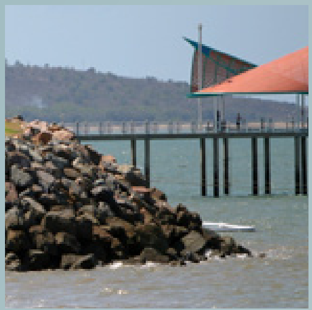
September 2018

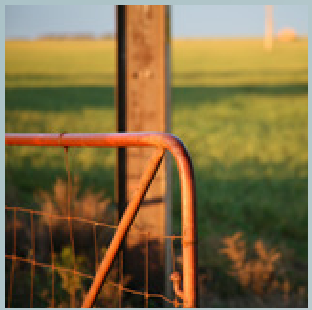
Month in Review

HERRON TODD WHITE

Fifty Years of Property Valuation | 1968 - 2018

Contents





Spring selling season – fact or fiction?

"Birds flying high... you know how I feel
Sun in the sky... you know how I feel
Reeds driftin' on by... you know how I feel"

Composers: Anthony Newley and Leslie Bricusse

Spring in Australia brings out a little Michael Bublé in us all, don't you think?

There is something about this turn of season. It's inspired poetic verse and tomes of romance.

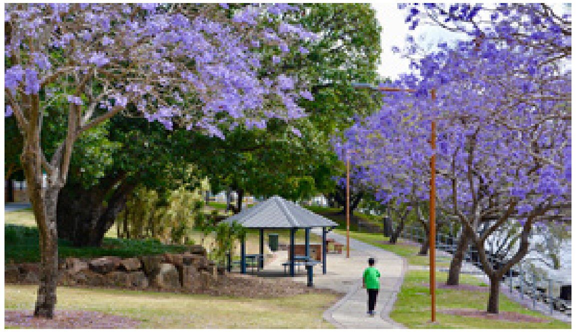
Spring is ingrained with the ethos of Aphrodite, shedding the dour winter shell and starting a new season, ready to make the best of brighter days and shorter nights.

Even the word itself is full of promise – "a spring in your step" is a common catchphrase, as is, "springboard to success" and "spring back into shape".

Was there ever a cycle so full of promise?

Stepping beyond the willowy words, we need to ask – are there practical applications to this optimism when it comes to property? ...or more directly, is Spring Selling Season a fact or a fiction?

The period from September through to November is when our astounding outdoors lifestyle starts to come into its own around the nation. There are pre-summer rains to help gardens bloom while you and



(Photo: Adli Wahid/ Wikimedia Commons)

the neighbours get busy with a spring clean to help lift the street's appeal.

It's timing is also perfect for those planning their 2019. If you and yours are considering a change next annum, then spring is about the time you'll start looking at accommodation options and preparing for the new life.

There are, on the whole, a heap of generalisations which suggest Spring Selling Season is real, but as you delve into the pages of this month's issue, you'll find the answer is rarely simple.

We've asked each of our offices to give their studied, experienced opinion of whether the Spring Selling Season is a fact in their part of the world – and the results may surprise those who have assumed one size fits all.

On the commercial front, we're talking the industrial market this month, and to celebrate the first breath of spring renewel, we're looking at new and interesting innovation in the sector.

Our teams are looking at the interesting elements we're seeing pop up in today's modern industrial complexes and building designs to attract tenants and help them run their businesses. It's a look at today's 'must have' inclusions for contemporary industrial holdings.

So step up, take a whiff of the flowers and enjoy the bracing seasonal freshness of spring in Australia... but don't catch a bout of property hay fever while you're at it!

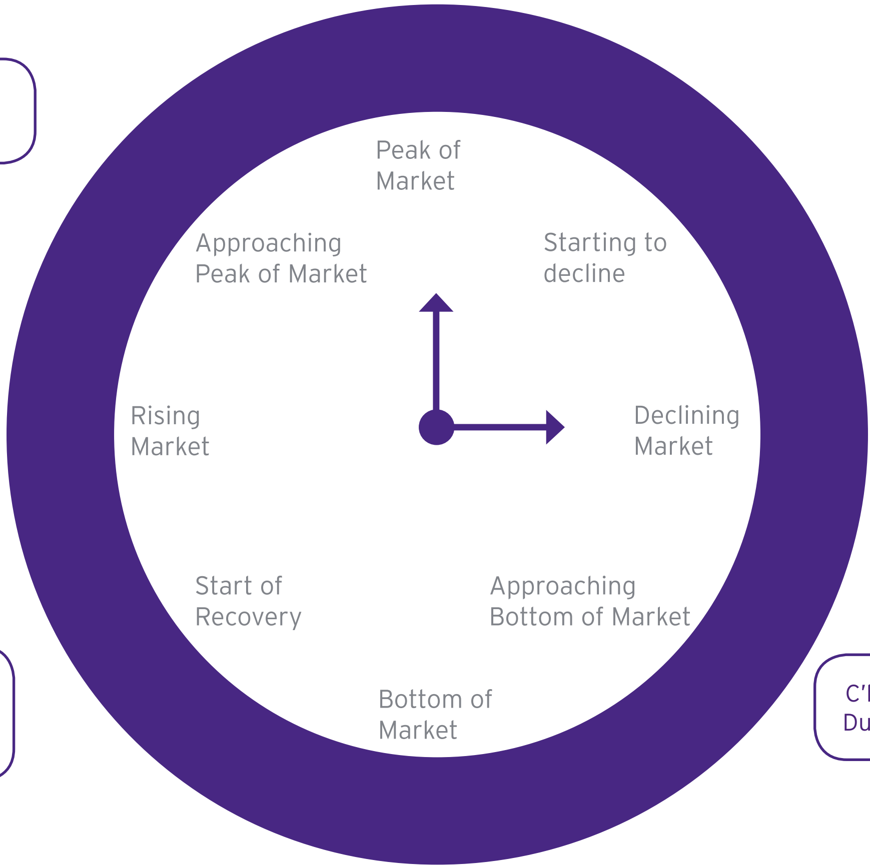
Herron Todd White has the remedy – just call and we'll ensure your fancy turns to real estate success, wherever your next venture may be.

Commercial

National Property Clock
September 2018
Industrial

Coffs Harbour
Gold Coast
Griffith
Lismore
Orange

Albury
Melbourne
South East NSW



Ballarat
Bendigo
Brisbane
Burnie-Devonport
Echuca
Hobart
Launceston
Mid North Coast
Newcastle
Sunshine Coast
Sydney

Canberra
Dubbo
Latrobe Valley
Toowoomba

Adelaide
Alice Springs
Cairns
Central Coast
Horsham
Mildura

C'berra/ Q'beyan
Dubbo
Latrobe Valley
Toowoomba

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

Entries coloured purple indicate positional change from last report.

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

Innovations in design are not restricted to high-end residential and office properties. Industrial property has also evolved in 2018 to cater to the requirements of modern day tenants.

But of course, the elements that excite lessees in one part of Australia don't necessarily thrill those further afield.

This month, our teams give an overview of their industrial markets while highlighting exciting and innovative inclusions seen in today's industrial sector.

Sydney

Warehousing and storage are currently the key asset types for Sydney industrial. Tenants and owner-occupiers have been very active in the market and are seeking warehousing and logistics of a large format and storage within the strata space.

Clearance and access remain important features, clearance being crucial to the amount of volume a warehouse can hold and access that allows for trucks.

Good quality, functional office space is being seen as a requirement for most owner-occupiers and tenants. On site facilities such as cafes are the norm.

New development for industrial is at two ends of the scale – small storage units (40 to 150 square metres) especially in inner city areas such as Marrickville, Caringbah and Alexandria and large clear span, higher clearance warehousing and logistics centres capable of handling large amounts of imported goods or high volumes for distribution. These are generally located in the western Sydney region.

The trend for strata development is a higher number of smaller units as opposed to a smaller number of larger units. These units don't just feature a typical industrial or manufacturing use. In many cases they are used as storage units, business offices and in some instances even small scale wholesaling and retail (zoning permitting). This new sector of occupier to the market has ultimately been a large contributing factor to the substantial price increases noted, as many of these properties are purchased on a price point rather than a square metre rate or a net yield.

The focus for large format industrial is centred around transport and infrastructure, with access to rail and road being a priority.

Food is also driving the industrial market particularly in areas around the Sydney Markets (for example Silverwater). Demand for good quality warehousing, cold storage and distribution is strong.

In South Sydney, small businesses needing to be near the city and airport such as professional services, printing, food, catering etc are driving the market, especially as old stock is redeveloped for residential.

Badgerys Creek Airport *(Source: domain.com.au)*

Infrastructure projects have been driving demand for industrial properties and land. There is much speculative buying happening, especially in the western Sydney region.

Major projects are driving demand. These projects include the North-South rail link, Badgerys Creek Airport and, whilst currently speculation, planned road and freight rail lines, including one that will connect to Erskine Park which is being considered but is not yet confirmed. Freight rail lines connecting from other intermodals are also being investigated.

The confirmation of the airport along with the planned freight lines, passenger rail lines and major road projects has seen buyers looking to secure sites in the area.

Generally, the industrial market in Sydney has been through substantial growth over the past 18 to 24 months as a result of increased demand for good investment assets, growth in rental income and increased demand from owner-occupiers. Increased demand from owner-occupiers, self-managed super funds and developers is currently driving the market.

Tightening of yields and rising of capital values have been experienced across most Sydney industrial precincts. The larger format, new warehousing is generally seeing a net yield in the range of 5.25% and 6%, with smaller industrial strata units displaying net yields of around 4% to 4.5%.

Owner-occupiers have been strong in the Sydney market, particularly in the construction, food, retail and technology sectors and primarily driven by record low interest rates, creating strong competition for assets which has driven capital values higher and seen yields firm with effective rents across Sydney increasing by an average of 5%. Rental growth remains strong.

Owner-occupiers continue to remain dominant in the city fringe, north and south Sydney, whilst investors remain active in all areas of the market.

In the strata unit market which is popular with owner-occupiers, recent off the plan developments have seen significant increases in their capital values, rising by over 30% in the past eighteen months.

South East NSW

Overall, we expect the market to continue on its current trajectory and for the most part remain neutral in 2018.

The industrial market is arguably the strongest of the main asset classes at the moment. There has been significant price growth in the past two years. Developers have returned to the sector with numerous small bay strata complexes under construction or recently constructed and selling well. Recently completed complexes include the Portside complex in Port Kembla and the complex at 7 Investigator Drive, Unanderra. Strata industrial units are attracting very high rates per square metre, but trading on price point. Although large portions are selling to owner-occupiers, these complexes have also been popular with self-managed super funds and mum and dad investors. There is however the potential for oversupply in this market.

Industrial rents are currently stable and local agents are reporting an increase in enquiry levels, particularly for smaller to mid-sized efficient warehouse tenancies that are well located. Demand for older style large heavy industrial space remains relatively soft given the struggling manufacturing and mining sectors.

Most of the activity in the industrial market is being driven by the Port of Port Kembla with logistics a rapidly developing sector particularly in new vehicle transportation. There is a long term plan to facilitate containers but this will require rail and road infrastructure upgrades. There is the potential for the area to be a logistics hub.

The tight supply and rising values and rents of industrial property in the Sydney market is also impacting on the local market. The property market and broader economy are heavily driven by the low cost of borrowing at present.

Industrial values in the local market have increased relatively significantly over a short period of time. As such there is considered to be an increased risk of price volatility and an overheated market.

NSW North Coast

Typically within inland regional locations, transition to more innovative product and design tends to be at a slower pace. Our industrial areas tend to be relatively static with well established businesses and few new entrants driving change. Traditionally, we would expect to find standard industrial concrete tilt up metal sheds on larger sites with a relatively small and modest office component.

Change is more readily apparent in our coastal localities where population growth and change are more dynamic. New businesses are entering the market and require superior product with additional features catering for the higher expectations and needs of their clients. Examples include fitness centres, bulky goods showrooms, funeral parlours, churches, brothels, trade wholesale and retail suppliers and large footprint retail complexes. This is effectively resulting in a morphing of industrial, retail and commercial. This is evident in older style industrial use (for example, motor mechanics) who are now incorporating a higher quality presentation with reception and office space creating an overall improved professional atmosphere.

We tend to see these superior components achieving 50% to 100% higher rents.

Given the increase in rents we have tended to see smaller strata units becoming more prevalent in part due to affordability (both to purchase and rent) with technology aiding this transition.

Byron Bay again is setting the standard on the Far North Coast of NSW. Traditionally the industrial estate has included an illegal component of residential accommodation and semi retail and commercial uses which has been strongly sought after. Byron Shire Council and developers have recognised this strong demand and have met the market with a new mixed-use precinct known as Habitat.

The Habitat development comprises a commercial precinct, live work units, shared indoor and outdoor meeting spaces, licensed café and food outlets, lap pool with shower and change room facilities, open grassed area, children's play area and passive recreational use, barbeque facilities, covered ping pong tables, car parking and bicycle parking. The innovation has been well received.

Coffs Harbour

There are limited new innovations in the local market. Developers are providing industrial strata title units in response to market demand from small business, predominantly owner-occupiers. Industrial units are mostly 100 to 250 square metres in size, concrete tilt up construction and sell for $1,500 to $2,400 per square metre depending on size, position, construction and fit out. Typically there is minimal fit out supplied by developers unless for pre sales with tenant specific requirements.

Larger complexes are purpose built to a tenant's requirements and there are a number of developers operating in this market space catering for a more restricted market.

There is a trend for retailers exiting traditional commercial premises and gravitating towards industrial locations with office showrooms plus production areas within attached warehouses. The industrial market is exhibiting an oversupply of smaller industrial bays for lease which has led to a broader range of rental evidence. Industrial sales remain firm with firm yields linked to the prevailing low interest rate climate.

There is a shortage of land stock however the proposed development of land adjacent to the Coffs Harbour airport and at Valla to the south may alleviate some of the market concerns about supply.

Newcastle

Our focus this month is on the changing dynamics in industrial property situated close to the Newcastle CBD. In recent times we have seen land values in Mayfield West, known as the Steel River Eco Estate, overtake land values further to the west at Beresfield. Beresfield is at the base of the M1 Freeway to Sydney and close to the New England Highway, providing a favourable position for logistics and distribution users.

While both localities have seen value improvements in recent years, the market improvement at Steel River is primarily due to two factors. Firstly, up until only a few months ago, there was a shortage of vacant land available for sale in Mayfield West. Once the land to the eastern most portion of the estate was subdivided in 2017, having exposure to Industrial Drive and Tourle Street, agents have reported swift buyer enquiry and land sale rates at around $170 to $175 per square metre, where Mayfield West land had previously been selling at around $135 to $145 per square metre in 2016.

Secondly, the current construction boom in and around the Newcastle CBD has seen an increase in smaller trades requiring storage and small office facilities in the area. We've seen a rise in small strata industrial developments such as My Space Commercial. With marketing aimed at the self-storage ownership market, this particular development, *"aims to provide storage solutions to more than just those living in smaller homes. Tradesmen, retailers and business owners alike are searching for more economical and simpler ways of storing their tools, excess stock, archived files, furniture, and supplies. And with so many new businesses operating only online or from their home, MySpace Strata Storage provides a permanent solution to their storage needs."* Stage 1 of this two-stage development has sold out, with Stage 2 nearing fully sold status. This development is just one example of the changing dynamics in the Newcastle industrial market that is relying more heavily on the residential and commercial boom in the CBD and moving away from a reliance on the mining industry and Newcastle's more traditional steel making facilities.

Gunnedah

Industrial demand in Gunnedah is driven equally by the agriculture and mining industries and their supporting businesses. The Mores Creek coal mine hit its peak this year, employing 450 people, and the proposed Shenhua coal mine is attracting new mining support businesses to Gunnedah.

New industrial sheds are being built for specific tenants at strong rents. Smaller industrial sheds are generally owner-occupied or leased by smaller businesses. Most recent demand has been pushed by existing businesses expanding including two gyms, local irrigation and bore companies and drought support tenants. Some demand is driven by new business moving to Gunnedah for agriculture, transport and mining services.

Vacancy rates are low for industrial sheds of all sizes at present. Tenants are currently looking for an affordable rent range for their business and good exposure. Gunnedah is located on the railway line which supports the three Gunnedah based flour mills and the coal mines. The inland railway line will have a hub located in the nearby town of Narrabri. This will support local business expanding further however due to the uncertainty of construction dates there has not yet been any influence on the local market.

Dubbo

Dubbo is a logistics hub, service sector and small manufacturing centre and has seen strong construction growth in the industrial sector in the previous two to three years. The transport sector also wants industrial complexes with at least B-double truck access if not road train, such as Purvis Lane and Yarrandale Road, which also offer light and heavy industrial zones.

The Blueridge Business Park has also seen strong recent construction of stand-alone industrial space for distributors, including Mid-west Foods and Century Batteries, and surprisingly, smash repair workshops. The attraction of new space is the tilt up panel construction, utility of use, better office accommodation and compliance with regulations.

Strata industrial development is limited to having a retail component and is therefore concentrated on the main thoroughfares through Dubbo, such as Bourke Street (Newell Highway).

Like the commercial property market in general, industrial property that is subject to strong lease covenants has met with keen investor enquiry (6.3% to 7%) however there is also a strong owner-occupier element in Dubbo that underpins the sub-$1 million market.

Orange

The industrial market in general is underpinned and impacted by the local Newcrest owned Cadia gold mine. As the mining industry and gold prices retract, there is a direct influence on the Orange industrial market.

Not dissimilar to other regional industrial markets, industrial property that is subject to favourable lease terms is met with keen investor enquiry, however owner-occupiers dominate and underpin the sub-$1 million industrial market and properties are required to be priced right in order to sell.

Victoria

Melbourne

With the industrial multi-unit development market becoming saturated in Melbourne's well regarded industrial suburbs, developers are looking for new ways to set their product apart from the competition.

In recent times we have seen adaptable spaces with brighter designs and developers will modify the spaces to meet the purchaser's requirements. Such product is being strongly supported by investors assuming strong WALEs and owner-occupiers looking to operate their small businesses or meet their ever-growing storage needs.

The strata industrial space is also being driven by the requirement to redevelop dated and functionally obsolete industrial properties into smaller, concrete tilt panel strata developments. Most industrial strata spaces comprise a mix of concrete tilt panel and aluminium glazed facades to provide natural lighting and in turn, a positive work environment for their occupants.

We are seeing strata industrial developments continuing to grow in the inner-city markets, particularly in the inner west, north and east, due to high land values in these areas. An example of an industrial infill development is 10 Cawley Road, Yarraville 3013, where 50 small strata units have been constructed to provide both self-storage and office/warehouse unit accommodation (ranging between 107 and 203 square metres).

'The Assembly' - 329 Bay Road, Cheltenham VIC 3192
(Source: http://theassemblybayside.com.au/project-overview/)

Another development which is combining small scale storage units and high-tech office/warehouse units is The Assembly, located at 329 Bay Road, Cheltenham 3192. The development is nearing completion with most units being secured by pre-commitment sale transactions prior to completion. The development focuses on being aesthetically pleasing, as demonstrated by the architecturally designed units and incorporating vertical garden walls, as well as being pragmatic at the same time, creating the perfect balance for occupants.

Where larger land allotments are more readily available and affordable, such as in the outer west and south-eastern markets, there has been an increase in large scale distribution centres being constructed, particularly within proximity of major transport routes. As the online shopping market continues to develop, many businesses are seeking to expand their operations to incorporate options for distribution to their customers. Smaller office to warehouse ratios are being constructed to coincide with technology advances and work-life balance, with employees able to work from home, creating a reduced requirement for high office to warehouse ratios in part.

Aside from the above, currently planned infrastructure upgrades and road projects will benefit the industrial corridors across Victoria and the sector as a whole. Projects include the Western Ring Road upgrade, CityLink Tulla widening, West Gate Tunnel project and the anticipated North East Link project. The completion of these upgrades will positively impact the aforementioned growth corridors across Melbourne and allow for further efficiencies with regard to transportation and logistics, particularly with regard to the growth in e-commerce and the importance of distribution centres. These infrastructure upgrades are creating stable links between destinations, reducing the risk of contingency when transporting goods.

Across the industrial market, rents have continued to stabilise with little movement noted. Yields on the other hand are a different story, in particular well-located investment properties with strong lease covenants and WALEs, with yields continuing to firm.

We expect that with the supply of englobo industrial land throughout Melbourne, industrial developments will continue to meet demand for both owner-occupiers and investors.

Echuca
Industrial innovation has been relatively static given the relatively small level of demand in Echuca Moama. Smaller scale factoriette type developments are still a relatively good fit for smaller start-up businesses, although the bulk of demand continues to be from owner-occupiers. There has been a slight increase in uptake of solar panels across the commercial sector more generally reflecting the potential for reduced outgoings and ongoing savings.

South Australia

Adelaide

Market conditions throughout South Australia have not been conducive to a large investment in new builds within the industrial sector over the past five years, however the contraction of the manufacturing sector has seen a shift in design towards more holistic buildings that can accommodate all aspects of a business's operation. It's less often about manufacture and more often about logistics - product in and product out - and warehousing (high clearance).

We recently had a client construct an industrial building that included a 3,500 square metre warehouse and a 2,500 square metre canopy for covered loading and unloading. The same building had a small office and an equal sized showroom for product display and sales. Whilst in an industrial area, it is not seen as economical nowadays to have sales and a showroom in a separate location.

Environmental factors are also becoming common with new buildings often including a significant investment in solar power and battery technology; other measures such as LED lighting and sarking are also common. Whilst it would be nice to think that industrial users are now environmentalists, these measures are typically done to curb the cost of power. South Australia is enduring some of the world's highest power prices. This is having a significant impact on the industrial sector, which is already enduring a range of other challenges.

We are also seeing advances in the quality of the office accommodation that is included within industrial buildings. The project discussed above included bike racks, change rooms and showers as well as the kind of meeting room space typically only seen in good quality CBD office space.

Renewal SA has a number of industrial 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 and 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 and 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 redeveloped into a mixed-use district with

Tonsley Park site in Adelaide's south *(Source: renewalsa.sa.gov.au)* 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 General Motors Holden site, approximately 122 hectares at Elizabeth (north of the Adelaide CBD), is reportedly under contract to an interstate developer with a large portion of the site to be transformed into an innovative business park. Reports indicate that Holden will retain a significant portion of the site as a spare parts operation and the history of the site will also be recognised with a proposed heritage and hospitality centre.

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.

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 (south) and Gawler which include a series of strategic non-stop links to connect the expanding industrial and residential growth areas throughout the north of metro Adelaide.

Herron Todd White research has seen yields within well located, prime industrial locations tighten. Prime industrial yields across all precincts are typically between 7% and 8% whilst secondary yields are between 8.25% and 9.5%.

Market reports indicate that owner-occupiers have become a prominent purchaser group since the progressive phase out of stamp duty in South Australia from 1 July 2016. This, as well as the relatively low and competitive interest rates, has benefited purchasers and we believe will continue to do so in the near future after the full abolishment at the end of the 2017/18 financial year.

Queensland

Brisbane

Tenants continue to have a preference for new, premium grade space within prime locations and there is reportedly some pent up demand for such accommodation as this trend increases. Generally, tenants look for buildings that provide modern office space with modern services and amenities. Other must haves include concrete tilt panel improvements which is the preferred construction style as well as space that has good natural lighting, good internal clearance and clearspan accommodation. Flexibility in design, adequate car parking and on site manoeuvrability for trucks and heavy vehicles are also key facets.

A good example of a modern concrete tilt panel facility with a good internal clearance (circa 10 metres) and in a prime location is 71 Charles Ulm Place, Eagle Farm which recently sold for $35.5 million with a passing yield of 5.88%.

For smaller stock, in particular the strata/workstore unit market, fully fitted out stock is preferred so purchasers look for turnkey products.

Tenants are seeking larger spaces, notably within the logistics sector with Silk Contract Logistics leasing a proposed modern style warehouse facility of 15,250 square metres at the Port of Brisbane as well as Quatius Logistics leasing circa 15,947 square metres at 70 Fulcrum Street at Richlands.

