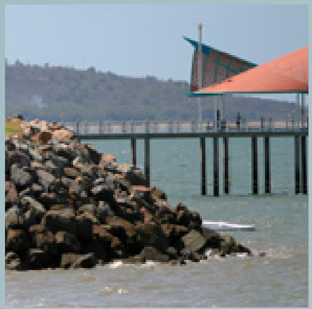
December 2018

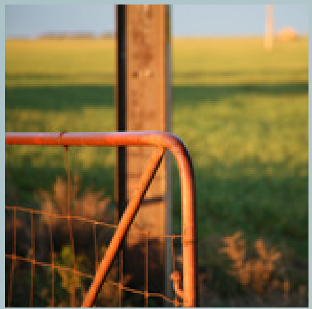
Month in Review

HERRON TODD WHITE

Fifty Years of Property Valuation | 1968 - 2018

Contents





2018: The year in review

Hark! What's that? Are there jingle bells in the air? Is Mariah Carey on high rotation in your shopping centre? Perhaps another rerun of *Love Actually* has been scheduled to make an appearance on your television.

These are all the signs that the end of the year is nigh and the festive season of good cheer is about to launch itself upon us once more.

Yes folks, it's December 2018 already. Sneaks up, doesn't it?

This year, a cornucopia of interesting occurrences has played out – from economics and culture to sport and recreation, 2018 had a little something for everyone.

There was yet another change of prime minister which created no end of stir both within Australia and across the waters. Challenges for our nation's top job are beginning to feel like a spectator sport.

The Commonwealth Games was held on the Gold Coast this year. The event was excellent, although there were a few dropped ball moments during the closing ceremony. The Invictus Games was another major event on our shores with visits by royalty refiring discussions for some about whether we should be a republic or not. I mean, it's hard asking your monarchs to move on when they're just so gosh darn charming!

Economically, we've had a mixed run. Looking back on the year, some of the biggest effects revolved around the daily reports from the Royal Commission into banking on the back of strategic APRA tightening on investor loans.

Unfortunately, this finance fallout appears to have hit all markets including those still trying to recover from other headwinds.

For investors, the news probably got a little worse at year's end. The federal opposition revisited moves to tighten rules around negative gearing and capital gains tax.

Of course, all these big picture moments are fine, but how has 2018 been on a more nuanced, localised level?

Well, as is our want each December, we have a look back on the year that was in property. We've asked each office to let us know how 2018 played in their real estate sector.

But, we always like to add something of a little degree of difficulty for our teams.

Back in February, we asked each office to give us their predictions for 2018. Well now it's time to pay the piper. We've requested each to look back at their calls from February and provide us with a report card on the accuracy of their predictions.

On the commercial front, it's industrial this month and our teams are again looking at the shed sector in 2018. We revisit how events unfolded, citing the most interesting market movements, the big sales and the significant leasings on an office-by-office basis. Anyone with so much as a passing interest in the industrial sector (and based on this month's submissions, there are increasing numbers of you out there) will find our commercial commentary unmissable.

Finally, rural gives us their take on the year as well with some very big money changing hands in this oh-so-Australian sector of the property market.

So, there it is folks. The year that was 2018.

From all of us here at Herron Todd White, have a cracking Chrissie and a blissfully brilliant New Year.

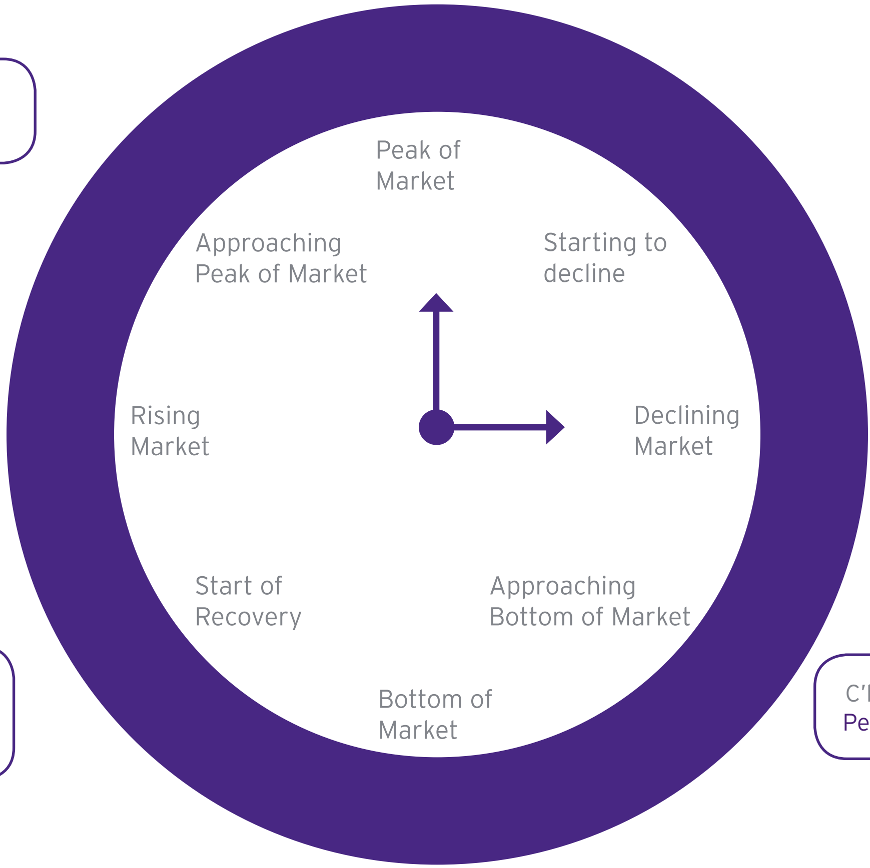
Commercial

HERRON
TODD
WHITE
COMMERCIAL

National Property Clock
December 2018
Industrial

Coffs Harbour
Dubbo
Gold Coast
Griffith
Melbourne
Newcastle
Orange

Albury
South East NSW
Sydney



Ballarat
Bendigo
Brisbane
Burnie-Devonport
Echuca
Hobart
Launceston
Lismore
Mid North Coast
Mildura
Sunshine Coast

Latrobe Valley
Toowoomba

Adelaide
Alice Springs
Cairns
Central Coast
Horsham

C'berra/ Q'beyan
Perth
South West WA

Adelaide Hills
Barossa Valley
Darwin
Gladstone
Iron Triangle
Mackay
Rockhampton
Townsville
Warrnambool
Wide Bay

Entries coloured purple indicate positional change from last month.

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

Reading through the submissions in this, our final issue of Month In Review for 2018, you can't help but notice that the industrial sector was on a golden run across many centres. Whether it was a resurgence of local economies or a flight to yield after the residential price boom ended, the industrial sector held the answer for many as to the next investment option.

Of course, it wasn't all good news - property markets are diverse and interesting across our nation - but on the whole, it was more up than down.

Please enjoy our wrap up of this year in the industrial sector.

Sydney

In general terms, industrial property markets performed strongly in 2018.

There was a notable increase in new supply in Sydney's industrial market over 2018, driven by a number of factors including: a strengthening economy coupled with high employment participation rates; a rise in leasing activity driven by strong population growth which is predicted to continue to grow for the foreseeable future; residential infill re-zonings in traditional industrial precincts close to the Sydney CBD, airport and ports such as Alexandria and Waterloo, prompting a flight from inner city areas to more outlying precincts; and a chase for yields and capital growth in a historically low interest rate environment with a declining residential market.

Recent significant development of Sydney's metropolitan transport infrastructure has seen improvements made to the city's Orbital Network, connecting the M1, M2, M5 and M7. This has improved access from Sydney's ports to most major warehousing and distribution hubs in the western Sydney industrial precincts. Furthermore, the proposed development of the WestConnex and an intermodal freight terminal at Moorebank will significantly improve both access and distribution channels to the western Sydney precincts. Indeed, the latest available data notes that over 50 per cent of new industrial supply has been concentrated in western Sydney. New A-grade supply was largely pre-committed in 2017, including significant pre-commitments by Toll Holdings for a 60,000 square metre facility in South Western precinct and Australia Post committing to 21,500 square metres in Sydney's Central West.

Yield compression has occurred across most sectors of the property market, emanating from historically low Reserve Bank interest rates which have contributed to a shift in expectations regarding return on investment. Industrial properties are currently sold subject to relatively low yield rates, currently generally sitting between four and seven per cent.

Demand levels generally remain strong, particularly in respect to well-located industrial precincts with good connectivity to major transport routes and ease of access to regional business centres including Liverpool, Campbelltown, Parramatta, Blacktown and Penrith. Such precincts include Wetherill Park, Silverwater and Seven Hills.

Average prime grade industrial rents in Sydney remained largely subdued over the past year, however growing demand for new industrial facilities prompted rents to grow more significantly over the same period for new stock.

Some of the larger industrial holdings to transact this year include 60 Huntingwood Drive, Huntingwood.

60 Huntingwood Drive, Huntingwood *(Source: www.domain.com.au)*

Commercial

This corporate head office and warehouse facility was previously occupied by Sony who were in the process of relocating. The 27,300 square metre site with three street frontages sold for $25.1 million (excluding GST) with vacant possession through Link Property Services. The property comprises a modern, hi-tech industrial facility of concrete construction with a lettable area of 16,686 square metres which included high clearance, sprinklered warehouse with production and technical areas equipped with electric generators, vacuum compressors, water treatment facilities, multiple roller doors and oil filled transformers. The sale reflected a rate per square metre of $1,504.

In Sydney's south-west, private property developer Leda Group has paid $52 million for an industrial site at 286 Horsley Road, Milperra. The 7.71 hectare site with multiple entry points had an existing lettable area of 38,613 square metres with a holding income of $2.1 million per annum net. The property was sold through Colliers International who advised that extensive interest was received from owner-occupiers, developers and institutional investors. Leda is reportedly planning a subdivision and strata unit development in order to meet the demands of the strong owner-occupier market being driven by a lack of available stock and the displacement from the south Sydney and inner west industrial areas.

286 Horsley Road, Milperra *(Source: www.commercialrealestate.com.au)*

As far as the bottom end of the market is concerned, it is those areas furthest from the CBD and those that are not well located in terms of major infrastructure that tend to offer more affordable options. In terms of established industrial precincts, there are still options in the sub-$300,000 market. An example of this is in Penrith where earlier this year a strata industrial unit at 4 Dean Place sold for $255,000. The small single level warehouse unit is located in an older style circa 1980s complex and has a total lettable area of 112 square metres with two car spaces on title. This sale reflected a rate per square metre of $2,277.

Western Sydney

What has been surprising over the course of 2018 is the rate at which the industrial market continued to strengthen. Evidence of this is shown throughout all areas of Sydney, however the trend appeared to be clear in developments such as that located at 727 The Horsley Drive in Smithfield. The modern strata industrial complex began to sell off the plan in mid-2017 with construction completed earlier this year. The agents at Wetherill Park Industrial Real Estate were in charge of marketing and selling the units with the early release showing rates below $3,400 per square metre. This quickly began to trend upwards with units earlier this year showing rates above $4,200 per square metre. This shows an approximate 24 per cent increase in this complex alone in less than a year.

The industrial vacant land market in western Sydney continued to strengthen throughout the mid to later stages of 2018. This demand was largely underpinned by the continuation of a lack of vacant land sites in established industrial locations all over the region. This shortage of appropriate land saw values increase dramatically to a rate nearing, then exceeding, $700 per square metre in some recent cases. Regions in demand have been Seven Hills and Glendenning (Blacktown LGA), Smeaton Grange (Camden LGA) and Ingleburn and Minto (Campbelltown LGA). The lack of land supply has also seen under improved sites or aged sites selling at premium prices in these locations.

In August, the New South Wales Government implemented the Western Sydney Aerotropolis Land

Use and Infrastructure Implementation Plan. This plan sets the framework for re-zoning procedures and priority areas. This has seen a spike in enquiry within priority areas. It is hoped that the re-zoning process will be completed within a two to three year period. At this point it is likely that the larger institutional groups will purchase appropriate land on the basis of a concrete zoning and plan for services to be provided for connection. This will eventually lead to an increase in industrial specific zoned land sites to the market and in all likelihood lead to a generally softening of the premiums being paid throughout the western Sydney region.

In terms of exciting projects, there is no more exciting new project than the Western Sydney Airport. 2018 saw works commence with staging works, replacement of power lines and surveyors on site currently. The Sydney Science Park in nearby Luddenham has begun with land clearing well underway. The New South Wales Government has recently been in London selling the region in an attempt to find appropriate anchor tenants, an airport operator and general investment in the numerous infrastructure projects currently being planned and rolled out.

Notwithstanding the above comments, potential headwinds for the sector include any uplift in interest rates, a general downturn in the economy, further tightening of lender credit controls and a continued softening of residential values that will likely reduce buyer demand (and potentially debt serviceability), which has historically corresponded to an eventual reduction in value levels across all commercial and industrial sectors.

Newcastle

The industrial property market in Newcastle and the Hunter Valley was strong in 2018. In fact, until very recently this market segment had been charging upward as the retail and office markets started to slow down somewhat. Our research indicates that while values remain historically high in the industrial market, buyer enquiry has now subsided in an investment market that has become increasingly sensitive to tenancy profile and time remaining under leases.

Recent auctions by leading local commercial agents in Newcastle show that we are increasingly entering into a two tier market. In this case, the two tiers can be described as the lower tier being property that perhaps has a small local business as a tenant without a long term lease in place, property in a secondary location or buildings that may be showing wear and tear and require capital expenditure to bring them up to a better standard. The upper tier properties are the opposite of the above, with long term tenancies in place to government or strong corporate tenants, in good established locations and in good condition.

17 & 19 Aluminium Close, Edgeworth *(Source: www.commercialrealestate.com.au)*

In recent years when the market has been strong, investors had picked the lower tier types of properties in the hope of short term capital gain in a rising market and perhaps the risk associated with such properties hasn't been properly reflected in the analysed yields. We're seeing a return to more normal market conditions, whereby these properties now need to be more appropriately priced in order to secure a sale. In fact, judging by the low clearance rates at recent commercial auctions, we are in that re-pricing period right now.

There are still strong sales happening in the current market. For example, 17-19 Aluminium Close, Edgeworth sold well above the reserve for $1.4

million to an established local developer. This sale at $225 per square metre of land area reflects a strong increase in land values even over the past year. This sale is on par with sales in the more established industrial areas in Mayfield West and Beresfield and is reflective of the position close to local shopping and the residential growth corridor in nearby Cameron Park.

As we wrap up 2018 and look ahead to next year, the industrial market should retain much of its recent market value growth and while sales numbers may come down from peak conditions, any value adjustments should be relatively minor.

Southeast NSW

The industrial market was the strongest performer out of the three main asset classes throughout 2018, coming to life over the past two years after a prolonged period of stagnation post the GFC.

The main drivers of this growth have been major infrastructure projects taking place throughout the state. Other drivers of this market are low interest rates, strong conditions in the Sydney industrial market, high confidence in the local economy and activity surrounding the port of Port Kembla.

The relative affordability and availability of industrial land and existing product compared to Sydney combined with the region's proximity and improving connectivity to Australia's largest city is making the Illawarra an attractive option for owner-occupiers, while investors continue to chase yield that is absent from the major capital cities.

Lismore/Byron Bay/ Ballina

Byron Bay remained a relatively strong market over the past 12 months with record low yields generally approximately 4.5 to six per cent. The rental market also saw strong demand and stable to slightly stronger rents. With limited supply, value levels have held despite softer demand from investors and owner-occupiers as a level of cautiousness entered the market particularly in the second half of the year as reports of softer markets in Melbourne and Sydney dominated the press. This was on the back of very strong increases during 2017.

The strength in Byron Bay and limited supply for investors and tenants created opportunity in nearby Mullumbimby. Developers took the opportunity to construct a number of industrial complexes for sale and lease. The provision of food related speciality complexes and hubs was very well received, with premium rents being achieved.

Ballina also generally held with stable yields, stable value levels and stable to slightly stronger rents. Yields remain one to two percent higher than Byron Bay. Ballina tends to fit between Lismore and Byron Bay, with a more cyclical nature than Lismore. There remains some uncertainty in relation to supply with Ballina Council planning the new access road to the airport, which is likely to result in a significant increase in developable land along the new road. The new road may also offer new opportunity for companies looking for superior profile. The proposed expansion of the airport terminal was announced in July with a budget of $6.9 million and an expected 12-month development period.

The Ballina Shire Council-owned airport, which is the third largest in New South Wales, hit 529,000 annual passenger numbers at the end of June, and the revamped terminal would cater to those numbers and expected future growth, with discussions underway with airlines about more flights.

The Alstonville industrial market is relatively small and generally fits neatly between Lismore and Ballina both physically and in relation to rent and value levels. It is generally well held and over the past twelve months experienced a slight increase in demand with stable rents and stable yields.

Lismore has been a relatively quiet market dominated by owner-occupiers rather than investors with limited growth in rents and very limited activity to point to any significant change. Yields were generally stable to slightly lower over the past 12 months at seven to nine per cent.

Casino is a relatively stable market of a reasonable size and is similar to Lismore, being dominated by owner-occupiers. It has been relatively stable over the past twelve months.

Coffs Harbour

The local industrial market remains stable. There is slow market demand from owner-occupiers for industrial units in the $1,500 to $2,400 per square metre price range depending on size, position, construction and fit out. Typically, there is minimal fitout supplied by developers except for pre-sales with tenant specific requirements.

There is a continuing trend for retailers exiting traditional commercial premises and gravitating to industrial locations with office showrooms with production areas within attached warehouses. This has impacted on the rental market for CBD located retail showroom space. The industrial market is exhibiting an oversupply of smaller industrial bays for lease which has led to a broader range of rental evidence and lease up incentives. Industrial sales remain firm with firm yields linked to the prevailing low interest rate climate and strength of the tenant and lease terms and conditions.

There is a shortage of industrial land stock, however the proposed development of land adjacent to the airport and at Valla may alleviate some of the concerns over supply.

The Mill Industrial Estate at Woolgoolga has opened with 11 industrial allotments of 2,500 to 5,000 square metres available for sale.

Orange

The Orange industrial market in general continues to be underpinned and impacted by the local Newcrest owned Cadia Gold Mine.

The proposed McPhillamy's Gold Mine to the north of Blayney (about 34 kilometres south of Orange) by Western Australian gold miner, Regis Resources, is expected to have a positive influence on the local industrial market in Orange. The mining industry and gold prices continue to have a direct influence on the Orange industrial market and, not dissimilar to other regional industrial markets, property that is subject to favourable lease terms continues to be met with keen investor enquiry, however, tightened lending restrictions may have an effect in this space. Owner-occupiers and self-managed superannuation fund investors continue to dominate and underpin the sub-$500,000 to $1 million industrial market with properties required to be priced right in order to sell. Leasing rates for industrial properties remain stable.

Dubbo

Local industrial property sales have reflected the broader trends for commercial property sales in Dubbo for the year to date.

This is characterised by intending owner-operators, or self-managed superannuation fund investors in the sub-circa $600,000 price bracket paying the equivalent of 5.7 to 6.2 per cent for well-located property, or a property subject to a three-year-plus lease.

Leased industrial property above this price threshold indicates an analysed yield of between 6.15 and 7.25 per cent, while vacant industrial properties in secondary or unloved locations are selling at prices that analyse out at yields of nine to ten per cent.

Leasing rates on a rate per square metre basis have remained relatively stable, with gross rents of between $65 per square metre for secondary properties and $115 per square metre for modern, well located properties.

Victoria

Melbourne

The Melbourne industrial market remained strong in 2018. With low interest rates sustained and a relatively stable economy, industrial developments are continuing to come onto the market. This is evident in growth corridors where there is an abundance of vacant land prime for development, including suburbs such as Dandenong South and Pakenham in the south-east, Truganina and Derrimut in the west and Epping in the north.

In the southern corridor, suburbs such as Oakleigh South and Clayton South are providing development opportunities in the form of dilapidated warehouse properties with high underlying land values, being transformed into infill developments with smaller and modern strata title units. The need for small scale industrial units continues to be supported by both investors assuming strong WALEs and owner-occupiers looking to operate their small businesses or meet their ever growing storage needs. One development of note that reached completion in 2018 was The Base at 10 Cawley Road, Yarraville, a 50 strata unit development in Melbourne's inner west. Unit sizes range from 107 to 203 square metres of building area and the highest sale settled at $669,000 (plus GST), indicating a rate of $2,381 per square metre of building area.

We have also seen increased demand for large scale warehousing and distribution facilities, particularly in the western suburbs. The proximity and access of the western suburbs to the West Gate Freeway, Princes Freeway and Western Ring Road is a major draw card for transport, logistics and distribution companies. A noteworthy sale is the Kmart Distribution Centre at 2-12 Banfield Court, Truganina, which sold for $119 million in late September 2018 at a passing yield of 5.45 per cent on the back of a 7.4 year WALE.


'The Base', 10 Cawley Road, Yarraville. *(Source: RP Data)*

Rental levels also remained relatively stable throughout 2018. Prime face rental rates in Melbourne's industrial outer areas generally ranged between $70 and $90 per square metre of building area per annum net plus GST for medium scale properties, whilst rental rates for smaller, newer units within the inner suburbs ranged between $130 and $170 per square metre of building area per annum net plus GST.

Melbourne's population growth has seen gentrification mostly in the inner and some middle-ring suburbs, pushing industrial development to middle and fringe locations that are well served by road linkages. That said, ongoing rezoning of industrial property and supply of newly zoned industrial land remains constrained. The result of this is the lifting both of land and capital values across Melbourne's industrial precincts, with a moderate level of rental growth going forward that will be underpinned by rising land values.

Echuca

There were limited genuinely large scale industrial transactions to play out in the local area for 2018, although a baseline level of activity continued to trickle along with several local businesses relocating to upsized premises and their former smaller sheds generally being absorbed into the market place.

Construction of the second Echuca-Moama Bridge has not resulted in significant increases in industrial real estate at a local level at this stage.

South Australia

Adelaide

The industrial sector within South Australia has had a protracted period of stability, or a steady lack of significant market movement. The past 12 months have not been substantially different, however increased defence spending and local infrastructure projects are continuing to underpin the market.

Road infrastructure improvement has been particularly prevalent, with the South Road Torrens to Torrens project and the Darlington upgrade both nearing completion. The government has committed to have the remaining projects, Darlington to Anzac Highway and River Torrens to Anzac Highway, both completed within a decade. The North-South Corridor is integral to the delivery of the 30-Year Plan for Greater Adelaide. At present, there are a number of stages and ongoing works underway for the project spanning some 78 kilometres between Old Noarlunga and Gawler, including a series of strategic non-stop links to connect the expanding industrial and residential growth areas in the north and south, as identified above.

Further providing incentive to the market this year was the abolishment of Stamp Duty for non-residential properties in South Australia which was finalised on 1 July 2018. Agents are reporting an increase in transactions and an improvement in buyer sentiment.

Renewal SA has a number of projects predominantly situated to the north and south of the Adelaide CBD. These include the Grand Trunkway Estate and Port Direct developments to the north-west of the CBD and close to Port Adelaide, Edinburgh North to the Outer North, Tonsley to the South and Seaford to the Outer South.

- **The Grand Trunkway Estate** is a General Industry zoned development of 15 hectares which has strong transport links to the Outer Harbour, Interstate Main Rail Line and the Port River Expressway. Renewal SA also retains land for further stages or to accommodate occupiers with larger land requirements.
- **Further north-west is the Port Direct development** of 27 hectares which has good access to the Outer Harbor import-export facilities and to the facilities within the Naval Shipbuilding Precinct which is within 1.2 kilometres.
- **The Northern Adelaide Food Park,** Edinburgh North, is proposed to be the state's premier food manufacturing precinct. The site was previously earmarked for the Parafield Airport, however concerns from tenants and purchasers relating to the ownership of the land has caused the Government to re-consider.
- **The Seaford Industry Park** project commenced in 2004 with the aim to support the food and wine businesses with links to McLaren Vale. The development is zoned General Industry and aims to support the fast-growing suburbs south of the Adelaide CBD.
- **Tonsley, the former Mitsubishi Motors assembly plant,** is in the process of being completely re-developed into a mixed-use district with residential, high-value manufacturing and commercial allotments. The Main Assembly Hub, an 80,000 square metre warehouse has been adapted for re-use as the centre of Tonsley's social activity and features shops, cafes, services and facilities.

The above developments are not considered to be situated within prime industrial locations. The premier industrial precinct within Adelaide is Regency Park which is partly due to its proximity and ease of access to major transport routes.

Herron Todd White Research has seen yields within well located, prime industrial locations tighten. Prime industrial yields across all precincts are typically between 7.75 and 8.75 per cent whilst secondary yields are between nine and 9.75 per cent.

Queensland

Brisbane

Throughout 2018, we saw strong investment demand driven by the low interest rate environment and improving economic conditions. Investors generally seek well leased, quality assets in prime locations, however less of this stock is becoming available, mostly because these properties are being tightly held due to the lower risk profile they offer.

Sales volumes in Brisbane and the outer local authorities are sitting below that of 2017. To compare, there were approximately 372 sales totalling $1,370 million as at 1 November 2017 whereas as at 1 November 2018, we have seen approximately 265 sales with a total value of $974 million. Herron Todd White believes this is due to the lack of quality stock available on the market. Yields tightened over 2018 on the back of strong demand and are currently sitting generally between six and 6.75 per cent for prime and between seven and 9.5 per cent for secondary stock.

Demand for industrial development sites throughout Brisbane also increased substantially in the past nine to 12 months with appreciation in land values evident across a number of industrial precincts. There is research showing that Eagle Farm alone experienced increases of circa 30 per cent in this time. Whilst there are still difficulties in obtaining development finance from financial institutions, this does not seem to have restricted demand in recent times. Development of the brand-new Colmslie Business Park in Morningside is attracting strong demand with Stage 2 reportedly completely sold out to mostly owner-occupiers.

Rental growth throughout 2018 was stable with growth being held back by attractive rents and incentives. There are some significant incentives being offered for larger stock in particular; we are seeing some between 15 and 25 per cent. Prime net face rents generally range between $100 and $140 per square metre and for secondary assets, rates generally range between $60 and $110 per square metre depending on the precinct.

