



Month in Review

October 2019

The Month in Review identifies the latest movements and trends for property markets across Australia.

Contents

Click on
any state or
page number
for immediate
access

Feature -All about the yields	3
Commercial - Industrial	4
New South Wales	6
Victoria	9
Queensland	10
South Australia	16
Western Australia	18
Australian Capital Territory	19
Residential	20
New South Wales	23
Victoria	33
Queensland	38
South Australia	47
Western Australia	49
Northern Territory	55
Australian Capital Territory	57
Tasmania	58
Rural	59
Market Indicators	66

Disclaimer

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All about the yields

Many of us are well versed in the catchcries of property investment which drive this industry:

- ▶ “The three most important factors are location, location, location”
- ▶ “You make money on the way in, not the way out”
- ▶ “It’s time IN the market, not timing the market, that counts”

But the one worthy of our words this month is - “Cash flow is king!”

Investment strategies are both intricate and diverse, but when all’s said and done, most investors choose what to buy by balancing out the two elements of return - capital gain and rental yield/cash flow.

To use an 80s-movie reference, yield is often regarded as a Danny Devito driver compared to the Schwarzenegger-like performance of capital gains (...look it up kids.)

You can almost hear the common wisdom - “Sure - maximising the rental return on each dollar invested is important, but really massive rewards come from magnificent capital growth built over time!”

But, in our experience, this aesthetically driven approach gets turned on its head by experienced investors - and in times like these where major markets have slowed while finance has been tight, the ability to build a portfolio that helps service its debt is a priority.

This’s why smart investors look to find a balance between the two - which can be tough because capital gains vs yield is a bit like a Krispy Kreme on a weight-loss challenge - you can only have one at the expense of the other.

And so, investor will choose a run to yield based on where they are personally in their financial journey and in response to market forces.

This month, we thought it time to look at this run to yield at a nuanced level. We’ve asked our highly talented teams from every compass point to clinically critique the options for those chasing yield in their service areas.

The responses were varied - from old-school flats, services apartment and student accom in the city, to duplex and triplex builds in the burbs. There were even imaginative ideas on ways to boost rental return too - suggestions included short-stay gold mines and house reconfiguration through to separately leasing car spaces and more.

Stepping toward the commercial space and this month’s submissions are studies on industrial markets and the big transactions that have driven



them in 2019. We want industrial devotees to know about where the large money has been spent securing sites, doing refurbishment, developing and building industrial space or leasing out square metres.

Finally, the rural crew have again stepped up with their wrap of regional goings on across this wide-open land. They’ve leaned one foot on the post-and-rail and mused over how things are shaping up for our country’s expansive holdings.

We hope you enjoy this month’s edition - but before you run to yields, make sure you bolt to the phone and call our very impressive crew at your local Herron Todd White office. They’ll help direct you toward smart buying options so your portfolio can find a zen-like balance between the income and growth.

Capital gains vs yield is a bit like a Krispy Kreme on a weight-loss challenge - you can only have one at the expense of the other.

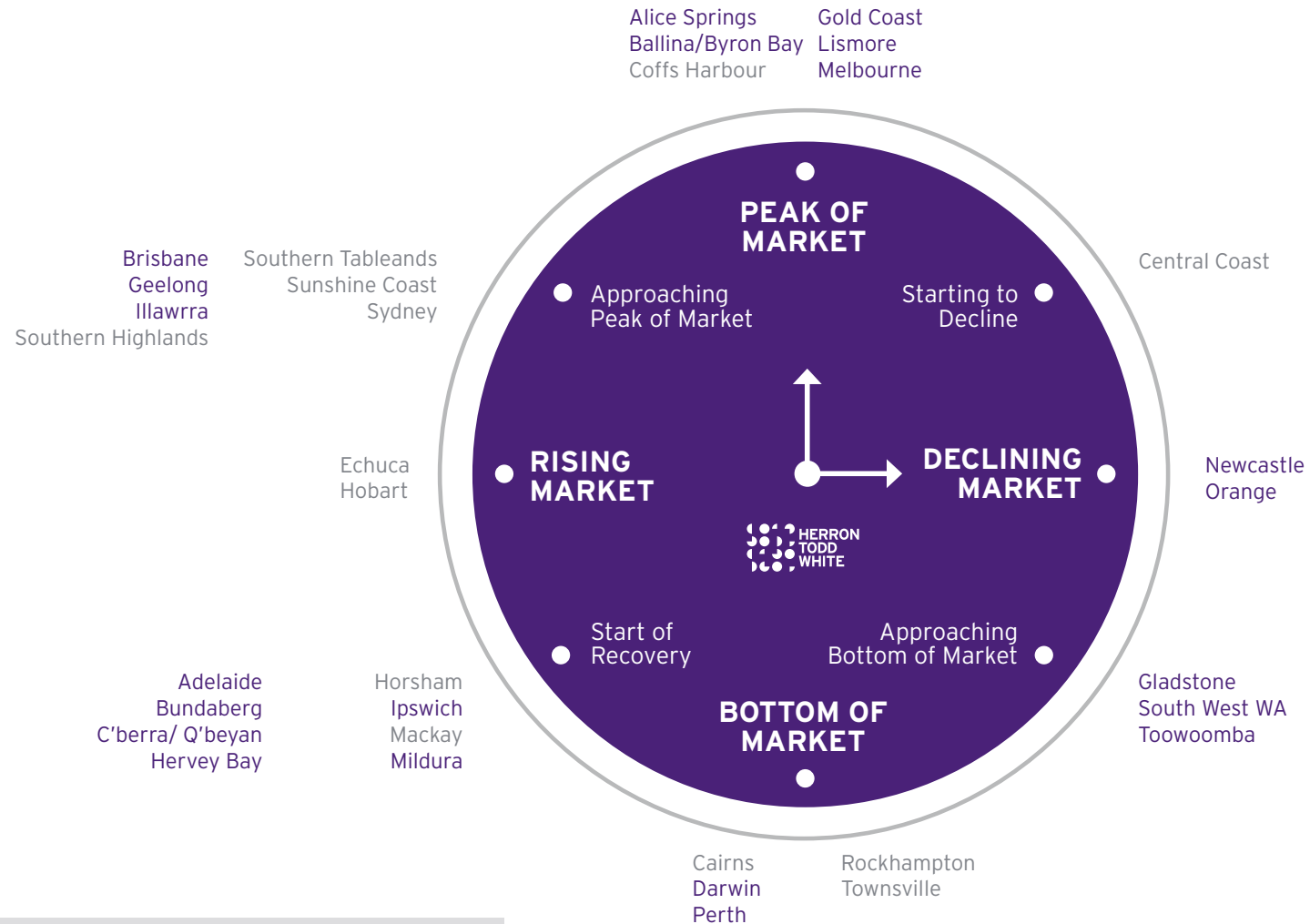


Industrial

October 2019

National Property Clock: Industrial

Entries coloured purple indicate positional change from last month.



New South Wales

Overview

While industrial property is often seen as the gateway to commercial investing, it's still a sector filled with major sales and leasing transactions that help drive and direct the market.

This month, our teams take a look at the big deals in their industrial sectors and what they mean for commercial holdings overall.

Sydney

The Sydney metropolitan industrial market remains an attractive home for capital with investors chasing yields and potential for capital growth. The effects of this current demand are partly driven by a lack of available supply. Demand remains strong across most sectors of the market, from entry level to large scale assets.

In the second quarter of 2019, approximately 70,000 square metres of industrial supply was added which is 46 per cent below the approximate 130,000 square metres added in the same quarter of 2018.

Industrial land values have grown at a reported 14 per cent annually over the past five years. Indeed, the New South Wales Valuer General has recently undertaken land valuations across the state that resulted in significant growth in industrial land values, with industrial land showing the strongest overall increase amongst all uses. The average

industrial statutory land value increased by 17.5 per cent. Notable local government areas that have seen increasing land values include Cumberland and Blacktown.

The lack of land supply and increased demand for smaller assets has led to the development of a number of multi-unit strata developments, including Primewest's estate project, Interlink Strathfield at Enfield and a three level, multi-storey, 44 industrial unit plus 90 storage unit development at Revesby, known as The Mavis Quad in Sydney's South.

The upshot of the lack of supply and rising values is a further tightening of yields which we expect to be at or close to the firm end of the current cycle, with entry level stock often sitting at sub five per cent, particularly with respect to owner-occupier markets where owners place less reliance on yields and cash flow as properties are purchased for their own usage. Consequently, the achieved market yields for properties sold with vacant possession tend to be lower than typically associated with investment sales. Transactions are conducted predominantly on a per square metre basis improved.

Large format industrial yields are currently sitting in the general range of six to seven per cent.

Some recent examples of large industrial transactions, with A-REITS being the main purchasers in the market, include:

- ▶ An AMP Portfolio sale of assets in April 2019 at Kingsgrove, Blacktown and Villawood with a total GLA of 36,404 square metres which sold for \$90.5 million. Villawood reflected \$2,486 per square metre and a yield of 4.98 per cent.
- ▶ 13 Ferndell Street, South Granville sold in January 2019 for \$24.225 million. This is a 2.67 hectare industrial parcel improved with a 15,302 square metre building leased to Bluescope Steel, a national tenant, for a passing rental of \$1.543 million per annum net plus GST (reflecting \$101 per square metre net). The sale had a short WALE of 1.71 years and reflected a rate of \$1,583 per square metre of GLA and a yield of 6.37 per cent.



- ▶ 8 Williamson Road, Ingleburn, occupied by Viridian Glass, was purchased by Fife Capital in March 2019 for \$66.3 million, reflecting \$1,947 per square metre of GLA and a yield of 6.21 per cent. The site comprises an area of 11.33 hectares. The property includes a balance land component of 22,000 square metres.

▶ *The upshot of the lack of supply and rising values is a further tightening of yields.*





Close to the Moorebank Intermodal Terminal, it also benefits from its proximity to the Hume Motorway and South Western Freeway.



8 Williamson Road, Ingleburn

Source: realcommercial.com.au

Notable large format completions over the next 12 months will include a 27,500 square metre warehouse at the Crossroad Logistics Centre being developed by AMP Capital at Casula in Sydney's south-west and a 37,860 square metre warehouse for Target Australia within the Moorebank Logistics Park.

Another factor that has contributed to growth in the Sydney industrial market is the ongoing upgrades to transport networks that will serve to better connect industrial precincts across Sydney, particularly with respect to western Sydney. Current projects include WestConnex, Western Sydney Airport at Badgerys Creek, Pacific Highway upgrade, NorthConnex and the Northern Road upgrade. A further \$50 billion has been committed to various future projects.

With respect to leasing, average prime industrial net rents sit in the range of \$120 to \$150 per square metre, with secondary stock generally sitting in the range of \$95 to \$135 per square metre net. Incentives decreased slightly for prime

and remained stable for secondary space over the year to June 2019. Outgoings are expected to rise as lessors pass on increased land tax bills to tenants.

A notable recent leasing transaction is that of 2 Tyrone Place, Erskine Park with a GLA of 21,142 square metres that commenced in July 2019 for an initial lease term certain of five years and for a commencement rent of \$2.589 million per annum net face plus GST (\$123 per square metre net).



2 Tyrone Place, Erskine Park

Source: realcommercial.com.au

Newcastle

There have been no sales of larger industrial sites of any note in the area in recent months. Given this, we will look at the sale of a large parcel of industrial land located close to the port and CBD. The property, known as 110 Elizabeth Street, Tighes Hill is a 3.45 hectare parcel of remediated industrial land. The property is located at the corner of a major industrial intersection and has



\$120 to \$150

average prime
industrial net rents
per square metre
in Sydney.

a frontage of almost 500 metres to the Industrial Highway. The property was sold in April 2019 for an undisclosed sum.

We note that there is currently a DA with council for a service station which will take up approximately 6,000 square metres at the Elizabeth Street elevation. For the remaining parcel, the initial plan is for a multi-unit retail warehouse development. The proposed development will comprise three lots with up to 17 units ranging from 110 to 800 square metres approximately. The development also includes significant common area parking and a car wash facility. This project will be an industrial retail park and will be the only development of its type this close to the CBD.

The demand will no doubt be fuelled by the convenience of the location.

It's likely that these units will attract strong demand from a variety of industrial retailers as well as general warehouse users. The demand will no doubt be fuelled by the convenience of the location. Proximity to the CBD and Newcastle Port as well as having direct access to the Industrial Highway, which essentially links the CBD to the Pacific Highway, will be attractive features to tenants. With the continuing development of the Honeysuckle precinct as well as new residential developments in Wickham and limited bulky goods retailers nearby, this creates a good opportunity for a range of tenants.

The effect on rents that this development will have is difficult to ascertain until the mix of tenants is more obvious, however the proximity to the CBD and services would indicate a medium to high level

of demand, and we would expect lease terms of three years and above as tenants look to secure longer term tenancies.

Wollongong

The industrial sector continues to be the most buoyant of the three main commercial property classes, driven primarily by activity surrounding the port of Port Kembla, a profitable BlueScope steelworks, mining activity which has rebounded over more recent times and a strong Sydney industrial market.

Owner-occupiers and private investors are active while there is also an increased appetite for higher valued assets as illustrated by the June 2019 sale of 1 Darcey Road, Port Kembla to an owner-occupier for \$8.6 million plus GST, reflecting rates of \$965 per square metre of lettable area and \$345 per square metre of improved land area. Investment sales have been scarce due to the lack of properties available.

Analysed market yields are hovering between six and seven per cent and even lower for sub-\$1.5 million properties in industrial precincts near the Wollongong CBD.

Agents are reporting some upward pressure on rents due to limited stock with gross face rents typically ranging from \$100 to \$150 per square metre and even higher for smaller modern style warehouses.

Lismore

2019 has seen a number of large transactions take place in the Ballina industrial estate.

5 Piper Drive sold for \$1.46 million to an owner-occupier, indicating a 5.92 per cent yield and \$1,415 per square metre. The concrete tilt slab property was partitioned into two lettable areas and was

previously occupied by the RSL Youth Club for gymnastics and boxing. The building comprised open clearspan warehouse with ground floor and mezzanine office with kitchenette, offices and change rooms and amenities. Another transaction was 33 Southern Cross Drive which sold for \$1 million. This was a concrete tilt-slab, L-shaped building comprising three leased areas to local tenants each with amenities and kitchenette. This sale indicated a 6.14 per cent yield and \$1,427 per square metre. 7 Convair was another notable transaction occurring in late 2018. A larger modern property with a floor area of 1,589 square metres, the property sold for \$2.77 million indicating a 7.05 per cent yield and \$1,743 per square metre.

We note significant variation between yields. The variation is in part related to the quantum and the nature of the purchaser and asset. 5 Piper Drive was an owner-occupier purchase and as traditionally occurs for properties suitable to owner-occupiers, indicated a lower yield, while 33 Southern Cross Drive and 7 Convair, as investment products, reflected stronger yields. With the higher quantum, the market traditionally demands a higher yield.

This is a common occurrence for much of the North Coast. The only exception would be for a national tenant on a long term lease which could drive the yield closer to owner-occupier yields.

We can't talk about big transactions without mentioning Byron Bay. In 2019, a vacant parcel of industrial land at 6 Wollongbar Street sold for an astronomical \$1.75 million, indicating \$1,478 per square metre. This site was purchased by a developer for a high density development. This sale is considered an outlier with no other evidence indicating sales at this level. The last known vacant land sale in Byron Bay occurred in 2015 with two

larger parcels of 4,020 square metres and 3,881 square metres, showing \$491 per square metre and \$509 per square metre.



Victoria

Melbourne

The industrial market continues to be driven by a supply shortage and growth in e-commerce creating a greater need for warehouse and logistics space. Melbourne's industrial market on the back of this demand has continued to perform strongly over the past 12 months. This has seen yields sitting at 30-year record lows.

Land values have also increased significantly throughout 2019, especially industrial areas within proximity of major road linkages. Examples of this include a vacant site at 1-4/678 Boundary Road, Truganina which is a 25,110 square metre site that sold at \$237 per square metre, a considerable increase from the \$102 a square metre achieved 12 months earlier.

A 30 hectare site also in the west at Altona North sold to the superfund ISPT for \$60 million, which equates to \$200 per square metre, representing a near 100 per cent increase on its prior sale 18 months earlier.

When it comes to existing built form industrial assets, the high value transactions also appear to be centred around the west. An example of this is 28-30 Marshall Court, Altona, which is a 20,200 square metre industrial logistics facility that sold for \$29.5 million, indicating a rate of \$1,460 per square metre.

This has seen yields sitting at 30-year record lows.



In terms of high value leasing transactions, Arlec Australia recently signed a pre-commitment to a ten-year lease over premises at Fraser's West Park Industrial Estate warehouse facility in Truganina. In addition, Visy Australia has signed a pre-lease with Frasers Property for a 42,770 square metre purpose built factory at 27 Doriemus Drive, Truganina. As at June 2019, industrial rents in the west were ranging from \$75 to \$80 per square metre, with rents being slightly higher in the south-east at \$85 to \$95 per square metre.

Ongoing industrial development should ease supply issues in the near future, however, demand is set to remain strong in the west with continuing demand from e-commerce and logistics companies that require a location within proximity of the CBD and major transport linkages. There is still some downward pressure on yields due to the low interest rate environment in which investors are seeking opportunities to acquire industrial assets to enhance their portfolios.



Queensland

Brisbane

There is strong investment demand at present. Private investors generally seek well leased, modern assets in prime locations (close to major transport routes and infrastructure) along with long WALEs and certain terms. We expect to see this stronger sales activity continue through the remainder of 2019 due to the low interest rate environment, however we do note that investors are holding on to well leased, quality assets due to the lower risk profile these properties offer.

The first half of 2019 saw the Brisbane industrial market continue to demonstrate the cautiousness shown in 2018. Prime and secondary precincts were increasingly tightly held with limited properties offered to the market, a major factor in the decline in sales volumes. Mid 2019 post federal election saw confidence return to sellers and subsequently an increase in sales volumes. The three sales listed below have a combined purchase price of \$420 million and show that confidence is returning to the Brisbane market.

40 Schneider Road, Eagle Farm sold for \$102.5 million in June to Charter Hall. This is one of Brisbane's major bus depots leased to the Brisbane City Council on a 20-year term. The property sold with a 19.5-year WALE at a reported initial yield of 5.08 per cent.



40 Schneider Road, Eagle Farm

Source: JLL

99 Sandstone Place, Parkinson sold a 50 per cent interest for \$134.2 million in June to DWS. This property sold with a lease term certain of 13.4 years to Coles Group and serves as their primary refrigerated facility covering south-east Queensland and northern New South Wales. The sale reflects a reported market yield of 5.34 per cent.

105-137 Magnesium Drive, Crestmead sold for \$183.6 million in July to Charter Hall. This property was leased to Metcash who reportedly renegotiated their lease to reflect a ten-year term certain and a yield of 5.35 per cent.

As demonstrated by these sales, institutional investors are able to acquire larger assets on sub-six per cent yields. Other prime investment yields



99 Sandstone Place, Parkinson

Source: JLL

continue to tighten, generally ranging from six to seven per cent. On the back of this, secondary yields have also seen some firming with recent sales showing a range of seven to eight per cent. Despite the flourish of activity post-election, we expect sales volumes to remain strong for the remainder of 2019.

Gold Coast

The Gold Coast has had very limited large industrial transactions in the year to date. Transactions have mostly been small to medium size industrial properties.

However, one notable sale has been the Billabong head office complex, based in Burleigh Waters within a prime location less than four kilometres from the Burleigh Heads CBD and beach front. The property sold on a leaseback to Billabong (which was recently acquired by Californian based Boardriders). The sale price of \$38.46 million resulted in an analysed yield of 7.8 per cent based

The three sales listed below have a combined purchase price of \$420 million and show that confidence is returning to the Brisbane market.





on a net annual rent of \$3 million and rate per square metre of lettable area of \$2,575. The yield is considered to be at the higher end of the range for an asset of this size, however understandable given it would have a higher than average risk of re-letting based on its large office footprint of almost 9,000 square metres which would likely require sub-division into smaller tenancies if put to the leasing market in future. Furthermore, the leaseback rent is considered to be at a premium (on a single tenancy basis), reflecting circa \$200 per square metre per annum net. The improvements also included a 790 square metre retail showroom and warehouse space of 5,500 square metres on a site of 33,300 square metres. The sale price is considered to reflect relatively robust market conditions at present for large industrial properties with strong lease covenants.



Burleigh Connection Road, Burleigh Heads Source: realcommercial.com.au

2019 has also seen the announcement of a new 21 lot industrial subdivision at Carrara on the central Gold Coast adjoining the Pacific Motorway. Reportedly acquired for circa \$18 million, the 25 hectare parcel recently received Council approval and a formal marketing campaign is imminent. Englobo industrial subdivisions of this scale are few and far between on the Gold Coast and the Carrara



As a wrap, we would anticipate a time of quiet confidence in the Gold Coast industrial market, however with a proceed with caution caveat.

site is expected to meet the pent up demand for industrial land coming particularly from the southern Gold Coast market.

As a general observation, agents are lately reporting a drop in yields (for low to medium value assets) on the back of the two cash rate drops this year and improved borrowing costs. With rental levels holding firm, this is helping bolster industrial property values as land supply remains tight in most industrial precincts throughout the Gold Coast. This, coupled with the current sluggishness of the Australian economy (including most notably retail spending) and diplomatic tensions worldwide, can be positive for the industrial market, which investors tend to view as a sort of real estate safe haven much akin to the investor rush towards gold under turbulent macro-economic market conditions. As a wrap, we would anticipate a time of quiet confidence in the industrial market, however with a proceed with caution caveat.



Eastlake Street Carrara, QLD Source: commercialrealestate.com.au

Sunshine Coast

The industrial market continued to strengthen during 2019. While there have been very few high-profile sales settled to date, underlying fundamentals continue to improve.

5.5% to 7%
Yield range for smaller strata stock across the Sunshine Coast

We have seen further land developed in the Aura estate south of Caloundra with land prices of \$250 to \$300 per square metre generally being achieved. The majority of larger sheds being constructed in this area are to be owner-occupied with strata development seeing values in the \$2,000-plus per square metre range.

The lack of further land development in the Kawana and Kunda Park precincts is driving rental levels higher, even for larger sheds. Some recent rentals that we are aware of include a circa 1,500 square metre modern shed at \$135 per square metre gross per annum and a circa 2,600 square metre modern shed at \$131 per square metre gross per annum. This shows general rental growth of circa 15 per cent over the past three-year period for similar quality product. Rentals are also increasing for smaller strata titled holdings with recent achieved rents in the \$150 to \$180 per square metre gross per annum range across the Sunshine Coast.

Yields are generally in the 5.5 to seven per cent range for smaller strata stock which appeals



primarily to owner- occupiers. These returns are not attractive to investors generally, though owner-occupiers are seeing this as a good alternative to leasing given lending rates are typically sub-five per cent across the market.

There has been a recent sale of an industrial holding in the Noosaville industrial estate. It is a modern, good quality shed with three tenants in place that sold for \$4.2 million indicating a yield of 6.33 per cent with two local tenants and one national tenant in place with a WALE of 3.22 years. This indicates the strength in this market with a number of well leased assets now achieving yields in the sub-seven per cent range over the past 18 months.

Toowoomba

Leasing demand for industrial properties in Toowoomba has been moderate to date in 2019 with an increased level of vacancies. Face rentals have been relatively static, but lease incentives are often required to secure tenants.

Demand from owner-occupiers for vacant industrial properties has been moderate to strong with a number of vacant possession sales recorded. Recent sale transactions have shown that sale prices have remained firm.

Demand from investors continues to be strong with premiums achievable for good tenants on long term lease terms. Generally net yields sit between eight and nine per cent for fully leased properties with a sub-eight per cent yield only achieved for national tenants on long leases.

There have been limited small lot industrial subdivision developments in the city of Toowoomba over the past ten years. This is set to change with two proposed developments in Robson-Hursley Road in Torrington. The

The Townsville industrial market is starting to show early signs of recovery in some sectors, however it is not yet sufficiently widespread to call the overall market as being at the start of recovery.

proposed subdivisions will contain a total of 29 new lots with areas between 1,000 and 8,500 square metres.

Major sales of note to date in 2019:

- ▶ 310 Anzac Avenue, Harristown - Sale price of \$2 million - 1,336 square metre facility leased to a national tenant with an unexpired lease term of 5.31 years. Passing net yield of 7.5 per cent.
- ▶ 1-3 Tait Street, Torrington - Sale price of \$1.58 million - Vacant site of 8,348 square metres with good exposure to traffic on Boundary Street. Site was improved with gravel hardstand and fencing. Price reflects a rate of \$189 per square metre of land.
- ▶ 523-525 Boundary Street, Torrington - Sale price of \$4.15 million - a 1.4 hectare site improved with an older industrial building of approximately 1,100 square metres with additional yard area. Sold with vacant possession to local buyer.



523-525 Boundary Street, Torrington

Source: domain.com.au

Townsville

The industrial market is starting to show early signs of recovery in some sectors, however it is not yet sufficiently widespread to call the overall market as being at the start of recovery.

To date in 2019, the biggest settled industrial sale to have occurred was for a large industrial complex on a 1.34 hectare site occupied by two tenancies. The sale price of \$3.3 million reflected a yield of just over nine per cent with a WALE of 2.01 years.

There continues to be interest in manufacturing and heavy industry big asset property with strong lease fundamentals. Several transactions occurred during 2018 reflecting yields between eight and 9.6 per cent. There are a number of big asset properties currently on the market priced between \$7 million and \$10 million.

We have also seen a good number of industrial land sales during 2019 on a range of lot sizes from 2,200 square metres to over one hectare. A number of these have occurred in the Northern Link industrial estate, which are likely to be developed for distribution and service industry users.

Rockhampton

Sales activity in Rockhampton's industrial market has been limited in the 2019 period thus far, with the most recent major transactions having occurred in the later part of 2018.

These more substantial sales were that of the Stramit workshop (41-49 Johnson Street, Parkhurst) and the Siemens workshop (292-

296 Alexandra Street, Park Avenue). The Stramit workshop transacted in November 2018 for a purchase price of \$5 million showing an analysed market yield of about 8.9 per cent. The improvements were purpose built for Stramit and there was about four years remaining on the current lease term.

The Siemens shed transacted in October 2018 for a purchase price of \$3.3 million, showing an analysed market yield of about eight per cent. The owner had recently constructed an extension for the tenant and a new lease was struck, with about 4.8 years remaining on the initial lease term. These larger transactions demonstrated renewed investor confidence in the Rockhampton industrial market.

At this stage, rental rates have remained stable and there have been no notable increases, however local agents report some increased enquiry for industrial tenancies to lease. We anticipate that as demand increases due to local projects and increased activity in the resources sector, supply will reduce and we may start to see some growth in the rental market.

There have been very few transactions of industrial land in recent years. Most recent industrial land sales in Gracemere demonstrate the poor demand at present with land values appearing to have softened further over the past 12 to 24 months. Some more recent sales of average size land parcels in more established industrial precincts of Rockhampton have shown a stabilisation of land values in these areas.

Owner-occupiers have remained active throughout 2019 and recent transactions of industrial properties show activity by this buyer type up to a price point of about \$1.5 million.