71 Charles Ulm Place, Eagle Farm *(Source: Cushman & Wakefield)*

New transport infrastructure in Brisbane is helping drive industrial demand through benefiting connectivity to existing major infrastructure. The Kingsford Smith Drive upgrade is set to improve traffic flow within the TradeCoast to allow more efficient access to the Brisbane airport and other transport routes. Other major infrastructure improvements include Brisbane airport's new runway, the Logan Enhancement project, Gateway Upgrade North project and Inland Rail which are all expected to drive industrial demand once completed.

There has been no significant rental growth within the industrial market. Tenants remain cost sensitive as developers offer attractive rents and incentives which is holding back rental growth. Prime net face rents generally range between $100 and $140 per square metre and for secondary assets generally between $60 and $110 per square metre depending on the precinct (with the TradeCoast generally being at the upper end of both ranges).

Yields continue to compress going into the second half of 2018 due to strong demand with prime grade yields generally ranging between 6% and 7% and 7.75% and 9.75% for secondary stock.

It appears that vacancies are showing steady improvement with incentives being offered to secure tenants typically ranging between 5% and 20% for prime assets depending on size and between

8% and 25% for secondary assets. Incentives are generally in the form of rent free periods however may include fit out contributions. Vacancies within prime locations are typically lower than that of stock in secondary locations.

Gold Coast

There is a rising trend in new industrial design of late for smaller industrial units or man caves which have experienced strong demand. More specific end users are being targeted which are of the demographic seeking storage for either leisure or luxury domestic items. This is a result of residential design moving towards smaller housing as well as the ageing population and downsizing of housing requirements in the older age brackets. These units have identified a need for more of a compartmentalized approach of having housing separated from storage or leisure units as a means of escape or necessity.

Several of these projects have been completed recently on the central Gold Coast with very good reception from the market, having fully sold. The design of one project in Molendinar in particular has introduced a new design layout for the Gold Coast of three level industrial units, which suit storage/garage space on the ground level for larger bulk items and two levels above more suited to storage of smaller items, office space or entertainment areas. This has obvious advantages from economies of scale and cost perspective in terms of greater profit from lower building costs per unit and higher building coverage to land area ratios.

Warehouse in Molendinar (*Source: commercialrealestate.com.au*)

Conversely, there have also been projects of multiple medium size (circa 2,000 square metre) freestanding industrial buildings within a single title complex which have been well received by the market for lease. These developments have responded to a lack of industrial supply in the central and southern Gold Coast rental markets and suit investors looking for secure returns rather than profiteering from strata titling. These developments (such as the recent development at 27 Industrial Avenue, Molendinar) are also more commonly incorporating modern design features such as architectural style brick and aluminium cladding facades (as opposed to traditional 100% concrete tilt panel construction) commensurate with modern commercial design incorporated in office or retail buildings.

Similar design concepts are being implemented with modern buildings (and existing buildings which have been refurbished) with the advent of the craft beer brewery and public bar trend that has taken hold in the Gold Coast with beer brands such as Balter Brewing, Burleigh Brewing Co, Black Hops Brewing and Lost Palms Brewing Co, situated in Currumbin Waters, Burleigh Heads and Miami industrial estates. These types of enterprises have helped create an artisan style hub amongst similar businesses in these areas and would offer scope for redesign or development opportunities for industrial stock in similar beachside locations within the Gold Coast for investors or developers. Following the popularity of these quasi-retail/ industrial centres, it is anticipated that there would be strong demand for more bespoke space in industrial locations that would suit smaller businesses of a more creative nature.

As an overview, the industrial market continues to be dominated by owner-occupiers (within the Gold Coast central and southern locations particularly). Yields are now reflecting sub 5% levels for owner-occupied industrial strata units, with smaller units recently breaching the $3,000 per square metre mark and beyond as the lack of supply is driving prices further upwards along with continued high demand due to the low interest rates.

Freestanding industrial buildings are showing yields of 6% to 6.5% in the sub $5 million range for investor product and sub 6% (circa 5.50% to 6%) for owner-occupier product in the sub $3 million price bracket.

The high owner-occupier activity has also flowed on to stronger rental demand as tenants have to compete with a lack of supply and against the backdrop of a generally thriving business environment on the Gold Coast at present. This has resulted in modest increases in rental rates in the past year or so.

Regional industrial locations such as South Murwillumbah are also experiencing a flow on effect of these market forces, with land values increasing recently. Developers are becoming active in these areas as the price point for new product is beginning to tip in favour of development viability once more.

Industrial land availability remains extremely low in most industrial areas on the Gold Coast with only one significant project in the pipeline on the southern Gold Coast that we are aware of, opposite the Gold Coast airport with a commencement date as yet uncertain.

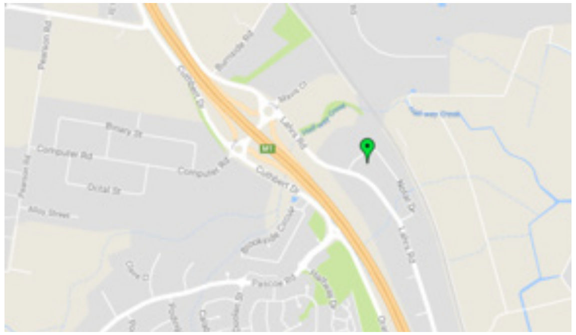
Two recent interesting sales are:

21 Notar Drive, Ormeau, QLD, 4208 Lot 8 Survey Plan 139327.	
Sale Date	16/02/2018
Sale Price	$8,000,000
Land Area	20,510 m^2
Lettable Area	4,469 m^2
Passing Yield (%)	6.92%
Analysed Market Yield	6.92%
\$/m^2 Lettable Area	$1,790

Comments

Land/location: This is a level, irregular shaped, corner site that is at road height. The property has a dual road frontage to Lahrs Road and Notar Drive. The property is located in the Yatala Enterprise area and approximately 500 metres from the M1 Motorway. The site is classified Low Impact Industry under the Gold Coast City Plan Version 4. Land Area is 20,510 square metres.

Building: This is a semi-modern style, high clearance warehouse of sheet metal construction. It comprises 3,828 square metres of factory space, 376 square metres of ground floor office, 185 square metres of mezzanine space and a receiving/dispatch area of 80 square metres for a total of 4,469 square metres plus a 300 square metre welding bay. Site coverage is 22%.



(Photo: realcommercial.com.au Map: Google)

The property sold leased to a national tenant, Stoddart Group, on a three plus two year lease which commenced 1 January 2018. Net income is $654,000 ($146 per square metre) plus recoverable outgoings of $39,139 ($9 per square metre) per annum. The WALE equates to 2.87 years. The sale analyses to a yield of 6.92% based on the following assumptions: passing gross income of $693,139 per annum ($155 per square metre inclusive of hardstand), estimated outgoings of $139,739 per annum ($31 per square metre).

Apportionment of sale: Land $5 million ($244 per square metre); Improvements $3 million ($671 per square metre). Further analysis of sale: Gross floor area $1,374 per square metre, balance land $200 per square metre.

27 Millennium Circuit, Helensvale, QLD, 4212 L2 SP133900	
Sale Date	06/03/2018
Sale Price	$2,250,000
Land Area	2,107 m²
Lettable Area	1,206 m²
Passing Yield (%)	VP
Analysed Market Yield	5.96%
$/m² Lettable Area	$1,866

(Photo: realcommercial.com.au Map: Google)

Comments

Land/location: This is a near level, irregular shaped internal allotment at street grade; it has a near level contour. The property has a single road frontage to Millennium Circuit. It is located within the Millennium Business Park, which extends between the eastern side of Millaroo Drive and the eastern side of the Pacific Motorway at Helensvale. The site is classified within the low impact industry zone under the Gold Coast City Plan Version 4.

Building: Erected on the property is a modern style, industrial building of irregular shape comprising 1,011 square metres of warehouse and amenities with 195 square metres of mezzanine office space. The areas are as follows: warehouse - 870 square metres, warehouse amenities - 141 square metres, overcroft mezzanine office - 101 square metres, converted mezzanine office - 94 square metres, basement storage - 175 square metres (not included in the total lettable area). Site coverage is 57%.

The property sold with vacant possession. The sale analyses to a yield of 5.96% based on the following assumptions: assessed gross income of $179,245 per annum ($145 per square metre over the building's standard accommodation and $25 per square metre for the basement storage), outgoings of $35,925 per annum ($30 per square metre), letting up allowance of six months plus three month incentive plus leasing fees ($153,899).

Apportionment of sale: Land $1 million ($475 per square metre); improvements $1.25 million ($1,000 per square metre for the standard accommodation and $250 per square metre for the basement storage).

Further apportionment: standard accommodation - $1,822 per square metre; basement storage - $300 per square metre.

Rockhampton

Improvement in coal prices and greater stability over the past 12 months have increased coal mining activity and therefore mine support industries. This is fuelling some renewed interest in industrial property in the Rockhampton region however the market remains sluggish overall. Leased properties are tightly held with few offerings made to the market. The most active buyer class is the owner-occupier, however few new offerings are available and there are now fewer of these buyers active in the market.

There are no significant changes in building design, however we note that industries are requiring greater specialisation and higher technology in their machinery, and this is most often fitted within standard building designs. A longer term trend is the increased presence of depots for logistics businesses which often require larger sites, some with vehicle wash down, refuelling and servicing capacity. We have seen particular growth of the logistics and transport industry within the Gracemere industrial areas. Generally speaking, the industries that operate in the Rockhampton industrial market are diverse and generally have varying requirements.

Gladstone

The industrial market in Gladstone has been oversupplied in recent years as demand softened significantly as a result of the local LNG projects progressing out of construction phase and into operational phase. As a result, tenants have been able to upgrade to newer, more modern premises and it is now difficult to attract tenants to older, secondary industrial premises.

The businesses that operate in the industrial market in Gladstone are diverse and generally speaking, the requirements of the occupiers varies dramatically. There are large scale national engineering businesses that require heavy duty, engineering workshops, equipped with gantry cranes, and also local service industry businesses that require only a modest workshop and office. During stronger times, workshops equipped with gantry cranes would attract rentals that were notably higher than that of an unequipped shed, however in the current state of the market there are fewer tenants requiring cranes and landlords have had to reduce their rentals in line with unequipped workshops.

There has been increased sales activity in the industrial sector in the past 12 to 24 months, with various leased and vacant sheds transacting by a mixture of locals and non-locals. This is a positive sign that buyers have renewed confidence in the market and consider there to be a more positive outlook for the short to medium term.

Mackay

An interesting innovation we have seen recently in modern industrial properties is the use of solar power. A good example of this is the Linked Group Services Building at Maggiolo Drive which comprises a fully off the grid solar system with battery storage. There is a lack of rental and sales evidence for properties improved with solar power systems in the current market to demonstrate any premium attributable to solar infrastructure despite providing a long term benefit to the tenant or occupier of the building in terms of electricity savings.

The industrial market in Mackay remains oversupplied, but leasing activity is improving with the resurgence in coal mining. The rental market has undergone a correction through the coal mining downturn but has now consolidated at a new lower level approximately 30% below the 2012 market peak. Heavy engineering workshops with good overhead crane facilities are in short supply and are expected to show moderate growth over the next 12 months.

Toowoomba

The Charlton-Wellcamp Enterprise Area is a large industrial precinct located to the west of the city of Toowoomba. The key feature of the precinct is its position close to the Toowoomba Bypass Road (construction commenced in 2016 with completion expected circa late 2019), the proposed Melbourne to Brisbane Inland Railroad ($8.4 billion in federal funding announced earlier this year) and the Brisbane West Wellcamp Airport (opened in November 2014).

The precinct will appeal for traditional manufacturing and transport/warehousing uses but has also drawn interest from a number of specialised users. Examples of some of the specialised uses include:

Data Centre - Construction of Stage 1 of the new Pulse Data Centre has been completed. The $40 million facility is located within the Witmack Industry Park and is the first data centre located in regional Australia. The facility will enable companies to store and distribute data at high speeds. The centre was developed by the FKG Group with Telstra and Schneider Electric listed as key partners in the project.

Egg Pasteurisation Facility - Construction of an egg pasteurisation facility in Vision Street has also recently been completed. The initial stage includes an office of approximately 350 square metres and a processing facility of approximately 2,400 square metres. The facility will be operated by Australian Pasteurised Eggs.

Milk Formula Facility - A powder milk processing facility is being constructed in the industrial park adjoining the Wellcamp Airport. The location of the facility near the airport will enable easy export of milk formula to Asian markets. There are also plans for a second stage that will contain a fresh milk factory.

Townsville

Townsville's industrial market is currently seeing limited innovation or new construction with an excess of both rental and sale property relative to demand resulting in no real stimulus for new construction.

Strata industrial units have seen some activity over the past six months with the price point being typically under $500,000 making them attractive. This is allowing owner-occupiers of smaller service industry businesses to move from a home office operation to a dedicated workplace.

Affordability remains a market driver in the current environment with owner-occupiers attracted to the price points and selections on offer, enabling them to upgrade or move from a rental situation to owner-occupied.

Overall the industrial market sits at the bottom of the market cycle with a mildly reducing trend in market activity, however there remains increased sentiment surrounding the mining sector.

Northern Territory

Darwin

Herron Todd White (NT) was recently commissioned by the Property Council to review the supply of industrial land and improved industrial property across Greater Darwin. The preliminary findings of this study were delivered at a Property Council function in August 2018.

The total amount of commercial/industrial land across Greater Darwin (excluding the CBD) is about 10.5 million square metres (1,050 hectares). Of this land about two million square metres (19%) is vacant land ready for development or in various subdivisions which will be completed in the next 12 months. The vacant land area available exceeds the size of the suburb of Winnellie and based on current land take-up rates, will satisfy the demand for land for many years to come.

The estimated total gross building area of commercial/industrial space (excluding retail) across Darwin is just under two million square metres. This would tend to indicate that substantial additional supply would also be available from subdivision of existing blocks and also from redevelopment of older style accommodation, especially in pre-cyclone areas such as Winnellie.

In an environment of high supply and low demand, it is imperative that landowners provide a product to meet the specific demands of buyers. The recent release of Stage 2 of Berrimah Business Park sees an increased availability of smaller freehold blocks and it is our expectation that many small businesses will be attracted to these, as opposed to the strata type accommodation which they have historically used.

However, the high level of land supply available and the weak economic conditions being experienced in Darwin have served to hold values at declining to static levels over the past six months, on a low volume of trade. The announcement that hydraulic fracturing will be allowed in the NT (under a tightly controlled regime) has not yet flowed through to any improvement in demand for industrial land in Darwin. We note that most of the fracking opportunities are in areas such as the Beetaloo Basin, so any benefit to Darwin will only result from it becoming a logistics or processing centre for these products.

Australian Capital Territory

Canberra

Highly innovative industrial projects are new to Canberra when compared to other larger cities such as Sydney and Melbourne.

New developments include a focus on good access, on-site amenities and regular maintenance/upkeep of the premises. For example, industrial tenants have a demand for property with parking and storage. This is becoming harder to find in some ACT suburbs and as a result, demand for properties with parking is increasing. Developments often include a small office on the first floor of a strata unit warehouse with kitchenette and bathroom. Common amenities are not favoured however ingress and egress between sites can be beneficial with clients being able to visit a range of businesses within close proximity.

One notable project currently in the design process is a Chilean style industrial project which will be built in Fyshwick. The project, named the Para Building, has been commissioned by the Molonglo Group, a well-known local developer, and may be under construction as early as 2019. This construction is to be innovative as the project is to have a unique mix of industrial, residential and commercial uses incorporated into the design that the ACT has not seen before. The project will occur on a 14.5 hectare site and span 10 to 15 years with over 50 proposed buildings to be constructed and complement the surrounding wetlands precinct. Designs are meant to be innovative, challenging and draw interest to the buildings themselves and the surroundings.

A model of the "Para building", a pavilion of two towers proposed by the Molonglo Group for its new development at Dairy Road, Fyshwick. *(Source Canberra Times 20 March 2018 article by Kirsten Lawson)*

The ACT industrial market is currently steady in the first half of the year. The latter half of the year will be subject to the impact of stricter lending rules on loan approvals due to the Royal Commission into the banking sector and this will influence affordability and growth.

Commercial

Western Australia

Perth

The broader Perth industrial property market has remained subdued in the past 12 months, a reflection of 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 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 $55 and $65 per square metre per annum.

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

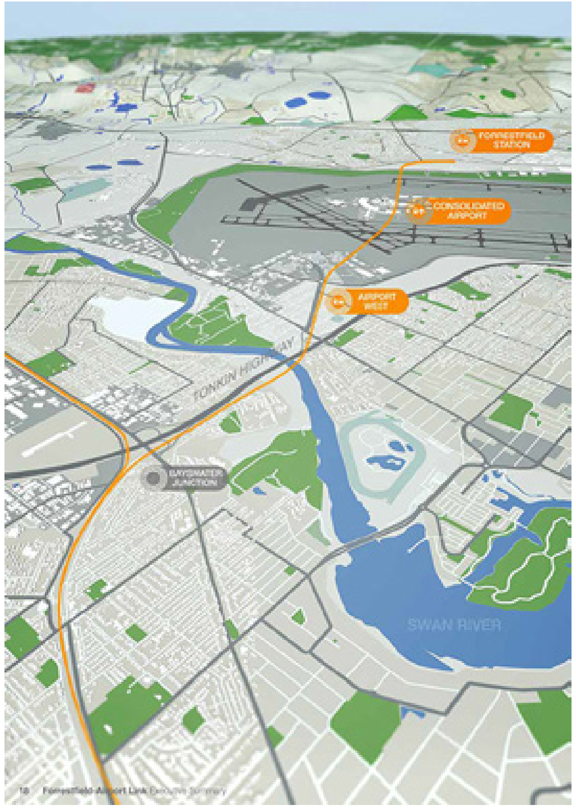
There have been few opportunities to acquire good quality, securely leased assets. Somewhat counter intuitively this has led to yield compression for such properties despite the general malaise that has engulfed the broader Western Australian economy.

Yields for prime industrial assets tend to fall between 6.25% and 7.5% with yields for secondary industrial properties much softer.

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 number of prospective buyers as opposed to pricing, particularly for those sites greater 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 estate have tapered off during the past nine months.

The supply of new industrial space (including speculative development) has been minimal and a function of the prevailing soft levels of demand. This trend is unlikely to change in the short term. We may begin to see an increase in the refurbishment or repositioning of older style facilities to cater for tenants demanding more efficient and modern facilities, mainly in the traditional industrial areas.



Forrestfield Airport Link *(Source: forrestfieldairportlink.wa.gov.au)*

Commercial

The continued growth in on-line retail is likely to heighten the need for modern logistics facilities.

Design trends in contemporary industrial spaces include higher truss clearances (over 7.5 metres), under-cover car parking, heightened security (for example, fully enclosed fencing and automatic entry gates), mobile gantry cranes and greater emphasis on architectural aesthetics.

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 rail line is scheduled to be operational in 2020.

NorthLink WA is a $1.02 billion transport project in Perth's eastern/north-eastern corridor to be constructed in three stages. Stage 1 has already been completed and Stage 2 is well underway. Once all sections are complete (estimated for the middle of 2019) NorthLink WA will provide a non-stop transport route from Morley to Muchea and is likely to directly benefit industrial estates in that corridor.

Residential

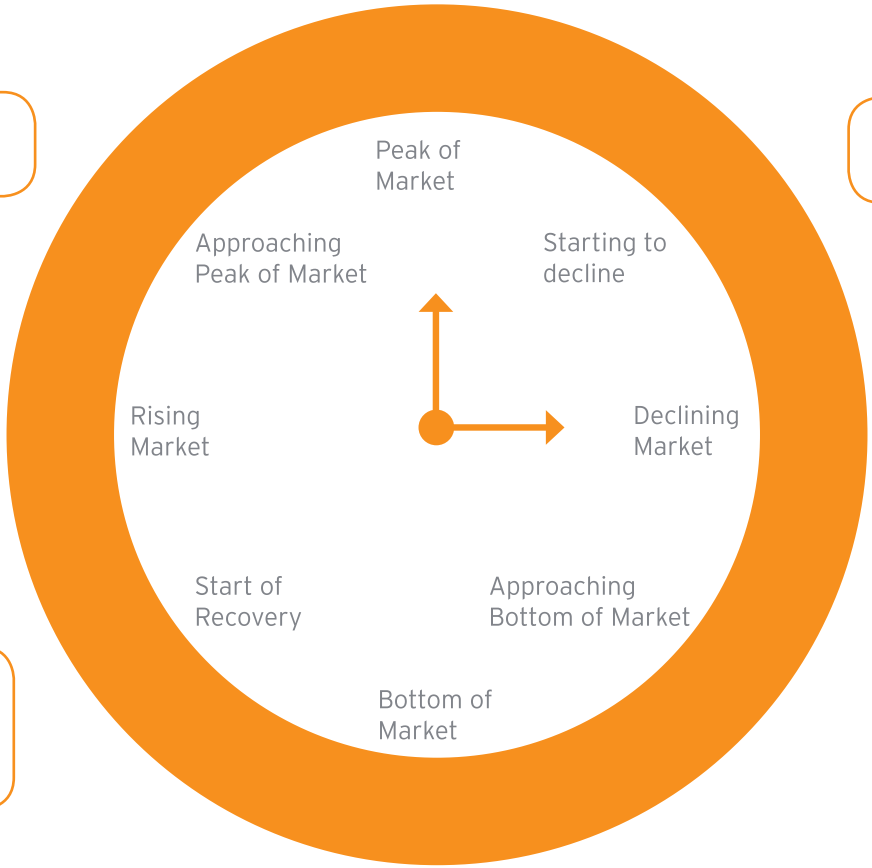
HERRON TODD WHITE RESIDENTIAL

National Property Clock
September 2018
Houses

Coffs Harbour
Gippsland
Melbourne
Mid North Coast
Newcastle

Dubbo
Hobart
Sunshine Coast

Bendigo
Central Coast
Gold Coast
South East NSW



Adelaide
Adelaide Hills
Ballarat
Barossa Valley
Brisbane
Burnie-Devonport
Canberra
Echuca
Emerald
Iron Triangle
Launceston
Lismore
Mildura
Mount Gambier
Tamworth

Illawarra
Sydney

Cairns
Gladstone
Hervey Bay
Ipswich
Mackay
South West WA
Townsville

Alice Springs
Bundaberg
Darwin
Perth
Rockhampton
Toowoomba

Entries coloured orange indicate positional change from last month.

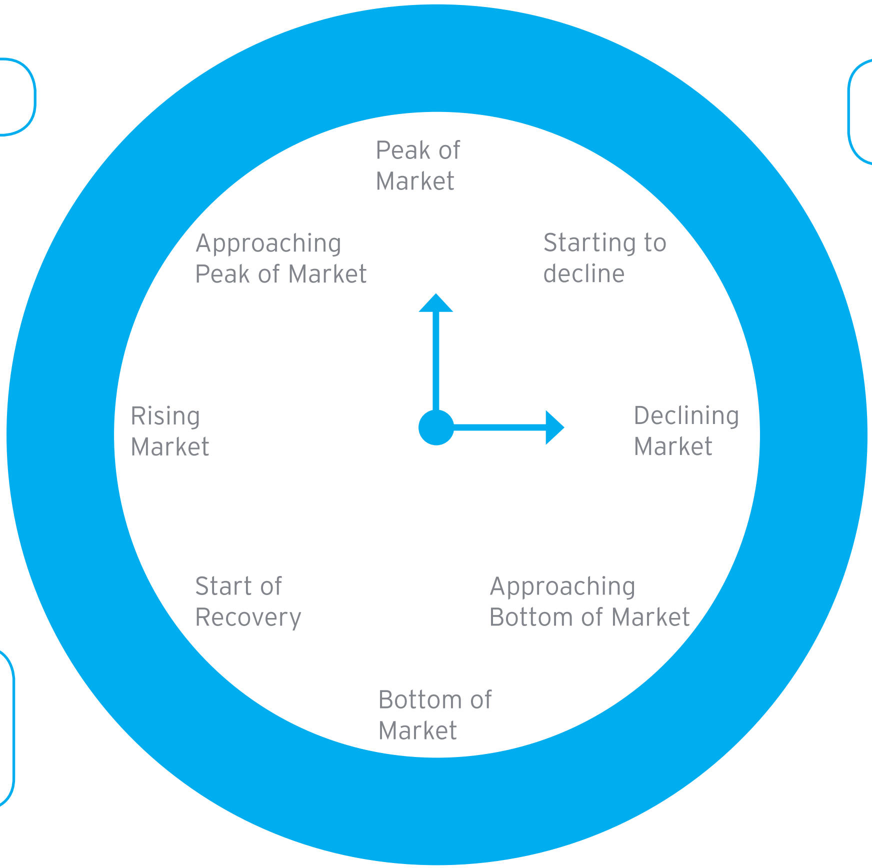
HERRON TODD WHITE RESIDENTIAL

National Property Clock
September 2018
Units

Canberra
Coffs Harbour
Melbourne
Mid North Coast
Newcastle

Dubbo
Hobart

Bendigo
Central Coast
Gold Coast
South East NSW



Ballarat
Burnie-Devonport
Echuca
Launceston
Mount Gambier
Sunshine Coast
Tamworth

Brisbane
Illawarra
Lismore
Perth
Sydney

Emerald
Gippsland
Gladstone
Hervey Bay
Ipswich
Mildura
South West WA
Townsville

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

Entries coloured blue indicate positional change from last month.