Significant new deals include CTI Logistics who took circa 10,500 square metres at Wayne Goss Drive,

Noteworthy transaction this yea –: 71 Charles Ulm Place, Eagle Farm in July with a sub-six per cent yield. It sold for $35.5 million with a passing yield of 5.89 per cent with a five-year term certain leased to Oz Trail. *(Source: TradeCoast Central)*

Another TradeCoast sale to mention was Cargo Business Park at 56 Lavarack Avenue, Eagle Farm. It sold in August for $33.5 million with a passing yield of 7.04% and a WALE of 2.4 years. *(Source: RealCommercial)*

147 Archerfield Rd, Richlands sold for $14 million with a passing yield of 6.77%. It was leased to Vermeer on a 10 year term and had recently undergone a significant refurbishment. *(Source: CoreLogic)*

Berrinba. Australia Post took circa 48,000 square metres at Robert Smith Street, Redbank which was a purpose-built facility by Goodman in one of the largest leasing deals in Brisbane this year. The Port of Brisbane has recently seen three ten-year deals or lease extensions to Autocare (100,000 square metres), IPS Logistics (60,288 square metres gross lettable area and 10,000 square metres hardstand) and Bunnings expansion (added an extra 10,000 square metres to its existing 30,450 square metre facility in the Port of Brisbane's Port West Estate).

Overall, the industrial market throughout 2018 was a strong performer due to the sustained low interest rates and overall improved economic conditions. Yields tightened and prices increased on the back of strong investment demand. Similarly, land values appreciated on the premise of high demand for development sites throughout Brisbane. On the other hand, rental growth remained stable due to the amount of supply and attractive incentives and rents being offered at present.

Gold Coast

Over the past year in the central and southern Gold Coast industrial areas, the market for industrial leasing tightened with a noticeable lift in rental levels. This is perceived to be in response to the burgeoning owner-occupier buyer market having significantly reduced the availability of industrial properties for lease.

As an example, 35 Alex Fisher Drive, Burleigh Heads recently leased and exhibited a marked increase in rents compared to that expected prior to the rental improvement, say in the last year even. The building is approximately 910 square metres and is of brick and masonry block construction on a land area of 1,500 square metres. It was built circa 1970s to early 1980s with below average clearance and overall is ageing in presentation. The rent achieved reflects $146 per square metre of lettable area per annum gross (excluding GST). A similar property at 21 Activity Court, Molendinar was leased in January 2017 for circa $138 per square metre per annum gross, indicating growth of up to six per cent in a relatively short period of time.

Concrete tilt panel buildings of a similar size are now achieving in excess of $160 per square metre per annum gross for comparable sized properties, whereas 12 months ago the expected range was in the order of $140 to $155 per square metre.

Interestingly, price levels for investment product have not jumped as significantly as owner-occupier sales, meaning that investment returns have improved. Analysed yields for leased industrial properties were previously sitting around 6.5 per cent for properties in the $1 million to $2 million price bracket, whereas more recent analysed yields have been up around seven per cent and higher due to the improved rental market. This is perhaps the catch-up investors have been banking on when properties were purchased at lower yields, or is an indication of a higher risk at present that the much discussed interest rate rises could be impending. Whatever the case, returns at present have improved for investors.

The recent sale of 83 Dover Drive, Burleigh Heads illustrates this recent shift with the sale price analysing to a yield of 7.22 per cent after having sold with a leaseback to the vendor on a three year term plus options at a passing rent equating to $153 per square metre per annum gross. This sale result is considered somewhat surprising as the yield is relatively high, although the passing rent is considered to be at the lower end of market parameters, indicating that investors have been bearish in comparison to the unprecedented owner-occupier market.

Owner-occupiers remain highly active in the industrial market in the central and southern Gold Coast industrial precincts, with demand continuing to outstrip supply resulting in continued upward pressure on price levels. This is evident in the statistics for Burleigh Heads (as an example) compiled by CoreLogic which suggests a median value of $428,150 for industrial sales in 2017, whereas for 2018, the median value is $485,000. The volume of sales appears to have dropped since 2017, when there were 84 sales compared with 61 sales to date in 2018.

A lack of available properties has improved value levels significantly. This is particularly the case for vacant industrial land, demonstrated by the recent sale at 1 Calabro Way, Burleigh Heads in August 2018 with a sale price of $1.111 million, reflecting an improvement in value of around 17 per cent compared to the sale of the property in November 2016.

Further, 50 Township Drive, Burleigh Heads was recently purchased for owner-occupation, being a four-unit complex, partly leased with two of the four units available with vacant possession. The sale reflects an analysed yield of 5.67 per cent which is a strong result exemplifying the owner-occupier market at present.

For this reason, man cave style units have proven hugely popular of late. These comprise smaller size industrial units being relatively affordable for owner-occupiers, as well as profitable projects for developers (even at seemingly high development site purchase prices). Currently, these developed strata units are achieving well in excess of $3,000 per square metre for units in the order of 100 square metres. 3 Flagstone Drive, Burleigh Heads recently sold as a development site for this purpose, reflecting a premium price of $555 per square metre of site area for a 3,000 square metre site.

In conclusion, the industrial market on the Gold Coast over the past year has gone from strength to strength, however, the future is uncertain, particularly given concerns over the prediction of an upward interest rate movement.

3 Flagstone Dr, Burleigh Heads *(Source: www.realcommerical.com.au)*

373 Anzac Avenue, Harristown *(Source: www.commercialview.com.au)*

Toowoomba

Leasing demand for industrial properties in Toowoomba was moderate over the past twelve months and resulted in an increase in vacancies. Face rentals have been relatively static, but lease incentives are often required to secure tenants.

Demand from owner-occupiers for vacant industrial properties was also moderate with an increase in supply resulting. Recent sale transactions however have shown that sale prices remained firm.

Demand from investors has remained strong with net yields of between eight and nine per cent often achieved for fully leased properties in good locations. There have also been a few instances where properties with a strong tenant on a long term lease achieved a sub-eight per cent yield.

Demand and supply for smaller industrial strata units in Toowoomba is limited. This market is predominantly owner-occupied with capital values remaining static over the past year. These industrial units are often attractive to owner-occupiers and entry level investors.

Major sales of note in 2018:

- **373 Anzac Avenue, Harristown** – Sale price of circa $8.5 million. A large site adjoining Bunnings which is partially improved with a modern truck dealership which was leased on a seven year term.

Analysed net yield of 7.8 per cent and included large balance land component.

- **351 Taylor Street, Wilsonton** – Sale price of $7.5 million. Part of a sale of a truck dealership business.
- **179 Stephen Street, Harristown** – Sale price of $4.1 million. Modern industrial facility leased on a new five year term. Passing yield of 8.79 per cent.
- **318 Taylor Street, Glenvale** – Sale price of $3.85 million. Prime two hectare site improved with a tractor and agricultural equipment dealership and included an older showroom/office/warehouse building of approximately 2,500 square metres.

318 Taylor Street, Glenvale *(Source: www.commercialrealestate.com.au)*

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. Though we now perceive the industrial market to be entering a recovery phase, industrial property sales remain slow. Industrial property development is likewise slow, with no new projects of significance in train or on the horizon.

Prices per square metre for established strata titled industrial units have been steady at around the $1,400 to $1,600 mark for some time. Commercial agents advise that there is limited availability of good quality strata title or stand-alone warehouse stock with slow to reasonable demand for these types of premises, particularly from owner-occupiers.

Industrial property rents range from $100 to $150 per square metre per annum gross depending on size, location and quality. A lack of new stock should see availability tighten as we move into 2019.

There is good investor demand for leased industrial properties across all price ranges of the market, from small stratas through to large showrooms. However, there is very limited quality investment stock available for purchase. This will tend to support values for well leased properties over the short to medium term. The market has been gradually consolidating over the past 12 months and the outlook is for stable conditions over the immediate future. There is likely to be a lack of vacant industrial land in the short term with only a handful of sites available on the market.

Townsville

Throughout 2018, the industrial market remained stable at the bottom of the market cycle. Sentiment is improving on the back of the improving resource sector which drives the manufacturing industry, however this positivity has not yet translated to any up lift in the industrial property market.

We continue to see an appetite from southern capital-city investors for property in regional areas of high quantum assets with strong lease covenants. Some of the larger industrial sales to have occurred to date this year include a packaging factory located at Bohle, which is leased to Orara Ltd and sold for $12.6 million. This property was purchased by Sentinel Property Group at a reported initial yield of 9.59 per cent.

There has also been a reported sale of a modern high clearance warehouse/office complex in Mount Louisa that transacted for just over $4 million. The property is leased to a multi-national tenant with a reported initial yield of 8.45 per cent. This property was reportedly purchased by a southern investor.

Activity is continuing from owner-occupiers, however this sector is very much price point driven in the sub $1 million market. With the market at its current position in the property cycle, industrial properties located in secondary locations with adverse features are providing a riskier investment option than they were when market conditions were more favourable.

In the leasing sector there continues to be an oversupply of general property available relative to demand, however agents are reporting an increase in enquiry levels. To date however we have not seen any up lift in leasing activity.

Rockhampton

Have we potentially seen a stabilisation of the industrial market for Rockhampton? Prior to 2018, it had been a number of years since any substantial passive investment purchases of industrial properties had been made. This year, the recent transaction of the Siemens workshop shows a return of investor confidence to the market. The property sold for $3.3 million at auction in October and reflected an analysed yield of about eight per cent. A new five-year lease had been recently executed to Siemens (the existing tenant), after an extension to the workshop had been undertaken. Agents report that the good interest in the property was a result of the security of the tenant and the unexpired lease term and some renewed positive market sentiment.

Another notable sale in 2018 was of a workshop in Wade Street, Parkhurst. This was a $2.8 million transaction to an owner-occupier for a large industrial workshop and shows the return of the owner-occupier market at this price bracket. Most other sales that occurred throughout the year were in the sub $1 million price bracket.

These sales throughout the year could indicate that we have seen the bottom of the market and that a recovery may be on its way. With news of some committed and some potential major projects in the pipeline for the region (Rookwood Weir, Clarke Creek wind farm, Shoalwater Bay facilities upgrades and the Rockhampton Ring Road), there may be more positive news for the sector heading into 2019. Rental rates appear to have remained relatively stable.

The sector of the market that has seen very limited activity for 2018 is vacant industrial land. There appears to be relatively weak demand for this at present, with most buyers opting for established premises.

Gladstone

We saw an increase in activity in the industrial market in 2018 in comparison to previous years. Rentals appear to have stabilised and sales activity has picked up.

2018 also saw the continued activity of investors to the market, which appeared to kick off in late 2017. The passing yields show a range of about 12 to 13 per cent on some of the more notable investments sales (1 Anson Close and 14 French Street), however we note that in most instances the rentals are considered above market and we have seen variances of around three to five per cent between the passing yields and analysed market yields. Re-sales of properties previously purchased during superior market conditions are still occurring, showing substantial decreases in this time. The most recent re-sale is of industrial land in Callemondah. The 4,152 square metre parcel was purchased in 2012 for $975,000, and recently re-sold for $300,000, showing a reduction of 69 per cent.

Rentals appear to have stabilised for new leasing and agents report increased enquiry.

1 Anson Close, Toolooa *(Source: www.realcommercial.com.au)*

Wide Bay

In broad terms, the Wide Bay's industrial property markets have experienced stable and steady market activity and have been far less volatile compared to the regions to the north. Growth in rents, land values and improved property values has been very low to non-existent.

Select properties and sub markets have seen a flutter of activity such as Bundaberg's industrial market along improved transport routes in Kensington and Thabeban. The leasing of two large transport terminals in Thabeban (at circa $100 per square metre and approximately $400,000 each tenancy) and the new construction of commercial industry and retail development in Kensington demonstrates an improvement in the marketability in these localities.

Mackay

The continued improvement in the regional coal mining industry is now having a positive impact on the industrial property market in Mackay.

A sale contract over a two hectare site at Diesel Drive, Paget has recently settled at a price of well over $2 million. This is the most substantial land transaction that we have seen in many years. This site is located at the southern end of Paget and will eventually benefit from connectivity to an improved road network, including the Walkerston Bypass, the corridor of which was gazetted by the Department of Transport and Main Roads in August this year.

Additionally, we are aware of a 3,207 square metre industrial complex on a 1.97 hectare site at 2 Commercial Avenue, Paget which is under contract at the date of writing this report on a vacant possession basis. It includes an adjoining 1.42 hectare vacant industrial site. The contract price remains confidential and settlement is due at the end of the month. The scale of this property indicates renewed confidence and follows on from an earlier sale at 7 Commercial Drive, Paget for $4.85 million for a similar size building with a substantially smaller land component which was purchased for owner occupation.

Sunshine Coast

The industrial market on the Sunshine Coast went through a period of strong activity during 2018. The majority of this activity was seen in the owner occupier market for sub-$1 million properties.

We noted significant update in vacant land throughout the Sunshine Coast, though primarily in the established estates at Bells Creek and Coolum. We also noted that Stockland released their first industrial area at Aura, which has seen significant sales activity with a mix of developers, owner occupiers and investors in place.

Generally the most active part of the market was the development of smaller strata style holdings of less than 300 square metres in size that were aimed at the owner occupier market. This market generally notes values from $1800/sqm to $2400/sqm for new stock, with the majority of the recent sales over $2000/sqm.

We have seen a drop in overall vacancy levels also during 2018. This has led to an increase in rental levels. Modern stock is now typically over $100/sqm gross pa across the board with new purpose built holdings generally over $120/sqm gross pa.

While there have been no significant sales of larger investment holdings during 2018, ancillary evidence of smaller holdings have indicated a continued firming of yields with good quality assets with strong lease covenants now generally below 7.5%.

Northern Territory

Darwin

Before we address the industrial market specifically, let's look at one of the year's biggest events and how it is set to shape Darwin's economy.

The historic visit to Darwin in November by both the Australian and Japanese Prime Ministers to officially open the Inpex project was also an opportunity for the Commonwealth Government to announce the long-awaited City Deal for Darwin CBD.

This involves the contribution of $100 million each from the NT Government and the Commonwealth Government to enhance the CBD, with significant expected multiplier effects from private investment. The centrepiece is the relocation of a large part of Charles Darwin University's suburban campus into the CBD adjacent to the GPO.

Charles Darwin University boasts over 23,000 students and in fact already has a small campus at Darwin City Waterfront adjacent to the CBD, however it should be noted that many of these students are at other campuses such as Alice Springs and Katherine. More importantly, Charles Darwin has a high proportion of students who study externally and there will be no direct benefit to them from this relocation.

The challenge will be to continue to attract more international students to Darwin, marketing not only the University's high calibre of education but also its closer proximity to South-East Asia, from where many of these international students come. This is a very competitive market with larger, better-known cities of Melbourne and Sydney still dominating the interest of many of these prospective students.

The trend toward relocating education centres into CBD areas has revitalised some other flagging CBDs, with Newcastle (New South Wales) and Launceston (Tasmania) being two of the latest cities to embrace the concept. Newcastle in particular has seen a strong increase in property development proposals to support their CBD campus however this may not be immediately replicated in Darwin due to the availability of existing accommodation and the nature of Charles Darwin University's student cohort.

As we draw towards the end of the year, general property markets in Darwin remain lack lustre. The industrial sector remains weak with a relatively high level of vacancy evident, especially for older stock. Some deals are being done for pre-committed tenants, however generally speaking, conditions did not improve throughout the course of 2018 and at this time it is difficult to see any reason for improvement in 2019.

Western Australia

Perth

The broader Perth industrial property market remained subdued during 2018, with these market conditions coordinating with the downturn in the resources sector which had previously driven strong rental and capital value growth.

Discussions with agents active in the leasing of industrial accommodation indicate that there is minimal enquiry for vacant space and a number of in-situ tenants are continuing to reconsider their space requirements in the context of the current weak market conditions.

There is clear evidence of a lessee's market at present with the limited number of prospective tenants taking advantage of the oversupply of stock and often able to negotiate very attractive deals. To an extent, industrial leasing activity is mirroring trends in the Perth office market with a flight to quality being evident.

Face net rental rates for prime industrial warehouse premises tend to range between $75 and $90 per square metre per annum, whilst rates for secondary quality space are commanding between $50 and $65 per square metre per annum. Whilst there has been a tendency in the market to limit incentives (usually between zero and 15 per cent), this has placed considerable downward pressure on face rental rates.

From a purchase perspective, demand for industrial property was generally also subdued with a low volume of transactions during the past 12 months. These soft market conditions are more pronounced within secondary industrial precincts.

There have been few opportunities to acquire good quality, securely leased assets. Somewhat counter intuitively this has led to yield compression for such properties despite the general malaise that has engulfed the broader Western Australian economy.

Yields for prime industrial assets tend to fall between 6.25 and 7.5 per cent with yields for secondary industrial properties much softer. Some of the more notable transactions during the year include:

- 4-6 Temperley Close, Welshpool - $12.65 million; March 2018.
- 7 Ashby Close, Forrestfield - $20.5 million; April 2018.
- 100 Chisholm Crescent, Kewdale - $14.5 million; June 2018.
- 7 Sobek Pass, Bibra Lake - $10 million; July 2018.

Discussions with real estate agents active in the sector also confirm the softening in demand for vacant industrial land. Feedback suggests the lack of demand tends to be a function of the very limited

100 Chisholm Crescent, Kewdale *(Source: www.commercialrealestate.com.au)*

number of prospective buyers as opposed to pricing, particularly for those sites less than two hectares.

Recent land releases within established industrial precincts, namely Tonkin Industrial Estate in Bayswater and Swan Brewery Industrial Estate in Canning Vale, have been met with reasonable demand although sales rates in the latter have been sluggish. Further south and the first industrial lots have been released in the Peel Business Park (developed by LandCorp) located some ten kilometres north-east of Mandurah.

Two notable infrastructure projects currently underway in Perth include the Forrestfield Airport Link and NorthLink WA. The Forrestfield Airport Link is the construction of a new passenger rail line linking Perth City to Perth Airport and continuing further east to the suburb of Forrestfield. Once completed this project is likely to enhance the profile of the Forrestfield industrial precinct and drive new development particularly around the train station. Construction is well advanced and the link is scheduled to be operational in 2020.

NorthLink WA is a $1.02 billion transport project in Perth's east and north-eastern corridor to be constructed in three stages. Once all sections are complete (estimated for the middle of 2019), NorthLink WA will provide a non-stop transport route from Morley to Muchea that is likely to directly benefit industrial estates in that corridor.

Australian Capital Territory

Canberra

The industrial market was relatively static for the past 12 months due to a number of factors.

Firstly, the ACT government has been increasing local rates for commercial properties across Canberra which has received attention and criticism from the media, property owners and property professionals. These increases have put pressure on many local businesses operating in industrial areas. Coupled with a tightened lending environment, a pending federal election and possible interest rate hikes, consumer confidence across the ACT remains subdued.

Industrial leasing demand is improving, however rents remain stable generally with a continued need for incentives. The outlook for the Canberra and Queanbeyan industrial markets is for increasing take-up levels over the next 12 months. There is currently a lack of sites in Fyshwick and a limited amount in Hume that allow for large, rigid vehicles.

The ACT government industrial land release strategy includes the release of 110,000 square metres of land across four industrial estates over the next three years. In the short term, releases of general industry land in Hume will continue pending a new supply of mixed use industrial land coming online in three new estates in Symonston (2020-21), Fyshwick and Majura Valley (Pialligo, 2021-22). As a consequence, land availability has outpaced demand in the marketplace (Source: ACT Land Release Program 2018-19 to 2021-22, p11).

Notable market activity:

- **27-29 Raws Crescent, Hume** - $2.657 million – 15 March 2018 – 2,600 square metres of high clearance warehouse tenanted to local metal fabrication company on a five year lease beginning September 2017 with a five year option.
- **36 Kendall Avenue, Crestwood** - $2 million - 05 November 2018 – 7,672 square metre vacant land situated on prominent corner block in Queanbeyan industrial area. Block zoned IN1 General Industrial zoning to suit a range of uses.
- **2 Goolwa Place, Fyshwick** – A 2018 built, 1,200 square metre warehouse in high exposure location. Fully leased to two national retail companies.

Residential

HERRON TODD WHITE RESIDENTIAL

National Property Clock
December 2018
Houses

Gippsland
Lismore
Mid North Coast

Bendigo
Central Coast
Coffs Harbour
Gold Coast
Newcastle
South East NSW

Illawarra
Melbourne
Perth Outer
South West WA
Sydney

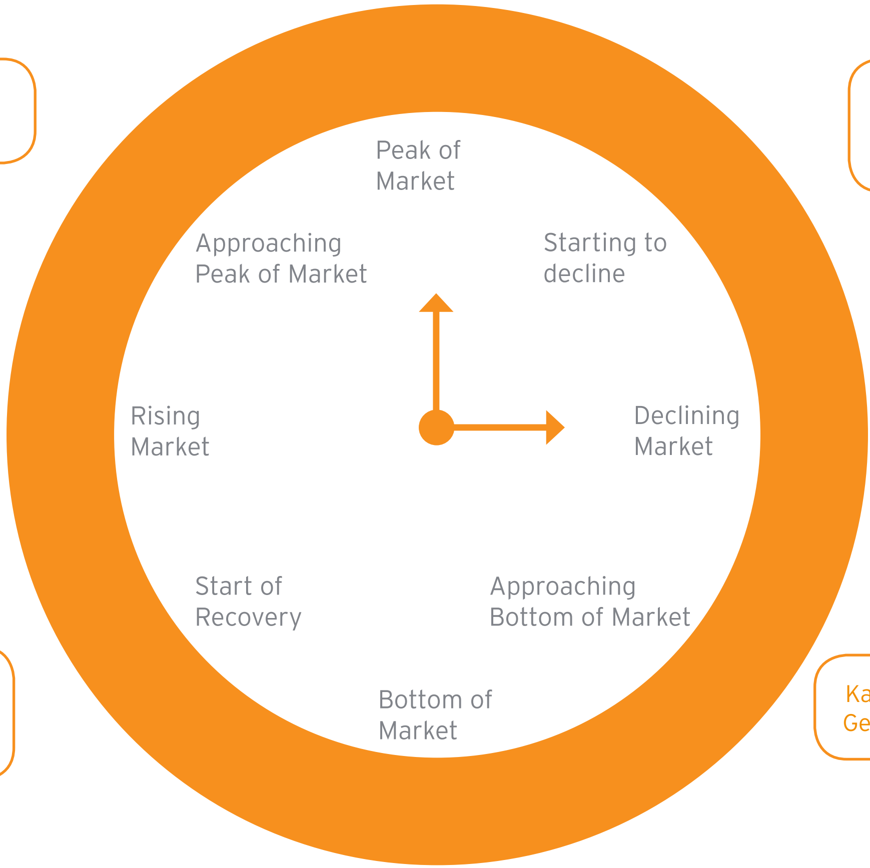
Kalgoorlie
Geraldton
Broome

Alice Springs
Bundaberg
Darwin
Perth Inner
Rockhampton
Toowoomba

Cairns
Gladstone
Hervey Bay
Ipswich
Mackay
Townsville

Adelaide
Adelaide Hills
Ballarat
Barossa Valley
Brisbane
Burnie-Devonport
Canberra
Dubbo
Emerald
Iron Triangle
Karratha
Launceston
Mildura
Mount Gambier
Port Hedland
Tamworth

Albury
Echuca
Hobart
Sunshine Coast



Entries coloured orange indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

National Property Clock
December 2018
Units

Lismore
Mid North Coast

Bendigo
Central Coast
Coffs Harbour
Gold Coast
Newcastle
South East NSW

Canberra
Illawarra
Melbourne
Perth Outer
South West WA
Sydney

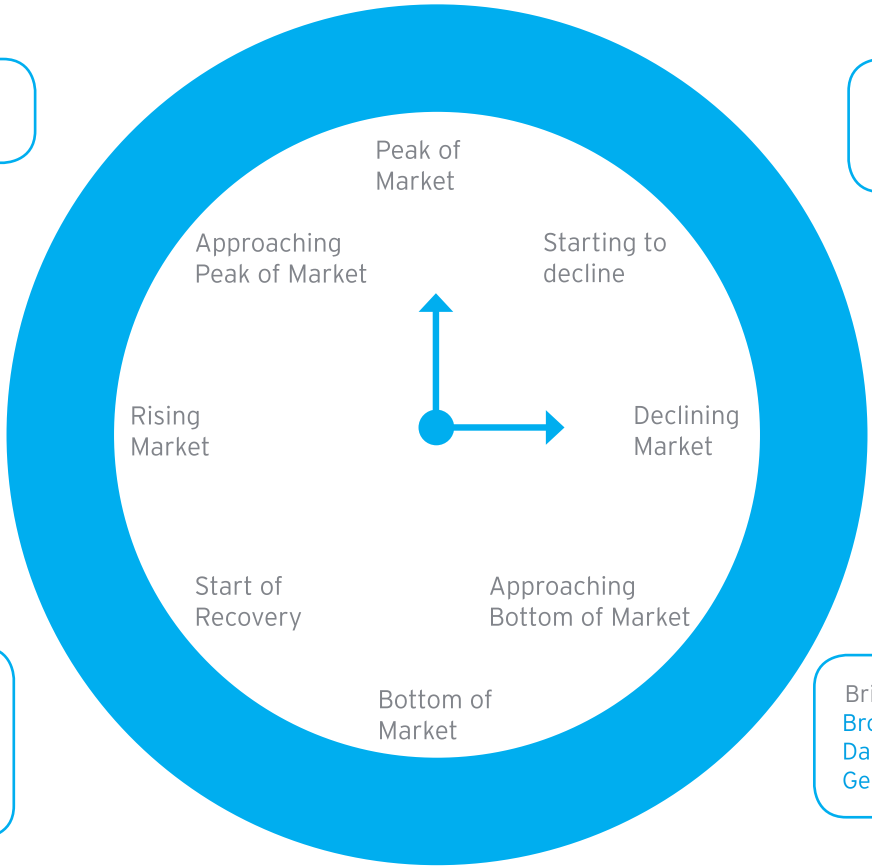
Brisbane
Broome
Darwin
Geraldton
Kalgoorlie
Perth Inner

Adelaide Hills
Alice Springs
Barossa Valley
Bundaberg
Iron Triangle
Mackay
Rockhampton
Toowoomba

Adelaide
Cairns
Emerald
Gippsland
Gladstone
Hervey Bay
Ipswich
Mildura
Townsville

Ballarat
Burnie-Devonport
Dubbo
Karratha
Launceston
Mount Gambier
Port Hedland
Tamworth

Albury
Echuca
Hobart
Sunshine Coast



Entries coloured blue indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview

2018 was a mixed bag of results in the residential property sector, although the Royal Commission's fallout and potential changes to negative gearing have dominated the headlines as the year draws to an end.

