changed little now for the past three years.

The volume of sales within the unit market has continued to soften with low volumes filtering through our statistics. Our unit survey as at September 2010 indicated that two new unit developments (containing 20 or more units) had been released to the market during the year within the suburban market having a combined stock of 130 units. Within the inner city market only one new development comprising 71 units has been released to date.

...our residential property clock has not advanced from the 'start of recovery' phase, which we have been stuck in since the start of 2010....

The vacant land market has continued to be underpinned by strong purchases of vacant land by the Defence Housing Authority (DHA). The latest statistics are indicating a very low volume of vacant land sales, although our land survey



indicates that to date in 2010 developer land sales have averaged just over 70 lots per month (which includes sales to DHA). We have also started to see investors returning to the house and land market, with developers indicating land sales to builders for house and land package investor product. Both of these types of land sales are generally sold on extended settlements and therefore are reflected in our land survey, however the transaction does not filter through our statistics until further down the track.

The residential rental market has tightened throughout 2010 with the latest vacancy rates from our rent roll survey indicating an overall vacancy rate of 2.7% as at October 2010, compared with 4% for the corresponding period of 2009.

Overall the residential property market in 2010 has continued to stabilise and consolidate, with some sectors of the residential market showing glimmers of improvement. However, these glimmers have not yet been sufficiently widespread enough for us to advance the property clock from 'start of recovery' phase.



Tasmania

HOBART

Hobart's residential property market has had a very flat year.

The inner city market has remained stable due to amenities available and the prestige of the general locale, while the traditional mortgage belt suburbs saw a reduction in the volumes of sales and some market value retractions.

The sub-\$250,000 market has been relatively stable throughout 2010 due to simple affordability. However this market has slowed significantly, particularly over the past six months.

At the beginning of 2010 we predicted that the market would remain flat and possibly see signs of a slight downturn. It looks like we were correct. The fallout from the economic crisis has not been probably as severe as the mainland but the effects from it were definitely felt in Hobart. Prices have generally remained flat but we have seen as much as a 10% decrease in values in certain areas. Some of the regional locations such as the East Coast, Huon Valley and Midlands have seen larger reductions than 10%.

What is interesting are the sales volumes during the year.

The bottom end of the market moved along throughout 2010 well, however anything priced over \$400,000 seemed to be slow to move, with extended selling periods commonplace. However, the last few weeks have seen a little bit of confidence return to the market, with agents reporting increased interest in all price categories. Saying that though, some suburbs such as Tranmere, Kingston and Blackmans Bay remain sluggish with the higher priced properties.

Mortgage stress is still a factor in our market. With interest rates rising and as predicted, little to no capital growth coupled with little equity to borrow against, it appears as if households are struggling to cope. There are more bank repossessions within the market place.

We did look into the crystal ball at the beginning of the year and mentioned that 2010 may prove to be flat and see the start of the bust in the property cycle. It appears as if our predictions may have not been quite as severe as predicted but climbing out of this economic climate may not be easy in the future; rising interest rates and pressure on employment may still auger towards a downshift in sales and turnover. Ailing overseas economic markets may yet prove to be another hurdle to overcome with any local property recovery. Limited demand due to virtually no population growth has also hurt the market.

....the fallout from the economic crisis has not been probably as severe as the mainland but the effects from it were definitely felt in Hobart....

It has been an interesting year in the Hobart market and we look forward again to what lies ahead. We thank all of our clients for continued support and wish them well over the festive season. Looking forward to seeing you all at Constitution Dock in the new year!

LAUNCESTON

Over the past 12 months we have seen a divergence of our market through the north of the state. Metro regions in general have been steady as it goes albeit with lengthening days on market and flat capital growth. Inner city and more sought after established suburbs continue to attract demand. However, many regional areas closely linked to the forestry industry have struggled with price reductions and weak demand is now pronounced. Much of the north east including Scottsdale is a prime example.

While interest rate movements may have had some affect on pricing through our region during the past 12 months, the motivating factor has been employment/economic conditions. Those regions that have experienced economic contraction have struggled.

OK so the picks for 2010 - how did we go?

What we got right:

- continued residential rental growth.
- further easing of first home buyers from the market.
- some softening for prestige property (although arguably it was not interest rates that caused this).
- steady as it goes.



What we got wrong:

- we did not see the severe contraction of the forestry sector and associated weakening of prices in the affected regions.
- Kangaroos winning the flag.

From all of us in Tassie, we wish all readers a happy Christmas and a safe New Year.



Darwin

The NT economy appears to be in a holding pattern with major infrastructure and resource sector (gas, mining) investment decisions pending. In recent years such sectors have, largely, underpinned the real estate sector and NT economy.

....as the year progressed and interest rates continued to increase, stock returned to the market resulting in good buying opportunities....

Our predictions at the beginning of the year for what lay ahead for the 2010 residential markets appear to have, largely been upheld. Overall we predicted that the greater Darwin residential market would continue to move forward. So consider the following what our 'lay of the land' now is;

- Across most residential submarkets median prices have remained generally stable in spite of reduced transaction volumes, although, specifically, the satellite city of Palmerston and high end prestige apartments within Darwin's CBD are experiencing soft sale conditions.
- Rental demand has remained generally stable with vacancy rates increasing although remaining under 3%. Considering the volume of apartments and the continuing development of land subdivisions such as Lyons and several Palmerston suburbs that have entered the market throughout 2009-2010 the abovementioned vacancy rates reflects a generally strong rental market
- Gross yields remain unmoved sitting between 4% and 5.5% depending on which residential submarket (e.g. apartments or houses)
- Blue chip property stock are setting new benchmarks; recent transactions include \$2.9 million for a non waterfront dwelling with Harbour views in Larrakeyah, and the sale of 'Jim Beam House' in Fannie Bay for an as yet undisclosed sum although believed to be well above \$2 million.

Stock levels decreased throughout the early months of 2010 as a result of still strong first home buyer activity continuing from late 2009, attractive interest rate environment and buyers looking to upgrade. As the year progressed and interest rates continued to increase, stock returned to the market resulting in good buying opportunities for astute buyers.

Strong activity occurred throughout 2010 for land ripe for redevelopment within all market segments (high rise/CBD, medium density and multiple dwelling sites) and locations by developers looking to shore up their future construction projects and prepare for the potential of positive mining sector investment decisions.

The \$110 million upgrade of Tiger Brennan Drive is nearing completion and the Coolalinga Mall is yet to commence, therefore the impact of such infrastructure and commercial developments has yet to be played out in the inner rural and Palmerston submarkets.

The elephant in the room, which is affordability, appears to be affecting several market price segments throughout greater Darwin and may also be the reason as to why there is subdued vacant land take up within the newly established suburbs of Palmerston. As these suburbs have only undergone initial land releases it is yet to be seen what impact affordability will have on these mortgage belt locations.



Our prediction of the continuing trend for developers to reconfigure residential developments within the inner CBD suburbs has now filtered through to the smaller developers within suburban locations. Developers are realising that buyers are willing to purchase one, two and two bedroom plus study apartments within their preferred suburban location as a means of getting a foothold into the market. 'Wharf 2' and the 'Avenue' are mixed residential and commercial developments that have now begun construction on their respective developments with each having a large percentage weighting of one and two bedroom apartments, thus reducing exposure to the oversupplied three bedroom \$800,000-plus apartment submarket.



Perth

2010 began on the back of declining stock levels and positive market expectations as a result of various Government stimulus mechanisms set in place in response to the Global Financial Crisis. Locally, optimism towards a steady recovery was further fuelled by a strengthening resource sector. Being a lagging indicator, the real estate sector eventually ran out of steam towards the end of the first quarter largely as a result of curtailed Government Stimulus (December 2009) and rising interest.

Further jitters from European markets as well as continued concerns over the recovery of the United States ultimately



filtered through into the local market, as house prices reached a plateau. Further uncertainties over the Federal Election and an increase in interest rates more recently have extinguished any optimism of a quick recovery, first experienced in early 2010.

Through the gloom however, a number of suburbs across the Perth Metropolitan has emerged relatively unscathed from an otherwise difficult year. South of the river, we picked suburbs such as Bull Creek, Leeming, Bateman and Kardinya to perform strongly in 2010. This was reflected in the median house price growth of between 8.6% and 16.8% as reported by REIWA as at September 2010.



Buyer activity in the Peel region was steady across the board, with the most recent REIWA statistic revealing a slight recovery in median house prices within the region. The prestige market however has remained relatively muted as a result of increasing supply.

North of the river, demand for development sites in suburbs such as Innaloo, Scarborough, and Doubleview was stable across the board as demand for units and townhouses remained steady.

Whilst individual suburb markets performed as we predicted at the start of the year, the market across various segments provided mixed results. As predicted, the first homebuyer market has slowed on the back of affordability issues and rising interest rates. Upgrade markets similarly saw a stabilising over the course of the year and stock levels increased providing investors with greater choice and opportunities.