New South Wales

Overview

Spring Selling Season has long been held out as the reinvigoration of the real estate sector after the long, cold winter... but is this a fact?

This month, we take a look on an office-by-office basis whether the Spring Selling Season is real or not.

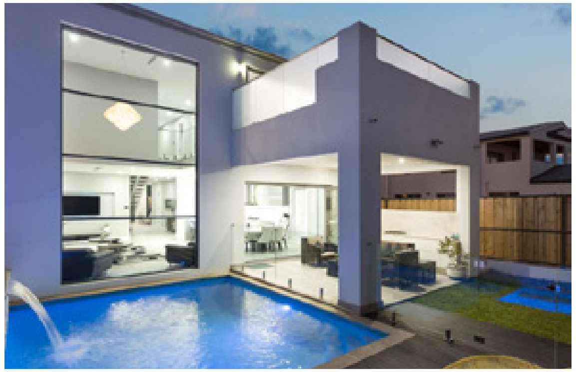
Sydney

Spring time in Sydney is traditionally a busy time of year in the residential real estate market. Many locations and properties become more appealing during the spring time as the weather warms up and the days become longer.

Apart from general market sentiment and media attention, some of the other reasons that market activity increases around spring can be due to properties presenting nicely with more sunlight, gardens and lawns at their best and potential buyers generally more likely to get out and about after a winter hibernation.

While beach, harbour and river side locations become more attractive at this time of year to both buyers and renters looking to get in before summer, Sydney generally sees increased activity right across the board.

For western Sydney the warmer months present an ideal time to list your house for sale. Houses in western Sydney generally have larger sized parcels



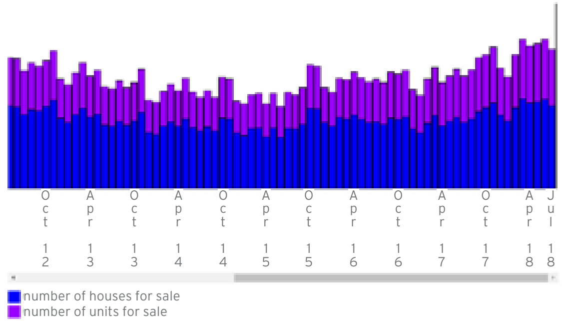
28 Bindo Street, The Ponds *(Source: Realestate.com.au)*

with considerable gardens and in many cases swimming pools. The warmer months are the best time to sell as the gardens begin to bloom and the weather warms up making swimming pools and outdoor entertaining areas appealing features for Christmas and the summer months.

The graph below shows the total number of listings on the market across Sydney over the past six years, with the spring months often the strongest when it comes to properties available for sale, particularly in October and November.

Whilst the amount of stock on the market remained at high levels throughout winter this year, there are still expectations that this spring will still see an uplift in listings. A recent Domain article outlined how spring is likely to come early this year as vendors look to get

Total Property Listings
City: Sydney



Source: SQMresearch.com.au

in before prices ease any further, with many hoping to sell prior to the 1 October long weekend.

As at 12 August, CoreLogic was reporting that the number of new listings is down 8.1% on this time last year, however the number of total listings is up 21.1%, with the median time on the market increasing from 32 days to 46 days over that period. With stock levels at close to six-year highs, a further jump in new listings is likely to provide buyers with even more choice in what is already considered a buyer's market.

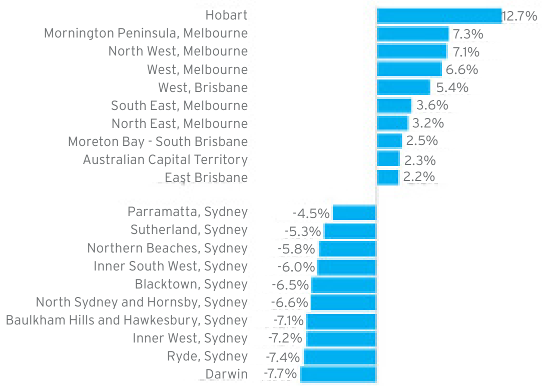
Capital city properties listed for sale

Capital city	No of new listings	12 mth change	No of total listings	12 mth change
Sydney	6,275	-8.1%	26,567	21.1%

Source: CoreLogic

The wider Sydney market reached its peak in 2017 and is now experiencing weakening values, with some areas falling more quickly than others. Sydney regions held nine of the top ten positions for capital city dwelling value falls over the 2017/18 financial year. Auction clearance rates are now in the 50% range whereas 12 months ago they were above 70%. The marketing profile has also changed in many locations as listed properties are now hitting the market with a private treaty price guide rather than an auction price guide.

Top ten largest increase and decrease in dwelling values, 2017/18 financial year, Capital city SA4 regions



Source: CoreLogic

The inner west and city fringe areas have been interesting to follow over the past six to twelve months. Generally investor stock, new units and secondary properties (e.g. those impacted by very close proximity to busy roads or new infrastructure development) have performed poorly, at least in comparison to previous years, with many of these property types experiencing slight value declines at all value levels.

Many quality properties in desirable areas (e.g. Surry Hills terrace homes or two to three bedroom inner east units with views and good natural light) have seen prices holding steady but buyer interest waning, with many agents noting fewer potential buyers coming through open homes, a single interested party or selling a day prior to auction so as to avoid passing in.

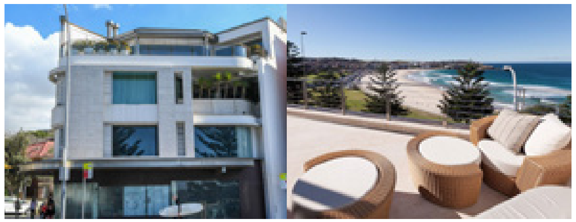
Apartment values in investor driven markets and new unit hot-spots (such as around Green Square, Pyrmont and Chippendale) have also been in decline over the past six months, mainly due to investor lending restrictions and a strong supply pipeline.

Local agents advise that units are the softest sector of the market in the eastern suburbs. In particular the $900,000 to $1.5 million range has seen reduced buyer demand and a softening in prices. This is largely as a result of tighter lending restrictions which have impacted on the amount of money people can borrow, particularly investors.

There is also still demand for good quality stock on the northern beaches. Most homes, given the correct pricing, are still selling relatively quickly. According to the Sydney Morning Herald, the northern beaches was the best performing region at auction on the weekend of 11 August with 82% of properties selling under the hammer. This is believed to be a result of vendors lowering reserve prices to meet current market expectations.

Properties above $5 million in traditional prestige locations have been holding up better than other sub markets over the past 12 months, with a number of record sales in some suburbs and regions, including a sale of almost $11 million in Kangaroo Point in July in Sydney's south and the $29 million sale of James Packer's property in Bondi Beach in August.

The latter well-known property of 362 square metres on a corner allotment, comprises a four level luxury home with a ground floor retail/mixed use area, situated on busy Campbell Parade, directly



36 Campbell Parade, Bondi Beach *(Source: Domain)*

opposite Bondi Beach. The property was previously briefly listed in 2015 with the highest offer at that time being $21.5 million.

The prestige trophy home market on the Northern Beaches has also bucked the general market trend. Two recent examples indicate the underlying strength of the market, including 44 Bower Street, Manly which sold for more than $13 million after a four week marketing campaign, while 3 Pavilion Street has recently set the Queenscliff record, selling for $12 million after just four days on the market.

3 Pavilion Street, Queenscliff *(Source: Realestate.com.au)*

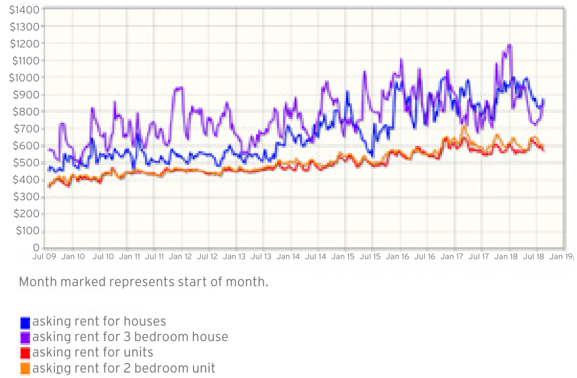
The prestige market in the affluent suburb of Mosman has continued to show its strength and resilience. So far this year there have been around ten recorded genuine market sales over $10 million in the suburb (source: Pricefinder.com.au). To reiterate the strength of this prestige market, the suburb record for Mosman was broken this year with a property on Hopetoun Avenue reportedly having sold for around $25 million in July (Domain.com.au). The record Mosman unit sale price has also been broken with 1/2e Mosman Street selling for $10.22 million in April.

The number of high value sales and broken sales records clearly show that, despite the withdrawal of Chinese buyers, there are quality local buyers in this sector who still have confidence in the market. We expect this trend to stabilise throughout the remainder of the year and don't anticipate any large decrease in values. There are signs however that an increasing level of stock in some prestige markets is beginning to see prices weaken.

1/2e Mosman Street, Mosman *(Source: realestate.com.au)*

Rental properties in beachside locations are often more highly sought after during spring as tenants look to secure a property before summer. This can be seen in the graph below for the postcode which covers Cronulla, a beachside suburb in Sydney's south. Although rental prices tend to fluctuate throughout the year, there is a clear increase each year between July and January for both houses and units.

Weekly Rents
Postcode 2230



(Source: SQMresearch.com.au)

Manly, a beachside suburb on Sydney's northern beaches, also highlights this seasonal demand from a rental perspective with the spring period of 2017

Residential

seeing an average of 430 visits to realestate.com.au per unit listing, in comparison to July of 2018 with an average of 287 visits per listing. With rental vacancy rates starting to rise it will be interesting to see if spring this year provides the usual strong uplift in rental demand in these areas.

Overall, we believe spring will see the wider market correction continue to play out. While in recent years spring has seen the majority of properties snapped up quickly, and at strong prices, the added supply to the market this spring is likely to put further downward pressure on prices. High quality properties are still likely to achieve solid results but secondary properties with defects or less desirable features will continue to struggle with vendors needing to have realistic expectations to meet the market.

On the other side of this, it provides extra opportunity for buyers, which is certainly welcomed after the highly competitive property market of previous years.

Newcastle

It's spring and the temperature is rising. The Knights have missed September action again, although there was definite improvement and a belief next year will be different. The Jets are just starting their campaign to go one better than last year and Merewether Beach is seeing more than just the surfers and hard core swimmers who visit during the winter months.

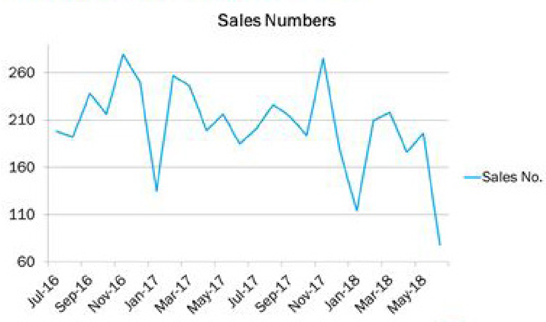
But what about the property market?

Traditionally people believe that spring is the best time to sell as gardens are looking greener and days are longer, but being in Australia the winter months still see plenty of sunlight so while the Spring Selling Season perception is there, it's not necessarily reality.

However like a lot of things, perception is important and spring is certainly a time when we begin to see a rise in listings in the region, So it's a buyer's market with more stock and that means more choice.

It is no secret however that over the past few years the Newcastle market has been running hot and it has not really mattered what month or season properties have been listed as the high demand has meant that properties have generally not stayed on the market for long.

Number of Sales Newcastle LGA



(Source: Herron Todd White research)

So with the traditional perception of spring being the time to sell correlating with a strong market over the past few years, the months of spring have generally been the strongest for sales activity and then drop away over the Christmas period which is nearly always quiet in the Newcastle area.

However the market seems to be slowing as the above graph would indicate so this spring the traditional high supply may not be matched by the high demand of recent years, meaning we could possibly end up with a glut of property on the market.

Port Macquarie

With the warmer months descending upon us, do property sales really increase in spring or is it just that more people are out and about enjoying the warmer weather, perhaps popping into that open house across the road. Sometimes that's all it takes and next you know you are paying a deposit. I wonder how often that happens; maybe it's not fiction after all!

So down to business. What's happening along the Mid North Coast and the Port Macquarie area for property sales and what's the likelihood of property sales trending upwards during this spring season?

Our area has always been a popular tourist destination for families, making it a desirable area to purchase for lifestyle or investment. We are noticing a slowing in the market, with some selling periods lengthening back to 90 days or so, which was considered normal about two years ago.

The market is now returning to the norm whereby growth is at a more reasonable pace. Cameron Kusher from Corelogic advises that on the Mid North Coast, "Dwelling values have increased by 0.9% over the past three months and are 2% higher over the past year. This 2% annual rise in values is much lower than the 9.6% increase a year ago and the slowest annual rate of growth since August 2013. Although values are still increasing, the growth trend is clearly softening."

Spring has always been a popular time to place the house on the market, with the belief that sales are more buoyant during this time. We believe that while more housing may come onto the market, sales will continue on the same trend as the past three months.

In the main regional centre of Port Macquarie, we normally see good sales activity from September right though to Easter with the end of the school holidays often being a deadline to be settled into a new or rental home. We see the market continuing at a stabilising trend with values starting to steady and an increase of properties coming onto the market allowing the buyer more choice.

With the building industry still buoyant, especially at the local fringes of Port Macquarie, new houses are proving to be popular, adding to the influx of spring houses.

So, we don't believe that the market will be blooming out of control but rather a near-level trend is more likely.

Central Coast

The New South Wales central region typifies a number of notions of a touristy, holiday location with a generally laid-back approach to life. In years past, the coast was a popular retirement, holiday or weekend destination. Longer term locals can remember well that everything seemed to stop during the cold and dull winter months with life and people re-emerging in the spring and peaking during the longer, warmer and balmy months of summer.

Traditionally, the local real estate market mimics this trend with lots of new listings, fresh paint, blooming gardens and these days, houses staged for selling purposes.

Today though, we are coming out of an extended period of furious real estate activity across the region and indeed, most of the eastern seaboard. It has lasted a few years and along with milder than expected winters, we have experienced less of the slowdown periods.

The region's real estate market seems to have changed to a constantly moving thing, but we don't think this is purely related to seasonality or the longer than expected peak in the real estate cycle. We think the traditional winter slowdown is really a thing of the past for a number of reasons that include:

- An awareness of the opportunities available on the coast and the need for those recognising this to be part of it,
- Advertising and marketing being so advanced and available around the clock that observers and participants have the ability to view property year round comfortably from home, work, cafes etc without needing to spend days planning, arranging, driving around looking at properties and meeting agents;
- The ability to deal or transact property remotely - how many of us haven't even met a bank manager to arrange a home loan or conveyancer, as our parents had to? We do our stuff online and expect quick, seamless results.

But all of this aside, we still think spring is a special time for the market and very soon we are expecting the agents to commence with their spring sale events to capture and cater for the traditionalists among us.

The statistics prove there is a spike in sale numbers during the warmer months and although a little less obvious these days, it is still the case. Agents we've spoken with report that sales are slowing and buyer activity is a little weaker, but ever the optimists, most agents agree that while the market will slow and plateau, falls in values will be minimal.

Over the past few years, some of the region's suburbs have seen significant sale volumes occurring. This is particularly the case in the peninsula suburbs of Umina Beach and Woy Woy. Only now are we hearing and seeing these markets slowing down. These suburbs and their close neighbour Booker Bay have proven very popular with buyers forced out of the Sydney market and it will be interesting to see whether the prices paid will be sustained as we move into the next part of the cycle.

We tend to think that the region's markets will be okay overall, but if there is a vulnerable area, it will likely be the peninsula areas due to the level of rises seen here.

It remains to be seen whether the lenders tightening loan criteria will affect the market as we move into the next season and part of the cycle. We think it will and are already seeing the early effects of this on the first and second home and investor market where lenders are actively and overtly looking at their levels of risk on new borrowings.

Less affected though is the higher end of the market. We are seeing more sales in the executive or luxury segments of our local market at the moment and this is not new when we have reached this part of the cycle. While many buyers (and sellers) are still reliant on finance generally, they are a little less so than others.

Albury

Spring has sprung, well not quite, however the garden contractors are in full swing for sure, just as the real estate agents are preening their feathers for the annual spring festival frenzy. There is a definite uplift in property presentation, vendor enthusiasm and expectation and buyer behaviour in spring. It is an innate reaction to warmer weather, the desire to spring clean and end hibernation and is not lost on the property market in our region.

Albury-Wodonga and north-east Victoria enjoy four true seasons and some of the country's top and emerging rural lifestyle and natural tourism areas, so the excitement about the spring market is tangible. Possibly not so much this year, as solid growth and interest in our region continues year round due to affordability with the region's predominance of single, detached dwellings. Agents report that sales and dwelling construction have soldiered on through a relatively dry winter and right on cue, recent good rain is laying the foundation for a very pretty spring season. Manicured garden estates, tree lined streets with character dwellings, rolling hills, running creeks and green valleys are just the ticket to capture the ever ready home owners and although maybe not so much, the Sydney or Melbourne investor, however marketability is at its peak in spring in our region and this is usually reflected in higher listing numbers. It is not very technical, but green is good and brown is bad in our patch.

Everything can look quite bleak in winter, although some places, such as Bright (a cycling mecca of north-east Victoria) capture the ski season in winter and the Ovens River as a drawcard in summer, and prices and demand have really responded to such insulation from seasonal changes. The very strong growth and demand have created a very strong ripple effect over the past 18 months, with limited land available close to town and purchasers profiling as retirees, holiday home owners and tree changers. Permanent tenants and first home owners are nearly completely locked out of this very naturally abundant area. This spring will mark the second year of heightened market awareness of the increased values in the entire area, with special mention to Harrietville, Wandiligong, Porepunkah and Myrtleford. Spring will be very interesting to watch in these locations.

The rural lifestyle sector, which has been strong for a couple of years now, seems to have settled down a tad and tends to have its own longer term cycle/turnover, usually related to the commute or workload of a few hectares sinking in, upsizing or downsizing. And in town (Albury-Wodonga) presentation will continue to play a role, with savvy agents and vendors often achieving the next level purchase price push due to bang on décor and renovation, which we're pretty sure could be attributed to the avalanche of home and property shows. And with a young female valuer featuring on The Bachelor this week, maybe investment and divestment valuations might be the new spring property tool!

Dubbo

The Dubbo residential market has stabilised in recent months after a period of strong growth with values holding steady. Recent sales activity has been subdued due to tightened credit accessibility and more restrictive lending practices essentially slowing the buying and selling process. In addition, the reduction in investment lending and the potential for tax changes for investment lending has seen buyer activity slow in the Dubbo market.

With spring around the corner we expect to see an increase in listings which is typical at this time of year when properties and gardens are looking their best. The increase in listings will also mean more choice for buyers, which is expected to keep prices steady for the short term.

There is still strong demand for small acreage properties and rural lifestyle blocks in close proximity to Dubbo despite the current drought conditions. Well-presented properties with reliable water sources are still achieving record prices with a handful of sales reaching over $1 million in the past six to twelve months. The highest sale to date for a rural lifestyle property was achieved in December 2017 at the Angle Estate, a prestigious community of rural lifestyle blocks located on the Macquarie River. The 5-bedroom house achieved a price of almost $2.4 million after a successful marketing campaign.

Tamworth

The traditional spring property boom is always a talking point whenever someone asks their friends when to sell their house. However despite this traditional way of thinking it is not entirely true, with several of the local real estate agents making it a strong marketing point that over half of their annual sales occur during the winter and autumn periods.

This point drives home that spring is not always the best time to sell, as the lower numbers of supply reaching the market in winter allow well priced homes to sell with less competition.

Despite the proof that spring is not always best, we still see an influx of properties during the spring months, but this supply is not met with increased demand. This can often result in longer selling periods, however due to Tamworth's strong market does not result in lower selling prices. Owner-occupiers and investors are equally active throughout the year, but with houses often looking their best with gardens in full bloom, owner-occupiers take the lead during spring as they look for a home, not just a house.

With the ongoing drought on everyone's mind it should be noted that it has not affected the local residential market, with agents reporting no lack of interest and no drop in sales. Although properties are not presenting at their best due to the dry conditions, it is not expected to have any major effect on the local residential market in the coming months.

The current market is showing strong sales across the board however it is the $350,000 to $450,000 range that is the most active. This range offers buyers many options from a doer upper in the older more prestige locations, to a modern brick home in the up and coming suburbs of North Tamworth and Calala. We would expect this trend to continue throughout the year as owner-occupiers are the major players within this range.

Lismore / Casino / Kyogle

Lismore, Casino and Kyogle are no different from other regional areas of Australia. As spring brings forth new life and vigour, so it does with property markets in these regions.

Prospective purchaser enquiries tend to improve and property owners feel energized to have their properties cleaned up and ready for marketing. Why? The stress and busyness of the end of the financial year has abated and the few quiet winter months following have allowed the batteries to be recharged for the coming season.

It is also a logical time to prepare properties for sale as presentation is more appealing with vibrant gardens and growth as opposed to a dry winter and lack of landscaping maintenance.

Property listings tend to increase and agents generally become more present and persistent in their marketing.

Whilst this sounds all well and good, it does not necessarily translate to improving sales prices in this current economic environment. Other more pertinent issues to consider are the ever-present threat of increasing interest rate levels, which has been on the cards over the past six months and looking more likely further down the track towards the end of this year. There is also the issue of tightening lender criteria which is proving a bit of a stumbling block lately for some first home buyers and even existing mortgage holders. This is likely to continue into the remainder of this year and over to next year.

In summary, within Lismore/Casino/Kyogle, the positive energy of the spring season does present some opportunities for those wanting to sell or buy across the board on most property types and price points....BUT, as always, it will be tempered by those two key points...interest rate levels and tightening lender criteria...and likely into the following season of summer.

Ballina and Byron

The Ballina Shire residential market is typically more active coming into spring, with the months of July and August typically being the slowest months of the year.

Since the beginning of 2018 the market has slowed after a strong period of growth throughout the 2016 and 2017 calendar years so it will be interesting to see if the spring period does increase activity. Typically, it is the higher-end lifestyle properties that are more prone to cycles. Looking ahead a small increase in activity is to be expected coming out of the traditionally slower winter months however the return to the levels of activity experienced throughout the peak of the market experienced throughout 2017 is unlikely.

In relation to the Byron Shire, we do not believe that there is a traditional uptick in the market in this area during spring. The market peaked within the last three to six months and therefore demand has decreased for properties with a price bracket of over $1 million. As more traditional property cycles tend to see a boost in spring, the Byron Shire is coming off the back of a strong cycle and we are therefore not seeing this traditional boost in sales activity.

Over the past three to four years within the Byron Shire the market has been at such a strong level throughout the entirety of each year that we haven't necessarily seen a traditional spring. The property market in this area remains steady and stabilised all year long.

We do not seem to operate in any sort of annual micro-cycle (e.g. - busy spring, slower summer, busy winter, quiet autumn). Throughout the years we have seen a strong market influence from the migration of interstate buyers throughout the entire year. Marketing isn't coupled to seasons and there are no seasons that are better than others. We may settle to a more traditional pattern in years to come, as we do have a high number of holiday accommodation properties within this area, so holiday guests who choose to stay in this area over the spring and summer seasons could be persuaded to buy, but at the moment there is no strong evidence of this.