The big markets saw further consolidations in their real estate prices, but some of the regionals offered excellent outcomes for those who dared to venture beyond the capital city limits.

This month's issue is your go-to wrap up of the year that was in Australian residential real estate.

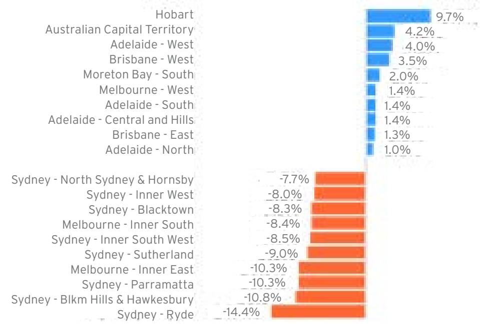
Sydney

At the start of the year, there were already some sub markets in Sydney seeing values coming back from their peak in July and August 2017. Our expectation for 2018 was that quality properties or those in more desirable locations would still see some limited growth, however most locations and price points would see continued weakening conditions.

What wasn't fully predicted however was the extent of tightening credit conditions in the wake of the Royal Commission, which spread across the spectrum of borrowers, on top of previous regulatory tightening for investor lending. This appears to be the most significant factor at play in the current market with many borrowers simply not in a position to borrow as much as they could 12 months ago. Other factors such as falling overseas investment in residential property, a spike in the supply of new units and the general atmosphere of a cooling market have also played a part in the current downturn.

According to CoreLogic as at mid-November, the Sydney median price was down 6.1 per cent since the start of 2018 and 7.4 per cent from the same time last year. Auction clearance rates have dropped below 50 per cent consistently, from around 60 per cent this time last year, and around 80 per cent this time in 2016. Properties are taking longer to sell (around 40 days compared to 30 days a year ago), meaning that although new listings are down 8.2 per cent, the total number of listings is up by 16.7 per cent from this time last year.

Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



(Source: CoreLogic)

Some regions have performed better than others, particularly the inner city and eastern suburbs, however eight of the bottom ten sub-regions for changes in dwelling values are in Sydney, with three of those having double digit declines in the year to October.

Houses seem to have taken the brunt of the losses to date compared to units and the lower quartile in dwelling values is also seeing the least decline. This would indicate that additional first home buyers coming into the market are somewhat making up for the decline in investors. Many agents we speak to however are reporting that this type of product is the hardest to move at the moment.

Whilst the top quartile in dwelling values has seen the highest declines over the past 12 months, the very top end, particularly those in the $5 million-plus range in established prestige areas, seems to have been more resilient. Many prestige suburbs have seen price records smashed over the past six months, including a new Australian record in Point Piper.

Eastern Suburbs

The eastern suburbs generally played out as expected and performed better than other regions of Sydney.

The year started fairly strongly with a gentle decline throughout the remainder of the year. Some product types and price points fared better than others. Investor style units, properties in secondary positions (such as busy roads, proximity to a cemetery, properties with privacy issues) were generally the properties that were impacted most with longer selling periods, less buyer enquiry and prices softening. Houses continued to perform better than units with high quality properties in the blue-chip locations still performing fairly well.

There were definitely some mixed sale results throughout the year with some strongly contested properties receiving good prices (some being re-sold above purchase prices of 2017) and other properties showing moderately falling prices (some up to ten per cent decline). The market has definitely changed and softened compared to 2017 however the eastern suburbs remains somewhat stable in the downturn so far.

The prestige market in the eastern suburbs had a relatively steady 2018 with a solid number of trophy homes transacting. The softening in the lower price property market didn't show too much of an impact at the top end of town.

A few notable sales throughout the year included Australia's most expensive house sale ever at close to $100 million. The property known as Fairwater located at 560 New South Head Road, Point Piper sold in July to an Australian tech billionaire. The sale surpasses the previous record price in Australia of

'Fairwater' at Point Piper sold in July for close to $100 million. *(Source: Domain)*

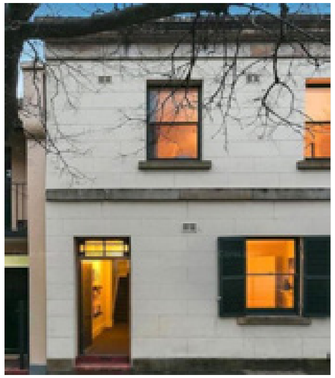
'Rona' at Bellevue Hill sold in August for around $60 million. *(Source: Domain)*

$71 million which was the neighbouring house that sold in April 2017.

Another high-profile trophy home sale was 2 Ginahgulla Road, Bellevue Hill known as Rona which sold in August for a reported $60 million. Suburbs such as Bellevue Hill, Vaucluse and Rose Bay also witnessed a steady number of sales in the $10 million to $30 million range, while Bondi Beach ($29 million) and North Bondi ($14 million) saw their suburb records topped.

Inner West/City

Most predictions from early in the year were correct; the inner city has been subdued, particularly in the investor markets. High quality renovations and sought-after pockets have largely remained steady, however the Millers Point market appears to have overheated in some instances and there have been some recent sales suggesting a drop in prices, such as 24 Argyle Place, which sold for $2.675 million in October 2018 after selling for $3 million in August 2016.



24 Argyle Place. *(Source: Domain)*

Restrictions on investor lending and the banking Royal Commission certainly took their toll on the overall market, however this was most evident across the city fringe and locations with a high concentration of new units such as the Green Square precinct. Many off the plan purchases from 2015 to 2017 are now coming up to settlement in these areas and in many instances, the prices achieved in stronger markets cannot be substantiated on recent sales evidence as at today's date.

Overall clearance rates have weakened substantially and selling periods have increased. The inner west has seen clearance rates fall to around the 50 per cent mark.

Dwellings in the inner west saw the strongest declines during 2018, with this market appearing to have previously been overheated. Uncertainty and delays around Westconnex and the White Bay redevelopment have impacted the Rozelle and Lilyfield markets in particular.

The city and east performed slightly stronger and remain above the Sydney average with Domain reporting rates around the 60 per cent mark for the city and east recently. The light rail project has been delayed and has further dampened the CBD market, with ongoing construction and access difficulties.

Good quality properties that appeal to the broader market and particularly downsizers and that are located within close proximity to services and amenities are a property type that is limited and tends to be holding steady more so than properties located within secondary locations or those that appeal to a more limited market due to the style of property or development.

South Village Kirrawee *(Source: Deicorp)*

Southern Suburbs

The Sutherland/St George sub region saw an above average rate of decline, according to CoreLogic, with the median price falling by nine per cent for the year to October. This was seen across all property types and price points, with high quality properties generally performing the best.

The region saw its price record fall for both houses and units this year. In July, a large waterfront home on 2,000 square metres of land at Kangaroo Point sold for $10.86 million, while a large penthouse unit in Cronulla, which will have expansive ocean views, sold off the plan for $7.5 million to a local downsizer. The downsizer market is one sub type which appears to be performing quite well at the moment, with higher end units achieving good results as an increasing number of baby boomers look at alternatives to the large family home.

The old brick pit site at Kirrawee, now known as South Village, is getting closer to completion with some of the residential towers close to settlement, while the retail centre, including a Coles and Aldi, has recently opened its doors. So far, the majority of units we have inspected from the early stage, which generally sold in late 2015 and early 2016, have had their price supported at valuation. This may not be the case going forward as the market continues to decline and an increasing number of these units come up for resale as settlement approaches.

Western Sydney
2018 was a year of vast change from the previous twelve months for the western Sydney property market . Our predictions earlier this year centred around a cooling market with minimal growth if any at all. This turned out to be somewhat correct as the market did weaken but it was a much bigger weakening than expected.

Earlier this year we cautioned readers regarding off-the-plan units and this continued to be an area of concern throughout 2018. As the wider market is weakening, we are continuing to see settlement valuations not meeting the off-the-plan purchase price. These valuations require recent resales of similar units to support the value and in many areas the evidence is unable to support these strong off-the-plan prices. A further concern would be a large flow of distressed sales and rental yields not meeting expectations thanks to high investor participation.

One theme we noticed this year was properties with defects or less desirable features being heavily discounted. Local agents have commented that cashed up buyers are still present in the market, but they are pickier and will disregard listings that don't completely suit their requirements. This can present a problem for vendors of dwellings with less desirable features as they will have to lower expectations if they wish to make a sale.

Whilst the market has come back this year, it's not all doom and gloom for western Sydney. Much needed infrastructure is still being built such as the Badgerys Creek Airport and Aerotropolis, North West growth precinct, South West growth precinct and the Sydney Metro Rail link. This part of Sydney has a bright future with a lot of blue sky ahead.

Northern Sydney
In February, we anticipated a decline in demand levels and for the market to continue the trend seen in the later stages of 2017. Demand levels have indeed declined, however we didn't expect value levels to fall to the extent they have.

The Northern Beaches market was not immune to the general factors that have affected the wider Sydney market. Tightened lending restrictions, overall market sentiment and in some instances, supply levels (such as Dee Why), have all negatively impacted value levels. Some markets within the region have fallen 10 to 15 per cent year-on-year. This is not without exception, as prestige markets, iconic or desired areas (such as Manly which saw its record house price fall in May for $16 million), or particular buyer profiles (such as downsizers) have outperformed the general market.

The new Northern Beaches Hospital has only recently opened (October 2018) and the precinct plan is still being evaluated by the NSW State Government. We

54 Towradgi Street, Narraweena *(Source: Realestate.com.au)*

still believe there are strong growth prospects and the area will undertake a significant revitalisation, however it is too early to gauge the impact this will have on the residential market.

We have found evidence that has directly reflected the change in market conditions between 2017 and 2018 to be the most interesting. This is reflected by the same property being sold twice in that period, or two sales occurring within the same building that share similar characteristics.

Unit 9 in 31 Hawkesbury Avenue, Dee Why sold for $605,000 in March 2017, whilst more recently, Unit 5 in the building sold for $510,000 in October 2018. A vacant allotment at Narraweena, which sold for $900,000 in February 2017, is currently being advertised for $790,000.

The lower North Shore continued to show its strength at the prestige level throughout 2018. We did predict at the start of the year that this sector of the market would continue to remain strong, mainly due to being less impacted by tightening lending policies and investor restrictions. While the renowned suburb of Mosman didn't show any great growth over 2018, it did manage to hold steady overall, with the median price (source: pricefinder.com.au) currently at $3.963 million, down very marginally from the 2017 median price of $4 million.

The top end of this market has really shown its resilience, with suburb records in both Cremorne ($19 million) and Mosman ($25 million). The unit price record in Mosman also fell with a $10 million sale in May. In 2017 there were a reported 15 sales above $10 million, while to date in 2018 there have been 13 reported sales above $10 million *(Source: RP Data)*.

The most positive story for this market over 2018 has been the activity from local buyers. Selling agents have reported a definite drop-off in foreign buyer demand, normally associated with a strong prestige market and record sales. However, the reduced demand from these buyers doesn't appear to have impacted the prices being achieved in the trophy home market.

Lismore / Casino / Kyogle

At the start of the year, it was predicted that "...the residential market for the year ahead in the Lismore area is expected to stabilise and the Richmond Valley/Kyogle Council areas were to remain relatively steady..."

What followed was something of an understatement! The first six months exhibited a rather strong response in the residential market with demand generally solid across the board and real estate agents continually voicing their desperation to securing listings. This resulted in improved price levels and sales activity both in the residential and rural residential markets within Lismore, Casino and Kyogle.

An example of this confidence in the market is in the small rural residential estate area of Modanville where we have noted four sales over $600,000... you could virtually hear a glass ceiling being broken! I cannot recall sales over $600,000 in this area prior to 2018.

In fact, throughout 2018 it was not uncommon to see well presented, modern homes breaking the $600,000 barrier in Goonellabah and Lismore Heights plus a handful within Lismore Central. Even in the flood prone areas of South Lismore, we noted price levels over $300,000 even 18 months after one of the more severe flood events to affect Lismore in recent history.

The last half of 2018 continued to show improvement, albeit at a more sedate pace, however, well-presented properties throughout the year generally had a small shelf life and slipped off the mantelpiece into the hands of willing buyers in a relatively short space of time.

Thus, the cry of real estate agents for more listings became more apparent.

The much-touted possible increase in RBA interest rates during the latter part of the year did not eventuate with only minor increases from the big banks being the sole blip. This provided some relief for first home buyers and investors, however other factors came into play which restricted activity in the form of tighter lending criteria. This led to some deals falling over and creating some angst among the populace.

But demand still remained strong as availability of good quality real estate stock continued to be restrained. Even with the slight increase in interest rates from the big banks, demand did not dissipate much at all, thanks to the Royal Commission into banking which gave smaller lenders a chance to upstage their larger rivals and provide competitive lending products.

One of the surprises of the year was the improved demand for the larger rural lifestyle product of 20-plus hectares with well-presented dwelling and ancillary buildings and ground improvements, particularly for properties within close proximity of the regional centre (Lismore) and the rural townships (Casino and Kyogle). We also noted a steady demand for larger tracts of good quality grazing land in the areas between Lismore, Casino and Kyogle.

Generally, properties between $300,000 and $400,000 in Lismore were the most popular, but were closely followed by upgraders seeking more modern product in the $400,000 to $600,000 price bracket.

Casino and Kyogle houses within the $250,000 to $350,000 range had the most activity and generally were appealing to first home owners or new entrants into the local area as they were very affordable with the low interest rate level.

In summary, the residential and rural residential property markets for Lismore, Richmond Valley and Kyogle Council areas for 2018 performed strongly, particularly within the first half of the year. The remaining half of the year subdued slightly, but still showed resilience even in the facing of tightening credit conditions from the banking industry and...... thanks to the interest rate barons of the RBA for showing restraint.

Ballina and Byron Bay

Value levels throughout the Ballina Shire generally stabilised throughout 2018 after strong increases in value were experienced throughout the 2016 and 2017 calendar years.

Agents who actively market property throughout the Ballina Shire generally report lower numbers of enquiry though with stable value levels. Whilst some regions experienced declines in value on the back of weaker Sydney and Melbourne markets, the lack of available stock for sale generally prevented any notable falls in value throughout the sought-after areas of the Ballina Shire.

At the beginning of 2018, it was predicted that the oversupply of vacant land in Lennox Head may be of some concern. We have yet to see any signs of an oversupply of vacant land, with value levels within new residential estates remaining firm, however it would appear that the developer's conscientious release of land without flooding the market could be partly responsible to this.

The prediction for the Byron Shire market that was made all the way back in February was mostly correct. A lack of stock did drive the market and buyers were seen moving out of the suburb of Byron Bay into the more affordable coastal resort town of Lennox Head. In turn, this saw the market in Lennox Head climb in 2018.

The overall market started slightly sluggishly in January and February, however lack of stock saw the market continue to surge throughout 2018. Early stages of flattening were evident throughout the October to November period.

The buy in price point of $750,000 to $1.2 million did well throughout the year of 2018. Larger allotments located in Ocean Shores with future subdivision potential did particularly well with a spike in sales. In Lennox Head, sales also spiked with buyers wising up and moving away from the iconic town of Byron Bay towards a smaller township where their money could be spread further.

A large portion of the buyer demographic in this locality were people coming from Melbourne or Sydney. The market was majorly influenced by investors and baby boomers looking for a sea change. More recently though we have seen buyers in the 30 to 50-year-old bracket with young families sustaining city job opportunities whilst living away from metropolitan areas.

The Clarence Valley

The Clarence Valley, in particular Grafton, Maclean and Yamba, has performed as expected in 2018. With slightly reduced investor interest and the initial buzz of the Pacific Highway upgrade taking a back seat, we have seen a slight stabilisation in capital growth and even a minor reduction in sales volumes, albeit that the residential market as a whole continues to track in a positive direction.

Vacant land has been absorbed into the market at pace across both residential and rural markets and construction has continued parallel to these acquisitions. This demand has often resulted in long wait times for builds, that is, a huge demand for building trades. Rents also remain at a premium with an extremely limited number of properties coming onto the open rental market, most being privately let to the Pacific Highway upgrade workforce for top dollar values or locals renting privately to locals at reduced rates.

Overall, 2018 saw many positives for the Clarence Valley with infrastructure developments continuing to drive trends in property and the property market as a whole.

Coffs Harbour

Looking back on 2018, one glaring wrong call by us was the expected interest rate rise. Although we saw three of the big four go against the RBA holding pattern, the realisation that rates have not moved for another 12 months has only helped the continuing growth within the region.

Growth has also been positive off the back of the completion and commencement of considerable infrastructure expenditure over the year which includes:

1. Completion of the Pacific Highway upgrade between Warrell Creek and Nambucca Heads ($830 million);
2. Commencement of an upmarket aged care facility at Park Beach (a reportedly $100 million project);
3. Completion of the K-Mart Coffs Harbour Central store creating further retail and office space;
4. Completion of the North Wall Harbour upgrade;
5. Completion of the Jetty Foreshore upgrade.

Other announcements and infrastructure proposals include:

1. Green light given for the Coffs Harbour bypass road;
2. Hospital upgrades for both Coffs Harbour Base Hospital ($156 million) and Macksville Hospital ($73 million);
3. Proposed industrial airport estate on 43 hectares of council owned land;
4. CBD highrise hotel approved in mid-2017 and expected completion in 2019, providing 80 luxury hotel units built over an existing shopping centre;
5. Cex International Stadium upgrade to increase capacity and facilities.

With all of this going on in the region, it's no surprise that demand continued to be high from owner-occupiers and investors. Most markets experienced positive value upswings with average gains in the order of five to ten per cent with some markets such as vacant land experiencing as high as 20 to 30 per cent gains due to diminishing supply and strong demand.

Given the lower economic base of the region, it is no surprise that the majority of transactions are centred on the lower to mid-value price ranges up to $800,000. It's interesting to note that the upper level or prestige market ($900,000 plus) has also increased in transaction numbers more so than value whereas the lower to mid-level market has seen significant value increases.

Despite the improvement in market conditions, potential buyers at this price point remain a thin segment of the market within the Coffs Harbour region and the higher the price, the thinner the market. As an illustration of this point, we have included a table on the next page showing sale volumes for prestige property under 3,000 square metres within the Coffs Harbour region (encompassing the beachside suburbs and townships including Coffs Harbour, Korora, Sapphire Beach, Emerald Beach , Sawtell, Woolgoolga, Safety Beach, Arrawarra Headland, Moonee Beach, Boambee and Mullaway) on an annual basis since 2007:

This table plainly illustrates that the volume of prestige beach side sales has increased significantly since 2014 with the majority of the market within the

Sale Volumes For Prestige Property Under 3,000 Square Metres Within The Coffs Harbour Region							
All Suburbs		**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
$950,000	$1,500,000	2	5	4	7	4	5
$1,500,001	$2,000,000	0	0	1	1	0	2
$2,000,001	$2,500,000	0	1	0	1	1	0
$2,500,001	$3,000,000	0	0	0	0	0	0
$3,000,001	$50,000,000	0	0	0	0	0	0
	Total Sales	2	6	5	9	5	7

All Suburbs		2013	2014	2015	2016	2017	2018
$950,000	$1,500,000	3	12	11	18	28	25
$1,500,001	$2,000,000	1	1	3	5	3	4
$2,000,001	$2,500,000	0	0	1	2	1	0
$2,500,001	$3,000,000	0	0	1	0	0	0
$3,000,001	$50,000,000	0	0	0	0	0	0
	Total Sales	4	13	16	25	32	29

(Source: RP Data)

$950,000 to $1.5 million price range. We can further break that down to the majority of these sales being between $950,000 and $1.25 million and note that purchasers in this price bracket are typically from out of town.

At the back end of the year, we are seeing buyer confidence waning somewhat due to the negative media, particularly in relation to the capital cities which has a knock on effect to the region plus the uncertainty over the Royal Commission into banking practices and the impact on lending policies, interest rates and finance availability in the short term. Local selling agents are reporting more conservative attitudes from potential buyers with regard to the future market direction, although there is no evidence at this point of any market reductions.

Mid North Coast

As predicted, the past 12 months has seen a stabilising residential property market across the Mid North Coast, with houses and units returning to the norm of a three-to-six month sale period with some haggling on purchase price, rather than often being sold immediately and at full price as was the case during 2017.

There are a number of reasons for the market to soften in our area, including a slight rise in interest rates, tightening of lending policies to investors and tax depreciation reforms and while the Sydney market has decreased, the Mid North Coast, as is usual, follows suit but lags behind by up to a year.

During 2018, construction of new facilities throughout the region supported the property and rental markets. Development such as the $17.5 million expansion of the mental health facilities at the Port Macquarie Base Hospital which is still in progress, construction of the new Bunnings Warehouse on John Oxley Drive and the continuing expansion of Charles Sturt University and the

Garden Village Port Macquarie *(Source: www.villages.com.au)*

ensuing influx of university students have all helped to maintain the Hastings area as a vibrant but stabilising market and not the declining market as seen in our major cities.

With the spring months now upon us, we have noticed the usual surge in property listings, albeit at a lower and more subdued rate this year.

One of the contributors to increased property listings is the development and release of over 55's retirement villages and complexes. Garden Village, Newport Village and Sienna Grange have all been under construction with standalone villas and senior style units proving very popular. Garden Village high-rise style senior accommodation was sold prior to its completion. This in turn has provided additional dwellings and has assisted with the softening of the market as the sale price is required to be achieved within a certain time frame to ensure holding of senior accommodation.

In the last quarter, we have noticed that vacant land sales have reduced in numbers coming onto the market, mainly due to the recently completed subdivisions being sold out and land development slowing, however new dwelling construction remains strong in these expanding areas.

Central Coast

Being located in a region immediately to the north of the Sydney metropolitan area, the Central Coast has traditionally ridden on the wave of the real estate market in Sydney - the ripple effect. The effects of this are seen and experienced in numerous ways, not the least of which are the lessons learned.

Earlier this year, we put our minds to what 2018 would provide us. The first thing we wondered was whether the region would experience the traditional ripple and how strong it would be, or whether the region would only receive mixed signals and have to follow its own path.

Solid, verified and unverified data leads us to believe that the region's market was a beneficiary of overspill from the Sydney market in Quarters 1, 2 and 3 - the local market pretty much followed the Sydney market. As we move into the final quarter of 2018, the market has slowed, again in line with the Sydney market.

But it's hard to attribute this to natural market peaks and troughs. As we see it, the biggest (and might we say the most predictable) disruptor to the market has been the weight placed on it by the banking Royal Commission and the almost simultaneous tightening of lending.

No-one has been pretending over the past several years that the busy market conditions would last indefinitely and these two factors put to rest any hope that it just might last a little longer. It could be argued that these factors have contributed to an early conclusion to the current cycle.

As we near the end of 2018, a whole new real estate climate is emerging - but more on this in our next review.

We thought the earlier part of the year would merely be a continuation of the year before, slowing in the latter part of the year. It looks like we got that right.

With few exceptions, most suburbs across the region have been the beneficiaries of the strong market over the past several years.

Despite the strong market, some recognisable and well-regarded suburbs saw surprisingly limited rises in value. This included Avoca Beach, a beachside suburb that hasn't experienced the same level of rises seen elsewhere, but this is fairly typical of Avoca Beach - they tend to do things on their terms.

Point Clare is one of those suburbs that is handy to shops, transport, access to the M1 Motorway and to

Brisbane Waters, but hardly ever spoken about and while it hasn't missed the value increase part of the cycle entirely, we would have predicted higher rises than that seen.

On the other hand, we consider it normal at this stage of the property cycle for the higher end of the market to record a few sales. And this was the case this time around with quite a few $3 million plus sales across the region with some big sales recorded at Matcham ($4.5 million) and Somersby ($4.4 million and $4.1 million).

But the overall winner this year in terms of volume and values would have to be the unit market in and around central Gosford. Approvals for a number of unit developments were gained during the transition period of the two former councils (Gosford and Wyong) into the current Central Coast Council. Construction of a number of well received unit complexes was completed or near completed during the year. Equally good marketing of the developments resulted in large numbers of pre-sales of units. Settlements of a number of sales are just beginning to occur and with the market slowing, it remains to be seen whether pre-sale prices are to be maintained and endorsed as the current value.

Meanwhile, real people with no illusions other than securing affordable property in a good location and close to amenities saw the newer suburbs at the northern end of the region as a good thing. These suburbs include Woongarrah, Hamlyn Terrace and Wadalba. Real estate prices vary from low $400,000 to early $800,000 depending on size and inclusions. These areas benefited greatly during the year with good increases in value driven again by the demand from those exiting the Sydney market.

Newcastle

The start of 2018 began with optimism – would the property market continue with increasing property prices? Or would it similarly follow precedents set by larger capital cities that were already declining at the start of 2018?

Newcastle's first Month in Review for 2018 stated that the property market was still cautiously optimistic. There had already been restrictions set in place by banks for investors and typically overall the year started well.

Yes, these external factors have definitely played a part in the current market situation, but it's not all doom and gloom. Many are stating that the market is returning to a more normal cycle than the furious bidding wars seen in the previous year.

Strong demand for certain types of properties still exist in pockets within popular suburbs. Many agents are stating that demand is still strong for these quality properties at the right price. Higher-

76 Lewis Street, Maryville – miner's cottage - $921,000 auction August 2018
(Source: realestate.com.au)

end beachside suburbs such as Merewether and Bar Beach still have strong demand from buyers. The trendy up and coming suburbs of Maryville and Tighes Hill have still proven popular with buyers throughout 2018, including a sale in Maryville of a rundown miner's cottage for $921,000 at auction in August 2018, giving more proof to the tale of buying the worst house on the best street.

The recent years in Newcastle have seen huge redevelopment of infrastructure, including residential developments. There are estimated to be around 15 to 20 new developments within Newcastle's East and West end alone.

With such an influx of new units on the market, there is bound to be some oversupply and decrease

East End development - recent apartment sale of $2.75 million. Perkins/King St Newcastle *(Source: realestate.com.au)*

in demand for older units. However, interestingly there is current buyer demand for quality high-end apartment living, especially those with significant views of beaches or Newcastle Harbour. One such sale in June 2018 was of a three-bedroom, two-bathroom apartment with views across Newcastle for $2.75 million (off the plan).

Hunter Valley, Singleton and Cessnock markets are all ticking along, looking as if they are on the road to recovery following the mining downturn of previous years (mostly applies to Singleton) but certainly still encouraging.