Gladstone

As a result of weak market sentiment and limited quality properties listed for sale, there have been no major sale transactions of industrial properties in 2019. Of note is the sale of a 2.8 hectare medium impact vacant industrial site in March this year.

The site in Benstead Road, Callemondah sold for \$1.55 million. There is an easement at the rear of the property of 5,096 square metres, reducing the developable area of the site to 22,914 square metres. The sale reflects \$55 per square metre overall or \$68 per square metre over the developable area of the site. The land was listed for sale by Economic Development Queensland and purchased by a local engineering company.

Whilst rental rates generally appear to have stabilised, one recent rental transaction of a large engineering shed (approximately 2,209 square metres) negotiated in November 2018 showed a reduction of nearly 60 per cent from the rental that was established in 2014. This rental demonstrates the continued volatility in the market and the weak demand for large industrial workshops. It indicates very limited ability for businesses in Gladstone to afford rental commitments in excess of \$200,000 per annum gross.

Wide Bay

2019 has been a relatively stable year for the Wide Bay's industrial market. A low and steady rate of sale has occurred throughout Hervey Bay and Bundaberg, which has been typical of the market in previous years.



New industrial land is set to be brought on to the market around both the Bundaberg regional and Hervey Bay airports. The respective local governments are developing the land aimed towards airport industry uses. Stage 1 of the Dury Lane Industrial Park at Hervey Bay is now on the market. This demonstrates a renewed confidence in the local industrial land market which has been over supplied for some time.

Mackay

A 6.633-hectare industrial development site at 235 Connors Road, Paget is presently under contract after being offered for sale by auction on 14 August. If this sale proceeds to settlement, it will be the first transaction of this type since 2014 and signals that a steady post-mining downturn recovery is now underway in Mackay. This site is located on the corner of Crichtons Road and is zoned high impact industry. An area of 2.643 hectares is encumbered by an open drain. The residual developable area equates to 3.99 hectares. Analysis of the as yet undisclosed contract price indicates a value level marginally below peak levels earlier in the decade.

If this sale proceeds to settlement, it will be the first transaction of this type since 2014 and signals that a steady post-mining downturn recovery is now underway in Mackay.



South Australia

Adelaide

Adelaide's industrial property market has continued a steady recovery over the preceding months as investment in infrastructure projects as well as the defence and health industries continues to buoy the market. The various transportation upgrades continue to progress, cutting travel times to the industrial hubs around the state's northern and southern areas. The cash rate has been left at the historic low of one per cent, however economists and analysts alike have predicted future rate cuts, which would further reduce the cost of capital in an attempt by the RBA to increase investment in both residential and commercial property markets.

The table below shows a number of the major transactions to have occurred in the Adelaide industrial market in the past six to nine months:

Centuria Industrial Real Estate Investment Trust (REIT) tops the list of purchasers after acquiring the 13,007 square metre facility in Edinburgh. The \$19.5 million sale price reflected an initial yield of seven per cent. The industrial building is situated on a site of 6.5 hectares that features extensive

hardstand and a site coverage ratio of just 20 per cent. 250 Regency Road in Regency Park, a suburb that HTW identifies as a premier industrial locale in Adelaide, is an industrial property that comprises 6,900 square metres of lettable floor space over four separate buildings, a hardstand of 2,000 square metres as well as B-double access.



32-54 Kaurna Avenue, Edinburgh Source: commercialrealestate.com.au

The sales listed above indicate that the northern suburbs are the hot spots for industrial sales in 2019. The inner-northern suburbs of Kilburn and Regency Park remained popular for investors and

owner-occupiers alike looking to secure industrial property, while the northern suburb of Edinburgh was also on the radar. Transactions in the southern parts of the state were much less common at these high price levels, however industrial properties in Melrose Park and Edwardstown transacted for \$2.25 million and \$1.96 million respectively. Sales research indicates that the majority of transactions in the southern industrial precinct occurred in the suburb of Lonsdale.

On the leasing front, major leasing deals have occurred in the inner northern suburbs of Regency Park and Dry Creek and also further north in Green Fields. Leasing transactions have been much less common throughout 2019 in comparison to the previous year, with the record low interest rates and low cost of capital encouraging more potential tenants to become owner-occupiers instead. Adelaide remains an enticing opportunity for investors, with yields registering around one per cent higher than our eastern seaboard counterparts, however rental growth within the Adelaide market is stagnant, as opposed to the growth in rental levels that Melbourne and Sydney experience. The inner west and inner north remain the most sought-after areas, with sharper yields in comparison to the south and north industrial precincts.

Infrastructure projects in the state are expected to increase in 2020 and beyond, as investment in the defence industry fills the gap left by the departure of major manufacturing facilities in the state. The state currently possesses \$95 billion

	Address	Sale Price	Site Area (m2)	Building Area (m2)	\$/m2 Building Area	Reported Yield (%)
1	32-54 Kaurna Avenue, Edinburgh	\$19,500,000	65,000	13,007	\$1,499	7.00
2	250 Regency Road, Regency Park	\$14,025,000	42,900	6,900	\$2,033	VP
3	42-56 Grand Junction Road, Kilburn	\$10,400,000	23,100	12,045	\$863	VP
4	29-33 Woomera Avenue, Edinburgh	\$3,500,000	22,410	8,600	\$407	VP
5	7-13 Wilson Street, Royal Park	\$2,650,000	4,375	2,507	\$1,057	NA
6	6 Priority Court, Edinburgh North	\$2,500,000	18,300	3,699	\$676	VP



worth of naval shipbuilding programs, as the \$535 million transformation of the shipyard at Osborne is ongoing. The continued government investment in defence, healthcare and renewable energy will fuel the need for industrial property and should increase leasing demand throughout 2020.

The sales and reported yields identify that owner-occupiers are becoming active in the industrial market, mainly due to the compression of yields and the low cost of capital available to purchasers of industrial property.



Western Australia

Perth

To date in 2019, the Perth industrial leasing market has seen rental rates stabilise and there is a growing consensus that the industrial property market has reached the bottom of the cycle.

Premises suitable for heavy engineering, manufacturing and transport or logistics are experiencing higher levels of interest compared to those of a more generic nature or in secondary industrial estates. Generally however the number of leasing transactions remains subdued with many of those recorded to date in 2019 being pre-commitments. We have also seen a clear preference for sitting tenants to re-negotiate lease terms off-market rather than re-locate to alternative premises.

Face net rental rates for prime industrial premises tend to range between \$80 and \$105 per square metre per annum, whilst rates for secondary quality space are commanding between \$50 and \$70 per square metre per annum.

Some of the more notable leasing deals are highlighted below:

- ▶ Portion of 26 Cutler Road, Jandakot: Older style industrial premises of approximately 5,600 square metres plus hardstand was let to Gage Roads Brewing for a three-year term commencing July 2019 at a net face rent of \$81 per square metre per annum;
- ▶ 47 Progress Way, East Rockingham: Modern industrial premises with a GLA of about 4,372 square metres plus one hectare of hardstand has

been let to Boom Logistics for four years from March 2019 at a face net rent of \$117 per square metre per annum;



- ▶ 88 Sultana Road West, High Wycombe: Modern industrial premises of over 10,000 square metres GLA was leased from April 2019 to Fastbrick Engineering for a three-year term at a face net rent of \$79 per square metre per annum;
- ▶ 4 Bickley Road, Maddington: Dulux has reportedly pre-committed to a new purpose built 17,000 square metre facility for a ten-year initial term at face net rent of \$100 per square metre per annum.

Whilst there has been a tendency in the market to limit incentives (usually up to 15%) this has placed

considerable downward pressure on face rental rates in recent years. The uptick in enquiry levels for particular industrial facilities however may see rental rates stabilise in the short term.

In terms of capital transactions, there has been a limited volume of sales of large scale (greater than 5,000 square metres GLA) industrial facilities in the year to date and whilst this is a function of limited stock (particularly good quality, securely leased assets) we believe it is more a reflection of local market uncertainty.

Somewhat counter-intuitively, the lack of opportunities has led to yield compression for those few industrial properties offered to the market despite the general malaise that has engulfed the broader Western Australian economy.

Yields for prime industrial assets tend to fall between 6.25 and 7.25 per cent with yields for secondary industrial properties much softer.

We highlight the following recent transactions:

- ▶ 103 Stirling Crescent, Hazelmere: \$15.2 million in November 2018 at 8.03% initial yield.
- ▶ 19 Miles Road, Kewdale: \$45.25 million in December 2018 at 5.84% initial yield.
- ▶ 16-18 Baile Road, Canning Vale: \$18.1 million in February 2019 at 7.05% initial yield.

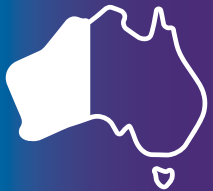
Premises suitable for heavy engineering, manufacturing and transport or logistics are experiencing higher levels of interest compared to those of a more generic nature or in secondary industrial estates.



REITs continue to be the most active purchaser profile in this space.

In terms of industrial land, there has been strong demand reported for sites in the Roe Highway Logistics Park released earlier this year. The developers have indicated that over 50 per cent of lots are already under negotiation, sold or pre-committed. A number of major tenants have taken up residency or announced their intention to do so including BP, Brady Corporation, Northline and Silk Contract Logistics.

The locational attributes, in particular the proximity to freight rail and RAV 7 access to a number of nearby major transport routes, are generating good demand compared to outer lying industrial land estates.



Northern Territory

Darwin

There have been very few large industrial property transactions in Darwin in 2019, reflective of current market conditions.

One of the main areas of development is the new Truck Central industrial subdivision which was completed by the NT Government's Land Development Corporation in 2018. This subdivision is located between Palmerston and Darwin, within easy access of the Port of Darwin and with Tiger Brennan frontage. As can be deduced from its title, the subdivision targets logistics industries, especially heavy vehicles, with larger sized blocks of 3,000 to 9,000 square metres.

There is a major BP fuel stop constructed in the subdivision which is designed to support heavy vehicles, adjacent to a three-hectare concreted road train assembly area. Also in the subdivision is the new NT Government heavy vehicle inspection facility. This has been purpose designed to be able to inspect up to three fully configured 53.5 metre triple road trains with drive through access.

The decision to lift the moratorium on hydraulic fracturing has led to hopes of the development of an on-shore gas and oil industry in the Territory, most likely centred around the Beetaloo Basin. The NT Government has already identified a 255 hectare parcel of land adjacent to the Katherine railway station (currently part of the Manbulloo

pastoral lease) which has been rezoned to facilitate a logistics and agribusiness hub that would be able to provide support for that type of development.

Whilst it is prudent of the NT Government to ensure that adequate industrial land is available for these types of projects, it should be noted that there is no immediate demand. Assuming that areas such as the Beetaloo are developed, it will be a minimum of five years before the production phase would commence, which is when industrial land would be required. Proposals such as the Katherine logistics and agribusiness hub and the Middle Arm industrial precinct may languish for some years before there is genuine industry demand.

The decision to lift the moratorium on hydraulic fracturing has led to hopes of the development of an on-shore gas and oil industry in the Territory, most likely centred around the Beetaloo Basin.



Australian Capital Territory

Canberra

The Canberra industrial market has continued to witness stabilisation and level growth. Local commercial agents are reporting increased activity on the back of a stable residential market, improved consumer confidence and a less restrictive lending environment.

The ACT Government's Four Year Indicative Industrial Land Release Program is based on the current level of demand for industrial land. The program is intended to achieve a number of objectives, but in essence it is to increase the ACT Government's responsiveness to market changes by developing an inventory of land stock, where serviced industrial sites are available for immediate release.

Land will be available across new estates in Symonston (2020-2021), Fyshwick and Majura Valley (Pialigo, 2021-2022) as well as Hume. The program aims to release 110,000 square metres over the next four years.

Owner-occupiers and private investors are active while there is also increased demand for higher valued assets as demonstrated by the February 2019 (settled) sale of 2 Paspaley Street, Hume through Burgess Rawson for \$10.3 million including GST (ten year lease until 2027 plus options to 2042); reflecting rates of \$2,537 per square metre

of lettable area and \$810 per square metre of improved land area. Typical analysed market yields are between six and seven per cent and lower for sub \$1.5 million properties in industrial precincts.

Queanbeyan continues to provide a desirable alternative for industrial owner-occupiers with municipal rates continuing to increase in the ACT, discouraging activity.

6% - 7%

Typical analysed market yields for sub \$1.5 million properties in industrial precincts





Residential

October 2019

National Property Clock: Units

Entries coloured blue indicate positional change from last month.



Month in Review
October 2019



RESIDENTIAL



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New South Wales



Overview

Strong yields are a must have for many investors looking to service debt on their growing portfolios or retire with a high cash flow base.

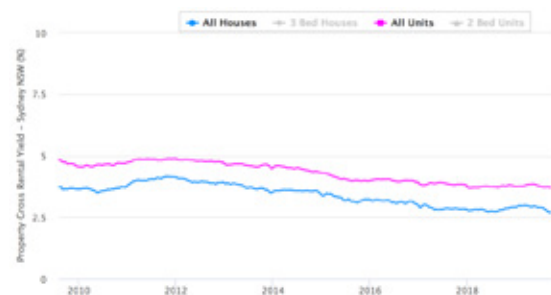
The path to high yielding property varies throughout our nation. This month, teams from across the country dissect where to find the best returns in their residential markets.

Sydney

Rental yields in Sydney have been on the decline over the past decade, as rents have failed to keep pace with increasing property prices. According to SQM research, average yields for houses in Sydney fell from 3.7% in August 2009 to 2.8% in August 2019, while units fell from 4.9% to 3.7% over the same period.

While prices were rising, investors were happy for the capital growth to offset the declining rental yields. Unfortunately as prices began to fall over

Sydney Yields 2009-2019



Source: SQM Research

REGION	HOUSES		UNITS	
	AUG 2009	AUG 2019	AUG 2009	AUG 2019
Greater Sydney	3.7%	2.8%	4.9%	3.7%
Canterbury Bankstown	4.1%	3.2%	5.1%	3.9%
CBD	6.3%	3.2%	6.2%	4.4%
Eastern Suburbs	3.6%	2.5%	4.6%	3.6%
Hills District	3.6%	2.7%	4.9%	4.1%
Inner West	3.4%	2.8%	4.6%	3.6%
Liverpool	4.5%	2.9%	5.5%	4.0%
Lower North Shore	3.0%	3.5%	6.3%	3.6%
Northern Beaches	3.8%	2.9%	4.2%	4.0%
Parramatta	4.4%	2.9%	5.3%	4.0%
South Western Sydney	4.5%	3.3%	5.9%	4.1%
St George	3.5%	2.7%	4.6%	3.8%
Sutherland Shire	4.1%	3.0%	4.7%	3.3%
Upper North Shore	3.5%	2.6%	4.7%	3.5%
Western Sydney	4.7%	3.3%	5.5%	4.1%

Sydney Region Yields 2009-2019 (Source: data from SQM Research)

the past two years, rental yields did not climb as expected, as increasing rental vacancies put downward pressure on asking rents.

Obviously Sydney is a large city and rental yields will differ across its many regions. So which regions

are currently providing the best average yields? For houses, the Lower North Shore has the highest average yield at 3.5%, while south-western Sydney and western Sydney enjoy a 3.3% yield. On the unit side, the CBD is the clear winner for average rental yield at 4.4%, while the Hills Districts, south-western Sydney and western Sydney were at 4.1%.

So with yields at ten-year lows across most parts of Sydney, investors are looking at alternatives to the standard house or unit to help improve their potential yields.

Western Sydney

In recent years, the humble granny flat has come back into vogue as it allows an investor to maximise the potential yield available on a suburban block of land. Depending on the position of the main dwelling, builders are able to construct a 60 square metre detached granny flat with fast track council approval. Houses with a second area of occupancy are popular with larger multi-generational families, investors wanting a higher yielding property as well as mum and dad investors wanting some assistance with paying the mortgage or to provide some extra income in retirement.

An example of this higher return is a brick three-bedroom, one-bathroom dwelling renting for \$430 per week in Colyton with a detached modern two-bedroom, one-bathroom granny flat rented for \$300 per week. This property recently sold for \$660,000 reflecting a gross yield of 5.75%.

With the median house price for a three-bedroom dwelling in Colyton at \$577,500 (source: realestate.

com.au), a rental of \$430 per week results in a gross yield of 3.8%. This highlights just why so many people are chasing yield via granny flats.



24 Milton Street, Colyton

Source: realestate.com.au



24 Milton Street, Colyton

Source: CoreLogic

The appetite for higher yielding properties is so strong that buyers are willing to turn a blind eye to unapproved structures such as garages, storage areas and main dwellings illegally converted into self-contained flats. Unfortunately for them, valuers

don't turn a blind eye to these modifications and appropriately risk rate and comment regarding these unapproved works.

In the highrise unit world, the emergence of dual key units is proving a popular addition to the investor portfolio. Offering a similar potential dual income, in Western Sydney, these units generally provide a one or two-bedroom unit upstairs with a self-contained studio downstairs with separate access.

The dual key market experiences more limited growth compared to the broader market due to the unconventional floor plan limiting broad market appeal, the restrictive lending policies of some banks to this asset class and changing lending policies towards investment properties by financial institutions.

CBD Fringe

Investors within the inner and middle ring suburbs of Sydney have generally been focused on capital growth, particularly within the recent years of 2015 to 2017 where most properties saw double-digit growth year on year. However since mid to late 2017, we have seen values decline in most property types and locations across Sydney with certain property types and locations hit harder than others. In addition to this we are at record low interest rates and in an environment where capital growth or decent yields are difficult to find.

Investment grade home unit style properties within inner Sydney can generally return gross annual yields in the order of 3% to 5%, however this is dependent on many of the usual factors that affect

property such as location, property type, condition, quality, views and parking. It is also important to remember that these yields are gross and therefore have not been adjusted for outgoings, in particular strata levies which can be substantial, particularly if the unit is located within a high density apartment building with common facilities such as pools, gyms and lifts.

A dual key apartment is commonly defined as having a self-contained studio accessed by a door, inside the main apartment. There is a shared common hallway, but separate lockable doors to each home.

A dual key unit in Central Park at Chippendale sold in May for \$1.2 million. The property was a two-bedroom dual key apartment with each area comprising one-bedroom, bathroom, kitchen, laundry, lounge/dining and balcony. The unit also enjoys extensive common facilities such as pools, gym, spa, rooftop garden and concierge. The advertised rental was \$1,330 per week combined which reflects a gross yield of 5.76%.



Floor plan for 1203/18 Park Lane, Chippendale

Source: xgxgxx

As mentioned it is imperative to note that this above average yield is a gross return and all outgoings need to be considered. In this instance, the advertised strata levies are approximately \$13,552 per annum or \$260 per week.

In recent years the humble granny flat has come back into vogue as it allows an investor to maximise the potential yield available on a suburban block of land.



Depending on the specific needs of each investor, it could be more beneficial to focus on units within smaller scale developments or entry level Torrens title properties such as terraces or free-standing dwellings. These options would be beneficial in terms of not having to pay high fees for common facilities and there is opportunity to add value via renovations. Smaller scale unit developments and Torrens title properties also tend to have stronger capital growth over a long term period.

Inner West

The past decade of strong capital growth has resulted in properties with large land allotments experiencing greatly declining yields. This applies in particular to properties with poor improvements where the value is predominantly underpinned by the land content. Investors in suburbs where this is the case typically rely on capital growth as an investment strategy, rather than the yield they are likely to receive.

Taking the suburb of Drummoyne, if yields are of utmost importance, the unit sector is predominantly a better investment, with close proximity to infrastructure along with all the other usual drivers of yield in this sector.

Drummoyne land values have risen dramatically over recent years, with consequently decreasing yields, so investors either have to accept this or get creative. This creativity has been in the form of utilising the current improvements to increase the rental income received.

A great example of this is a property recently advertised in Drummoyne. The land area was 920 square metres and the residence was an original circa 1920 bungalow in average overall condition. The main dwelling was accessed at street level, providing three-bedroom plus one-bathroom

The housing market on the Northern Beaches is heavily owner-occupier driven given its entry costs and lower than average yields - 2.9% for houses in August (SQM Research).

accommodation and appreciating restricted water views, currently renting for \$750 per week.

A second area of occupancy had been built below the main dwelling and accessed from a separate entry via the side pathway, comprising a modern three-bedroom plus one-bathroom accommodation, currently renting for \$550 per week.

At the rear of the property was a circa 1970 high clearance garage, accessed via the rear lane. This garage had been converted into a large two-bedroom plus one-bathroom modern flat, appreciating water views and a single off-street car space, renting for \$700 per week.

Although there was some cost in the capital improvement of the property, the utilisation of separate areas of occupancy has significantly increased the rental income. The current passing rent for the combined occupancies is \$2,000 per week, equating to a yield of 4.6% (the value of the property is approximately \$2.25 million).

This yield may not set any investment records, but it is a dramatic improvement on what other properties are yielding in the area, relying on a single occupancy rental income. It allows investors to reduce their holding costs for such a property, while waiting for capital appreciation, or alternatively while Development Approvals are sought for future development.

Northern Beaches

The housing market on the Northern Beaches is heavily owner-occupier driven given its entry costs and lower than average yields - 2.9% for houses

in August (SQM Research). The desired yield ultimately comes down to investment strategy. Higher yielding properties typically offer lower capital growth prospects. If you are not predicting market conditions to improve over the short to medium term, it may be a good opportunity to capitalise on a high yielding property, generate cash flow and achieve a higher annual rate of return over the short to medium term.

A severe lack of short-term accommodation options has resulted in Airbnb becoming a popular and lucrative investment model on the Northern Beaches, particularly when you consider how popular a destination the area is for weekend getaways, weddings and events.

A popular investment product due to its entry level price point, prime location and strong rental marketability is 22 Central Avenue, Manly. The complex offers a mixture of studio and one-bedroom apartments and gives a great indication of just how much short-term leasing can boost your yield to maximize cash generation.

809/22 Central Avenue, Manly sold in August 2019 for \$870,000. The property would lease on an annual basis for \$600 per week, equating to a gross yield of 3.58%. A near identical unit is currently on Airbnb for \$150 per night. This annualises to a potential fully let gross yield of 6.2%. Obviously not entirely realistic, but if we were to annualise the current bookings in the fourth quarter of 2019, the gross yield equates to 4.75%. Factoring in subsequent bookings through this period, a 5% gross yield is not out of the

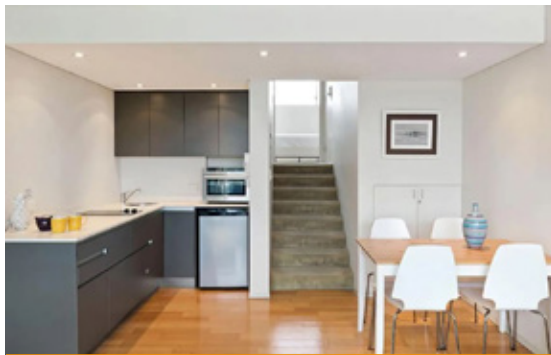


question and a tidy increase on the traditionally leased 3.58% yield.



809/22 Central Avenue Manly

Source: CoreLogic



'Airbnb Listing in 22 Central Avenue'

Source: Airbnb.com.au

Lismore

The official population of Lismore City as at 30 June 2018 was 43,843 according to the Australian Bureau of Statistics. Approximately 25% of Lismore's population lives in rental accommodation with the median rent now being \$395 per week for houses and a median rental yield of just under 4.7%. The median rent for units in the Lismore area is \$275 per week, with a median rental yield of just over 5%.

With a low vacancy rate relative to many regional

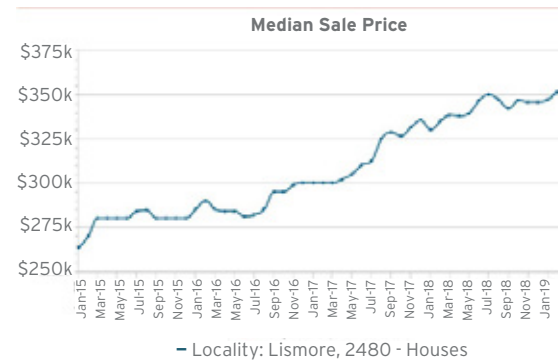
centres of 1% and the ability to buy a four-bedroom, two-bathroom dwelling for under \$400,000, Lismore and its surrounding suburbs represents an opportunity to invest in property without going into debt up to the eyeballs.

The trade-off for this relative stability is normally lower capital growth, however for the first time investor, building a stable base for a property portfolio is important.



25%

of Lismore's population lives in rental accommodation with the median rent now being \$395 per week .



Casino/Kyogle

Given that residential rent levels in most regional centres and towns have improved over the past 12 months, common sense would indicate that the gross yields for residential property in the regional areas of Casino and Kyogle would be somewhat

higher than the more expensive properties located on the coast.

But why is that?

Quite simply, the price level of residential housing (dwellings or units) in a regional area is generally going to be at a significantly lower base compared to a similar house type in a coastal area which helps the conversion of the rental into a higher gross yield (before expenses and debt servicing).

For example, imagine a four-bedroom, two-bathroom, modern brick clad dwelling with a double garage in Casino on a 700 square metre site with an approximate value of between \$400,000 and \$450,000 and a rental value of around \$450 to \$500 per week . This translates to a gross yield of approximately 5.5% for a single dwelling (based on a 50 week rental period with an allowance of two weeks vacancy).

Get yourself a functional teleportation machine and convert those said improvements into an energy pattern (a process called dematerialization) and beam them onto a similar sized parcel of land about 50 kilometres to the east coast near say Ballina or East Ballina .

From there, expect the price level for similar improvements to have a market value of around \$700,000 to \$750,000. However, do not bet on a commensurate increase in the rental level! Expect the rental levels to be around \$600 to \$650 per week, thereby, translating to a gross yield of closer to 4.25%.

The figures sound even more tempting when considering that the demand for rental accommodation in Casino and Kyogle is relatively strong for properties at the lower end of the market value range.

Month in Review
October 2019



RESIDENTIAL



Within regional areas such as Casino and Kyogle, the trade-off for reasonable gross yield rates is that capital gain is not expected to be overly significant within a short term time frame.

There is always a need for accommodation and it is generally at the base or lower level of the market value range where we can see a boost to the gross yield rate.

There are examples of residential dwellings in Casino and Kyogle where the market value of the detached dwellings on a standard house site under \$225,000 can fetch market rental rates of around \$275 to \$300 per week. This translates to a gross yield of around six to 6.50%.

Similar gross yield rates can be achieved by two-bedroom, one-bathroom, attached units with a single carport or garage, particularly within close proximity of the CBD in Casino or Kyogle - a favourite for the older generation tenant needing to be close to town services.

Well...doesn't that sound like a property investor's dream come true! Especially when term deposit rates at the bank are at an all-time low (think 1.5% to 2%) and fixed mortgage rates are hovering around the mid-3%.

However, within these regional areas such as Casino and Kyogle, the trade-off for reasonable gross yield rates is that capital gain is not expected to be overly significant within a short term time frame. It really needs to be a long term vision of possibly ten-plus years to see some significant capital gain. Otherwise, if the property offers some added opportunity such as subdivision of excess land to create an additional lot or a revamp of the internal layout of a house or unit to create an additional bedroom in order to improve the property's appeal and market value, then some capital gain could be realized in a shorter time frame.