There are no specific price point, property types or locations tracking in this market at the moment that expect to hit any sort of bump in September. The only prediction we have is that we expect rural residential lifestyle properties located in secondary locations (25 to 30 kilometres away from the coastline) to experience more supply and less demand.

As the market within the Byron Shire Council has peaked after five years of strong growth in the coastal resort towns, we expect to see a slightly steadier market heading into the summer months. Interstate demand for properties within this locality seems to be decreasing, which suggests a steady period is more likely moving forward.

Coffs Harbour

Traditionally the residential property market slows after the end of the financial year which coincides with winter and the annual Coffs Cup in August. This year has been no different, however general market sentiment appears to be waning in line with the negative media reports of declining Sydney and Melbourne markets, coupled with the uncertainty over the possible fallout from the Royal Commission into banking practices and future impact on lending policies, interest rates and finance availability. There is no real evidence the sky is about to fall down at this point, only anecdotal evidence suggesting a slight slowing of the market in terms of days on market and reduction in asking prices.

Well-presented properties in traditionally popular locations are still keenly sought, however there is noticeable buyer resistance to property that is either overpriced, lacking in key features or situated in a secondary location.

Low-end investor style properties appear to be experiencing longer selling periods than at the beginning of this year. The higher priced prestige property sales numbers are down with an increased number of properties remaining for sale for longer periods. This market has predominantly been driven by out of town sea change or tree change buyers and softening market activity in this sector is a direct reflection of Sydney and Melbourne markets. Mid-range $500,000 to $750,000 property purchases are dominated by owner-occupiers trading up or down sizing to well-located modern or new homes.

The change of season to spring generally brings new light to the market with increased activity and buyer enthusiasm. Will the negative media and lending practices continue to dampen the spring activity? Only time will tell.

One would assume the market will have to cool off in the near future having been through almost two years of continual growth. Property prices are at an all-time high for the region whilst job creation and wages have not increased substantially to keep pace with the upward spike in values. What has kept pace with increased values are living expenses. While we are truly one of the great lifestyle locations where the mountains meet the sea, the disconnect between high property values and the low wage base, lack of job opportunities and rising living expenses will have to take a toll on the future market. A hint of any future interest rate rises may be the catalyst for the market to be reined in, at least until the next boom.

Illawarra

Is there such a thing as a Spring Selling Season in the Illawarra? Empirical data shows a small level of support, with data collected for house sales over the past five years through the Illawarra (Wollongong, Shellharbour, Kiama and Shoalhaven LGAs) indicating three peak selling periods: February/March; May; and November.

MEDIAN SALES PER MONTH

Month	Sales
January	371
February	644
March	636
April	499
May	604
June	525
July	563
August	540
September	577
October	566
November	608
December	562

(Source Price finder)

Residential

There does appear to be a winter slump in house sale numbers with June, July and August being relatively quiet months. An increase starts to be seen with the introduction of spring in September, rising through to the November peak.

The coming spring months will be interesting for the Illawarra residential property market. While the market hasn't stopped (properties are still selling) demand is much softer than it has been in recent years and as such price growth is limited. In some areas we are aware of a slight decline in sale prices, particularly where vendors are very motivated to sell. Vendors and agents will be hoping that spring can spark the market back to life.

Southern Highlands

Notwithstanding that spring is the time when vendors who have hit the gardens with fertilizer and garden shears over the winter break commit to listing their properties, and agents and prospective purchasers having more options than at any other time of the year, the fact is that exchanged contracts indicate that May and November are the peak periods in the Southern Highlands for closing out on sales of residential property.

The below table illustrates the median number of sales (exchanged contracts) over the past four years.

WINGECARRIBEE SHIRE: MEDIAN #SALES 2014-2018

Month	# Sales
Jan	53
Feb	79
Mar	94
Apr	95
May	107
Jun	79
Jul	89
Aug	85
Sep	92
Oct	87
Nov	102.5
Dec	97.5

(Source: Pricefinder)

Some of the impetus here may well be the winter chill setting in from late May, purchasers committing after they have settled into the routine of the new year and the tail end of the year, vendors looking to offload their properties prior to the Christmas break in December and the arrival of the summer months, with the increasingly daunting prospect of requisite additional maintenance to keep their properties looking their best.

For the period to May 2018, a record number of 150 properties exchanged contracts across the Southern Highlands. With the observed slow down in price growth and activity in the Sydney market it will be interesting over the next couple of months to observe whether there is any flow on effect to our local markets, with some concern locally about increasing stock levels of vacant land lots coming to market.

Victoria

Melbourne

With the cold snap behind us and a slow winter fading into the distance, we can look forward with renewed vigour. The summer months appear closer than ever, but first a taste of the sunny delight of spring time upon us.

Conventional wisdom would suggest that with the advent of warmer weather and longer days there would be an increase in market activity in this period, with few public holidays and distractions outside of the Melbourne Cup and AFL grand final to keep us from Australia's first love - property.

Generally, the start of the spring season represents a change in attitude and positivity, which would bring welcome upward pressure to a market that has begun to decline somewhat in the major areas. According to CoreLogic's Home Value Index, the year-on-year fall in values is still less than 1% in Melbourne for all dwellings, indicating a rather stable consolidation. In the peak of winter on the first Saturday in August the clearance rate was 55% as noted by Domain, well below 2017's first week of spring results at 71.3% (CoreLogic). The question is, do we foresee a similar level of activity this year?

Total scheduled auctions for the beginning of August have almost halved, with 568 on the first Saturday of the month compared to 911 on the same weekend in the previous year (CoreLogic).

This decline followed two weeks of fluctuation, with 613 and 802 total auctions rounding out the month of July. These numbers were still well below the previous year's result of 956, which had a strong clearance rate of 75.6%.

The slowing numbers of properties put on the market may be an indication of changing conditions rather than a different mindset due to the time of the year.

	Clearance Rate	Total Auctions	Auction Results	Sold Prior to Auction	Sold at Auction	Sold after Auction	Passed in	Withdrawn	Median Price
Melbourne									
Total	61.3%	718	605	92	270	5	208	25	$640,000
Houses	63.0%	454	386	55	182	6	132	11	$899,500
Units	58.4%	264	219	37	88	3	76	15	$655,000

(Source: CoreLogic RP Data)

Houses remain the desired property type, with a 63% clearance rate for the second weekend in August across the Melbourne region, compared to 58.4% for units.

A number of specific areas including the Mornington Peninsula can see market activity increase significantly before the summer period given the established beach side properties become more desirable during that time.
The market may be turning towards buyers with greater time spent seeing multiple options - a far cry from the mad rush in the peak of the market a year ago with buyers competing at auctions every weekend. The market may kick off with the advent of Super Saturday with spring weather but can it push the needle enough?

Mornington Peninsula, Victoria *(Source: Realestate.com.au)*

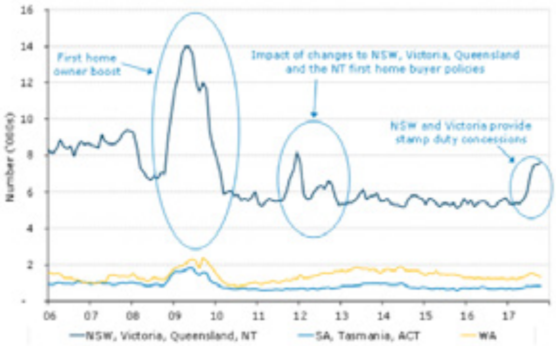
CBD and Inner Suburbs

The recent crackdown on lending to property investors has reduced demand but we have not seen significant falls in Melbourne apartment values, although some investors, especially in inner Melbourne, who bought at the peak of the market are being forced to consider selling at a considerable loss.

As the market turns increasingly towards the buyer's advantage, vendors will need to accept the inevitable fall in the real value of their properties, however Melbourne's nation-leading population growth should continue to underpin values preventing any collapse in prices.

First home buyers have filled the hole in the market left by investors to a significant degree and are now taking up a substantial amount of stock, especially in the inner-city apartment market and in the outer suburbs where the price point is $650,000 or below.

FIRST HOME BUYERS



(Source: Domain.com.au)

Popular inner-city areas that offer a range of property types comprise a more resilient market segment with high-end apartments in prized locations still showing price growth. The clearance rate in St Kilda, for example, remains in the mid-60% range, and while that may indicate relative price stability and even growth, savvy buyers who do their homework are well-positioned to buy at fair value or at a cheaper price point.

Eastern Suburbs

Our valuers agree that the mad rush to buy property has dropped. As a rough guide, Melbourne-wide clearance rates as at 12 August 2018 were 64% with 557 auctions; this time last year it was 74% with 861 auctions (REIV), a gradual 35% fall.

As housing affordability has declined, property developers have led the charge to find cheaper and larger parcels of land and more profitable returns, gradually moving outwards from suburbs such as Ringwood to Croydon and then Lilydale in their search.

The median sales price for houses in Lilydale in 2016 was $632,000 (based on 254 sales) and in 2017 was $740,000 (based on 257 sales). Compared to the same period five years ago, the median house sales price for houses increased 64.4% which equates to a compound annual growth rate of 10.5% (realestate.com.au)

MEDIAN HOUSE PRICE IN LILYDALE

(Source: realsestate.com.au)

As house prices increased the rental yield in Lilydale fell to 2.8% based on 172 property rentals and 231 property sales over the preceding 12 months.

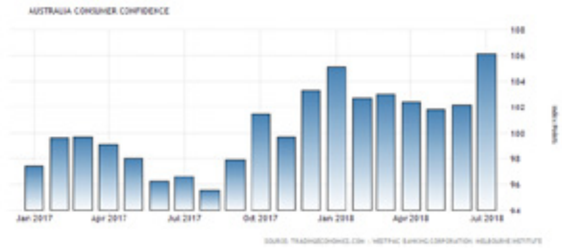
RENTAL YIELD IN LILYDALE

(Source: realsestate.com.au)

With the property market entering a new cycle, developers still overseeing construction may have to adjust their profit margins. Market values are unlikely to fall too far in the blue-chip suburbs where buyers generally have greater access to funds, but outer suburbs are more likely to see values fall, however, again, any falls will be tempered by population growth, as well as low interest rates and growing employment numbers.

"As housing affordability has declined, property developers have led the charge to find cheaper and larger parcels of land and more profitable returns."

While low wage growth has been another constraining factor, the Westpac Melbourne Institute Consumer Sentiment Index for Australia jumped 3.9% month-on-month to 106.1 in July following a 0.3% rise in the previous month – the highest reading since November 2013 – indicating growing optimism about the economy.

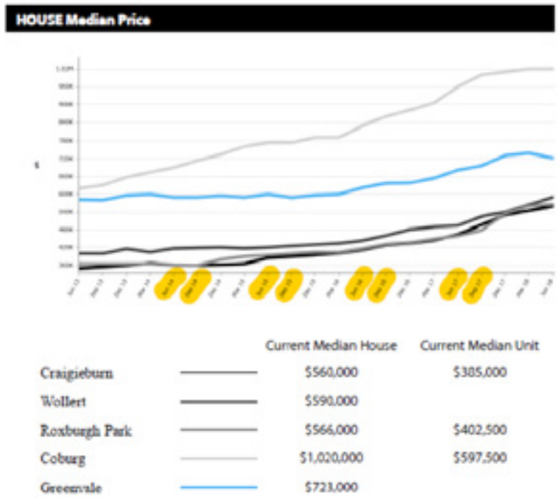


(Source: Tradingeconomics.com)

Inner and Outer North

Market activity in the northern suburbs has shown that the transition from winter to spring usually sees an increase in median house prices and a decrease in vacancy rates, however this is not the case for the entirety of the northern suburbs.

Since 2015, the median house price has slightly increased $20,000 to $30,000 from the June quarter entering the September quarter for suburbs such as Craigieburn, Wollert and Roxburgh Park. Median house prices rose by roughly $30,000 to $40,000 for Coburg and has held this trend to the present.



(Source: REIV)

Number of Vacancies			
Outer North	Janurary 2018	July 2018	Difference (+/-)
Mernda	50	86	36
Craigieburn	87	96	9
Mickleham	87	96	9
Roxburgh Park	86	96	10
Inner North			
Brunswick	77	120	43
Northcote	66	59	7
Thornbury	48	40	8
Fitzroy North	26	40	14

(Source: SQM Research)

Even though some areas generally increase in median house price, there is no definitive trend of it bringing a more influential property market, as the vacancy rates tend to reflect little change from January 2018 to July 2018.

Vacancy rates in areas such as Mernda, Brunswick and Roxburgh Park tend to prove that the warmer weather, along with school holidays, does influence the market as the number of vacant properties in January was significantly lower. This was not the case for Northcote and Fitzroy North where vacancy numbers decreased by 7 and 14 respectively. This can also be attributed to the softening of the market as a whole since the start of the year.

The Inner and Outer West

Activity in Melbourne's west generally reflects the softening market we have seen across the Melbourne metropolitan area as a whole with a clearance rate just below the established inner suburban markets at 58.3%.

	Clearance rate	Total auctions	CoreLogic auction results	Cleared auctions	Uncleared auctions
Melbourne sub-regions					
Inner	61.7%	141	120	74	46
Inner East	62.5%	90	72	45	27
Inner South	57.8%	121	102	59	43
North East	63.1%	75	65	41	24
North West	61.1%	63	54	33	21
Outer East	59.5%	53	42	25	17
South East	69.2%	72	65	45	20
West	58.3%	87	72	42	30
Mornington Peninsula	53.8%	16	13	7	6

(Source: CoreLogic RP Data)

Residential

With less activity in the market, established suburbs such as Newport and Altona saw a reduction in median values in the March and June quarters of 6.9% and 2.4% respectively, according to REIV. Both inner-west suburbs' median values remained above the $1 million mark which indicates that prices remain relatively strong despite the decline.

Further out in Derrimut and Sunshine West the trend remained the same with 3.6% and 6.4% falls in median house prices respectively. Newer, less established suburbs including Truganina and Rockbank saw small increases in median values of between 1.9% and 2%.

Heading into spring it is not expected that the market in the western region will see a significant change in activity. The general trend has been one of consolidation and lowering of prices after the highs of previous quarters. As a measure of activity, the seasons do not usually tend to impact this sector of the market as it is more responsive to general economic conditions and larger drivers of activity.

Inner and Outer South East

The outer south-east doesn't usually see a substantial increase in prices during spring, due to the fact that most of this area consists of house and land packages with set prices. The market is generally more affordable than the Peninsula and inner south-east, so tends to rise in steady increments in line with general economic conditions such as inflation, rather than fluctuating in seasonal bursts.

The Mornington Peninsula generally sees an increase in prices during spring as purchasers look to secure holiday homes in time for the summer. Suburbs such as Capel Sound and Dromana which were once made up predominantly of holiday homes have now seen an increase in permanent residents due to their affordability and proximity to pristine beaches, cafes and shopping centres. Interest from investors looking to cash in on the short stay rental trend should keep this market strong.

The table below displays median sale prices in Dromana. It shows that by the last month of spring (November) there has been a substantial increase in prices since the end of winter (August).

Median Sales Price

	Year 2014	Year 2015	Year 2016	Year 2017
Period	Median Price	Median Price	Median Price	Median Price
January	$460,000	$490,000	$551,000	$600,000
February	$461,000	$490,000	$552,000	$605,000
March	$460,000	$481,000	$568,000	$610,000
April	$475,000	$482,000	$565,000	$620,000
May	$466,000	$490,000	$565,000	$630,000
June	$478,000	$491,250	$566,500	$637,000
July	$460,000	$522,500	$560,000	$650,000
August	$484,000	$527,500	$565,000	$667,500
September	$474,000	$540,000	$560,000	$679,000
October	$460,000	$545,000	$565,000	$675,000
November	$488,000	$550,000	$590,000	$679,000

(Source: SQM Research)

The inner south-east generally sees a steady increase in prices during spring, however this area is always a desirable market due to its relatively close proximity to the city. Much like the outer south-east, sales activity is more reflective of general market conditions.

The graph below displays median sale prices in Bentleigh showing an increase between July and November with a flattening around the Christmas/New Year period with the exception being the 2015/16 period.

(Source: CoreLogic RP Data)

Summary

Overall, the Melbourne market continues to experience a slowing in activity which is reflected in a stabilisation of median prices. Lower auction numbers and clearance rates indicate that an upward trend is unlikely in the short term given the current state of the market.

Seasonal locations including the Mornington Peninsula are influenced somewhat by an uptick in activity closer to the beginning of summer with an increase in demand for beachside dwellings. Along with the blue-chip suburbs these areas are expected to remain relatively stable with a pull back in the peripheral suburbs that experienced growth in the last year.

Spring may bring with it more palatable weather but is unlikely to generate the same market interest as the previous year in terms of auction numbers and auction sales.

The established inner suburban areas do not typically see a definitive influential upward trend in the spring period with the current market consolidation expected to be maintained which indicates that vendor expectations may need to be curtailed slightly.

With a possible increase in the number of properties put to market as nervous investors seek to avoid dramatic price falls, buyers might just find a market more to their liking.

Gippsland/Phillip Island

Throughout the later part of spring we typically see increased listings and increased demand in Phillip Island for more holiday or investor type properties which is driven predominantly by capital city based buyers who holiday in the area.

The market for this type of property tends to ease throughout the winter months and pick up again throughout the warmer periods, particularly during the summer school holiday period more than September due to the area being a holiday destination.

This type of market is typically looking for lower to median priced properties within close proximity of the beach and local shopping rather than owner-occupied properties and newly developed dwellings located within new housing estates.

Mildura

There a number of factors affecting selling activity in the Mildura area and while spring may have traditionally been the busiest period, we suspect that this trend is reducing. While there is no doubt that gardens and swimming pools look their most inviting in the warmer months, buyers appear to now be just as motivated by other factors such as location and the standard of the dwelling and external improvements.

We still find that December and January are often the busiest time for people relocating either to or from Mildura, with families wanting to coincide moving with the beginning of the school year. This does increase the number of homes listed for sale in late spring and early summer. For people moving from cooler climates, the sight of a swimming pool on a 40 degree day can make a difference.

In summary, if a property has above average landscaping or a good pool, it probably does make sense to show it off in spring or summer, when it looks its best. For other properties, it probably makes little difference.

We expect to see our residential market remain buoyant over the remainder of the year. Vacant lots in new subdivisions continue to sell well at prices that are now 20% above what was being achieved two to three years ago Established housing, particularly in the $300,000 to $500,000 bracket, also is in strong demand.

With interest rates appearing to be on hold for the time being and our local economy growing steadily, it is hard to envisage anything causing a down turn over the next six months.

Echuca

The spring season for Echuca Moama is likely to be significantly impeded by an ongoing lack of stock. Almost all agents are reporting limited listings and generally strong demand with the market still punctuated by off market transactions. This is likely to continue in the spring and has the potential to see several strong results, notwithstanding a softening in sentiment nationally.

Shepparton

Spring is a special time of the year - the weather is warming up, the days are getting longer and there is a burst of organic colour around the Goulburn Valley (and with it, the dreaded hay fever cloud).

The mindset of spring has sprung - and so has an abundance of new housing stock on the market is a hard one to buck. Typically it is the time of year that homes are looking their best and the buyers are coming out of hibernation, however the genuine buyers aren't deterred during winter and they can often snap up a good deal. Locally, selling agents are hoping that there will be a rush of new stock to enter the market as strong demand over 2018 has resulted in a lack of appropriately priced homes being offered.

At the moment, homes priced in the sub-$300,000 bracket are gaining the attention of out of town investors (mainly from the capital cities). Because a number of these properties are already tenanted (and merely just changing landlords), there hasn't been a major influx of additional rental stock. Some agents are reporting that properties are being let to quality tenants before they hit the online portals. Rental demand always has a strong uptick during spring over the winter quarter, which means it's a great time of year to freshen up that investment property between tenants and possibly attract a higher paying tenant.

Construction demand in the area remains strong, however we are seeing a number of new homes where the house and construction cost is in excess of $450,000 being representative of an overcapitalisation for certain housing estates.

The market within the Goulburn Valley is continually shaping up to see strong periods of growth for the remainder of 2018 and will most likely carry over into 2019.

Wodonga

With spring around the corner after a long cold winter, local real estate agents begin to ready themselves for what traditionally signals the start of increased activity as buyers and sellers shake off the winter blues and look to capitalise on the optimism that comes with the warmer months.

Having said that, the market has performed well over the past 12 months with sales activity increasing around 20% on the previous 12 months, however sales prices experienced only modest uplift over the same period with the median dwelling price increasing around 3.2%. The vast majority (72%) of all dwelling sales occurred in the $200,000 to $400,000 price bracket.

Unit sales have experienced a slight median price increase of around 4% from December 2017 ($211,250) to April, 2018 ($220,000), however sales activity within this market has remained soft at around 65 sales annually over the past two years, down from around 80 sales in 2015 and 2016.

Construction demand in the area remains strong, however construction costs have increased generally from around $1,200 to $1,350 per square metre for a standard project style home to around $1,350 to $1,550 per square metre with a large variability between builders large and small. The result of this is an increase in new builds being representative of an overcapitalisation within some housing estates.

Wodonga land sales have experienced a 4% increase over the past 12 months rising from a median sales price of $139,300 in May 2017 to $145,000 in April 2018. Sales volumes have fluctuated significantly over the past five years peaking in 2015 at 219 sales to 102 over the 12 months to April 2018. We do anticipate an increase in activity during the drier months and as a result of an increase in the first home buyers market.

Queensland

Brisbane

Spring is in the air and Brisbane has the perfect climate for celebrating all things flowering. Sure, mild winters are a hallmark of our river city and diving into the cooling surf at the height of summer is pure joy, but in reality, spring is when Brisbane absolutely glows. It's that magical time between the extremes where we get to dress lighter as days get longer.

All this poetry has a point, of course. In Brisbane, spring brings out the best in our properties too. While we're not worn down by oppressive winter cold that keeps buyers away from listings in the southern states, Brisbane suburbs and their extensive yards take on a more picturesque appearance in full bloom when compared to other seasons in our city. Bushes flower up, leaves bud on trees and the first decent falls of pre-summer rain turn the turf to a bushland green.

All this sparkle plays right into the hands of sellers and their agents. In today's online property portal lifestyle, nothing sells a story quite like pictures of Brisbane homes in the springtime. So, the overall observation is that spring selling season is, in fact a fact!... but the numbers do have a bit of cause and effect about them.

Because properties are looking their best, listings rise as sellers get enthusiastic, so it's to be expected that there will be more sales taking place.

The other seasonal influence we enjoy in our aptly named Sunshine State is those more-than-welcome interstate migrants who like to prep early for the coming year. If southerners have been toying with the idea of a move north to our city in 2019, many will be gearing up to take care of their accommodation needs in springtime. We have had net interstate migration numbers on the rise over the past couple of years, so the effect of this tide of new residents could be more keenly felt this spring.

There has even been a recent release of CoreLogic numbers which show that spring 2018 might be finally Brisbane's season.

Over the 12 months to July 2018, home values across the greater Brisbane region rose 1.2% which marked us as outperforming Sydney and Melbourne. While we might be coming from a lower base than those two capitals, it does provide a potential spring board (pun intended) for price gains over the medium to long term. And it is playing out to some extent. Activity in general is reportedly increasing from agents throughout Brisbane - listings numbers are starting to rise just prior to spring. Auction clearance rates also appear to be slightly on the up from week to week getting closer to 1 September.

However, what does all this mean for Brisbane over the next six to 12 months?

This year, we expect spring to have a positive effect, but in the overall scheme of things, its longer-term influence is muted when compared to other more pressing elements.

At the moment, our market shows promise - price movements will be positive but slow and steady. As underwhelming as that sounds, we look better than the vast majority of other capital cities in terms of potential growth.

We continue to believe the affordable end of the market in established locations will be the greenest shoots for this spring. Homes with potential for renovation are always a winner if they're priced competitively too.

In terms of the upper price bracket, the market looks good, but this has less to do with spring than it does with our relative affordability and the interstate migration mentioned earlier.

That's why we believe Brisbane's market is likely to remain relatively stable and to track steadily. Moving further into summer months we may see an increased number of listings and increased buyer demand.

The key is if we can capitalise on all this positive news and create more jobs and infrastructure to help drive our economy. This always translates into positive stuff for Brisbane's property market.

