Month in Review

February 2020

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

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HERRON TODD WHITE

Disclaimer

This publication presents a generalised overview regarding the state of Australian property markets using property market risk-ranking scales. It is not a guide to individual property assessments and should not be relied upon.

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2020: The Year Ahead

Well… didn't that sneak up!

For many of us, it felt like 2010 was just yesterday as we got past the sub-prime heartache of 'the noughts' and looked forward to a decade of recovery.

Then, all of a sudden, you turn around and 2020 is upon us. Think about it – we're approaching the end of this decade's first quarter folks, and what a wild ride it's been getting this far!

The last 10 years held all sorts of wonder and befuddlement. A whirlwind carousel of Australian Prime Ministers. Election results in the USA that defied all expectation. A shock British vote on the EU exit.

Then there was property, with a Sydney boom that set new records in terms of head-spinning recovery, while the long post-mining boom hangover took it's time to dissipate.

And here we sit – on the precipice of a new decade (I won't argue the semantics about 2020 vs. 2021 being the start of 'the 20s'). And no doubt, we're all full of promise, hope, fear and good intentions.

It's a time of new beginnings and fresh perspectives here at Herron Todd White as well. Today signals the start of an exciting phase for our company, as we welcome new CEO, Gary Brinkworth, to the team. Gary's international career at the helm of large, forward-thinking organisation makes him the ideal choice to lead Herron Todd White into the next decade.

With Gary on board, we're hitting our next stage of growth as Australia's largest independent property valuation and advisory operation, building on a reputation, and relationships, forged over decades in business.

> Is it a case of further value growth as buyers push toward even higher yields?

As a company, we've always work hand-in-hand with our valued partners to deliver trusted advice to customers – an ethos that's the foundation for our organisation's growth in the years ahead.

Put simply, we're hugely optimistic about what lays ahead as we continue to be your go-to source for trusted property advice.

So, with that said, what are our expectations for property markets in 2020?

Each February, our residential valuers from coast to coast are asked to apply their education and experience to the question of what might unfold over the coming year.

They draw on all the available info and serve up thought-provoking analysis.

Best of all – they will all be held to account. Come December, we'll ask each office to look back at their bold predictions in this issue of Month In Review and provide a self-assessment as to how they fared.

Stepping toward commercial real estate, and this month's contributions are following the same theme for industrial property. How will this sector go in 2020? Is it a case of further value growth as buyers push toward even higher yields?

Some offices even hinted things are little 'too hot' and this may be a year for cooling.

Finally, the rural team give their 2020 wrap as well. It's been tough for primary producers – including horrific events this summer with drought compounded by fire. With all this on the line, what do our rural team think is in store between now and year's end?

So, there it is – the nation's best on-the-ground wrap of what lies ahead. Of course, market moves proceed by degrees through the year as well.

To stay up to date with your area of interest, be sure to chat with your local Herron Todd White team.

Industrial

February 2020

National Property Clock: Industrial

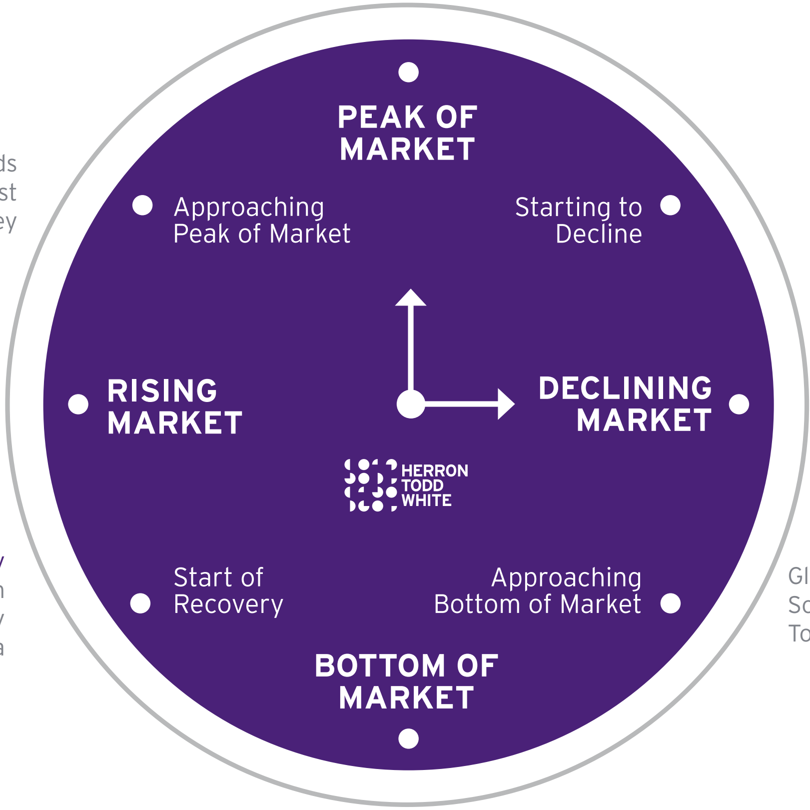
Entries coloured purple indicate positional change from last month.

Alice Springs
Ballina/Byron Bay
Coffs Harbour
Gold Coast
Lismore
Melbourne

Brisbane
Geelong
Illawrra
Southern Highlands

Southern Tableands
Sunshine Coast
Sydney

Central Coast
Ipswich



Echuca
Hobart

Newcastle
Orange

Adelaide
Bundaberg
C'berra/ Q'beyan
Cairns

Hervey Bay
Horsham
Mackay
Mildura

Gladstone
South West WA
Toowoomba

Darwin
Perth

Rockhampton
Townsville

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New South Wales

Overview

In many locations, industrial property has been a great commercial performer for investors – both big and small – who seek cash-flow security away from other sectors such as retail.

But as we head into 2020, what is the outlook for this property type. Are there signs of overheating in regions where value gains have been greatest? And what's in store in terms of rents and lease terms?

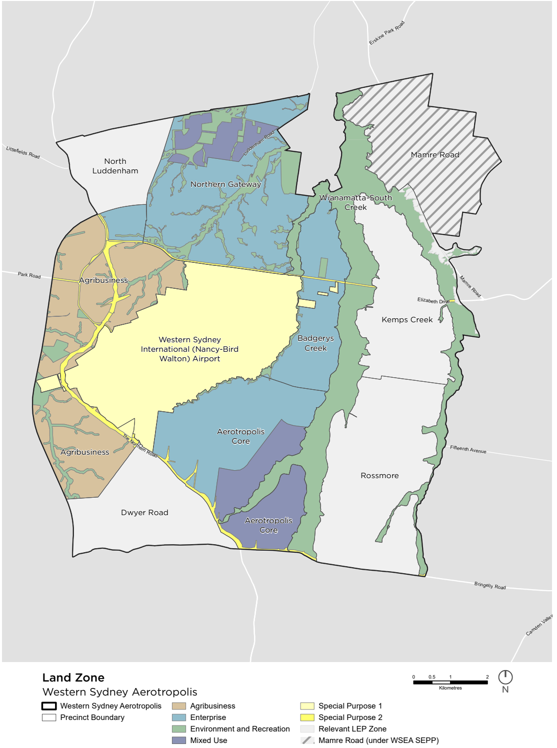
Here's our nuanced view on industrial property in 2020.

Sydney

In general terms, the Sydney industrial property market performed strongly in 2019. We predict it will be the most exciting market to watch in 2020.

There was a notable increase in demand in Sydney's industrial market over 2019. Tenants and owner-occupiers alike experienced difficulty finding well located, good quality industrial space, a trend we expect to continue in 2020. Demand continues to be driven by lack of supply that has been influenced by residential infill re-zonings in traditional industrial precincts close to the Sydney CBD, airport and ports. The increase in demand for imported goods and the need for transport and logistics centres have also contributed to the strong increase in demand for warehousing space.

As a result, well-located industrial precincts with good connectivity to major transport routes and ease of access to regional business centres including Liverpool, Campbelltown, Parramatta,



Source: Western Sydney Aerotropolis Plan 2019 Draft for public comment

Blacktown and Penrith will continue to perform well this year. Such precincts include Wetherill Park, Silverwater, Bankstown and Moorebank, all of which are well placed for access to key transport routes.

We saw yield compression across most industrial precincts in 2019 and we expect this to stabilise somewhat in 2020 with most areas showing relatively low yield rates, currently generally sitting between 4% and 7%. We expect that in some areas it is possible that these yields will continue to tighten, but more generally we are expecting stability.

Average rents across most industrial markets in Sydney grew in 2019, particularly in well located precincts that offer ease of access, transport or proximity to the CBD and ports. We expect that this upward trend will continue in 2020.

4-7%
Sydney industrial yield rates.

A continued lack of land supply will see premiums paid for vacant land and under improved sites. In some areas we have noted the return of developers undertaking industrial developments and some smaller unit developments being undertaken by local land owners.

We continue to follow the progress of the Western Sydney Airport. The Western Sydney Aerotropolis continues to be a hot topic with the latest plans being released in December. The plans are currently on exhibition and include a proposed six precincts of land to be rezoned by the middle of next year. We will be closely watching these plans and the required rezoning evolve to see the impact on the market.

We consider that 2020 will provide some great opportunities in the market. The challenge will be supply which will make finding the right property difficult. Investors looking for returns will struggle at the lower end of the market, however some opportunity for returns and longer-term growth exist at the higher end of the market (say above $5 million). Overall we will be excited to see how 2020 plays out for the industrial market in Sydney.

Wollongong

The industrial sector has been the best performing real estate asset class in the region over the past two years and we expect this performance to continue throughout 2020. This statement is not shocking by any means with most pundits sharing similar views. The main risk in this sector will be one of overheating.

Most of the activity in the industrial market is being driven by the Port of Port Kembla with logistics a rapidly developing sector particularly in new vehicle transportation. The very tight supply and escalating values and rents of industrial property throughout Sydney (notably south-western Sydney) is also impacting on the local market given its proximity to Australia's largest city.

Given recent performance, current momentum, interest rate cuts and a strong performing local economy, we expect to see continued downward pressure on investment yields, although the challenge for investors in 2020 will be the availability of assets to purchase. Outside of small to medium sized strata warehouses, owner-occupiers may also struggle to find suitable premises and industrial land supply is limited at present.

For better quality properties where demand exceeds supply, we expect there to be upward pressure being placed on rents and it will be interesting to see where market rents set for tenants who exercise options in 2020, and of course for tenants entering into new lease agreements.

Newcastle

When we look at the industrial market in Newcastle, there are five key precincts to consider.

The Beresfield precinct continues to grow with 16 hectares of land sold at the end of 2018. There have been a number of strata and stand alone buildings constructed in this area in the past 12 months and there are a number of buildings in the planning or initial construction phase.

In the Cardiff precinct, the extension of Munibung Road with the expected link to Lake Road at the western end has seen a number of new developments at that locality, with a number of developments recently completed.

In the Steel River precinct in Mayfield West, there have been sales of development land, however the market for established properties has slowed. We also note the completion and sale of the Myspace development which is targeted at the smaller end of the market, having units with areas less than 100 square metres.

Thornton is very stable with no significant new developments, however we note that there have been some recent sales in that area.

Finally, the Tomago precinct, which is more suited to heavy industrial, is starting to show some signs of activity after a relatively stagnant period.

Overall, the key issue facing the local market is the demand for quality industrial properties outstripping supply. Moreover, decreases in lending rates have the potential to lead to an increase in investor activity, however there have been very few sales to investors recently. We are seeing more owner-occupier sales in recent months indicating that the reduction in the cash rate is having the effect of stimulating the market.

Coffs Harbour

We would anticipate the year ahead to remain stable for the industrial and commercial property market. Industrial property yields and rentals remain stable. The Coffs Harbour Airport Enterprise Park comprises a 23 hectare development which was approved in 2017 and has now progressed with earth being turned and fill compacted on site.