...buyer activity in the Peel region has been steady across the board....

Continued uncertainties in local and international markets have slowed the local prestige segment. Increasing supply has further contrived to stifle recovery leaving it well short of prices achieved in early 2008.

Supply issues remain the major cause for concern at this point in time. A buyers' market has existed for a majority of 2010 with near record levels of stock available throughout most of the year. Since our last review, stock levels were at 10,400 properties however this has blown out to 15,500 in the latest statistics released by REIWA.

The general consensus amongst industry participants is that property prices will likely stabilise for at least the next year, a view voiced by the REIWA president in recent media releases. Our view is that while supply continues to exceed demand, substantial (if any) price growth is unlikely with the current buyers market offering no incentive for prospective buyers to act swiftly to secure property.



South Western WA

Someone told me recently that the reason the years seem to go by more quickly is that each year is a smaller percentage of the total number of years you have lived. Not sure that this is true, but it is November already and the February report sure seems pretty recent.

Did we pick the trends for the year? Well, maybe not exactly, but we are in pretty good company in the prediction game. The Reserve Bank seems to specialise in confounding the predictions of the economists of late with interest rate rises occurring when they are not expected and not occurring when they are expected. My personal prediction (perhaps coloured by the fact that we have just purchased a house) is that the interest rates will stay stable for a while, particularly as the banks have done the job of the RBA for them with their latest rise over and above the official cash rate rise. Counter intuitively, this may increase sales by allowing the market to get on with its business despite the higher interest rate (which historically still isn't that high) thereby providing some certainty in decision making.

At the start of the year we were predicting steady rises across most sectors, but as the attached graph shows there were plenty of ups and downs. Many agents have been waiting the arrival of spring with prediction that the market, which has been very flat since about March, would start to move again. There did seem to be an increase in activity at this time but the peak became a trough just as quickly and the up and down ride continues. First home buyers were in short supply as expected but after a brief surge at the start of the year the only buyers prepared to put their hands in their pockets were bargain hunters at all levels of the market.

With the continued migration to the area, and the large infrastructure projects on the go, we are still predicting long term steady price rises, but as to the short term outlook, we probably need to go back to Paul the psychic octopus for our market direction information.

Having said that, we remain confident in the future of the South West WA property market, but we are not sure just when it will get back to 'normal'!



Contacts

Office	Phone	Email
Abu Dhabi, UAE	+971 02 4173581	admin.abudhabi@htwmena.com
Adelaide, SA	08 8231 6818	admin.sa@htw.com.au
Albury/Wodonga, NSW/VIC	02 6041 1333	admin.albury@htw.com.au
Bairnsdale, VIC	03 5152 6909	admin.bairnsdale@htw.com.au
Bathurst, NSW	02 6334 4650	admin.regionalnsw@htw.com.au
Bendigo, VIC	03 5480 2601	admin.bendigo@htw.com.au
Brisbane Commercial, QLD	07 3002 0900	bris.admin@htw.com.au
Brisbane Residential Offices, QLD	07 3353 7500	brisbaneresidential@htw.com.au
Brisbane – Rural Queensland, QLD	0417 753 446	david.hyne@htw.com.au
Bunbury, WA	08 9791 6204	admin.bunbury@htw.com.au
Bundaberg/Wide Bay, QLD	07 4154 3355	admin.bundaberg@htw.com.au
Busselton, WA	08 9754 2982	admin.busselton@htw.com.au
Cairns, QLD	07 4057 0200	admin.cairns@htw.com.au
Canberra, ACT	02 6273 9888	admin.canberra@htw.com.au
Darwin, NT	08 8941 4833	admin.darwin@htw.com.au
Deniliquin, NSW	03 5881 4947	admin.deniliquin@htw.com.au
Dubbo, NSW	02 6884 2999	admin.regionalnsw@htw.com.au
Echuca, NSW	03 5480 2601	admin.echuca@htw.com.au
Emerald, QLD	07 4980 7738	admin.emerald@htw.com.au
Gladstone, QLD	07 4972 3833	admin.gladstone@htw.com.au
Gold Coast, QLD	07 5584 1600	admin.gc@htw.com.au
Goondiwindi, QLD	07 4671 5300	admin.goondiwindi@htw.com.au
Gosford, NSW	1300 489 825	admin.gosford@htw.com.au
Griffith, NSW	02 6964 4222	admin.griffith@htw.com.au
Hervey Bay, QLD	07 4124 0047	admin.bundaberg@htw.com.au
Hobart, TAS	03 6244 6795	admin.hobart@htw.com.au
Ipswich, QLD	07 3282 9522	admin.ipswich@htw.com.au
Launceston, TAS	03 6334 4997	admin.launceston@htw.com.au
Leeton, NSW	02 6953 8007	admin.leeton@htw.com.au
Mackay, QLD	07 4957 7348	admin.mackay@htw.com.au
Melbourne, VIC	03 9642 2000	admin.melbourne@htw.com.au
Mildura, VIC	03 5021 0455	admin.mildura@htw.com.au
Mudgee, NSW	02 6372 7733	admin.regionalnsw@htw.com.au
Newcastle, NSW	02 4929 3800	admin.newcastle@htw.com.au
Norwest, NSW	02 8882 7100	admin.norwest@htw.com.au
Perth, WA	08 9388 9288	admin.perth@htw.com.au
Port Macquarie, NSW	1300 489 825	admin.portmacquarie@htw.com.au
Rockhampton, QLD	07 4927 4655	admin.rockhampton@htw.com.au
Roma, QLD	07 4622 6200	admin.roma@htw.com.au
Sale, VIC	03 5143 1880	admin.sale@htw.com.au
Sunshine Coast (Mooloolaba), QLD	07 5444 7277	admin.ssc@htw.com.au
Sydney, NSW	02 9221 8911	admin.sydney@htw.com.au
Tamworth, NSW	02 6766 9898	admin.regionalnsw@htw.com.au
Toowoomba, QLD	07 4639 7600	admin.toowoomba@htw.com.au
Townsville, QLD	07 4724 2000	admin.townsville@htw.com.au
Tralagon, VIC	03 5176 4300	admin.tralagon@htw.com.au
Tweed Heads, NSW	07 5523 2211	admin.nc@htw.com.au
Wagga Wagga, NSW	02 6921 9303	admin.wagga@htw.com.au
Whitsunday, QLD	07 4948 2157	admin.mackay@htw.com.au
Wollongong, NSW	02 4221 0205	admin.wollongong@htw.com.au
Young, NSW	02 6382 5921	admin.regionalnsw@htw.com.au

Visit us at www.htw.com.au for past issues of this publication

The information contained in this report is provided in good faith and has been derived from sources believed to be reliable and accurate. However, the report is not intended to be comprehensive or render advice and neither Herron Todd White nor any persons involved in the preparation of this report, accepts any form of liability for its contents.

This report is Copyright, and cannot be reproduced without written permission of Herron Todd White.

© Herron Todd White Copyright 2010





Rural – Market Directions

In summary the 2010 year has seen further interest rate rises, restricted borrowing capacity and a general softening of rural values which have added pressure to already tight farming margins. Fortunately most of the eastern states have experienced good seasonal conditions, along with a buoyant cattle market, which is helping to prop the market in the short term.

The healthy cattle market has come as a surprise given the current Australian dollar and the recent restrictions on the live export market in the north which has added further supply to the domestic market.

However, rate rises are a key concern for farm owners, particularly those who have leveraged heavily on their existing assets through the growth years of '02 - '08.

Thought the year we have seen varying stages of value corrections, with most areas back a minimum of 10%, and up to 30% or more in some cases. Values may continue to ease until they are at a level where purchasers can acquire these assets and achieve a reasonable rate of return; or alternatively if commodity values improve, farm incomes will strengthen and rural values could hold or possibly improve.

Foreign investment has continued to grow across the rural landscape, seeking out larger holdings or portfolios in the aim of securing food production. This appears to have created the emergence of a multi tiered market, that is foreign investors acquiring rural land for food security, as opposed to the traditional family purchaser buying as part of business expansion. This offshore demand has seen some sales at strong value levels.

Will McLayPh: (07) 4927 4655

1 December 2010



FAR NORTHERN NSW

Drier conditions have prevailed during November as compared to very wet weather in October.

Sugar Cane

The sugar cane harvest continues with a later than normal finish to the crush expected in mid December. Extensive flowering (induced by reducing day lengths in February and enhanced by little or no moisture stress and temperatures less than 32oc during February and March) of some varieties will necessitate harvest as one year old crops, rather than being stood over as two year old crops (for those farmers that are two year old producers). There are some reports in the Broadwater Sugar Mill area of stand over of two year old cane to three year old cane due to the late finish of the sugar cane crush. Sugar cane planting continues but the risks increase as the traditional wet season approaches.

World sugar prices have declined significantly during mid November with reports indicating a good crop in India. It is now expected that there will be surplus for export in India. During the past 12 months, India has been a nett importer of sugar due to drought conditions, thus strengthening world sugar prices.