In such circumstances, by selling excess land as a separate lot or title, the net proceeds could be used to reduce the overall principal debt which in turn reduces the overall outgoings and ultimately produces a better net yield for the remaining house on a smaller lot.

What's a net yield?

Ah yes, the gross yield is the gross rental divided by the purchase or sale price, whereas the net yield is the gross income less all outgoings such as rates, insurance, water, sewerage and property management divided by the purchase or sale price.

That is the true test of investment attractiveness. If the net yield is higher than other investment vehicles, then this would seem appealing.

However, this does not consider the effect of debt servicing. Allowing for an 80 per cent lend, the debt servicing associated with a principal and interest loan whittles down the net yield pretty quickly.

It really only benefits the high net worth individual who needs no loan and has a lazy \$500,000 or more to park in real estate while the share market has a few shivers and the bank term deposits are barely two per cent.

The situation does become slightly more attractive where the gross and net yields for a block of flats or units are higher than a detached house or a single unit. A good example is for a block of five units on one title in Casino which recently sold for \$700,000 with a gross rental of \$50,000 per annum. This translates to 7.14% gross which would be around 5.5% net yield after outgoings.

However, once again, that does not include the effect of debt servicing. So, for an investor relying on an 80% lend to purchase the property, there would be the high likelihood that there would be a shortfall to be met, i.e. the rent would not cover all outgoings and debt servicing. The cashed up investor would be much better placed to take advantage of these opportunities.

In summary, if you are hunting for yields, consider it from a long-term perspective and be prepared to cover some of the shortfall out of your own pocket if debt servicing is required.

Ballina

Yields throughout the Ballina Shire are generally expected to be lower than those in the less sought after areas of the Northern Rivers. This can be attributed to higher median property prices.

This becomes more pronounced when you get into the more sought after areas of the Ballina Shire such as the coastal areas of Lennox Head and East Ballina and the desirable rural localities in the north of the Shire such as Newrybar, Knockrow and Tintenbar. Whilst yields are low, rental demand remains strong. The addition of a detached studio or granny flat or dual occupancy style accommodation is becoming an increasingly desirable proposition within sought after areas of the Ballina Shire. This is perhaps most evident within the new Epiq estate at Lennox Head with a significant percentage of new builds having some form of dual occupancy style accommodation.

A basic one-to-two bedroom studio or granny flat detached from the main residence would be



expected to achieve between \$350 and \$475 per week. This is an attractive return compared to a basic three-bedroom residence in Lennox Head or East Ballina which is worth say between \$700,000 and \$750,000 and would only be expected to achieve between \$500 and \$600 per week rent.

Clarence Valley

Across the majority of the Clarence Valley region, yields are seen to play a relatively minor, albeit stable, role in residential investment decisions.

Beachside localities such as Yamba show particularly responsive seasonal yield changes and appeal to investors. High summer or peak returns on capital investment remain far above that of the regions average for short term holiday rentals while in terms of long term rentals, there is a plethora of tenants seeking low maintenance, central, beachside rentals.

Further south and at the lower end of the spectrum, the number of recent sales of sub-\$500,000 duplex or multi-unit flat buildings in Grafton has seen an increase. With a traditionally high percentage of tenants versus owner-occupiers, Grafton comfortably fits within most yield investor checklists.

Across the board, tenant demand remains particularly driven by condition or quality and proximity to infrastructure or amenities in the Clarence Valley.

Coffs Harbour

What sort of yields do you expect to achieve on the Coffs Coast? Speaking solely on a permanent weekly residential basis, the expected gross yields are not dissimilar to many regional localities with returns in the order of three to five per cent for the standard unit or house up to \$700,000.

The higher the suburb median price, the lower the expected yield on a permanent residential rental basis.

Over this mark, the executive permanent weekly rentals are thin with limited demand for the \$700 per week rents.

The higher the suburb median price, the lower the expected yield on a permanent residential rental basis. If it is return you are after then we must look to other forms of rental income in the form of holiday rents or maximise your return through multiple accommodation buildings.

Firstly, holiday rentals. These can take the form of whole property or Airbnb. Either way, if you build it they will come. In other words local tourism is up and there is high demand for short term accommodation especially during holiday periods or when organised sporting events come to town. Coffs Harbour has hosted many large touch football and Oztag events which literally overrun all available accommodation facilities, highlighting the need for more.

The returns in this sphere are higher, expected around 5% to 10%, however there will be extra running cost in the form of cleaning and management to consider. The plus side is the out of town owner has the ability to use the property for personal use.

Let's look at multiple tenancies which can take several forms from the basic converted garage to detached granny flat in the back yard or purpose built duplex or flat accommodation building. These types of properties provide extra return with the ability in some cases to strata title and sell individually in the future, however again you will struggle to do better than a 3% to 7% return on your money. Typically at the higher end of

the spectrum, 7% or more will be reflective in the condition of the property generally requiring short term upgrade renovation work which is representative of the lower purchase price compared to the rental return.

An example of this is 19 Arthur Street, Coffs Harbour which sold for \$1.3 million being a dated two level hostel accommodation complex comprising 15 bedrooms with manager's unit. It was sold on an analysed yield of 8.15% which on the surface of things appears strong, however required significant upgrade work.



19 Arthur St, Coffs Harbour

Source: realestate.com.au

There are no specific places or suburbs attracting higher yields, rather supply and demand is the key factor. We consider the safe bet in the future when looking at maximizing returns will be short term accommodation, typically smaller one and two bedroom set ups which are fully furnished. As stated there is a growing holiday market plus the advent of the Coffs Harbour Pacific Highway bypass construction due to start in the coming years will only add to this shortage need. We have

seen this happen already in the smaller townships of Grafton and Yamba since the commencement of infrastructure projects such as the Grafton Bridge and Pacific Highway upgrade between Grafton and Ballina.

So keep an eye on the multi-accommodation market especially duplex and flat buildings which may show lower yields at 4% to 5% now, however with a coat of paint, new floor coverings, some basic furniture packages and management skills can see this return double in the coming years. Let's not forget the by-product of this work will also be capital gain.

Newcastle

This month's review is looking at property yields. We've decided to take a walk and discuss how property yields can be compared to the story of Goldilocks and the three bears. Stick with us - we explain all.

When discussing yields and property investments, you can break it into bite size chunks and compare the yield aspect of property versus the end capital growth. Each has their benefits in the property realm and it all depends on what type of investment you require. Like all good investments you must find what works best for you in each situation.

Generally in the Newcastle/Hunter area we have a range of yields with the general figures sitting between 3.5% and around 6%.

At the lower end you find the yields averaging around the 3.5% mark. These are the investments that are good quality properties in desirable locations which are steady and safe and in demand

tenancy wise. Here these types of investments usually have strong capital growth and appreciation on the property. Basically, not huge amounts of income (or cash flow) but good solid capital growth figures generally. Suburbs we think follow this rule are your typical Hamilton and surrounds, Georgetown and New Lambton.

At the upper end, you find the 6% and above yields. The higher the yield, the riskier the investment becomes, mainly because you take on more risk with the reward of higher cash flow. The capital growth is also usually more stunted as the yield stream is the main driver in these types of investments. As with any greater risk and greater reward style scenario, there is much less stability and potential for a negative effect resulting from outside forces.

We are also finding more dual occupancy and ad-hoc boarding or student style housing that do have higher yield potential. But on the back of this greater reward comes the potential for problems which can include planning, zoning and ongoing maintenance issues. At any stage the property could become non-compliant with costly remediation works on the cards to rectify the issues. Any unplanned costs associated with investment properties is never ideal and something that needs to be factored into any planning for would be investors.

We've seen plenty of new construction in the area to include a main house at the front of the site with a newly constructed granny flat at the rear. These are becoming common sights during our valuation runs.

So we come back to the tale of Goldilocks and the three bears - we liken the investment process to that warning tale of Goldilocks. You want to find something that's not too hot and not too cold. That perfect property that's not too risky and not so safe that you receive no end reward of good cash flow and strong capital growth returns. But beware of bears... or more importantly walking uninvited into other people's houses.

Central Coast Region

As we move towards the latter part of 2019, we are seeing a little more stability in the residential market across the region. There is still the occasional outlier sale, but that can be seen across all phases of the market.

The stability brings a good opportunity to look at where values are sitting and in the case of this month's submission, where yields are sitting.

We generalise yields across several sectors of the market to include normal residential, prestige market and the holiday letting market.

No surprises that normal residential dwellings and units in the suburbs provide the bulk of rental accommodation.

Four-bedroom, new or newish project style dwellings towards the northern end of the region in suburbs that include Hamlyn Terrace, Woongarah and Wadalba are showing yields in the vicinity of 4.5% to 5% gross.

In the older established locations and closer to the lakes and beaches, such as Bateau Bay, gross rental yield varies from 3.5% in the higher value bracket to 6% in the lower priced property segment.

The unit market across the Central Coast Region is well established and like most of the eastern seaboard, it is expanding. New developments are

Generally in the Newcastle/Hunter area we have a range of yields with the general figures sitting between 3.5% to around 6.0%.



a prominent feature in the Gosford CBD and we can see that gross yields of between 4% and 5% can be expected.

The beachside suburb of Terrigal is a popular tourist and weekend destination, but it is also home to many living and working on the coast. Gross yields on units seem to be hovering around the 4% mark at present.

The Wyong unit market has traditionally been a solid investment choice and at the moment we are seeing gross yields varying anywhere from 5% to 7%.

House and granny flat (secondary dwellings) have been popular in the peninsula suburbs of Umina Beach and Woy Woy for several years now. This type of property is typified by an older dwelling, sometimes renovated and sometimes not, with a new granny flat erected within the rear yard area and accessed via the rear lane way. A sample of this property from our records indicates that yields are around 5% to 6%. There have been some instances of 7% being obtained, but we believe a more representative level of yield to be slightly lower than this.

In regard to the holiday letting market, getting a true market yield depends on a number of factors, least of which is disclosure of income to the market and that is a rare thing. Other factors that can affect yields include the location, user reviews of a particular property, non-availability due to repairs and of course, occupancy rates. There are more factors, but these are the ones we hear the most about.

We hear and see yields ranging from sub-4% to well over the 10% mark. The end result for holiday lettings is that we find that the data is limited and too unreliable to make a call on yields.

Illawarra

The Illawarra offers a variety of residential property types that can generate cash flow for an investor owner.

The region has broad pockets of single houses, older and modern unit developments and villa and townhouse developments. Sprinkled throughout are specific investment properties such as duplexes, flat buildings, display homes and boarding houses. In Nowra there is a large supply of defence housing properties.

We experienced strong capital growth from 2013 through to 2017 and in that time rents also increased, but not anywhere near the same pace. As a result, residential yields compressed. An example is a sale of an eight unit building in Smith Street, Wollongong. The property sold in November 2018 for \$2.23 million with an assessed gross yield of 4.8%. The same property sold again in August 2018 for \$2.675 million. The rents for the units had increased but this still represented a gross yield of 4.28%, a decline of 11%.

Recent weakening market conditions have changed the tide for low yields. As prices have declined, yields have started to increase. Small scale and older style multi-unit properties appear to be a favourite of residential investors. Recent transactions include an April sale of five two-bedroom units in West Wollongong for \$1.1 million, reflecting a passing gross yield of 6.15%. A single level block of three units in Bellambi sold in May for \$695,000 which reflected an analysed gross yield of 5.42%. More unique are sales of modern developments in the Illawarra. The recent sale of



Eight unit flats building in Smith Street, Wollongong Source: realestate.com.au

6A Addison Street, Shellharbour is the first one in recent times. This was a three level, six unit building built in 2016. The sale for \$2.565 million reflects a gross passing yield of 5.55%.

The most important aspect for a cash flow investor is having their property occupied and the Illawarra caters for a large variety of demand for rental properties.

Southern Highlands

With the recent downturn in the New South Wales market across the board, we have seen some levels of investors seeking to move money away from the major capitals and into regional areas.

The Southern Highlands has remained relatively popular due to its good proximity to Sydney while still being relatively affordable in selected areas close to the main local townships of Bowral, Mittagong and Moss Vale.

The Illawarra offers a variety of residential property types that can generate cash flow for an investor owner.



For example, a basic 1990s three to four bedroom project home in East Bowral can be purchased for between \$650,000 and \$750,000 in the present market and we are seeing rental returns on these in the mid to high \$500 per week range. Brand new project homes in Renwick and Braemar are a similar range with a slightly higher rental return. These properties are generally achieving good rental returns as they have lower vacancy rates due to good proximity to the highway and central shopping hubs. Overall the Southern Highlands would most likely be considered to have good rental yields but nothing exceptional due to also typically benefiting from reasonable capital growth, again off the back of its good proximity to Sydney.

As far as the best rental yields go, we are mostly seeing these come from properties that have multiple areas of occupancy, whether that be semi-detached duplex or apartment style properties which are seeing yields in the high 5% to 6% region. This is mostly due to the lowest rental available in the Highlands region being around the \$350 to \$400 per week range, so these smaller (two to three bedroom) dual occupancy style dwellings are achieving good rental returns.

Goulburn

Goulburn has remained reasonably quiet over the past 12 months like most areas in New South Wales with the recent slump spooking investors out of the market.

However, in late 2016 right through 2017, we saw Goulburn boom as a popular hotspot for Sydney investors purchasing properties largely due to the affordability, future growth prospects and solid rental yields. This is a result of low vacancy rates attributed to the police academy, correctional centre and major institutional style organisations, the

ongoing talk of the high-speed rail network, the affordable median house price of \$405,000 and the considerably high rental income.

For example, a reasonably new four-bedroom, two-bathroom project style home within the developing areas north of the CBD can be purchased from \$475,000 up to \$675,000 in the current market with rental returns ranging from \$400 to \$500 per week. Moreover, we are seeing a duplex market emerging in the new larger subdivisions attracting Sydney buyers due to the high rental yields of approximately 4.5% to 5% for each individual semi-detached dwelling or apartment style property. The older heritage style dwellings closer to the CBD start from \$320,000 and return from \$300 up to \$500 per week for a fully renovated three-bedroom home in close proximity to the central shopping hubs and attract yields of 4% to 5%.

Investors are also drawn to the area due to the steady growth the region has seen over the past few years. More young families and first home buyers from Canberra and the Southern Highlands are seeing Goulburn as an affordable lifestyle alternative with easy access to the Federal and Hume Highways, Canberra City and Airport.

Tamworth

Show me the money! For those chasing income rather than growth, Tamworth offers a range of options all with attractive returns. Whether it be single residential or a unit block, there is something for all investors. Tamworth sees all

 *The area we find attracts yield investors is that of West Tamworth.*

types of investors and no particular strategy (growth versus yield) dominates.

To begin with, let's take a look at single residential investments. The average return throughout Tamworth sits around the 5% mark (say 4.5% to 6%) for most single residential dwellings.


Now, while this is certainly a better yield than that found in the larger cities, it is still not amazing.

The area we find attracts yield investors is that of West Tamworth, in particular Coledale. This area has a lot of housing commission and is not a desirable location for owner-occupiers, however with sub-\$200,000 buy in and returns north of 8%, it is certainly attractive for investors.

A recent sale of 47 Cossa Street at \$130,000 showed a gross return of 9.6% with a tenant in place at \$240 per week.

If single residential or properties in undesirable locations isn't your cup of tea and you prefer multiple-occupancy properties than do not stress, Tamworth has that covered as well.

Duplexes and triplexes typically see gross returns of 6% to 8% depending on the location, with those in the more desirable areas of East and North Tamworth falling towards the lower end. The benefit of a multiple occupancy property is less risk with less chance of all units being empty as well as higher capital growth than the properties mentioned previously. 22 Charles Coxen Close, Oxley Vale, recently sold for \$429,000 with an



4.5% - 6.0%
the average
return throughout
Tamworth



assessed weekly return of \$560 or an annual gross return of 6.8%.

For the last style of investment property we check out unit blocks (four or more units on one title). While these properties are bought and sold less frequently, they certainly have a place within the market. The returns for unit blocks are not dissimilar to those of duplexes or triplexes, with investors expecting 6% plus returns.

100-102 Belmore Street, West Tamworth which consists of a four unit building and a separate three-bedroom dwelling sold for \$1.090 million earlier this year. With a gross return of \$68,120 or 6.2% and the potential to subdivide or build more units, this was an attractive buy for any investor with the cash.



Victoria

Melbourne

Eastern Suburbs

Yield investing is an investment opportunity on the side of a primary income. Yield investing in the apartment market carries risk exemplified by oversupply and insufficient demand. In the past two years, this has been highlighted in other capital cities such as Brisbane, as well as in Melbourne where there have been big apartment developments in Docklands, North Melbourne, Southbank and the CBD. On the other side of the coin, yield investing is not limited to leasing residential apartments or houses. The prevalence of Airbnb as an affordable and accessible house-sharing application has allowed apartment and homeowners, especially those who live or own property in high-density areas close to the CBD, sporting precincts and nightlife venues, the ability to take full advantage of leasing their house or apartment to Airbnb customers and find themselves making healthy yields off their investment properties.

In the eastern suburbs of Melbourne, there are three areas which identify different yields and can hold different purposes for an investor both in the apartment and housing market. These suburbs are Hawthorn, Box Hill and Ringwood. These three

areas can highlight an interesting trend in yield percentages as an investor would travel east of the city centre. It highlights the demand for apartments in Box Hill and Hawthorn, more prevalently than Ringwood. However, it shows that Ringwood would be more desirable for yield investors looking to purchase in the residential housing market, more so than Boxhill or Hawthorn.

What can be interpreted from this data is an outward movement and desire to purchase apartments in high density, built-up areas in Boroondara, Whitehorse and Maroondah municipalities. Hawthorn is located six kilometres from the city centre and has fantastic public transport options with a range of train, bus and tram options.

The most recent ABS Census indicates the median age of denizen in Hawthorn is 33 years old, highlighting a mixed age group and a great opportunity to invest in the apartment market. One reason is that Hawthorn has seen average annual growth of 4.61%, due to the plethora of amenities and transport options close by, and there will be young couples and young professionals seeking to lease one and two-bedroom apartments.

Box Hill garners the healthiest yield percentages of the three above mentioned suburbs. This can be attributed to the affordability of apartments while still having the ability to attract large weekly rent figures in the real estate market. The average apartment price in Box Hill is \$73,000 cheaper than if you were to purchase in Hawthorn and \$65,000 cheaper than in Ringwood. The weekly median advertised rent in Hawthorn is \$415 per week for apartments and \$400 per week in Box Hill.

Using the median advertised rent and the yield calculation method, it would take close to 3.5 years to earn \$73,000 gross from a rental property in Hawthorn. If you were looking to purchase for value as a yield investor, looking at the market further east of Hawthorn is a smart consideration and would save you time and money.

An attractive aspect is the large spread of demographic types living in Box Hill. There are great institutions for students such as Box Hill TAFE, excellent transport options connecting commuters to the city and outer eastern suburbs, a great lifestyle and a multicultural environment. The suburb of Box Hill is a draw card for yield investors as it is an established suburb with a growing population and connections to major roads and freeways.

Northern Suburbs

The inner and outer northern suburbs of Melbourne offer investors a variety of investment options from units to houses, each offering their own benefits. The vast variety of property types in the area accommodates all

Suburb	Median Yield (House)	Median Yield (Apartment)	Median Price (House)	Median Price (Apartment)	Average Annual Growth (House)	Average Annual Growth (Apartment)
Hawthorn	2.11%	4.09%	\$1,710,000	\$528,000	5.05%	4.61%
Box Hill	2.22%	4.57%	\$1,235,000	\$455,000	7.06%	3.43%
Ringwood	2.87%	3.80%	\$780,000	\$520,000	7.34%	5.31%



types of investors, including people seeking to maximise potential yield and those looking at minimizing capital requirements.

Honing in on Richmond, a popular inner eastern suburb due to its location and bustling lifestyle, it becomes apparent the suburb does offer opportunities for investment, however it does come with several barriers to entry. With a median price of \$1.177 million for a house and a weekly median advertised rent of \$678, the suburb's major barrier of entry for investment is the requirement of significant amounts of capital to purchase. It is noteworthy that this large sum only typically secures investors a two-bedroom, one-bathroom, no car park townhouse. Multiplying the median rent per week by 52 results in a total rental income of \$35,256. Dividing this figure by the median rental price then results in a rental yield in the suburb of Richmond of 2.99% for dwellings.

In contrast to the outer north, Mickleham requires significantly less up front capital for a greater return. The median price in Mickleham is \$505,000 for a home, with a weekly median advertised rent of \$410. Using the yield calculation method, an investor would generate an annual rental income of \$21,320 resulting in an annual yield of 4.22%. This yield is 40% greater than the suburb of Richmond, whilst also offering a significantly larger home (four bedrooms, two bathrooms, two car parking spaces). Higher yields in the outer suburbs such as Mickleham are attracting young investors who have less capital to invest. These higher yields are also giving them more security when it comes to mortgage repayments.

South Eastern Suburbs

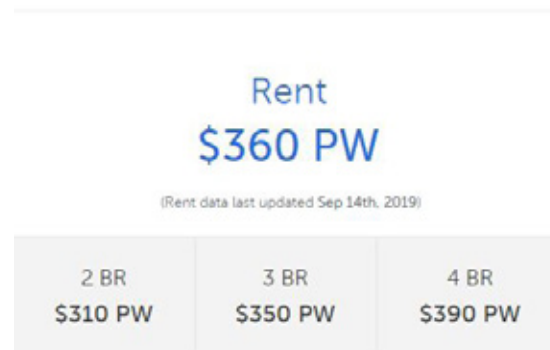
Melbourne's outer south-eastern suburbs continue to prove to be a popular region amongst buyers,

particularly for newly settled migrant families, young couples and first home buyers who are taking advantage of the affordable land prices in areas of the Casey and Cardinia districts. There are many estates to choose from in these fast-developing areas, in which house and land packages are available.

House and land packages are attractive for first home buyers and young families as they allow flexibility in designing their own home to cater to their individual needs. In the ever-expanding Cardinia Shire municipality, the median house price is \$552,385 and \$396,469 for a unit respectively (source: Corelogic, 2019).

In recent years, Pakenham has become a major growth area for the outer south-eastern suburbs of Melbourne appealing to young families with its proximity to parks, shopping retail outlets, schools and child care centres.

In the suburb of Pakenham, statistics show that houses are priced at an average of \$485,000, generating a weekly rent of \$360 per week, yielding at a rate of 3.5% to 4%.



Below are a typical house and unit for sale in the suburb of Pakenham.



16 Jacaranda Way, Pakenham Source: realestate.com.au

House: 16 Jacaranda Way, Pakenham

Price: \$595,000

Features: A single storey dwelling with five bedrooms, two bathrooms, two living areas, double garage and alfresco.

Land area: 645 square metres



2/16-20 Honeysuckle Close, Pakenham Source: realestate.com.au

Unit: 2/16-20 Honeysuckle Close, Pakenham

Price: \$437,000

Features: A double storey townhouse/unit with three bedrooms, two bathroom and single car space.

Land area: 174 square metres

Whilst the rental yields in the outer south-eastern suburbs may not be as high as properties in the



CBD and inner suburbs, homeowners and investors can experience an average annual capital growth of 9.3% a year for houses and 14.49% for units in these growth corridor areas.

This just shows that different investors have different strategies when it comes to investing in property and it all comes down to the individual's end goal as some may look for properties that generate high yields and others look for higher capital growth.

Melbourne CBD

With a population of 170,000 people and growing, the CBD is home to people coming from all ages and backgrounds. Residents range from international students, young professionals and older couples. Melbourne has something to offer everyone.

Living close to tertiary education institutions is one of the largest forces that drive rental demand in the CBD and CBD fringe areas. With two of the most prominent universities located in and near the heart of Melbourne, University of Melbourne and RMIT, international students make up the largest portion of enrolments each year, resulting in a high demand for apartments in the CBD and neighbouring suburbs, ultimately changing the rental market within the area.

These latest statistics show that apartments in the CBD are priced at an average of \$435,000 and generate \$530 per week in rent, earning a 5% to 6% rental yield for investors.

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Average Price Melbourne CBD Apartment		
1 Bedroom	2 Bedroom	3 Bedroom
\$337,750	\$500,000	\$831,500

Average Weekly Rent Melbourne CBD		
1 Bedroom	2 Bedroom	3 Bedroom
\$450 Per Week	\$610 Per Week	\$910 Per Week

(source: Realestate.com.au, September 2019)

Latest statistics show that apartments in Carlton are priced at an average of \$347,000, generating an average of \$470 per week in rent, providing investors a rental yield of 7%.

Average Price Carlton Apartment		
1 Bedroom	2 Bedroom	3 Bedroom
\$205,000	\$550,000	N/A

Average Weekly Rent in Carlton		
1 Bedroom	2 Bedroom	3 Bedroom
\$407 Per Week	\$595 Per Week	\$780 Per Week

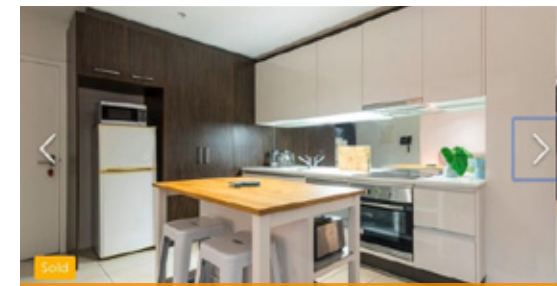
(source: Realestate.com.au, September 2019)

Previously known as the world's most liveable city for seven years running, Melbourne is an attractive city for tourists and investors. Whether it be a short or long-term arrangement, investors are thinking outside the box and finding ways to increase their rental property returns by taking advantage of accommodation hosting platforms such as Airbnb, where most property listings are heavily concentrated in the inner suburbs of Melbourne, particularly within the CBD areas.

Secondary hot spots for Airbnb listings include areas in St Kilda, South Yarra, Port Melbourne and Brunswick.



4410/33 Rose Lane, Melbourne Source: realestate.com.au



802/639 Lonsdale St, Melbourne Source: realestate.com.au

The average cost to rent an apartment via the Airbnb platform within the CBD and fringe areas can range from \$120 to \$190 a night. If we can assume that the weekly gross rent that can be collected via Airbnb is applied to the CBD's medium price for apartments (\$435,000), this would generate an upward yield of an incredible 10%.

With the correct marketing, property and location, there are many different ways an investor can strategically maximise their property in the CBD and fringe suburbs as Melbourne is the destination for tourists, young professionals and international students.

Month in Review
October 2019



RESIDENTIAL

Western Suburbs

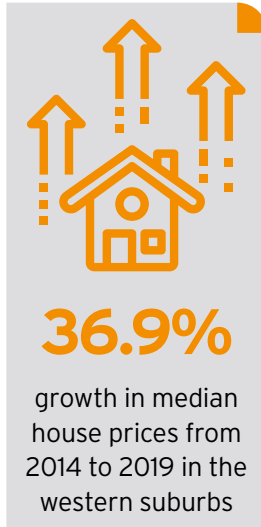
The truth is, chasing the highest rental yield possible won't necessarily be the best investment strategy for all investors. Experts in the field will be the first to advise against having a rental yield as a sole consideration when investing in property. The ultimate goal is to find a property that can tie together both rental yield and capital growth to create a sustainable and balanced portfolio moving forward, though this is a challenging outcome to achieve.