The commercial market demonstrates firm yields across a broad spectrum of price range. Based on the low interest rate climate, these conditions should continue throughout 2020.

The acquisition of property for the proposed diversion of the Pacfiic Highway around the CBD is well advanced and hopefully construction funding will be announced by mid 2020.

Whilst there will be limited impact throughout 2020, we would anticipate the market will become aware of the beneficial economic impact the construction development phase will bring to the local property market.

Industrial property should benefit and the demand for services will increase. We would expect that retailing will remain difficult with a continuation of the current market, featuring high vacancy rates and sensitivity with rental levels.

The Woolgoolga commercial market is expanding with a number of new developments proceeding and this market should continue to strengthen throughout the year.

When we look at the industrial market in Newcastle, there are five key precincts to consider.

Victoria

Melbourne

Looking at 2020, the general consensus is that the Melbourne industrial market will remain strong, boosted by strong population growth and unprecedented levels of infrastructure investment. Further, the global share market is expected to remain volatile with the potential for a US-China trade war, wage growth is expected to remain stagnant, there is a risk of recession and there is uncertainty regarding Britain's exit from the European Union. This has led to an even greater appetite for real estate investments, with industrial leading the way when it comes to investing in commercial property.

The industrial sector is considered to have the strongest pull for investors, predominantly due to the rise of e-commerce. In the case of high value industrial assets, yields remain firm due to bidding wars, particularly as there is the guaranteed cash flow of a strong WALE. We have seen increased interest in industrial assets from onshore and overseas real estate investment trusts and private equity firms. Some of these started out with zero industrial assets and now have these assets making up a substantial portion of their portfolio.

Knight Frank is predicting double digit growth in 2020 on the back of the continued low interest rate environment, which further advances yield compression. Vacancy rates in Melbourne also remain at five year lows. Melbourne industrial yields are currently sitting at 5.73%, having significantly tightened through increased investor interest and capital growth is set to rise from 6% to 6.4% in 2020.

The industrial sector is considered to have the strongest pull for investors, predominantly due to the rise of e-commerce.

The north-western area of Melbourne, with its expansive industrial sector, continues to be Australia's preferred location for warehouses and distribution. There has been a steady flow of new builds and many are sold off the plan or leased prior to completion. According to Savill's 2020 outlook report, rental rates have been increasing, currently standing at $80 to $90 per square metre. Given the sustained demand at present, this rental growth is expected to continue albeit at a diminishing rate. Lease incentives have also dropped due to the consistently steady demand for industrial space. Some smaller strata units are selling at rates towards $3000 per square metre, which is new territory for the industrial market. Buyers and tenants no longer seek just a warehouse to store goods; there are many considerations that factor into their decisions. These include purchasing or leasing premises close to their prime customer bases and employees with appropriate skill sets, whilst being in a prime location in order to limit transport costs and avoid the impact of slow transit times.

RENT

$80-$90

North-west industrial rents per square metre.

Source: Savill's 2020 outlook report

Industrial properties for first time investors are becoming harder to find, however there are still reasonably priced strata developments in which mum and dad investors can purchase a unit and benefit from a strong yield and steady income. Industrial properties to avoid include contaminated sites as well as secondary locations, away from major infrastructure and transport routes. Investing in properties with long term tenants in declining industries (for example, the printing and newspaper industries) should only be pursued with the knowledge that there is a likely chance of vacancy at the end of the lease, which leads to vacancy costs and associated refit costs to attract new long term tenants.

Queensland

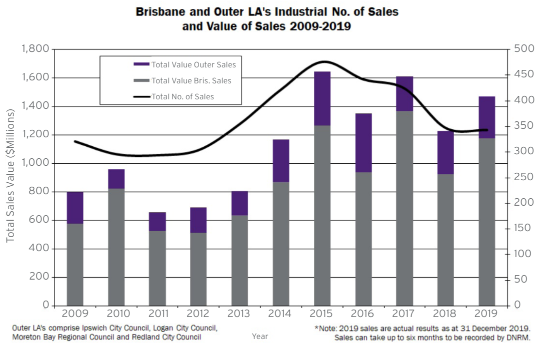
Brisbane

Brisbane's industrial property investment market experienced strong growth throughout 2019, with firm yields reflecting the limited availability of quality stock and solid purchaser demand. Whilst demand for quality industrial assets remains extremely strong, particularly for well-located properties with long-term leases and strong lease covenants, secondary properties continue to see long lease up periods and are generally less attractive in the current market. 2019 saw a shift in the Brisbane industrial market with institutional purchasers beginning to focus on areas such as the TradeCoast and along the Logan corridor.

Throughout the latter parts of 2018 and 2019, demand for industrial development sites throughout Brisbane increased substantially with increases in value evident across a number of industrial precincts. Whilst there are still difficulties in obtaining development finance from financial institutions, this does not seem to have restricted demand in recent times. Since the federal election in 2019 there has been a slight increase in sales volumes. We expect to see this sales activity continue to strengthen throughout 2020 due to the low interest rate environment and lack of supply within the wider Brisbane area.

Rents continue to stay steady with no dramatic increases, particularly for net effective rentals, as incentives continue to rise. The most active segment of the market will continue to be transport and logistics with tenants gravitating towards modern properties with good access to motorways.

The graph below illustrates the historic sales volumes and values over the past 10 years:



As illustrated above, the total number and value of sales fell in 2016. This was primarily due to a shortfall in supply of quality industrial assets, however sales picked up again in 2017. We saw a similar fall in sales in 2018 which carried over to a slower start in 2019. Since the federal election in 2019 there has been an increase in sales volumes. It is expected that stronger sales activity will continue throughout 2020 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.

Investment yields for high quality assets continue to trend closer towards 6.00% with an example of a major transaction being 39 Graystone Street, Tingalpa, a well sought after location within the TradeCoast. The property had a 4.57 year lease term and transacted at $17.6 million with an analysied yield of 6.34%. 2020 will continue to see a high demand for prime industrial properties with money coming from mum and dad investors through to major industrial institutional trusts.

39 Graystone Street, Tingalpa   Source: Core Logic

We expect to see this sales activity continue to strengthen throughout 2020.

Gold Coast

The Gold Coast industrial market relies on a range of economic factors including interest rates, lending conditions, business confidence and overall supply of developed land or buildings available to the market.

Interest rates are currently favourable, however lending conditions are still challenging. At a macro level, the economy is fairly stable at present,

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Market commentators are suggesting that core markets on the eastern seaboard are expected to remain tightly held

however has begun to show signs of weakening conditions across a range of sectors. In addition, business confidence is relatively low and has been on a downward trend for some time now.

However, due to significantly low supply, record sale rates for new properties are being achieved for units in southern Gold Coast. In addition, land values are hitting all time highs throughout the central and southern Gold Coast.

We are not aware of any notable supply additions mooted for the southern end of the Gold Coast, however a new industrial estate proposed in Carrara has the capacity to deliver 21 lots with a total area of circa 106,000 square metres. This is not considered to significantly impact on the overall supply of industrial land within the area.

The Yatala region at the northern end of the Gold Coast still contains large tracts of industrial land suitable for further subdivision. Notwithstanding, supply and demand metrics have been quite balanced in recent times and as a result, industrial land values on average have shown strong or steady value levels.

Gold Coast Source: zenithfoto_

Rents for industrial properties are moderately trending upwards in the area combined with declining yields tied to low interest rates bolstering value levels, however this is being off-set to a lesser degree by increased outgoings (which can be largely attributed to improving land values flowing through to higher rates and land taxes).

Analysed yields in some areas are now going below the 5% threshold, with the recent sale of 44a Currumbin Creek Road for $2.7 million evidence of strong market sentiment, however yields in less desirable or higher supply locations such as Yatala can still be above 7%. This may be an indication of potential for further rental upside in the Gold Coast's fully developed or traditional industrial precincts.

Market commentators are suggesting that core markets on the eastern seaboard are expected to remain tightly held, with continued supply constraints creating demand for industrial product beyond existing core areas.

We have already seen this over the past year, particularly within Murwillumbah, where new industrial unit developments are occurring more rapidly than at any other time in order to meet demand from buyers for a lower price point than the established Gold Coast industrial precincts. Similarly in the north, land is being delivered at a rapid pace in Yatala to meet market demand at a lower price point than the Gold Coast proper.

Overall, our industrial market outlook for the Gold Coast in 2020 is positive.

Sunshine Coast

The industrial market on the Sunshine Coast looks like it will have a year of further improvement after the improvements noted over the past three years.

Overall land supply has fallen away over the past three years with the estates in Kunda Park, Caloundra West, Kawana and Noosaville now having limited land available for further development. Estates at Coolum, Yandina and Bells Creek have had significant development in that time and while there is still land available for development, overall supply has dropped with underlying land prices increasing slightly over the past 12 months.

The Aura industrial estate began to take shape over 2019 with the completion of a number of strata tilted complexes as well as stand alone buildings that have typically been owner-occupied to date. This estate has a higher quality of finish than typically seen in other industrial areas of the Coast with a number of complexes having semi showroom style areas to the street front.

We have seen steady firming of yields over the past three years for investment grade holdings with yields for modern complexes with strong lease covenants in place typically below 7% across the market. Owner-occupiers still dominate the market in the sub $800,000 space and this trend is likely to continue in 2020, particularly for strata titled holdings.

<7%
Investment-grade asset yields

We have seen redevelopment of some older industrial holdings in arterial locations, particularly in Caloundra and Noosaville, into showroom style development. A larger site has been purchased in Kunda Park with exposure to Maroochydore Road and this is likely to continue the upgrade of accommodation in this area.

$90-$160

Sunshine Coast

rents per SQM per annum

The limited vacancy across the market is likely to continue to see some firming of rents. The market is now typically seeing rents from $90 to $160 per square metre gross per annum depending on size, quality and location.

The main negative impact we may see is if macro economic conditions impact the residential market, it would have a flow on effect to the industrial market. This is due to the heavy influence of owner-occupiers in the Sunshine Coast market, which would then reduce demand in the market.

Toowoomba

The Toowoomba industrial market is expected to continue its steady growth trajectory during 2020, while the smaller markets throughout the Darling Downs are expected to remain static.

Strong demand from investors for quality cash flows should ensure that quality leased assets will be highly saleable provided vendors' expectations are not over inflated. Unrealistic price expectations are the major risk to the market in 2020. While yields are generally firming for commercial property, industrial lease terms rarely exceed three to five years and there are limited national tenants, resulting in softer yields than other asset classes.

Demand for vacant possession industrial properties has been weak in recent years and this is expected to continue, with the value gap between fully tenanted quality assets and vacant possession secondary assets widening during 2020.

A glut of secondary properties available for lease is likely to result in declining rental rates for secondary assets and stable rental rates overall.

373 Anzac Avenue in Harristown is currently on the market via expression of interest and may be a litmus test of the year ahead. The 2.5 hectare site is improved with a large modern showroom/office/workshop and a second brand new workshop and has a lease and options to 2036 and a reported current net income of $892,507 per annum.

373 Anzac Avenue in Harristown Source: commercialrealestate.com.au

Townsville

Broadly speaking, the industrial market in 2020 is likely to be bolstered by the upturn in the mining sector along with construction projects and generally increasing levels of market confidence.

Owner-occupiers currently underpin the market in the sub-$1 million bracket. We have seen a number of vacant land sales in the Northern Link industrial estate over the past 12 months, particularly within the 2000 to 4000 square metre land size bracket. It would appear that this is the land size the market is seeking to construct new small to mid-scale high clearance start-up workshops, allowing enough balance land available for expansion if required. Older stock is typically on smaller land sizes with warehouses and workshops of a lower clearance and therefore in some cases not suitable for some specialist users.