The future looks bright if you're patient, so best pop on your shades and enjoy the sunshine.

Gold Coast

The Gold Coast is well known for its warm sunny winters, attracting tourists from southern areas as they attempt to escape colder conditions. Traditionally, Melbourne and Sydney buyers have the mentality that Spring is the best time to buy with many agents reporting it's their best market. Although, the Gold Coast has not adopted this market mentality with the number of sales in Spring remaining consistent with those of the previous winter.

The Gold Coast market is very suburb and property specific with different markets behaving in different ways, although, all areas of the Gold Coast have experienced a reduction in interstate and international investment.

Gold Coast North

The Northern Gold Coast is continuing to expand in response to growing demand, further closing the gap between the Gold Coast and Brisbane. This has resulted in land developers changing their focus and marketing strategies towards owner occupiers/end users, which has resulted in a softening of monthly sales rates in most subdivisions. As Coomera and Pimpama continue to expand, land values within main estates such as Gainsborough Greens continue to strengthen. In Yarrabilba, sellers are continuing to see the gap between resale and new products. Due to the high amount of competition, many properties are suffering large discounts to achieve a sale.

The prestige market within Hope Island and Sanctuary Cove continues to remain stable while many buyers seek the prestige, canal and riverfront living. Although, sale prices for these properties can prove volatile if economic or general market conditions were to soften.

We have found recently many units within the Labrador and Runaway Bay area have been unable to achieve strong resale prices with agents reporting limited buyer enquiries and extended selling periods. As many investors are taking on losses within the newer buildings in an attempt to liquidate their portfolio, opportunities arise for those who have been traditionally unable to enter the market. Low interest rates coupled with these low resales provide traditional renters with the ability to own their own property or investment. However, we are aware the banks have cracked down and tightened their lending policies.

With the northern Gold Coast typically being driven by investors, this area will continue to soften until they return. If the banks and APRA were to review lending policy, this may allow others to enter the market and thus take advantage of this supply of these low resale properties.

Gold Coast Central

The prestige market is highly segmented and the level of improvement is dependent on property type and price range, rather than the season. We are finding that if the property is priced correctly and marketed by an experienced agent for that locale, property prices are strong with fewer days on the market.

The majority of interest for prestige property on the central Gold Coast has been within Surfers Paradise, more specifically Isle of Capri and Sorrento in Bundall with a number of higher sales including an older, part-renovated dwelling situated over a double block with 44 metres frontage to the Nerang River on Saint Tropez Terrace which sold in August 2018 for $3.25 million. This property sold within 5 days of being on the market, and is a prime example of how quick a property can sell should it be listed by an experience agent at an acceptable price point.

More recently, we have been advised by a number of specialist real estate agents who actively market prestige residential apartment product in the coastal suburbs on the Gold Coast and they confirm of steady/cautious levels of demand and enquiry currently prevailing, with limited transactions. They further report that clearly stronger demand is evident for prestige housing and whilst market sentiment for apartments has improved over the past two years, new luxury units must be appropriately priced in order to generate interest and effect a sale transaction.

Local agents are reporting a higher level of demand for beachfront properties, especially in the areas between Mermaid Beach and Bilinga with a number of record prices being achieved and properties selling to local buyers prior to auction with some properties on the market for less than a month. A recent sale supporting this is a large, three level "Hampton" style residence providing five-bedroom, six-bathroom plus powder room accommodation with an eight car basement situated on a 809sqm double block at Hedges Avenue at Mermaid Beach. This property is currently under contract to a local buyer for $12 million and was marketed for less than 19 days which is very fast as properties at this price point generally experience an extended selling period of between 12 to 24 months. However, properties in this range are very taste specific, and in limited supply so it is no surprise that it has sold so quickly and also at a premium price to secure the residence.

Furthermore, we have seen a number of prestige houses sold prior to being listed on the market with a recent sale recorded in July 2018 at $4.48 million for a property on Admiralty Drive. This home had sold just over a year ago in January 2017 for $3.5 million which is an increase of circa 28%.

Gold Coast South

Collectively the sale prices achieved for the southern Gold Coast have risen with larger spikes east of the Gold Coast Highway and especially for absolute beachfront or esplanade front properties. Although the increase has been steady over the past year, more recently affluent owner occupiers and/or developers have ensured these prices have risen at a more dramatic rate, this can be seen especially along the beachfront at Palm Beach and along the esplanade of Bilinga.

The predominately "Medium Density" zoned locales east of the Gold Coast Highway have encouraged developers to seek even single lot development sites which is now evident within the suburb of Bilinga. As many of the properties at Palm Beach east of the Gold Coast Highway adjoin the beach they are more suited to an affluent buyer as opposed to a developer due to the now substantially high land content whilst the developers are trying to string together larger sites by amalgamating multiple parcels throughout the suburb.

Generally speaking properties for sale on the southern Gold Coast have a decreased time on market in comparison to other areas of the Gold Coast, however, vendor expectation is still high and although properties within close proximity to the beach are achieving high sale prices those properties west of the Gold Coast Highway are not selling as fast nor has there been the uplift in sale prices. Whilst sale prices have increased throughout the southern Gold Coast west of the Gold Coast Highway the most substantial increase has been at Palm Beach, which has been steadily increasing for around two years.

The suburbs west of the M1 have seen increases in sale prices, however, the significance is far smaller than that of the suburbs closer to the coast. The acreage properties west of the M1 are still remaining on the market for longer periods of time than those closer to the Gold Coast Highway, however, the time on market is very suburb specific, with long market times required further west of the coast.

At present the southern Gold Coast market is not operating on a climatic cycle nor any significant economic cycle, the market is being driven by demand which is linked to the lifestyle being different to the central or northern coastal areas of the Gold Coast.

Gold Coast West

Signs of a Gold Coast property market slowdown are showing throughout the city. The western Gold Coast market has experienced a relatively steady overall run over the past few months with demand clearly softening and agents reporting a shortage of stock for dwellings in particular within the $450,000 to $650,000 market in areas such as Nerang, Highland Park, Maudsland and Pacific Pines. The townhouse, villa and duplex market remains stronger, being the more affordable options for first home owners and investors between $300,000 and $450,000.

The rural residential markets and properties with acreage are generally experiencing lengthier times on the market with most buyers being driven by property specific types and lifestyle. Properties close to schools are still achieving stronger prices as demand is still solid in those market segments particularly in the highly sort-after estates throughout suburbs like Mudgeeraba and Tallai.

The Scenic Rim area including Beaudesert continues to experience relatively stable sale rates with prices not increasing significantly. Farming and grazing land values increased by a minor amount since 2016 however are now showing signs of levelling out. The government owned land formerly known as the proposed Glendower Dam project at Tabragalba of approximately 2600 hectares has been selling at auction over the past few months and achieving strong sales prices in particular for the larger land parcels along the Albert River with good access to water.

The remainder of the year looks to remain stable with interest rates remaining at a record low and not expected to rise dramatically. Demand from interstate and overseas investors is also expected to remain steady.

Sunshine Coast

As we mentioned in the June Month in Review Half-Time Check-in, the residential property market has been performing quite well across the different property types.

We have noted a fall in the volume of sales but the reason for this has been the limited stock available. The coast also tends to go into somewhat of a hiatus through winter. Enquiry levels slow with urgency disappearing out of the market. There are less holiday makers and given that it is the middle of the calendar year, most people stay put. Properties and areas that have good market appeal, however, do tend to perform well.

The spring fever in the property market is plugged as the best time to sell your home which is a viewpoint that has been inherited from the southern markets of Melbourne and Sydney. You can understand why given that they begin to defrost after suffering through another winter where the weather is less than ideal.

Given that the Sunshine Coast is a growing region, the busy periods tend to be later in the year moving towards the summer months. People are on the move after the school year and others have that psychological end of year, New Year's resolution view that they are going to make the move. These factors combined with the holiday makers being everywhere experiencing what the Coast has to offer also helps to widen the market place.

There are some elements that could make the market very interesting over the upcoming summer period.

As our team patrolling the coast continues to chat to agents, the feedback is pretty consistent. There is an expectation that stock levels will rise over the coming months. It appears that a number of vendors have been holding off for this busier period in the market. There is also a perception that as the southern markets continue to slow, they will be able the capitalise on the last moments of the current cycle.

So, it will be interesting to see if the momentum we had last summer links up with this summer. We believe it will given that there have been no major scares in the southern markets and no major changes to interest rates which instils some confidence.

There is one aspect that may impact the market. What will be the effect of the tightening credit policies and procedures brought about by the Banking Royal Commission? Anecdotally some of our lending clients have expressed that it has been tougher to get loans through and some agents have had contracts fall over because of finance.

As we have previously mentioned in other Month In Reviews, the Sunshine Coast is pretty high on people's lists. Infrastructure projects such as the new Maroochydore CBD, Sunshine Coast Airport expansion and works to the Bruce Highway are all great with the big game changer being the Sunshine Coast International Broadband Submarine Cable project which is still to be announced.

The next 12 months, like the last, will be interesting to say the least.

Toowoomba

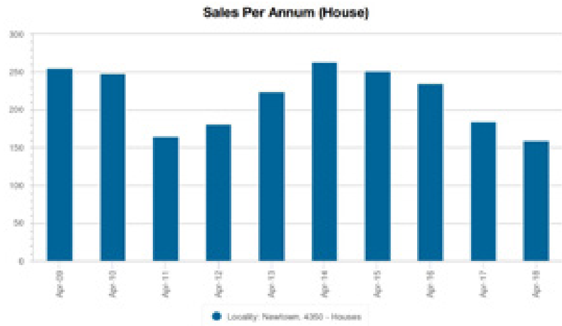
With spring fast approaching, Toowoomba traditionally emerges from hibernation after the long autumn and winter periods. Sales activity is typically much slower over the cooler months, most likely due to stable workforces and drier conditions during these periods.

The Carnival of Flowers, the main tourist attraction for Toowoomba, is held once a year in September and is broadly considered the spring board for property sales in the city. The influx of tourists, blooming gardens and warm weather combines to increase listings and moreover, interest from potential buyers.

The lead up to December is often the busiest time of the year in terms of sales activity as those residents with impending transfers in the new year tend to start looking at properties in the lead up to Christmas.

December and January tend to be the quietest months of the year in terms of sales volumes.

2018 sales activity continues to be very slow with volumes in line with those demonstrated in 2011 post the catastrophic flood event that hit the city. A suburb snapshot from the established suburb of Newtown confirms this.



(Source: CoreLogic RP Data)

Dwellings above $500,000 tend to be more influenced by seasonal variations as sales activity in these higher price brackets can be influenced by transitional workers such as school teachers, medical professionals and defence force personnel who are active buyers and sellers around the end and start of each calendar year.

Sales activity is slow and the median price is stable in Toowoomba with the drought affecting the broader Darling Downs region likely to keep market conditions relatively stable over the next twelve months with a bump in activity expected between September and December.

Townsville

The residential market remains at the start of the recovery stage with reasonable turnover levels in the sought after mid to inner suburbs, but slow sales in the outer areas and/or suburbs with perceived social issues.

As we move into spring and the weather warms, are we likely to see increased activity in the traditionally touted Spring Selling Season?

A look at sale volumes for houses over the past ten years suggests that the season of spring generally sees a slightly higher volume of sales than the other seasons, accounting on average for around 27% of the yearly sales. Within spring, October and November typically see the highest volume of sales. This is the period before the full effect of summer hits along with the typical tropical wet season. It is also the period before the end of year school holidays begin and where buyers looking to be in a new home before Christmas become active.

Anecdotal evidence suggests that spring sees more buyers at open houses and active in the local market. With our market at the start of the recovery stage, median prices remaining soft, low interest rates and a tightening rental market, this spring is likely to again see these seasonally increased levels of market activity.

Rockhampton

Well Rockhampton has officially had its two weeks of winter with minimum overnight temperatures hitting single digits on only a number of occasions, and as we approach the start of spring, temperatures are forecast to hit close to 30 degrees Celsius this coming weekend.

The question this month is does the rise in temperature and onset of the spring weather also affect our attitudes towards the property market?

In simple terms the answer is yes as we often see an increase in sales activity as both buyers and sellers start thinking about Christmas and what they want to achieve before year's end. Various sporting seasons, both locally and on a national level, are finishing up at this time of the year which in turn gives people more time off the couch or frees up their weekends with less commitments meaning more time to get out and inspect properties listed for sale.

To back this up, the graph below represents a brief overview of genuine residential sales throughout the Rockhampton region for the 2017-2018 financial year. After some examination of the results it clearly indicates that spring and summer (September to February) resulted in about 20% higher sales activity on the overall number of sales (437 sales) compared to autumn and winter (March to August) at 356 sales. Late spring in October and November were stand out months before an expected decline in December as people wind down for Christmas and the new year for a two to three week period.

Finally we anticipate a similar trend to continue as we approach the last quarter of 2018 however the possibility of a looming federal election may put a spanner in the works.

(Source: Herron Todd White research)

Gladstone

For those who haven't noticed, things are on the move in Gladstone.

There is solid buyer interest, evidence of multiple offers being made as well as agents reporting that vendors are achieving values closer to their first asking price.

We have seen the return of investors as well with cash offers and some buying within self managed super funds. Vacancy rates are tightening and rentals have shown increases. All these positive signs have led to marginal capital value increases across different market sectors. This increased activity is expected to carry on into spring in 2018.

Spring time typically sees an increase in buyer activity in the region as buyers start thinking about the end of the year and wanting to get the buying process completed and be all moved in prior to Christmas. Some vendors in Gladstone are currently holding their properties and waiting until the end of the year to reassess where the market is at. It is the expectation that the market will continue to improve throughout the remainder of 2018 on the back of continued affordability in the region.

Bundaberg

"Spring is nature's way of saying let's party" (Robin Williams).

Spring fever is in the air.... The birds are singing, bees are humming, the sun is shining and spring cleaning is underway. Now is the time to get outdoors and get your houses ready for sale....

Houses and units remain affordable in the region with agents reporting house sellers achieving closer to their first asking price despite a slight softening in median price growth for houses. Sellers are encouraged to take advantage of the current market while there is still a strong demand for property in the region.

So as the sun starts to shine stronger ahead into 2018 it is suggested that sellers need to be realistic in order to achieve sales and buyers enjoy the hunt for your affordable home or investment.

Mackay

The Mackay residential market has continued to strengthen over the past 12 months, with increased sales volumes, reducing time on market and general optimism that the worst is behind us.

A number of factors have contributed, including an improved resource sector leading to greater employment opportunities, large infrastructure projects currently under way and improved construction industry.

This general boost in the Mackay economy has already seen positive impacts on the residential market. Rental vacancies have reduced dramatically and sit just below 2%, the lowest in many years and significantly down from the highs of 9.8% in the downturn.

The big shift started around mid-2017 and gained momentum through to the spring. It is anticipated that as the colder months leave us, the Mackay market will continue its momentum through spring and into the end of the year. All agents are reporting increased demand, with less time on market.

With rental vacancies being tight, we are starting to see an increase in rental values across the board. It is considered that the once elusive investor will start to re enter the Mackay market, with not only solid rental returns on increasing rents available, but the possibility of capital growth now a real attraction.

Emerald

The Emerald market, and in general the Central Highlands region, is on the bounce.

The resource sector, including solar farms, is strong as construction and production are being ramped up. A labour shortage is evident already and it's just the beginning of what appears to be our next boom.

For Emerald, some sellers have taken their properties off the market and are waiting until the end of the year to reassess.

We have the Gregory Mine planned to reopen in 2019 under new ownership with speculation that 300 workers will be needed. All news currently leads to nothing but positivity for our markets. The last boom went for eight years and you could have jumped on at any stage and sold in the peak. How long will this firming last is anybody's guess but it looks onward and upwards in the foreseeable future at this stage.

We are heavily reliant on strong coal prices and with local mines now making profits again and feeling secure this has increased production targets which in turn has increased jobs which is flowing through to property demand. Our vacancy rate has tightened considerably, there are multiple offers on sale properties and properties are selling at listing prices suggesting that the spring season will see values continue to firm.

Hervey Bay

Spring time on the Fraser Coast is whale season and is the busiest time for tourists. This year in particular we have seen caravan parks at capacity with mostly visitors from the southern states escaping the cold.

Agents typically report that enquiry for property is ongoing at this time, however the rate of sales has been reported to be consistent with no stand out increase based on previous years. The supply of lower priced stock has been subdued for a while now and most agents note that they never seem to have enough listings in the sub $350,000 price bracket.

A good indication of the high demand from tourists (many being grey nomads) for this area can be seen from the recent opening of a new caravan park in Urangan. This caravan park has been full since opening the gates which has delivered some economic benefits for Urangan.

Demand is expected to remain fairly similar leading into summer, as the medical and construction sectors continue to provide valuable employment for the area.

South Australia

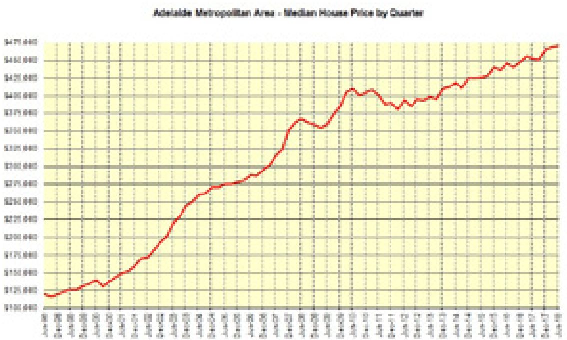
Adelaide

The sun's coming out of hibernation, footy finals are here and the smell of cut grass fills the air.

It's September and spring has sprung.

Historically the South Australian property market slows during the second and third quarters. Buying or selling property should be fun and exciting, but the dreary mid-year months don't lend themselves to this type of atmosphere.

The state government has mapped the quarterly metropolitan house price from June 1998 which, with the exception of notable peaks and troughs, shows slight dips in the median price through the September quarter of the year with an uplift towards December.



(Source sa.gov.au)

It's noted that the effects of the banking royal commission have begun to be felt through the mid-portion of the year. The ability to borrow money has tightened. Agents report that purchasers are being priced out of properties that may have fallen into their price bracket 12 months ago. This could cause a doubling down on the September quarter results given the out-of-cycle market pressure. The tightening in lending will not be fully quantified until the results of the December 2018 and March 2019 metropolitan median price growth are revealed.

Agents have reported a slowing in a number of key market indicators leading up to September. Buyer enquiry has reduced while available stock is limited. Discussions with agents in the field indicate the slowing in these key indicators is a seasonal occurrence which forms part of the annual property cycle. For properties going to auction, the winter months can pose a serious threat to the hammer falling. Fence sitting purchasers who are thinking of bidding can be spooked by a simple rain shower or the threat of looming dark clouds. The agent who thought they had ten registered bidders now has five.

Braving the wintry conditions were the vendors of 45 Gray Street, Norwood who began advertising their 3-bedroom, 1-bathroom symmetrical cottage in July with an auction to be held in August. A large crowd braved the cool weather to see the property sell under the hammer for $790,000. Norwood is located approximately 3.5 kilometres east of the Adelaide CBD and consistently rated as South Australia's most searched suburb.

45 Gray Street Norwood *(Source: realestate.com.au)*

Suburbs located within the inner and middle rings have been the best performers over the past 12 months. Suburbs located in these rings are considered to be the best prospects for price growth in the December quarter too. This sector provides options aplenty for first home buyers, downsizers, families and developers. Within the inner ring, price pressure can be expected in the $600,000 to $900,000 range whilst the middle ring can expect pressure in the $300,000 to $600,000 range.

Recently advertised in the inner ring is 4 Marian Road, Payneham which comprises a character

4 Marian Road Payneham *(Source: realestate.com.au)*

12 Aberfeldy Avenue Edwardstown *(Source: realestate.com.au)*

8 Olivers Parade Hayborough *(Source: realestate.com.au)*

4-bedroom, 1-bathroom dwelling on a 1,100 square metre allotment. This property has been listed for sale by auction with an asking price of $800,000. Whilst in the middle ring, 12 Aberfeldy Avenue, Edwardstown comprises a 3-bedroom, 1-bathroom updated 1950s home on a 660 square metre allotment. This property has been listed for sale by auction with an asking price of $439,000. The outer ring continues to struggle with extended days on market with stagnant and in some cases negative growth.

Post-September and moving into the summer months we begin to see an increase in the listings surrounding beach side suburbs and coastal holiday destinations. Coastal tourist towns of Victor Harbor, Pt Elliot and Goolwa south of the city on the Fleurieu Peninsula and Wallaroo, Moonta, Stansbury and Black Point north-west of the city on the Yorke Peninsula swell with holiday makers. This provides the perfect opportunity to promote new listings as the market pool increases. Properties which lend themselves to holiday makers and don't achieve sale through the spring or summer months can be removed from the market during the middle portion of the year to avoid any perceived over exposure.

Recently sold in the beachside suburb of Hayborough approximately 80 kilometres south of the Adelaide CBD is 8 Olivers Parade. The property provides 6-bedrooms and 3-bathrooms over two levels of living. The dwelling provides unrestricted ocean and beach views and is situated on an allotment of approximately 1,200 square metres. This property was advertised through the winter months before selling for $1.7 million.

Listed for sale approximately 170 kilometres north-west of the Adelaide CBD is 124 Black Point Drive, Black Point. This property comprises a 3-bedroom shack with absolute beach frontage. The property has been listed for sale with an asking price of $785,000. Black Point is considered a blue-ribbon location with those properties situated on the northern side of Black Point Drive being some of the most sought after real estate on the peninsula. This location has historically been tightly held with only a handful of transactions occurring annually. This has changed in recent times with large areas of former reserve land being divided and sold as residential allotments.

124 Black Point Drive Black Point *(Source: realestate.com.au)*

Market conditions within these semi-regional and regional costal townships remain stagnant. The remote nature of the Yorke Peninsula creates a more volatile market with increased fluctuations. The increased demand for property on the Fleurieu Peninsula through the summer months results in an increase in settlements at the end of the March quarter as those properties contracted over summer begin to settle.

The data does not lie. The winter months cause the property market to fall into hibernation. As the sun begins to come out and the birds start chirping, vendors, purchasers and agents crawl out of their burrows, give each other a nod and know it's time. Is spring fever fact or fiction?

I am calling Spring Selling Season a fact.

Tasmania

Hobart and Launceston

"Spring has sprung
The grass has ris
Wonder where the houses is"
- anonymous

Apologies to the original author of that ditty. As we head into the death throes of winter, agents in both Hobart and Launceston are crossing their collective fingers and toes that there is a seasonal spring rush to market. Put simply, listings through most price segments and most metro suburbs are tight.

The strong (especially) first half of 2018 not only saw solid and at times surprising capital growth, it also removed much of the more desirable stock from the market.

Typically, spring is a good time to list in our southern-most state. The frost has thawed and the garden comes out of hibernation. People start to move around more given the Antarctic breeze has gone. The days start to stretch out again from the gloom of June. Simply put, everything is just brighter!

That said, this winter did see some surprises in many coastal holiday townships. The drift back to having that seaside beach house is certainly in full swing and we saw many purchasers active in the market. Bridport, St Helens and Orford were stand outs with a few stories of agents knocking on prospective seller's doors and negotiating sales without the buyer even inspecting the property!

This spring may well be a test of our market. As media is reporting on the slowdown in Melbourne and Sydney (and for some unexplained reason Domain ran these stories in the local weekly real estate guide as representative of the Tasmanian market), we have seen a cooling of what was a feverish market in Hobart. A solid spring selling period could lay the base as we enter into 2019. However, if this expected extra supply is not absorbed then it could well be the indicator that the peak of the market is near.

Northern Territory

Darwin

The top end dry season has been one to remember - crisp cool mornings and dry evenings to see in the sunsets across the Mindil Markets and the Darwin Festival. Unfortunately the magnificent conditions on the social scene aren't being replicated in a strong residential property market at present. The start of spring in September will see the curtains drawn on the dry season and the start of the build-up. Unbelievably we start to look towards the end of the year (and, dare I mention it this early, Christmas). The second half of the year quite often brings with it a level of urgency to the market. Owners looking to have sold or bought a property in 2018 will need to heighten that level of activity if it hasn't occurred already and with Sydney and Melbourne starting to cool, interstate investors are looking for opportunities around the country. Hobart and Darwin are definitely on the agenda now.