So, did we get the February 2018 review prediction right? We were spot on for the Newcastle Jets who had a stellar year (but let's not talk about the final game - there's always 2019 to right the wrongs), the Knights were definitely not on the bottom of the ladder and we pretty much nailed the property market - "potential to do well, could possibly disappoint". Yes and yes, depending on what side of the property transaction you were on.

Southern Highlands

Across the Southern Highlands region, the overall market in 2018 for standard housing is considered to have peaked. Subsequently, the market has eased in most areas from the strong growth that we saw in 2017.

At the beginning of the year we mentioned that there were several new residential land sub-division projects throughout the region coming on line across the main townships of Bowral, Moss Vale and Mittagong such as Renwick, (Mittagong), Darraby Estate and Throsby Views, (Moss Vale) and Retford Park (Bowral). Since commencement of the financial year 2018/19 we have observed an emerging oversupply of vacant land parcels saturating the market resulting in some vacant lots being discounted to achieve a sale within a normal selling period. Additionally, over the medium to longer term there has been significant land releases announced by the NSW Government across the region with Wilton Junction to provide additional housing stock of up to 18,000 new dwellings and the Chelsea Gardens and Coomunji development in Moss Vale to provide up to 1,500 dwellings over the next ten years.

It's apparent that the residential market up to $750,000 remains liquid across the Southern Highlands. As mentioned in the September edition of the Month in Review, for the period to May 2018, a record number of 150 properties exchanged contracts across the Southern Highlands despite the observed slow down in price growth and activity in the Sydney market. However, the selling period across all market segments has increased throughout the year with fewer buyers now in the market and vendors struggling to come to terms with the softening market conditions. Pricefinder reports that the median sale price for a house in the Wingecarribee LGA declined approximately eight per cent from $820,000 in June 2017 to $770,000 in June 2018.

The Wollondilly region continues to be attractive to the Sydney buyer market as an affordable lifestyle alternative to an increasingly congested urban existence, with easy access to the Hume Motorway. Pricefinder reports that the Wollondilly LGA saw a significant increase of approximately 14 per cent from $697,000 in June 2017 to $800,000 in June 2018. However, the number of sales in the region over the 12-month period declined approximately 44 per cent from 98 sales in June 2017 and only 55 in June 2018.

Historically, properties in the higher-end rural acreage, rural lifestyle market segment ($3 million plus) have been subject to higher market volatility. Sale prices (and selling periods) within this market segment are heavily influenced by individual buyer preferences and specific property attributes. Indeed over the past 12 month period there have been demonstrable signs of volatility in areas such as Robertson and Sutton Forest. Due to the relatively shallow pool of buyers within this sector, a level of discounting is quite often required to achieve a sale in the current market.

Illawarra

The year is coming to a close and we have seen a significant shift in the residential property market throughout the Illawarra. The previous year (2017) ended with early signs that the tremendous growth experienced for five years had started to slow. The slowdown continued and became exaggerated as the year progressed.

As 2018 ends, it has become apparent that the market has peaked and has moved on to the next stage of the property cycle. Most segments have seen a minor decline in prices with more significant declines felt in the vacant land market, particularly in the 2527 and 2530 postcodes. An oversupply of new land and re-sales coming to market has caused the downward pressure on prices as potential purchasers have more than a hundred lots to choose from.

Selling periods appear to have increased as less buyers in the market mean it is more difficult to sell. Some properties are staying on the market for extended periods where vendors are not able to renew their expectations in line with the change in the market.

Pricefinder reports that the median sale price for a house in the Wollongong LGA declined from $760,000 in Quarter 4 of 2017 to $730,000 in Quarter 3 of 2018. In the Shoalhaven LGA, the drop was from $565,000 to $555,000. Recently we have experienced a number of properties that have sold at around the same price that they had been purchased for towards the end of 2016. Examples include:

- A townhouse in Balgownie sold in November 2016 for $705,000 and recently sold again for $700,000;
- A unit in Atchison Street, Wollongong sold in September 2016 for $535,000 and recently sold again for $545,000.

Central Northern NSW and Northern Victoria

Tamworth

Looking back over 2018, our predictions for Tamworth were mostly correct. The introduction of the stamp duty exemption for first home owners certainly slowed the lower end of new builds while increasing competition in the established areas of East and North Tamworth. Towards the end of this year this extra competition has seen an increase in values within the central areas of West Tamworth, as it provides established homes within walking distance to the CBD. With the increased activity from first home owners in the established suburbs we saw more owner-occupiers upgrading and moving into the developing areas, where we are now seeing more higher value builds then before.

The Tamworth market continued to perform well this year, despite the on-going drought. With the diverse economy that is Tamworth, the downturn in the agricultural sector has not affected the property market showing that Tamworth is no longer a 'one trick pony', reliant on a single industry. This performance also includes the rural residential market with agents reporting high demand and low marketing times for properties in the 2ha-50ha range. The market performed much as expected with a slight slow-down over the last few months, however still on the rise. The market mix has remained similar over 2018, with owner-occupiers and investors both active throughout Tamworth.

Victoria

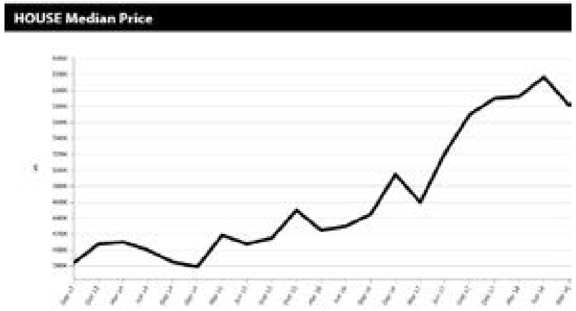
Melbourne

Inner and Outer North

The beginning of 2018 showed respectable price increases for vacant land or dwellings with generous land areas in the outer northern suburbs and this continued to be reflected in the latter part of 2018.

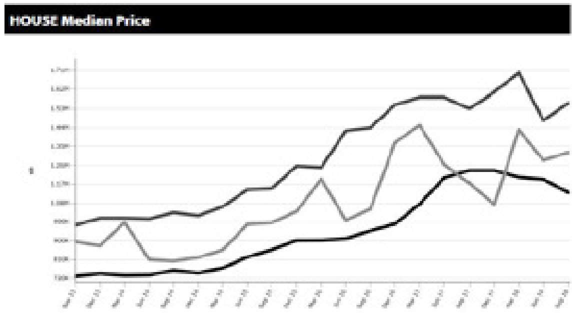
Multiple estates in Mickleham, Kalkallo, Craigieburn and Wollert consistently released more land and housing packages to match growing demand.

Median house prices in Mickleham increased from $519,500 to $540,000 whereas Wollert decreased from $618,000 to $602,450 today. At the beginning of the year we estimated that Mernda would continue to grow even after a 31 per cent increase in median house prices from 2017. However, this was not the case as median house prices dropped after a peak of $620,000 in June 2018 to $582,000 (REIV, 2018).



Mernda Median House Price *(Source: REIV)*

A slower growth rate for the inner northern suburbs resulted in a minor decline in median house prices for areas such as Brunswick, Carlton and Collingwood.



		Current Median House	Current Median Unit
Collingwood		$1,131,750	$602,500
Carlton		$1,557,500	$495,000
Brunswick East		$1,322,500	$547,500

(Source: REIV)

The tightening of lending criteria led to a lower clearance rate for properties in the latter part of 2018. This resulted in downward price pressure on the secondary stock in the market as selling periods became much longer in comparison to the early months of 2018.

CBD and Inner Suburbs

The start of the year signalled a stabilisation of the local property market. This has continued with results from the second week of November showing the inner areas of Melbourne maintaining a 57.3 per cent clearance rate, the second highest amongst all sub-regions. This has coincided with a broader market softening which has been more adverse in locations further away from the CBD. The clearance rates seen in the inner region are still below the low to mid 60 per cent range we saw in late 2017, but not enough to show a major downturn.

We expected both Port and South Melbourne would experience some flattening in prices as an effect of the broader market stabilisation. This did eventuate with moderate declines in median house prices according to the REIV, dipping below the $1.6 million and $1.45 million median house price marks respectively.

Another area slated for a pullback was South Yarra, due in part to the effects of the prudential tightening by lenders as a result of the Royal Commission and government restrictions on foreign investment. These events appear to have had a moderate effect on the dwelling segment of the market with a marginal increase in median house prices to roughly $1.92 million at the end of the third quarter (REIV), revealing a levelling off.

North Melbourne experienced greater decline as a result of the market stabilisation with a fall from the first quarter heights of close to $1.5 million to $1.29

million median house price at the end of quarter three.

Inner and Outer South-East
Last year it was predicted that estates in the south-east would continue to be in high demand and this has certainly been true. There has been an incredible amount of land releases with stages often being sold out long before practical completion is reached.

At the beginning of the year it was predicted that price growth increases would be at a much slower rate than the previous 12 months; this wasn't the case as the price of new land releases continued to rise steadily. In the latter part of the year this was corrected somewhat, with blocks in some estates not worth the premium that was paid at the beginning of the year.

Pakenham was listed as a suburb to watch in 2018, as there had been a 27 per cent increase in the median house price in the December quarter of 2017 according to the REIV. As at the beginning of this quarter, the median house price had risen to $527,000, which represents only a slight increase on 2017.

During 2017, bayside suburbs such as Chelsea, Carrum and Aspendale were popular with developers and investors looking to subdivide and build townhouses, as the areas benefited from close proximity to the beach, shops and public transport and provided relatively affordable larger sites. During 2018, this has remained a hot spot for development. Increased development activity has also been seen in a number of inner suburbs such as Bentleigh, Murrumbeena and Wheelers Hill.

Inner and Outer West
Taking an in-depth look over the past twelve months and at our initial predictions for the inner and outer west, it's safe to say that for the first half of the year we were on track.

Concerns surrounding an oversupply in the apartment market led to softening prices throughout the year for the inner suburbs and into early 2018. This decline has seen a number of developments defer commencement, therefore reducing the originally forecast supply within the apartment market. The number of pre-sales required, tighter lending requirements and an overall reduction in investors in the apartment market have had a large impact on developments throughout 2018.

In complete contrast, the residential housing market sector recorded solid growth with demand outstripping supply for the first half of the year.

Strong demand for modern homes at affordable prices saw Tarneit and Truganina become two of the fastest growing suburbs in Melbourne. Victoria's strong population growth saw the City of Wyndham grow at a greater rate than its neighbour Geelong, which is classified as the second largest Victorian city outside of Melbourne.

In the second half of the year this trend reversed, as demand in these areas began to stall. Changes to foreign purchasing legislation, further tightening of institutional lending and out of cycle interest rate increases led to a decrease in consumer confidence, an overriding influence on the residential market.

Geelong however seems to be defying this market trend and is still on track with our predictions. Core Logic recorded a positive twelve month growth rate of 11.8 per cent for the region and speculated that its favourable affordability, tightening of lending rules favouring regional markets and first home owner grants for regional areas as major factors.

Inner and Outer East
Earlier this year we predicted a stabilised market, steady growth in demand and an oversupply of new townhouses and smaller apartments marketed as affordable housing to first home buyers. Our valuers of the eastern suburbs of Melbourne are now recording a decline of 10 to 15 per cent in market value in the past six months from their peak. Houses are generally passing in at auction and eventually sold one to two weeks later. These dwellings are still selling but with a lot more effort from agents. Real estate agents have identified good buying conditions currently for some upsizing home buyers, that is,

moving from the under $700,000 range (which has a good supply of buyers) up to the above $800,000 to $1 million range, where values have softened. These up-sizers have the advantage of buying in a buyer's market with significant equity from having purchased in the previous five years.

Real Estate Institute of Victoria (REIV) data found that 70 suburbs recorded annual median house price gains of ten per cent or more in this softening metropolitan market, seven of those being from the Yarra ranges. The top performers were Warburton ($525,000, 18.3 per cent), Gembrook ($750,000, 16.8 per cent) and Healesville ($602,000, 16.4 per cent) (source: REIV, year to date September 30 2018).

Despite the low clearance rates of approximately 50 per cent, some stellar auction results are still emerging across Melbourne.

A surprising sale of 8 Houghton Street, Balwyn North, a circa 1960 single level dwelling with five bedrooms plus study, two bathrooms and single lockup garage on 658 square metres of land sold for $2.5 million in June 2018, while dwellings of the same condition and similar land size sold in May for $1.75 million to $1.9 million. It will be interesting to see what the new owners have planned for this property as they may have the intention for plans and permits to rebuild a new dwelling or even two!

8 Houghton Street, Balwyn North 3104 VIC, sold for $2.5 million *(Source: PDOL Nov 2018)*

Residential

Echuca

The market continued to be dominated for most of 2018 by limited supply, shorter selling periods and in some instances off market transactions. This was true for most market segments, although agents are reporting an improvement in stock levels overall which is in stark contrast to stock levels coming into spring. While this is always the case during spring, even once the season is taken into account, there is a general sense that vendors may see benefit in offering their properties to market under the current market conditions rather than waiting to see what 2019 brings by way of interest rate changes, federal elections or other general uncertainty coupled with a general slowdown in the Melbourne market. These conditions suggest that the local market might be set to flatten out somewhat with more balance between buyers and sellers.

Mildura

As we approach the end of 2018, I think we can say that the predictions we made at the start of the year were pretty well right.

While the market in some metropolitan areas has slowed, we have seen no evidence of this occurring in Mildura, with most properties still selling in reasonably short time frames. There appears to still be solid demand, particularly for good standard homes suited to owner occupation in the $350,000 to $500,000 price bracket.

The most significant growth in values has been for serviced lots in new subdivisions. Strong demand has contributed to values rising by around ten per cent during the year, with most lots in Mildura now costing well over $100,000. The average price for serviced lots in Irymple is around $135,000, noting that the average lot size in Irymple is larger than in Mildura. Whereas some of the demand for new homes has come from investors in the past, it appears now to be almost all coming from owner-occupiers.

While the Mildura region normally sees several sales each year above $1 million, there were nine sales above this amount during 2018, which is more than has occurred in recent years. While normally only properties with river frontage attain prices above $1 million, there have been two sales this year at $1.2 million and $1.3 million respectively in the built up area of Mildura.

The highest sale for the year to date was for a prestigious home with good river frontage at Gol Gol, which sold for $2.47 million.

Many of these higher value properties have been purchased by locals, highlighting the improved economic conditions experienced over the past few years.

Queensland

Brisbane

It's amazing to think that 2018 is in its final weeks.

As the years go by, they seem to speed up. I don't know if it's the pace of life in general or just the advancing age of this writer, but this annum has run by in the blink of an eye.

Our predictions from February were generally correct, although there was one important element we didn't allow for – but more on that later.

As an overall performer, Brisbane was unexciting and safe. We are now used to being a modest but positive performer when it comes to capital growth. As we mentioned back in February, some observers appeared extraordinarily bullish about Brisbane real estate in 2018, but we weren't among them. Our views were more restrained with "a mix of performance across the various market sectors" being our prediction for the year.

Interstate migration numbers continued to improve as more southerners came on up to put down roots and start barracking for the Maroons (it's a legal requirement of residence when you cross the border that you must renounce support of the Blues come NRL State Of Origin).

Job prospects, however, remained a bit dire throughout the year, so lifestyle migration was really the driver.

That said, Brisbane did gain a little more positive profile in 2018 as plans for major infrastructure projects became well established. There was a continued air of excitement around new works such as Queens Wharf, the Howard Smith Wharves and a number of transport initiatives that are both creating job prospects and boosting our future appeal to industry and new residents.

But as I hinted at earlier, there was one big element that surprised a few pundits, including us. The effect of the Banking Royal Commission on the back of the interventions by APRA certainly had the consequence of helping slow Australia's property markets. In reality, these moves have probably been a bit too successful.

In fact, when you add those headwinds to the political instability around the change of prime minister and the first increase of interest rates out-of-cycle by the banks in August and September, you can see why sentiment slowed in Brisbane. This new credit crunch is making it difficult for property owners to borrow, re-finance and, in general, make decisions. Real estate markets like confidence and certainty and these are in short supply during a tight credit environment.

Sellers are also having to be conditioned due to the credit crunch - contracts that are typically cash or unconditional in seven days are very limited. We are starting to see a shift where contracts from buyers are reverting back to what they were some years ago with 14- and 21-day finance (with additional extensions required).

Ok, ok! Enough of that. What else can we cite as Brisbane-specific outcomes in 2018?

Across our market, the inner-city and near city addresses have been tightly held this year. Not surprising really – these locations are perennially strong performers. Unless personal circumstances dictate otherwise and owners need to sell, there's little point in off-loading a holding with strong potential value upside in the current market, particularly for investors. You might as well continue to collect the rent and wait for the market sentiment to ramp up.

In the upgrader market for homeowners, activity has been most positive. Unlike investors, those homeowners are able to sell out and buy in the same market, avoiding the need to wait for value rises before they off load. The best locations have great quality housing that suits growing families.

Renovated projects have been very well received too, but there were also purchasers who would happily buy a home that needs a little TLC and create their dream family abode.

The middle ring fired up in 2018 and remained desirable due to affordability and proximity to lifestyle nodes, infrastructure and public transport.

Earlier in the year we continued our dire warnings for the inner-city units pitched toward the investor market. It was no surprise then to see this sector soften further in 2018 – and there's certainly been settlement risk for those who bought off the plan.

That said, we also mentioned in February how the owner-occupier style of accommodation was gaining appeal with buyers. Once again, we were spot on. In fact, this market has continued to firm as downsizers and modern families look to put down roots in our appealing inner city. The higher quality apartment blocks in particular are doing well.

Overall, the softening apartment market feels to have bottomed out – at the very least, the worst of the price discounting seems to have passed.

Finally, premium and prestige markets appear to have not been too badly affected by the credit crunch. They remained relatively strong due to purchasers' access to cash.

To finish, for those who like a bit of eye-candy property, pictured are our city's above-$10 million sales for 2018.

Overall, I'd say we scored a respectable eight out of ten on our predictions for the year.

We hope everyone has a Merry Christmas and fantastic new year period. We look forward to next year with all our loyal readers and clients.

36 Dickson Terrace Hamilton sold for $10,138,888 (Christopher Skase's old residence) *(Source: www.realestate.com.au)*

27 Sutherland Avenue, Ascot sold for $11,000,000 (previously sold for $8,615,000) *(Source: www.realestate.com.au)*

110 Virginia Avenue, Hawthorne sold for $11,128,000 *(Source: www.realestate.com.au)*

Gold Coast

Centre North

Our predictions in February were generally correct in that the Gold Coast residential market has fared relatively well compared to the bigger markets of say Sydney and Melbourne.

The local market has slowed with the notable absence of mainland Chinese investors, however it seems that in recent months there have been some signs of a retracting market – the honeymoon appears to be over – with reduced buyer demand and falling values.

The biggest (negative) market impacts appear to have been:

1. The Royal Commission into the banking sector as lending parameters have tightened. We are now seeing many sale contracts not proceeding to settlement due to buyers failing to gain finance under new and much tougher lending policies;
2. An apparent negative attitude spreading within the general public and local professionals in regard to the market in the short term; and
3. Less activity from interstate and foreign investors, in part due to lending policy and also international funding restrictions.

History will show that the behaviour of values on the Gold Coast is less cyclical than most other Australian cities with far sharper and more dramatic rises and falls in values, hence its title as the Boom Crash Town.

Some recent surprising sales are pictured.

49 Gibraltar Dr, SURFERS PARADISE (single level dwelling with canal frontage). Under Contract for $1,050,000, last transacted for $1,200,000 in February 2018. *(Source: HTW)*

Unit 504/5 Chester Tce, SOUTHPORT (Modern medium rise unit). Under Contract for $440,000, last transacted for $510,000 in October 2017 for $510,000. *(Source: HTW)*

Southern Gold Coast

Our predictions for the southern Gold Coast for 2018 didn't quite come to fruition.

General thoughts were that the market would remain stronger for a little longer within the southern Gold Coast. In the past ten months, there have been some small price decreases in certain suburbs and there are now less properties being listed for sale and fewer record sales being achieved. Vendors have dictated the market with a number of sellers holding firm on their listing price and not being prepared to meet the market. This has resulted in some suburbs remaining stagnant.

The market within Murwillumbah, Terranora and Banora Point is still very strong with good interest levels and vendors who are prepared to meet the market. All other areas have seen a slow down in sales volume as well as prices and interest.

To date this year, there is little evidence of sales that have eclipsed the market set in 2017, however areas such as Murwillumbah, Terranora, Banora Point and the beachside suburbs of Kingscliff and Casuarina are all still performing very well with good interest, quick selling times and good strong prices.

Northern Gold Coast

The Westfield Coomera Town Centre regional shopping centre has now been completed and opened for trading in October 2018. It now closes a chapter in the continuing growth of the northern Gold Coast residential corridor, providing a much-needed large scale shopping facility that the growing community in this region has been looking forward to for a very long time. The shopping centre is anchored by Kmart and Target department stores plus Coles and Woolworths supermarkets. Event Cinemas provides the important link to ensure the complex remains a hub of activity during the evenings. There is no doubt that the shopping centre has been a catalyst for growth in this region with the emergence of new estates in the neighbourhood such as Foreshore, Otto and Bloom. Recent land clearance activities and new civil works along Foxwell Road indicate there are more new estates to come.

Whilst the market had been fuelled by seemingly strong demand from both local buyers and interstate investors (which resulted in rising land prices), signs are emerging to suggest that demand is slowing down, particularly from investors. Some of the signs are the granting of rebates and incentives to prospective buyers, either on the land or the building contracts, indicating that developers and builders are feeling the heat from reduced sales, both for land and finished products.

Amongst the reasons cited for the drop in sales are the tightening of lending facilities by the banks and the fallout effects of the downtrend of the Sydney and Melbourne residential markets. For existing homes, local real estate agents are experiencing multiple collapsed contracts due to buyers not being able to secure adequate finance. Invariably, these situations have led to further reductions in selling prices and eventually, properties are sold to buyers who are not constraint by finance conditions.

Existing developments with unsold stages are also under serious threat from the new supply of residential land from new estates either proposed or under civil works in Pimpama and Coomera. In the northern corridor from Coomera to Ormeau, developers continue to offer smaller allotments to cater to first home buyers who can only afford new houses costing less than $550,000. In recent months however, rebates of $20,000 to $30,000 have been given away to prospective buyers who have been impacted by reduced borrowing capabilities. Thus, home sites that were priced or sold at $250,000 to $260,000 have fallen to the level of $200,000 to $230,000 in some cases.

During the second half of the year, there were signs of market weakening and some local agents have reported falling volumes of sales and longer selling periods. Sales were stronger in the low $400,000s compared to the past 12 months when house prices were more commonly trending in the high $400,000s and low $500,000s. As further examples, a few recent sales of three bedroom detached dwellings and duplex units are now at less than $400,000 with some falling in the $320,000 to $350,000 bracket.

Notwithstanding the falling market trend, there are no strong signs that demand is in rapid decline, and it has been more that buyers are subject to financial constraints rather than a reduced need for housing. In some areas, agents still report strong interest. Houses of good quality in sought after locations are also receiving good buyer interest.

As the financial institutions continue to impose stricter conditions, the rental market will likely be sustained. At this time, there are many new homes completed for investors who are looking for renters and eventually, most will be leased. The continual supply of new investor homes will result in a stable rental market for this region. As these new homes gradually become occupied, there would be less pressure on sales and hopefully, the market may not be too impacted in the next quarter.

Sunshine Coast

Looking back on the Sunshine Coast property market in 2018, it started and ended in pretty much the way we had anticipated.

The first half of the year continued on from where 2017 left off with strong activity and good increases in values experienced in most areas. The high volume of sales recorded throughout the market in the first half of the year had the effect of lowering stock levels and increasing upward pressure on values. Whilst the upward movement in prices has helped to encourage some vendors onto the market, stock levels continued to remain relatively low.

The second half of the year remained pretty strong however as predicted, we saw the market show some signs of slowing with the issues we are experiencing being as expected. The limits on interest-only lending have been taking effect. Also as prices have risen, a lack of affordability has raised its head. From left field, the effects of the Royal Commission into the banking sector had started to create issues with a number of sales reportedly falling over due to finance. These issues have all had the effect of giving rise to some uncertainty with some feedback being that the urgency is being taken out of the market.

The next three to six months will be interesting because it's apparent that we will continue to see a slowing in the major southern markets of Sydney and Melbourne. We will also be moving into an election year with a backdrop of possible changes to negative gearing.

In this environment, hopefully we will see some promotion of the great infrastructure projects that are coming to the Sunshine Coast. The Maroochydore CBD and Sunshine Coast Airport expansions have been moving along as has the work to the Bruce Highway. The next big game changer recently announced is the Sunshine Coast International Broadband Submarine Cable project which is set down for completion in 2020. This means the Sunshine Coast will deliver Australia's fastest telecommunications connection to Asia and the second fastest to the United States. This project has the potential to make the coast into a major tech hub which is an unbelievable opportunity for a regional centre.

So, back to the market.

Coastal areas have continued to operate pretty well for homes in the value levels up to $800,000. These areas continue to be sought after as apart from Stockland's Bokarina Beach project, there is limited beach side land available for development.

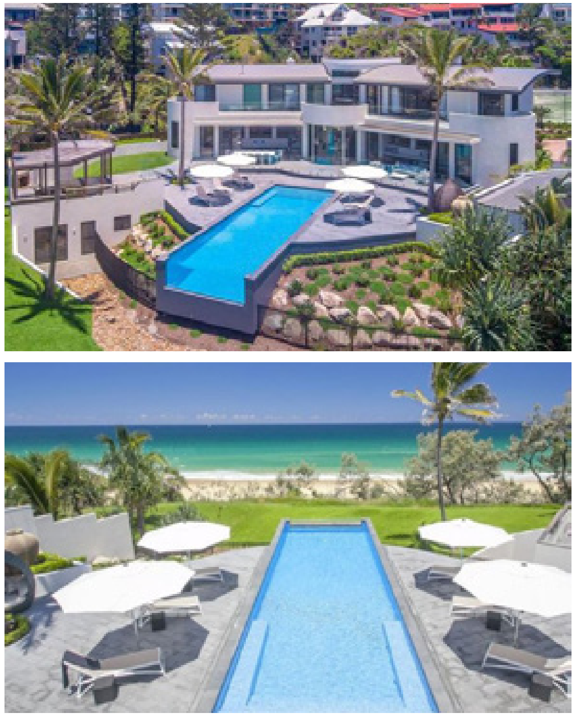
Units in the coastal areas are as always a bit hit and miss. Older style units in complexes that have low body corporate fees have remained popular. Larger permanent occupancy style product has also become increasingly popular with empty nesters looking for a property to lock and leave so they can do some travelling.