It is anticipated that mining support businesses such as manufacturing and heavy engineering along with heavy vehicle service and support may see some expansion during 2020 on the back of the mining and construction industries.

Woolworths has commenced a major expansion of its distribution facility at Bohle which will reportedly make it the largest food and grocery distribution centre in North Queensland. Given Townsville's geographic location approximately halfway between Cairns and Mackay and its nexus to Mount Isa, it provides a great strategic location for distribution. Lion Drink and Dairy is also in the process of completing a new distribution facility at Shaw including approximately 4700 square metres of cold room capability.

We are likely to continue to see southern investor interest for big asset industrial property with strong lease fundamentals due to the attractive yields available relative to their home locations with yields in the 6.5% to 9.0% range.

Rockhampton

We believe that the industrial market in 2020 will continue along a similar trend to 2019, showing continued signs of improvement and increased confidence. With more stable coal prices and significant infrastructure spending now occurring and set to occur over the next five years, we expect employment growth will have a positive impact on the industrial property sector in Rockhampton. The rate of growth will depend on the timing of infrastructure projects coming to fruition.

Rental rates have remained relatively stable and there have been no notable increases, however there appears to be a steady uptake of some vacant industrial properties. We anticipate that as demand increases and supply reduces, we may start to see some growth in the rental market.

8-10%
Mackay
industrial
yield rates.

With investors returning to the market in 2018 and 2019, activity by this group of buyers is likely to continue throughout 2020 for investment properties with good unexpired lease terms and quality tenants. Yields have generally been achieved in the 8% to 10% range for properties with local tenants, which is an attractive option in comparison to southern metro markets, driving interest from non-local buyers. Yields can be somewhat lower for properties with national tenants. Owner-occupiers are likely to also remain active while interest rates remain at record low levels.

Gladstone

With no substantial drivers to the industrial sector for the next 12 months, we consider that the market will remain flat, with some particular sectors still being volatile, however improving conditions in Rockhampton and Emerald and job opportunities created by the resources sector and major infrastructure projects are likely to have some positive flow-on effects to the Gladstone market. There was limited activity for developed industrial properties during 2019, with weak demand and few quality opportunities. With various lots in the Chapple Street business park now sold, 2020 may see some new development within this precinct.

Owner-occupiers are likely to also remain active while interest rates remain at record lows and properties are available at affordable entry-level prices. We do not foresee any rental growth, however we consider we will see continued stabilisation of rentals.

We believe that the market for large industrial premises will remain volatile, with very weak demand from tenants and owner-occupiers for substantial sized workshops.

The market is very volatile above $2 million and there are also very few tenants with an ability to afford annual rentals in excess of $200,000. We consider this is likely to continue throughout 2020.

Wide Bay

The industrial markets throughout the Wide Bay have remained stable for an extended period with little on the horizon to suggest a change in 2020. The Wide Bay hosts an elevated supply level of vacant industrial land which limits the capacity for growth in a market heavily dominated by owner-occupants.

Sales of investment industrial stock are few and far between, however when investment grade stock is taken to the market it is often met with good demand.

We expect 2020 to be a similar year. Owner-occupants should dominate the market in terms of volume of sales. Investment stock should be met with a good level of demand.

When investment grade stock is taken to the market it is often met with good demand.

Mackay

The Mackay region has seen continuous improvement in economic conditions over the past 12 months with significant infrastructure and development projects including: the Mackay Ring Road; Walkerston Bypass; Queens Park upgrade; Edmund Casey Drive link at Mackay Harbour; Rotary Lookout North Mackay and Qantas Academy.

Currently there are under 50 industrial properties listed for lease in Paget, the main industrial hub of Mackay, ranging from small strata units to warehouses and off the plan workshops. Industrial workshop rents range from $140 to $200 per square metre per annum for over 1000 square metres of lettable area, although there appears to be a lack of heavy engineering workshops with hardstand available for lease.

In the industrial sales sector, we note that there are less than 30 industrial properties listed for sale in Paget, including industrial vacant land, strata titled units and freestanding industrial properties. List prices range from $435,000 for a vacant strata titled unit to $8.5 million for a tenanted, purpose built distribution warehouse.

The sale of 12-16 Progress Drive for $3.012 million in the first quarter reflected an analysed yield of 8% with a reported 10 year lease term to Austbore.

12-16 Progress Drive, Mackay Source: Colliers

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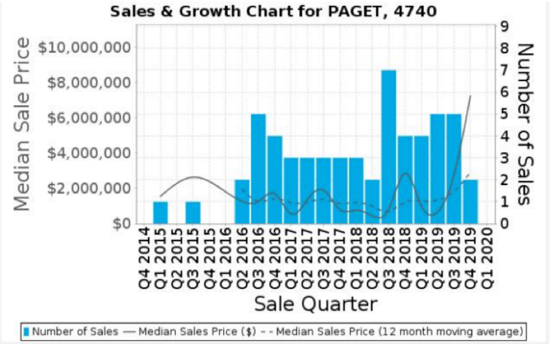
Tenanted properties with long unexpired lease terms are attractive to investors somewhat irrespective of the location with the expected return and security of income being the key selling points.

The number of sales has been steadily increasing since 2015 (excluding quarter three of 2018 when there was an unusually high number of sales) with a recovery in the median sale price after an extended depression of values post the mining downturn. We are expecting the number of sales to increase in 2020 and sale prices to continue a moderate recovery.

$140-$200

Paget workshop rents per square metre.



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South Australia

Adelaide

With our first edition of 2020, it's time to look ahead for the year and attempt to predict how commercial property markets will play out over the next 12 months, with our focus on the industrial sector.

Reflecting on 2019, it was a tumultuous year that brought the Australian federal election and the surprise victory of the Liberal Party, the Royal Commission into banking and in recent months the ongoing horrendous bushfires which have ravaged much of the South Australian hills and Kangaroo Island, as well as considerable regions throughout New South Wales and Victoria.

Looking ahead to 2020, there will be more political changes and instability abroad with a United States election set to occur. We can also expect some uncertainty in the United Kingdom with conservative Boris Johnson succeeding in the election over Labour opponent Jeremy Corbyn and now pushing for the United Kingdom to secure the Brexit deal and leave the European Union.

The buzz-word for commercial and industrial property this year is logistics. As we look to the year ahead for industrial property in South Australia, we're expecting continuing solid performances, headed by the persistent growth of the logistics industry and the rise of e-commerce. Logistics facilities are tipped by analysts to be the most sought-after properties in the year to come among individual investors and real estate investment trusts alike, particularly properties that are modern and located close to transport hubs around the state.

Furthermore, analysts are predicting capital growth rates of between four and six percent in industrial markets, which are in line with Herron Todd White expectations for the upcoming year.

On the interest rate front, more cuts are forecast in an attempt to stimulate the economy, with the overnight cash rate edging closer to zero percent. Analysts are predicting between 25 and 50 basis points of interest rate cuts throughout 2020. Additionally, land tax changes have been agreed and will come into effect on 1 July 2020. The changes mean that investors will no longer be able to avoid land tax through the utilisation of separate trust and company structures, however there will be tax breaks in the form of reduced land tax rates and higher thresholds.

Throughout the latter half of 2019, major real estate investment trusts drove strong capital raising options, looking to secure or develop assets in the industrial sector. The significant capital raisings of listed trusts with a focus on industrial investment and development, can be seen below:

Company	Total Capital Raised	Purpose of Capital Raising
Mirvac	$750 million	Repay debt and fund development in industrial, office, residential and mixed-use sectors
Charter Hall	$725 million	Acquisitions of industrial property
Growthpoint Properties Australia	$150 million	Acquisition of a Sydney tower and development of office and industrial projects
Investec	$84 million	Acquisition of industrial properties in Adelaide, Perth and Darwin
Centuria Industrial REIT	$70 million	Acquisition of three industrial assets

Source: Australian Financial Review.

Goodman Group set the precedent for real estate investment trusts throughout 2019, with the company surpassing Scentre Group as the most valuable real estate investment trust in Australia. The secret for Goodman Group has been simple - industrial property. Greg Goodman, CEO of Goodman Group, has attributed much of the company's recent success to the growth of e-commerce which has fuelled demand for logistics facilities. Goodman expects that demand will continue to outweigh supply in this sector, meaning the company is well placed to continue its current growth trend.

Further yield compression is expected throughout 2020 to accompany the anticipated levels of capital growth in the industrial market. Yields for

We're expecting continuing solid performances, headed by the persistent growth of the logistics industry and the rise of e-commerce.

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prime industrial real estate in the eastern states have compressed to roughly 5.5% in Sydney and 6.25% in Melbourne. While Adelaide records higher yields than its eastern seaboard counterparts, further compression could see prime yields move closer to 7% throughout the upcoming calendar year, without the rental growth experienced in Sydney and Melbourne.

4-6%
Adelaide
predicted
capital growth.

As mentioned previously, opportunities exist in the industrial market in the form of properties that facilitate e-commerce and logistics businesses. With growth expected to continue in these spaces, companies will be looking for properties to occupy that will enable their business and hence we expect leasing demand to be high. The prospect of further yield compression amid lower interest rates will continue to buoy commercial property investment as investors search for higher yielding assets in the low interest rate environment.

Western Australia

Perth

The consensus during 2019 was that the industrial property market in Western Australia had reached the bottom of the cycle. Market conditions were subdued and relatively unchanged from the preceding 12 months in the wake of the much-publicised downturn in the state's mining and resources sector.

Although signs of a recovery have been few and far between, market participants are quietly optimistic that 2020 will mark the start of a revival in this sector.

Leasing demand for industrial accommodation however remains soft and in-situ tenants are continuing to reconsider their space requirements. The lessee's market is lingering with prospective tenants taking advantage of the oversupply of stock and often able to negotiate very attractive deals.

On a positive note, our enquiries reveal an uptick in leasing enquiry for modern, high quality fabrication facilities over the past six months with such properties currently being in limited stock.

Our enquiries suggest that present day building compliance requirements have rendered older facilities often unfeasible to bring up to code. Accordingly, prospective tenants are inclined to enter into design and construct agreements.

From a purchase perspective, demand for industrial property remains subdued with a low volume of transactions attributed to market uncertainty. These soft conditions are more pronounced within secondary industrial precincts. Competitive pricing remains vital in order to achieve a sale within a reasonable marketing period.

Market participants are quietly optimistic that 2020 will mark the start of a revival in this sector.

Interestingly, demand remains strong for securely leased investment property with the prevailing low interest rate environment leading to significant yield compression over the past 12 months.

The prospect of further rate reductions by the Reserve Bank may spark renewed investor interest in industrial assets in 2020, placing even more pressure on achievable returns. Traditional low risk vehicles (e.g. long term deposits, bonds) are now offering insufficient returns and it is likely that investors will re-direct cash reserves to commercial property in a bid to secure better returns – industrial property is thus likely to be benefit.

The rise of e-commerce is also likely to benefit the industrial sector (at the expense of bricks and mortar retail property) as the demand for logistics and distribution centres and the associated warehousing of goods prior to delivery grows to meet the rise in online shopping.

The Roe Highway Logistics Park in Kenwick was launched in February 2019 and has been met with firm demand, signifying the market's appetite for newly created industrial land. In particular, the demand for industrial land of more than 5000 square metres has been firm not only in this development but also in other newly developed industrial estates, likely a by-product of the lack of supply in the more traditional and established industrial precincts.

Notable infrastructure projects including the Forrestfield Airport Link and NorthLink WA are making sound progress. The Forrestfield Airport Link is the construction of a new passenger rail line linking Perth City to Perth Airport and continuing further east to the suburb of Forrestfield. Once completed, this project is likely to enhance the profile of the Forrestfield industrial precinct and drive new development particularly around the train station. Construction is well advanced and the first trains are set to operate in the second half of 2021.