At a local level, the New South Wales Sugar Milling Co-Operative expect solid sugar cane prices for the 2010 crop in the mid \$30s per tonne down from the 2009 record high of around \$40 per tonne of sugar cane.

Soya Bean

Planting of soya beans is expected to commence later this month. A soya bean buyer has stated that a popular variety 'Asgrow 6785' will likely no longer be suitable for the culinary market due to the relatively small size of the bean. This will disappoint local soya bean growers as it is a robust plant with good weathering characteristics (usually a must for north-eastern New South Wales).



Nonetheless, it will still be suitable for the crushing market but the price premium for culinary use will likely not be available. We understand that there are other varieties with larger beans 'in the pipeline' but there is uncertainty of availability of seed and weathering characteristics. Strong prices for soya beans are indicated at this early stage of about \$470 per tonne for crushing beans.

Macadamia Nuts

The Macadamia Processing Company (MPC) is reportedly experiencing strong demand for organic macadamia nuts. MPC is offering \$3.60 per kg for organic nut-in-shell as compared to \$2.70 per kg for conventional nut-in-shell.

Cattle

Cattle prices remain steady. Forecasts of heavy rainfall during summer are reportedly concerning those buyers of store cattle from the coastal flood plains.

Rural Property

Rural property sales remain 'flat' with increasing interest rates and tighter credit conditions impacting.

Contact:

Dave Sullivan Ph: (02) 6621 8933



SOUTHERN NSW

ALBURY

There has been a consistent trend in properties offered to the market in southern New South Wales and north eastern Victoria over the past couple of months. That trend is one of caution and hesitation and this trend has resulted in very few offerings concluding with a successful sale. Lending institutions are being cautious and this is flowing on to potential buyers in that, unless the buyer has a good history with that lender, is 'cashed up' and wants to borrow minimal funds, then that potential buyer is not able to bid at auction with confidence, knowing that he/she can proceed to settlement. This in turn is having a knock on effect with very few bidders at rural properties put up for auction. In the Holbrook area six rural properties have been offered for auction in the last month or so. One of those attracted a couple of genuine bids, there was not a genuine bid at the next four auctions (other than vendor bids) and, due to the lack of interest in the prior offerings, some local flooding issues, and lack of interest in the next property to be auctioned, the sixth property was withdrawn from sale.

....potential purchasers need time to recover from such costly events before they start looking to expand again....

The general feeling is that many of the properties that have been placed on the market have been offered as the season in southern New South Wales and north eastern Victoria is the best season for many years - some are saying the best in memory and the best in 30 years. Properties have an abundance of feed, crops are looking

like yielding heavily (however, more recently some crops have become water logged or flooded and this is affecting yields), and many feel that it is the best time to offer rural property as the properties may not look as good for some time - and any potential purchasers can capitalise on the great season with short term income streams.

What seems to have been missed is that most rural areas in eastern and south eastern Australia have suffered years of costly droughts during which crops mainly failed, stock numbers declined, feed had to be purchased or stock were sent away on agistment, water had to be purchased for stock in some cases, there was little if any irrigation water available and the costs involved in holding on to the farm and livestock has driven up debts. Potential purchasers need time to recover from such costly events before they start looking to expand again. In most areas people need at least one exceptional season (as this one may prove to be) or a couple of good seasons, to pay down some debts and accumulate some funds to consider expanding their operations.



Of course the other matter that is on everyone's mind throughout the eastern states is the Draft Murray Darling Basin Authority Plan. Volume One of the Guide to the Proposed Basin Plan has been available for some time now, and many are waiting with bated breath for the other volumes to be released. We are also keenly awaiting the outcome of the Parliamentary Inquiry into the Murray Darling Basin Plan announced on October 14 when the draft terms of reference were also released. This inquiry is to be completed and a report prepared by the end of April 2011. This is just another aspect that is creating hesitation in the minds of potential purchasers.

No doubt there is interest in properties that fall into the 'city investor' market, or the overseas buyer market, but the properties that have been offered to date in southern NSW and northern Victoria do not fall into these categories. The properties offered fall into the local farmer expansion space or the larger family based operation space.

Once a recovery period has been experienced and farmers are in an expansionary phase it will be interesting to see if properties are available to buy, and what the asking prices will be.

WAGGA WAGGA

The rural market in Wagga Wagga and surrounds has had a tough 2010 in terms of property values and transactions, and a mixed year in terms of conditions.



While there have been some transactions taking place, we believe that this number has dropped compared to previous years. We have also seen no upward movement in values, with values generally static and in some areas falling by as much as 20% since the peak of the market.

The area has gone from very bad drought to well above average rainfall with a number of major floods in the past nine months. While the rain has been a blessing some of the flood damage has been extreme and in some areas ruined what was looking like a bumper crop.

LEETON & GRIFFITH

With cooler weather still hanging around and plenty of rain, winter crop harvest in most areas has been delayed. There have been significant summer crop plantings on the face of the first good irrigation allocations for years and ongoing supplementary water being made available. Significant areas have been planted to rice already and employment prospects in related industries are starting to look promising, providing a much needed boost to the local economy.



The Murray Darling Basin Plan released last month continues to place uncertainty and doubt over a struggling rural economy trying to recover from one of the worst droughts in history. It appears there will be a wait for the final outcome with all parties involved either voicing opposition or concern and politicians back pedal on their positions.

Still not a great deal to report in the rural property markets at this stage. There continue to be few property sales with all recent auctions being passed in with no bids. There still appears to be a large number of farmers under notice from lending institutions to refinance or sell and we will most likely see a number of these properties hit the market in the coming few months as harvest rolls by.

Contact:

David Shuter Ph: (02) 6041 1333



Regional Vic

MILDURA

'Rain Rain go away' – is the latest cry from local dry land cereal growers and viticulturalists. Who would have thought such a statement could even be uttered after so many years of below average rainfall and after only 154mm of rain was recorded up to the same period in 2009 (mid-November). This is compared to the 420mm

of rain already received in 2010. The Sunraysia area is on track to record one of its wettest years in the past 50 years. November 13 was the wettest day in Mildura for seven years, with in excess of 60mm recorded which has delayed the cereal harvest for four to five days. Farmers are eager to get the crop off as the locusts have arrived and have begun to swarm in the area.

Whilst there has been significant rainfall in recent weeks the cereal crops appear to have escaped any serious damage and the following cool weather has also been beneficial. Of the crops already harvested reports of very good yields are flowing in with averages between 2.5 and 3.6 tonnes per hectare being reported. However there are also isolated reports of barley crops yielding over 25 bags per acre or 5 tonnes per hectare in the Mallee (almost unheard of in this normally dry region).

Whilst cereal grains appear to have escaped damage there is major concern for grape growers in the region, and more particularly wine grape growers, with widespread reports of Downy Mildew being prevalent. The soils were too wet in the few days after the rain to spray whilst also compounding the difficulties growers already face in obtaining the chemical required. This set back to growers is likely to result in some areas having reduced yields come harvest time next February.

The significant rainfall throughout the Victoria and the main catchment areas of the Murray River may result in a minor flood event for the area in coming weeks for the first time since 1992. There has been no major flood since 1973.

....the Sunraysia area is on track to record one of its wettest years in the past 50 years....

It is noted that the Menindee Lakes are full and Lake Victoria is 92% capacity, whilst the Hume Weir is spilling.

The above average rainfall has definitely had an impact on water prices with Murray temporary water trading at \$35 per ML, its lowest level for many years. Permanent Victorian High Security water has also fallen to around \$1600 per ML and NSW High Security to \$2000 per ML.

The latest report from the Australian Bureau of Statistics in regard to Australian Sheep flock numbers makes for some interesting reading. The report states that the sheep numbers are the lowest for more than 100 years which may be partly attributable to the AWEX Eastern Market Indicator closing above 1,030 cents per kg for the first time since January 2008. This is on the back of a 40% rise in cotton prices over the past eight weeks. What makes these levels even more significant is that the \$A is virtually at parity with the \$US.

Lamb prices continue to rise to record levels with one to two-year-old maiden ewes reaching \$294 per head at a recent sale at Naracoorte in South Australia.

Sales activity in the rural sector in this region remains sluggish and there has been no significant sales noted over the past four weeks in this area.

Contact:

Shane Noonan ph (03) 5021 0455





SOUTHERN QLD

Late October/early November has seen a continuation of the rains, with the effects of La Nina certainly well entrenched in Eastern Australia. The continuation of these rains has however had mixed blessings. Whilst it will set up the region for an exceptional summer, it has hampered the final periods of the winter crop program, especially those crops that were planted early. In many regions, we are seeing wheat crops being significantly downgraded because of the rains, from the high returning values of 'prime hard' down to feed wheat only. This represents a substantial loss in income, in the order of \$100 per tonne or around 30% to 40% of previously anticipated returns.