Agents will start to develop auction and marketing campaigns in order to have the deal done before the year is completed and with a 30 to 45 day settlement period to contend with, that means we need to hit contracts by mid-November.

So while it isn't the fresh flowers, footy finals and birds tweeting of spring in the southern states, we certainly have our own unique end to the calendar year.

So, what are we expecting in the market for the back end of the year? It is the age old crystal ball question surrounding property markets. With the construction phase of the Ichthys Gas Project coming to an end, there will be some bumpy points in the road as long term tenancies are ended. The June quarter vacancy rates are testament to this already. Overall vacancy for the greater Darwin area is 6.4%. At a high level scan that stays consistent from the previous quarter, however when having a deeper dive, it shows that Darwin (city and northern suburbs) sits at 5.6% and Palmerston has softened out to 8.5%. This tells us that as more rental properties are coming to market there will be a move back towards the city and inner suburbs. Tenants chasing the amenity of the Darwin CBD will place pressure on the outer suburbs with less amenity, entertainment, public transport and employment.

The push to get sold before Christmas will see an increased volume of dwelling sales through the market. Locally, Ray White and Real Estate Central are experiencing success on the back of auction campaigns. Traditionally auctions have not been as successful in Darwin as say the Sydney and Melbourne markets which are almost exclusively auction based. What we've seen from the auctions thus far is a modest clearance rate, however what it has shown is an urgency to market, good quality advertising and some pressure on purchasers to get organised and participate.

Over the past weeks, the Northern Territory government has put forward an aggressive campaign to relocate people to the Territory, with very healthy incentives to move north (starting at $3,000 for singles and up to $15,000 for families). With great job opportunities and a relatively weak and far lower median house price in Darwin, it's a great time to head north and participate in this market. #boundless #possible.

THE TERRITORY
BOUNDLESS POSSIBLE

Alice Springs

The Alice Springs market traditionally enjoys a livelier period during the spring months and heading into December with sales numbers generally well up on the previous quarter, including over recent years when the market has been declining.

Being a transient location, this is in part due to the comings and goings as people relocate towards the end of the year however as the chilly mornings and frosts leave us, the presentation of well-kept gardens shines through and spring proves the best time to sell.

The market has shown mixed results in recent months which is likely to continue. Recent shining lights include the rural residential market with more sales above the $1 million mark and the Old East Side area continuing to be popular.

Units continue to be generally soft, more so for older 1980s 2-bedroom townhouses which have continued to decline in value however more are starting to sell which is a positive sign. New and modern units have proved more resilient with good demand and stable price levels.

We look forward to the traditional uplift over the next couple of months particularly after an extended period of stabilisation and with some new developments starting construction it will be another interesting quarter.

Western Australia

Perth

September in Perth is synonymous with cool, sunny days. Gardens start to flourish and consumer sentiment usually improves as people get over their winter blues, though over the past few years the timeline seems to have shifted slightly, bringing a later start to all four seasons. The beginning of the 2017 summer in Perth was uncharacteristically mild which boded well for the property market even though activity was slow.

There is no denying that the time of year can have an effect on the number of listings, average selling days, consumer sentiment and sales volumes. There are a multitude of cycles that markets go through for various reasons, be that due to weather or current national or local economic conditions. This makes pinpointing exact reasons for a change in the market challenging at times, and further, accurately predicting the future can quickly become a risky venture.

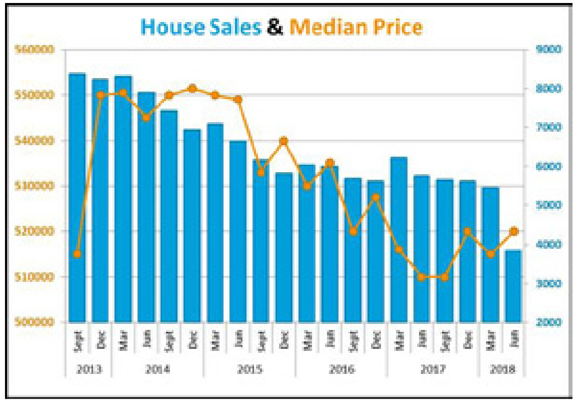
Figure 1 - Perth Listings & Selling Days 2011-Present

(Source: REIWA)

Let's look at some statistics created with the Real Estate Industry of WA's (REIWA) raw data. The first point to make about the data above is that this is quarterly data. The seasons do not align perfectly with the four quarters as the spring months are September, October and November, but statistical September quarter data includes July, August and September. In the chart above we can clearly see that listings usually decline in June and often pick up in September – with the aberration of 2012 reflecting the peak of activity in the previous market cycle, and 2017 simply reflecting a lack of consumer confidence throughout the year.

2013 brought peak sales volumes for Perth that hadn't been seen since before the global financial crisis. The resource sector was booming, net interstate migration was at a high putting pressure on supply at the time and there was enough affluence in Perth to fuel demand for all types of dwellings. This demand transferred into a sharp increase in the median house price as we can see from Figure 2. The median price remained stable until the effects of the end of the mining construction phase began to

Figure 2 - Perth House Sales & Median Price



(Source: REIWA)

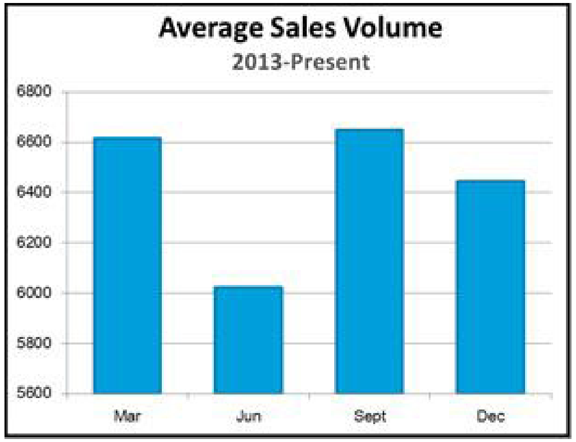
really hit the metropolitan area. Activity since that point has reflected a significant shift in migration as tens of thousands of workers returned to the eastern states or their native homelands.

Presently, Perth has reached unprecedented levels of affordability compared to cities such as Sydney and Melbourne. According to the Housing Industry Association (HIA) over the past 12 months affordability in Perth has improved by 5.6%. This is attributed to the continuing fall in the median house price as well as modest wage growth. REIWA have stated that the Perth median house price will sit around $520,000 for the June quarter after all sales settle. To put that in context, in 2013 Perth had

Figure 3 - Average Quarterly Listings & Selling Days

(Source: REIWA)

Figure 4 - Average Sales Volume



(Source: REIWA)

a similar median house price to Sydney. As the next phase of mining construction begins to ramp up in Western Australia, it will be an interesting activity to monitor the current disparity in median house prices.

Looking more closely at quarterly data in Figures 3 and 4 above, REIWA's statistics over the past seven years show that listings have been highest in the March quarter and progressively decrease throughout the year. Figure 4 shows that the June quarter experiences the lowest volume of sales activity, with an average of just over 6,000 sales.

The clear winner in terms of selling days is the December quarter with an average of 57 selling days. This does show that in the spring months, there are more buyers out actively looking for housing before making a buying decision.

So, what typically happens in each season in Perth? Remember that these seasonal characteristics are only generalisations. If a potential purchaser finds their dream house listed in the middle of winter, they won't turn down the purchase opportunity just because it's raining outside.

Summer includes the festive season when most people are busy during the Christmas and New Year period. School holidays always affect sales activity, both with buyers focusing on family time and travel and an associated increase in delays in the bureaucracy involved in any property transaction. However, the increase in activity in outdoor living lends itself to be a good time to sell homes that benefit from a sea breeze, natural light or outdoor living. If you own a coastal home or holiday house, consumers can often want to purchase these at the beginning of summer so that they can move in and enjoy the warm weather in the coming months.

In autumn, the holidays are now over and the kids have settled into school. Owners can start to think about big purchase decisions such as upgrading to a new location or investigating renovations or extensions. Buyers can still be active in the first half of the season, but often wane in the latter.

Winter definitely has the reputation as a buyer's market and is said to be the least ideal time to sell with less people attending viewings. North facing properties that can get the full benefit of the available sunshine often come to the fore. Fireplaces replace swimming pools as a prime selling feature, as do sheltered or enclosed alfresco areas.

Spring generally does see the most listings as well as the most activity. The season usually starts as a buyer's market but can often become a seller's market towards the end of the season. Presentation is the key early on due to the increased competition on the market, and outdoor living can dominate buyers' wish lists.

Looking at how Perth has been tracking in some of its submarkets, activity has not changed much over the past six to 12 months in Perth's outer, north-eastern corridor. Things are still slow as the endless supply of stock gives little chance for quick selling periods unless the seller is necessitous. Vendor discounting is still quite high in this area as competition remains fierce, and new lows seem to be common. Given the current supply on market combined with pending supply under construction, suburbs such as Ellenbrook, Aveley and Brabham are likely to continue to be challenged for some time to come. Negative equity is a concern as it is with many outlying Perth suburbs.

Our valuers expect to see a brief spike in purchase activity for the beginning of spring in Perth's outer, south-eastern corridor as prices continue to be lowered to meet the market. We have been advised that many low offers are occurring and most properties are selling below the asking price. Activity in some suburbs has been extremely subdued.

An example of this is the suburb of Haynes. Homeowners are fearful that a house is worth less than what they paid to build it and are therefore reluctant to put it to market. Byford is also in a similar state. There have been positive signs in Hilbert with prices remaining fairly stable and in line with the land and build cost. We expect the market to remain cautious over the coming months, but there is a lot of value in buying established homes at present. With affordability being so favourable, established dwellings in suburbs such as Armadale and Camillo present opportunities at the moment. Older dwellings on circa 700 square metre allotments are available for less than $200,000, which appears compelling for a capital city, regardless of the challenges experienced in such areas.

Closer to the CBD in suburbs such as Perth, East Perth, South Perth, Victoria Park, Como, Waterford and Burswood there have been early signs of growth for properties over $1 million. Activity for properties under $600,000 remains very slow and values are continuing to decrease in some sectors. It is uncertain what will happen in the near future for these areas as there was a spike earlier in the year before activity declined again. We would expect such micro bursts of activity to continue for the coming 12 months.

Some feedback from local agents in the prestige market indicates that properties representing near land value between $1.5 million and $3 million are experiencing strong demand. Demolish and builds are the in thing, particularly in suburbs such as Floreat, Swanbourne, Cottesloe, Claremont, Mount Claremont, Mosman Park, Dalkeith and Nedlands.

The amount of days properties are on the market does not necessarily decrease in spring as many sellers who have been waiting out the winter months add supply to the market throughout spring and into summer. One opinion from a local real estate agent in the prestige area is that "as less stock compensates for less buyers over the colder months and increased stock compensates for more buyers in the warmer months, the end result is a fairly constant market throughout the year."

There are so many factors that go into market activity levels that purchase or selling decisions should really be made on a case-by-case basis and depend on your own property's characteristics as well as the position in the seasonal cycle and the position in Western Australia's property market cycle. Many segments of the greater Perth region are still struggling at the moment. We have seen great things in terms of affordability, and activity in the prestige sector, but low levels of activity continue to hinder the rest of the market. It seems that if there is a traditional spike in buyer activity over the spring months, it will be very segmented. The more sought-after localities closer to the CBD are likely to be the ones to benefit from this surge in demand, although established dwellings in many outer lying suburbs still appear to represent good value at present.

South West WA

The residential sector of the South West of WA property market is emerging from the winter with cautious optimism for a strengthening economy.

The number of sales has reduced over the past six months, however the value of average property transactions appears to be stabilizing. Specific increased economic activity at the lithium mine at Greenbushes is resulting in an increasing number of enquiries and a number of quality homes have attracted robust enquiries which have marginally improved values. Real estate agencies are chasing stock but report that the key element to successful sales is ensuring that vendors have realistic expectations and are prepared to meet the market.

Over supply of land in many of the expanding sub-division suburbs around Bunbury, including Dalyellup, Millbridge and Australiand, is subduing value with pockets of decline in some areas. However, with the arrival of the warmer spring weather it's possible to assess that the poor performing markets in these areas may be bottoming out. Older stock of housing in historic parts of Bunbury and South Bunbury are holding their values and returning confidence to the market which is resulting in some quality renovations which are adding value.

Sales of rural lifestyle properties in the region up to 40 hectares are stable but with limited transactions being recorded. Properties with generous dams are certainly more appealing as the recently rebranded Southern Forests region around Manjimup and Pemberton is witnessing a resurgence of fruit and vegetable planting as the market for fresh produce continues to strengthen.

The popular seasonal tourist towns of Margaret River, Dunsborough and Busselton all look forward to improved economic activity as the summer arrives, which gives the region an opportunity to showcase the appealing lifestyle which has historically improved the performance of the residential property sector.

Here's hoping with the perceived improving optimism in the region that the summer of 2018/19 will continue to strengthen the residential housing market.

Australian Capital Territory

Canberra

Houses

Spring fever in the ACT residential housing market is very much fact.

The housing market in the ACT is somewhat driven by seasons as the winters are historically harsh. When winter begins, cold temperatures cause buyers to lose inspection motivation and as a result, sellers feel less inclined to list their properties.

The transition from winter to spring always occurs quickly in the ACT, with temperatures going from cold to warm in a short period of time.

Once spring begins and the weather becomes warmer, buyers are motivated to inspect properties and the cycle picks up. The warm weather and blossoming of plants increases the marketability of properties. Houses generally look more spectacular and inviting to buyers.

The spring cycle is typically short and usually begins in late August and stretches to November/early December. Given the employment profile of the ACT, December and January are quiet in the property market given that many employees choose this as the best time to take time off work, which results in lower market activity.

Overall housing market activity throughout winter 2018 has been steady to strong, which is expected to continue into the spring and summer.

Units

Units in Canberra generally follow a different pattern to the housing market. Units usually don't have as many marketable features that have an advantage in spring over winter.

The ACT still has an underlying problem with unit supply, so it is hard to judge the market activity increase from winter to spring.

Overall market activity over winter has been on a slight decline owing to the construction of multiple new residential complexes, which is expected to continue into the spring and summer.

Rural

HERRON TODD WHITE RURAL

Overview

I have recently completed trips to Melbourne, Rockhampton and Adelaide out of Brisbane and at a time when the ground should be a patchwork of green with winter crop, it is clear from 31,000 feet just how dry it is everywhere.

The impact of the current situation is absolutely being felt by individual businesses but as yet has not fully reflected in the property market. A slower rate of sales is evident and any country for sale with good grass could be sold many times over, but very few actually exist.

Those businesses with water rights and security including horticulture are strongly contested and there is increasing demand for water rights with values heading towards $5,000 per mega litre in the Victorian market. The government is also active in the water markets, adding to price pressure.

Across the board there is pressure in the market place and some levelling out of values after three years of strong growth would not be a surprise. The irony could be that if there was widespread rain for a summer and a full winter crop program, that could spark a level of enthusiasm that may kick the market again.

This month the team have been asked to reflect on the current seasonal conditions in their local area and what impact is being seen in their local markets.

Enjoy this month's review and fingers crossed for rain for everyone soon.

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Rural

The rural market has had a strong 2018 period, built off the tail winds of continued downward pressure on the softening Australian dollar from the January high combined with a dominant agricultural industry within Australia that has strengthened further in the 2017/18 period. However, the severity of Australia's drought has now received national and international attention being brought to the forefront of the news. Victoria is now in potentially one of the worst droughts ever recorded, with the region currently experiencing a one in 20-year rainfall shortage with crop harvesting potentially at 10% to 15% of its usual yearly harvest.

The worsening drought conditions forecast are expected to make a considerable impact on GDP growth, with Citigroup forecasting that if current conditions continue and the expected drop of 20% in farm production does occur, GDP growth could drop half a percentage point, which is equivalent to approximately $5 billion in export production. The Reserve Bank of Australia caution that rural exports could be affected for the foreseeable future even though they have had a short term rise due to many farmers forcing cattle prematurely to slaughter due to inability financially to keep them. The weather later in 2018 is still forecast to continue dry conditions. Farm sector GDP dropped 15% in the March quarter and that trend is likely to continue.

The drought hasn't totally eviscerated the rural market, with a relatively high demand for large scale farming from international investors continuing, whilst Chinese interest has seemingly diminished to a certain extent. The March 2018 quarter saw a reduction in rural sales, down 4.6% over the previous period, however the volume of sales increased to reach $67.8 billion, which was a 0.7% increase on the previous period, showing that the sector has still seen some growth even in a subdued market.

However with all that is going on there still seems to be an appetite for investment and the outlook for the rest of 2018 looks positive, with land values increasing in line with agribusiness which is expected to continue into the future. Even though the drought is topical and in the immediate term, it is expected that long term impacts that could shape the rural market are starting to play out. Increased feed costs for livestock are expected to continue to rise and combined with the ongoing climate change debate in full swing at the moment with uncharacteristically warm months recorded, this could play a significant role in future land values within the rural market in the longer term.

NSW North Coast

The NSW North Coast is currently dry with cold nights but has not yet suffered as severely as the more western areas. In terms of livestock there is still some cattle feed and adequate stock water generally. The feed gap in this location is traditionally during winter and early spring. It is a summer dominant rainfall location and graziers will be eagerly awaiting the late spring and early summer storms.

Macadamia growers are mostly located near the coast and will be seeking rain from September onwards for the flowering period. A successful flowering is crucial for the 2019 macadamia nut crop and growers will not want moisture stressed trees as almost all orchards are rain fed.

Sugar cane growers on the lower peat soils will have just enough moisture to plant sugar cane when the soil temperature rises above 17 degrees Celsius. Some heavy clay soils may be too dry to plant until some rainfall is received. Harvesting conditions are ideal given the dry conditions. CCS levels are very good for this time of the year with Condong Mill around 12.4, Broadwater Mill around 13.2 and Harwood about 12.9. This reflects the dry conditions and low ash levels (impurities such as soil etc).

Irrigators who pump from rivers and streams will be getting nervous as almost all of the rivers and creeks relied on are unregulated (do not have a major storage dam) and when water flows, drop pumping restrictions are triggered which limit the water that can be taken. This may affect dairy farmers, blueberry growers and other intensive horticultural operations in particular.

(Source: Herron Todd White)

(Source: Herron Todd White)

New South Wales

Whilst there remains some positive sentiment in the rural property market across New South Wales the ongoing drought is starting to have an impact on some buyers' decisions to pursue rural property. Despite this, agents are still reporting higher levels of enquiry than they have experienced in the past several years, however a lack of supply is evident as landholders are waiting for improved seasonal conditions before trying to market and sell. We are seeing continued sales across most areas of New South Wales, particularly higher rainfall areas, however due to the negative climatic conditions encountered over the past 18 months there have generally been lower sales volumes. We expect this trend to continue while the area receives below average rainfall.

The continued dry seasonal conditions across large parts of New South Wales are limiting the market's enthusiasm for expansionary activities. It is our opinion that the positive cash flows generated in most areas during the past two years have been funnelled into debt consolidation rather than any expansionary movements.

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Central Tablelands, Central West

There appears to be a slowing of sales activity in the rural market at present. This is mostly influenced from the supply side with potential sellers waiting for their properties to be more presentable to the market before listing. We understand that there is still reasonable enquiry from buyers, but this is becoming subdued.

All properties we have visited recently are feeding stock and have experienced a colder than average winter.

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Mildura

The ongoing dry conditions are creating challenges for a wide cross section of our rural community. This year is looking a lot like 1982, which is the last time grain growers in our regions faced the prospect of no harvest. With many farmers now running continuous cropping programs and with no livestock to fall back on, the next 12 months will prove a testing time.

Many graziers in western New South Wales are fast running out of water as well as feed. Most have spent significant sums buying in hay, grain and pellets, but are now questioning whether to quit stock if they have sufficient condition to be saleable rather than keep buying in feed. Hay and grain are becoming very difficult to source and more expensive each month.

While this is a pessimistic outlook, we note that farmers in this region are bred to be resilient and we expect the majority will have sufficient capital or equity to ride out at least the next 12 months. History also shows that few people list their properties for sale during drought conditions and so we expect the number of sales to dry up over the next six to 12 months.

Having said this, there has been patchy rain throughout some sections of the Victorian Mallee and some growers in these locations may yet harvest a crop and reap the benefits of high grain prices.

Irrigators are also getting no help from the sky and face using more water earlier in the spring than they usually need to. The cost of leasing annual allocation is now stuck above $300 per ML, which will impact on the return for particularly wine grapes but also higher value crops such as almonds, citrus and table grapes. There has been significant development of these crops over the past four to five years, much of which is reliant on leased water. Any rationing of water will flow through to lower yields, further exacerbating the current shortage of some wine grape varieties.

We expect that concerns around the cost of water could reduce buyer demand for horticultural properties, however this will only become evident over the next six months or so. Returns remain good for most commodities which will justify the cost of leasing water, even though it will reduce profit. There have been good snow falls in the Murray catchment area and we note that there is still time for any substantial rainfall event in September to create good run off and increased allocations.

A recent noteworthy sale is Cowra station, a 4,300 hectare mixed farming operation located 25 kilometres west of Mildura and with extensive frontage to the Murray River. This property has been primarily used for grazing and dryland cropping, however has some existing irrigation infrastructure and potential for expansion of this enterprise. The property had been on the market for many years, waiting for a buyer intending to undertake some form of irrigation development.

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Echuca

The season is precariously placed along the border region with many requiring significant falls to guarantee crops. Historical management and resulting soil condition has never been more evident than the current season with paddocks either side of some roads showing substantially different vigour and harvest potential reflecting the organic matter content, sowing times and general management practices. As one farmer in the Riverina said in the second week of August "if we don't get rain in the next two weeks, the crop will be finished".

A sharp rise in allocation water prices (refer Goulburn 1A Allocation Trading graph below) will be likewise creating some difficult decisions for those with irrigation development weighing up the likely final commodity prices with the opportunity cost of irrigating versus selling their allocation on the market.

Allocation trade in the 1A Greater Goulburn Trading zone:

(Source Victorian Water Register)

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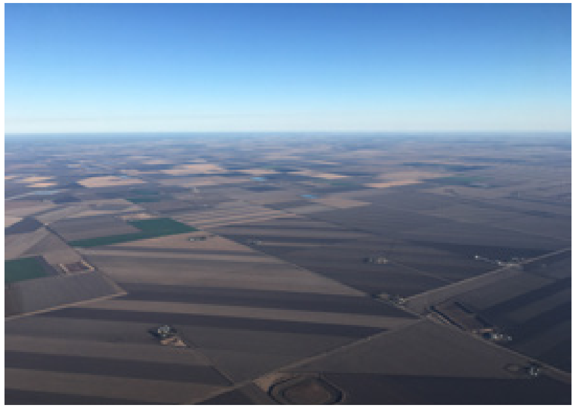
Southern Queensland

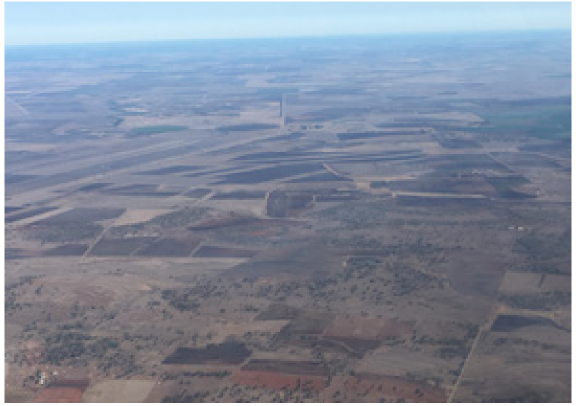
It's been a pretty ordinary August in the south-east of the state with continued dry conditions, fires and the annual Ekka winter westerly winds turning up on cue. The dry seasonal conditions are firmly in place on both the inner and southern Downs farming regions. Winter cropping within the normally secure



(Source: Herron Todd White)

farming areas is very sparse. The concern now is looking ahead for this year's summer cropping season with poor moisture profiles and limited water in storage for either planting or pre-watering. For the Felton area, some 167 mm (6.7 inches) has been recorded for the year to date, about half that recorded in comparison to the same period last year. For the 2017 year the overall total was still about 70% off the long term average. Overall market confidence in this area is still positive.