NorthLink WA is a $1.02 billion transport project in Perth's east and north-eastern corridor and will provide a non-stop transport route from Morley to Muchea. The project is likely to directly benefit industrial estates in that corridor. The final section of construction is scheduled for completion in early 2020.

We envisage that these and other major infrastructure projects in Perth together with renewed activity in the state's resource-rich north-west may mark the start of a recovery in the industrial property sector in 2020.

Northern Territory

Darwin

Twelve months ago, we predicted in the Month in Review that the 2019 calendar year promised to be challenging for all property markets across the Territory, including commercial property. The year met our predictions and unfortunately at this stage it appears that 2020 will not provide any relief from the current moribund conditions.

Implementation of the Northern Territory government's five point gas plan may trigger some activity in the industrial sector, especially in the Middle Arm Industrial Precinct south of Darwin. This precinct has been floated as a support hub for the large LNG plants nearby and could also support other mining and manufacturing processes in a mainly greenfield area, yet it is close to the population centres of Darwin and Palmerston. Already over ten percent of Japan's gas imports are processed in Darwin and any expansion of this industry would see flow on effects in the local property market.

Exploration drilling has commenced in the Beetaloo Basin, a huge untapped gas reserve estimated to be 6.6 trillion cubic feet. Regardless of one's views on hydraulic fracturing, there is no doubt that exploitation of this gas reserve could significantly improve the Northern Territory government's finances as royalties would be directed locally rather than to Canberra, which is the case with most existing offshore developments.

A number of larger scale projects are in the planning stages and if consummated, will boost economic activity in the Northern Territory and should therefore boost the property sector. The $400 million ship lift in Darwin, which will be the largest in northern Australia, is one example. Another is Sun Cable, a project to develop a 15,000 hectare solar array near Tennant Creek planning to supply 20 percent of Singapore's electricity via an undersea high voltage cable. There is also a proposal to develop a space rocket launching centre in north-east Arnhem Land.

Unfortunately, there is a significant lead time before any of these projects commence, if in fact they commence at all. We do not expect there to be any substantial fillip to Northern Territory property markets from any of these projects for some time. As a result, the oversupply of industrial land and industrial accommodation in Darwin is expected to persist throughout 2020. In Alice Springs, the industrial sector has not exhibited the same level of volatility as Darwin and is expected to remain relatively stable for the next 12 months.

We do not expect there to be any substantial fillip to Northern Territory property markets from any of these projects for some time.

HERRON TODD WHITE COMMERCIAL

Australian Capital Territory

Canberra

It's the time of year for us to look into our crystal ball to see how the industrial market is going to play out in 2020. With lowering yields across asset classes in 2019 and an expectation for continued low interest rates, how does the industrial market look to perform this year?

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 in Hume and across three new estates in Symonston (2020-21), Fyshwick (2021-22) and Pialligo (2022-23). The program aims to release 100,000 square metres of industrial land from 2019 to 2023.

In the Canberra region, investors and owner-occupiers are currently attracted to the small scale industrial market, particularly for superannuation purposes and also to have an asset that has potentially appreciating value and the ability to provide collateral for borrowing power. A unit titled industrial development in Hume, completed in 2019 and comprising 14 high clearance modern warehouses (of various configurations) with mezzanine store and office options as well as rear hardstand has been received well. The development achieved $2000 to $2500 per square metre, reflecting yields of circa 7%, demonstrating the demand for this property type.

Our crystal ball is telling us that 2020 is set for continued growth.

Queanbeyan continues to provide a desirable option for owner-occupiers in the market, as municipal rates within the ACT continue to rise year on year, discouraging sales and leasing activity. These increases throughout the territory (often outweighing CPI rental increases) have resulted in an increase in net leases and landlords electing to pass on any increases in outgoings over the base year to the tenant is becoming more prevalent. Tenant incentives have typically consisted of rent free terms and contributions to fit out in order to facilitate moves to newer premises with longer term leases in place.

Our crystal ball is telling us that 2020 is set for continued growth. Industrial leasing demand is improving, however rents remain stable generally with a continued need for incentives. Further proposed rate cuts will have an impact on the market in the long term and some rental growth may be observed when tenant demand levels increase and sales activity begins to soften. The outlook for the Canberra and Queanbeyan industrial market is for increasing take-up levels over the next 12 months.

Residential

February 2020

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

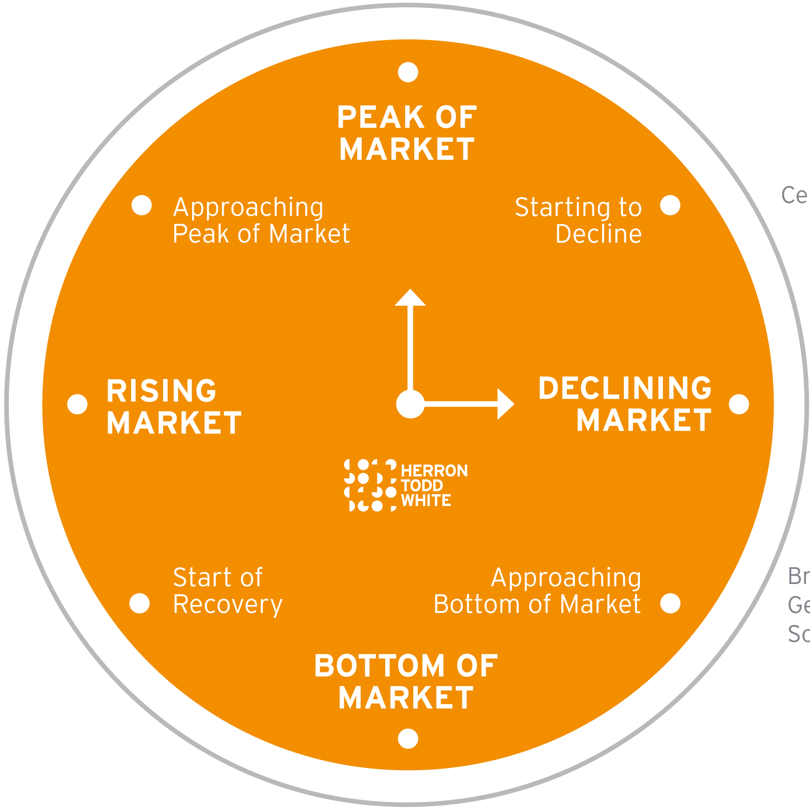
Albury
Bathurst
Canberra

Dubbo
Sunshine Coast
Tamworth

Central Coast
Wodonga

Burnie/Devenport
Emerald
Hervey Bay
Hobart
Karratha

Launceston
Launceston
Mildura
Mount Gampier
Shepparton



Kalgoorlie

Ballina/Byron Bay
Brisbane
Bundaberg
Cairns
Coffs Harbour
Geelong
Gladstone
Gold Coast
Illawarra

Lismore
Mackay
Melbourne
Newcastle
Port Hedland
Sydney
Townsville
Whitsunday

Broome
Geraldton
South West WA

Adelaide
Adelaide Hills
Alice Springs
Barossa Valley

Darwin
Ipswich
Perth
Rockhampton

Southern Highlands
Southern Tablenads
Toowoomba

National Property Clock: Units

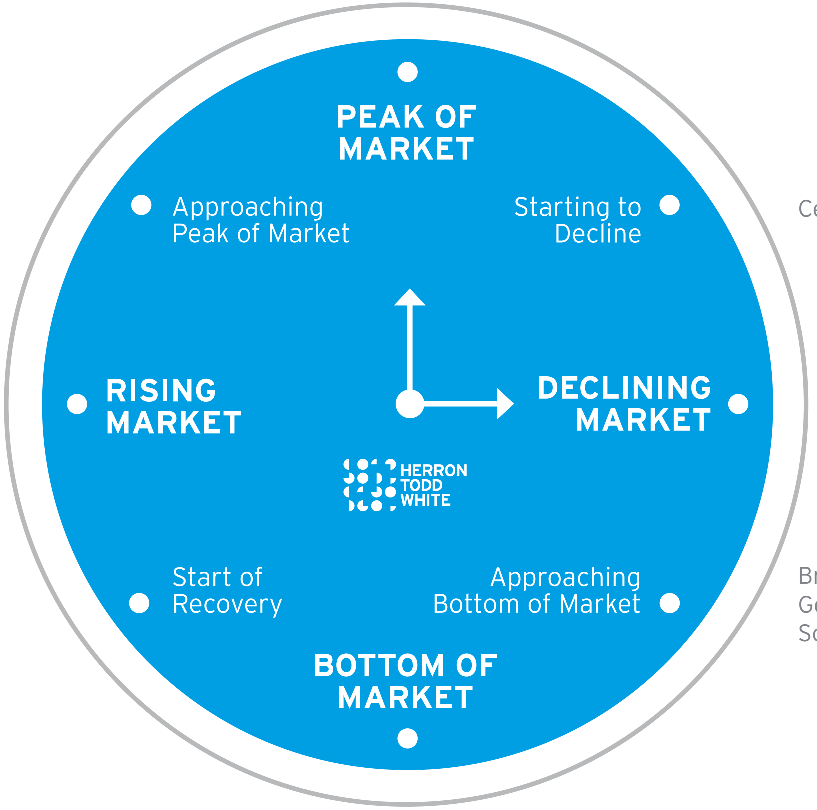
Entries coloured blue indicate positional change from last month.

Albury
Bathurst
Sunshine Coast
Tamworth
Wodonga

Central Coast

Canberra
Kalgoorlie
Perth
Southern Tablelands

Broome
Geraldton
South West WA



Adelaide
Adelaide Hills
Alice Springs
Barossa Valley
Brisbane
Coffs Harbour
Darwin
Gold Coast
Ipswich
Rockhampton
Southern Highlands
Sydney
Toowoomba
Whitsunday

Ballina/Byron Bay
Bundaberg
Cairns
Emerald
Geelong
Gladstone
Illawarra
Lismore
Mackay
Melbourne
Newcastle
Port Hedland
Shepparton
Townsville

Burnie/Devenport
Dubbo
Hervey Bay
Hobart
Karratha
Launceston
Mildura
Mount Gambier

New South Wales

Overview

The new year is upon us and it's time for the team to get a bit predictive.

Every February, we ask our valuers to give an educated outlook on the residential market in their service areas.

A range of views have been raised for 2020 – and all will be tested by year's end.

Sydney

The start of 2020 has been tragic with catastrophic bushfires across the country and New South Wales being particularly hard hit. Time will tell how this will play out both economically and politically for the remainder of the year and what impacts this may have on the wider property market.

After the start of the recovery from the middle of the year, 2019 enjoyed a 5.3 percent increase in Sydney dwelling values over the year. The last quarter of 2019 ended with a bang as Sydney property prices jumped 6.2 percent in the last quarter alone, with prices now only 6.4 percent below the 2017 peak (CoreLogic). We believe this jump was mostly due to an increase in demand after the elections and interest rate cuts, while new listing levels remained fairly subdued in comparison to prior years.

Index results as at December 31, 2019

	Change in dwelling values			Total	Median
	Month	Quarter	Annual	return	value
Sydney	1.7%	6.2%	5.3%	8.9%	$840,072

Source: CoreLogic

Breaking down the numbers further, the top quartile of property prices saw the quickest recovery in prices in 2019 with a seven percent increase, compared to the bottom quartile only experiencing a 1.4 percent increase (CoreLogic).

Houses (6.1 percent increase) also performed better than units (3.4 percent increase) across 2019 according to CoreLogic. This is not surprising since houses fell at a quicker rate during the downturn and unit prices are still being affected by an oversupply of new units in some areas.

Sydney also had seven of the top 10 performing metro sub-regions across the country, with the inner west and Baulkham Hills and Hawkesbury sub-regions both experiencing 8.8 percent increases over the year (CoreLogic).