The strong Australian Dollar does not appear to have hampered cotton returns however, with cotton recently achieving \$740 per bale - a 140-year high. The main driver is global stocks which are at their lowest for seven years. As a result of the exceptional season and this main driver, a record plant of up to 500,000ha expected. On current predictions, this could result in Australia's largest ever crop of close to 4 million bales if seasons continue to remain favourable.

...in many regions, we are seeing wheat crops being significantly downgraded because of the rains....

The property market continues to remain very subdued with very few sales in the past six to 12 months. The volume of listings is however, quite significant in comparison to historical times. With recent interest rates rises, this is not expected to change in the short to medium term. Several properties are due to be put to the market over the course of the next few weeks. Reports will be provided in upcoming newsletters. Pending regional sales to keep an eye on include:

1. 'Brighton Downs', Diamantina River Channel Country
2. 'Hidden Vale', south of Muckadilla
3. The aggregation of 'Gowan Station' and 'Bonnie Doon' at Blackall and 'Tara Station' at Barcaldine

If all are sold, this will provide excellent guidance in three separate market segments and will greatly assist in identifying where exactly the market for cattle properties is positioned.

Contact:

Shaun Hendy Ph: (07) 4671 5300,



CENTRAL QLD

An early start to the wet season in Central Queensland has seen many fat cattle remain in the paddock which has assisted local beef markets in the short term.

On reflection the 2010 year has yielded little exciting news in respect to value trends however we highlight the following notable occurrences:

- The "May Downs" / "Derrandloc" aggregation sold in August for \$13.1M which shows about \$1,160/ha improved for the 11,320 hectare mixed grazing and farming property.
- The Woods group of properties comprising a string of broad and intensive farming and grazing blocks located from Gogango to Moura sold for a reported \$49M to a corporate investor.
- Coal mining purchasers has remained consistent and mining premiums paid to a number of land owners.
- A number of large grazing aggregations were put to market at auction and failed to sell throughout the year. These included part of the Acton Family holdings, the Woods Family Holdings (later to sell) and Lake Learmonth located north of Rockhampton.

It appears that the grazing family operator, who was the traditional buyer for many of the larger and higher valued properties has been restrained in the market, principally due to changes in bank lending policy. This in affect has resulted in many of these scale holdings failing to sell when put to the market after good exposure. Alternatively, some of these properties have later sold, often with undisclosed details, to national or internal purchasers. The result of many of these sales has produced favourable outcomes to the vendors.

Contact:

Will McLay Ph: (07) 4927 4655



NORTHERN QLD

The negative market sentiment that was prevalent last year appears to be dissipating for the grazing property market in North Queensland. This is not to say that market values have increased, merely that sale volumes are up on last year.

In 2009 there was a very low volume of sales of both forest country and downs country. In the recent year there have been twelve sales in total with an even split between the two market areas. This is about half of the market sale volumes in the years preceding 2008.

Many of the sales that have occurred this year show a bare improved sale price range from \$2,500,000 to \$3,500,000. This price bracket appears to represent a purchase price



that purchasers can afford based on the limited amount of available collateral in their existing holdings. Given that this increase in sales activity continues through into the new year, then if the cattle market continues to show its current resilience to the high Australian Dollar, then the property sale volumes may continue to increase in 2011.

The rain thus far in North Queensland has favoured the eastern districts around the Dalrymple, Flinders and Croydon Shires. The western districts have had less rain so far. The rain that has fallen is unseasonal. The normal wet has yet to start! There is an old saying of 'where the first rain falls is where the season follows'. It looks like a very wet season for the eastern districts.

For the western graziers, the lesser amount of rain that has fallen has been of benefit to the Buffel Grass which should have good protein levels. Many would recall that following the big season of 2009 that there was plenty of grass, but with no protein. The last thing the graziers want is a protein drought.

....the western districts have had less rain so far, with the rain that has fallen being unseasonal....

Following the recent successful auction of Kulwin we look forward to reporting the up coming auctions of Terranburby and Garmomna.

Contact:

Roger Hill (07) 4724 2000



NORTHERN TERRITORY

The following list shows the current 'advertised' supply of pastoral country in the NT and Kimberley. The length of the list has remained nearly unchanged for well over 12 months. The core of this list has remained the same while the balance (five or so cattle stations) is occupied by new listings to account for those that have been taken off the market – there have been very few removed because they've sold. We are also aware of another five or so stations that are 'quietly on the market' but are not being formally advertised for sale, and also of another two cattle stations in the Victoria River District (VRD) for which an IM has been released.

The list (as far as we are aware) for the NT and Kimberley (W.A.) at present is as follows:

Katherine/Sturt Plateau/Roper/VRD:

1. Bunda: 1788ksqm², VRD.
2. Mountain Valley: 2813sqkm, Central Arnhem Region.
3. Maryfield: 2013sqmkm, Sturt Plateau (being offered with Mountain Valley).
4. Aroona (East Mathison): 1475sqmkm, Katherine district.
5. Flying Fox: 896sqkm. Katherine/Roper district.

6. Part Shanendoah: 1413sqkm, Portion PL1202, Daly Waters.
7. Two additional stations with IM released but not formally advertised yet.

Central Australia:

8. Narwietooma: 2590sqkm.
9. Mount Doreen: 7337sqkm.
10. Mount Ebenezer: 1640sqkm.
11. Maryvale: 3244sqkm.
12. Amburla: 2305sqkm.
13. Henbury: 5168sqkm.
14. Hamilton Downs: 2034sqkm.
15. Pine Hill: 2752sqkm.
16. Numery: 2022sqkm.
17. Mt Swan: 2069sqkm.

Other NT/Kimberley:

18. Tipperary Group: 9264sqkm, Darwin Region.
19. Ban Ban: 1873sqkm², Darwin Region.
20. Legune: 3060sqkm, VRD Gulf, unique, flood plain property.
21. Moola Bulla/Mt Amhurst: 6608sqkm, Halls Creek, East Kimberley.
22. Shamrock: 1789sqkm, West Kimberley.
23. Walal: 2339 km², West Kimberley.



Given that there are only 220 pastoral leases in the entire Northern Territory and around 100 in the Kimberley, we can say that 10 percent of the available cattle stations in the NT are 'officially' on the market. While the eastern and southern half of the Territory is experiencing an excellent growing season at present and the rest of the country (apart from south east WA) has loads of feed, the likely reduction in the 'grass buying' class of buyer which boosted the NT market for much of the boom, combined with an all time high supply of property, will truly test this sector of the market. At this stage, the only property in the list above that looks like being close to a sale is 'Walal' over on the Indian Ocean which is reportedly under contract. Expressions of Interest also recently closed on 'Moola Bulla' near Halls Creek which was subject to a destocking order by the W.A. Pastoral Lands Board, and details of the outcome are not expected any time soon.

Contact:

Frank Peacocke Ph: (08) 8941 4833

Comparative Property Market Indicators - November 2010

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

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

Comparative Analysis of Capital City Property Markets



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

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

Comparative Analysis of New South Wales/ACT Property Markets



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

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

Comparative Analysis of Victorian/Tasmanian Markets



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

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

Comparative Property Market Indicators - November 2010

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

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

Comparative Analysis of Queensland Property Markets



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

Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Bundaberg/Wide Bay	(07) 4154 3355
Cairns	(07) 4057 0200
Emerald	(07) 4980 7738
Gladstone	(07) 4972 3833
Gold Coast	(07) 5584 1600
Hervey Bay	(07) 4124 0047
Ipswich	(07) 3282 9522
Mackay	(07) 4957 7348
Rockhampton	(07) 4927 4655
Sunshine Coast (Mooloolaba)	(07) 5444 7277
Toowoomba	(07) 4639 7600
Townsville	(07) 4724 2000
Whitsunday	(07) 4948 2157

Comparative Analysis of South Australia/Northern Territory/Western Australian Property Markets