Melbourne's west is home to the nation's fastest-growing region over the past five years (source: realestate.com.au). The western suburbs as a whole have recorded a 36.9% growth in median house prices from 2014 to 2019 and are home to some of the highest rental yields found in Melbourne.

The west's rental yield average for houses sits well above Melbourne's gross rental yield of 2.7% (source: Core Logic).

The highest median house price growth has been recorded in new suburbs over the past five years, led by Aintree, Weir Views and Fraser Rise, all located in the City of Melton. Their price growth ranged from 218% in Aintree, where the median price is \$617,000, to 136% in Fraser Rise, where the median is \$598,000 (source: realestate.com.au).

The south-west is an entirely different property



market with the likes of Williamstown and Newport boasting some of the most expensive properties western Melbourne has to offer. Williamstown currently has a gross rental yield of just 2.54% with a median house price of \$1.3 million. When comparing these figures to the likes of Melton where you can purchase a house for \$390,000 at a rental yield of 4.27%, one can easily assume they will be getting more bang for their buck, and rightly so.



However, the more blue-collar areas such as Melton, Tarneit, Truganina and Point Cook are known to have lower average wages growth and therefore lower ability to sustain capital growth.

While these areas are experiencing strong population growth and they have enjoyed strong capital growth over the past few years as the rising tide of the strong Melbourne property market lifted all ships, now that the cycle has reached its mature stage, many of these locations, especially the blue-collar suburbs may struggle.

Greater Geelong

Investing in Geelong has been a trend that many are beginning to follow in recent times. With Melbourne's property market finally at ease leaving median house prices at an all-time high, Geelong has caught the eye of many investors for its value and unique growth opportunities.

Geelong boasts a number of the factors that make an area stick out as a place with high growth potential. Some of these factors include large infrastructure projects currently underway, vacancy rates and rental yields that continue to increase and a population that is growing.

In terms of yields, the vast majority of Geelong's suburbs have a gross rental yield higher than that of the Melbourne median, which is 2.7%. Like Melbourne, Geelong also has its own array of estates being built around the city, with Armstrong Creek being an enticing new development with yields at 3.7%.

Geelong's ongoing infrastructure advancements has lured a number of investors towards the town. Just last year, an unexpectedly strong net rental yield got investors from across the nation to build an upscale 4.5 star apartment building with 110 apartments to be sold. Each one of these apartments produced a net rental yield of between 6% and 8% (source: Core Logic). Demand for this type of development is high in Geelong because of

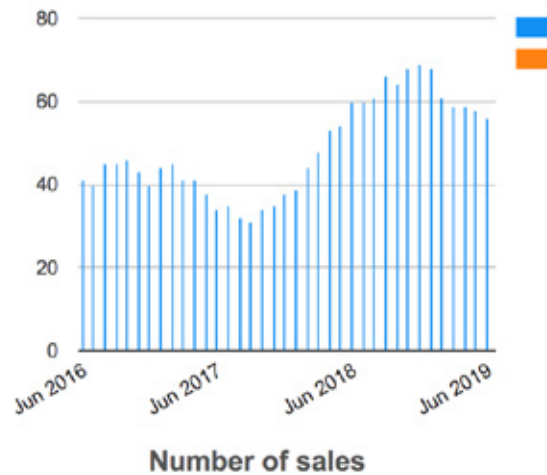
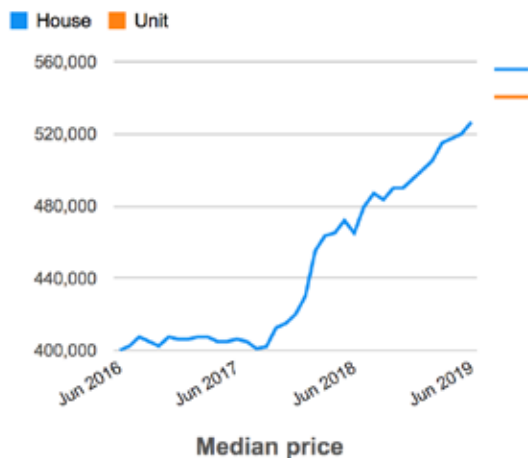


the increasing numbers of overnight visitation, with a 15% spike in the year.



Source: Commercial News, 2018

In terms of residential areas, suburbs such as Bell Park, Belmont, Torquay and Curlewis are the ones to look out for (source: SQM Research). Curlewis in particular has performed in spectacular fashion over the past 12 months as it has seen median house prices increase in value by 13.23%. To top



things off, it has one of the highest yields amongst the entire district at just under 4%. The above graphs illustrate the 24-month growth in median house prices and sales numbers for Curlewis (Source: Core Logic).

Mildura

The rental market in Mildura has been tight in recent years, with agents reporting very low vacancy rates. Rents have been steadily increasing as a result. Gross yields of around 6% are typical for cheaper houses, in say the \$225,000 to \$275,000 range, stepping down to around 5% for more expensive houses in the \$300,000 to \$400,000 range.

Investors who buy cheaper residential units can expect to get higher gross yields of up to 7%, however this has in the past been counterbalanced by reduced potential for longer term capital gain. Investors also need to be mindful of the need for maintenance and eventual upgrading when buying older units or houses.

Demand for rental housing appears to come from a range of tenants and we regularly hear of families who move to Mildura for employment reasons (teachers, police officers etc.) having difficulty in finding suitable rental accommodation.

The growth in the areas planted to table grapes and citrus in the Mildura region has also created demand for seasonal workers and it is clear that there is a shortage of cheaper accommodation options for this sector. Many older houses and cottages scattered throughout the surrounding rural area, together with a number of old motels are now generating comparatively strong rental returns as a result of being let to these seasonal workers.

Our advice to investors is always to buy a property that you could imagine living in yourself. There are numerous examples of compact four-bedroom houses that have been built intentionally for the rental market and which have little if any verandah areas. Mildura's long hot summers are always more pleasurable when there is a covered outdoor area and we would expect tenant churn will be higher in the plainer homes that are not well suited to our climate.

While yields are generally lower for newer homes and units, there will be lower maintenance costs and also the potential to claim depreciation allowances. We recommend any investors who would like to consider the option of claiming depreciation allowances contact our office for more details.



Queensland

Brisbane

Our market on the whole has always offered an extraordinarily good balance of property options for those building a diversified investment portfolio.

There are opportunities for capital-gain motivated buyers looking to park their dough in an asset with excellent value upside potential. Conversely, if you're seeking to ramp up returns, we have plenty to offer across our landscape that would put other larger cities in the shade in relation to rental return.

And of course, our offerings are relatively affordable too.

Given some of the good news on the horizon around infrastructure investment and increasing interstate migration, there's every chance Brisbane will be one of the country's best performing capital city markets over the next three to five years.

All that said, let's drill down a little on the yield side of the equation in the current market.

First up, we aren't seeing investors flock to yields in the same way they might in Sydney or Melbourne. The run to yields is often on the back of markets that have undergone major fluctuations - for example, when prices are running too hot and investors are seeking options where a comparatively higher rental return will help service the debt. In this instance, high yields are hard to find and hotly contested.

Conversely, when values are at the bottom of the cycle, cash flow investors might look for a high

The new landlord can then use that relatively attractive rent to service the debt while playing the waiting game.

return so they can purchase a holding with good long (or even very long) term growth prospects at an attractive yield. The new landlord can then use that relatively attractive rent to service the debt while playing the waiting game.

This is all to say that in Brisbane, our steady market movements suggest the attraction to high-yielding investment is no greater in 2019 than it has been in previous years. That's not to say it's bad, it's just to say that demand has been consistent.

Certainly, the ongoing low interest rate environment has been attractive for investors, and this means net returns look healthy. Any investor operating in our markets will be factoring in yields in their buying decision, but low yield is rarely a deal-breaker in this sector.

On a positive note, along with low interest rates, Brisbane has seen a recovery in its rental market. Average rents are rising, albeit modestly, with vacancy rates tightening. This has something to do with the uptake of inner-city apartment oversupply. While there is still plenty of stock to be absorbed by the rental market, the numbers are better now than they were a few years back.

So, who are the buyers seeking high yields in Brisbane?

Well, analyse the retail-level investor pool operating in our market and keen to secure

above-average yields and you'll discover a broad church. They range from typical individual or mum-and-dad investors through to self-funded superannuants chasing a cash flow strategy rather than capital gains. These buyers seek properties such as units around the university nodes and multiple-occupancy style accommodation such as flats buildings, boarding houses, student accommodation or dual occupancy dwellings.

As to whether high yield makes for a good investment option in Brisbane the answer is - not necessarily!

As mentioned, there are plenty of high yield options available such as serviced apartments in the inner city and dual-key units, but the downside is capital growth prospects are more limited than for traditional detached housing and owner-occupier style attached housing.

Also, while the gross yield tends to be high on some property types, the net yield can be fairly unappealing once management costs and other outlays are factored in.

This can typically extend and apply to outer lying regions too where high yielding properties such as duplexes and dual occupancy bring a great gross income but less impressive net income.

All in all, higher yields reflect higher risks. While





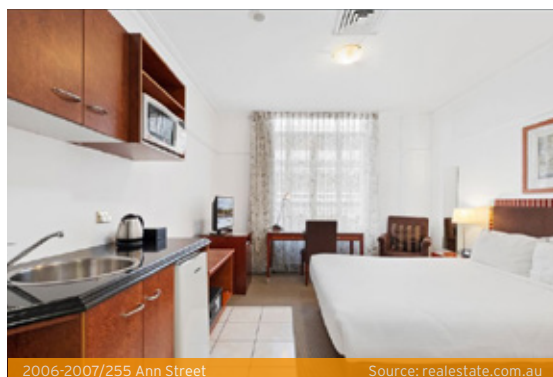
some Brisbane metrics look good, economic uncertainty at the national and international level compels us towards caution. Many of the asset classes associated with higher yields appeal to a more limited buyer segment (being the investor market) and when there is a limited number of buyers for this style of property. It can become difficult to liquidate assets without a significant discount.

Setting aside the position laid out above, let's take a look at some high-yield examples in our river city.

Inner city investor stock and dual key apartment are certainly available. Some typical price points include:

- ▶ One-bedroom units in the city at \$300,000 to \$350,000 with rents at \$360 to \$400 per week reflecting yields of circa 6%;
- ▶ Two-bedroom units in the city at say \$500,000 with rents at \$525 to \$575 per week reflecting yields of circa 5.5%.

One example is this dual key apartment at 2006-2007/255 Ann Street in the CBD which sold in July 2019 for \$355,000 and rents for \$690 per week, reflecting a gross yield 10.1%.



While some Brisbane metrics look good, economic uncertainty at the national and international level compels us towards caution.

Another is this one-bedroom UniLodge property located at 2511/104 Margaret Street in the CBD which sold in July 2019 for \$135,000 with a rent of \$336 per week, reflecting a gross yield 12.94%.



Rents are higher due to being inner city positioned close to public transport and amenity as well as the oversupply of rental stock over the past few years starting to be absorbed.

For inner city units, townhouses and dwellings, higher yielding properties are typically located around the university hubs as they are often let out on a per room basis reflecting a much higher overall rent, often with a few little extras included such as free internet and full furnishing (generally of very modest condition and quality though).

Some of the outer ring suburbs such as Burpengary, Caboolture and Morayfield have estates full of dual occupancy and duplex style accommodation which will attract higher yield in comparison to traditional single unit dwellings. Tenants in the dual occupancy and duplex style accommodations of the outer ring suburbs are

often attracted to the lower cost associated with renting just their part of the dwelling as well as the modern or new condition of the asset in comparison to renting out an entire property. Furthermore, although shared, these assets are generally still seen to offer privacy in comparison to units or townhouses although they are often of a similar size internally.

There is an alternative in new estates for some investors - a display home with a leaseback to the builder in place. While they can show an excellent return on paper, they often sell at above market prices to reflect the inclusion of the leaseback. Often these agreements can be for one or two-year terms with options at the end to extend further. While the agreed rent on a display home can vary, typically they are rented back at a commercial rent which is well above standard market rents.

There are of course ways to boost the rental return on your existing investment such as renting room-by-room, renting furnished or letting the car space separately.

Higher density dwellings which offer the ability to be rented out on a per room basis (particularly those which are en suited) tend to do well. There are some dwellings being built new that offer four or five large bedrooms each with their own en suite and a small kitchenette or wet bar, although they have minimum living area in the common parts of the house. Whilst these are classified as dwellings, they will yield a much higher return due to the ability to be let per room.

An example of a recent sale of a multi-income stream property is this one at 292 Nudgee Road,



Hendra which sold on a 9.1% gross yield in June this year. It comprised five self-contained apartments, each with bedroom, kitchenette and bathroom.



292 Nudgee Rd, Hendra

Source: Ray White

Occasionally in areas such as St Lucia, some of the larger two-bedroom units located in those 1970s style walk-up units have been converted into three-bedroom units at the expense of smaller living areas. This increases the rental income substantially.

Likewise, there are a large number of high set dwellings which get built in under (not necessarily considered to be habitable height) to accommodate additional space to be let out. The caution here is that from a valuation point of view, a lot of these areas end up being treated as storage as they aren't strictly deemed habitable under building guidelines. As such, the assessed rent applied by valuers is often far less than the rent actually received by the owner.

Gold Coast

North Central

Generally speaking, most local Queensland investors are not driven directly by yield on the Gold Coast. No doubt their investment decisions will involve an assessment of property price versus

Generally speaking, Gold Coast agents will not get any marketing traction on properties when this minimum yield of 6% cannot be demonstrated.

income less outgoings but largely indications are that they are more inclined to be driven by decisions of location and amenity. Interstate buyers have a quite different approach. Local real estate agents report that the magic gross yield rate currently sought by interstate investors is 6%. Generally speaking, agents will not get any marketing traction on properties when this minimum yield cannot be demonstrated.

The lower end of the local market (say \$170,000 to \$350,000 price range) in the suburbs of Labrador, Southport and Biggera Waters is currently quite weak with sales volumes down and values falling 5% to 15%. Local property managers are reporting higher vacancy rates and in some cases a drop in rent is required to secure new rental agreements. We also note that local property managers are reporting that there has been a surge of tenants who are exiting their rental agreements in order to buy their own properties in response to the very low mortgage rates now on offer.



5/145 Muir St LABRADOR Under Contract \$252,500 Source: Herron Todd White

A circa 1990, two-bedroom, one-bathroom conventional strata unit, situated on level two of a three-level, nine-unit walk up complex on a concrete footings and slab, floating concrete slab foundation with brick walls, tile roof and one car garage. The property has fair external condition, fair internal condition and fair presentation. Areas: Living - 89 square metres, Outdoor - 10 square metres and car - 27 square metres. The subject property has a north-westerly aspect with no significant views. Ancillary improvements include concrete driveway, partially enclosed yard, concrete paths and moderate landscaping.

Estimated Rent: \$290 per week

Gross Yield: 5.97%

The family home market (say \$550,000 to \$950,000 price range) has been the strongest performer, albeit this is a very stable market segment with steady demand and turnover in most locations. This market is not typically driven by yield.

An interesting strategy has been for some investors to convert family style homes into student style accommodation. A typical four-bedroom, two-bathroom dwelling will be modified to become seven or eight bedrooms. The laundry may be converted to a third bathroom and the garage partitioned to form say, two bedrooms. The kitchen and main living area is utilised as common area. Rentals on these are reported at circa \$150 per bedroom. A \$625,000 outlay for a property may return as much as \$50,000 gross per annum

(allowing for vacancy) reflecting a gross yield of 8%. We caution that many of these operations may not strictly be council approved and lending policy will value or assess these properties on typical residential use only. The suburbs of Southport and Parkwood are popular for this practice.

A Parkwood dwelling converted from four bedrooms to an eight-bedroom, two-bathroom floor plan is currently rented as student accommodation.



A Parkwood Dwelling Source: Herron Todd White

The higher end or prestige market is not driven by yield rates. Rental rates typically fall considerably at this end of the market.



XGxqXqX Source: Herron Todd White

A two level, circa 2016, modern style, rendered fibrous cement sheeting, four-bedroom, two-bathroom, dwelling, with colorbond roof and two-car garage. Areas: living - 232 square metres; outdoor - 28 square metres; car - 42 square metres; other - 5 square metres. Dwelling is located on an easy sloping, regular shaped, inside lot situated slightly above road level. Canal views with western frontage to the canal. Ancillary improvements include: exposed aggregate driveway; partially enclosed yard of rendered brick construction; aluminium pedestrian gate with manual access; concrete and paved paths; established landscaping; concrete in ground pool, featuring frameless glass pool fencing; and pontoon jetty. The property has good external condition and good internal condition. Land area - 570 square metres.

Actual rent: \$1,200 per week. Gross Yield: 3.67%

Central Gold Coast

In central Surfers Paradise, agents report variations in rates of return to investors.

Older high rise units close to the beach have a high underlying land value component and are subject to higher council rates, which themselves are variable. For example, if the owner is an owner-occupier, there is a lower rates level. If the unit is let on a permanent basis the rates level is higher, and if it is holiday let, the rates level is higher again. This is just the rates themselves, not including the water rates which stay the same regardless.

However, if the property has an efficient water usage rating, it is permissible to pass on the water and sewerage rates to the tenant, which increases the return to the investor.

The Chevron Renaissance development is a modern circa 2004 three tower development comprising a total of 714 units plus retail and office use.



The Chevron Renaissance Source: Herron Todd White

A leading agent active in this development reports that investors are happier if they can achieve over a 4% net yield. This agent sold unit 2066 for \$308,000 on 15 May 2009, being a two-bedroom, one-bathroom high-rise unit on level six within the holiday letting pool. The unit receives a guaranteed rental of \$26,500 per annum from on site management. After outgoings, the net return is \$14,746, showing a net yield of 4.78%.

In addition to the above return, the owner is also entitled to 14 nights personal occupation of the unit for their own use subject to terms and conditions.

This agent also reports that the expected return on three-bedroom units in the development reduces to around 4% as the purchase price is much higher.

These higher returns are made possible by the higher expected occupancy rates achieved by the managers. This building is reportedly currently achieving around an 85% occupancy rate.

The Beachpoint development is an older circa 1978 development comprising a total of 142 units situated opposite the beach in central Surfers Paradise.





The Beachpoint development

Source: Herron Todd White

A one-bedroom unit on the tenth floor with a south-west aspect and restricted ocean views is currently under unconditional contract for \$260,000, with settlement due in less than two weeks. This unit is tenanted on a 12-month lease at \$360 per week. Outgoings including rates, water and sewerage rates, and body corporate fees at \$152 per week total \$10,439 without landlord insurance which leaves \$8,281 net income showing a net yield of 3.19%.

This lower return is typical for older unit buildings with slightly lower occupancy rates and a higher underlying land value component per unit.

The agent selling the above property reports

In some areas, relatively high rents in comparison with the purchase price have resulted in positive gearing.

typical returns for this style of unit generally range between 2% and 3%.

Further away from the beach in Carrara, a leading local agent reports that investors in cluster unit townhouse complexes aren't stating what return they are chasing, but are very interested in the potential or actual rental return and want to know what the outgoings are including body corporate fees, rates and water charges and then they work out the net return themselves.

Anecdotally he feels they are seeking over 4.5% and for nothing to require repair for the first 12 months.

Northern Gold Coast/Lower Logan Corridor

The northern corridor of the Gold Coast is popular with investors, both local and interstate.

There are many established and developing estates that comprise a high number of standard dwellings designed and built for investors. Of course, there is also a balance proportion of owner-occupiers in this region because the new homes are affordable for first home buyers and for those upgrading to larger homes. A typical four-bedroom new house on a 350 to 450 square metre block can be purchased starting from \$400,000 to \$500,000. Also in this region are many townhouse complexes catering to investors and the demand from renters for such dwellings continues to be good. Rental levels have been steady with weekly rents falling between \$400 and \$480 per week for a typical four-bedroom house that is relatively new whilst rentals for units which usually offer three-

bedroom accommodation are slightly less, most being between \$370 and \$400 per week. Rental levels have risen in tandem with prices over the years, thus the net yields have been relatively stable at between 3% and 4% per annum. Yields are generally commensurate with the level of expected risks, thus a higher yield would be expected for older properties and those located in areas with lower quality tenants, such as those who don't pay their rents by the due dates or who don't look after the property they are renting.

In some areas, relatively high rents in comparison with the purchase price have resulted in positive gearing, however capital expenditure may be required in future to maintain the standard of accommodation provided.

Sunshine Coast

Investors in the Sunshine Coast property market have been pretty active over a number of years. Market sentiment has improved which has in turn instilled confidence in the marketplace. The main driver of this sentiment has been the major infrastructure projects currently under way across the coast. The current low interest rate environment has also had investors looking to property to increase their returns. Across the coast, gross yields normally tend to range between 4% and 15% which reflects the relative risk on investment.

Properties situated within areas underpinned by re-development potential or situated in unique and sought after locations tend to be at the lower end of the yield range. A yield at the higher end of



the range indicates the location, condition of the property and the additional maintenance costs required. Units within the main tourist precincts can also achieve gross yields up to 15% however with high body corporate and management fees, these properties tend to show net yields in the 2% to 6% range.

There has been a large increase in dual occupancy homes constructed across the coast with a main dwelling typically providing three-bedroom accommodation and an attached one or two bedroom unit. These properties have been primarily purchased by investors and have been selling with gross yields between 5.9% and 6.3%.

Slightly higher yields can be achieved through the hinterland townships with properties comprising three to five flats in the Nambour area achieving yields in the 7% to 8% range. Typically, these properties are older with ongoing maintenance required.

In the prestige market, we have started to see an increase in the number of investors. This market is typically difficult to gauge given that there are a number of different drivers in the investment decision. This market is closely related to the southern markets of Sydney, Melbourne and Brisbane, so at the moment has been pretty good. A number of investors in this segment are certainly purchasing for a position or lifestyle choice and in quite a number of cases, with a view to the investment being the future retirement home and principal place of residence. Therefore, a higher yield is not always driving the purchasing decision.

All in all, the investment market on the Sunshine Coast has been pretty healthy.

Rockhampton and Gladstone

In the Rockhampton region, yields have always been a strong consideration for the investor market as we do not suffer the significant price fluctuations of the larger city markets. Any capital gain to be had in our region is therefore a long-term commitment. A high grossing yield provides the incentive to remain in the market.

On the other hand, most investors coming into the Gladstone market are more looking for short to medium term capital gains, especially given the timing of the current market cycle.

The current state of the Rockhampton and Gladstone markets is considered to be at the early stages of recovery, so typically now is the best time to achieve a higher yielding property while values remain at an affordable low and rents are starting to creep up after a consistent tightening trend of vacancy rates over the past 18 months to two years.

Across the Rockhampton and Gladstone regions, the type of investor varies greatly from the typical mum and dad investor who may have one house other than the family home, through to interstate investors who invest significantly in the region via the purchase of multiple dwellings or sets of flats. Whilst rarely seen, there is also a small degree of foreign investment.

The emergence of the Rockhampton Riverfront precinct over the past ten years has also provided the opportunity to hold a holiday unit and receive the higher return over peak periods, or the benefit of a dual key arrangement, although there is a limited market for fully serviced apartments in our region. Gladstone has a significant supply

of inner city apartments operated as serviced apartments aimed mainly at corporate travellers as well as tourists.

Non-traditional income producing properties (such as Airbnb) are less common regionally, with little evidence available to determine a yield. There are however the occasional peak periods where traditional short-term accommodation cannot cater to the market, such as during the Beef Australia events held every three years, where Airbnb is extremely effective, however this is not an ongoing source of income throughout the year.

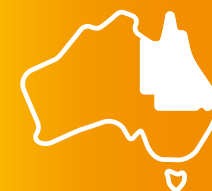
In the residential space, it is unlikely that a standard suburban home would attract what investors would consider to be a high yielding return on investment, depending on the location.

A typical ten year old, four-bedroom home that may sell for \$470,000 may only provide a gross yield in the order of 5% to 5.5%. This type of yield reflects the low-maintenance nature of the property. An entry level home in the older, established areas of Rockhampton will be more attractive if assessed on a yield basis only, for example a 1940s high set three-bedroom fibro home, not directly flood affected (becomes isolated during flood periods) may sell at around \$160,000 and provide a gross yield somewhere between 7% and 8%. Whilst this may be more acceptable to most investors, there is likely to be higher levels of expenses involved with maintaining the property which would affect achievable rental income.

Gladstone properties reflect similar yields, however the price points differ slightly. A typical five to ten year old, four-bedroom home in Kirkwood or

Across the Rockhampton and Gladstone regions, the type of investor varies greatly.





New Auckland would sell for around \$300,000 and would reflect a gross yield in the order of 5% to 6%. An older 1960s high set, three-bedroom home in a central suburb such as West Gladstone or South Gladstone would typically sell for around \$200,000 and provide a gross yield somewhere between 6% and 8%.

The best high yielding property type in our region is flats or multiple properties on one title. Due to the multiple occupancy nature, the income generated is often at least double traditional residential housing. Whilst we have example after example of traditional sets of flats achieving gross yields typically in the high 7% to low 8% range (buy in prices around the low to mid \$300,000s), there are still some rare opportunities out there. A recent sale of a two x two-bedroom duplex in Koongal for \$210,000, reflects a gross yield of 9.9%. It is difficult to beat a near 10% return on a residential property in this region. This property then may benefit from the potential to increase the yield through a renovation and in turn increase the annual income able to be generated by the duplex.

Bundaberg

The REIQ residential vacancy rate for Bundaberg remains low at approximately 1%.

There has been a moderate amount of sales of flats in Bundaberg over the past 18 months. They range from an older style 1970s eight-bedroom, four-bathroom flat complex which sold for \$550,000 with a weekly gross rental of \$920, giving a gross yearly rental of \$47,840 providing a gross yield of 8.6%, to a more modern on ground, circa 1994, brick, eight-bedroom, four-bathroom flats building

The REIQ residential vacancy rate for Bundaberg remains low at approximately 1%.

which sold for \$615,000 with a weekly rental return of \$830 giving an annual return of \$43,160 and a yield of 7%.

The most recent sale was an on ground, circa 2018, brick flats building providing eight-bedroom, four-bathroom accommodation for \$965,000 providing an approximate gross yearly rental of \$60,320 which is an approximate gross yield of 6.2%.

Hervey Bay

Hervey Bay has been experiencing steady rental levels over the past 12 months after a period of growth for the 12 months prior. The vacancy rate has been sub-2% for an extended period now and rental pressure has seen rental rates improve across most asset classes.

According to the REIQ's Monthly Monitor, median weekly rents rose across a number of dwelling types according to the annual measure. Three-bedroom houses recorded a median weekly rent of \$310 (up \$10), two-bedroom units had a median of \$263 (up \$13) and three-bedroom townhouses came in at \$330 (up \$2).