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

Source: CoreLogic

Overall, we expect new listings to increase in the first half of 2020 which should see price growth begin to moderate. Despite this we still expect to see prices increase by around 10 percent for the year, which will mean prices should move above the previous peak in the second half of the year.

We expect prices to be fairly strong across most regions and sub-sectors however we expect the lower quartile to begin to improve at a quicker pace while new units in over-supplied suburbs may remain weaker for the first half of the year.

CAPITAL GAIN 2019

Houses: **6.1%**

Units: **3.4%**

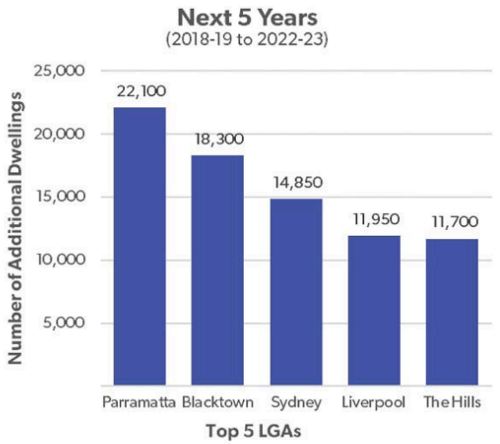
Source: CoreLogic

A number of infrastructure developments have recently opened, or will open in 2020, which will continue to strengthen prices in the suburbs benefiting from these links.

Western Sydney

When commenting on property price drivers such as infrastructure, the largest of the lot is the Badgerys Creek Airport and surrounding development. This area will be transformed from cow paddocks and market gardens into a bustling metropolis aptly named the Aerotropolis.

One market to keep an eye on is the new unit market in the Parramatta local government area. A significant amount of new units is expected to be completed in the first half of 2020 and this will continue with up to 21,100 dwellings forecast to be constructed by 2023, most of these being residential units. What we do know is that there is a large difference between forecast numbers and actual construction numbers as developers may hold off on construction to ride out lulls in the market, so we will wait and see how things unfold. Traditionally, a large number of completions leads to more stock entering the resale market. Given the negative market sentiment surrounding new units over the past year, vendors must be prepared to meet the market in order to facilitate a sale.



Top 5 LGAs for New Dwellings Source: Planning NSW

Western Sydney has seen a boom in granny flat construction over the past decade, with property owners taking advantage of larger allotments to build granny flats to add value and create a second income. With interest rates at historic lows and the potential for five percent plus returns, we believe granny flat construction will continue to be a popular choice for investors throughout 2020. A recent example is 24 Duckmallois Avenue, Blacktown, an older three-bedroom dwelling with a new two-bedroom granny flat at the rear, which sold for $757,000 in December, returning $800 per week in rent. This equates to a gross yield of approximately 5.5 percent.

The high growth seen in the last quarter of 2019 is unlikely to continue throughout 2020. Affordability will be a key issue. As household incomes are still under significant pressure, buyers will need to look to the outer suburbs in order to find affordable property. This will benefit the western suburbs of Sydney where there is still property at an affordable price point, relatively speaking. Investors will be prevalent throughout 2020 with yield a big driver. Prudent purchasers should keep an eye out for any infrastructure being built and get in before prices shift again.

Northern Sydney

Sydney's infrastructure boom is rolling on with the North Connex tunnel opening later this year. This tunnel will take five thousand trucks per day off Pennant Hills Road and reduce travel times between the M1 and M2. We believe the big winners will be the more affordable suburbs in the upper North Shore of Mount Colah, Berowra and Mt Ku Ring Gai. These suburbs will have a greatly reduced travel time to the CBD and the M2 motorway. Keep an eye on the median house prices in these areas over the next few years.

The Northern Beaches market as a whole is expected to stabilise, barring any significant political or financial legislative changes. If 2019 taught us anything, it was how these two factors heavily contribute to underlying market conditions and overall market sentiment, particularly in the entry and middle sectors. How the Reserve Bank manages the Australian macro-economic issues will likely have the largest impact on the performance of the housing market, with housing stock levels anticipated to remain fairly low.

We are anticipating blue-chip suburbs along the eastern side of Pittwater Road to outperform their western counterparts. Special areas of interest include Ingleside, Avalon, Warriewood Valley and Frenchs Forest.

The Ingleside Precinct Plan went back to the drawing board in 2019 and it will be interesting to see the revised plans that the council and New South Wales state government re-submit. Still a medium to long term prospect, but the progression of this area is something to keep an eye on in 2020, especially with the Mona Vale Road upgrades currently underway.

There are many commonalities between Avalon and Byron Bay. The suburb has a unique vibe and has become really popular for young families, particularly from the eastern suburbs and lower suburbs of the Northern Beaches. Families are seeing value without compromising on lifestyle. The suburb had one of the highest auction clearance rates and we anticipate the suburb to continue to perform in 2020.

The final land releases in Warriewood Valley, located off Warriewood Road, are currently on the market. The land sizes range mostly between 325 and 450 square metres and are around $3000 to $3500 per square metre. 2020 is likely to be the last year where a large scale land subdivision occurs for quite some time.

Lastly, a key infrastructure milestone was completed in December 2019 with the excavation of the 1.3 kilometre long Warringah Road underpass finished (hurrah!). The underpass will eventually provide more capacity for the thousands of daily motorists, ease current heavy traffic congestion and help reduce travel times. We also expect to see a continuation of investment at both a private and public level around the $1 billion Northern Beaches Hospital.

We are anticipating blue-chip suburbs along the eastern side of Pittwater Road to outperform their western counterparts

RESIDENTIAL

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Inner Sydney/Eastern Suburbs

This time last year, we were discussing the reality of being amidst a property downturn, particularly due to tightening credit availability as a result of the banking royal commission along with widespread negative market sentiment. We are now experiencing very different conditions with most inner city agents reporting persistently low levels of listings and this, combined with the renewed interest caused by interest rate declines, is set to cause the market to continue to recover. This is particularly the case for good quality, owner-occupier dwellings. Recovery for investor stock has been patchy and is largely dependent on the supply pipeline in the given area.

MEDIAN HOUSE PRICES

Kingsford
$1.98 million

Randwick
$2.35 million

Kensington
$2.572

The first home loan deposit scheme commenced on 1 January 2020 and is likely to have a direct impact on the lower end of the property market but also flow-on effects to mid-level properties.

The usual possible headwinds for the Sydney property market include affordability constraints, credit availability and wider economic and political matters.

Surry Hills is one to watch this year, particularly since the completion of the light rail, which has improved the public transport servicing the area and implemented traffic calming and management measures to reduce congestion. This combined with the removal of construction and the associated aesthetic improvements should see a price increase in the area. It is then likely that the neighbouring bridesmaid suburbs of Darlinghurst and Redfern will see some value uplift as a flow-on.

Similarly, Randwick, Kensington and Kingsford in the east will benefit from the completion of the Randwick section of the light rail last December, with the Kingsford section due to open in March this year. Kingsford in particular, with a median house price of $1.98 million according to realestate.com.au, could well prove popular for buyers priced out of the neighbouring suburbs of Randwick ($2.35 million) and Kensington ($2,571,500).

Sydney's new light rail opened in December   Source: Transport NSW

After being one of the worst performing inner city suburbs in 2018, Pyrmont appears to be recovering, largely due to plans to redevelop the fish markets and surrounding Blackwattle Bay precinct. In addition, Mirvac is looking to redevelop the nearby Harbourside shopping centre and The Star casino is undergoing expansion and refurbishment, with a proposal for a new hotel atop the building.

Redfern is well serviced by public transport and is close to the city, yet provides plenty of green spaces. It appears to be comparatively affordable in relation to its surrounding suburbs with a median of $1.4 million for a three-bedroom property (realestate.com.au). The median for a similar property in Surry Hills is $1.65 million and across the park in Paddington is a whopping $2.235 million. The suburb as a whole is shaking its social stigma and it remains a popular choice for young professionals and families with the eastern corridor of the suburb considered the most desirable.

As always, high density, investor centric markets should be treated with caution, particularly those with large pipelines of new apartments, including Waterloo, Zetland and Rosebery.

Whilst the current supply pipeline may settle and even return to below average levels in 2021, the timing of projects settling throughout 2020 is unfortunate for purchasers, as many projects sold off the plan in the peak of the market. Therefore any purchasers unable to settle may be required to off load at a loss. A recent example is 106/16A Gadigal Avenue, Waterloo in the Emblem development (below) that was sold off the plan on 17 June 2015 for $970,000 and re-sold (nine months after completion) on 21 August 2019 for $910,000.

Emblem Development   Source: jqz.com.au

The other factor impacting this market segment is the ongoing negative sentiment related to building issues in newer, large scale developments. This could potentially continue to be a significant factor and it is imperative that purchasers take due care when buying into newer large scale developments.

There are a few other elements that will unfold throughout the year that could have specific effects on some locations throughout the inner regions of Sydney. For example, the lockout laws are set to be wound back across much of inner city Sydney (although not in Kings Cross). It will be interesting to see if this has some impact on property prices through changes to nightlife premises operating hours and the flow on impacts of noise and patron behaviour.

CBD apartments are likely to also benefit from light rail completion and traffic flow alterations, while the WestConnex motorway construction is likely to continue to impact Rozelle, Lilyfield and some inner western areas.

Southern Suburbs

The south, like the rest of Sydney, had a strong end to 2019 after a sluggish start to the year. We are expecting property prices to continue to increase in 2020 across all property types and price points. Current levels of stock on the market continue to be below average, although are likely to increase as the year progresses.

In the Domain Livable Sydney study released in November last year, a number of suburbs in the Sutherland Shire made it into the top 100 suburbs with Jannali (13th) and Sutherland (18th) mixing it with some very well-known prestige harbourside suburbs at the top of the list.

Median prices in the Sutherland Shire region dropped more than the Sydney average during the decline, however there is already evidence that property prices have rebounded quickly since the federal election last May. A property at 21 Charles Place, Jannali sold in May 2019 for $1.195 million after 187 days on the market. The property resold in the same condition in November after just 11 days on the market for an undisclosed price slightly above $1.3 million, representing a 10 percent increase within a six month period.

21 Charles Place, Jannali Source: CoreLogic

There still appears to be some good opportunities with a number of suburbs along the railway line having a median house price at or below the million dollar mark, according to realestate.com.au data. Engadine ($900,000), Sutherland ($962,000) and Loftus ($980,000) have median house prices below $1 million, whilst Kirrawee ($1,007,500) and Jannali ($1.010 million) sit just above that mark.

These suburbs already enjoy a railway station with travel times of less than 40 minutes to the CBD during peak times and longer term will benefit from Stages 2 and 3 of the F6 Extension, should they be given the green light by the New South Wales state government.

In the St George area, Riverwood ($879,000), Narwee ($985,000) and Arncliffe ($1.005 million) provide a similar opportunity to purchase near a railway station in this price range. Adjacent to Sydney Airport and the M5 Motorway and only 11 kilometres from the CBD, Arncliffe provides an affordable alternative to its neighbouring suburbs including Banksia ($1.065 million), Rockdale ($1,080,500), Tempe ($1,117,500) and Bardwell Valley ($1.15 million).

The Sutherland Shire experienced a spike in new unit development completions over the past 12 to 18 months. This caused an oversupply of units, particularly along the corridor between Kirrawee and Caringbah, which put downward pressure on both prices and rents. In September last year, a two-bedroom, two-bathroom unit in a complex at 9 Urunga Parade, Miranda sold for $700,000 after originally being purchased off the plan in April 2017 for $719,040.

Whilst this type of product does still need to be treated with some caution, the drop off in supply of new units currently under construction will allow demand to begin to catch up and we expect prices in this market to begin to improve in 2020 as well.