The new master planned estates of Aura by Stockland, located to the south of Caloundra, and the Harmony Estate at Palmview are continuing to generate good interest from both owner-occupiers and investors. There has also been good interest in hinterland subdivisions with larger land sizes becoming popular.

The lifestyle and rural residential markets have also continued to improve generally but trends are more difficult to identify as properties are very much buyer and vendor specific.

As always, the prestige market remains a big talking point. So far in 2018, the sales volume of $4 million-plus houses and home units on the Sunshine Coast has equalled the previous peak of 2007. The most notable improvement has been in the Noosa Heads area with record prices being achieved over the past 12 months. The strong Sydney and Melbourne markets as well as international buyers have had a significant influence on the Sunshine Coast prestige market.

Three sales in Sunshine Beach have significantly passed the previous record price of $10.75 million. The first sale was 46 Seaview Terrace, Sunshine Beach in January 2018 for $15.2 million and then in February 2018, 23 Webb Road, Sunshine Beach sold for $18 million. More recently (August 2018) there has been a sale for $14 million at 2A Belmore Terrace, Sunshine Beach.



21-23 Webb Road, Sunshine Beach *(Source: www.realestate.com.au)*

Overall, 2018 was a pretty good year in the property market across the Sunshine Coast. Whilst there appears to be some headwinds coming, there are so many positive infrastructure projects on the way. This will set the Sunshine Coast well for the coming years.

Cairns

2018 will go down as another relatively uneventful year for the Cairns residential market.

Despite our forecast for improvement throughout the year on the back of improving economic conditions, median prices have remained fairly static with some concerning headwinds emerging as the year progresses and levels of activity starting to decline as 2018 comes to a close.

The market is currently a little spooked about the fallout from the banking Royal Commission and also tighter lending rules imposed by APRA. We continue to hear of buyers not getting finance or realising their borrowing power is lower than anticipated. We are also hearing about the level of difficulty in getting through the application process and the forensic way lenders are reviewing the living expenses of applicants.

In general terms, the market is still reasonably healthy with no obvious areas of oversupply. Levels of demand and activity are patchy.

We are seeing limited activity from investors, however there is some interest from out of town buyers who see value in Cairns, particularly on a return basis.

A developer who has been active in Cairns for around 15 years has labelled Cairns as an enigma. We agree it is a good way to describe how a city with strong underlying fundamentals has continued to underperform other locations for an extended period.

Townsville

2018 has seen the Townsville residential market remain cemented in the start of recovery phase. Major projects such as the Townsville Stadium and Haughton pipeline duplication underway along with a number of projects in the pipeline are providing improving economic conditions, however there remains a feeling of uncertainty around job security and the longevity and impact of these projects.

Our outlook for 2018 from our February Month in Review generally panned out as predicted. The rental vacancy rate has reduced throughout the year and we have seen a slight increase in rents in some locations.

The inner city 4810 postcode and in particular North Ward and Belgian Gardens have seen good levels of activity and firming prices, however we have not seen the ripple effect of this increased activity transfer through to the market in the fringe or outer suburbs.

It would appear that high unemployment levels and a general feeling of job uncertainty is putting a hand brake on the rate of recovery with many market participants unwilling to commit as yet.

Better quality homes in mid-suburban locations are seeing good levels of activity, however lower priced product and those located in outer areas and/or suburbs with perceived social issues are feeling downward pressure on prices.

Overall the present market is highly suburb selective, with the recovery for houses more advanced than for units and land sales remain at very low levels.

Rockhampton

2018 has been a reasonable year for the Rockhampton and region residential markets. We have experienced more positive indicators coming out of the local mining industry which has helped to stabilise the residential market in Rockhampton and surrounding regions somewhat.

Further, joint funding between the state and federal governments has now been secured for construction of the Rookwood Weir (approximately 66 kilometres south-west of Rockhampton). It's expected that Rookwood Weir will provide a significant volume of water for agricultural purposes along the Fitzroy River as well as providing water security for the region. Economic benefits across a number of sectors including employment are also forecast.

The Rockhampton Ring Road has also been announced as another major infrastructure project which has been created with the intent of creating more jobs and boosting the local economy.

Another project on the horizon is the South Rockhampton Flood Levy. This seems to be a polarising project for many locals, but again, has the opportunity to provide more jobs for the region.

This is all great news after the recent announcement of a major employer in the region entering into receivership and the shutdown of the Aurizon Workshops earlier this year.

Whilst there remains a number of mortgagee in possession properties coming to the market, they are starting to sell within a more reasonable time frame, with one local agent reporting auction clearance rates to be up in the last few months, as high as 40 per cent for their office with a vast number of these auctions being the mortgagee exercising their right to the power of sale.

The upper end of the market has typically held its own, with a number of noteworthy sales occurring during the year. As an example, 3 Athelstane Street,

3 Athelstane Street, The Range *(Source: www.realestate.com.au)*

The Range sold for $1.37 million – a well renovated, expansive Queenslander on the prestigious eastern slopes of the Athelstane Range with sprawling city views. A rare offering to the market.

The highest, recent coastal sale recorded in 2018 was 31 Prospect Street, Rosslyn with a highly sought after, elevated north-easterly aspect in a front row position on the Capricorn Coast improved with a substantial, modern home. This property recently achieved a sale price of $1.54 million.

The mid-range market sector remains fairly stable also, with well-presented properties generating interest. We are starting to see a number of properties attracting multiple offers with a handful of properties selling at list price or marginally above (however it is important to note these properties were realistically priced to begin with). We have also noted a few sales occurring where the selling agents have matched buyers to the right property before being officially advertised, with strong prices in the $600,000 to $700,000 price bracket.

So how did the year actually play out in comparison to our early predictions from February? We had anticipated that this year, confidence in the market would improve, which we are seeing today. At the start of the year, we were keeping a watchful eye on the major projects of Adani Coal, Rookwood Weir, Mount Morgan Mine and Great Keppel Island. The Mount Morgan Mine is still unfortunately a long shot; Adani is still in the background, however the proposed construction date has been pushed back significantly; Rookwood has secured funding and agreement between the levels of government and Great Keppel Island is still in the pipeline, with renewed energy from the new lessee in place. Not a bad strike rate when you consider the bonus of the ring road on top of these projects.

Vacancy rates are continuing their tightening trend, with Rockhampton sitting around 2.5 per cent – close to a balanced market for us.

We cannot wait to see what is coming for our region in 2019!

Gladstone

As predicted in February 2018, the Gladstone region property market did see some minor growth over the course of 2018. We have seen growth of approximately five to 15 per cent in some market sectors and some locations in the region. This growth is definitely not across the entire market however is a welcome step in the right direction after so many years of negative market sentiment in the region.

The market is still being driven by its affordability. Rental levels have continued to rise across 2018, in most cases jumping $10 to $20 per week each time a six-month lease is renewed or commences. Vacancy rates have further contracted from 4.7 per cent in January 2018 to 2.9 per cent at the time of writing this review. Mortgagee in possession activity has significantly reduced and while new possessions do still occur they tend to sell in a reasonable time frame.

A number of new projects were announced for the Gladstone region in 2018:

- In November, the State Government announced the approval of a $1.2 billion tourism project, overturning a decision made by Gladstone Regional Council. The proposed project is a 465 hectare master plan resort on Hummock Hill Island in Rodds Bay. Plans include tourist accommodation, holiday units and camping grounds for about 2,700 people. The project will reportedly support 190 construction jobs per year over 17 years, with up to 700 ongoing operational jobs.
- The next stage of the Gladstone Ports Corporation's East Shores precinct was announced in 2018. Stage 1B ($29.5 million) of the project includes the delivery of an amphitheatre, waterfront café and a cruise passenger interface for the growing cruise tourism industry. Construction is due for completion in 2019.
- Three solar farms are proposed for the region (Aldoga, Rodds Bay and Raglan). Each project is at a different stage of the approval process.

While none of these are considered major projects, they will generate jobs and economic activity.

Bundaberg

Once again, we are looking back at the year that has almost ended and reviewing our predictions from February 2018 for the year ahead.

What did we say? As usual in Bundaberg, we thought that the 2018 year would continue with a stable rate of sale and median sale price.

How did we do? Well at the moment we are pretty close. The median sale price is sitting at around $290,000 and sales volumes are tracking as per last year.

One area that surprised us was the rate of vacant land sales in the region. Most of the vacant land sales were in the new estates of Bargara and rural residential sales in Parklands.

There was also a $715,000 vacant land sale at The Basin at Bargara in a prime spot on Miller Street. This follows on from another vacant land sale, also in Miller Street with direct beach frontage for $1.2355 million in July 2017.

Rental vacancy rates also dropped recently from around four per cent to 2.2 per cent.

Mackay

This month, we get to see how accurate our crystal ball gazing was at the start of the year and see if our predictions panned out over 2018.

In February we stated:

"The general consensus seems to be that the worst was behind us and it was onward and upward from here. Economically speaking, Mackay is definitely on the improve with greater confidence in the resource sector and major capital infrastructure projects in the Bowen Basin given the green light, resulting in increased employment opportunities. In Mackay, large infrastructure projects continue with the Mackay Ring Road construction to ramp up, general construction increases as well as a number of other projects. Interest rates continue to be at historic lows. Weigh all this up and the only conclusion is that the Mackay residential market should increase in 2018.

However, on the negative side, as stated in our yearly wrap up last year, there are still a number of hurdles the Mackay market will need to overcome before we see any material or substantial growth in values. Firstly, harsher lending policies of the major banks for postcode 4740 are still in effect. Also, the downturn in the market saw significant value loss, with the average loss in value of dwellings being around $100,000 and higher. This in turn has eroded a lot of equity for potential purchasers. A common theme from local agents and punters is that they would love to buy in this market, however due to the drop in value of their existing house, don't have the deposit or ability to purchase.

Overall, we think the positives will outweigh the negatives and the Mackay residential market should see a modest increase in value throughout 2018."

Well, 12 months on and we think we got these predictions exactly right!

Economically speaking, Mackay has kicked on in 2018. The increase in confidence associated with the resource industry, greater employment opportunities and increased infrastructure spending all contributed to this increased economic activity. As we speak, the $500 million ring road project is in full swing, the new fire station has been completed and the new sports complex at the university is well advanced to name a few. Employment in the resource sector has also significantly increased to the point where it is starting to become difficult to find qualified tradespeople to fill new positions.

So how did this affect the market? The greatest impact has definitely been on the rental market, with vacancy rates falling to below one per cent and the lowest in Queensland. On the back of increased demand, we have seen rental values increase between $20 and $50 a week, with limited stock available for an increasing demand.

On the sales side, right through 2018 we saw increased buyer demand, resulting in fewer days on the market and slight increases in value. Official REIQ median house prices suggest Mackay values have increased just over three per cent for the year, a modest increase (as predicted) but definitely a step in the right direction!

Hervey Bay

As forecast in February, the residential market has experienced some gradual capital growth in Hervey Bay across most price points throughout the year.

Vacancy rates for rental stock remain very low in Hervey Bay, however this has not translated to noticeable growth in rental returns at this stage.

This is not the case in Maryborough, which experienced some steady rental growth throughout the year that has been pleasing for investors. Most house and land packages continue to sell within a three-month selling period from completion, with little excess stock on the market.

The construction of new owner-occupied homes continues to increase, with most local builders reporting consistent business with a resurgence in interest for smaller outlying areas such as Burrum Heads, Toogoom and River Heads which is probably due to the very affordable land stock in these locations.

The possible oversupply of vacant land within Hervey Bay has remained in check with developers only releasing stages at a gradual pace.

Sales for executive properties over $700,000 are now a common occurrence, particularly in Craignish and Dundowran Beach.

The ongoing turmoil within the local council diminished after the mayoral election in early May, which was welcome news for the Fraser Coast after some unsettling times earlier in the year.

Emerald

The Emerald market firmed throughout 2018 as predicted. The medium sale price is currently sitting at around $290,000, the highest in three years, and the volume of sales in 2018 is the highest in five years.

The price bracket of $200,000 to $400,000 has seen the most activity throughout 2018. We recently had two resales show significant increases since the market bottom of two years ago.

- Sale 1: sold May 2016 for $120,000 and resold October 2018 for $176,000;
- Sale 2: sold July 2016 for $95,000 and resold October 2018 for $168,000.

The vacancy rate is tight (under two per cent) and rents have been on the up for over twelve months. The resource sector was strong throughout 2018 creating many jobs which renewed confidence in buyers and the market remained solid. For good quality properties attracting multiple buyers we have seen values come within 15 per cent of the peak experienced in 2011/12.

Darling Downs

Toowoomba has been fortunate to benefit from major infrastructure projects including the Toowoomba Second Range Crossing, the completion of QIC's Grand Central Shopping Centre extension and the imminent Inland Rail Project.

As predicted in February, despite these major infrastructure projects, the Toowoomba and surrounding suburbs residential market has continued to remain relatively stable throughout 2018 following a slowing level of sales activity in 2017 and 2016. This followed the peak that was experienced throughout 2014 into mid 2015.

Although sales activity has been steady across the board, the market has continued to be multispeed and property specific. There has been little consistency with variations in sale prices and buyer interest making it difficult to establish well performing suburbs and specific property types.

The rental market is in a balanced situation and vacancy rates remain relatively low.

(Source: SQM Research)

The infrastructure projects are believed to have assisted in holding vacancy rates low with many

Residential

employees living in the Toowoomba area throughout the construction processes.

As mentioned in February, the key development areas for new housing included the suburbs of Glenvale, Cotswold Hills, Torrington, Kleinton, Highfields, Cambooya and Westbrook. Demand for vacant land has slowed significantly as a result of reduced investor demand and limited local buyer enquiry for lots of less than 500 square metres. Sales rates for land in new housing estates are very slow, especially when compared to recent years where projects often sold out off the plan. Developers are starting to look at buyer incentives to attract interest in their respective projects.

Unit development has also slowed as evidenced by the Building Approvals graph below:

(Source: RP Data and ABS)

West of Toowoomba, the towns within the Surat Basin following the decline of the construction phase of the mining and gas boom have experienced significant declines across the board. These towns have reverted to levels which are more aligned with their predominantly rural based economies. As such, local employment factors are now contributing to the trends witnessed in each of these towns. Enhanced interest for dwellings is being experienced from owner-occupiers as affordability has returned.

A significant over supply situation remains in the unit market which continues to place downward pressure on this sector.

The Roma market is relatively inactive and downward pressure appears to remain, while Dalby is showing good signs of stabilisation with a strong occupancy rate currently being enjoyed leading to positive movement in rental values.

In general, there were no surprises in the Toowoomba market and predictions made at the beginning of the year, appear to have been relatively accurate. We give our predictions a score of eight out of ten!

Some of the stand out trophy sales observed in East Toowoomba and Mount Lofty are pictured.

43 Curtis St East Toowoomba, QLD, 4350. Sale Price: $1,302,000. *(Source: RP Data)*

11 Bridge St Mount Lofty, QLD, 4350. Sale Price: $1,800,000. *(Source: RP Data)*

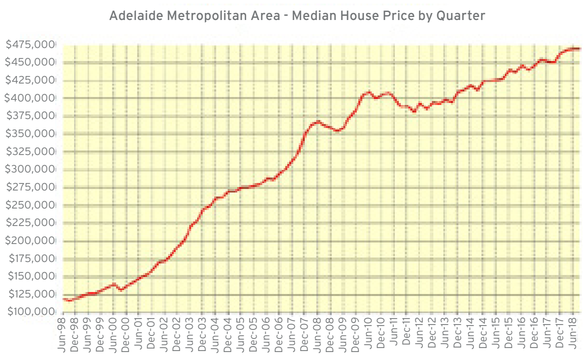
92 Campbell St East Toowoomba, QLD, 4350. *(Source: RP Data)*

South Australia

Adelaide

In February, we were called upon to provide some bold predictions on how the market would play out in 2018. With a little bit of data, a splash theory and a pinch of Nostradamus foresight, we did our best impersonations of a crystal ball to provide some insight into the 2018 market.

We said metropolitan Adelaide would have continued steady price growth over the proceeding 12 months. Price growth in metropolitan Adelaide has bucked the trend of other major capitals and has grown steadily over the past 12 months. We have seen an increase from $450,500 in the September quarter of 2017 to $470,000 in the same period of 2018. We said it would happen and it happened. Ten out of ten on this call.



(Source www.sa.gov.au)

We said Prospect would have increased activity in the $1 million-plus price point with most turnover occurring in the $500,000 to $800,000 price range. Throughout 2017, Prospect had 15 transactions of $1 million-plus. In the 2018 year to date we have seen 12 transactions eclipse this price point which means we are yet to achieve a pass mark. With another couple of weeks up our sleeves and ten current listings with asking prices in the $1 million plus range, there is still an opportunity to sneak past the 2017 tally.

Current listings include a development site at 72 Churchill Road, Prospect asking $1.375 million and a character bungalow at 31 Wilcox Avenue, Prospect with an undisclosed asking price. Just a pass mark on this one. Rolling 12-month data indicates that the price point with the highest turnover within Prospect has been the $600,000 to $800,000 range with 54 transactions occurring. We said it would happen and it happened. Ten out of ten.

72 Churchill Road Prospect (*Source: www.realestate.com.au*)

31 Wilcox Avenue Prospect *(Source: www.realestate.com.au)*

We said that demand may be subdued in the northern suburbs as the market reacted to the closure of the Holden manufacturing plant. Historically, buyer enquiry in the north has been below the metropolitan average, however agents have reported steady interest over the past 12 months. Some of the best performers north of the city have been Craigmore and Smithfield Plains whilst Elizabeth Park, Hillbank and Evanston Park have all recorded negative changes of greater than 10 per cent from quarter three 2017 to quarter three 2018. Just a pass mark on this one with no major changes from 2017.

Since 2012, the metropolitan housing market has risen gradually. With low interest rates and a booming east coast market, the general consensus was that this steady growth was going to continue throughout 2018. The September 2018 data indicated that the median metropolitan house price achieved a 4.2 per cent increase year on year. Some market segments have performed better than others during this period. The greatest gains have been seen in the inner and middle rings. Some of the best performing suburbs have been Parkside, West Beach, Newton and Kilburn. Each of these suburbs considerably outperformed the median metropolitan gain. Parkside and West Beach have long been popular suburbs with proximity to the CBD and beach respectively. Some of the gains in Newton and Kilburn can be attributed to recent zoning changes which have allowed for higher density development. Most demand within the middle and inner rings has been within the $500,000 to $900,000 range.

Historically, properties within the southern suburbs have traded at higher price points than the northern suburbs. This trend continued in 2018. Prices in the northern suburbs hovered within the $180,000 to low-$300,000 range whilst the southern suburbs saw most transactions occurring within the $280,000 to $500,000 price range. One of the main drivers of this price point differential is the southern suburbs access to metropolitan beaches and the Fleurieu peninsula.

In 2018, the Adelaide CBD is on track to have its highest number of unit transactions ever recorded. As at July 2018 there were 710 settlements. It's important to note that a significant proportion of these have been the settlements of apartments purchased off the plan. The off the plan sales are not considered to be a true reflection of market dynamics. It's not until resales begin to occur that we can determine whether or not the sale prices from developers are sustainable.

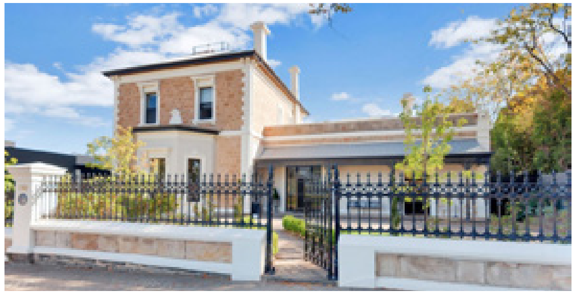
Sales Per Annum (Unit) - Adelaide

Period Ending	Number	Period Ending	Number
Jul 2018	710	Jul 2013	381
Jul 2017	563	Jul 2012	296
Jul 2016	658	Jul 2011	386
Jul 2015	513	Jul 2010	518
Jul 2014	406	Jul 2009	416

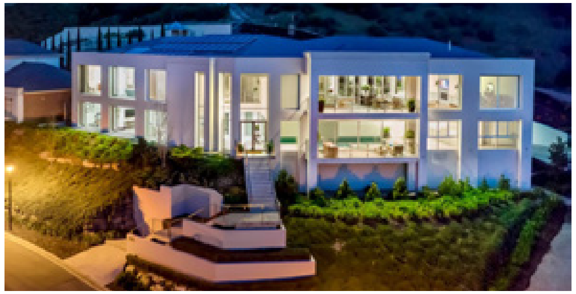
Statistics are calculated over a rolling 12 month period *(Source: CoreLogic)*

The prestige market within metropolitan Adelaide falls within the $2 million to $4 million price bracket with $4 million-plus reserved for those properties considered ultra-prestige. Through 2018 we have seen a number of $4 million-plus transactions occur however a proportion of these have been off-market.

Two properties openly marketed to achieve an ultra-prestige price tag are 146 Molesworth Street, North Adelaide ($4.1 million) and 20 Travers Drive, Beaumont ($4.65 million). Both properties have differing attributes with 146 Molesworth Street, North Adelaide comprising a character dwelling within a drop kick's distance of Adelaide Oval and O'Connell Street and 20 Travers Drive, Beaumont comprising an architecturally designed dwelling in a foothills locality with CBD views. This property set a new price record for Beaumont which hadn't had a sale above $3.85 million since 2007.



146 Molesworth Street North Adelaide (*Source: www.realestate.com.au*)



20 Travers Drive Beaumont *(Source: www.realestate.com.au)*

Residential

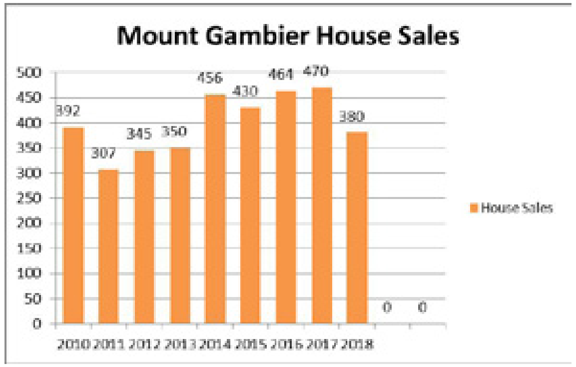
A surprising sale for 2018 was that of 10A Bluelake Court, Tennyson which achieved a sale price of $3.38 million. This property comprises a multi-level circa 2006 dwelling on an allotment of 388 square metres with frontage to West Lakes. This sale surprised with a sale price which is typically reserved for properties on the western side of Military Road having beach access. This was the highest sale price achieved in Tennyson for 2018.

10A Bluelake Court Tennyson *(Source: www.realestate.com.au)*

The South Australian property market throughout 2018 has resembled more tortoise than hare. This for some has become more appealing as the hare looks to have run its race in some other Australian markets.

Mount Gambier

The market in Mount Gambier remained relatively stable throughout 2018, which can be seen in the graph below. There was a significant move in 2011 when the market dropped back, however an increase in sales can be seen in recent years. Whilst the market has remained stable, there are still no economic indicators that look to improve the current economic state to an extent which could see house sales volumes rebound to what we saw back in 2008 and 2009.



(Source: RPData)

The $200,000 to $250,000 price range is affordable and it's where the most number of house sales occurred throughout the year. A house within this range appeals to families and they are generally of good quality, including three-to-four bedrooms, two bathrooms, a double garage under the main roof and a pergola area, situated on 700 to 800 square metres.

Throughout 2018 there was an increase of properties that achieved a value within the $300,000 to $450,000 price range. There were few dwellings purchased for under $150,000 or over $500,000. Dwellings under $150,000 are generally in less sought-after locations and have limited market activity. Units are often within this price range. Dwellings over $500,000 are at the top end of the market and have a reduced market segment.

The $200,000 to $250,000 and the $250,000 to $300,000 price ranges were the most popular. Buyers here throughout the year have been a mix of

A circa 1900 stone, 5 Bed, 3 Bath dwelling situated on 42.55ha
(Source: RPData)

first home owners and families. These price ranges are affordable for those looking to enter the market and suit the needs of families too.

There were a number of rural living properties that sold throughout the year which made good money which was surprising. One of these is pictured.

Overall, at the beginning of the year we expected that 2018 would be a relatively similar year to 2017, with no major fluctuations in the market and this turned out to be correct.

Tasmania

Hobart and Launceston

Report card time on our February 2018 predictions!

Firstly, the risks to the market that we identified at that time were:

a) **The State Election -** a majority state government was returned in March, thus negating this risk;

b) **Reduction in First Home Buyers Grant -** there was a change but this has not impacted on the market;

c) **Negative media about the larger mainland markets (Melbourne and Sydney) -** this risk did get some traction locally, especially as 60 Minutes ran a story about a 40% possible decline at the same time that both the main local papers for some unexplained reason ran articles in their real estate guides about how the market was declining. The articles were a cut and paste from the Melbourne and Sydney papers. However, the flow through effect of these events was brief and now forgotten;

d) **Sharp upward movement in interest rates -** this obviously did not occur.

So how did our predictions go?

1. We suggested double digit growth would again be unsurprising for Hobart ✓
2. Launceston would continue the upward price trend ✓ (It actually did better, also achieving near 15% growth in some suburbs.)
3. Devonport would continue its price recovery ✓
4. The regional centres would continue to benefit from the upside of the ripple effect as pricing flows out from the major centres ✓

In short, we nailed it. Given we are modest people in the southern state, we will score ourselves a 9.99 out of ten!

The surprises for the year (outside of the main regions) have been the recovery in George Town where both volume and prices are well up with no obvious employment growth reason. There has also been the swing back to holiday houses along the east and north coasts as buyers are taking advantage of their new equity to buy that shack by the beach.

Finally, I hope all our readers have a great Christmas period and a prosperous 2019.

Northern Territory

Darwin

As predicted, 2018 was a difficult year for the Darwin residential property market. While some agents are talking up the market and predicting that the market has bottomed out, the figures are telling a different story.

The volume of house sales for Darwin is down 4.3 per cent from 2017 and the median house price is down 0.5 per cent to $497,500, which is the first time the median price has been below $500,000 since 2009. The volume of house sales in Palmerston is the same as it was in 2017, however the median house price is down 2.2 per cent to $450,000.

Units and townhouses have suffered greatly with the number of sales down 32.2 per cent from September 2017 and the median price down 13 per cent to $352,500 for Darwin. Palmerston's volume of sales for units and townhouses is also down 20 per cent year on year, with the median price down 19.2 per cent to $262,500.