House yields held relatively steady at 5.1% this quarter, up 0.2% from the previous quarter. Unit yields rose by 0.7 percentage points over the December quarter 2018. Units are achieving an overall median rent of \$263 per week compared to the September 2018 quarter result of \$255 per week.

The Monitor suggests that the rental market may continue to fluctuate seasonally, but gently rising median rents indicate the sector is generally firming.

Most dwellings with three to four bedrooms can achieve \$340 per week at a minimum with gross yields typically above 5% per annum. Duplexes or blocks of flats can generally achieve a higher return than a standard dwelling, however buyers beware that any capital works required will cut into your net return. Single units typically realise a lower gross yield due to additional body corporate costs.

Emerald

We have seen rents continue to rise across the Central Highlands towns of Emerald, Moranbah and Blackwater over the past two years. Some areas are now looking attractive. Gross yields on houses in Emerald range from 5% to 7%. We see this yield for most market segments from \$250,000 to \$450,000.

For multi-unit flats, the gross yields on sales have shown 7% to 10% regardless of the price point.

Rents are firming and tightening again as there appears to be another kick in the market currently happening.

In Moranbah the gross yield is moving higher to where some houses are seeing near 10%. It's not uncommon to see a modern four-bedroom home renting at \$600 to \$650 per week and valued at \$350,000. Some of the older two-storey homes that might have dual accommodation (upper and lower level) and a total of seven to eight bedrooms (set up for single occupant accommodation) are hitting the gross yield of 10% on a sale price of \$350,000.

5% - 7%

Gross yield range on houses in Emerald

7% - 10%

Gross yield range on multi-unit flats

Cairns

Due to a decade of subdued levels of construction, positive population growth, reasonably flat property prices and increasing rents, the Cairns residential property market offers some of the most attractive yields available anywhere in Australia.

CoreLogic's Top Rental Performer's Report recently named Woree and Manunda as the third and fourth highest yielding suburbs in the country, offering gross yields of 10.8% and 9.5% respectively. These types of yields are typically achievable from low price units and houses. Another property type where strong yields are available are holiday units in certain well performing complexes. We have seen net yields for some dual key units in excess of 8%, the only problems being that the units are only suitable for short term accommodation which makes obtaining finance difficult and the more volatile nature of the income as it is directly tied to tourism.

A key point about our market is the lack of pending supply and how it is difficult to see the current balance of supply and demand changing to an oversupply situation in the foreseeable future. This should give investors comfort that the low rental vacancy rates and current rent levels are due to solid market fundamentals and are unlikely to change in a negative way.

10.8%

Woree (Cairns)
gross yield

9.5%

Manunda (Cairns)
gross yield

Mackay

Between 2013 and 2017, it was a pretty tough slog for investors in residential real estate in Mackay. The downturn in the resource sector and flow on effects to Mackay have been well documented in this column, but are important to give context in the current market. Rental vacancy rates blew out significantly from around 1% to a high of 9.4%, with market rental values falling between 30% and 50%. Investors all but left the market during this period, putting greater pressure on values of purely investment grade stock, in particular flats and units.

However, over the past 12 to 18 months, the tide has definitely started turning. Rental vacancy rates have been falling over the past two years and currently sit at just below 2% with market rental values increasing throughout this period. In fact, the rate of increase in rental values rose faster than any increase in capital values during this period, meaning yields are increasing. This fact alone, with the prospect of increasing capital values in the medium term, is making Mackay a great place to invest at present.

So, what are the yields being achieved at present?

For residential dwellings, gross yields currently sit between 5% and 6%, with the higher yields currently available on lower value dwellings. The minimum rental levels in Mackay have been rising steadily, allowing greater yields on these properties. The risk is the older properties may require capital expenditure and repairs and do not reap the depreciation benefits on more modern properties.

In terms of gross yields only, the highest yields currently available are with units. Unit values fell significantly in the downturn and have only started

For residential dwellings, gross yields currently sit between 5% and 6%.

to increase slightly since. For example, an older style walk up two-storey attached unit in close proximity to the CBD can still be purchased for under \$150,000, with some recent sales as low as \$110,000. These units can command a rental of between \$180 and \$200 per week giving gross yields of between 7% and 8.5%.

Just a word of caution, these rates are gross yields only and do not take into account the higher costs of insurance and body corporate levies in Mackay or rates payable.

Townsville

There is a general perception that the Townsville economy has been through the worst and there is a new air of expectation of improvement and consolidation over its immediate future on the back of a strong pipeline of projects underway or yet to commence.

Townsville currently offers some good yield investing opportunities with a median house price of \$320,000 as at June 2019 and the current trend median rent for houses at \$360 per week. The rental market tightened significantly following the February floods and although it has now eased somewhat, it remains tight, trending at under 2% vacancy according to our latest rent roll survey.

We are seeing anecdotally increased investor interest including some investor groups acting on behalf of buyers seeking properties offering good yield returns and capital growth potential.

Month in Review
October 2019



RESIDENTIAL



In the current market, units are generally seeing higher yield returns due to the lower buy in cost and the trend median rent of \$285 per week as at June 2019. We have seen some evidence of yields over 8.5% being achieved for houses in areas within the 4815 postcode due to the low buy in cost and the current rent being achieved on the back of the tighter rental market. Houses located closer to the city centre are typically showing lower yields due to the higher buy in cost, however the potential for capital growth in these areas in the shorter term is also more positive.

Overall there are many suburbs throughout Townsville where solid yield investing options are available, particularly if not seeking short to medium term capital growth, however it is important to note that yields will vary based on demand and supply in the rental market and therefore it is important to take into consideration buying an investment property that will appeal to a wide range of potential renters.

Darling Downs/Toowoomba

Investors in the Darling Downs have generally been attracted to low-maintenance properties such as new or near new four-bedroom, two-bathroom, two-car detached dwellings, two-bedroom units and six-bed, four-bath duplex pairs.

The majority of the Toowoomba investor market tends to operate in the sub-\$400,000 segment for dwellings, sub-\$300,000 for units and sub-\$550,000 for duplex pairs. It's unclear whether investors are favouring strategies to seek higher yields or focusing on capital gains. With a slow-moving market at present, investors are possibly seeking a blend of the two strategies.

Some of the western suburbs such as Glenvale, Cotswold Hills and Cranley, and outer lying satellite

suburbs including Wyreema and Cambooya have tended to be hot spots for investor activity over recent years. This is most likely a result of englobal land availability, with the established suburbs unable to accommodate new development. Yields in these newly developed areas are moderately attractive to investors at circa 4% to 5% for houses and 5% to 6% for units and duplex pairs, however these returns may come at the expense of capital growth.

Buyers seeking to invest in the Toowoomba area could consider purchasing in older suburbs close to the CBD such as Centenary Heights, Darling Heights, Kearneys Spring, Newtown, North and South Toowoomba. These areas still generate acceptable yields and arguably have greater potential for capital growth due to their proximity to the CBD and services. A recent trend within the established suburbs in areas close to boarding schools, hospitals or the CBD is short term letting utilising platforms such as Airbnb and Booking.com. We have witnessed yields up to and exceeding 10% in select cases, however this comes with intensive management, including managing bookings, financial management and very regular and intensive cleaning.

The smaller towns throughout the broader Darling Downs region can show higher yields anywhere from 5% to 10%. Once again, these higher returns come with a higher degree of capital growth risk.

Investor interest in Toowoomba and surrounding areas has significantly slowed over the past two years resulting in a reduction in sale volumes, however vacancy rates have declined to sub-2% and rental rates have shown moderate growth. This may lead to an increase in investor activity throughout the Toowoomba region.

South Australia

Adelaide and surrounds

When looking at a glossary of property terms, yield can be found at the bottom of the list alphabetically, but should be front of mind for any property investor.

The yield provides an indication of the annual return you will receive from your investment. Yields will fluctuate with the purchase price of a property, the achievable annual rental and the running costs (outgoings). The terms gross and net get thrown around when discussing yields. Simply, the gross yield is income prior to outgoings being removed and the net yield is income after outgoings are removed. Given that outgoings vary amongst location and property type, all yields provided in this discussion are gross.

The importance of yields for investors fluctuates with location. Historically, the inner ring has provided purchasers with returns in the form of capital growth. Coupled with a stable rental market, dwellings are providing yields of between 2% and 4% whilst units have achieved yields between 3% and 5%. Mid-1900s strata units are popular with first time investors. These properties provide an entry point at the lowest end of the market and are easily tenable. Sold tenanted at \$275 per week, 4/32 Hereford Street, Trinity Gardens achieved a sale price of \$270,000 which

reflects a yield of 5.29%. This is a circa 1960s strata unit of brick construction disposed as two bedrooms and one bathroom.



4/32 Hereford Street Trinity Gardens Source: realestate.com.au

The middle ring has been popular with investors, providing capital gains and a rental market with more depth than the inner ring. Both dwelling and unit yields hover around 3% and 5%. Most popular with investors are mid-century dwellings on larger allotments. These properties provide investors with not only a rental return but upside with future development potential. Selling for \$410,000, 29 Thorne Street, Mitchell Park is now advertised at \$360 per week indicating a potential yield of 4.56%. This property comprises a circa 1962 single level brick dwelling disposed as three bedrooms and one bathroom on an allotment of 663 square metres.



29 Thorne Street Mitchell Park Source: realestate.com.au

With price points considerably below the metropolitan median house price and a strong rental market, the outer ring has historically provided the greatest yields. Yields typically range in the 5% to 7% range with certain pockets and property types providing yields of 7% plus. With a variable price point of \$100,000 to \$150,000 and achievable weekly rentals in the low \$200s, maisonettes surrounding Elizabeth Centre fall into this category. Sold tenanted at \$220 per week, 48 Loftis Road, Elizabeth Downs achieved a sale price of \$140,000 which reflects a yield of 8.17%. This is a circa 1960s maisonette of brick construction disposed as two bedrooms and one bathroom.



5% - 7%

typical yields in the outer ring of Adelaide

With price points considerably below the metropolitan median house price and a strong rental market, the outer ring has historically provided the greatest yields.





48 Loftis Road Elizabeth Downs

Source: realestate.com.au

Alternative options to the traditional dwelling and strata units come in the form of unit blocks, CBD serviced apartments and secure long-term rentals such as Defence Housing. Unit blocks can be complex investments as dealing with multiple tenancies can be problematic. The buyer profile for unit blocks would typically be investment funds and experienced individual investors diversifying a portfolio. Yields for unit blocks within metropolitan Adelaide can fluctuate within a range of 4% to 8%.

Achieving a sale price of \$830,000 in early 2019 was 1-4/50 Marden Road, Marden. This property comprised three two-bedroom units and a fourth three-bedroom unit. The property was partially let at the time of sale and provided an analysed yield of 7%.



1-4/50 Marden Road Marden

Source: realestate.com.au

Single occupancy long-term rentals such as Defence Housing and serviced apartments appeal more to the mum and dad investors looking for a set and forget investment. These properties provide secure long-term rentals with rent being guaranteed through the life of the tenancy. Defence Housing offers leases of up to 12 years whilst serviced apartments provide a mixture of lease options. Outgoings should be a major consideration when purchasing CBD serviced apartments. Outgoings can vary considerably from building to building depending on common areas and building services. Two apartments may appear comparable on a gross yield basis however once outgoings are accounted for, the net yields may be vastly different. Both of these investment options are passive in nature and typically offer yields of 3% to 6%. A Defence Housing example is the sale of 9 Farrell Street, Evanston Gardens. This property sold in August 2019 with the lease expiring in September 2023. The property achieved a sale price of \$319,500 and a yield of 5.53%.

Regional

Two of the best-known investor hot spots in regional South Australia are Whyalla and Roxby Downs.

Both have cyclical economies which are intrinsically linked to the supporting mining industries. Investors have been spooked from these locations in recent years as both markets entered a downward cycle. With the ability to enter the respective markets at historically low price points, investors are beginning to dip their toes back in. Yields of between 5% and 7% are common throughout both these regional centres. Achieving a weekly rental of \$110, 13 Harvey Street, Whyalla Norrie sold for \$79,000 in January this year representing a yield of 7.24%. This property comprised a single level maisonette disposed as three bedrooms and one bathroom.

UPmarket Market Trend Analysis

Location = LGA: ROXBY DOWNS, Statistics: Median; Period: Previous 10 Years, Frequency: Quarter, Property Type: Detached Houses



Property owners have options to increase yields by thinking outside the box. Owner-occupiers can rent out the rear granny flat or the spare rooms which the kids have vacated. Investors can privately manage their properties or offer their properties for rent on a per room basis. Renting on a per room basis can be one of the greatest yield boosters and is most common for investors operating around university campuses.

When owner-occupiers are looking for a dream home they lead with their hearts. Investors need to be more astute and lead with the head. Prior to making your property investment, invest in a calculator and a strategy that best suits you.



Western Australia

Perth

In the 12 months to July 2019 there were over 21,000 house sales in the greater Perth region. REIWA data shows a median sale price of \$485,000, some 2% lower than the previous quarter and 3.4% lower than the June quarter 2018. There were approximately 5,000 units sold in the same period with a median sale price of \$385,000 - a 1% reduction compared to the March 2019 quarter and 5.5% lower than the June quarter 2018. Nearly 5,000 vacant lots were sold in the year to July 2019 with the supply of land continuing to outweigh demand.

A recent article from the REIWA stated that "The number of properties available for sale and rent have dropped to the lowest levels since late 2014, with only 13,831 properties listed for sale and 6,599 properties listed for rent on reiwa.com in August." This isn't too surprising since the June quarter generally sees the lowest sales and listing volumes due to the winter weather.

Perth's rental market has continued its resilience against a subdued sales market, with the median weekly rental holding at \$350 for the June quarter - a median of \$360 for houses and \$330 for units. It took an average of 43 days to lease a property in the greater Perth region for the June quarter 2019, reducing by two days from the previous figure of 45 days. As the days to lease diminishes so does the negative house price growth. CoreLogic's latest home value index shows dwelling values in Perth declined for another month to 0.5% in August, yet the rate of decline is slowing, which is a positive

Some of the lowest yields in Perth come from suburbs within the prestige market.

indication that prices in Perth may be approaching the bottom.

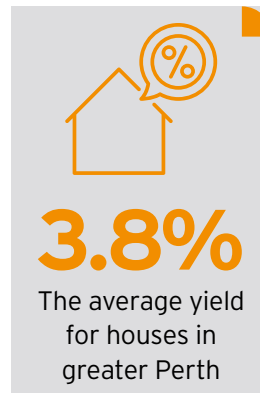
The new Housing Affordability Report from the Real Estate Institute of Australia has indicated that rental affordability in Western Australia improved in the June quarter as the proportion of family income required to meet the median rent has marginally decreased by 0.1% to 16.4%, however this is still an increase of 0.1% compared to the same time in 2018.

So how does the current market fare for investors? The average yield for houses in greater Perth is 3.8%, generated from the \$485,000 median house price and a \$360 median weekly rental. Units prove to be a more lucrative asset, producing an average yield of 4.5% from the \$385,000 median and \$330 median weekly rental.

As always, these figures shift significantly depending on the property's location. As an example, some of the lowest yields in Perth come from suburbs within the prestige market. Applecross, Cottesloe, Dalkeith, Mount Pleasant,

Peppermint Grove, Shelley and Swanbourne all have yields ranging from just 1.8% to 2%. The median house prices in these suburbs range from \$965,000 up to \$3.575 million. The highest yields come from suburbs within the lower price band. Armadale, Butler, Camillo, Chidlow, Coodanup, Coogee, Cooloongup, Kwinana, Leda, Mandurah, Orelia, Parmelia, Stratton and Yangebup all hold the highest current yields for the greater Perth region. This suggests that on yield potential alone, some of the best suburbs to invest in are within the cities of Armadale, Kwinana, Mandurah and Rockingham, all being local authorities in traditional mortgage belt areas.

Big price reductions are being seen in greenfield estates on the outskirts of Perth. Established dwellings are experiencing long selling periods as the competitive financing options of house and land packages gives little encouragement to purchase anything near new, as such vendors are discounting multiple times in order to meet the market. This means that affordability in these areas keeps improving. Land estates in Baldivis, Byford and Ellenbrook have been hit hard. The median house price in Ellenbrook has recoiled, receding by more than 20% since 2015. Byford's median has fallen by 14.4% and Baldivis's has dropped 15%. One factor contributing somewhat to falling house prices is the reduction in average lot sizes. The average lot size in Perth decreased from 580 square metres in



2010 to 375 square metres currently and the first micro-lots have just been finished in Ellenbrook with a total area of 80 square metres. Over the past decade, new zoning has created potential for smaller lots within land estates and has allowed for a flurry of subdivision in established suburbs all over Perth.

The median house price in Baldivis for the June quarter was \$390,000 with a weekly house rental of \$350 showing a 4.7% yield. The median unit price was \$189,000 with a weekly unit rental of \$265 showing a 7.3% yield. Strong yields can be found for investors in Baldivis as established dwellings can be purchased for affordable prices, however caution must be used as we expect market values to continue softening in the coming months, so always engage a property professional before making a purchase decision. The cost of an up front valuation is a pittance compared to the risks it can identify.



Figure 1 : Jane Turn, Baldivis Source: CoreLogic

This property shown in Figure 1 was purchased in July 2019 for \$308,000. It was built in 2012 and comprises four bedrooms, two bathrooms and a double garage on a 521 square metre allotment. It was leased in November 2018 for \$350 per week generating a gross yield of 5.9%.



Figure 2 : Jennapullin Crescent, Ellenbrook Source: CoreLogic

The property shown in Figure 2 was purchased in August 2019 for \$370,000. It was built in 2016 and comprises three bedrooms, two bathrooms and a double garage on a 419 square metre allotment. It was leased in May 2018 for \$350 per week. The rental value may have decreased since this time, however it shows a gross yield of 4.9%.



Figure 3 : Urban Lane, Ellenbrook Source: CoreLogic

This first-floor unit shown in Figure 3 was purchased in July 2019 for \$200,000. It was built in 2014 and comprises two bedrooms, two bathrooms and one car space with 110 square metres of floor area. It was leased in April 2018 for \$275 per week providing a gross yield of 7.2%.



Figure 4 : Touramline Boulevard, Byford Source: CoreLogic

The property shown in Figure 4 was purchased in August 2019 for \$420,000. It was built in 2015 and comprises four bedrooms, two bathrooms and a double garage on 480 square metres of land. It was leased in December 2018 for \$400 per week, reflecting a gross yield of 5%.

For investors looking to add apartments to their portfolio, older units in good locations can prove to be quite attractive on a gross return basis whilst appearing attractive from a capital growth point of view as well.



Figure 5 : Mill Point Road, South Perth Source: CoreLogic

The property shown in Figure 5 sold for \$270,000 in July 2018. Built in 2002, this apartment comprises one bedroom, one bathroom and one





car bay with a floor area of 69 square metres. An identical unit in the complex was leased in April 2019 for \$300 per week showing a gross yield of 5.7%. South Perth's unit median settled at \$567,750 for the June quarter 2019, increasing 0.1% since the March quarter.



Figure 6 : Clydesdale Street, Como

Source: CoreLogic

The property shown in Figure 6 sold for \$260,000 in July 2019. Built in 1973, the unit comprises three bedrooms, one bathroom and one car bay with a floor area of 77 square metres. It is currently advertised for lease at \$295 per week showing a potential gross yield of 5.9%. Como's unit median settled at \$450,000 for the June quarter 2019, increasing 1.8% since the March quarter.



Figure 7 : William Street, Mount Lawley

Source: CoreLogic

The strong rental market in Perth would definitely be keeping investor's heads afloat as the gap between property value and gross rental return increases in some areas.

The property shown in Figure 7 sold for \$156,500 in April 2019. This renovated 1968 ground floor apartment comprises one bedroom, one bathroom and one car bay with a 39 square metre floor area. A similar unit above was leased in April 2019 for \$200 per week showing a 6.6% gross yield. Mount Lawley's unit median settled at \$410,000 for the June quarter 2019, increasing 5.1% since the March quarter 2019.

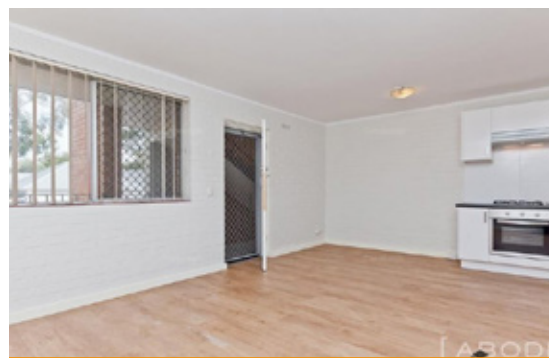


Figure 8 : Fairlight Street, Mosman Park

Source: CoreLogic

The property shown in Figure 8 sold in August 2018 for \$197,000. This renovated 1969 first floor apartment comprises one bedroom, one bathroom and one car bay with a 39 square metre floor area. A similar unit in the same complex is leased for \$215 per week showing a gross yield of 5.7%. The unit median in Mosman Park settled at \$425,000 for the June quarter 2019, increasing 11.4% since the March quarter 2019 and 18.9% year-on-year.

Achieving high yielding assets could be seen as important in the current market whilst we await the

return to capital growth. The strong rental market in Perth would definitely be keeping investors' heads afloat as the gap between property value and gross rental return increases in some areas. Property investment is typically seen as a medium to long term venture as high costs are associated with both the purchasing and selling of dwellings, so depending on the investor's profile, short term yields can be of little importance when buying in a secure location. At the current stage of Perth's market cycle, purchasing in a good location with growth potential could end up being a fruitful venture.

Investors who purchased in the years leading up to the resources boom (2002 to 2006) may be looking towards reversion in the coming years as the completion of some 20-year mortgages may align with the peak of the next market cycle. The median house price has increased from \$195,000 in 2002 to \$485,000 currently, an increase of approximately 250%.

One popular asset that can generate high gross rental returns is student accommodation. Five to six and even seven-bedroom dwellings can be bought at fairly reasonable prices and the rooms leased individually for anywhere from \$50 to \$250 per week. Even though the returns are enticing, you do have to consider that there could be higher running costs such as management and maintenance, along with vacancy rates over the holiday period. Utilities are often included in the rent so the expenses can fluctuate quite significantly.



Figure 9 : Beveridge Street, Bentley Source: CoreLogic

The property shown in Figure 9 was purchased in May 2019 for \$450,000. Situated less than 200 metres from Curtin University, this townhouse built in 2000 comprises six bedrooms, three bathrooms and two car bays on a 247 square metre allotment. One of the rooms is currently being advertised at \$140 per week. At this price, the property has a potential gross yield of 9.7%.



Figure 10 : McKay Street, Bentley Source: CoreLogic

The property shown in Figure 10 was purchased in November 2018 for \$612,500. Built in 2005 it comprises six bedrooms, six bathrooms and one car bay on a 428 square metre allotment. One of the rooms is advertised at \$170 per week reflecting a gross yield potential of 8.7%.

The highest yields in Western Australia are found in the regional centres close to mining resources activity. Kalgoorlie-Boulder's median house price settled at \$300,000 for the June quarter. With an average house rental of \$360, the average yield is 6.2%. The unit median is currently \$192,500 with a median rental price of \$280 per week showing a yield of 7.5%. It takes an average of 43 days to lease a property in Kalgoorlie-Boulder.



Figure 11 : Dugan Street, Kalgoorlie Source: CoreLogic

The property shown in Figure 11 sold for \$102,000 in July 2019. Built in 2000, it comprises one bedroom, one bathroom and one car space on a 201 square metre allotment. It is currently being advertised for rent at \$280 per week creating a potential gross yield of 14.3%.



Figure 12 : Outridge Terrace, Kalgoorlie Source: CoreLogic

The property shown in Figure 12 sold for \$300,000 in July 2019. Built in 2001 it comprises three bedrooms, two bathrooms and two car spaces on a 470 square metre allotment. It was leased in March 2018 for \$400 per week showing a potential yield of 6.9%.

Karratha's median house price settled at \$345,000 for the June quarter. With an average house rental of \$425, the average yield is 6.4%. The unit median is currently \$155,000 with a median rental price of \$388 per week showing a yield of 13%. It took an average of 40 days to lease a property in Karratha during the June quarter 2019, although recent activity indicates demand has increased significantly.



Figure 13 : Balyarra Parkway, Baynton Source: CoreLogic

The property shown in Figure 13 was purchased in August 2019 for \$476,000. The 2012 build comprises three bedrooms, two bathrooms and a double garage on a 400 square metre allotment. It was leased in June 2018 for \$670 per week creating a potential gross yield of 7.3%.





Figure 14: Dolphin Way, Bulgarra

Source: CoreLogic

The property shown in Figure 14 sold for \$255,000 in July 2019. It was built in 1975 and comprises four bedrooms, one bathroom and a single carport on a 758 square metre allotment. It was leased in May 2019 for \$380 per week showing a potential gross yield of 7.7%.

The wider Port Hedland area's median house price settled at \$225,000 for the June quarter. With an average house rental of \$410 the average yield is 9.5%. The unit median is currently \$171,500 with a median rental price of \$320 per week showing a yield of 9.7%. It took an average of 51 days to lease a property in Hedland during the June quarter 2019, although recent agent feedback indicates demand has increased in the interim.



Figure 15: Smith Street, South Hedland

Source: CoreLogic

The wider Port Hedland area's median house price settled at \$225,000 for the June quarter.

This property shown in Figure 15 sold for \$179,000 in August 2019. It was built in 1970 and comprises three bedrooms, one bathroom and two carport spaces on a 477 square metre allotment. It was leased for \$375 a week in September 2018, generating a potential yield of 10.9%.



Figure 16: Tecoma Way, South Hedland

Source: CoreLogic

The property shown in Figure 16 was purchased in July 2019 for \$211,000. It has been renovated since the original construction in 1975 and comprises three bedrooms, one bathroom and two car spaces on a 436 square metre allotment. It was just listed for rent in September 2019 for \$550 per week creating a potential gross yield of 13.6%.

Considering some of the rental returns we have spoken about, property investment can be a good alternative to set and forget ventures such as government bonds which achieve returns of between 1% and 4%. Many investors also enjoy the tangible aspect of owning property and it is a good way to diversify a portfolio.

Depending on your goal it is good to strike the right balance between gross rental income and capital

growth. Securing a good location close to essential amenities should always generate good returns in investments with extended holding periods. As with any investment, the risk of each property should be assessed prior to making any decision, which is where your local property valuer's knowledge can prove invaluable.

WA Southwest

The residential property market in general in the South West of Western Australia does not, as a rule, take yields into consideration. Yes, investors want good returns adequate to cover the annual costs and help pay off the mortgage but it is capital growth that underpins most of the investor market in the South West.

If you are after return on investment in the residential market, then the short stay accommodation market may be your thing. However these also have their issues. High strata levies and expensive management and cleaning fees eat into an income which is very seasonally dependent. On top of this in general there has been very little capital growth in the short stay market.

The Airbnb market has increased significantly in the region over past years to such an extent that it has limited the supply of rental properties on the market. In some instances, this has placed upward pressure on rental values in peak holiday periods.