To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

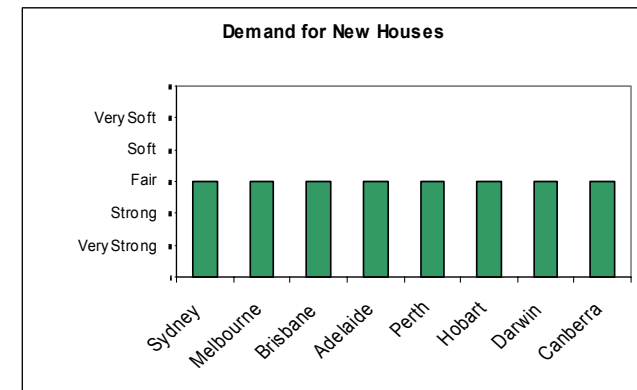
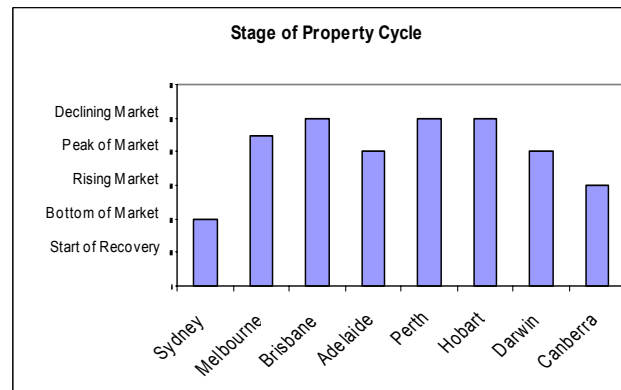
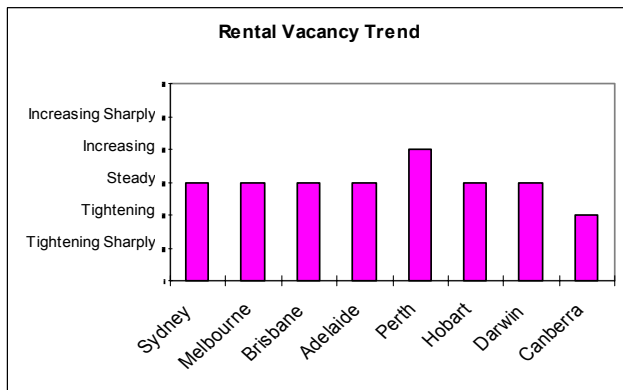
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

Capital City Property Market Indicators as at November 2010 – Houses

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

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

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

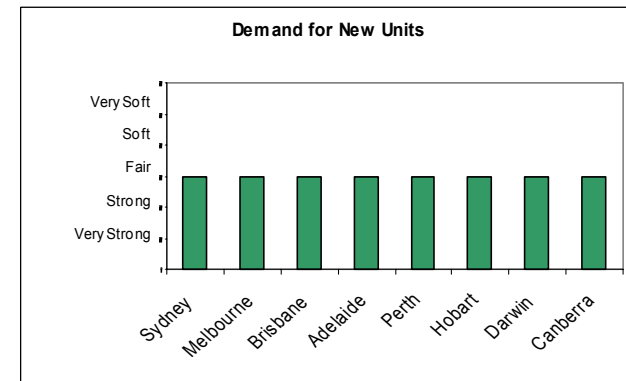
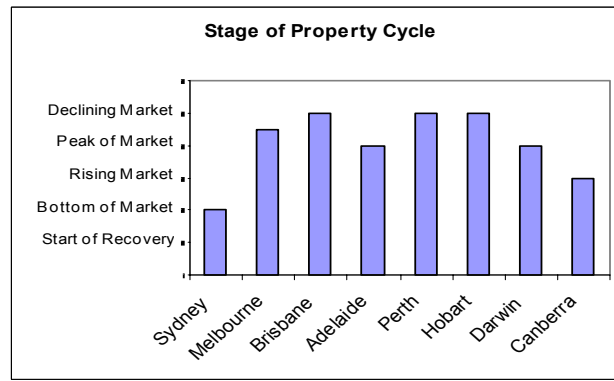
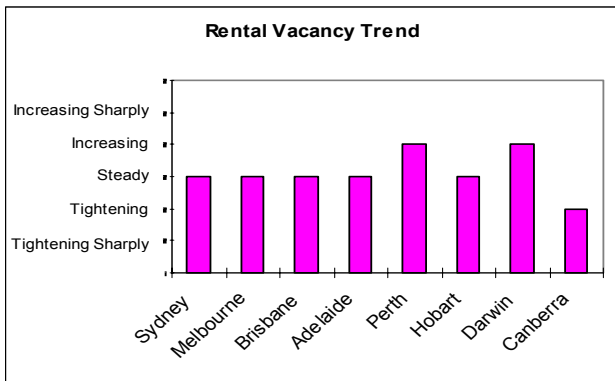


Capital City Property Market Indicators as at November 2010 – Units

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

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

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

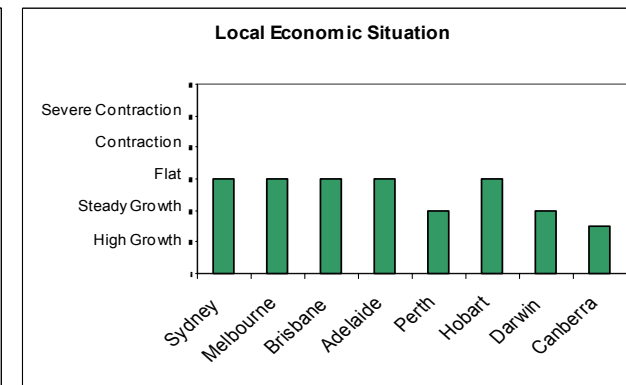
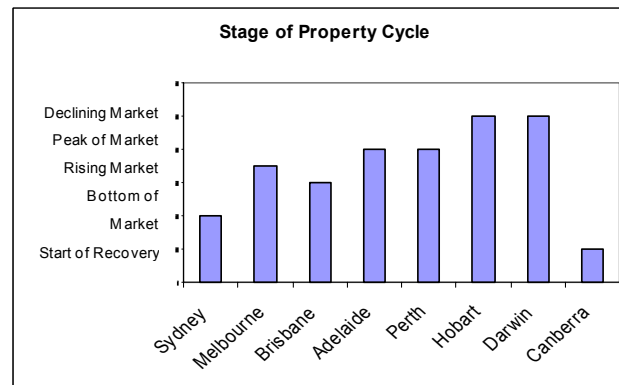
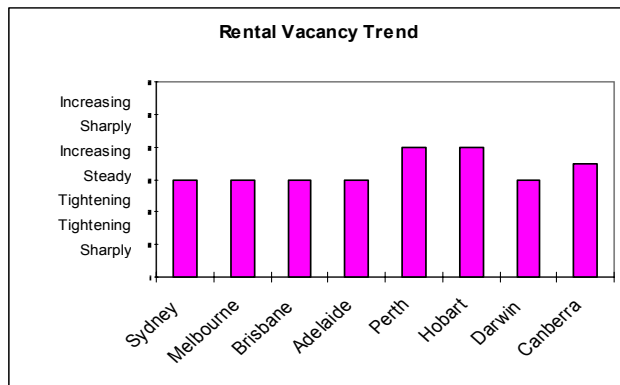


Capital City Property Market Indicators as at November 2010 – Retail

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

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

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

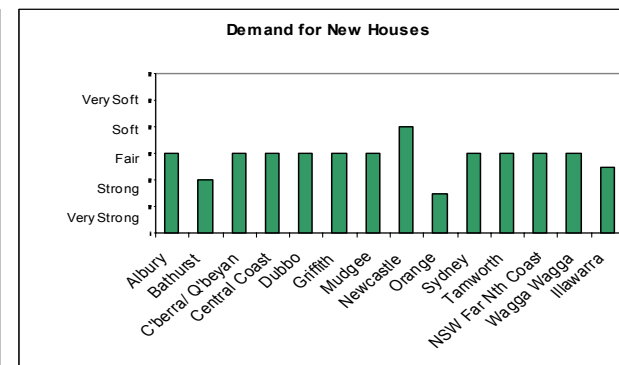
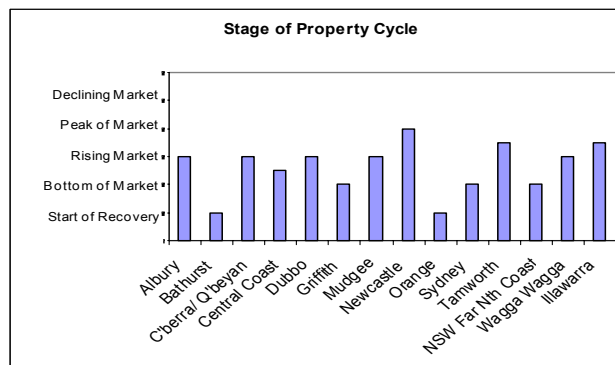
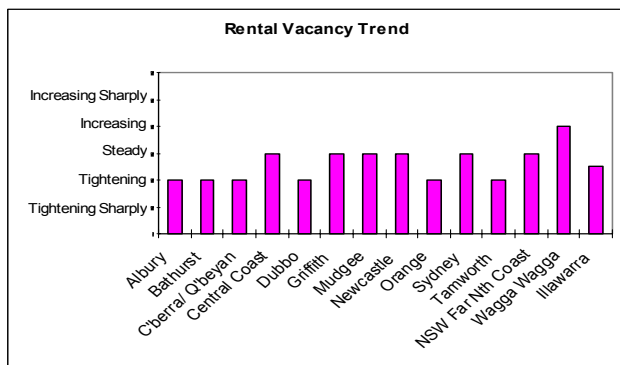