Median house prices have dropped 23.6 per cent from the peak of the market in 2014 and are now similar to figures seen in 2007 and 2008. Consequently many people who purchased a property in the past ten years now have a property value less than their purchase price. A silver lining is that if the property was purchased 20 years ago, the value is now 77.8 per cent higher.

(Source: Corelogic)

Current vacancy rates have increased slightly in the Greater Darwin region to be 7.9 per cent, with Darwin and northern suburbs being at 8.2 per cent and Palmerston at 7.1 per cent, both increases from 2017. With both rental figures and values declining, the gross rental yields also had a small decline over the year. House yields are down to 3.9 per cent and units are steady at 6.2 per cent, giving Darwin an overall of 5.7 per cent, which is down from 5.9 per cent at the start of the year. However, Darwin still remains the highest for the country.

As predicted, the vacant land supply across both Darwin and Palmerston is in abundance. Although Breezes Muirhead has just released its final stage, the pink signs are up across the road with the next stage of the Lee Point development approved of 505 allotments in a five-stage release looking to begin in the New Year. Northcrest, Zuccoli and Durack have seen slow sales level.

With all the land currently available across all land developments, there is enough land supply for the next 18 to 25 years, based on the take up rates shown. We stress that sales would need to be made to encourage developers to produce the allotments.

		Sales Per Week Across Greater Darwin		
Location	**No. of Lots**	**5**	**6**	**7**
North Crest	2,000	7.7	6.4	5.5
Zuccoli	1,900	7.3	6.1	5.2
2Cru	500	1.9	1.6	1.4
The Heights Durack	400	1.5	1.3	1.1
Muirhead & North	300	1.2	1.0	0.8
Urban Infill	250	1.0	0.8	0.7
Farrar West	300	1.2	1.0	0.8
Holtze	800	3.1	2.6	2.2
		Years of Supply		
Total Available Lots	**6,450**	**24.81**	**20.67**	**17.72**

(Source: CoreLogic)

The $34 billion Ichthys gas project is now in production with its first boat load of gas taking off last month. The last of the construction crew will finish up in December, with the New Year bringing the full impact of their departure onto the market.

The NT Government is doing its best to prop up the economy with a number of construction projects starting throughout the year. Barneson Boulevard and the carpark at State Square are well underway along with the commencement of the development of Manunda Plaza which will house the Department of Health. These projects won't be enough to inject the much needed population boost that Darwin so badly needs, however it will hopefully be enough to maintain its current levels.

Overall, the residential property market in 2018 was again tough and painful for many. For those buying, there are good opportunities in both the housing and unit markets. Prices in some market segments are back to levels seen in 2007 and 2008. The residential market may have to weather the storm for a little longer, but one thing we all know, the sun does come out, eventually.

Western Australia

Perth

Here we are at our final review for the year! In our opinion it has been quite an interesting 2018.

Perth's housing market overall remained relatively stable, but also fluctuated significantly by sub-region. Even pairs of neighbouring suburbs across Perth have seen growth rates that vary, proving that small differences in aspects such as location, amenity and new infill development supply can have a big impact on overall performance.

Looking at Western Australia's economy, green shoots for construction activity are beginning to bloom; BHP's $4.8 billion South Flank iron ore project is progressing and there have been a flurry of recent acquisitions, mergers and other resource industry project announcements. The Morrison government's GST reform has recently passed the Senate. Western Australia will benefit from an extra $4.7 billion over an eight year period which is likely to be used to commence paying off state debt incurred from the last mining boom and the infrastructure requirements that imposed on the state within a relatively brief period of time. We addressed the GST issue in our February edition and it's some comfort that we are ending the year with somewhat of a solution in place – although we could argue that the solution remains unjust. At a GST floor of 70 cents to the dollar, Western Australia is still sitting well below New South Wales' takings of 86 cents this year, but this is nevertheless a significant boost to our annual takings. There are promising signs for our economy to improve as net migration figures and consumer sentiment appear to be set to rise.

Being careful not to get too far ahead of ourselves, the housing sector has seen a wide variance in performance across the regions of greater Perth. Perth's median house price for the September 2018 quarter is currently sitting at $510,000 showing a decline of one per cent from the previous quarter, however this may improve slightly once all sales have settled. As has been the case for most of 2018, the September quarter saw the best performance in the upgrader and prestige markets, whilst oversupplied outer suburbs struggled to gain any traction.

Waterford, Shelley, Mount Pleasant and North Lake were all in the top ten suburbs for growth in the September 2018 quarter, alongside some rural residential suburbs such as Jarrahdale, Glen Forrest and Wooroloo, showing fair demand for the lifestyle of rural living. Suburbs showing the poorest growth statistics for the quarter included Cockburn Central, Viveash, Orelia and Serpentine.

In terms of annual growth, some of the best performers across Perth were Burswood, Glendalough, Wooroloo, Mount Pleasant, South Perth and Kensington – all boasting growth rates above 14 per cent. REIWA's newly appointed President, Damian Collins, confirmed that we have seen an increase in the luxury end of the Perth market. Home owners in prestige areas are clearly recognising that there is good opportunity to secure a quick sale at a competitive price where there is good buyer demand.

Regional Western Australia has had patchy, yet overall positive performance, with some areas in the Pilbara showing promising signs for the resource sector's employment demand. The overall regional median increased 7.8 per cent to $345,000, whilst sales volumes were up 1.2 per cent for the quarter. Port Hedland had a strong quarter in September as sales were up 51.7 per cent on the June quarter, with 91 transactions recorded, while Karratha also recorded 91 sales, an improvement of 23 per cent on last quarter. Damian Collins stated that *"the Pilbara region remains one to watch, with the announcement of three new mining projects in the region by BHP, Rio Tinto and FMG going a long way to restoring confidence in the area. With 20,000 new local jobs expected to be created as a result of these projects, this should support population growth in the region, improve demand for housing in the area and aid recovery."*

Perth's rental sphere had a fairly strong performance in 2018. This was especially seen in the September quarter as all key market indicators generated positive results. Damian Collins said that leasing activity was up, median rents remained stable, stock levels had reduced, average leasing times were quicker and the vacancy rate had plummeted to its lowest level in more than four years.

Perth's median rent remained at $350 per week for the sixth straight quarter, showing the longest period of stable rents that Perth's rental market has experienced.

REIWA's statistics show that the best performing suburbs for rent price growth were Kallaroo, City Beach, Gwelup, Cottesloe and Alexander Heights, which had growth rates of 21.9 to 39.5 per cent. Rental listings have also dropped significantly. At the end of the September 2018 quarter there were 7,286 properties for rent in Perth showing a decrease in stock levels of 11.9 per cent from the previous quarter and a 25.1 per cent decrease since the September quarter 2017. As the commencement of new dwellings is slowing, stock is being absorbed faster, decreasing the number of listings. On top of this, Perth's vacancy rate declined to 3.9 per cent in the September 2018 quarter. The vacancy rate has now dropped below the ten-year average and is at the lowest level we have seen since the March 2014 quarter. Leasing activity has increased 5.2 per cent since the June 2018 quarter, as 13,234 properties were leased (source: REIWA, 2018).

This concoction of positive market indicators not only bodes very well for investors and tenants, but is also an indication that our market is well into the recovery stage of the economic cycle.

Mortgagee in possession activity appeared to peak in June and has been on the decline since. The suburbs with the highest level of mortgagee activity for the year were Baldivis, Ellenbrook, Gosnells, South Hedland and Nickol (Karratha). We are hoping that the improving market conditions being experienced in many areas will ease mortgage stress, although we remain concerned about the expanding outlying areas of outer Perth.

Next we will take a look at how some areas are tracking through the eyes of our property valuers.

Perth's south-east corridor has had inconsistent performance since our February edition. REIWA statistics show that suburbs within this patch have varied significantly. Some yearly growth rates as at October 2018 are shown below:

Maddington	-9.4%
Gosnells	-4.5%
Wattle Grove	-2.1%
Kalamunda	7.9%
Lesmurdie	12.7%

In these areas it appears that first home buyers are absent from the established homes market, however, in areas that are seen as upgrader suburbs, there do seem to be some signs of recovery.

Another of our valuers in the south-east corridor has noted that the market has continued to soften over the past ten months, however sales activity appears to have increased since September, but properties are still transacting at a discount to previous purchase amounts. There has been a small trend of buyers downgrading i.e. moving from a superior suburb to an inferior (e.g. Roleystone to Kelmscott, or Seville Grove to Byford). We attribute this to buyers realising the great value in purchasing properties just a fraction further out than their current locations, as for many who live in these areas, it may not seem to make a big difference to their lifestyle. We are seeing three-bedroom, one-bathroom properties on 700 square metre blocks in Armadale selling for sub-$200,000 and properties ten years old in Byford are now selling in the low $300,000 range. This is proving the theories about Perth's hyper-affordability to be true. These areas don't fit the bill for everyone, but it shows that entry into the established property market is extremely affordable by historical levels.

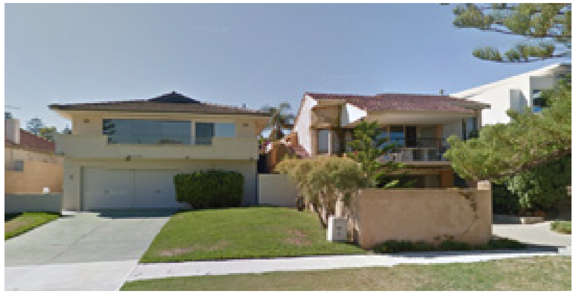
Thirty kilometres south of the CBD, first home buyer suburbs have declined in both activity and price over the past ten months. There are plenty of examples of properties being built and then resold within the first three years at significantly lower values, as supply has outweighed demand

and the depth of buyers for near new properties is extremely shallow.

To the north-east, Bayswater is showing good signs of value recovery. The suburb has seen shorter marketing periods with renovated character homes transacting at what appears to be reasonable value. Further out, Stratton has experienced consistent mortgagee activity throughout the year and values have continued to decline. According to our valuers, it is possible to purchase a four-bedroom, two-bathroom dwelling comfortably under $300,000. Nearby, Midland has seen a substantial amount of new supply of units and apartments on the market and is in a state of oversupply. Values are down by approximately 45 per cent since 2014 in some market segments.

Further to the north, Ellenbrook is still struggling whilst surrounding suburbs are slow. Prices are decreasing in line with the decline in buyer activity. A majority of the sales seen by our valuers in these first home buyer areas have been discounted heavily to compete in the market. Agents' advice is that properties need to be priced extremely competitively in order to transact as there is a significant amount of competing, similar stock. As unfortunate as it is, this market activity is in line with our February prediction and we expect oversupply will continue to have a crippling effect on this region in the short term.

On a lighter note, there have been a significant number of high value sales throughout 2018. Areas such as Cottesloe, Peppermint Grove, Nedlands, Dalkeith and Applecross have seen some absolute whoppers. These two neighbouring properties on Ozone Parade in Cottesloe (seen below) sold within a month of each other for around the $4.5 million mark.



Ozone Parade, Cottesloe *(Source: Google Maps 2018)*

Number 60 and 62 Jutland Parade, Dalkeith (one dwelling spread over two lots on separate titles) sold for $11 million in July 2018, boasting a total of 2002 square metres of land backing onto the Swan River.

70 Philip Road, Dalkeith is a five-bedroom, five-bathroom dwelling on a 1,163 square metre allotment. This visually stunning facade fetched a cool $4.98 million upon sale in April 2018.

Many Peppermint Grove residents were ecstatic to see the sale of 2 Bay View Terrace in August this

60 + 62 Jutland Parade, Dalkeith (Source:Corelogic, 2017)

70 Philip Road, Dalkeith (Source:Corelogic, 2018)

year. Previously known as The Taj on Swan, this controversial 6,582 square metre property zoned R10 with potential for a six-lot subdivision sold for $17 million, after the partially constructed palatial residence was demolished.

'The Taj on Swan' *(Source: Google Images)*

Currently on the market, 89 Watkins Road, Dalkeith is asking an impressive sum. Expressions of interest are being taken above the $50 million mark. Situated on 6,406 square metres on Perth's Swan River Foreshore, this property spans over six lots and features:

- 21 seater cinema
- Function room for 400 plus guests
- Two fully equipped caterer's kitchens
- Walk in cool room
- Separate pizza, teppanyaki and BBQ house
- Large fully fitted commercial bar and games room
- Full sized gymnasium with pummel massage shower room and sauna
- Full size professional squash court
- Floodlit tennis court
- Massive swimming pool with 12-seater swim-up bar
- 10,000 bottle cellar and tasting room
- Commercial size laundry with drying room
- Ponds, water features and designer gardens
- Boat storage and private boat launch
- Private boat mooring available (realestate.com.au, 2018)

It will be interesting to see how long it takes to find a purchaser and at what price.

89 Watkins Road, Dalkeith *(Source: Corelogic 2017)*

These properties show that there is a strong market for affluent vendors and purchasers in the current condition and if Perth is considered to be at the bottom of the market, then the rich may get richer over the coming years as these areas have generally seen significant growth rates consecutively for many years.

Our prediction in February of where the market was heading was slightly premature and more optimistic than the actual outcome. Please see our February summary below:

"2018 is likely to be reasonably stable, but with some opportunity for growth and most importantly changes in attitude among investors and speculators. The overall economy is experiencing recovery with increasing employment providing opportunity for greater investment and expenditure in the state. We have seen a very patchy performance, although an overall improvement, in the property market over the past two quarters. Prices are rising and properties are selling quicker, particularly in more sought after suburbs. Growth is expected to continue throughout the year. Now could be the time to snap up a decent residential property in a decent location before the rest of the market catches on. On the downside, mortgagee activity is likely to peak in outer suburbs with declining prices and activity. Overall, 2018 will serve as a confidence booster, bring us stability in the market and prepare Western Australia for a big turn

in 2019. We predict that 2018 will end with a median house price of $540,000."

In summary, our predictions at the start of the year were on the right track but slightly optimistic in hindsight, with a rating in the order of seven out of ten. Overall, the economy has tracked how we expected it to, with promising signs showing for employment and Western Australia's economy in general. In the housing market we did not achieve our desired growth rates to bring the median house price to $540,000 and the poor performance of outlying areas had a more significant effect on the median house price than anticipated. As previously stated the upgrader and prestige markets were the standout performers.

Southwest WA

Our predictions in February as to where the market was likely to go during the year in retrospect were probably a bit optimistic.

We expected the market in the outer Bunbury areas to continue to decline and in this case we were correct. We also expected the remainder of the market to stabilise which half-way through the year appeared to be the case, however the banking Royal Commission in the latter half of the year had a significant effect on the number of sales across most residential markets and the weakening demand has had some downward pressure on values.

The worst hit has been the outer Bunbury areas including Dalyallup, Treendale and Eaton. The outer Busselton areas such as Yalyalup and Kealy and the larger subdivisions around Margaret River have also seen values come back, however they have tended to fare better. Dunsborough Lakes held its own as land values continue to hold as it becomes more apparent that further residential development within Dunsborough Lakes will be limited due to the exhaustion of current space and there are no new larger subdivision areas currently being developed.

Real estate agents across the board have had a tough year and are bemoaning the lack of listing and the low levels of demand, particularly in the latter half of the year. All sectors of the market appear to have been affected from land to standard suburban, rural residential and luxury houses.

A couple of big luxury sales included 4 Geograph Bay Road, Dunsborough for $3.35 million in March which is a large luxury built two-storey, four-bedroom, three-bathroom home on 855 square metres situated opposite the beach with excellent ocean views.

The other is 34 Eagle Crescent, Eagle Bay for $3.7 million in May which is a large single level luxury built five-bedroom, three-bathroom home on an elevated 2,055 square metre lot with excellent ocean and bay views.

The common denominator was that they were both immaculately presented and had excellent ocean views.

Australian Capital Territory

Canberra

The Canberra residential market is complex with many factors interacting to affect demand, supply and ultimately price. On a macro level, the Canberra residential market aided by historically low interest rates has a number of underlying positives including generally strong employment and a perception of good job security. There is depth in Canberra's residential market and it is seen as one of the strongest markets in Australia. A negative aspect however is the limited population growth.

The ACT residential market saw steady-strong growth for detached housing throughout 2018, owing to high demand with limited stock available on the market. This was especially prominent in the Inner North and Inner South but was also notable in the other districts of Canberra.

The ACT prestige market continued to perform well in 2018. Notable sales include a six-bedroom, six-bathroom house on Mugga Way in Red Hill for $4.1 million as well as an architecturally designed house in Forrest for $6.45 million.

Value growth for medium density property in the ACT remained steady and did not perform as well as detached housing in 2018.

The ACT continued to see weakening demand in the high density market throughout 2018, particularly for one-bedroom units. This was prominent in the outer suburban areas where multiple developments were completed over the last two years such as Belconnen, Gungahlin, Greenway and Woden Valley. The demand for Inner City units was stronger than the outer suburban areas.

The ACT market has also seen the completion of a number of Mr Fluffy redevelopments which has added newly built medium density accommodation into established suburbs. These Mr Fluffy development sites are popular among smaller developers, investors and owner-occupiers looking to complete developments consisting of one to three townhouses/houses, overall increasing the demand and value of these vacant blocks.

Rural

HERRON
TODD
WHITE
RURAL

Overview

The last month of the year is upon us and it seems that 2018 is a blur - a year which has seen many new sale records in terms of prices paid in many regions and commodity classes. Water has been the big mover in most markets and with the continued investment and activity in the horticultural markets as well, this recent pricing in dry conditions may have a bit more to run, although our team is reporting resistance now at the $5,000 per megalitre level down south.

The biggest factor influencing 2018 has been the wide spread dry conditions which have brought significant media attention and government action into drought policies and funding schemes. Ultimately wide spread and soaking rain over a numbers of months is the real thing the market is looking for as the economic impact of the dry conditions will start to be felt the longer these conditions remain.

So with 2018 almost behind us, I took the opportunity of gathering many of the Rural team to Brisbane to discuss what is happening in the market and also look at what else is influencing the valuation landscape. We have seen many changes in the industry and technology continues to evolve. The team at Herron Todd White Rural is always looking for better tools and techniques to assist deliver high quality and accurate valuation assessments for our clients.

Below is a photo of many of the team and one thing this picture does highlight is our national coverage and with that comes a great understanding of the local and regional market place in which our experienced team works. Over the two days, the team heard from Tim McGavin from Laguna Bay Pastoral about what drives institutional capital, Rabobank talked about credit and commodity markets and we compared notes about what each business was seeing in the market. The team also heard from valuation insurance industry underwriters and claims officers which was an interesting discussion. Other topics covered included new technology platforms, plant and equipment valuations, market cycles and much more. It was great to get the team together and connect as a group.

Rural Team 2018 *(Source: Herron Todd White)*

Just a reminder that we will be having our annual market updates in Melbourne on 27 February 2019 and in Brisbane on 1 March 2019 which are all locked in. Put place holders in your calendars. Invites will be issued early in the new year.

Thank you to all our readers, clients and media representatives for your support this year and we look forward to 2019 and hope much of the country receives the much needed rain we are all hoping for.

Contact:
Tim Lane - ph: 07 3319 4400
National Director - Rural

NSW Central Tablelands

Generally, 2018 saw demand for rural properties remaining strong throughout the year, although there was not the volume of supply and stock available to meet that demand.

The rising value levels seen in 2017 appeared to continue throughout 2018.

A notable Central Tablelands sale in 2018 was that of Farrentoureen, Barry, selling for $4.5 million in July 2018. Farrentoureen is a 407-hectare high rainfall grazing property located 16 kilometres south of Blayney. This sale analyses to show a strong $9,525 per hectare (excluding buildings) for open arable grazing country. We are aware of several following sales nearby to the south in the Woodstock achieving a price per hectare rate (excluding buildings) of between $7,500 and $8,250 for their typical open arable grazing country components.

The most active buyer group throughout 2018 in the Central Tablelands appears still to be local farmers seeking nearby and neighbouring land to expand their existing enterprises, along with out-of-district farmers relocating into the area.

Contact:
Craig Johnston - ph: 0477 800 004

NSW North Coast

Macadamia nut tree farms continue to be in strong demand and sales listings in relative short supply, although value levels appear to have stabilised in the general range of $50,000 to $85,000 per planted hectare. The strong commodity price for macadamias of $5.20 per kilogram at 33 per cent kernel recovery and 10 per cent moisture continues. The relative lack of availability of red basalt flood free vacant land on the plateaus has prompted the push into the flood liable sugar cane land river flats.

The current relatively low and challenging world sugar prices have dictated that sugar cane farmers find it difficult to compete for properties listed for sale. Anecdotal reports are that there has been a significant purchase of prime sugar cane land south of Ballina at Pimlico for the purpose of macadamia nut tree planting.

Bartletts Road, Stotts Creek *(Source: Herron Todd White)*

The beef cattle market continues to be strong, whilst dairy remains subdued and there is significant uncertainty for North Coast chicken broiler farmers post the 2017 exit by Baiada in south-east Queensland. The surplus of vacant chicken broiler farms in south-east Queensland closer to the Brisbane based processors than the NSW North Coast broiler farms creates an uncertain environment as transport costs of the processors impact.

There has been increased interest in wholesale nursery properties after a prolonged subdued market for these types of specialised assets. A controlled environment horticulture property at Caniaba with one hectare of glasshouse is listed for sale by tender.

Blueberries have had some challenges with weather including frost and hail. The avocado industry is not large on the NSW North Coast but there is some expansion and also bananas to a limited extent,

Bartletts Road, Stotts Creek *(Source: Herron Todd White)*

Tweed Valley Way, Stotts Creek *(Source: Herron Todd White)*

perhaps in response to disease issues in the North Queensland banana plantations. Tea tree plantations continue to quietly expand, although this is a market segment characterized by limited property sales transactions.

Contact:
Paul O'Keeffe - ph: 0409 763 573

Mildura

2018 has proven to be another year of strong demand and increasing values for most of the enterprises found in our region. While much has been written about the drought conditions affecting north-western Victoria and western New South Wales, this has not to date resulted in any significant reduction in demand. Buyers, whether at a corporate or family level, appear to be taking a longer-term view.

One of the more significant recent transactions is for a large scale diversified horticultural holding at Colignan, 55 kilometres south-east of Mildura, which is reported to have sold for $50 million. The purchaser, Hong Kong based CK Life Sciences, will enter into a 20-year lease to the Costa group, who are understood to have purchased the machinery and growing crop on the property in a separate contract. This sale was previously announced in early 2018, but with a lease to Nutrano, however Nutrano pulled out of the purchase of the business, requiring a new deal to be negotiated.

Interestingly, the final sale price for the real estate and water share component is $4 million higher than was negotiated earlier in the year, which reflects the growth in value of irrigation water entitlements during 2018.

One of the surprises of the year has been the rapid increase in value of irrigation entitlements and

(Source: Ruralco)

the much higher cost being paid to lease annual allocation. In our February Month in Review article, we highlighted the risk that a dry winter could see the cost of leasing water rise significantly, however we don't think anyone expected to see this cost exceed $400 per megalitre.

The variation in the cost of leasing temporary water entitlement during the past few years is highlighted in the chart above.

Water brokers advise that much of the recent demand for the leasing of irrigation water entitlement has come from cotton growers further east on the Murrumbidgee river who are seeking to ensure they can meet their production committed through forward contracts locked in when cotton prices were higher. This has reduced the available water for local horticulturalists and caused the price of water to spike in recent months.

Demand has also been strong for permanent irrigation water entitlements, with sales of Victorian Murray River zone 7 High Reliability Water Shares nudging $5,000 per megalitre, before slipping slightly to around $4,850 per megalitre at the time of writing.

While we have seen a large number of sales of greenfield development sites occur in 2018, all at much stronger prices than we saw in the preceding two to three years, we expect this activity to have now peaked, due to the higher cost of leasing and buying water.

Evidence of the resilience in the drought affected Western Division of New South Wales includes the recent auction of Rosewood Station, located midway between Ivanhoe and Wilcannia. This property had good fencing and stock water improvements, with a recent history of running dorper sheep, however had very little standing feed at the time of sale. The sale price of approximately $4.47 million equates to just over $160 per hectare, which is a remarkable result in a drought year. The property is understood to have been acquired by two adjoining landholders who will split the property.

2018 will also go down as the first year to see dryland cropping country in the Mallee region of north-western Victoria crack the $2,470 per hectare barrier ($1,000 per acre in the old money). Two small parcels of land located in the Murrayville district sold at auction in April for just over this rate. While the buyer would no doubt have been hoping for a better season, the higher grain prices on offer this year will at least partially offset the lower yields.

The other noteworthy development in our region during 2018 has been the sight of large scale solar farms taking shape. There have been five developments commence within 100 kilometres of Mildura, with more proposed. Work on Australia's largest solar farm, to be constructed south of Balranald, is expected to commence shortly. This development will occupy part of a 1,000 hectare site and is being designed to have capacity of 255 megawatts.

Contact:
Shane Noonan - ph: 0427 735 328
Graeme Whyte - ph: 0427 210466

Echuca

The rural market has had an undeniably strong year with significant gains across most sectors, the highlight being the strong gains in the water market.

Cropping and grazing markets suffered from significant under supply right up until the spring period when a lack of rainfall resulted in a reduction in the demand across these sectors.

One of the headline properties to hit the market was Gerry Harvey's failed foray into the dairy business. Coomboona Holsteins, a state-of-the-art, total mixed ration (TMR) dairy holding was purchased by interests associated with the Perich family, one of the largest (if not the largest) TMR dairy farm operators in the country. The property was put to the market by Ferrier Hodgson and has reportedly sold after an expressions of interest campaign through Elders closed on 16 August. It is anticipated that supply from the farm will be used to fill orders associated with Freedom Foods' recently constructed factory in Shepparton. While the transaction itself was heavily reported on the back of the high-profile vendor and the circumstances under which it came to the market, terms of trade in the dairy industry remain under significant duress in the north of the state on the back of high feed prices, limited water allocations, high temporary water prices and average milk prices.

Contact:
David Leeds - ph: 0418 594 416

Central QLD

Bundaberg

Macadamia orchards in the Bundaberg area have been in strong demand over the past year. Overseas purchasers were active in the market with two macadamia properties selling for $7.8 million each and another for $20.6 million, reflecting $85,000 to $100,000 per irrigated treed hectare. Sales at and prior to the start of the year were reflecting $35,000 to $40,000 per irrigated treed hectare.