Prestige

The lower north shore prestige market experienced a fluctuating year in 2019. The market started very slowly with the number of transactions significantly down, although the second half of the year saw a notable improvement in market activity. We expect there to be continued high buyer confidence in 2020 within this sector of the market, barring any unforeseen financial or international turmoil. We believe that transaction numbers and sale prices throughout the year will remain strong, although not at the levels seen during the peak of the market cycle.

The inner Sydney prestige market will continue to be buoyed throughout 2020 by the current projects being constructed in the Circular Quay precinct and further development of Barangaroo.

Mosman could well see its suburb record sale price broken this year. It was previously set in 2018 with a $25 million sale on Hopetoun Avenue. The property as 2 Rosherville Road, Mosman, set on 1473 square metres of waterfront land, is currently on the market with a reported asking price of around $30 million (news.com.au). This property has been on the market since the middle of 2019 so we will wait to see if market conditions this year support the property transacting at this price level.


2 Rosherville Road, Mosman Source: realestate.com.au

The inner Sydney prestige market will continue to be buoyed throughout 2020 by the current projects being constructed in the Circular Quay precinct and further development of Barangaroo. In late 2019 it was reported that a penthouse, two apartment amalgamation, had sold to an individual purchaser for $140 million. Benchmark sales such as this add to confidence in this sector of the market as the media broadcast such notable sales nationally and even internationally. This promotion attracts the attention of potential buyers in this top end prestige sector and the limited supply of such units can help spur continued strong sales. We expect this to be the driver of high-end sales in the new development areas in inner Sydney throughout 2020.

The eastern suburbs prestige market roared into gear in the second half of 2019 after a subdued first half of the year. Over 20 trophy homes, with asking prices above $15 million, are currently listed for sale across the prestige suburbs of Point Piper, Vaucluse, Bellevue Hill, Darling Point and Elizabeth Bay. On top of this, there is an increasing number of prestige property owners who utilise the expertise and contacts of well-regarded local agents working within this space to sell their properties off market. We are expecting the strong finish to last year to continue in 2020.

In the south, the record of $10.86 million for the Sutherland and St George region, set by a property in Kangaroo Point in 2018, is under threat. A large three-storey waterfront home on over 3000 square metres of land at 4 Townson Street, Blakehurst boasts six bedrooms, eight bathrooms, a tennis court, indoor and outdoor pools, slipway, jetty and garaging for up to 15 cars. The property was listed in October through Black Diamondz Property.


4 Townson Street, Blakehurst Source: CoreLogic

Lismore/Casino/Kyogle

The residential market for the 2020 year ahead in the Lismore, Casino and Kyogle area is likely to experience some improvement, continuing on the heels of the last six months of 2019 when sales activity started to show signs of confidence after six months of subdued activity.

Key factors to potentially influence house prices for 2020 include the projected low interest rate environment which last saw a 0.25 percent cut in October 2019 to an unprecedented low of 0.75 percent Reserve Bank rate, and it appears there possibly may be more cuts! However, it will be interesting to see how lenders react in their lending decisions which ultimately impact the success of most first home buyers and investors. Providing that all the lender's boxes are ticked, the savvy first home buyer and investor could do quite well this year as banks competitively seek their business.

And yet, we are still stuck with the limited stock available complaint (as oft repeated by local real estate agents). So whilst the low interest rate environment may be considered conducive to an increase in potential property enquiry, if there is no product available, then competition will ultimately rise for what is available and potentially see prices improve.

It is interesting to note that in both Casino and Kyogle, there is very limited supply of vacant residential lots available for sale. This concern has been expressed with the Richmond Valley Council taking the initiative in acquiring one of the very few residential englobo lots available for sale in Casino. The Council has some good form on this initiative, having recently completed the sale of all available vacant residential lot stock in the Settlers Estate on the eastern fringe of Casino. It is expected that due to the limited supply of vacant residential land, demand for such a product is likely to be relatively strong especially since the prices are still considered to be reasonable for flat land.....think sub $150,000.

HERRON TODD WHITE RESIDENTIAL

It is interesting to note that in both Casino and Kyogle, there is very limited supply of vacant residential lots available for sale.

Lismore City is faring rather better with new residential estates coming to fruition such as Hidden Valley Estate and other planned estates at Eastwood in Goonellabah which has already received positive enquiry with approximately 135 new lots to be created. The market for vacant land has been steady up to this point in the Lismore City area. Level blocks are expected to continue to remain steady, however more steeply sloping blocks requiring significant foundation works and increased construction costs may require some discounting from developers to shift. Prices continue to improve to the point where the vast majority of level blocks are now well in excess of $200,000.

With much of the land in Lismore City becoming available throughout 2020, local builders and project building companies will have plenty on their plates, so much so that we have noted a significant increase in construction costs in 2019 and likely to continue in 2020. However, this does not appear yet to be dissuading owner-occupiers from building.

The demand for rental accommodation in Casino, Kyogle and Lismore City throughout 2020 is likely to remain relatively strong, particularly if first home buyers can not secure finance and therefore need to look for places to rent. Newcomers to the area have also raised the enquiry level for accommodation.

Properties north of $550,000 within Lismore City still appear to be in demand for the well-heeled owner-occupier looking to upgrade. For Casino and Kyogle, residential properties in the $400,000 plus bracket are generally limited in number but tend to sell reasonably swiftly when offered for sale.

In summary, Lismore City is a quiet achiever with Casino and Kyogle holding their own. Their proximity to some of Australia's best coastline, a strong employment base from the government, education and rural sectors combined with relative affordability is likely to insulate these areas from significant falls that seem to befall larger, metropolitan areas. In a market where the expectation is that improved properties are likely to continue be restricted in supply and coupled with a low interest rate environment, we should see some up-tick in prices across the board. In short, 2020 is expected to be a year of slightly improved growth for Lismore City, Casino and Kyogle, however the rural lifestyle or rural farmlet sector can expect some hurt, especially if the protracted dry conditions continue.

Ballina

The coastal areas throughout the Ballina Shire saw some modest increase in value levels throughout the second half of 2019 and early indications are that buoyant market conditions are expected to continue in 2020. Local agents report moderate levels of enquiry and low levels of stock, particularly within more sought after locations. An oversupply of vacant land in the Lennox Head and Skennars Head market has been somewhat of a concern over the past few years, however the demand for this product appears to be enough to dismiss any such concerns, at least in the short term. The proximity to Byron Bay and surrounds, coupled with the very limited amount of vacant land available for sale throughout the Byron Shire would also limit any sort of correction should an oversupply occur within this sub-market.

In summary, healthy market conditions are expected to continue throughout the Ballina Shire on the back of low interest rates, with more sought after locations benefiting from the strong markets in Sydney and Melbourne.

Clarence Valley

As the festive season nears its end and a sense of normalcy returns to the Clarence Valley, it's clear that 2020 is set to see a resilient response to and hopefully prompt recovery from recent fire events. Given the devastating and varied effects of this disaster on property as well as the community, it is without a doubt a trying time for many.

With a number of major infrastructure projects including the Harwood Bridge and Pacific Highway upgrade and new Grafton Correctional Centre nearing or predicted to reach completion in 2020, it is likely we will see a general reduction in rental enquiry and return, an element which has played a key role in recent times. However, whilst this is undoubtedly a contributing factor, given recent trends it is unlikely that the greater Yamba, Maclean and Grafton areas will see a sharp decline in market values. That said, there is certainly a sense of stability rather than increase in the air.

It is due to a myriad of reasons, including the region's comparable affordability, natural features and proximity to considerable infrastructure, that residential market values are expected to remain steady with supply continuing to be dwarfed by high levels of demand for most product types.

Whilst prestige and unique properties may see extending selling periods, almost all property types in the sub $500,000 category look to have a healthy pulse as we welcome 2020.

Coffs Harbour

Traditionally the start of the year is always slow, however, we are seeing a somewhat slower start than normal which may be attributed to the devastating fires which have occurred and continue to terrorise New South Wales. Although the worst of it appears to be over in the Coffs Coast region, there is still a hangover effect and rebuild stage taking place within the affected communities with these markets under a watch and see phase.

These markets were relatively complacent prior to the recent bush fire event with little to no discounting for properties that could potentially be affected by fires. However, now a major bushfire event has occurred (and is likely to continue over the rest of this summer), properties impacted by bushfires may experience a period of lower demand, increased sale periods and falls in value. Until such time as a volume of rental and sales evidence of bushfire affected properties does occur, it is difficult to predict the effect on the market and whether any discounting may be required to achieve a sale.

Against the backdrop of all of this devastation, the region is underpinned by its endless lifestyle opportunities and major infrastructure projects in the works especially anticipating the start of the Pacific Highway bypass of Coffs Harbour.

The general feel is that the market should tick along nicely once all have returned from the holiday season. With the record low interest rates driving market confidence, we are noting good levels of property being placed under contract and more notably the $1 million plus beachfront market has recorded several sales over the new year period.

Newcastle

2019 started in the doldrums and finished on a high with record sales across a number of suburbs. Records sales tend not to happen in a falling or subdued market.

16 Bar Beach Avenue, Bar Beach sold for $5.525 million towards the end of 2019 and set the record in Newcastle for a single residential holding. This eclipsed the $5.51 million paid at the beginning of 2019 for 40 Kilgour Avenue, Merewether.

16 Bar Beach Avenue, Bar Beach — Source: Core Logic

21 Flowerdale Drive, Merewether Heights sold for $2.18 million with settlement due in the first quarter of 2020. This property saw strong interest after a significant media campaign and is a record for the Merewether Heights location.

21 Flowerdale Drive, Merewether Heights — Source: Core Logic

So with the backdrop of a resurgent market and most agents reporting increased interest across the board, 2020 starts with a whiff of optimism (and at the time of writing, a fair waft of smoke). The same could not be said for Newcastle and the Hunter 12 months prior in January 2019. This time last year, pessimism abounded. How long this current resurgence lasts or whether it can be knocked off course easily is yet to be seen. Our prediction is that it can't be as strong as the last uptick (2012 to 2017), which was unprecedented for the area with massive increases across the board in all property sectors.

"Part-time psychologist hat being reached for and placed on head at a jaunty angle" warning. If we were to hazard a guess, it would be fair to say that we are at an interesting juncture in the market. The recent boom is fresh in the minds of all property investors and professionals. When the boom finished, many who either missed the boat or didn't fully capitalise will have made promises to themselves that next time the ship sets off, they would get up that gangplank sharpish (or whatever it is they board ships with these days; with our smarts, we have probably moved past planks). We suspect that the recent gains in the market locally are born from the fear of missing out a second time. That's a powerful driver in any market.

2020 is set to be a pivotal year in our future with a number of events all converging to a point where something monumental is likely to happen. We have US elections winding up like a coiled spring, ever-growing awareness of and focus on climate action and China testing out sovereign nations' resolve across the globe. Any of these have the ability to derail or boost the economy like nothing has for a decade or more. And Newcastle and the Hunter is like a bug hanging on for grim death to the windscreen, being buffeted by headwinds as speed quickly escalates, whilst simultaneously trying to avoid the jet of water shot fair up the caboose followed by the wiper of death. We are at the mercy of things bigger and more complex than us.

Port Macquarie

During 2019, we saw a sluggish start to the year due to various factors including a softening of investor demand in the residential market and uncertainty during the election run-up. The May election with the reinstatement of the Liberal government, three interest rate cuts between June and October and the relaxing of some lending policies saw a steady increase in activity as the weather warmed up. This had the Mid North Coast property market heading into the festive season on somewhat of a high.

60%
Non-local purchasers

With interest rates set to stay at historic lows or decrease further, natural population growth and out of town investors purchasing in the area, we believe that the way we finished 2019 will be the way we start 2020, with continued steady price growth and an increasing number of sales for our area. We do note that approximately 60% of purchasers are from outside of the area.