Properties which have a mix of both short stay and permanent use become more attractive, particularly if they are well located and with good views. These properties can benefit from high returns in the holiday seasons and modest returns

in the off seasons. They are also more likely to benefit from capital growth.

There has been an increase in demand for properties which have the potential for a little income on the side, such as properties with granny flats or a second dwelling which can be rented out on either a short stay or permanent basis. The Shire of Augusta-Margaret River now permits granny flats and second dwellings to be leased on a permanent and short term basis which increases the options available for extra income. Agents have indicated that this sector of the market is on the rise. It is also having an influence on the design of new homes so as to allow for Airbnb style accommodation.

Rental income be it short stay or permanent is important to cover costs but capital growth is still king.

Month in Review
October 2019



RESIDENTIAL

Northern Territory

Darwin

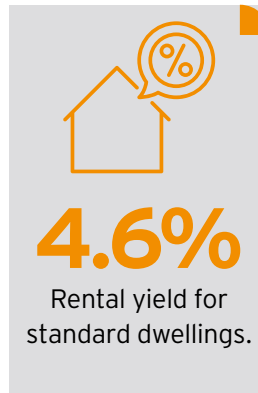
The Darwin property market, on the back of a sustained period of contraction from 2016 onwards, is still suffering across all facets of the residential market and the investor segment is no different. Several factors directly affecting this range from the tightening lending practices aimed at interest only loans, contraction of capital values, population decrease and a general oversupply of both unit and dwelling stock. These aspects are troubling however it is a general consensus among all professionals in the property industry that a dramatic correction needed to occur to cool off the over inflated house prices and rentals.

For standard dwellings, rental yields generally sit at 4.6% (source: REINT, June 2019) which is slightly above the average seen in other Australian capital cities. During the peak period of the recent mining boom, high rents on corporate long-term leases reflected yields of 7% to 8% which were driving strong investor demand. Since this period, we have seen a dramatic contraction in terms of annual returns and a greater chance of minimal capital growth. Investor activity in this segment as a result has dramatically declined, with a small percentage of investors taking up the Defence Housing sale and leaseback scheme. The scheme offers a long term nine-year plus three-year term at a yield of approximately 5.2%. This guaranteed income provides an attractive option where vacancy rates

and the possibility of rental price weakening may be a determining factor. The trade-off is a high management fee of 16.5%.

With regard to unit stock, traditionally investor activity in Darwin has been directly linked to large gas and mining projects requiring accommodation for transitory workers. These long-term leases with attractive yields have certainly diminished with the completion of the construction phase of the Ichthys Inpex Gas Project in late 2018. This type of investment did achieve quite high yields, however obviously at higher risk. The median unit price in Darwin now sits at \$325,000 which is 15% lower than mid-2018 however the transaction levels have improved by a similar percentage. These factors may indicate there is some faith returning to this section of the market.

With every situation, there is a silver lining and generally low capital values present many opportunities for investors looking to purchase in the Territory. In addition, latest results for residential dwellings across the entire Darwin



market have shown a stable median price of \$500,000 (from mid 2018) which does indicate the market is slowly returning to a healthier state. This is mirrored in transaction volumes improving slightly by 5% from June 2018 (source: REINT, June 2019). For investors looking to take advantage of weak prices, the Darwin CBD has the most options available. Dated one-bedroom stock can be purchased from the early \$100,000 mark which is almost half the price at the peak of the market in 2014.

An entry level unit of this type would typically rent for \$230 per week which translates to an extremely attractive gross rental yield of 9.5%. At a step slightly higher in value, a recent three-bedroom, two- bathroom sale of a semi-modern inner city unit in Stuart Park sold for \$265,000. This unit sold with a gross rental yield of 7.8%, a strong indication that there are opportunities for investors to get a solid return on investment. These returns in the private sector are subject to market movement and susceptible to the particular terms of the landlord and tenant, factors which must be taken into account. These types of leases are typically for periods of one year, with management fees of around 8% to 12% per annum.

So how does Darwin fare for investors? Looking purely at returns, Darwin does offer attractive options being on average slightly stronger than the other capital cities (source: Core Logic, April 2019).

The median unit price in Darwin now sits at \$325,000 which is 15% lower than mid-2018 however the transaction levels have improved by a similar percentage



The economic downturn has made a significant change in the property landscape, greatly decreasing values across the board and therefore increasing the opportunity for a good buy. Coupled with traditionally strong rentals, we do consider Darwin a good place for investors if they are willing to put the time and effort into researching the prospective purchase. Southern investors wishing to chase a capital return may face some dilemma however, with limited growth expected in the short to medium term.

Month in Review
October 2019



RESIDENTIAL

Australian Capital Territory

Canberra

Overall the Canberra property market has been in a stable market position from the end of 2018 to early 2019. Most Canberra suburbs have maintained median price points for standard dwellings while medium density and unit stock have seen some small declines.

Active sections of the market include standard housing at the entry level price point in some of Canberra's fringe and outer suburban locations. Generally purchases are looking for large blocks within established suburbs that provide access to good education and employment services. Entry level price points for this style of housing range between \$550,000 and \$650,000. Most homes within this section of the market provide three and four-bedroom accommodation, generally 30 to 60 years old and in many cases the dwellings are ready for some renovation and upgrading.

Inner suburban locations in Canberra's north and south set a higher price point, generally \$1 million-plus. This section of the market is also relatively stable with families looking to move up the property ladder with their second or third acquisition. Again block size, location and proximity to schools and other services are the main drivers. This section of the market ranges from \$1 million to around \$3 million. Market activity for property in the \$3 million-plus price point is slower, with buyers generally more discerning. Location, block size, build quality and level of inclusions are major factors influencing this section of the market.

Price points in the medium density unit market

Overall the Canberra property market has been in a stable market position from the end of 2018 to early 2019.

range from \$200,000 to \$275,000 for a one-bedroom unit recently constructed in a fringe town centre location to \$400,000 to \$500,000 for a centrally located unit in Canberra's inner north or inner south.

Both investors and owner-occupiers are active, however strong supply in the medium density market has had an impact on activity. Being in close proximity to or directly in town centres including Tuggeranong, Woden, Canberra City, Belconnen or Gungahlin is important for rental return, low vacancy and potential future growth.

The Canberra residential market has always been attractive to investors seeking high yielding properties. The traditionally strong rental market is driven by a low vacancy rate, strong demand for rental accommodation, above average income levels and a transient population comprising professionals, government workers and staffers, students, embassy occupants and defence personnel.

High yields in the range between 5% and 6% gross can be achieved. Lower yields in properties suited to achieving capital gains range between 3% and 4% gross.

High yields can be achieved in the unit market where professionals, students and government workers are looking for modern accommodation, centrally located in proximity to both work and amenities. A one-bedroom modern unit at

\$450,000 can achieve \$500 per week equating to 5.7% return gross.

The weekly rental can be increased by including furnishings. Suburbs that provide this style of accommodation include Barton, Kingston and Forrest.

Families seeking rental accommodation can also provide a high yielding option. A suburban family home in an outer suburb in close proximity to schools and amenities at \$700,000 can achieve \$700 per week equating to 5.2% return gross.

Unique to Canberra is the prestige Embassy market. Traditionally, prestige properties have a rental income ceiling and as values increase gross returns diminish. An exception is the Embassy market where above market rents will be paid on long term leases to obtain and occupy large executive style dwellings. The Canberra embassy precincts include O'Malley and Yarralumla where high rents can be achieved providing returns in the range of 5% to 6% gross.

It should be noted that gross rental returns need to be adjusted with residential properties in the ACT subject to land tax. A long term government strategy is to abolish stamp duty and as a result, land tax and rates have increased, eating into investor returns. Another unique factor of the ACT investor market is the ability to claim stamp duty as a tax deduction when purchasing a residential property to lease.



Tasmania

Hobart, Launceston and Regional

The days of residential yields returning towards 10% have well and truly passed thanks to the current boom!

N.B. All of the following yields stated are gross unless indicated otherwise.

So, what can your investment dollar buy?

Currently, inner-city Hobart has a unit at 1 Collins Street for sale at \$850,000. Rented at \$775 per week this reflects a 4.74% return. Or perhaps for the budget conscious a serviced apartment style motel room at 156 Bathurst Street is being marketed with a 6% return.

Further from the city in Glenorchy a two-bedroom, one-bathroom unit with carport in Lucia Court is offering 6.1%.

For the institutional buyer, there has been a sale of an eleven unit complex in Kingston for \$2.75 million being eight x two-bedroom, one-bathroom and three x three-bedroom, two-bathroom units returning 5.63%.

Up north in Launceston similar yields are available.

Looking at the inner city, a walk-up two-bedroom unit at 43-47 Elizabeth Street rented at \$350 per week is currently being marketed at \$349,000 reflecting a 5.21% return. Or for that budget buyer again how about a 36 square metre motel bedsit for

\$158,000 with a (net) return of towards 7%.

In Parklands Parade, Newnham you can secure a two-bedroom, one-bathroom 1990s unit with carport for \$189,000 returning 6.9%.

And the institutional buyer? There has been a sale of eight new strata titled units in Hortus Place, Newnham for \$2.25 million, all two-bedroom, one-bathroom with floor plates between 91 and 98 square metres. The sale reflected an adopted yield of 5.55%.

On the north-west coast, this month saw the sale of two new units in Nairana Place, Shorewell Park, Burnir for \$550,000, comprising a two-bedroom and a three-bedroom, both one-bathroom with garage. The sale showed an adopted yield of 5.48%.

The days of residential yields returning towards 10% have well and truly passed thanks to the current boom!

Month in Review
October 2019



RESIDENTIAL



Rural

October 2019

Tamworth

Another month has passed and there has been no significant rainfall across most of the north-west. Holdings that have secure water through permanent rivers, creeks and reticulation systems are proving to be more sought after in the current market, however, listings remain well below average as owners appear to be holding out until the season improves.

There has been increased demand for small to medium irrigation properties, especially those with groundwater, as this adds another level of security buyers are looking for. Irrigation holdings that rely purely on unregulated river are in less demand due to a 0% allocation within most unregulated river water sources in the north-west.

Over the past two month (August and September) there have been increased yardings through the Tamworth Regional Livestock Exchange. More recently yarding remained high with 13,755 sheep and 9,763 cattle yarded in the first three weeks of September.

The lack of rain, high feed prices and the fact that some areas are running out of water are contributing to the increased yardings and general lower than average stock condition. Overall trends are cheaper, however the market appears to be holding out for better quality stock.

NSW North Coast

The NSW North Coast has relatively reliable rainfall, but the past 12 months has been more challenging with lower levels of rainfall, but certainly not as severe as the more western areas.

Water licences and properties with the capacity to utilise these water licences are becoming much more sought after. This is particularly so for intensive horticultural crops, nurseries, tea tree farms and some of the animal industries. The horticultural buyers typically prefer well drained red basalt soils or well drained sandy loams. Avocado farmers prefer well drained, frost free land with access to water. Blueberry farmers seek similar land features except for preferring a slightly acidic soil. Macadamia farmers are not as concerned with supplementary irrigation, but frost free land is a definite preference. Graziers like a balance of flood free land, but creek and river flats are always in demand.

Commodity prices and the current low interest rates are typical drivers of rural land value. The North Coast has strong lifestyle appeal which impacts in the various locations. A good example of the impact of commodity prices is the high macadamia nut prices compared to the low sugar prices resulting in macadamia farmers purchasing sugar cane farms to plant macadamias.



Macadamia orchard

Source: Herron Todd White

Mildura

Rural sales activity has been slower in 2019, which we attribute to concerns about either irrigation water availability for horticultural properties or drought for dryland farmers and graziers. These climatic factors appear to have stalled the rapid growth in property values observed since around 2015.

The growth in recent years has all been due to external influences. A combination of strong commodity prices, favourable exchange rates and low interest rates have helped most producers of horticultural crops generate returns that are well above long term historic levels. Meanwhile strong demand for lamb and wool has fuelled the recent growth in values of grazing country in the western division of New South Wales, although more recently a noticeable fall in wool prices and the prolonged dry spell may stem this growth somewhat.

While the strong export markets we have seen in recent years may seem to be outside the control of producers, in most cases there were many years of patient work and relationship building invested by the relevant industries to nurture these markets and develop necessary market protocols. Producers are now much more focused on producing what the market expects and work hard to ensure they meet all protocols.

Properties that have the infrastructure to produce and correctly handle commodities such as citrus, avocados, table grapes and vegetables are consequently in demand. A recent conversation with a rockmelon producer revealed that the past season has been their best ever, despite the listeria issue that devastated the industry in the previous season. They attributed their improved fortunes to the fact that they had upgraded their packing

Commodity prices and the current low interest rates are typical drivers of rural land value.



shed facility in 2017, which ensured they remained a preferred supplier to supermarkets. Similarly, properties which have had regular re-planting or irrigation infrastructure upgrades have also enjoyed stronger demand than properties that have ageing infrastructure.

There have been two medium scale wine grape vineyard sales in our region during the past month. Analysis of these sales suggests values have held up, notwithstanding the significantly higher cost of leasing irrigation water. It appears that vendors of horticultural properties are not under pressure to sell and that while the reduced sales activity suggests demand may have eased, the market appears to remain relatively balanced.

North and North West Queensland

North and North Western agricultural property markets are playing their respective tunes as the final phase of 2019 adorns.

Each district certainly is playing its own property market melody. Not necessarily out of time or out of tune, just slightly varying chords. This year's orchestra is being heavily influenced by the national seasonal conditions.

In some property markets - it's sell time, while in others - its buy time!

Grazing

The national drought is bringing buyers to North and North West Queensland.

Sale activity continues in the downs country to the south of Richmond/Julia Creek to say Kynuna and Corfield.

Current sale contracts are reflecting similar value rates as the peak period just after the monsoonal event in February. These are ranging from \$321 per hectare (\$130 per acre) to \$395 per hectare

The lack of property being offered to the market is forcing the buyers to pay higher prices.

(\$160 per acre) in general with a peak to \$432 per hectare (\$175 per acre).

The demand for property with any grass at all is still high. Current sales have varying amounts of available grass and varying quality of grass.

Sales contracts in February/March were at similar levels to the last property market peak in 2008/9.

There was a short period after March (when the grass did not grow after the flood) where a few softer priced contracts were struck. These were at prices that were closer to 2018 values.

There are very few local buyers in the mix in this area.

There are some stakeholders who believe that these value levels are 'where they should be, previous years pricing was when the country was in drought and had no grass', and 'there is more in the market yet for value increases'.

Others are sceptical saying that this market is 'over priced' and 'when it rains in other areas of Australia, this market will take a dive'.

It is a good sign that there are competing thoughts and theories - vendors will sell, buyers will buy. This keeps the market active.

Around Charters Towers, demand for country is strong. There is very little country on the market for sale. Recent acquisitions have been by local buyers.

The lack of property being offered to the market is forcing the buyers to pay higher prices.

Again, some will say 'the pricing is too strong', others will say 'well it's been a good season and the

future is looking bright'.

Again, the theme song appears to arise - at least there is market activity.

Variation in the respective market melodies is that the locals are active in one market area, while out of district buyers are active in the other.

The rest of North and North West Queensland is not as busy, there are a few deals on the go and demand is there from a mix of locals and out of district buyers.

There are a couple of higher priced deals on the go that are reflective of a change in use, or an expectation of a higher and better use (farming). This is a positive dynamic for those market areas. Not all potential property vendors will benefit. This means that they will have to remain realistic as to what their property is worth when offering their property for sale.

Sugar cane

Values for sugar cane farm land have been under pressure due to lower returns. There has been some degree of value weakening.

That being said, necessity is the mother of invention. As a result of the margin pressure that these farmers are in, they have been forced to either diversify or sharpen their operating costs again.

Those that are diversifying into break crops of Mung Beans, Beans, Chick Pea and in some cases, Sorghum are reaping the returns on the back of strong pricing. The drought in the southern growing areas is benefiting these farmers.



A winner here is the soil, which is benefiting from a change in crop.

As a result of the southern growing areas drought, the Burdekin is the winner. The market music score there may see more changes in the pace, crop diversity and fortunes as the song goes on. Given the pricing of cane land and the water, the Burdekin is looking affordable at present.

Recent contract prices are from \$15,000 to \$18,000 per hectare for marginal cane land. Of this some of the buyers have intentions of targeting the shorter growing cycles and present high pricing of grain returns.

This is an exiting era of rural property market dynamics in North and North West Queensland. Naturally, not all is smooth sailing, however the market is looking forwards to the encore.

SPECIAL SUBMISSION

Australian Nut Industry Sets New Records

The Australian Nut Industry reached a record high \$1,045,000,000 in exports for the 2018/19 year according to the recently released ABS report. Increased crop yield in the Almond Industry combined with improved export markets into China bolster the results. China's demand over the past 12 months has more than doubled compared to the previous year while demand in Europe and India has softened. The ongoing trade war between China and the USA has been beneficial to the local market however if trade negotiations are resolved the Australian market could soften due to increased supply from USA. The Australian Nut Industry across all nut sectors continues to work towards a diversified and broad market for export product. Free Trade Agreements with Europe could assist in broadening the market exposure.

Australia currently exports nuts to around 55 countries. The principle barrier to expanding exports is the tariffs that remain in some key existing and some potential new markets. These tariffs restrict nut consumption by increasing the price to the importing market, in some cases prohibitively. The recently negotiated free trade agreements between Australia and the nations of Japan, China and South Korea, whereby most nut tariff lines are now being phased out, have resulted in expanded sales and exports of Australian-grown nuts almost immediately. These countries and others, such as India, are nut importers with significant potential for growth.

The following table reflects the crop returns for 2018/19 led by strong increases in the Macadamia and Almond industries.

2019 Tree Nut Returns		
Almonds	\$678,294,689	65%
Macadamia	\$326,805,963	31%
Walnuts	\$18,107,944	2%
Pistachio	\$16,603,216	2%
Pecans	\$5,709,152	1%
Chestnuts	\$33,299	0%
Total	\$1,045,554,263	100%

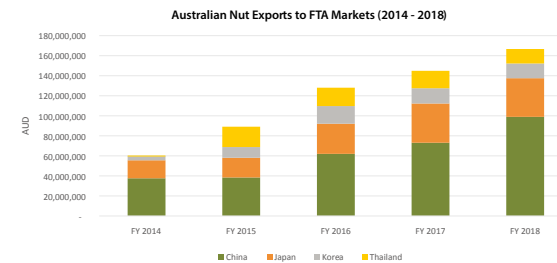
Source: ANIC

Current and Forecast Value (AU\$ million) & Exports

Exports, tonnes	2011	2014	2021	2025
Almonds, in-shell	20,805	54,858	79,946	94,562
Macadamias, in-shell equivalent	18,700	39,200	46,000	52,000
Walnuts, in-shell	2,623	3,222	17,031	19,164
Pecans, in-shell	2,046	958	2,226	2,607
Chestnuts, in-shell	671	18	1,033	899
Pistachios, in-shell	300	655	650	650
Hazelnuts	-	-	-	-
Total Exports, tonnes	45,145	98,911	146,785	169,881
Total Export Value (FOB), AU\$ million	2011	2014	2021	2025
Almonds	135.2	417.5	720.6	894.0
Macadamias	82.9	256.0	300.0	338.0
Walnuts	10.5	15.4	76.1	88.0
Pecans	11.3	10.6	12.2	14.3
Chestnuts	3.4	0.5	5.2	4.5
Pistachios	1.9	6.5	6.5	6.5
Hazelnuts	-	-	-	-
Total Export Value AU\$ million	\$ 243.3	\$ 906.4	\$ 1,120.6	\$ 1,305.3

Source: Australian Nut Industry Council 2018

The following graph reflects the increase in exports over the past years:



NB: Figure includes Thailand, with the Australia-Thailand FTA in place since 2008

Source: ABS data with analysis by ANIC

Growing consumer awareness of the health benefits of nuts; healthy eating trends driving Australian food consumption; and, marketing investment by industry have all contributed to the growth in domestic consumption of tree nuts. Since 2013, nuts have been included in the Australian Dietary Guidelines and this has helped to reinforce the health benefits of nuts to consumers. Australian nut consumption (at trade) has almost doubled since 2002-3, reaching almost 62,000 tonnes in 2017-18. This represents an average compound growth of 6%.

Domestic consumption was 62,000 tonnes in 2017-18, which equates on current trade prices, at almost \$700 million. Industry value is split almost equally between domestic and imported product. This trade price equates to an estimated retail value of \$1.5 billion.

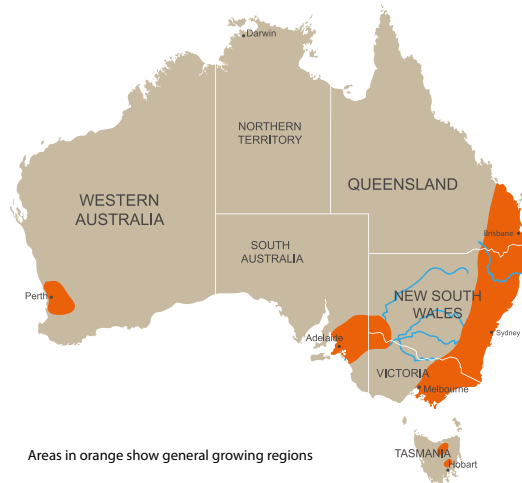
The prevailing drought and shortage of water in the irrigation system combined with increased prices is driving up the cost of production. The Nut Industry is leading the water efficiency market through innovative ways to minimise water usage and maximise crop returns.

The industry is currently experiencing its largest



expansion in a decade, with new plantings occurring across all tree nuts. With a lead time of 5-10 years, this expansion will push the farm gate value close to AU\$1.7 billion by 2025. The main areas of expansion are highlighted in orange.

Macadamia growers have increased area of production by 5,000 ha in the last few years, with \$150 million invested annually. Since 2016, the almond industry has been investing \$250 million per year in the establishment of new orchards, and developments will continue this trend for the next few years. As a result, almond production is estimated to rise by 74% by 2025. This trend is being experienced across all nut sectors. Chestnuts are predicted to increase production 36% on 2017-18 levels by 2025, and pistachios by more than 88% in the same period.



Source: ANIC

By 2025 walnut production is forecast to increase by 71% and pecans by 175%. Hazelnuts are set for a 21-fold increase in production by 2025 thanks to one large scale investor planting approximately 1

Production table (area planted, tonnes produced and Farm gate value)

Area Planted, ha	2011	2018	2021	2025
Almonds	26,944	42,000	48,500	50,000
Macadamia	18,000	25,000	27,500	30,000
Walnuts	2,790	3,600	4,300	5,000
Pecans	1,400	1,860	2,960	4,160
Chestnuts	1,240	1,480	1,540	1,700
Pistachio	900	1,300	1,900	2,700
Hazelnuts	140	2,500	2,750	3,000
Total hectares	51,414	77,740	89,450	96,560

Production, tonnes	2011	2018	2021	2025
Almonds, kernels	37,626	80,374	106,000	140,000
Macadamia, inshell	28,500	52,900	60,139	70,494
Walnuts, inshell	3,455	11,700	14,000	20,000
Pecans, inshell	2,700	1,860	3,524	5,120
Chestnuts, inshell	1,100	1,100	1,300	1,500
Pistachio, inshell	1,100	3,200	4,000	6,000
Hazelnuts	79	300	5,500	6,500
Total Production, tonnes	74,560	151,434	194,463	249,614

Farm Gate Value \$m	2011	2018	2021	2025
Almonds	188	611	835	1,054
Macadamia	88	297	338	396
Walnuts	14	55	66	95
Pecans	19	11	21	31
Chestnuts	9	9	12	13
Pistachio	11	35	45	65
Hazelnuts	0.4	4	40	44
Total \$m	329	1,023	1,357	1,698

Source: ABS and industry



million trees in a new production area several years ago. The expansion of the nut industries generates flow-on business to associated sectors such as input suppliers, beekeeping and plant nurseries. The following tables highlight the growth in tree plantings.

A summary of the main growing areas and outlook for each of the tree Nuts is as follows (Source: ANIC):

Almonds - Australia is the second largest producer of almonds in the world behind the USA where almonds dominate Californian agriculture. Australian almonds are set to have a farmgate value of over \$1billion dollars by 2025. There are five major growing regions in Australia encompassing: Adelaide and the Riverland (South Australia); Sunraysia (Victoria); Riverina (New South Wales); Swan Region (Western Australia). In 2018 the total area planted to commercial almond orchards was 42,000 hectares.



Production in 2018 was 80,374 tonnes of kernel. The industry is currently in a period of significant expansion estimated to increase orchard area to 50,000 hectares by 2025 before plateauing due to constraints of water and suitable land. Production is estimated to rise to 140,000 tonnes by 2025 and 155,000 tonnes by 2030.

Chestnuts - The Australian chestnut industry operates principally in the southern states of Australia, including NSW: Around Orange, Southern Tablelands, Blue Mountains and Batlow; Tasmania: Northern and Central; Victoria: North-

east and Central; East of Melbourne; South Australia: Adelaide Hills; Western Australia: South-west. Approximately 70% of the national crop is grown in north-east Victoria. 2018, chestnut production was valued (farm gate) at \$9.4 million based on a production of 1,100 tonnes and comprised around 250,000 chestnut trees grown on approximately 1,500 hectares. The industry estimates that with more trees being planted, farm gate value will increase to approximately \$12 million by 2021. The industry is primarily focused on the domestic market with approximately 2% exported, mainly to Asian markets.



Hazelnuts - Hazelnuts are grown in the temperate areas of south-eastern Australia. Main production regions are the Central Tablelands of New South Wales around Orange, Narrandera, and northeast Victoria around Myrtleford. They are also grown in central and eastern Victoria and increasingly in northern Tasmania. There are small levels of production in South Australia and Western Australia. Many hazelnut operations are small orchards of up to 6,000 trees although this is slowly changing with the average size of new



hazelnut orchards increasing and more productive varieties being planted. Hazelnuts generally take seven to 10 years to come into commercial production. Australia has recently seen a major on-farm investment in hazelnuts by Ferrero, one of the world's largest confectionery manufacturers. Its wholly owned subsidiary, Agri Australis, has planted 1 million trees across 1,900 hectares near Narrandera. This confirms that the opportunities for Australian hazelnuts are large, giving renewed confidence to Australian growers. Ferrero's first small harvest occurred in 2018. The industry is set for rapid expansion - as young orchards come into commercial bearing the industry estimates hazelnut production by 2021 will be 5,500 tonnes in-shell with a value of \$40 million.

Macadamias - Macadamias are grown along the eastern seaboard of New South Wales and Queensland, from Port Macquarie in the south, through to the Atherton Tablelands in the north. About half of the Australian crop is produced in NSW and half in QLD. Production is expanding most rapidly in Bundaberg (QLD) and the Clarence Valley (NSW). New plantings are also being developed in Mackay, Maryborough and Emerald in Queensland and in the Richmond Valley in NSW. The industry is in the middle of its fastest growth since the early 1990s. Bundaberg became the single largest growing region in 2016. The recent resurgence in new plantings has seen almost 1.5 million trees or 5,000 ha established in the last five years. There are currently around 8 million



macadamia trees under cultivation. Of these, about one third are yet to reach full production. By 2025 about 30,000 ha will be planted to macadamias with kernel production of over 22,000 tonnes, or 70,000 tonnes inshell. Export value is expected to exceed \$400 million. Global demand currently exceeds supply although it is anticipated that global supply may triple in the next 7 years. The biggest growth in demand is currently coming from Asia, where urban consumers are focussed on health, convenience and new products.