Irrigation country in the Bundaberg area has been in strong demand over the past year, however the top end of the market (the good red soil scrub) appears to have plateaued at $100,000 per irrigated hectare with the lower end (the grey soil forest) playing catch up. Property values at this end of the market have increased from $20,000 to $25,000 per irrigated hectare. While the majority of these properties were sugar cane farms, they were being purchased by macadamia farmers

Mackay

Mackay Sugar's final tonnage for the 2018 crushing amounted to 4.67 million tonnes compared to 4.97 million tonnes in 2017. The Percentage of Recoverable Sugar (PRS) was 14.3 compared to 13.37 in 2017. Dry conditions, through the growing season adversely impacted yield but assisted sugar content. The price of sugar is low at US$0.29 compared to the most recent peak of US$0.49 in October 2016.

As had been the case in recent years due to mill break downs, there is no stand over cane. Growers are now more confident in milling operations and are looking forward to a better crop in 2019. In addition to this, Mackay Sugar has received a non binding indicative proposal for recapitalisation from German-based sugar manufacturer Norzducker AG which could result in capital improvements to mills.

Cane farm sales continue at a steady pace. Recent sales activity around the Kuttabul area north of Mackay has occurred due to well established local growers acquiring additional areas. Values remain stable.

Contact:
Will McLay - ph: 0428 612 457

North and North West Queensland

As the year draws to a close, the greatest Christmas gifts of nature are falling from the sky. Rain has not yet been widespread and much more is needed, however gossip is abuzz with such great news.

As we near the end of 2018, the following provides reflection:

- East of the Great Divide – was dry to the south, talk to the north was of the Defence Training area negotiations. Limited number of cattle stations offered to the market. 100 per cent clearance to a mix of local and southern buyers,

Four family scale operations: ranged in price from $4.3 million to $10 million. Land rates ranged from $225/ha improved to $641/ha improved,

Two Starter blocks: Land components ranged in price from $1.2 million to $1.9 million. Land rates ranged from $251/ha to $431/ha,

- West of the Great Divide had a busy year – patchy grass to the south.
- North of the tick line – One key sale at $14.1 million at $311/ha improved and another investment grade sale at circa $40 million,
- Frontage band – Three smaller scale operations ranged in price from $1.3 million to $2 million showing $474/ha to $487/ha improved,
- South of the tick line to say Corfield, Winton and even out to Boulia– Eight sales ranging in price from about $3.4 million to the mid teens revealing a range from $88/ha to around $400/ha improved. This year there was strong activity in the larger aggregations within this region.
- Starter blocks – Two sales this year of starter blocks (run 100 to 300 head). Price range was $330,000 to $800,000.

Key local drivers for the year ahead include:

1. There is a lack of stations on the market in all market segments (starter blocks, small, family/mid and large-scale operations).
2. Cattle price is expected to be good: if it rains, there will be restocker demand, if it does not rain then there will be short supply of Live Export and finished types.
3. Defence purchases may present new buyers into the marketplace who will be looking for replacement stations.
4. Southerners looking north to the good country.
5. Investment vehicles are likely to be looking around for financial security options in light of global economic conditions.

How good the wet season is, influences property market decisions for the year ahead. What type of country comes on to the market for sale and its condition will be a feature of the year ahead.

Grass recovery does not just happen. Careful management in the years prior is required. Take the following photo that was taken in the last month while flying between jobs.

If these two stations were offered to the market in 2019, just because of the market drivers mentioned above, how would the market price in the land condition issue?

(Source: Herron Todd White)

2018 has seen substantial impact of social pressure influencing the agricultural sector. Even in the face of drought, evolutionary pressure is here. Drought has varying impacts to business performance and property values.

In the face of threats of competition from industrial food production and consumerism, the food and fibre sector has the best opportunity in front of them, to produce food and fibre, naturally.

North and north west Queensland rural property market sectors have performed well in 2018 with the market drivers in positive territory for a good start in 2019.

Contact:
Roger Hill - ph: 0418 200 046

Darling Downs

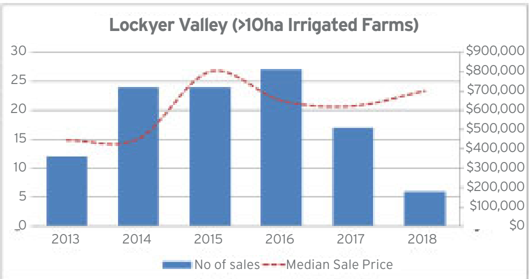
For many in southern Queensland and northern New South Wales, some welcome rain was received in late October. Falls of between 150 and 300 millimetres was received on the Darling Downs and some good falls have been recorded for those under the right cloud as far west as Charleville.

It wasn't drought breaking, however was very welcome all the same. Up until that weather system, many farming operators on the Inner Downs were looking at a pretty grim summer ahead. Although moisture profiles were not full, the rain had come early enough in the season when many began to plant on the optimism of likely further rains to be received. The generally dry hot and windy conditions post this event have taken some of the confidence of a likely reasonable season ahead. The Bureau of Meteorology has recently updated the medium chance of rainfall for December to February which is on even odds for areas out as far as Miles and south to the Border Region and gradually reduces further west.

One thing we have noticed when driving around the region is the number of narrow destructive storm belts that have gone through, the most notable being a storm that went through the Kumbia and Tansey areas in the South Burnett on 11 October that impacted stone fruit and avocado growers and another in late October that destroyed small crops in the Fassifern Valley. One could expect that this year's storm season could unfortunately bring more than just rain and it may be a good time to consider reviewing insurance policies.

In a market cycle where demand is outweighing supply, the seasonal conditions up until recently have had very limited impact on property values with the exception of some grass purchases. The sale of Belarka on the Jimbour Plains in August demonstrates the confidence in the broadacre farming sector, achieving $10,846 per hectare at auction. The value is considered to have set a new benchmark level for dryland country. Broadly, sales evidence in the region is few and far between, however those filtering through are generally still reflecting a firming in land values.

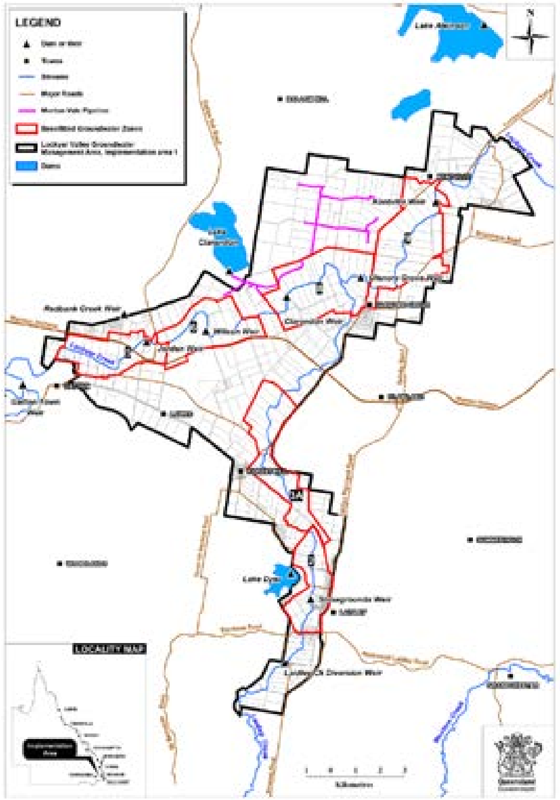
The Lockyer Valley is no exception to weakening sales trends, with five sales of irrigated small cropping farms above ten hectares occurring for the year to date. This trend would appear to be down about 50 per cent when considered in comparison to 20 sales transacting for the previous year. The pressures of seasonal conditions and commodity prices has likely played a role in weakening demand but also notably there have been a limited number of true farming holdings presented for sale. The recent release of the much-anticipated Draft Water Plan (Moreton) as at 31 October has created some discussion amongst stakeholders within the central Lockyer Valley. The plan's intention is to convert area licences within the various unsupplemented systems to water allocations and further regulate the ground water management areas by issuing volumetric limits. Within the central Lockyer Valley, there are six identified benefited groundwater zones. Under the Draft Plan, the total volume of water allocated is 13,670 megalitres between the zones with some 4,255 hectares of irrigable country. The average allocation between the zones varies between 2.8 megalitres and 3.5 megalitres per hectare, with an average across all zones at 3.2 megalitres per hectare. What this will mean for irrigators will ultimately depend on their existing water efficiencies and types of crops grown. Crops that have a higher annual water usage or those that are currently using a higher water rate may need to reduce farming area or find water efficiencies to counter the loss. Alternatively, under the Plan, water will be able to be traded either permanently or temporarily which



(Source: Pricefinder)

will ultimately create a water market and therefore should shortfalls in available water exist, will push farms into potentially purchasing additional water.

Figure 1 - Central Lockyer Valley Water Supply Scheme



The lending sector will also need to consider their security position as the allocations will effectively be a separate title and therefore can be sold separately to the land.

Overall, given the concerns expressed by various farmers and interested business groups surrounding the inaccuracy of the water modelling and potential increase in costs, this will likely stall market demand within the salad bowl whilst the uncertainty of maintaining a viable productive industry exists.

Contact:
Doug Knight and Steve Cameron - ph: 0746 397 600

West Australia

2018 in West Australia has once again seen a number of ups and downs as the year have progressed.

Once again we had a dry start to the seeding season for a number of areas however summer rains aided with subsoil moisture and with some receiving above average winter (growing season) rainfall a number of regions will likely record above average results.

2018 also saw another incident in the live export industry with an exporter having licences cancelled and creating pressure on the sheep meat industry.

The cropping regions continued to see strong demand from local and corporate purchasers with over 30 sales of properties transacting over $3 million being recorded to date. Major sales in the cropping regions included the Hassad cropping portfolio and the grange being purchased by a corporate purchaser. Local demand was also evident with an auction held in the Great Southern region of the state resulted in a new regional record with a value of $5,200 per arable hectare ex-buildings. Sales information indicates that on average you are likely to yield 3 ton of wheat to that arable hectare and therefore in basic terms it equates to an investment in land of $1730 per potential ton of wheat yielded.

This year also witnessed the Nicolletti cropping operation being put to market with a number of parties being invited to tender. To date a sale has not yet been confirmed.

Another sale of note was the purchase of the Watershed winery in the Margaret River region of South West WA which was purchased by Vasse Felix owned by the Holmes A Court family for $18.5 million in June. This property has an established cellar door, restaurant and winery to compliment to 80 hectares which will reportedly take Vasse Felix vineyards to an area of more than 300 hectare which will make them one of the largest producers of premium wines in the Margaret River wine region.

The pastoral regions recorded eight station sales to date with the sale of Maroonah/Mangaroon Station in the Gascoyne Region being the highest purchase price at $6.85 million. We note that the Gascoyne region was also home to the second highest purchase price of $2.95 million0 which was for Boolathana Station north of Carnarvon.

Overall 2018 has seen confidence in the West Australian agricultural industry continues with investment continuing in a number of sectors. It was also heartening to see truck of hay heading east to help out those drought affected farmers in the Eastern State and there is a lot of empathy in WA for those struggling.

Contact:
David Abel - ph:0408 489 667

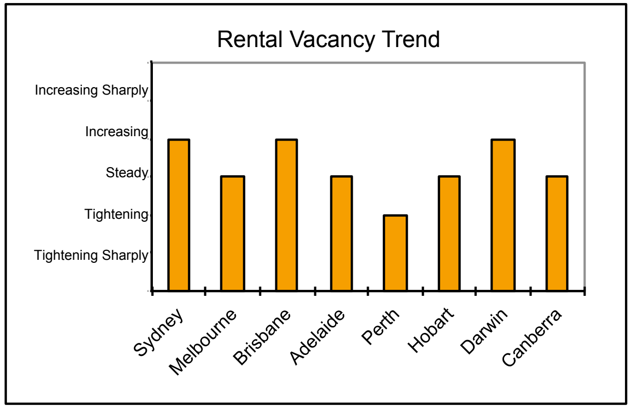
Property Market Indicators

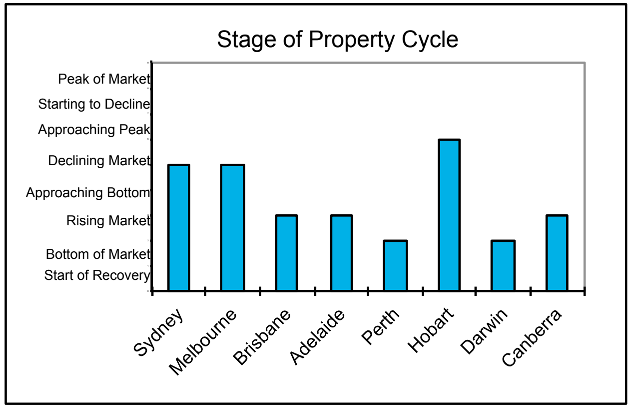
Capital City Property Market Indicators - Houses

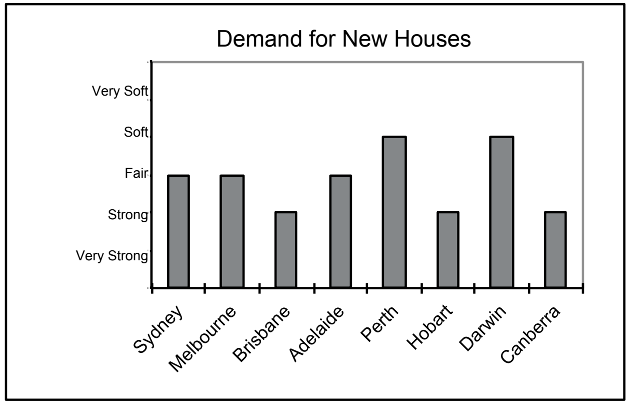
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand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

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

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







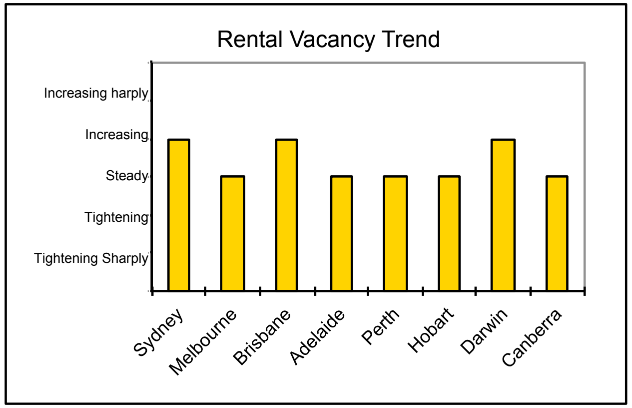
Market Indicators

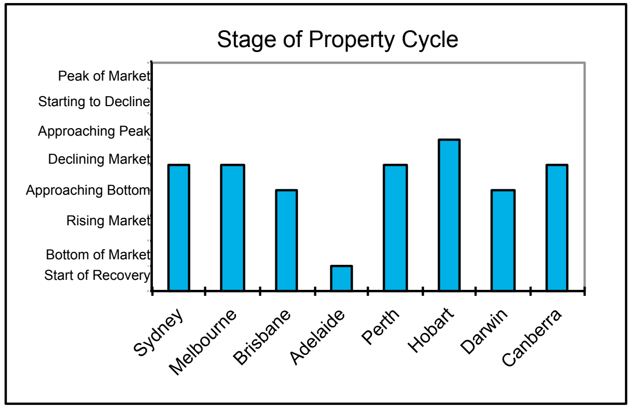
Capital City Property Market Indicators - Units

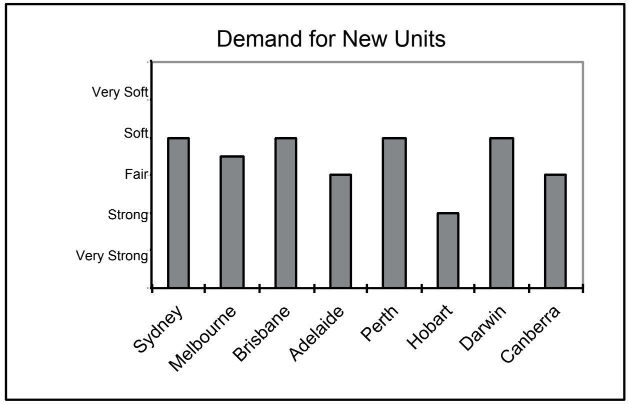
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady
Demand for New Units	Soft	Soft - Fair	Soft	Fair	Soft	Strong	Soft	Fair
Trend in New Unit Construction	Steady	Declining	Steady	Increasing	Declining	Increasing	Steady	Increasing
Volume of Unit Sales	Declining	Steady	Declining	Steady	Declining	Steady	Declining	Declining
Stage of Property Cycle	Declining market	Declining market	Approaching bottom of market	Start of recovery	Declining market	Approaching peak of market	Approaching bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Very frequently	Occasionally	Occasionally	Almost never	Occasionally	Frequently

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

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







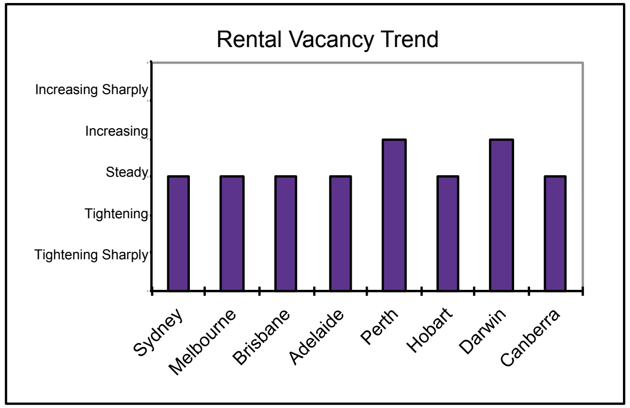
Market Indicators

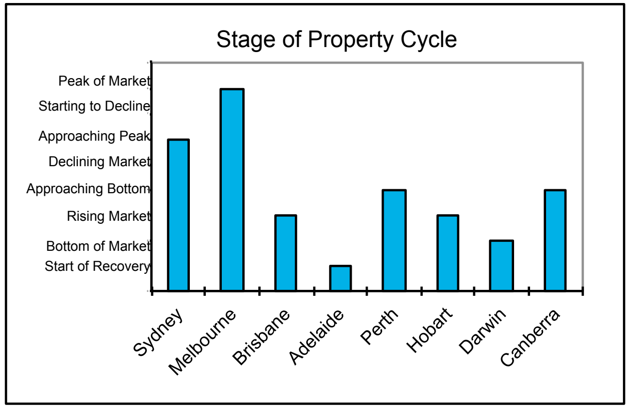
Capital City Property Market Indicators - Industrial

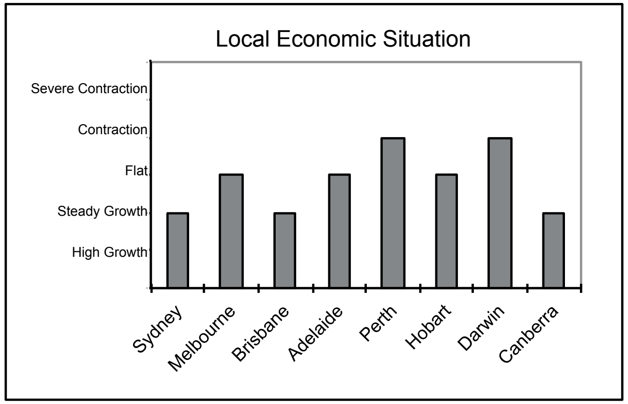
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand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

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

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





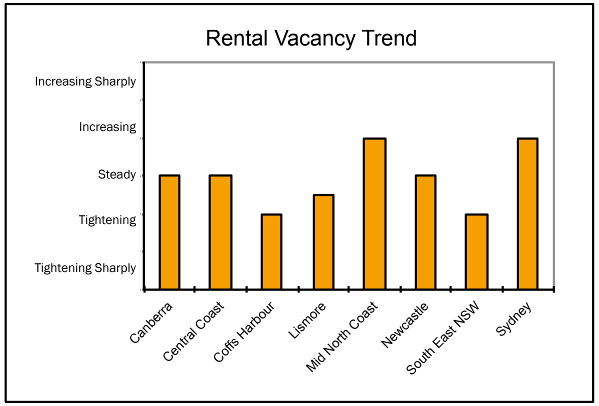


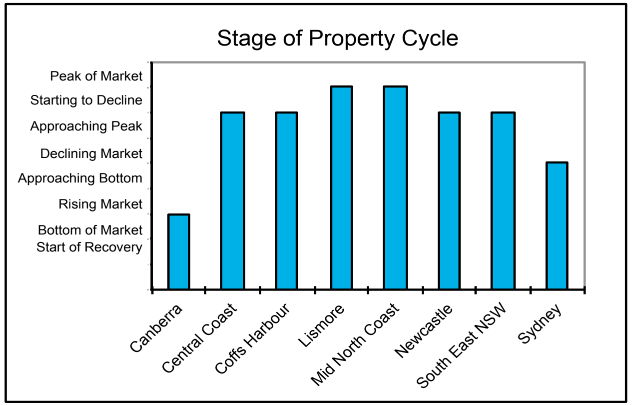
New South Wales Property Market Indicators - Houses

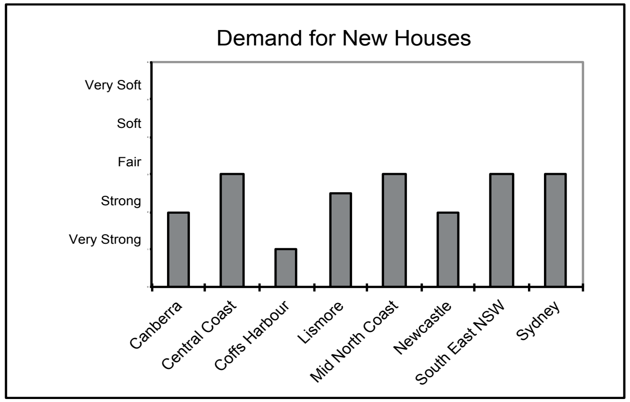
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening - Steady	Increasing	Steady	Tightening	Increasing
Demand for New Houses	Strong	Fair	Very strong	Fair - Strong	Fair	Strong	Fair	Fair
Trend in New House Construction	Increasing	Steady	Increasing	Steady - Increasing	Steady	Steady	Steady	Steady
Volume of House Sales	Increasing	Declining	Steady	Increasing - Steady	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Starting to decline	Starting to decline	Peak of market	Peak of market	Starting to decline	Starting to decline	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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

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





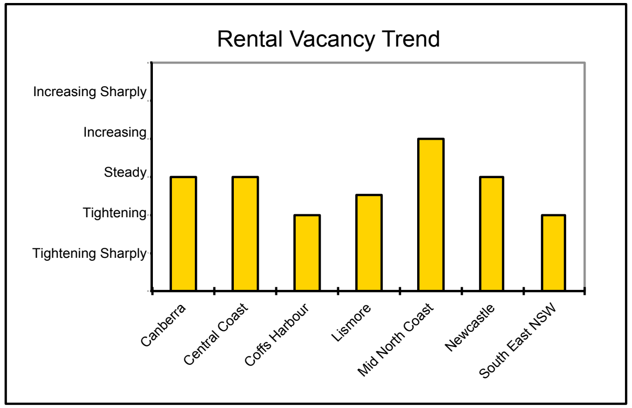


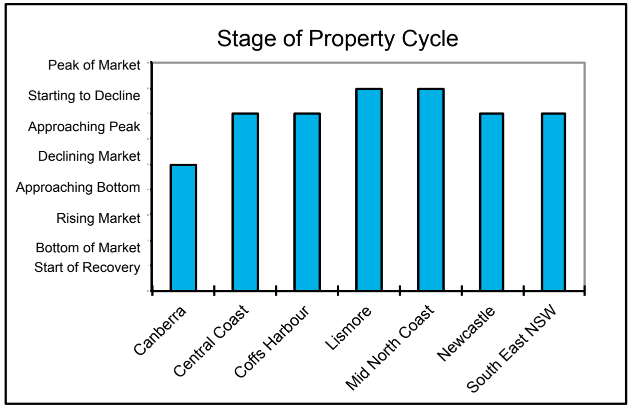
New South Wales Property Market Indicators - Units

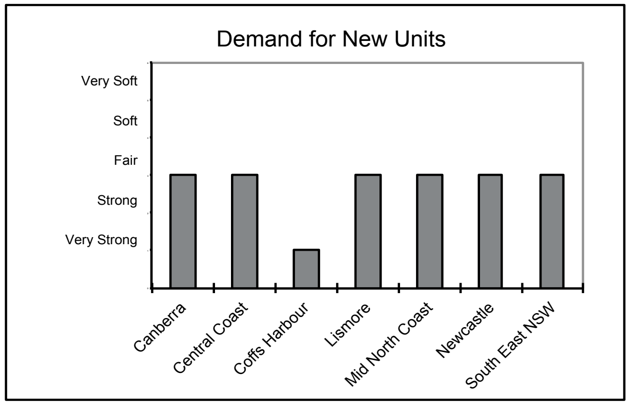
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening - Steady	Increasing	Steady	Tightening	Increasing
Demand for New Units	Fair	Strong	Very strong	Fair	Fair	Fair	Fair	Soft
Trend in New House Construction	Increasing	Steady	Declining	Steady	Steady	Steady	Steady	Steady
Volume of House Sales	Declining	Steady	Steady	Increasing - Steady	Declining	Declining	Declining	Declining
Stage of Property Cycle	Declining market	Starting to decline	Starting to decline	Peak of market	Peak of market	Starting to decline	Starting to decline	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Occasionally	Frequently

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

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







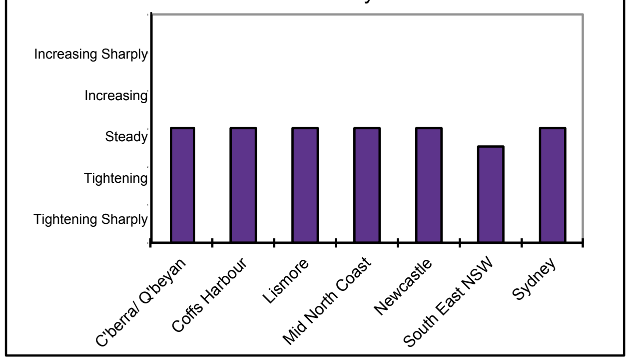
New South Wales Property Market Indicators - Industrial