We believe the best performer for the year ahead will be the established well located areas close to town, beaches and infrastructure. As we have seen for a number of years, some of the older areas are getting a face lift and younger families move into these areas and revitalise them.

Some of the fringe suburbs with large land releases might see more subdued growth as developers continue to release additional land, sales numbers plateau and prices remain stagnant.

Central Coast

The real estate market of the Central Coast Region of New South Wales enjoyed a good year in 2019 and we don't expect much changing for year 2020. Of course there are many factors that may change this. The most obvious factor likely to affect the market is the bushfire disaster seen across the state. The Central Coast region has been affected by this, but to a much lower level than other regions. This means we can't see a direct and significant effect on values and demand in the region.

It remains to be seen this early in the year what operational changes, if any, lenders and insurers will implement as a result of the bushfires, but if changes occur within their respective spaces, there will be an indirect effect on the market.

There is of course, a similar scenario in many parts of the state, and the Central Coast region sits between two markets that have been particularly affected, the Sydney and Newcastle markets.

Historically, the periods following significant events such as the devastating bushfires usually cause some disruption to the market and to a degree we do see this playing out in a period of consolidation - nothing new here.

In Central Coast terms, the market is more likely to experience short term effects by excessive rainfall and flooding as we have seen in the past and if weather predictions prove correct, the region will have a lot of rain soon.

There weren't any really identifiable standouts across the various market segments in 2019 and this is expected to be the case in 2020. We saw the completion of several residential unit complexes in 2019. Almost all of the individual units within these complexes were sold off the plan from as far back as 2016. As completion drew close and developers starting calling for settlements, we were instructed to provide current valuations for mortgage purposes. In most cases, the values held with some increasing and on the odd occasion, a fall in value was noted. Construction of new residential unit developments waned during the latter part of 2019 and there remains only a few developments still under construction, meaning that the heat of this market segment has eased and this should provide an opportunity for the consolidation of values in both new and older units, the latter of which did suffer slightly due to the preference for new stock.

General housing showed little of the effects of market disruptors seen in other regions during 2019 and from our perspective, it was pretty much a case of the market for established dwellings being steady throughout the year. We don't see much changing in 2020 for this segment and no locations showing signs of emerging as the place to be.

Last year we offered that the peninsula suburbs of Woy Woy, Umina Beach and Ettalong Beach would see a reduction in values on the back of several extraordinarily strong years of growth. We couldn't see the rise in values being sustained for long and to a degree, this occurred with some real estate agents referring to 2016 values as the new norm for this part of the region. Once again, we would

Historically, the periods following significant events such as the devastating bushfires usually cause some disruption to the market.

suggest caution and well founded research when buying in these suburbs.

If pushed to suggest an emerging market, then we suggest a look at the new estates around Berkeley Vale. The land is considered good quality and well priced. As new dwellings are established here, the values both within the estate and adjacent should benefit. Considerable new home building activity remains a staple for the newer suburbs towards the northern end of the region. This includes the suburbs of Hamlyn Terrace and Wadalba. Both suburbs provide well priced land with services close by and handy access to the M1 Motorway. We see a resilience to market pressures in these areas due to the relatively solid levels of affordability.

At an operational level, our interaction with lenders and mortgage brokers increased during 2019. This follows an extended period of limited interaction with the placement of intermediary parties being the link between lenders and service providers. While that link correctly remains present, direct discussion has proven just as successful as lenders seek a more detailed understanding of what's happening in their local markets to assist in paving their way forward.

As with the last year, there is a reasonably good level of market confidence present, with indications that this confidence will wane slightly in some segments as the year progresses. If previous cycles repeat themselves, we can expect to see a period of reduced buy and sell activity. Obvious determinants of this will include the cost of financing, stock availability and of course, the presence or absence of buyers and sellers. Less obvious at this early stage but perhaps more influencing will be effects of natural disasters and as always, the role of the media.

Also as with 2019, we see 2020 proving to be an interesting one for local real estate following the market peaking in most segments. We say interesting because the traditionally reliable and predictive market indicators have or are likely to be different to those seen in previous, fairly predictive cycles. The activity and rises seen until very recently occurred over an extended and sustained period as opposed to previous cycles.

Illawarra

Welcome to 2020. The year ahead is an unknown quantity in respect to the residential property market in the Illawarra. Towards the back end of 2019, demand for property appeared to be picking up, halting the declining market experienced throughout 2018 and the first half of 2019. Selling periods certainly dropped and it was common for agents to be reporting sales within a couple of weeks of marketing as buyers became a bit more ready with their cheque books. We are expecting the beginning of 2020 to follow this trend with reasonable demand for a wide variety of property throughout the Illawarra.

> *Something to keep an eye on is Wollongong CBD units.*

At the lower end of the house market are entry level properties in Cringila for just under $400,000, in Nowra for around $350,000 and Horsley around $450,000. At the other end of the scale, there are a number of fine homes currently listed for sale over $3 million in locations including Lilyvale, Otford, Thirroul, Minnamurra and Berry along with a dual level Cliff Road unit listed at over $4 million.

As at the end of 2019, property pricing and position in the market will be crucial to driving sales. Well presented properties with realistic price expectations will do well, while inferior quality properties and those in secondary locations are still expected to struggle.

Something to keep an eye on is Wollongong CBD units. As 2020 progresses, so will a number of larger unit developments including the highrise projects on and around Regent Street. Delivery of these will provide a large supply of additional units into a market that has already expanded at an unprecedented level in the past 10 years.

Our prediction for the year ahead is for the residential property market across the region to remain relatively stable with minor increases in value. Whether the market is gearing up for another decline, further strong growth or a long settled period is anyone's guess.

Southern Highlands

Looking forward into a new decade, we expect an overall fairly stable market across the board in the Southern Highlands area. After a fairly slow or poor performing 2019, the market began to improve moving into the summer holiday period, with the majority of local agents reporting good numbers back at open homes as well as improved prices across the board.

In the Wollondilly Shire we are seeing large numbers of new housing estates pop up and construction around the Tahmoor and Thirlmere areas beginning to increase. The main price point to watch is $500,000 to $750,000 as we begin to see the growing south-west corridor of Sydney creep down towards the Wollondilly Shire due to major state infrastructure projects such as Badgerys Creek Airport being well and truly underway. This coupled with Tahmoor Central beginning at a local level could see good growth in 2020.

Further south, we expect the Wingecarribee area to continue to remain fairly stable after a period of strong growth through the middle to end of the past decade. Overall we are seeing a large number of the new estates nearing capacity, limiting new detached dwelling growth in the established suburbs. We are likely to see construction begin on several large, medium-density developments in central Bowral which is likely to attract some downsizing locals as well as Sydneysiders wanting to be within close proximity of central Bowral.

At the other end of the scale, with recent bushfire activity having a heavy impact on the northern and southern ends of the Highlands, the townships of Wingello, Penrose, Bundanoon in the south and Balmoral, Buxton, Bargo and Yanderra in the north are areas for concern going forward. The established township of Bundanoon is probably least likely to be impacted, however the remainder of the suburbs mentioned which are surrounded by heavy native bushland and in which many homes have been lost may be hit with some market resistance due to people trading properties for economical and emotional reasons. Overall we would anticipate that this property sector may experience a period of lower demand and greater days on market than previously experienced.

Southern Tablelands

As we enter the new decade, residential market fundamentals for the Goulburn area remain stable. Following a year of mostly low declining prices, there appears to be a much more positive outlook for house prices in 2020 with more buyers in the market, plenty of sales occurring and within reasonable selling periods when priced correctly.

We expect the high level of construction activity to endure throughout the year with the Teneriffe and Joseph's Gate developments now online. We have also noted an increasing duplex market emerging in these new estates, appealing typically to investors which will mostly likely continue in the new year. As at January 2020, realestate.com.au showed approximately 142 vacant land lots listed for sale in Goulburn, 2580. Is supply outweighing demand? This may result in some sites being discounted in order to be competitive and achieve a sale within a reasonable selling period.

The recent bushfire events may impact the market sentiment of the semi-rural suburbs which have been reasonably popular in more recent times. Prior to Christmas, agents were reporting high numbers of enquiries and an increase in volume of transactions of rural lifestyle properties from mostly Sydney buyers. We anticipate that this property sector may experience a period of lower demand, increased sale periods and falls in value, predominantly in the townships heavily affected by the recent bushfires.

Albury/Wodonga

This year, with a new decade upon us, we will report on our region as a whole, sometimes breaking it down by suburb or township, while always trying to give the reader an overview of what is happening in our large and diverse property market. Albury-Wodonga has started the year with a semi circle of serious bushfires from north, north-east and south on both sides of the border, with the north-east of Victoria very much in our area and very much affected. The effects of this disaster are many and thankfully many townships were spared, however it will be a long bushfire season and it will take its toll on the entire region. Shorter term recovery efforts will commence and in the longer term the full extent will be evident.

The underlying challenges will also exist for our tourist towns that were evacuated several times (Bright, Corryong, King Valley) and drove visitors away and no doubt local businesses will feel this along with farmers who have suffered loss of stock, infrastructure and income.

No one can predict the future but Australian communities working together in the face of disaster is a sure bet and like many other regions affected, the Albury-Wodonga region will display resilience and strength in 2020. This will likely mean that property markets across the region have a subdued start with less stock available and possibly many participants preoccupied by the effects of the bushfires personally, locally or regionally.

The upshot remains that the region offers many property options for home owners and investors alike. Overall, sales activity in 2019 was lower than 2018 and this trend may continue in 2020. Median property prices across the region have held or increased by around four to five percent. The areas to watch in 2020 are Myrtleford, Wangaratta, Corowa and Mount Beauty/Tawonga/Tawonga South and Benalla. In Albury-Wodonga, value remains in North Albury, West Albury and Thurgoona.

We are yet to have a smoke free day in the region this year. Let's hope that when the smoke finally

Let's hope that when the smoke finally clears, we all appreciate how fortunate we are to have homes in such a terrific part of the country.

clears, we all appreciate how fortunate we are to have homes in such a terrific part of the country.

Tamworth

Water, water, water! This will be the major determining factor over the next 12 months for how the Tamworth market performs. As the drought continues to ravage the state, the government recently announced funding for a new dam to be constructed for Tamworth's water supply as well as a direct pipeline from existing water sources to the town treatment centre. This has gone a long way in shoring up the town water supply as well as increasing confidence in the town, but as they are yet to be completed we are not out of the woods yet.

Despite the drought, the real estate market in Tamworth has been holding up well.

Despite the drought, the real estate market in Tamworth has been holding up well, showing that Tamworth is no longer only reliant on the agricultural industry, however it is now clear that a slowdown has occurred with a noticeable increase in days on market. While properties are still achieving fair market value with no drop in values noted, they are certainly taking longer to sell, perhaps a month longer than expected but still below a six month period. We expect this trend to continue throughout 2020 unless we receive some drought-breaking rain which will increase cash flow into the local economy from the surrounding agricultural industry as well as refilling the town water supply.

The extended selling periods currently being experienced may open up opportunities for the astute buyer if the vendor requires a quick sale. We would keep an eye on east, inner north and inner west Tamworth, as these areas can often be tightly held and have experienced good growth in past years. On the construction side of things, the past year saw a decrease in construction with some of the larger local builders reporting up to a 40 percent drop in new homes. This may be more a reflection on how many homes they were doing previously, with smaller builders reporting more work than before. We expect this trend to continue in 2020 with a possible uplift as the new first home owners grant is enacted, requiring first time buyers to have only a five percent deposit and the government guaranteeing the other 15 percent.

Overall we are expecting 2020 to remain stable but slower than the past few years with the continued drought. If we receive the rain we are praying for, we may see an uplift towards the latter half of the year.