Pecans - Most of the Australian pecan crop is produced under irrigation in the Gwydir Valley, east of Moree in northern inland New South Wales. Smaller scale production extends from the Hunter Valley and Nelson Bay on the NSW Central Coast to the Mid North Coast near Kempsey, and the North Coast around Lismore.

Pecans are also grown in Central Queensland around Mundubbera and Eidsvold and in the South East in the Lockyer Valley and south to the NSW border. The area under pecan orchards nationally is currently 1,800 ha, producing approximately 3,000 tonnes in-shell (1,650 tonnes of kernel). Pecan trees take 10 years or more to reach full production there is a substantial lag time before new plantings impact crop size. After a long period of stagnation production increases are now being observed. Global production remains concentrated in US and Mexico which together account for 90% or more of the world crop. South Africa continues to expand production



with small but significant crops also to be found in Central and South America.

Pistachios - The major pistachio production areas are along the Murray River Valley between Swan Hill in Victoria and Waikerie in South Australia. Further plantings are in central west Victoria and Pinnaroo in South Australia. There are a small number of growers in central New South Wales, southern Victoria and Western Australia though these only currently produce small yields. A central commercial processing facility is located at Robinvale in Victoria.



The pistachio industry includes a mix of medium-sized and smaller operations. The bulk of the crop is produced on medium-sized orchards. The total area under pistachio production in 2018 was 1,300 hectares. Australian pistachio production averages 1,800 tonnes in-shell per year (2-year average 2017/18). The industry is expanding, with new plantings of about 150 to 200 hectares per annum occurring over the last few years. By 2021, the area under pistachio production is expected to increase to 1,900 hectares, producing a crop of 4,000 tonnes for a farm gate value of \$45 million.

Walnuts - The Australian walnut industry has grown significantly in recent years due to growth in the establishment of large-scale commercial plantings. Major production areas are on the east coast of Tasmania, the Goulburn Valley near Shepparton and the Murray Irrigation area near Kerang and Swan Hill in Victoria and in the Riverina (near Griffith and Leeton) in New South Wales.

Small scale orchards are scattered in the Ovens Valley, Gippsland and Central region of Victoria, Southern Highlands and Central Tablelands of New South Wales, the Adelaide Hills and Riverland regions of South Australia, and in south-west Western Australia. The production of Australian



walnuts in 2018 was in excess of 11,700 tonnes in-shell. Farm-gate value was \$55 million and the export value approximately \$25 million. Close to 3,600 ha of mature and developing walnut trees were under cultivation in 2018. This number is expected to rise to 4,300 ha by 2021 as existing growers expand their orchards and new growers enter the industry. Webster Limited is Australia's largest walnut grower, owning and/or managing more than 3,000 ha of orchards. When mature, these orchards are expected to produce over 18,000 tonnes in-shell per annum.



Property Market Indicators

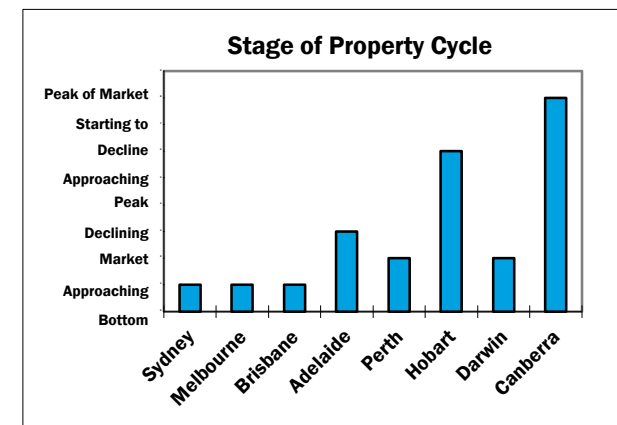
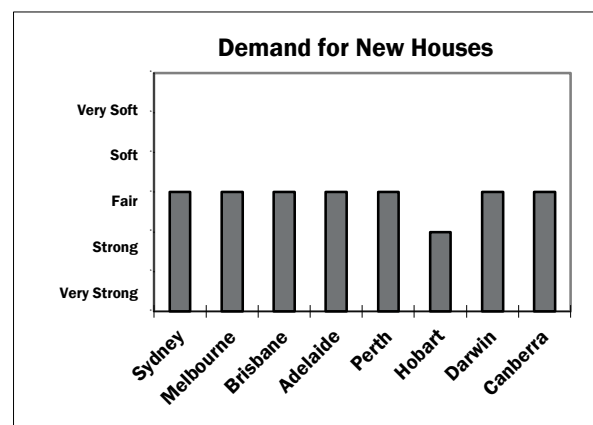
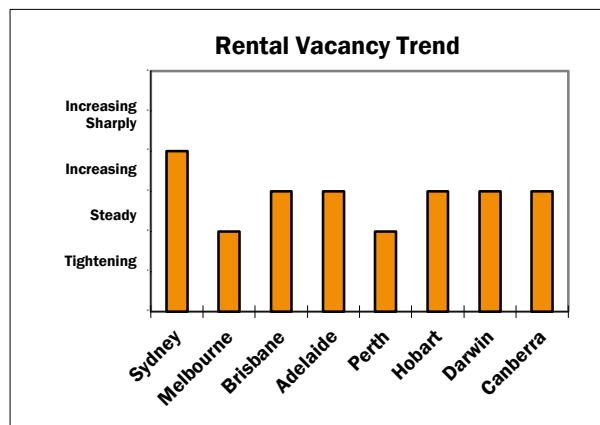
October 2019

Capital City Property Market Indicators – Houses

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

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

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

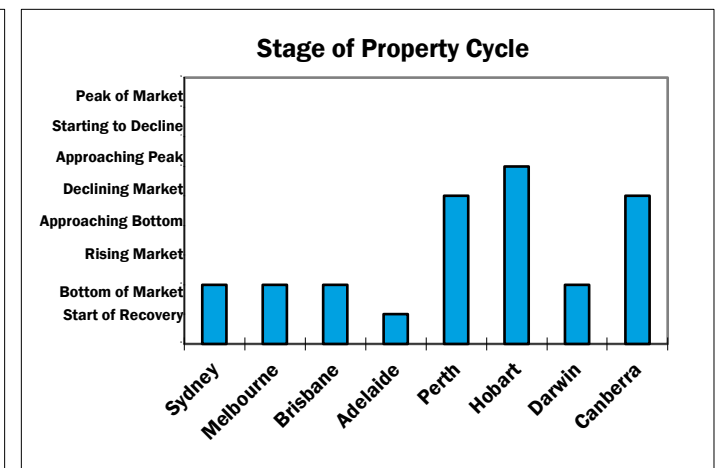
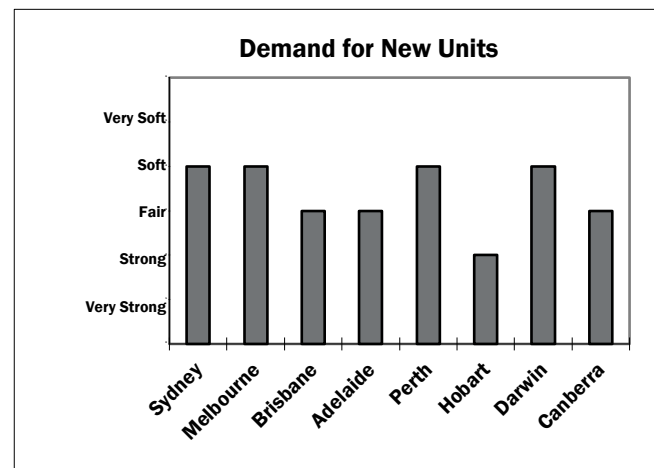
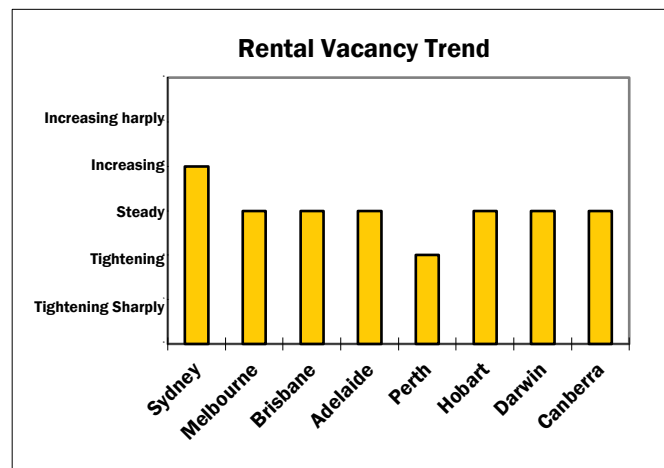


Capital City Property Market Indicators – Units

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

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

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

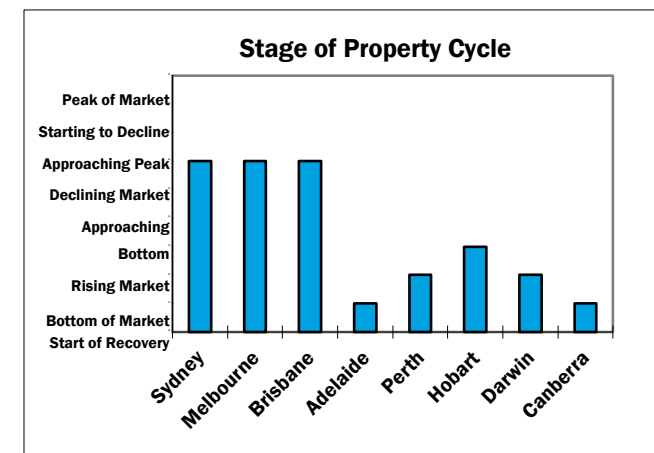
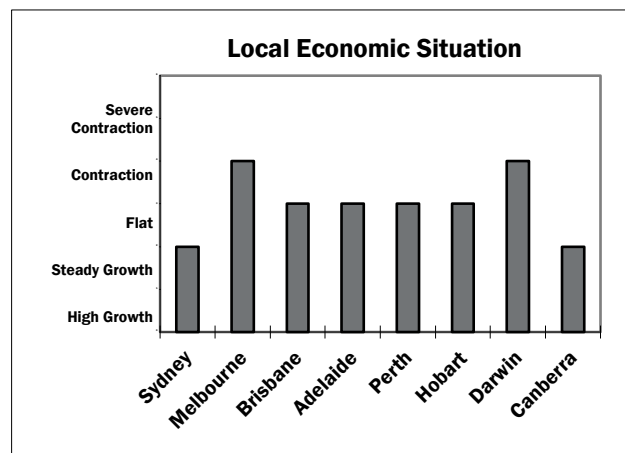
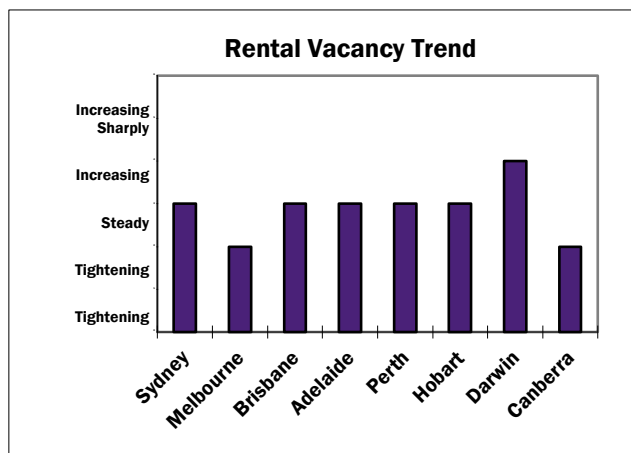


Capital City Property Market Indicators – Industrial

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

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

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

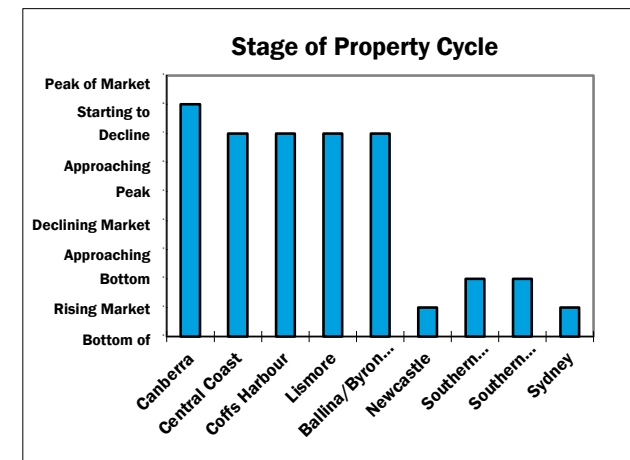
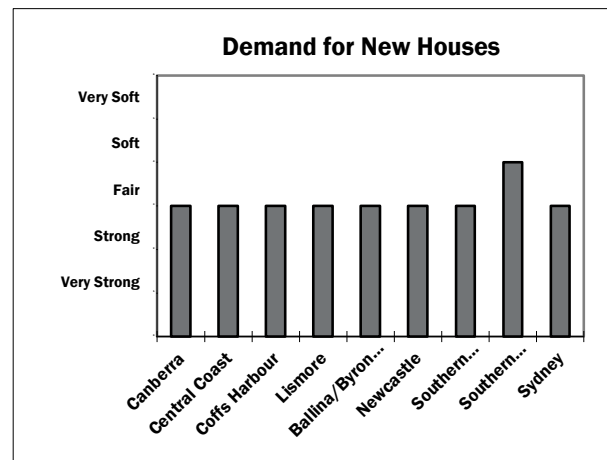
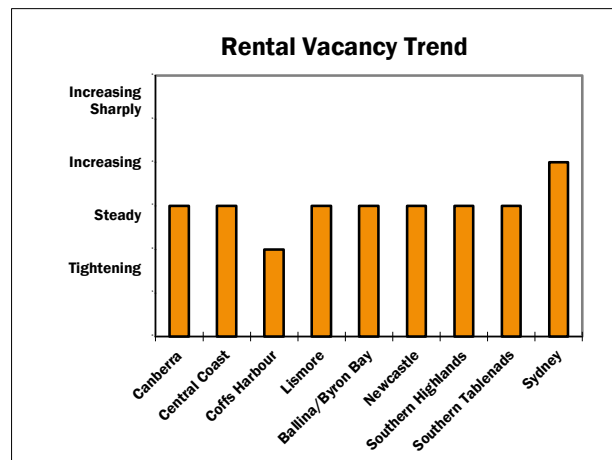


East Coast New South Wales Property Market Indicators – Houses

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Increasing
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Fair
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Increasing
Volume of House Sales	Steady	Declining	Steady	Steady	Steady	Declining	Declining	Increasing	Increasing
Stage of Property Cycle	Peak of market	Starting to decline	Starting to decline	Starting to decline	Starting to decline	Start of recovery	Bottom of market	Approaching bottom of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	Almost never	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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

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

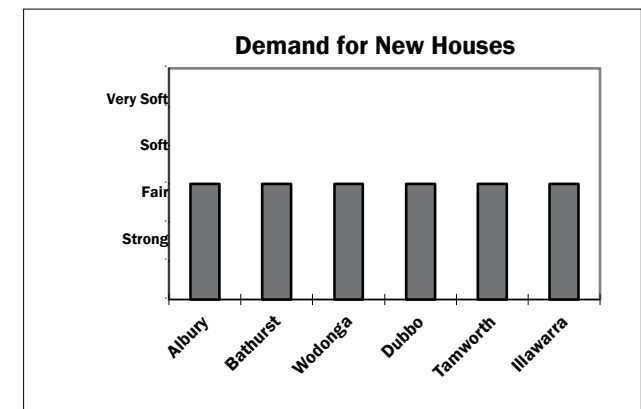
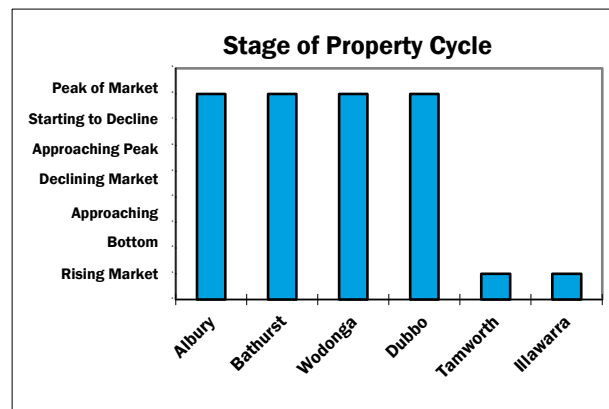
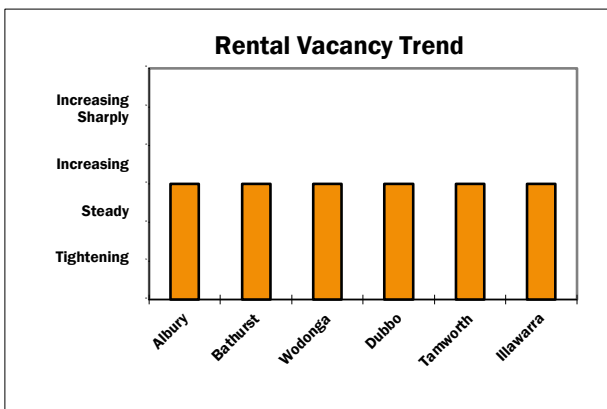


Country New South Wales Property Market Indicators – Houses

Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Soft	Fair	Fair	Fair	Fair	Fair
Trend in New House Construction	Increasing	Declining	Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady	Declining	Increasing	Declining	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Start of recovery	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally	Frequently

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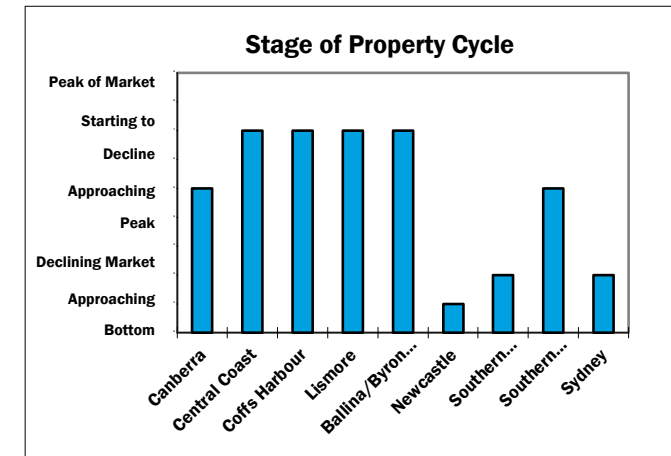
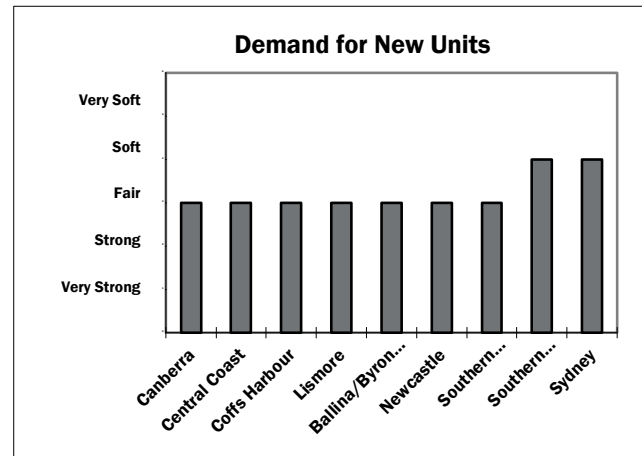
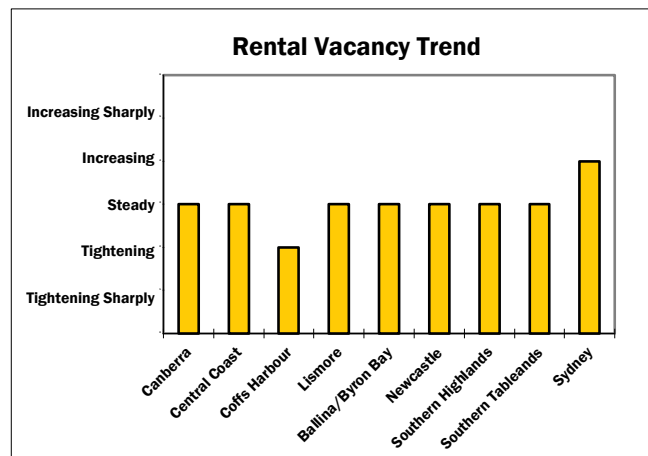


East Coast New South Wales Property Market Indicators - Units

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Balanced market	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	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Increasing
Demand for New Houses	Fair	Strong	Fair	Fair	Strong	Fair	Fair	Soft	Soft
Trend in New House Construction	Increasing	Steady	Increasing	Steady	Declining	Steady	Declining	Increasing	Increasing
Volume of House Sales	Declining	Steady	Steady	Steady	Increasing	Declining	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Starting to decline	Starting to decline	Starting to decline	Starting to decline	Start of recovery	Bottom of market	Declining market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Frequently

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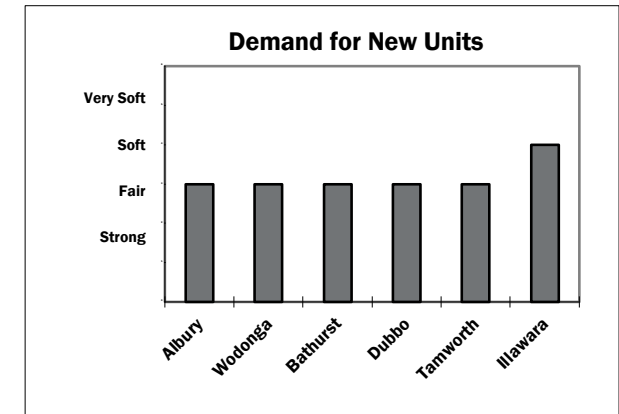
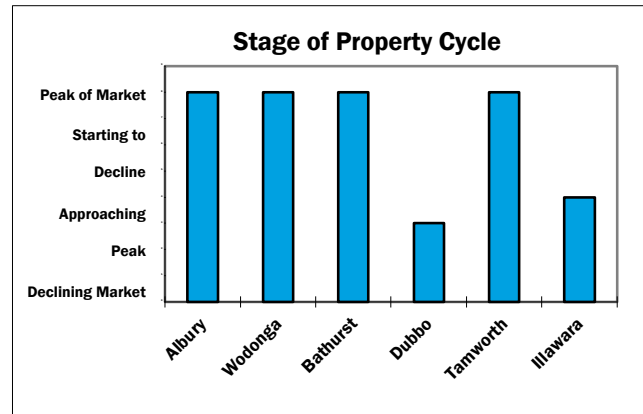
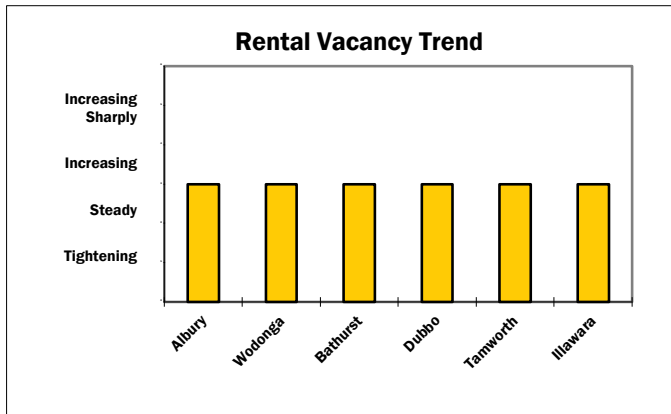


Country New South Wales Property Market Indicators - Units

Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Fair	Soft	Fair	Fair	Soft	Fair
Trend in New Unit Construction	Steady	Increasing	Increasing	Declining	Increasing	Steady
Volume of Unit Sales	Steady	Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Rising market	Peak of market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently

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

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

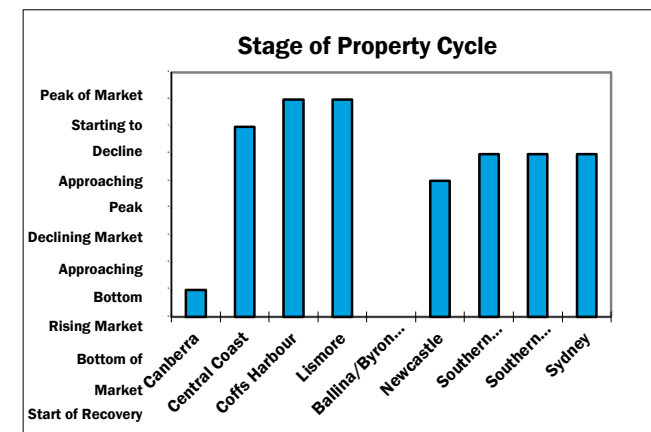
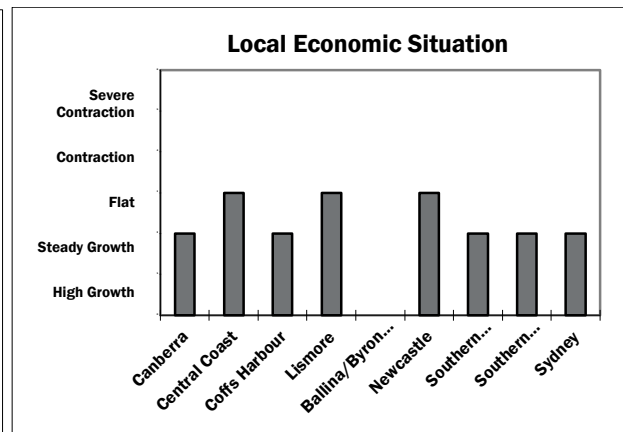
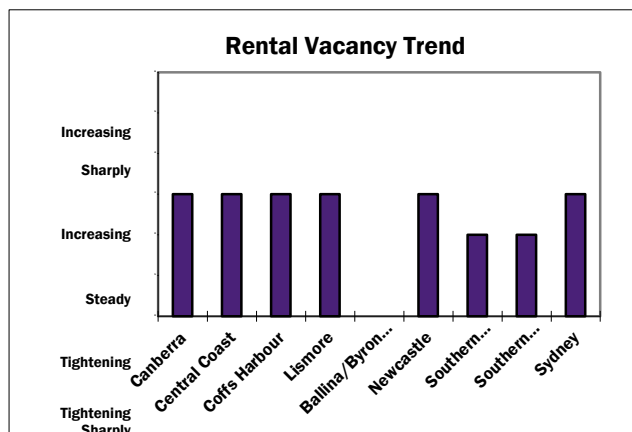


East Coast & Country New South Wales Property Market Indicators – Industrial

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Ballina/Byron Bay	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Increasing	Stable
Volume of Property Sales	Steady	Declining	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady
Stage of Property Cycle	Start of recovery	Starting to decline	Peak of market	Peak of market	Peak of market	Declining market	Approaching peak of market	Approaching peak of market	Approaching peak of market
Local Economic Situation	Steady growth	Flat	Steady growth	Flat	Steady growth	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	Significant	Significant	Significant