Factor	Canberra	Coffs Harbour	Lismore	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	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	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening - Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable - Increasing	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Declining	Increasing	Steady
Stage of Property Cycle	Approaching bottom of market	Peak of market	Rising market	Rising market	Peak of market	Approaching peak of market	Approaching peak of market
Local Economic Situation	Steady growth	Steady growth	Flat	Flat	Flat	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Small	Significant	Significant	Significant	Small

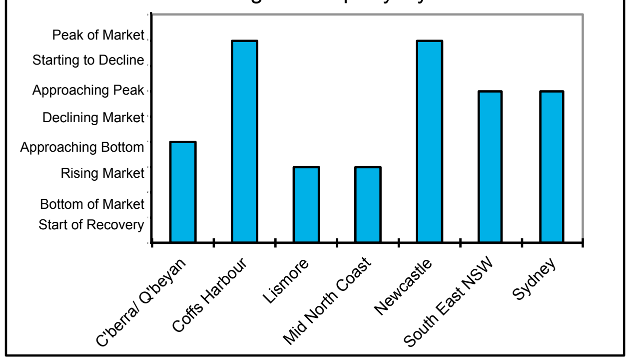
Red entries indicate change from 3 months ago to a higher risk-rating

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

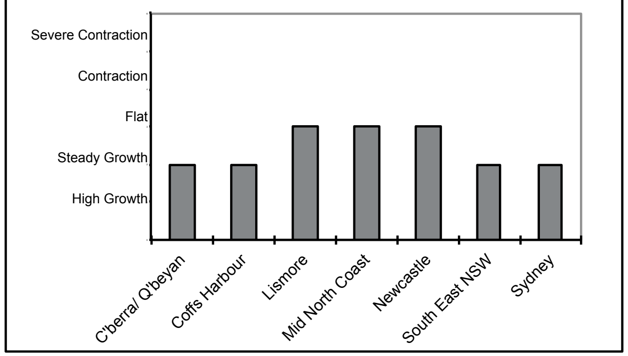
Rental Vacancy Trend



Stage of Property Cycle



Local Economic Situation

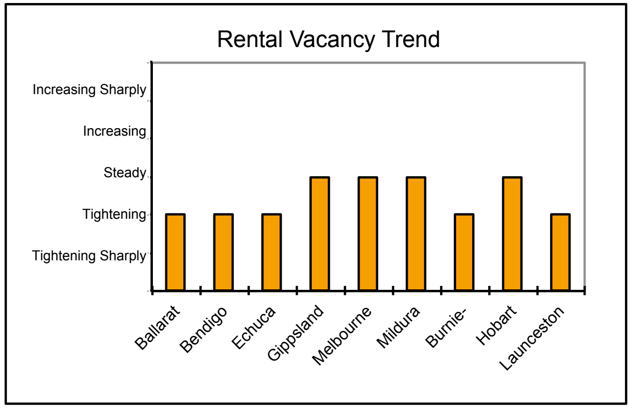


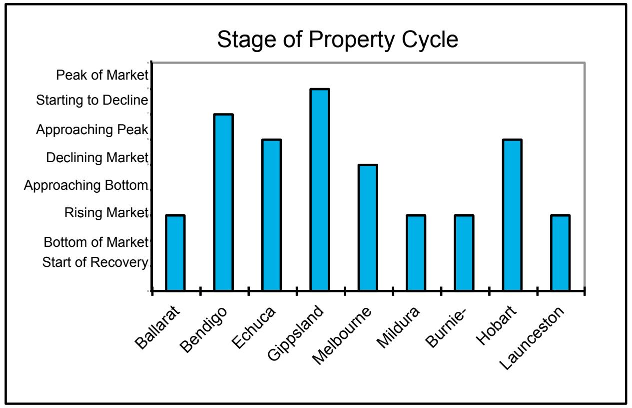
Victorian and Tasmanian Property Market Indicators - Houses

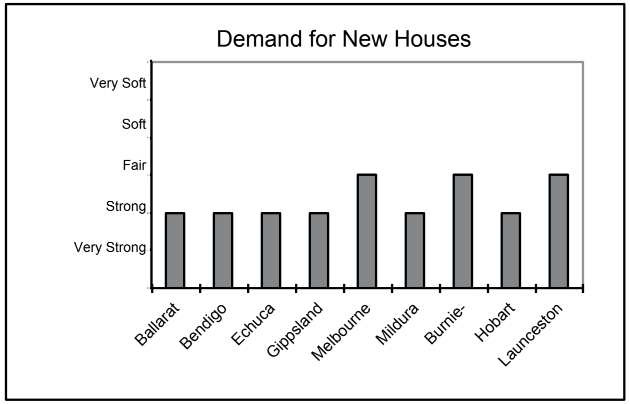
Factor	Ballarat	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Severe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

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

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







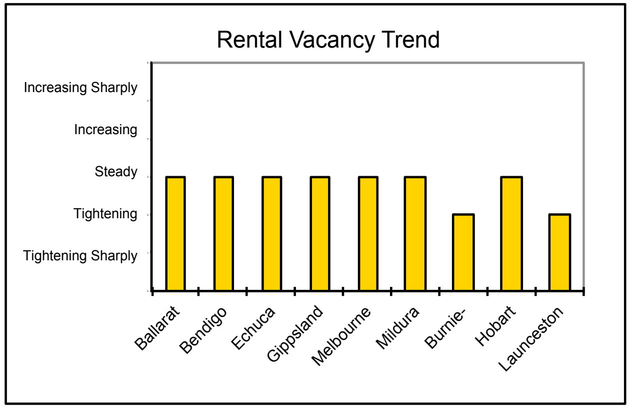
Market Indicators

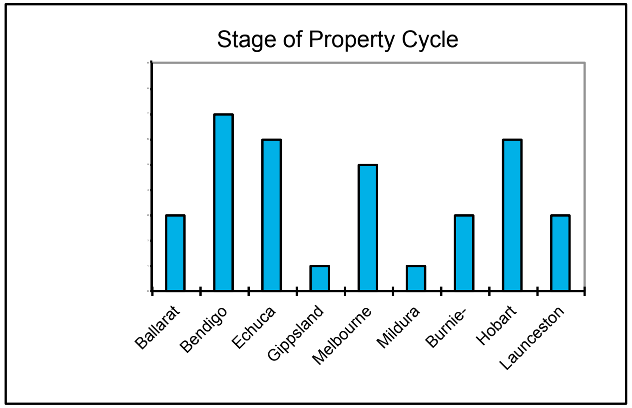
Victorian and Tasmanian Property Market Indicators - Units

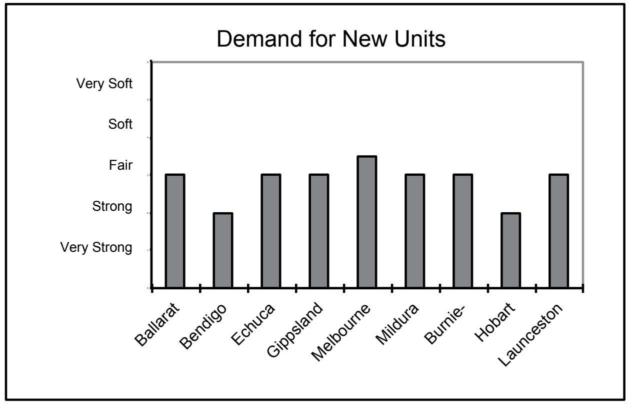
Factor	Ballarat	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market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

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

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







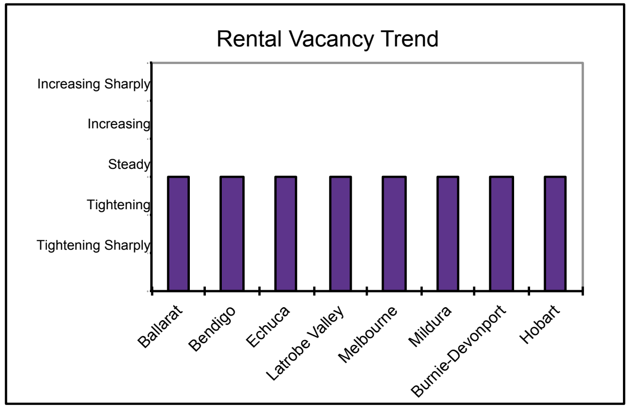
Market Indicators

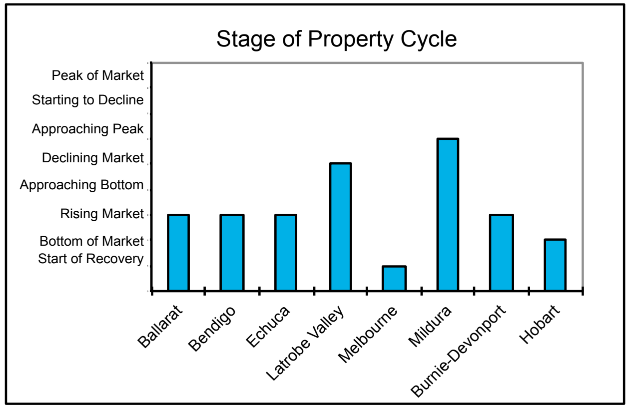
Victorian and Tasmanian Property Market Indicators - Industrial

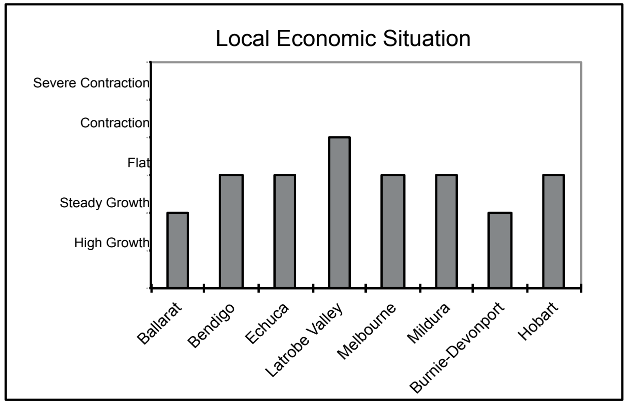
Factor	Ballarat	Bendigo	Echuca	Latrobe Valley	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Declining market	Peak of market	Rising market	Rising market	Rising market	Rising market
Local Economic Situation	Steady growth	Flat	Flat	Contraction	Flat	Steady growth	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Large	Small	Significant	Significant	Significant	Significant	Significant	Significant

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

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







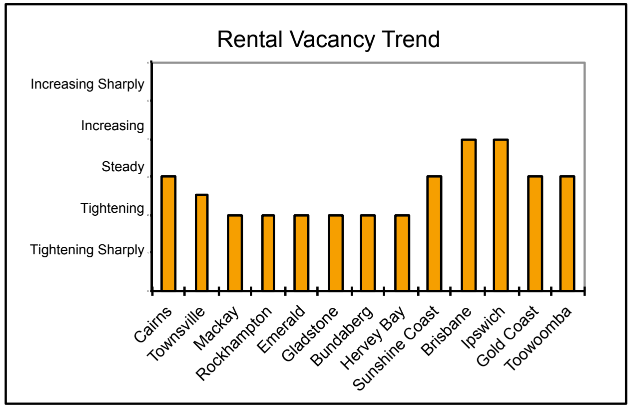
Market Indicators

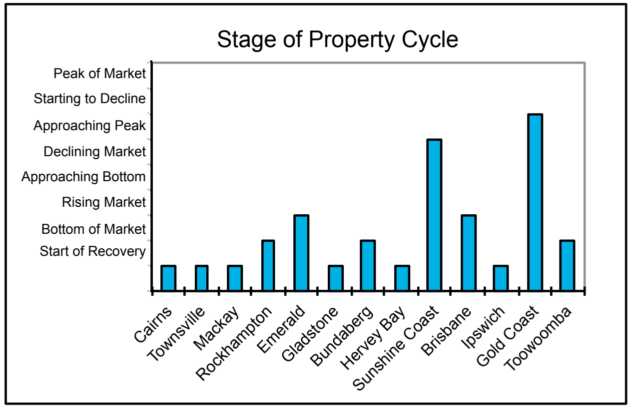
Queensland Property Market Indicators - Houses

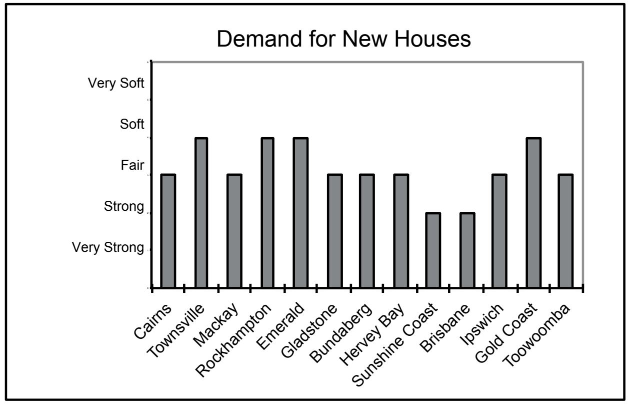
Factor	Cairns	Townsville	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand - Balanced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







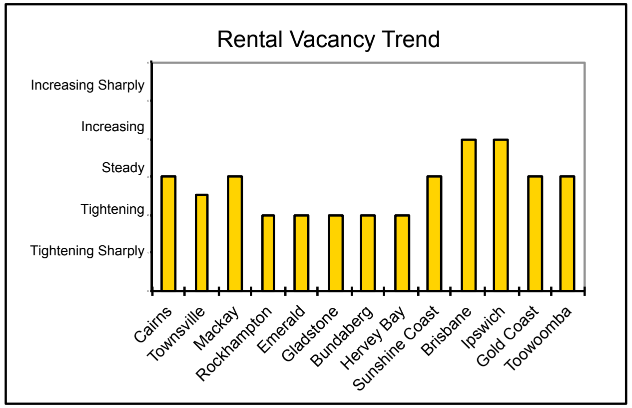
Market Indicators

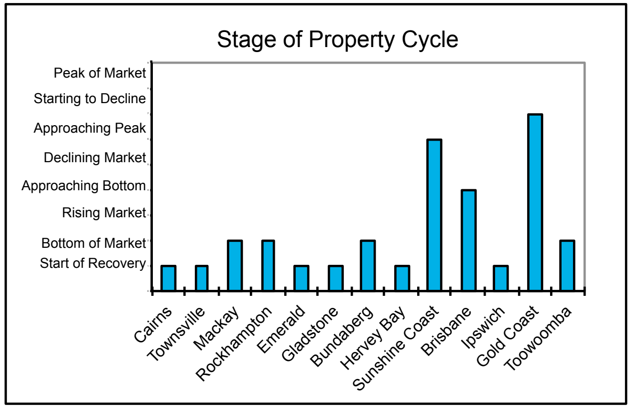
Queensland Property Market Indicators - Units

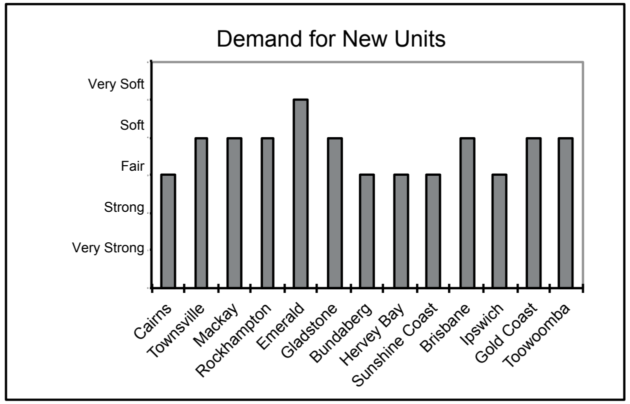
Factor	Cairns	Townsville	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Shortage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

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

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





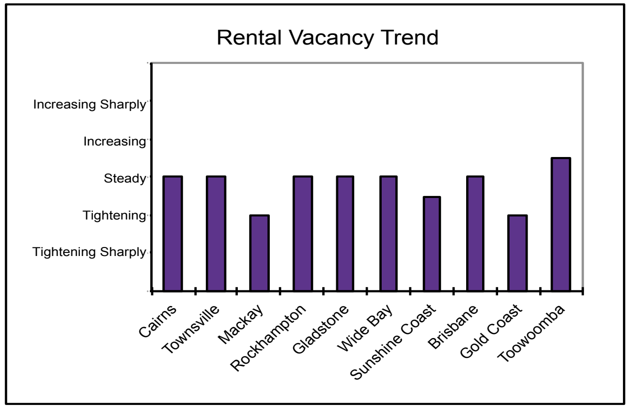


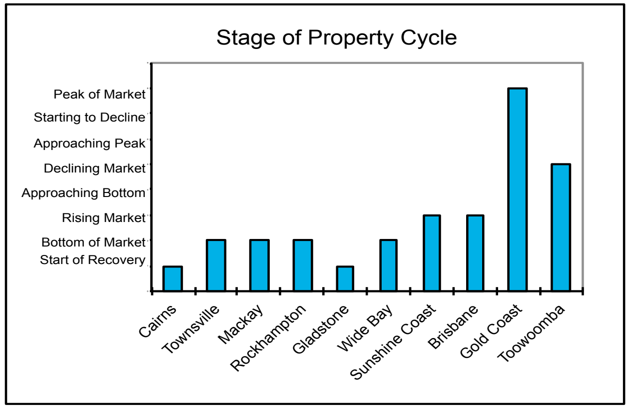
Queensland Property Market Indicators - Industrial

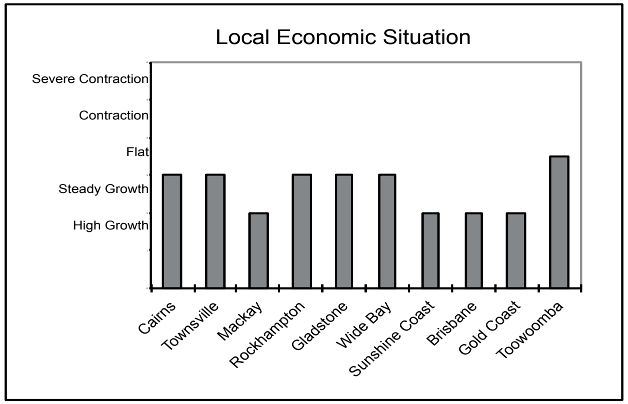
Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Wide Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market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





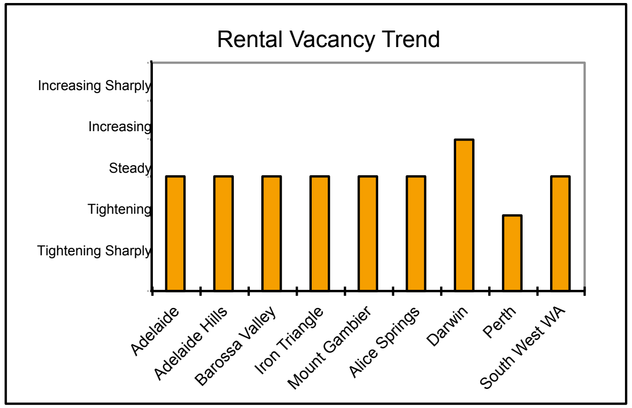


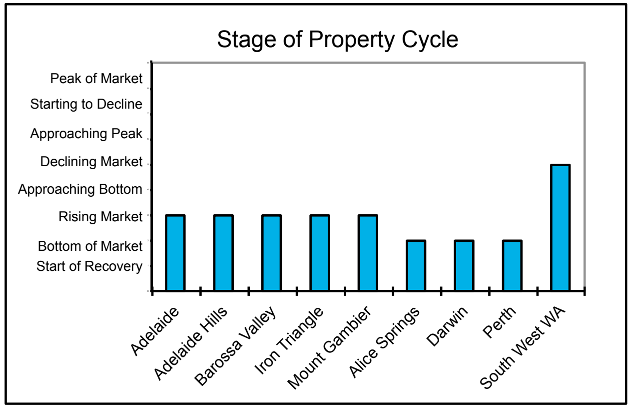
SA, NT and WA Property Market Indicators - Houses

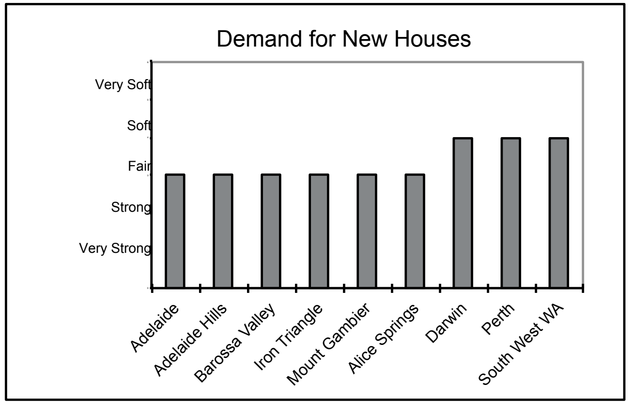
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market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

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





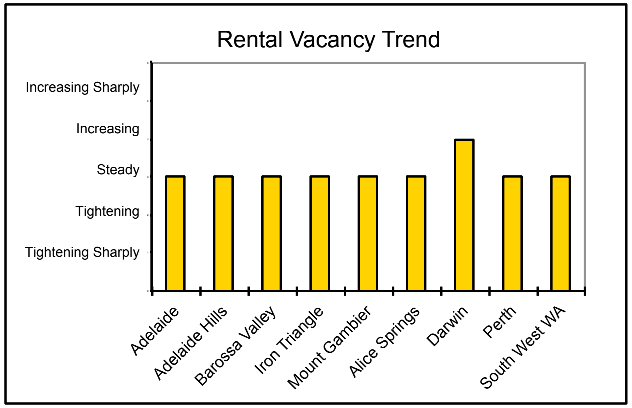


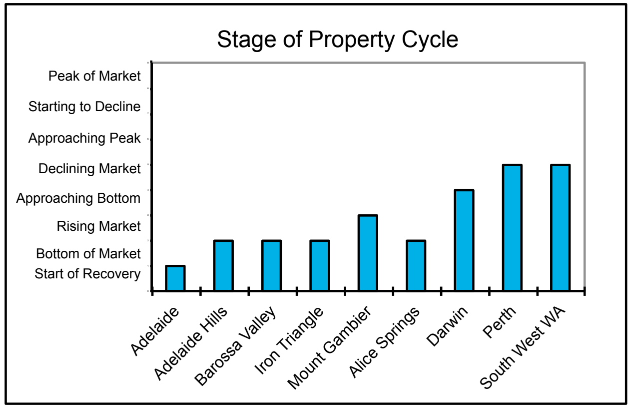
SA, NT and WA Property Market Indicators - Units

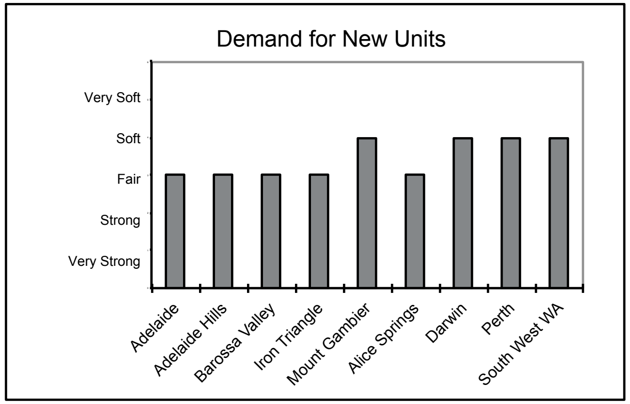
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply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

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







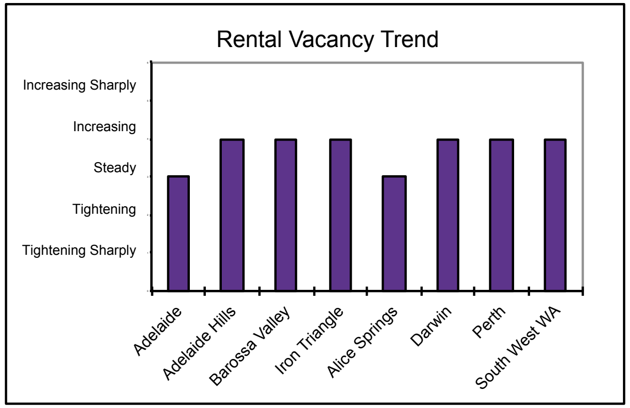
Market Indicators

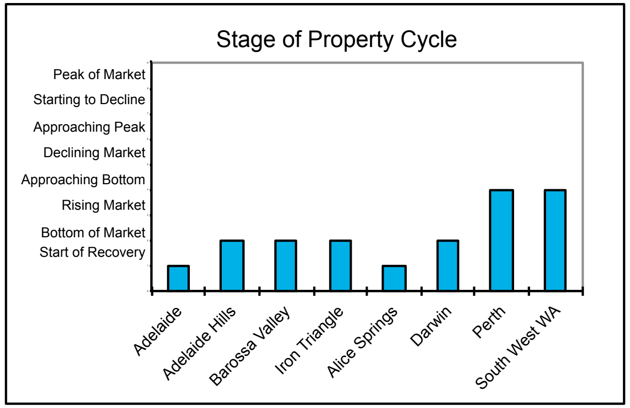
SA, NT and WA Property Market Indicators - Industrial

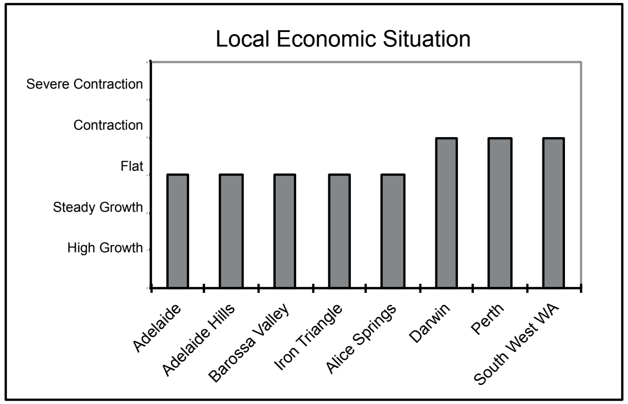
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand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







Market Indicators

Local expertise.
National strength.
Trusted solutions.

Herron Todd White is Australia's leading independent property valuation and advisory group. For more than 50 years, we've helped our customers make the most of their property assets by providing sound valuations and insightful analytical advice.

With offices in every capital city, most regional centres and right across rural Australia, we are where you are. Our valuers work in the property market every day, providing professional services for all classes of property including commercial, industrial, retail, rural and residential.

Herron Todd White is Australian owned and operated. With directors who are owners in the business, our team has a personal stake in providing you with the best service possible.

HERRON TODD WHITE

Telephone 1300 880 489
admin@htw.com.au
htw.com.au