In western Queensland, the season isn't any better especially west of Morven. For example, Cheepie has received 65 mm (2.6 inches) for the year to date. With all the present media attention generally centred south of the border, you have to take your



(Source: Herron Todd White)

hat off to the resilience of the graziers in western Queensland. For many they are now entering their sixth year of drought and have been running their businesses either on a retained skeleton breeder herd or have opted to drove cattle or seek alternative agistment. The market in these areas has not seen the same value growth of country further east. There have been some firming value trends particularly holdings that demonstrate a diversity of country of say Downs, alluvial frontage or Mulga. It's also one area of the market that we have seen external influence impacting on values with the competition by carbon abatement brokers and proponents. One could also assume many of the landholders who have decided to register a carbon abatement project have done so under the pressures of seeking alternative income streams due to the drought. The significant capital investment in exclusion fencing has no doubt been viewed positively but the general feeling is that once the season breaks, those who have the ability to control wild dogs and vermin will be able to capitalise on improved productivity. With the strengthening in the wool markets it's likely to create opportunities for graziers wanting to diversify back into sheep or increase market demands from potentially existing southern producers seeking further country.

Generally, every Shire west of the Dividing Range in the southern part of the state is drought declared with the exception of the Western Downs Shire. Between Wandoan and Taroom, between 350 mm to 490 mm have been recorded for the current year and broadly the country is reasonably pastured. This sector of the market has historically been very strongly competed for by local producers, particularly those who have benefited from additional income streams created by the coal seam gas industry. With the current seasonal conditions, we are now seeing out of district buyers looking at buying country in the area as demonstrated by the sale of Loch Craig. The property sold at auction on 2 August for $3,446 per hectare ($1,394 per acre) with reports the sale result may have been influenced positively given the property was well grassed and the successful bidder had immediate access for 600 head. The auction had nine registered bidders and was sold under the hammer to a northern New South Wales angus stud producer.

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Central Queensland

The extended drought in central western Queensland has restricted the market to a few sales of properties which have been reasonably well grassed. While demand is a little patchy, generally properties have sold to strong competition, mainly from producers seeking grass. Values have generally increased, particularly in the Blackall district, where rates have reached unprecedented levels. Recent sales include Fairlea, Athol and Tarbarah at Blackall, and Stockholm, Elis and Verastan in the Muttaburra district.

Relative to the western districts, the higher rainfall areas throughout the Central Highland and Dawson Valley are experiencing mixed seasonal conditions. The supply of rural property remains tight and in this regard the market's reaction to the dry season is difficult to gauge, however the few sales observed in recent months offer no indication of an easing of values.

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North Queensland

Necessity is said to be the mother of invention. Perspective though, gives us the benefit of wisdom and the ability to handle or drive change.

The seasonal conditions being experienced in the eastern seaboard at present are providing the platform and opportunity for the evolution of agricultural business and land management. This is positive for northern grazing property markets in the future.

The evolutionary pressure that is upon agriculturalists is challenging the paradigms of what Australians know as being conventional agriculture. The descriptive of conventional practices can only draw on the wisdom of learnings since the arrival of the First Fleet. Yet within that time frame, eras have come and gone.

Since the late 1800s, North Queensland rural land uses have included flocks of sheep, mobs of cattle, hand cut sugar cane, aquaculture, horticulture and tobacco to name a few. Each of these uses have endured their own economic cycles of development, expansion and contraction. Northern Queensland property values too have been able to cycle accordingly in the free market environment.

However, North Queensland's rural property markets are still in their infancy when you really think about it.

The modern era, as we know it, is presenting its own macro economic pressures to drive new evolutionary pressures. The rise of consumerism, society ideology and government policy are massive drivers influencing rural land uses, management and in turn, the rural property markets. To some extent this is a new form of interventionism.

In recent weeks, through the media, the image of rural property owners has changed. A glimmer of the modern, educated, risk calculating agriculturalist has emerged. This draws a line in the sand for the old Australian psychology of the tall poppy syndrome.

Up until the last month, the image of dry country, stock in poor condition and the battling land holder has portrayed the industry to the urban and international market place. Traditionally, tall poppy syndrome meant that if a farmer or grazier was doing well in the face of adversity, there would not be a word spoken, it was taboo to speak of it. Industry members have shattered this.

The message is clear. Yes, business conditions are varied at present, however it's part of being in the industry and there are risk management strategies being employed and that the strategies for success are in place for varying seasonal conditions.

This leadership is of benefit to northern industry evolution and in turn, northern property market dynamics. These people are not arrogant to the humanistic needs of people in these extreme situations - what they are showing is that the industry is evolving and it's happening quickly.

In the face of adversity, this display is showing that the rural industry is targeting the needs of consumerism, addressing society's ideologies and attempting to get on with business in accordance with policy changes. All this, while trading in less than ideal conditions.

Northern rural property markets have a different dynamic and spread of risks. In recent years there has been a substantial shift in land ownership in North Queensland as a result of the implementation of succession plans.

The combination of this change of ownership and the recent public displays of industry evolution will have an effect on rural property markets in North Queensland. This is relevant for both grazing and farming property markets.

Society's influence on farming practices along the Barrier Reef coast is being embraced. There are farmers who have redesigned their farms so that water recycling and variable speed pump systems are being utilised. In time, there will be sales evidence to confirm the market value effect of these modern designs. Is it going to be upside for the farm that has been redesigned or are conventionally designed farms going to be discounted?

Commercially speaking, it is likely to be a bit of both. The price spread between a good farm rate per hectare and an old farm rate per hectare is likely to widen.

The same concept is likely to be shared by the larger grazing property market. Stations that are improved for modern commercial management and land management will evolve to see a greater price range compared to the conventionally grazed counterpart.

Why though is the north likely to benefit? Take the whole eastern seaboard into consideration. Which region has the benefit of market diversity and seasonal rainfall?

North Queensland has the opportunity to apply the learnings from southern farming systems, land development and risk management as the modern evolution continues.

Considerations as the northern industry matures include:

- Cost and availability of water to implement irrigation projects;
- Infrastructure – roads and rail development to manage the costs of delivering produce along the supply chain or to end markets;
- Energy – costs of pumping and fuels not just for irrigation, but for production;

- Renewable energy – given the direction of the solar and wind industries, the opportunity to tap into an income from having a site on farm or on a cattle station will be of benefit, while the current political system focuses on this industry;
- Environmental incomes – carbon income that arises from the Emissions Reduction Scheme encourages a new way of thinking about the use and practices of land.

Each of these items are considerations that will contribute to driving the modern commercial agriculturalist as they apply the wisdom of our short history of land use in this country. In turn, they will affect the use and value of the respective property markets in North Queensland.

Contact:
Roger Hill - ph: 0418 200 046

Property Market Indicators

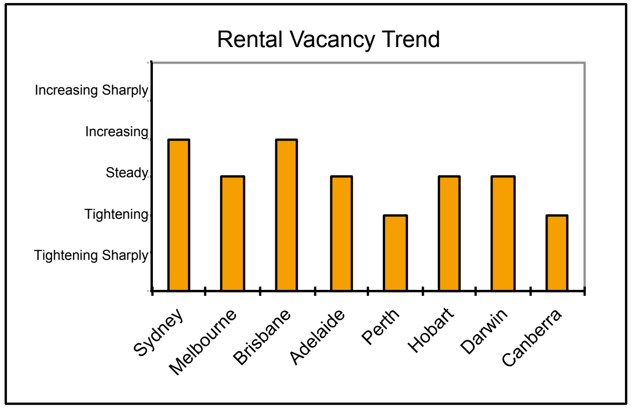
HERRON
TODD
WHITE

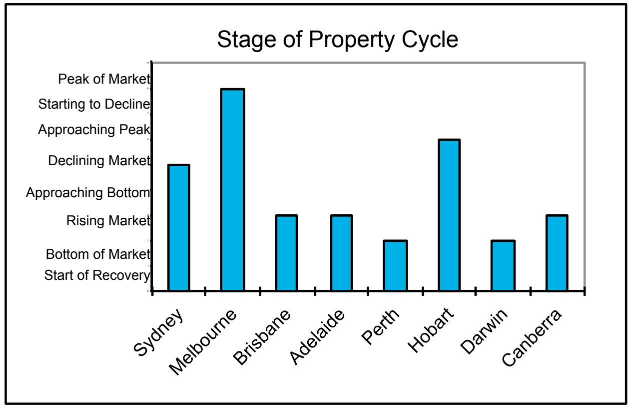
Capital City Property Market Indicators - Houses

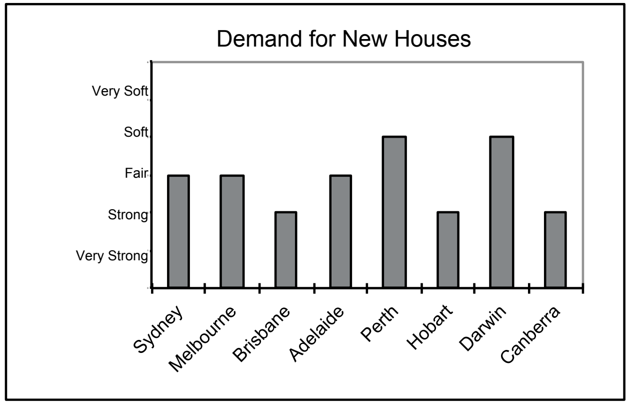
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Increasing	Steady	Tightening	Steady	Steady	Tightening
Demand for New Houses	Fair	Fair	Strong	Fair	Soft	Strong	Soft	Strong
Trend in New House Construction	Steady	Steady	Steady	Increasing	Steady	Increasing	Declining	Increasing
Volume of House Sales	Declining	Increasing	Steady	Steady	Steady	Increasing	Steady	Increasing
Stage of Property Cycle	Declining market	Peak of 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	Steady	Steady
Demand for New Units	Soft	Soft - Fair	Very soft	Fair	Soft	Strong	Soft	Fair
Trend in New Unit Construction	Steady	Declining	Declining significantly	Increasing	Declining	Increasing	Declining	Increasing
Volume of Unit Sales	Declining	Steady	Declining significantly	Steady	Declining	Steady	Steady	Declining
Stage of Property Cycle	Declining market	Peak of market	Declining market	Bottom of market	Approaching bottom of market	Approaching peak of market	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

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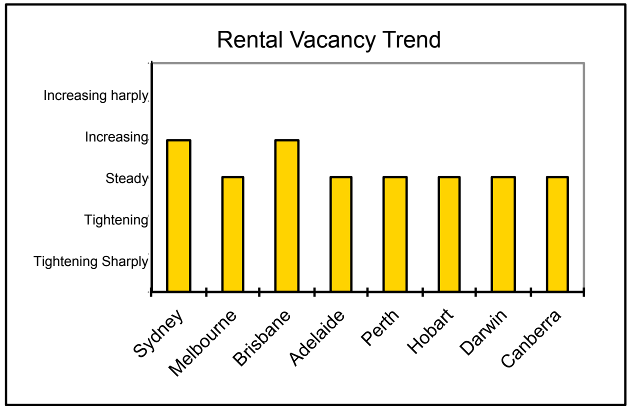

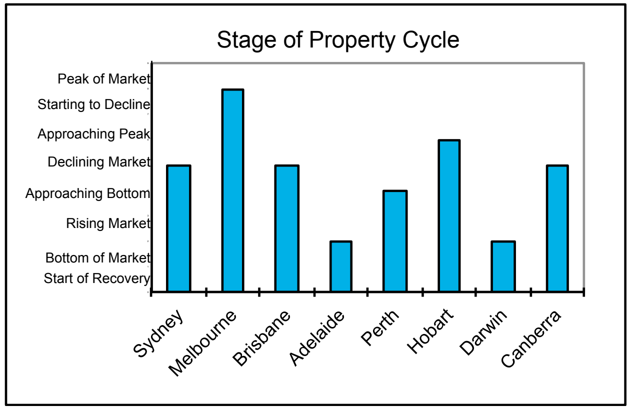

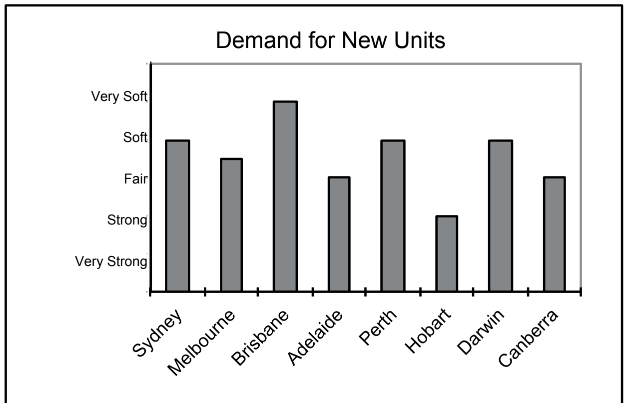

Market Indicators

Capital City Property Market Indicators - Industrial

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	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	Tightening	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady
Rental Rate Trend	Increasing	Stable	Stable	Stable	Declining	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	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	Starting to decline	Rising 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	Large	Large	Significant	Large	Significant

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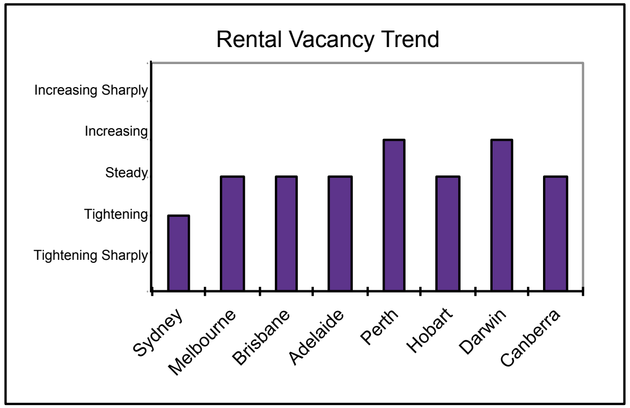

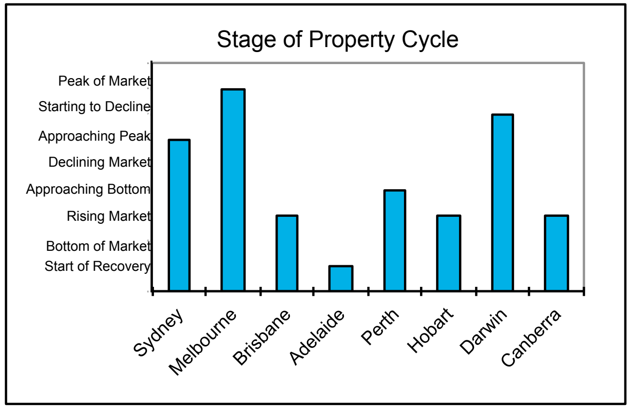

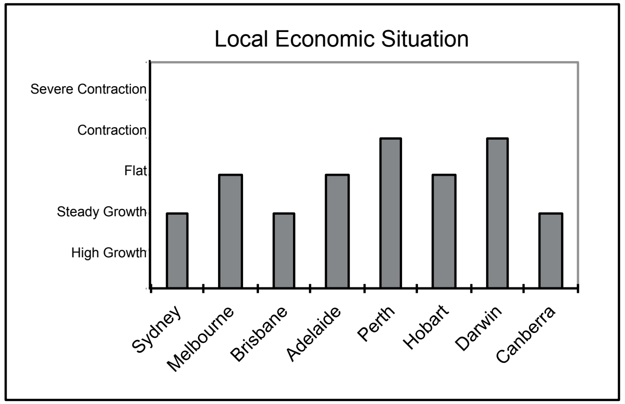

New South Wales Property Market Indicators - Houses

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	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening - Steady	Increasing	Tightening	Tightening	Increasing
Demand for New Houses	Strong	Fair	Very strong	Fair - Strong	Fair	Very strong	Fair	Fair
Trend in New House Construction	Increasing	Steady	Steady	Steady - Increasing	Steady	Steady	Steady	Steady
Volume of House Sales	Increasing	Steady	Steady	Increasing - Steady	Declining	Steady	Declining	Declining
Stage of Property Cycle	Rising market	Starting to decline	Peak of market	Rising market	Peak of market	Peak of market	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

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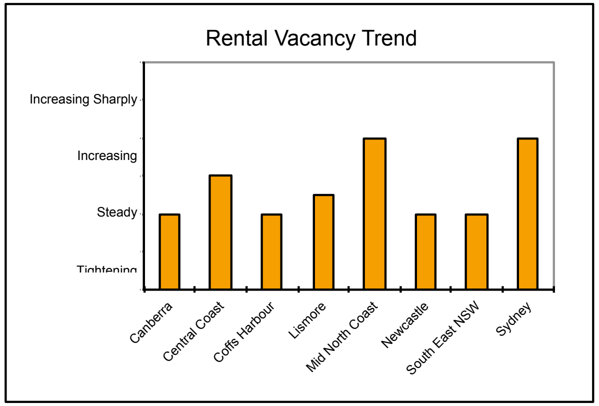

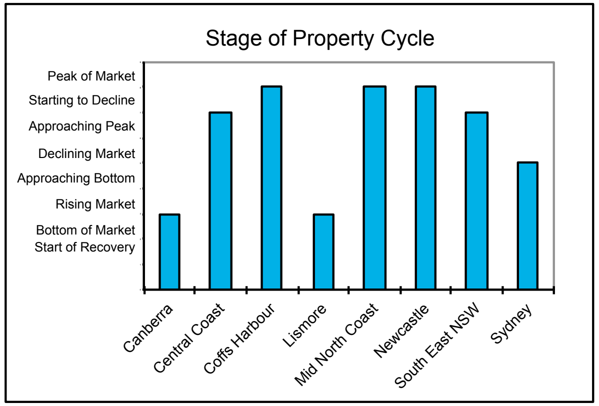

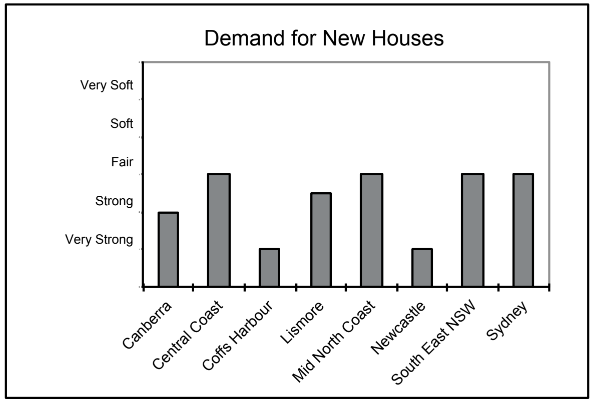

Market Indicators

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

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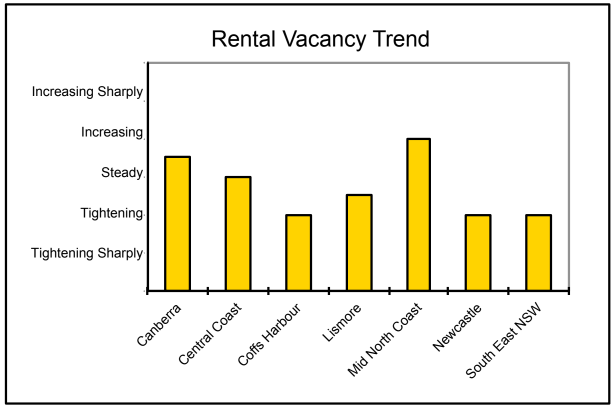

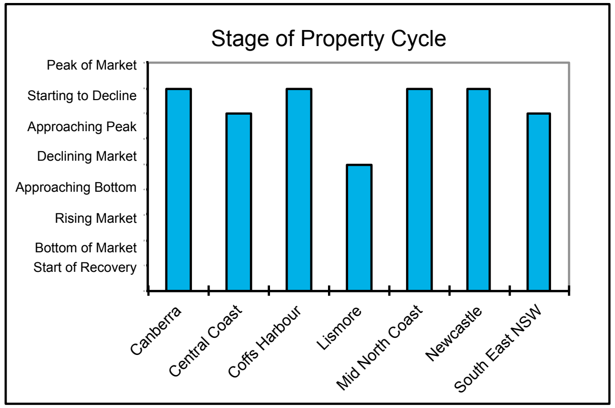

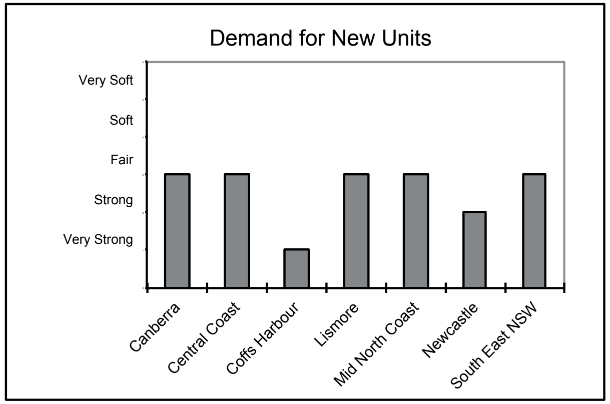

Market Indicators

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

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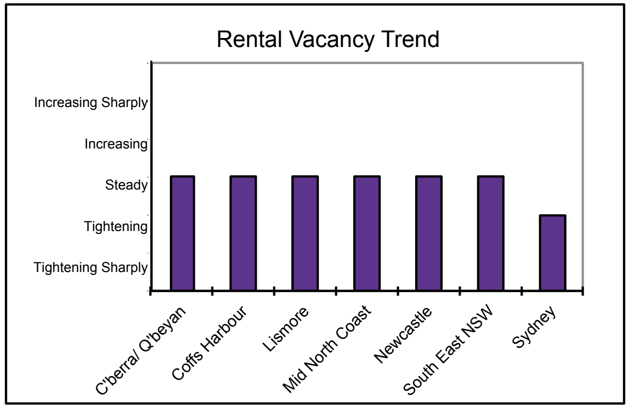

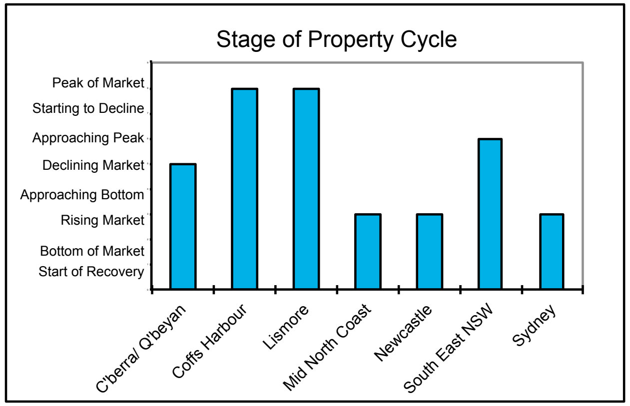

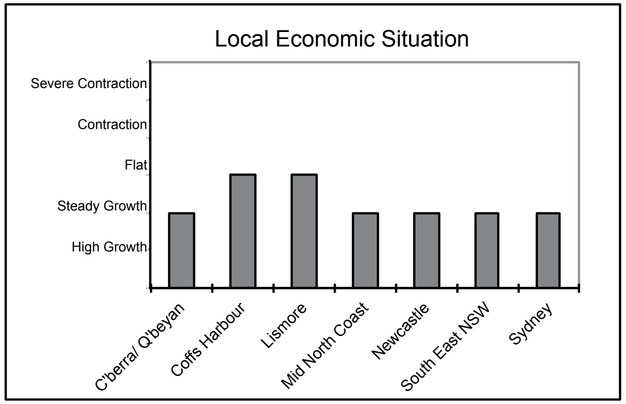

Market Indicators

Victorian and Tasmanian Property Market Indicators - Houses

Factor	Ballarat	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Steady	Increasing	Increasing
Demand for New Houses	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining	Stable
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady
Volume of House Sales	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Approaching bottom of market	Start of recovery
Stage of Property Cycle	Flat	Flat	Flat	Flat	Flat	Contraction	Flat	Contraction	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Significant	Significant	Significant	Significant	Large	Significant	Large	Large

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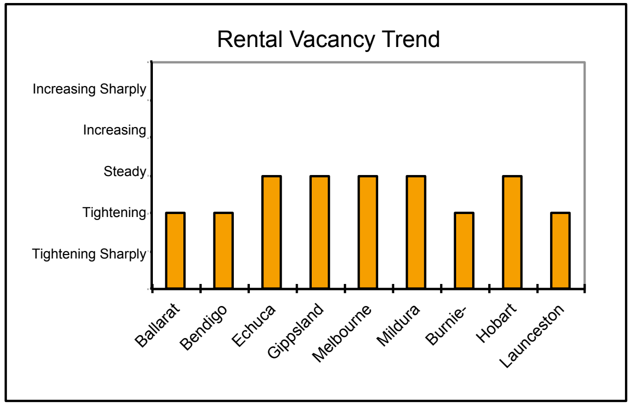