New South Wales Property Market Indicators as at November 2010 – Houses

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	NSW Far Nth Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market
Rental Vacancy Trend	Tightening	Tightening	Tightening	Steady	Tightening	Steady	Steady	Steady	Tightening	Steady	Tightening	Steady	Increasing	Tightening - Steady
Demand for New Houses	Fair	Strong	Fair	Fair	Fair	Fair	Fair	Soft	Strong - Very strong	Fair	Fair	Fair	Fair	Fair - Strong
Trend in New House Construction	Steady	Steady - Increasing	Steady	Steady - Increasing	Declining significantly	Declining	Steady	Declining	Increasing	Steady	Declining - Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady - Declining	Declining	Steady	Declining	Steady	Steady	Declining	Steady - Declining	Steady	Increasing	Increasing	Increasing	Increasing - Steady
Stage of Property Cycle	Rising market	Start of recovery	Rising market	Bottom of market - Rising market	Rising market	Bottom of market	Rising market	Peak of market	Start of recovery	Bottom of market	Rising market - Peak of market	Bottom of market	Rising market	Rising market - Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never - Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Almost never - Occasionally	Occasionally	Occasionally	0	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

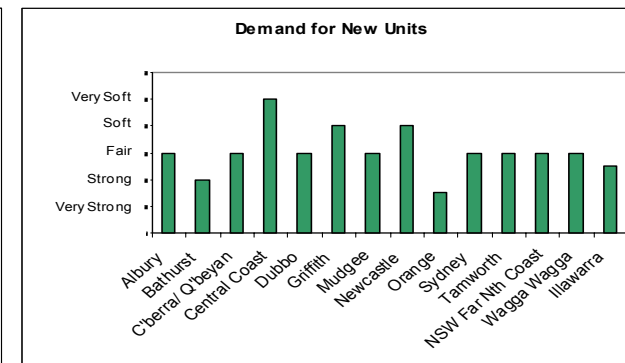
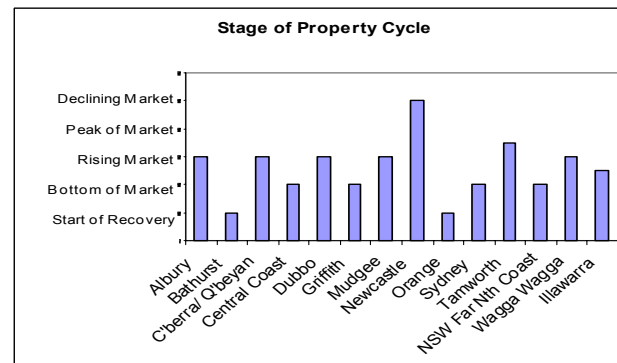
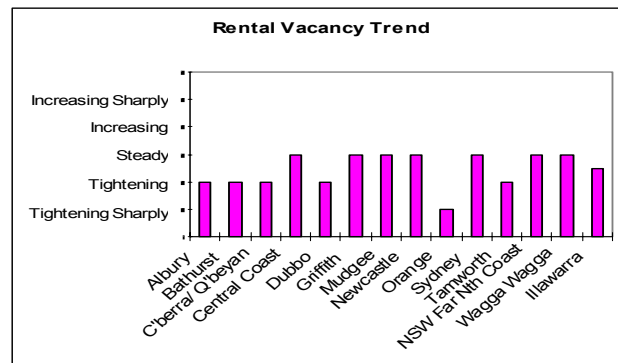


New South Wales Property Market Indicators as at November 2010 – Units

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

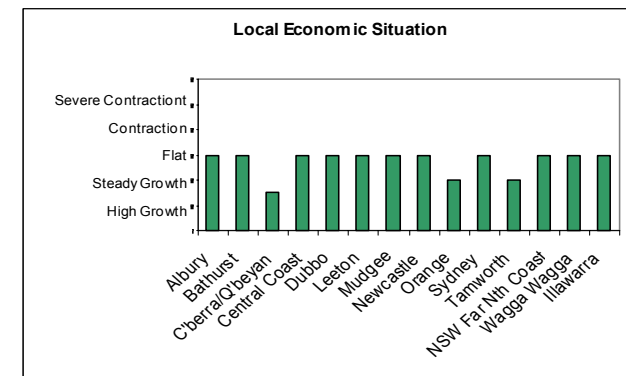
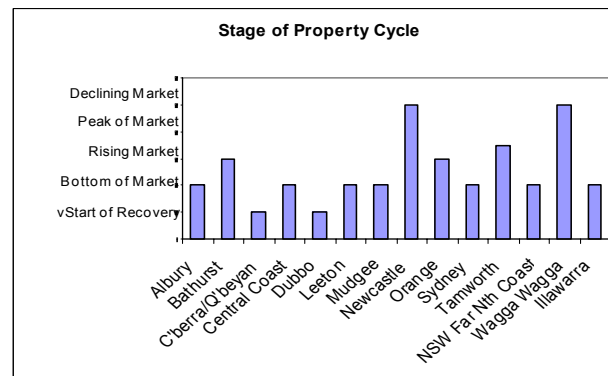
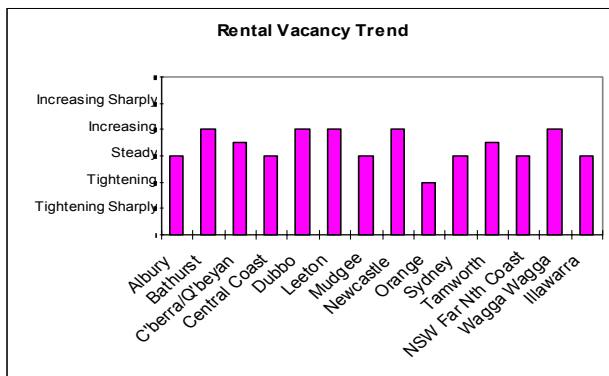


New South Wales Property Market Indicators as at November 2010 – Retail

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	NSW Far Nth Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	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	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Increasing	Steady - Increasing	Steady	Increasing	Increasing	Steady	Increasing	Tightening	Steady	Steady - Increasing	Steady	Increasing	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Declining	Stable	Stable	Declining	Stable	Stable	Declining - Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Steady	Declining	Steady
Stage of Property Cycle	Bottom of market	Rising market	Start of recovery	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Declining market	Rising market	Bottom of market	Rising market - Peak of market	Bottom of market	Declining market	Bottom of market
Local Economic Situation	Flat	Flat	High growth - Steady growth	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Steady growth	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small - Significant	Significant - Large	Small	Significant	Significant - Large	Significant	Significant	Small	Significant	Significant	Significant	Significant	Significant - Large

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

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

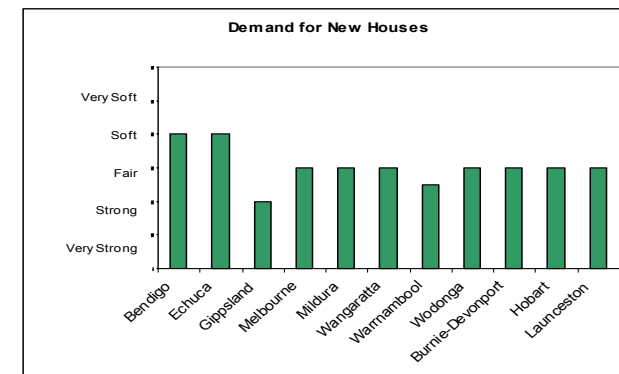
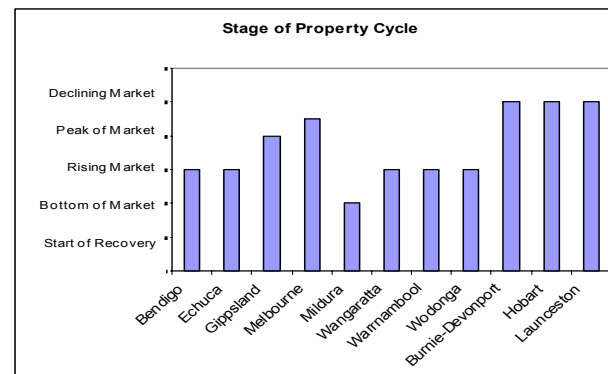
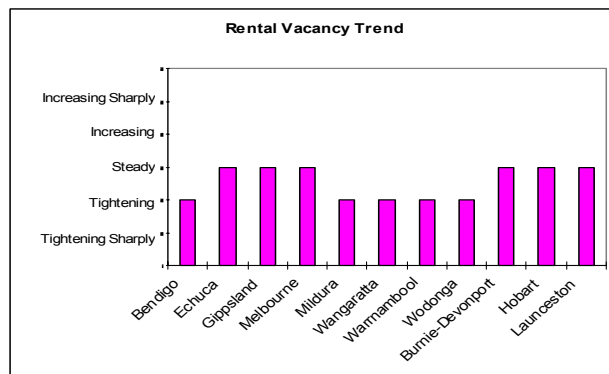


Victoria/Tasmania Property Market Indicators as at November 2010 – Houses

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam- bool	Wodonga	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	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady	Steady
Demand for New Houses	Soft	Soft	Strong	Fair	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Trend in New House Construction	Declining	Declining	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Volume of House Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Peak of market	Peak of market - Declining market	Bottom of market	Rising market	Rising market	Rising market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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