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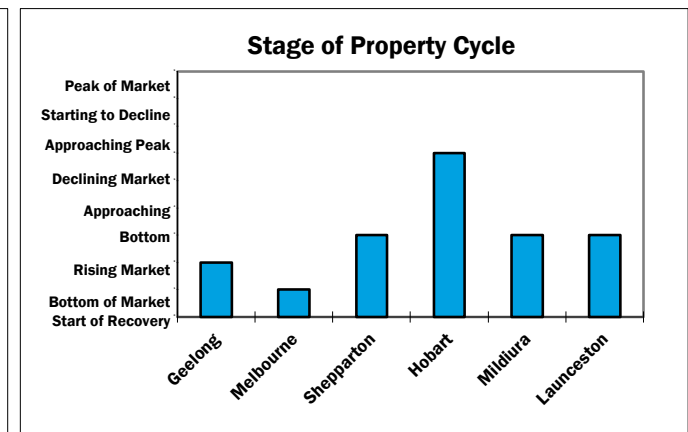
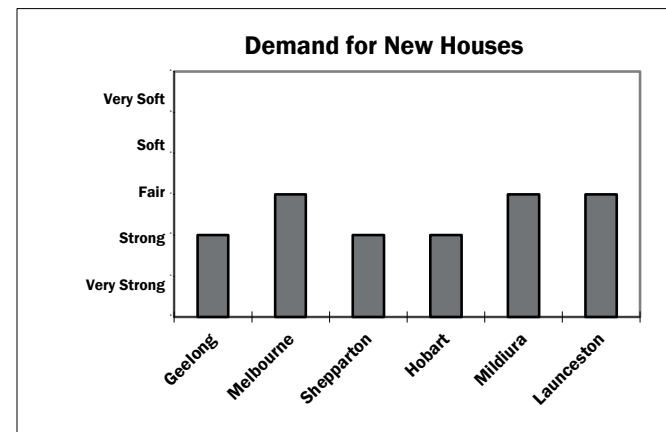
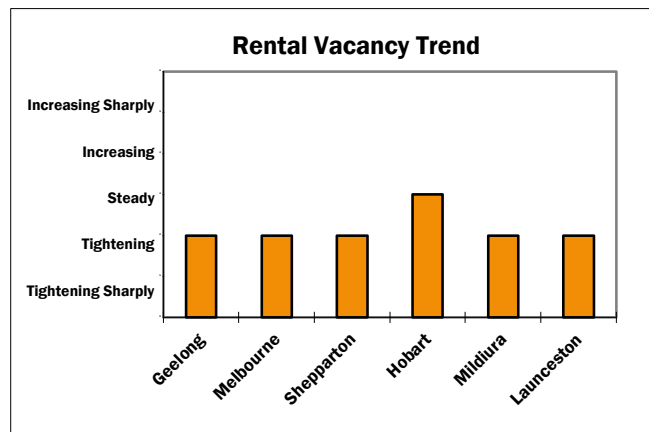


Victorian and Tasmanian Property Market Indicators – Houses

Factor	Geelong	Melbourne	Shepparton	Mildura	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage 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	Tightening	Tightening	Tightening	Steady	Tightening
Demand for New Houses	Fair	Fair	Strong	Fair	Strong	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining
Volume of House Sales	Steady	Increasing	Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Rising market	Approaching peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Almost never	Occasionally	Almost never

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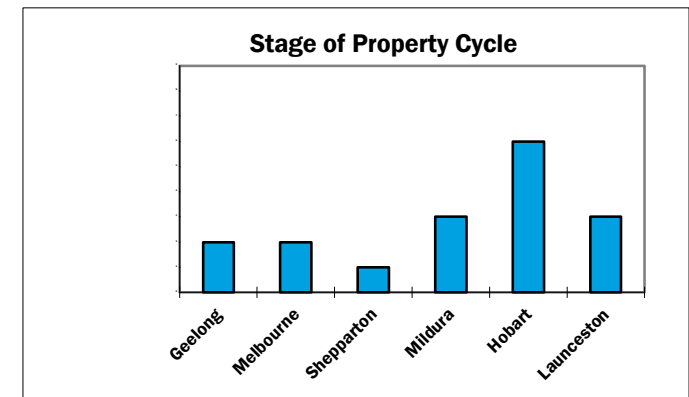
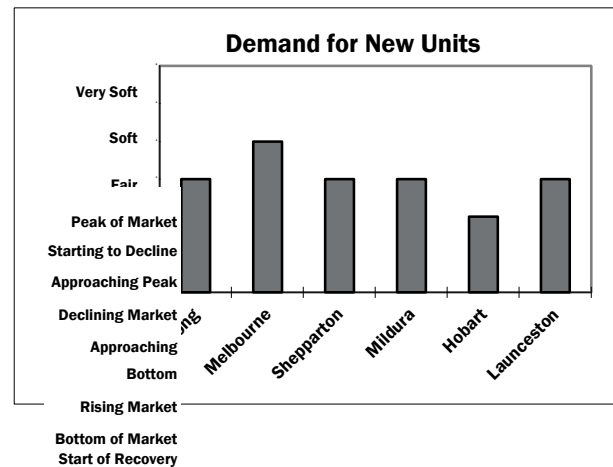
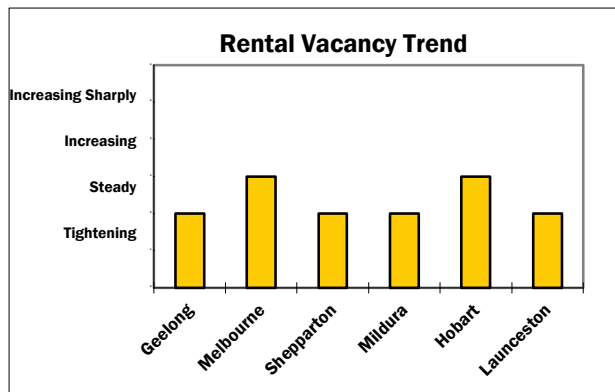


Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mildura	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Shortage 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	Steady	Tightening	Tightening	Steady	Tightening
Demand for New Houses	Fair	Soft	Fair	Fair	Strong	Fair
Trend in New House Construction	Steady	Increasing	Steady	Steady	Steady	Declining
Volume of House Sales	Steady	Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Bottom 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	Almost never	Almost never	Almost never	Occasionally	Almost never

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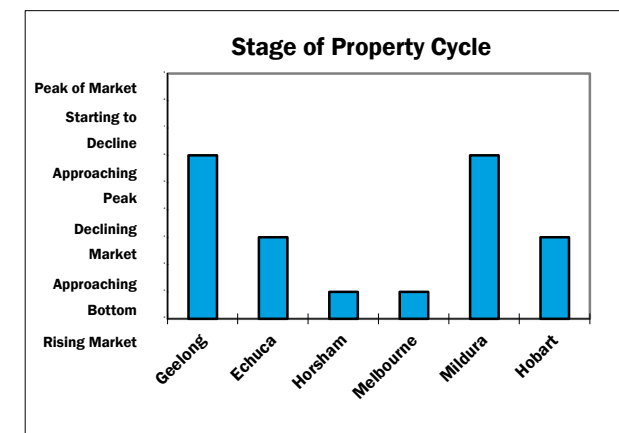
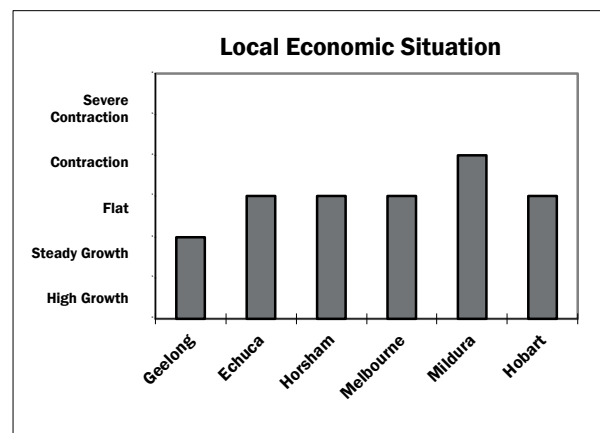
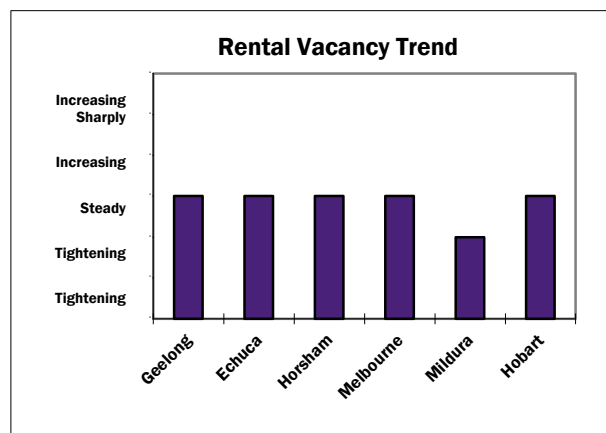


Victorian and Tasmanian Property Market Indicators – Industrial

Factor	Geelong	Echuca	Horsham	Melbourne	Mildura	Hobart
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady
Demand for New Houses	Stable	Stable	Stable	Stable	Stable	Stable
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining
Volume of House Sales	Approaching peak of market	Rising market	Start of recovery	Approaching peak of market	Start of recovery	Rising market
Stage of Property Cycle	Steady growth	Flat	Flat	Contraction	Steady growth	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Significant	Small	Significant	Significant	Small	Significant

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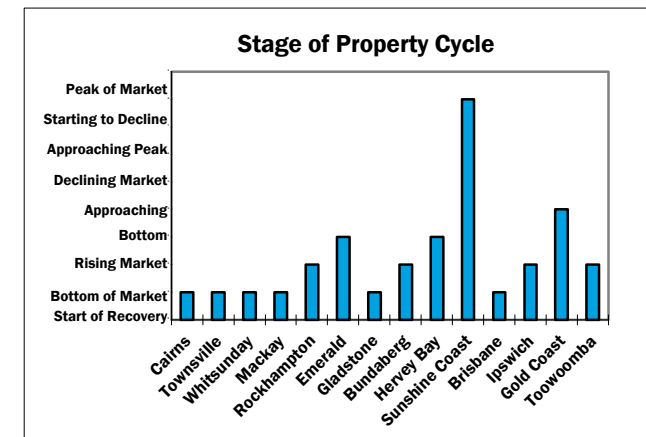
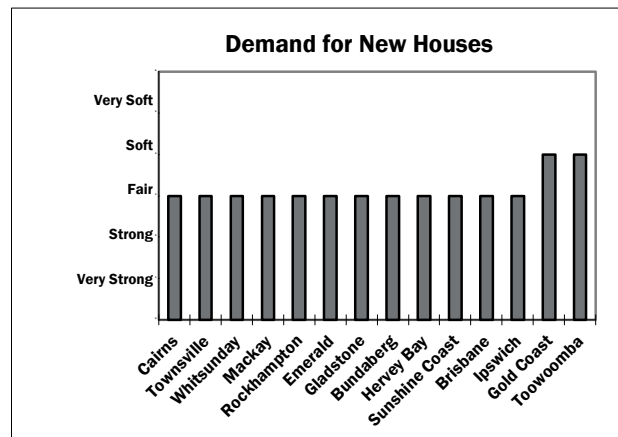
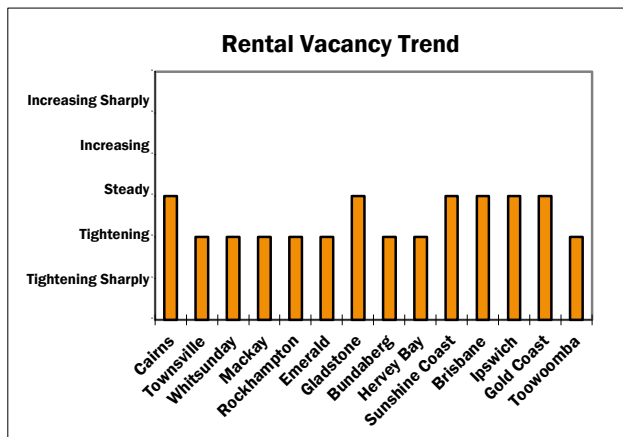


Queensland Property Market Indicators – Houses

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

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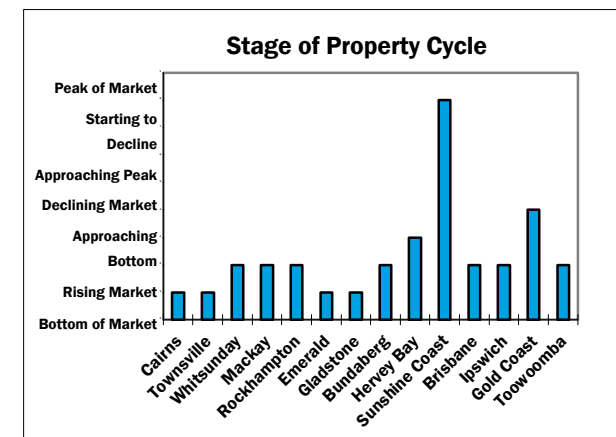
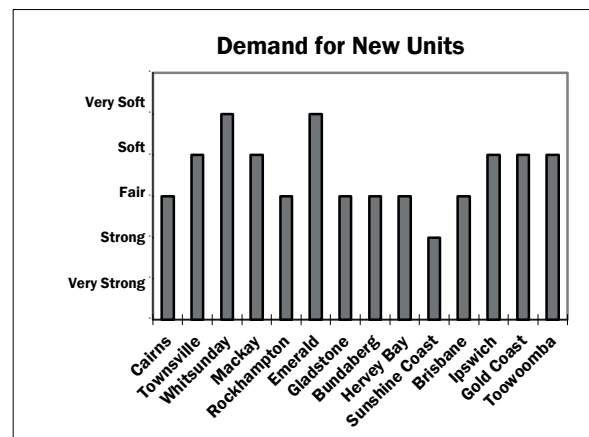
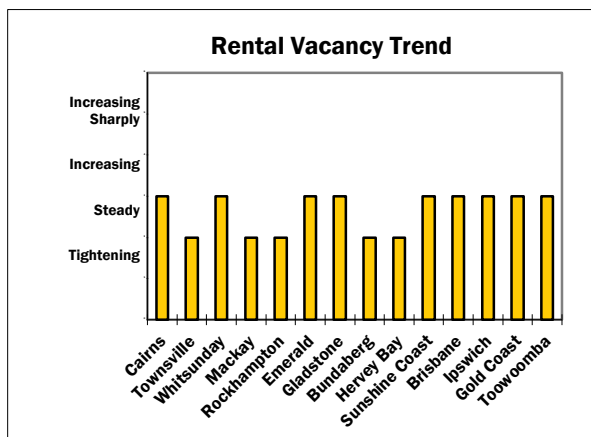


Queensland Property Market Indicators – Units

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

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

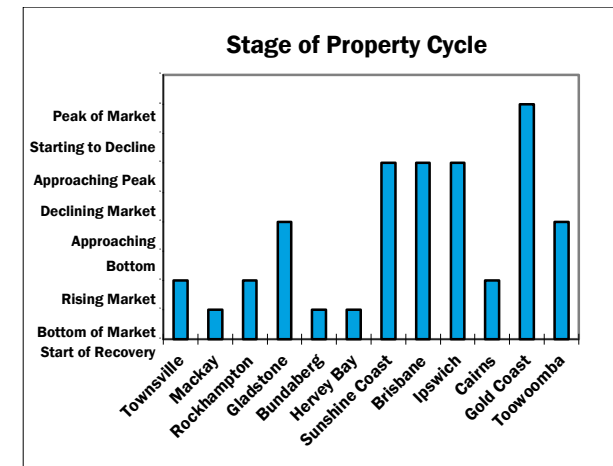
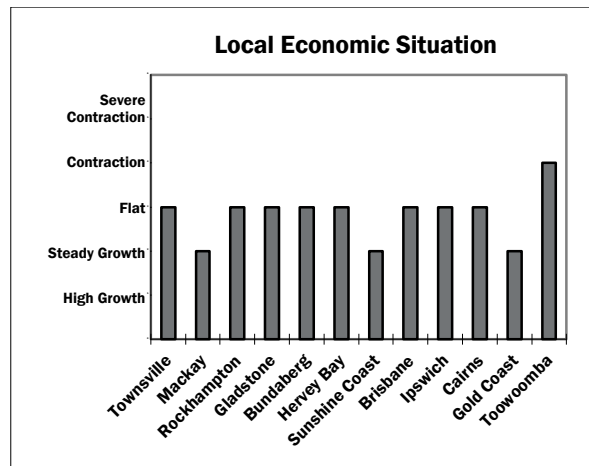
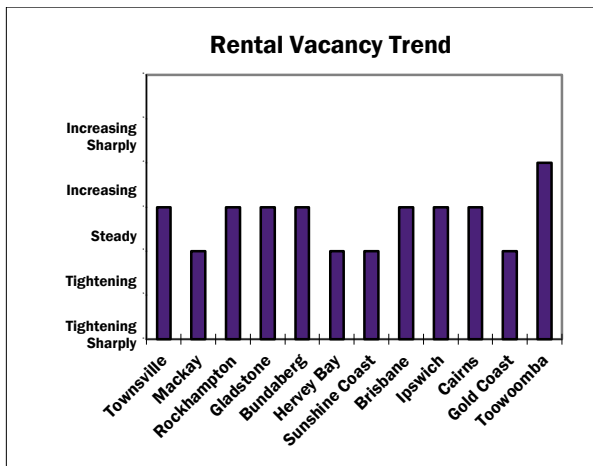


Queensland Property Market Indicators – Offices

Factor	Townsville	Mackay	Rockhampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Cairns	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply 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	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Steady	Tightening	Tightening	Steady	Steady	Steady	Tightening	Increasing
Demand for New Units	Stable	Increasing	Stable	0	Stable	Stable	Increasing	Stable	Stable	Stable	Increasing	Stable
Trend in New Unit Construction	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Steady	Steady	Steady
Volume of Unit Sales	Bottom of market	Start of recovery	Bottom of market	Approaching bottom of market	Start of recovery	Start of recovery	Approaching peak of market	Approaching peak of market	Approaching peak of market	Bottom of market	Peak of market	Approaching bottom of market
Stage of Property Cycle	Flat	Steady growth	Flat	Flat	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Significant	Large	0	0	Significant	Significant	Significant	Large	Large	Small	Small	Large

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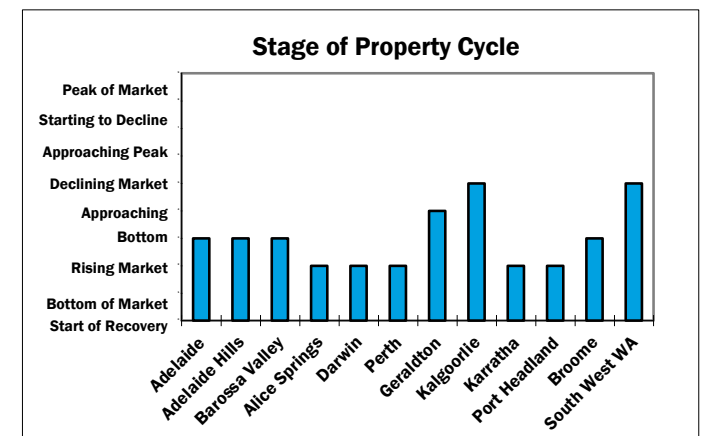
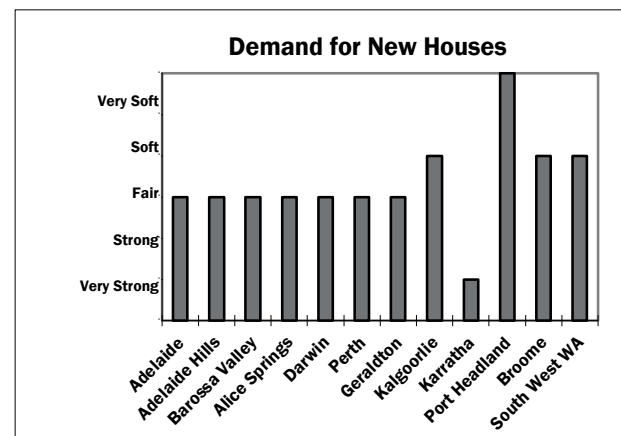
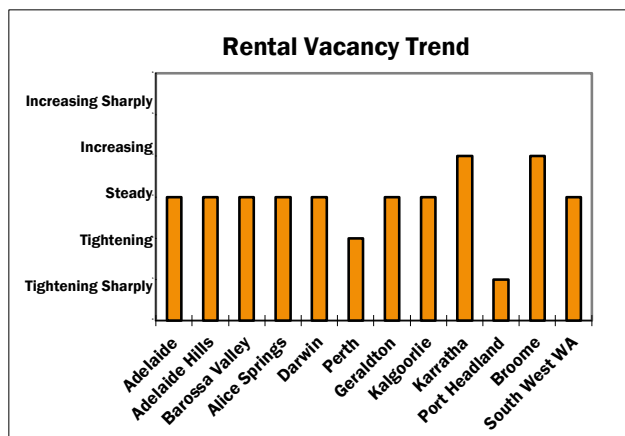


SA, NT and WA Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Headland	Broome	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage 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	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady	Tightening	Tightening	Increasing	Tightening	Tightening	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New House Construction	Steady	Declining significantly	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Bottom of market	Bottom of market	Bottom of market	Approaching bottom of market	Declining market	Rising market	Start of recovery	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Almost never	Almost never	Almost never	Almost never

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

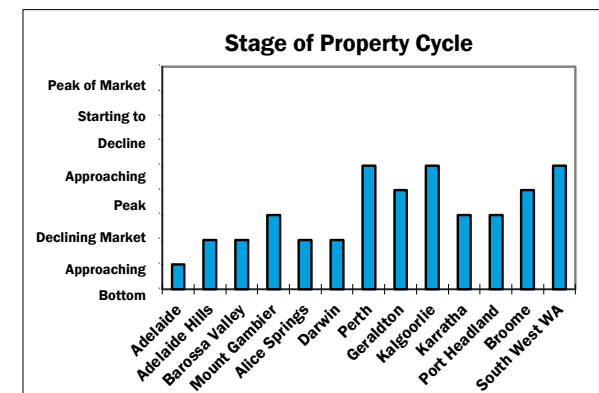
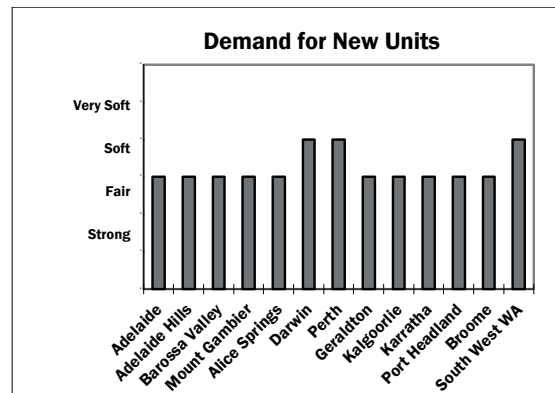
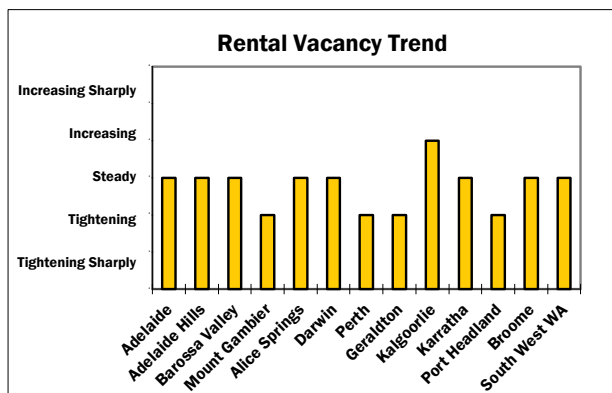


SA, NT and WA Property Market Indicators – Units

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

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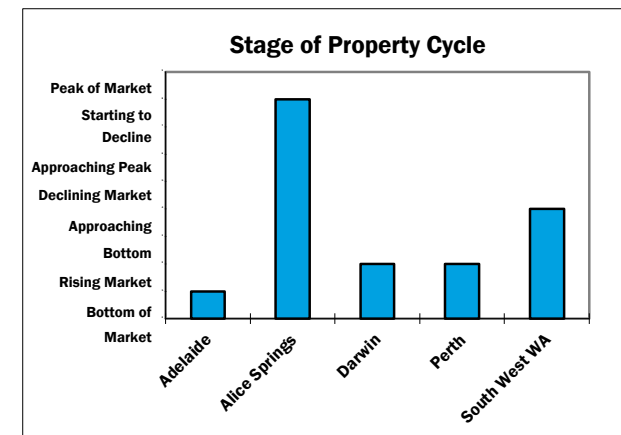
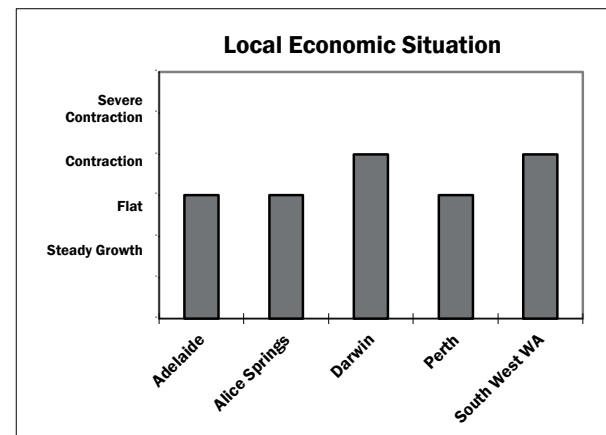
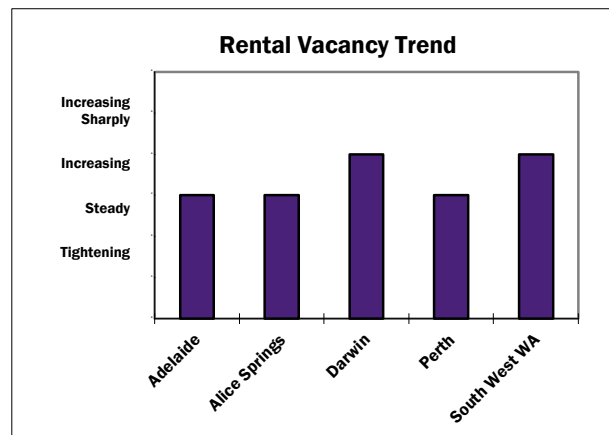


SA, NT and WA Property Market Indicators – Industrial

Factor	Adelaide	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	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	Increasing	Steady	Increasing
Demand for New Units	Stable	Stable	Declining	Stable	Declining
Trend in New Unit Construction	Steady	Steady	Steady	Declining	Steady
Volume of Unit Sales	Start of recovery	Peak of market	Bottom of market	Bottom of market	Approaching bottom of market
Stage of Property Cycle	Flat	Flat	Contraction	Flat	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Significant	Small	Large	Large	Large

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