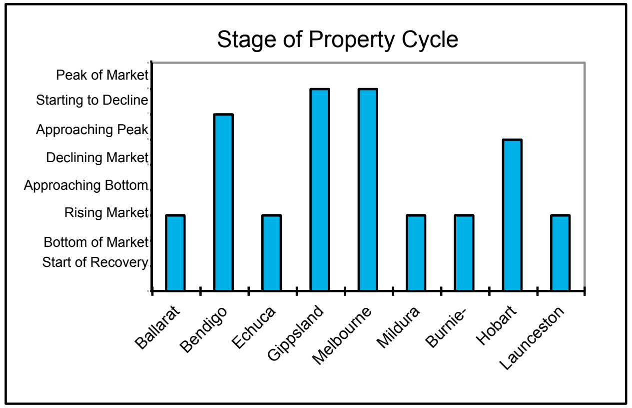

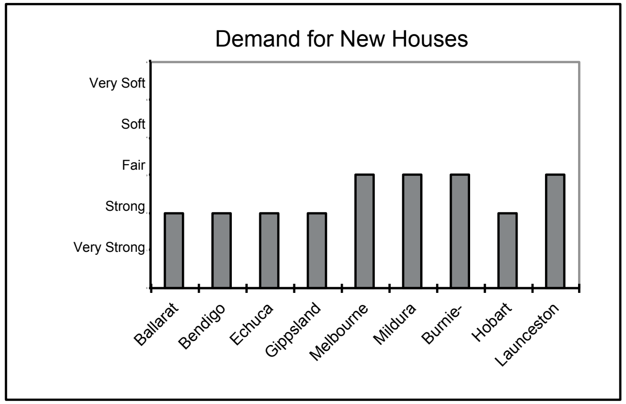

Market Indicators

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	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	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	Rising market	Start of recovery	Peak of 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

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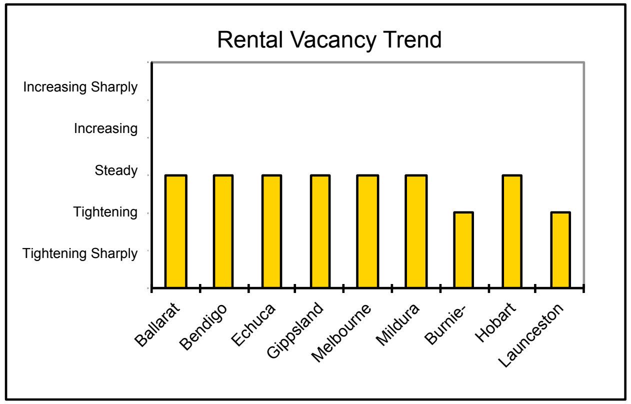

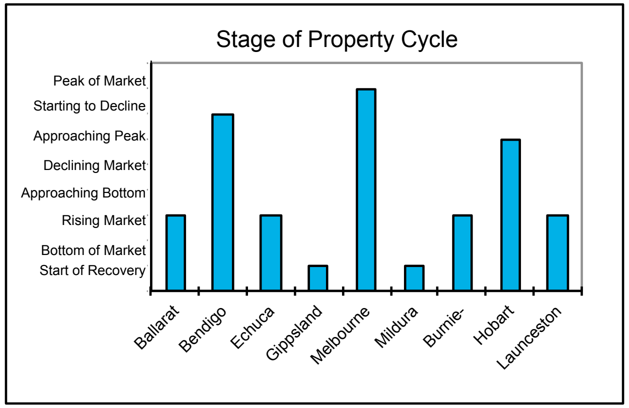

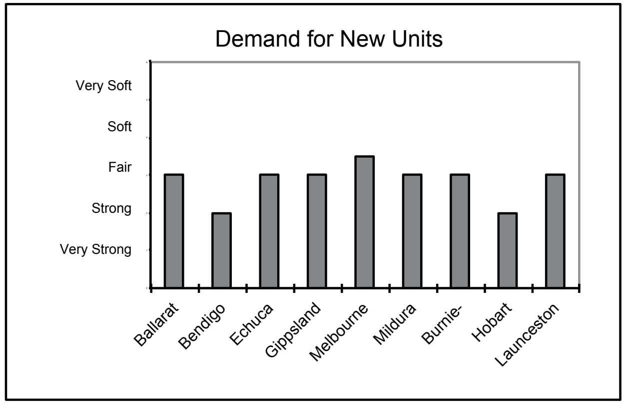

Victorian and Tasmanian Property Market Indicators - Industrial

Factor	Ballarat	Bendigo	Echuca	Latrobe Valley	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	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	Approaching peak of market	Start of recovery	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	Small	Significant	Significant	Significant

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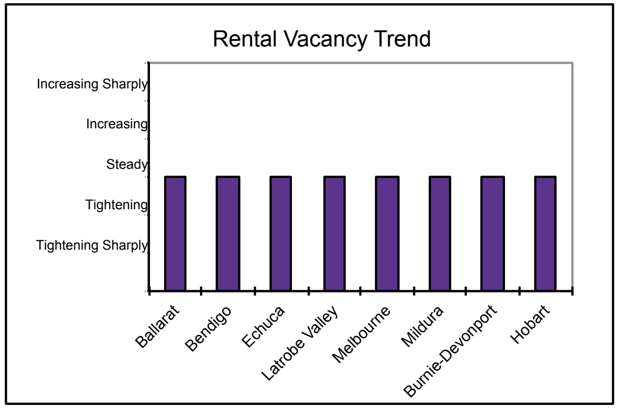

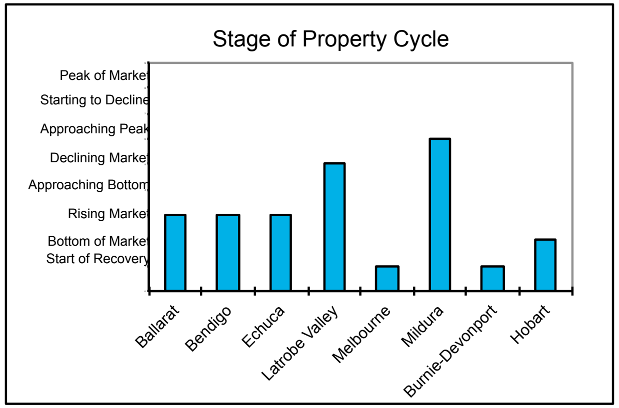

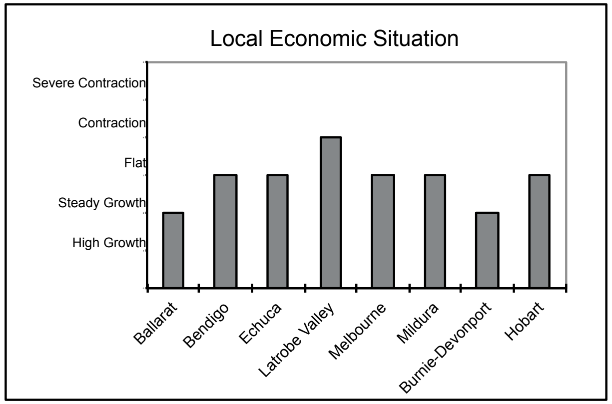

Market Indicators

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	Severe shortage - Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	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	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Steady	Increasing	Increasing	Steady	Steady
Demand for New Houses	Soft	Soft	Fair	Soft	Fair	Fair	Fair	Fair	Strong	Strong	Fair	Fair	Fair
Trend in New House Construction	Declining	Declining	Increasing	Declining	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady
Volume of House Sales	Increasing - Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	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	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally

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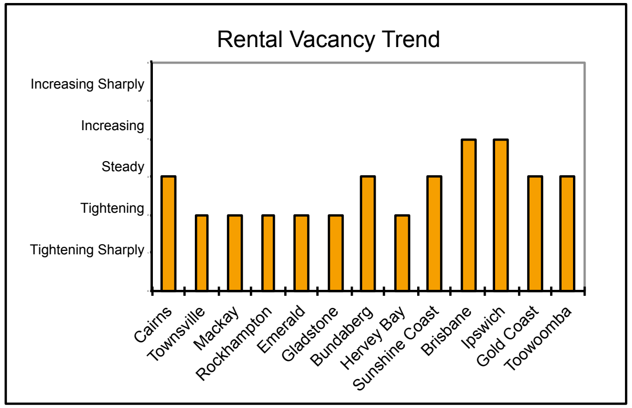

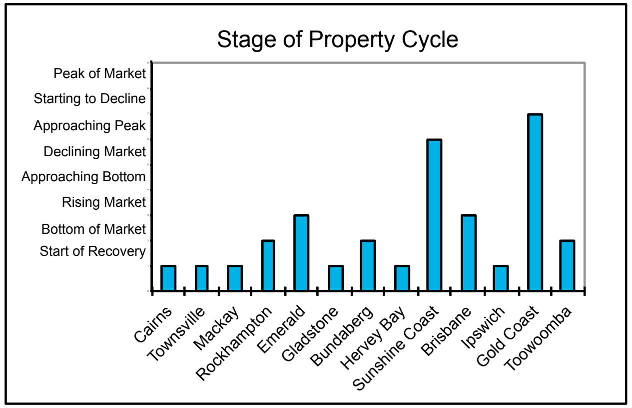

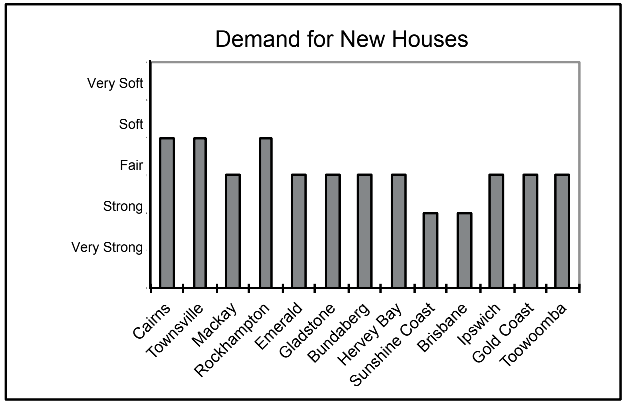

Queensland Property Market Indicators - Units

Factor	Cairns	Townsville	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Severe shortage - Shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	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	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Steady	Increasing	Increasing	Steady	Steady
Demand for New Units	Soft	Soft	Fair	Soft	Fair	Fair	Fair	Fair	Strong	Strong	Fair	Fair	Fair
Trend in New Unit Construction	Declining	Declining	Increasing	Declining	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady
Volume of Unit Sales	Increasing - Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	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	Occasion-ally	Occasion-ally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally

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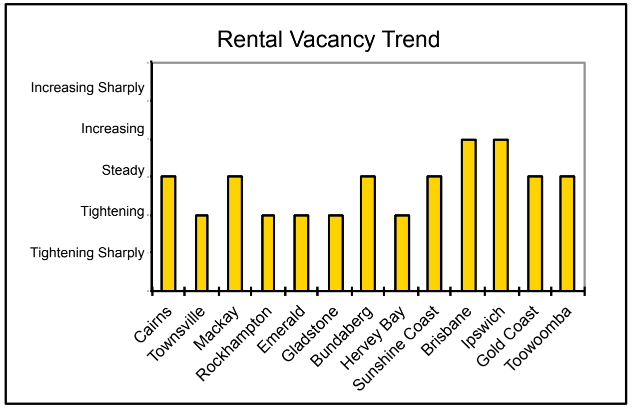
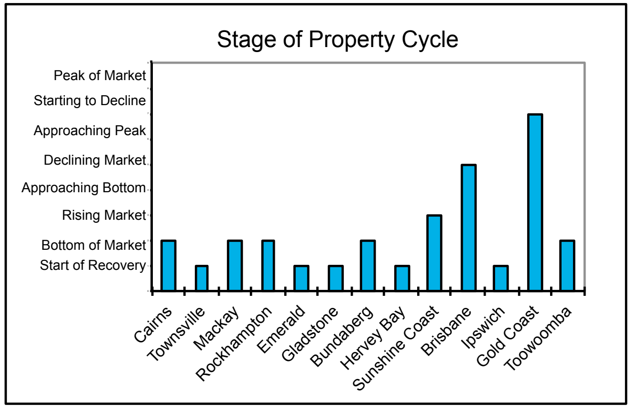
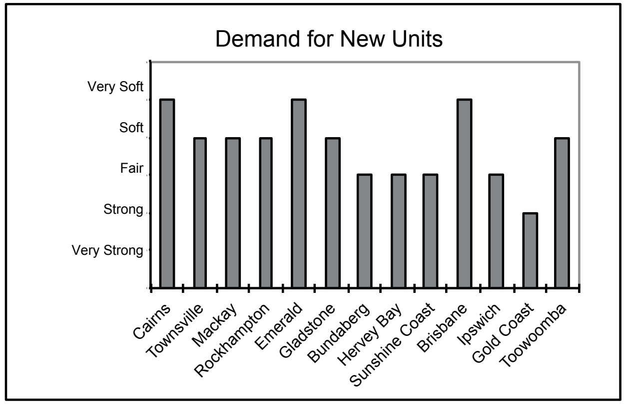






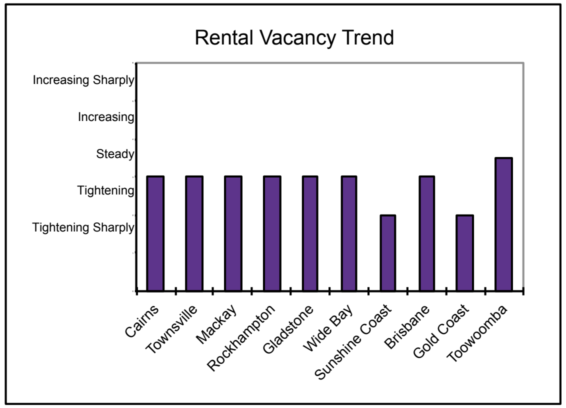
Market Indicators

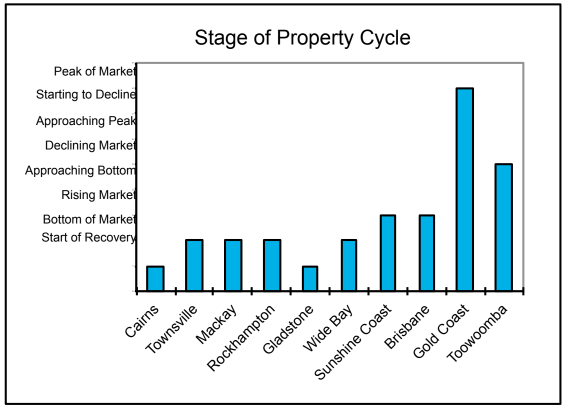
Queensland Property Market Indicators - Industrial

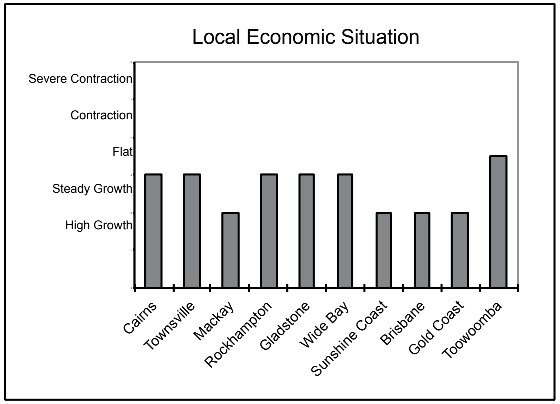
Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Wide Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply 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	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening	Steady - Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Stable	Increasing	Declining - Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing - Steady	Steady	Steady	Steady - Declining
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Approaching 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	Significant	Small	Small	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 - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening
Demand for New Houses	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Stable	Increasing
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Steady	Increasing - Steady	Steady	Steady
Volume of House Sales	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Approaching bottom of market	Bottom of market	Rising market	Rising market	Peak of market
Stage of Property Cycle	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Steady growth	Steady growth
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Small	Significant	Significant	Small	Small	Significant	Significant	Large	Small

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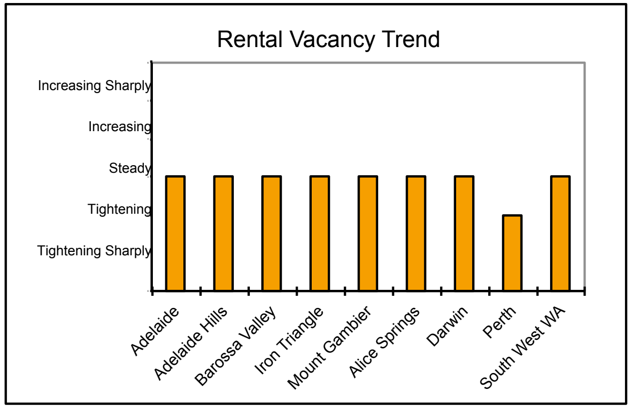

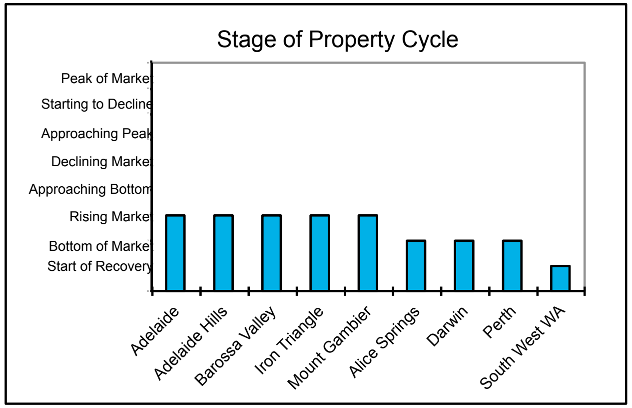

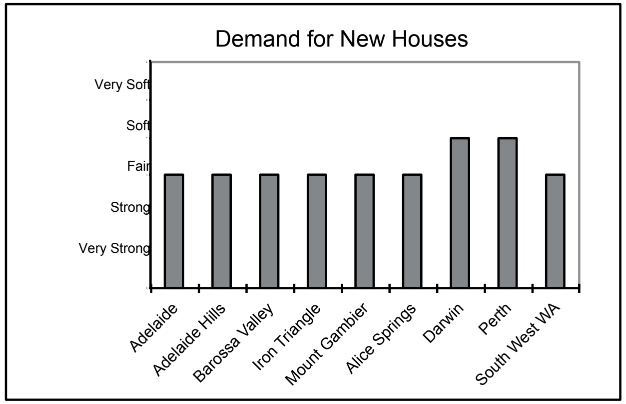

SA, NT and WA Property Market Indicators - Units

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	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft	Fair	Very soft	Soft	Fair
Trend in New Unit Construction	Increasing	Increasing	Steady	Increasing	Steady	Steady	Declining significantly	Declining	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Increasing	Steady	Declining	Steady	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Rising market	Bottom of market	Bottom of market	Declining market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Very frequently	Occasionally	Almost never

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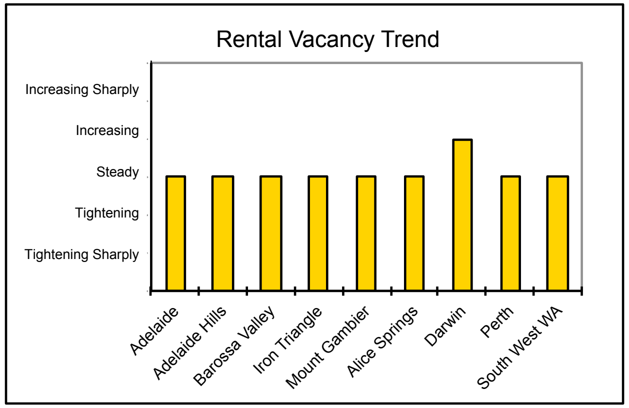

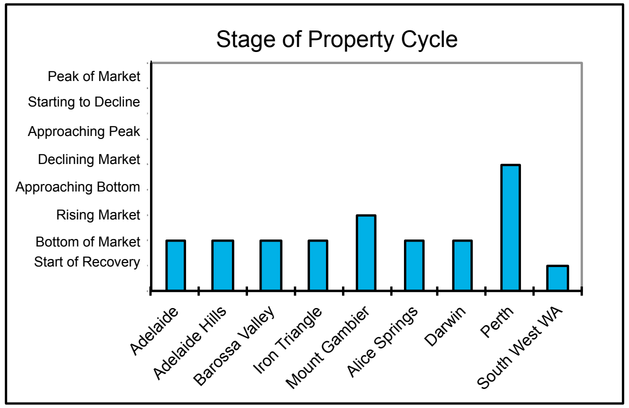

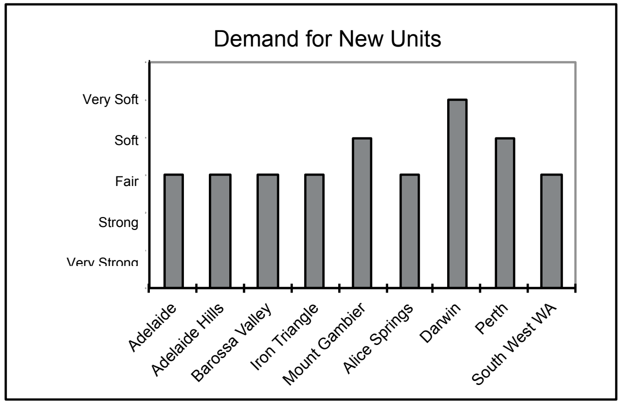

SA, NT and WA Property Market Indicators - Industrial

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

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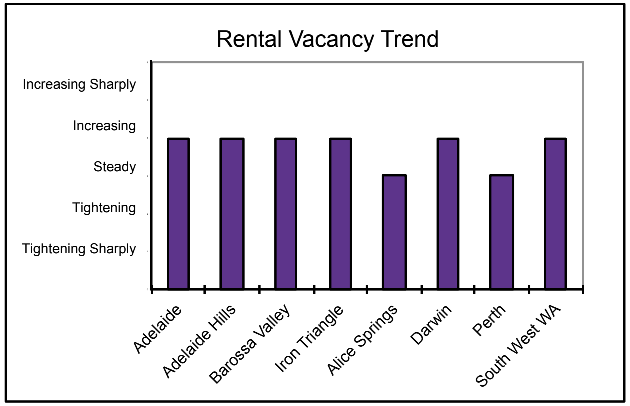

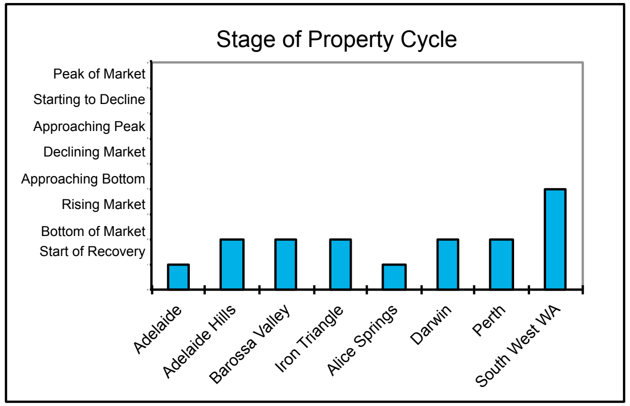

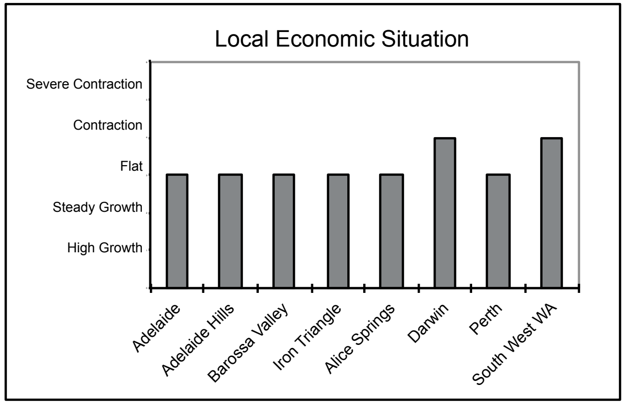

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