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

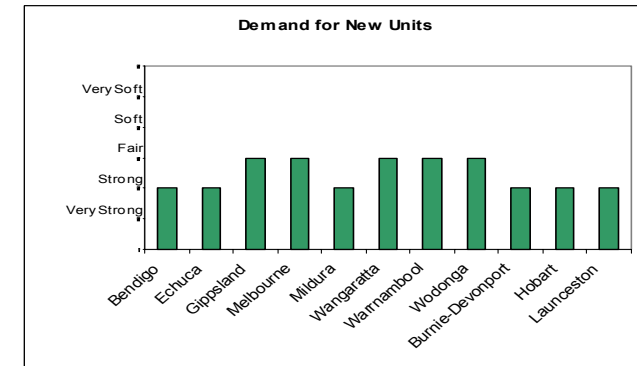
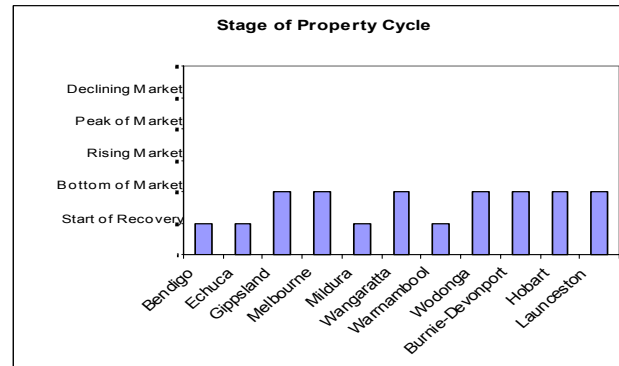
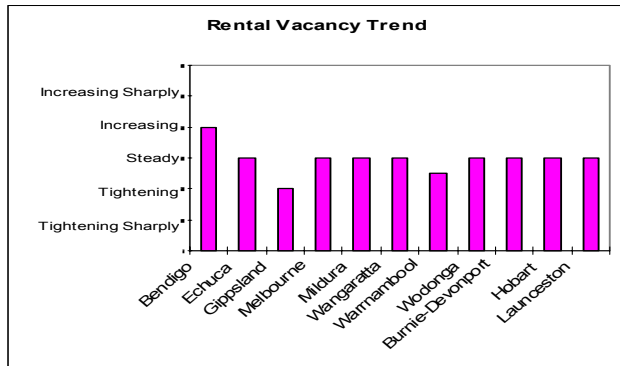


Victoria/Tasmania Property Market Indicators as at November 2010 – Units

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

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

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

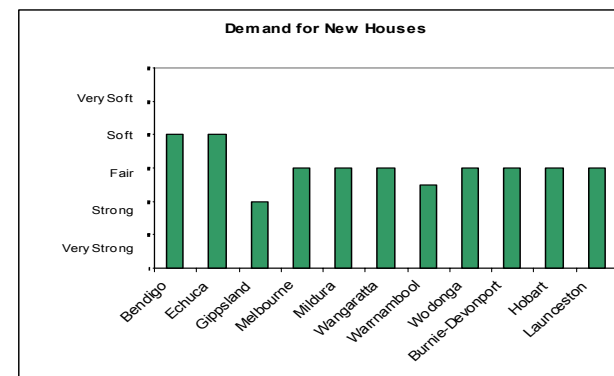
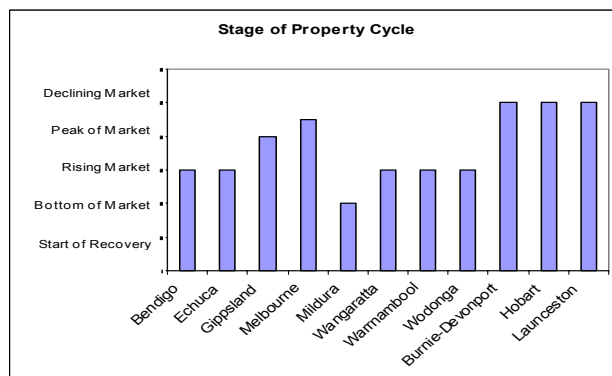
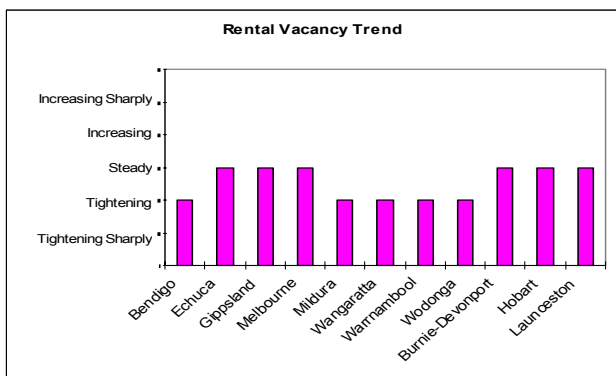


Victoria/Tasmania Property Market Indicators as at November 2010 – Retail

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devon-port	Hobart	Launceston
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady	Steady
Rental Rate Trend	Soft	Soft	Strong	Fair	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Volume of Property Sales	Declining	Declining	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Declining	Declining	Declining
Local Economic Situation	Rising market	Rising market	Peak of market	Peak of market - Declining market	Bottom of market	Rising market	Rising market	Rising market	Declining market	Declining market	Declining market
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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

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

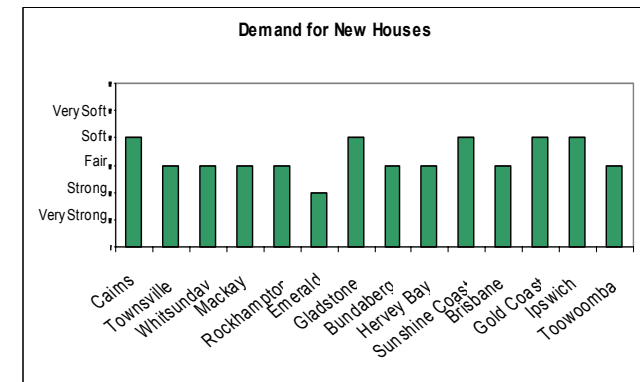
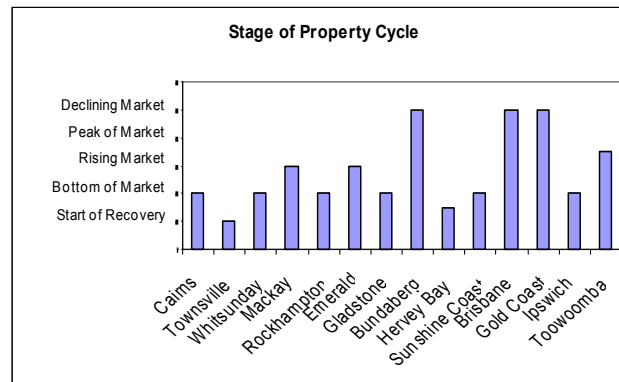
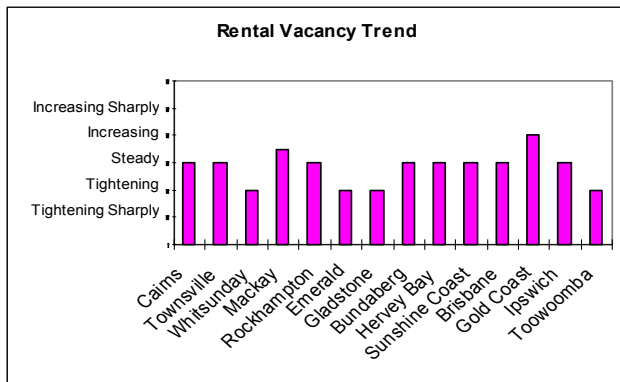


Queensland Property Market Indicators as at November 2010 – Houses

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

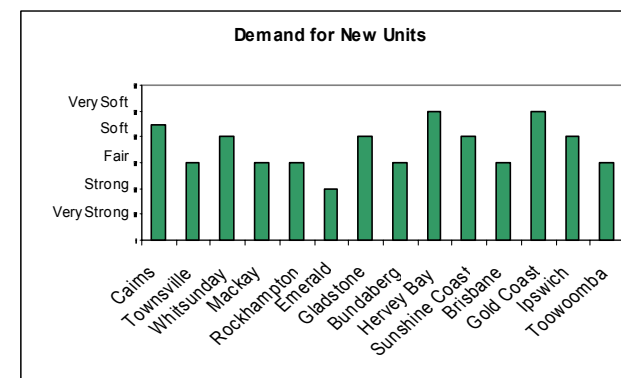
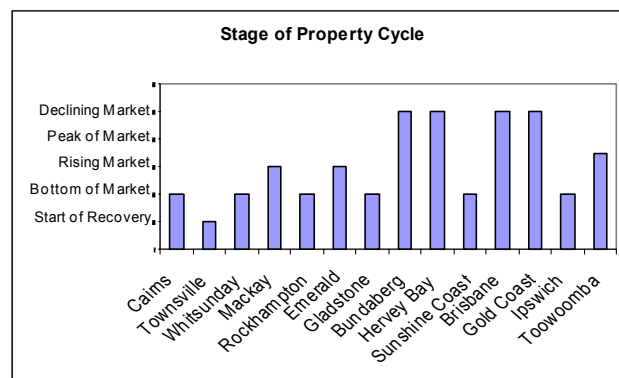
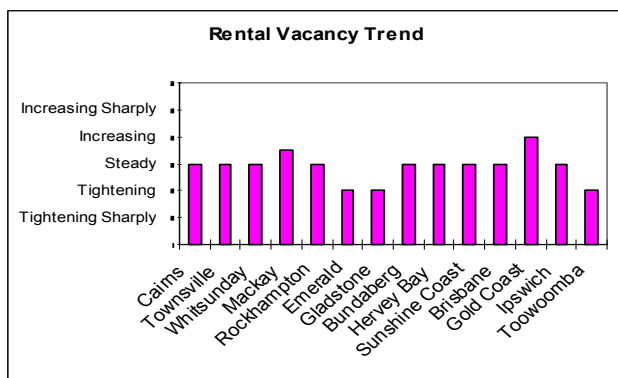


Queensland Property Market Indicators as at November 2010 – Units

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

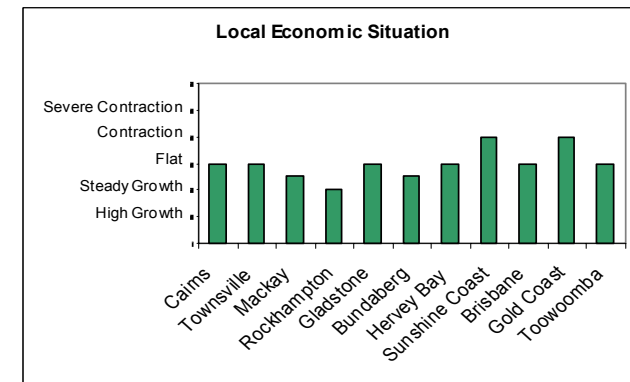
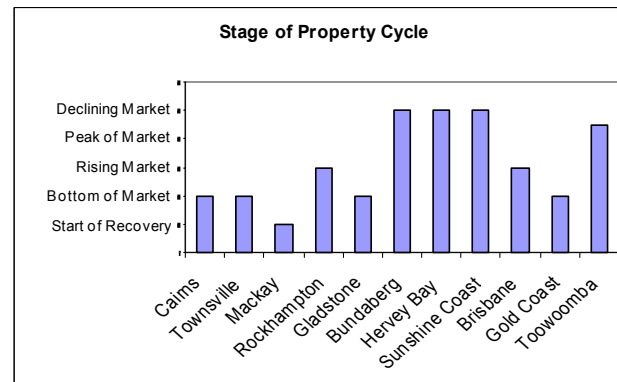
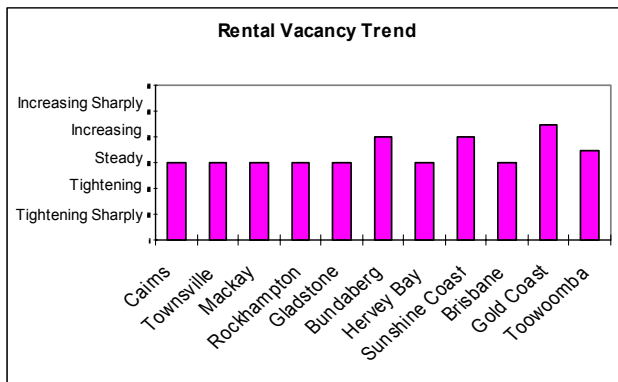


Queensland Property Market Indicators as at November 2010 – Retail

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

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

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

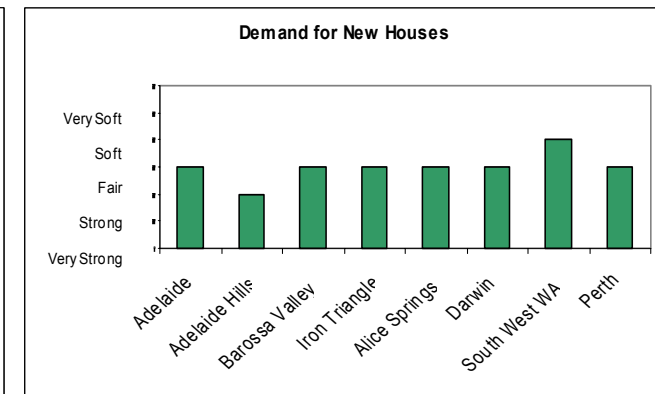
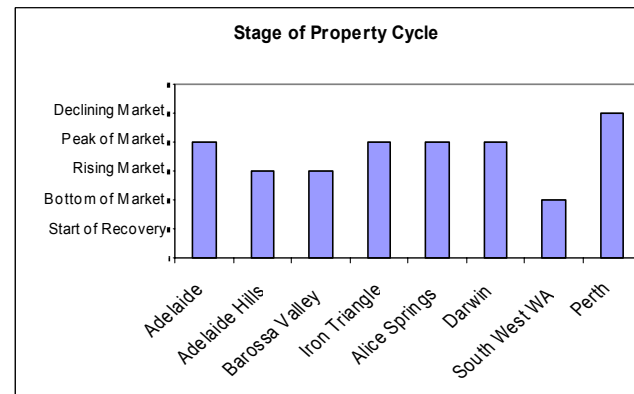
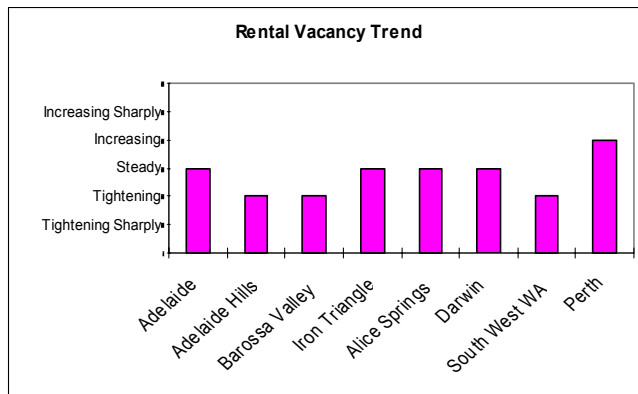


Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2010 – Houses

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

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

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

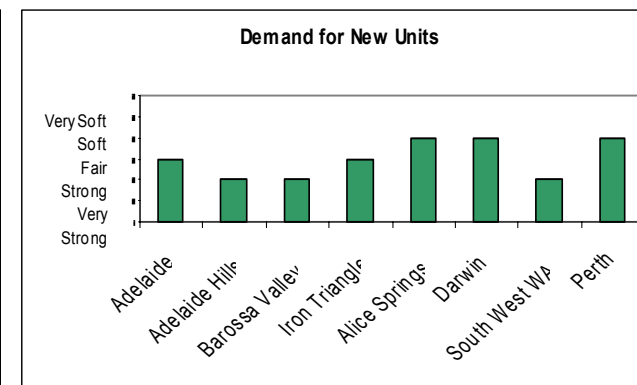
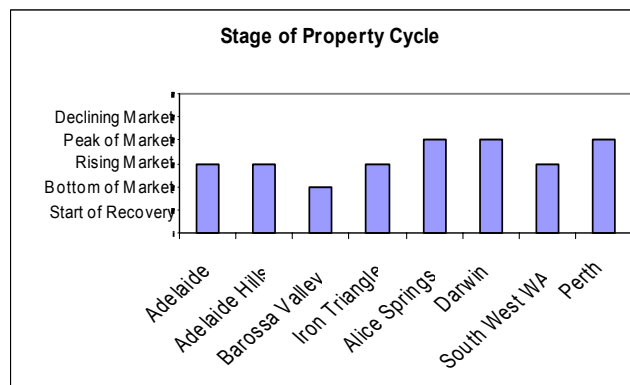
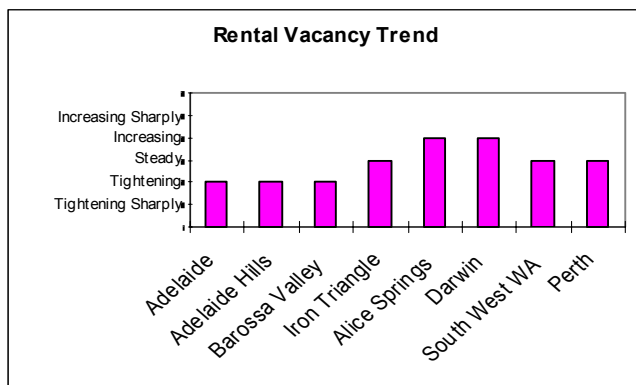


Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2010 – Units

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

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

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



Northern Territory, South Australia & Western Australia Property Market Indicators as at November 2010 – Retail

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