Victoria

Melbourne

As we roll into a new decade, there are a few tell-tale signs to indicate that 2020 is already shaping up to be a busy year for the residential property market across all areas and regions of Melbourne. The first half of 2020 should see suburbs across Melbourne make a strong recovery due to a combination of factors being:

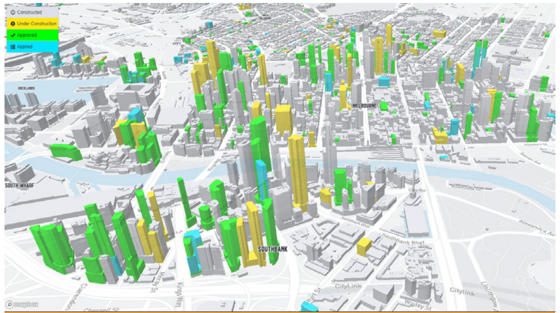
- Interest rates at a historic low of 0.75 percent after three rate cuts in 2019;
- Easing lending serviceability boosting borrowing capacity;
- Increased stock levels due to seller confidence;
- House prices on the rise due to increased buyer sentiment;
- More first home buyers entering the market due to first homeowner incentives such as the First Homeowners Grant and First Home Loan Deposit Scheme.

Melbourne CBD

Over the past few years, we have witnessed an influx in supply of new apartments in the CBD area. 2020 should see demand for Melbourne apartments remain steady as approvals for new residential developments hit a peak in 2017 and have since slowed down. Most of these developments have been high density and located in the northern grid of the CBD. A slowdown in the residential development sector could slow the apartment supply, resulting in a boost in demand for rental properties due to strong migration and appeal of Melbourne to international and interstate higher education students and workers relocating closer to the business district, which has continually encouraged strong rental growth and helped maintain current rental returns for these CBD and inner city apartments.

One of the biggest struggles in the market is settlement for off-the-plan apartments. It is proving a significant challenge for developers with many of the major lenders tightening or altering their lending policies to foreign investors or contracts subject to the Foreign Investment Review Board resulting in longer than normal settlement periods and further exacerbating settlement risk.

New developments within city fringe suburbs such as South Yarra, Richmond, St Kilda, Abbotsford and Collingwood are contributing to this concern of oversupply. Demand will need to remain strong if supply is to be matched over the medium term.



Development activity in the city   Source: City of Melbourne, 2020

Outer South East

Starting off the new year with the right market conditions, there are a handful of locations that have indicated strong growth potential this year in the south-eastern regions of Melbourne.

OFFICER
Median house price
$549,000
Gross rental yield
3.8%

One of the suburbs to look out for is Officer. Located approximately 50 kilometres south-east of the central business district and situated between Pakenham and Berwick, Officer has become one of the fastest growing suburbs in the outer south-eastern growth corridor. Officer stands to be one of the best suburbs to invest in for 2020, where the median house price is $549,000 and the gross yield is 3.8 percent.

With affordable house and land packages combined with low interest rates, government incentives and looser loan serviceability tests, these new estates are perfect for those looking to purchase their first home or migrating families who are looking to make Melbourne their home for the first time.

Inner and Outer North

The property market has shone in the past seven years showing extraordinary growth in property prices in the northern suburbs. Last year's property market results ended on a high note as we saw the fastest turnaround in history, with improving prices and clearance rates leading into the new year of 2020. With property values rising, sellers are expected to cautiously return to the market, increasing stock levels.

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So, what do we know moving forward into 2020? We can be assured that the Reserve Bank's main focus will be to decrease unemployment rates and to increase wages, which will likely result in interest rates falling further throughout the year, making it even more affordable to enter the market. This trend could see an upside in developing areas such as Craigieburn, Kalkallo and Mickleham, which may prove to be the only truly affordable option for the inner and outer northern suburbs.

By offering properties at affordable prices, these areas may still be the choice for migrating families moving to Melbourne or country Victorians wanting to move closer to Melbourne.

Areas in the desirable suburbs of the inner north such as Abbotsford, Carlton and Richmond should expect to see moderate to low stock on the market. Blue chip properties that tick all the boxes will continue to perform in 2020. Low vacancy rates will also be evident in these areas with vacant dwellings being snapped up either by investors or renters.

Inner and Outer East

The property market in Melbourne's inner and outer eastern suburbs corrected firmly and growth in the second half of 2019 continued trending upwards with clearance rates at auctions growing, average days on the market declining and median house prices in Hawthorn, Balwyn and Box Hill areas correcting after suffering a major decline from the end of 2018 to July 2019.

With a surge in property prices in the inner and outer eastern suburbs in the last two quarters of 2019, the year of 2020 looks to be prosperous for the property market scene in Melbourne. Areas of growth to keep an eye on will be Box Hill, Glen Waverley, Ringwood and Ferntree Gully.

The result of the federal election was expected to negatively impact the property market but ultimately this did not come to fruition. Stability within the eastern suburbs region firmed once more and is set to continue. While the chance of seeing a boom period in 2020 is limited, the increase in auction rates and median house price growth is a good indicator for what will be a positive year for property owners in Melbourne.

Inner and Outer West

Property experts have forecast that Australia's property market is set to jump as a nation, with Melbourne and Sydney in particular set to lead the way. Both cities are expected to see double-digit annual gains and with Melbourne's west being the fastest developing region, 2020 is looking bright in this area.

This scenario is one where interest rates remain low, the economy improves and bank regulator APRA does not intervene with lending restrictions to slow down a runaway housing market in Australia's two biggest cities.

Price rises could be even stronger if the Reserve Bank does cut interest rates again, as is currently forecast by most economists and priced in by financial markets.

Melbourne's west offers some of the most affordable housing opportunities Melbourne has to offer. It has been estimated that Melbourne is 27 per cent overvalued relative to its economic conditions (SQM Research), therefore affordable Melbourne outer region suburbs have been highly sought after in recent times.

Experts have stated that 2020 will be more about steady growth rather than boom. With the new year in full swing, there will be more stock coming onto the market. Clearance rates are currently strong and we may see a slight increase in prices as people come into the market, which should result in nice steady growth in 2020.

Those considering buying closer to the city should look in western Melbourne, including Footscray, Sunshine and Truganina.

MELTON

Median house price
$385,000

Gross rental yield
4.3%

Median unit price
$315,000

Gross rental yield
4.8%

In terms of the best suburbs in which to invest in 2020, Melton located in Melbourne's north-west currently has the most promising figures. The median house price is an affordable $385,000 with a gross yield of 4.3 percent and the median unit price is $315,000 with a yield of 4.8 percent.

Geelong

Geelong has entered 2020 with a solid foundation to make sustainable capital growth this year. The final CoreLogic Home Value Index for 2019 revealed a rising rate of growth over the past three months that had pushed the city's median dwelling value to almost $560,000. This is just 1.5 percent shy of the price recorded at the end of its boom in 2018, as the market restored falls in value that continued into winter.

This rebound in Geelong's property market was

Blue chip properties that tick all the boxes will continue to perform in 2020.

brought on by reduced mortgage rates, easing borrower serviceability assessments, improved housing affordability and certainty around property tax laws. Geelong should see a stronger rate of capital growth in 2020 compared to larger scale cities such as Melbourne and Sydney due to it being far more affordable and with improving economic conditions.

In terms of the best regions within Greater Geelong to invest in, Bell Park, Belmont, Torquay and Curlewis were among the highest growing areas. These regions were strong in both the rental yield and median house price department, with Curlewis in particular increasing by 13.23 percent in median house price throughout 2019. These developing and affordable regions should continue to show growth in 2020.

All signs are pointing to Geelong tracking along well in 2020. Nothing suggests that the market will fall and there are a number of upsides that Geelong's economic and property markets are portraying leading into 2020. Expect moderate growth in housing prices of between five and eight percent over the course of the year.

Mildura

We expect 2020 to maintain the positive momentum of 2019, with the relative affordability of housing in the Mildura region and low interest rates working in our favour. Demand will be strongest for modern homes in the $350,000 to $450,000 range, with buyers being a mix of first home buyers and buyers trading up from older homes.

The higher cost of buying land and building new homes will maintain demand for older homes in central Mildura. It is possible to buy an older home in a reasonable location in Mildura for under $275,000. The older properties often have a larger land size and are within walking distance of schools and shops etc.

Rental demand is expected to remain strong throughout 2020, with the limited supply contributing to rents increasing slightly.

There has been a shortage of serviced residential lots in Mildura during the past 18 months, with many buyers instead looking to other nearby towns such as Irymple, Red Cliffs and Gol Gol. A number of larger subdivisions are expected to be developed in Mildura during 2020, which will hopefully result in a more balanced market.

Weighing on everyone's minds however, is the real risk that Mildura will be placed on higher level water restrictions during 2020 unless significant rainfall fills Hume and Dartmouth dams. We are currently only on stage 1 restrictions, but any move to more onerous restrictions would impact the ability to keep gardens alive during our long, hot summer. When higher restrictions last occurred in 2007 and 2008, we saw reduced demand for houses on large lots, which are obviously much harder to maintain without easy access to water. Ongoing water shortages would also inevitably slow the local economy and potentially slow demand for housing.

Weighing on everyone's minds however, is the real risk that Mildura will be placed on higher level water restrictions during 2020.

Shepparton

The Shepparton property market has continued to thrive over recent times due to the affordability the region offers. Median house prices have steadily risen by 17 per cent over the past five years to $294,500, up from $275,000 this time last year (source: Corelogic).

▲17%
5-year change in house price

Representing a median price house is a 1960s brick veneer in an established residential area with adequate services. Sometimes, a renovated kitchen or bathroom is featured in these properties which are sought after by owner-occupiers as well as being of particular interest to the investor market. The below property sold for $286,000 and features an updated kitchen, pergola with deck, and an updated bathroom within a stone's throw from the Goulburn Valley health complex.

Sold for $286,000 Source: realestate.com.au

These properties are renting for $320 to 350 per week, with some achieving up to $375 for fully renovated accommodation in a good location. This

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represents a gross yield of around 5.8 percent, but higher yields can be achieved, especially with newer properties.

Although Shepparton has performed strongly, Mooroopna's modern homes have suffered somewhat. Caution should be exercised if buying or constructing a dwelling over the $375,000 mark as it may take some time to realise any capital gains, however the rental returns are strong.

All signs point to another strong year for growth, with some major projects coming to fruition and two large scale housing developments opening up in Shepparton North East and Shepparton South East which are set to offer some 4000 blocks of land over the coming years.

Queensland

Brisbane

We've been waiting in the wings for about a decade – hoping it's our time to shine and rocket up the property value charts. We've watched Sydney and Melbourne go from strength to strength while our property owners have generally been eking out modest gains at best. Positive moves, to be sure, but not head-turningly stellar.

It seems the long post-mining-boom hangover, which fed into diminishing employment numbers and plummeting net interstate migration all came into play and kept the prices subdued most of last decade.

But things have been looking up of late – and with substance... and it lays solid groundwork for a positive 2020.

Firstly – net interstate migration numbers are now back up to a healthy level. In fact, close to numbers we last saw during years with hot capital growth runs. It's a combination of affordability or southern retirees seeking lifestyle to date, although further improvement in job numbers would help fill out the demographics of new QLD residents arriving from over the border.

Also – were in the midst of an infrastructure run that will help drive our Brisbane economy through to 2025 at least. Transport plans like Cross River Rail and Brisbane Metro all come into play. This means reduced commutes and more construction jobs. The highly anticipated Queens Wharf complex is firmly on the radar too.

Another good sign is that the oversupply of investor units from 2015-17 is being absorbed. Slowly, but surely, as these get repriced and taken up, the sector will strengthen.

So, what's the downside for our town.

Well, our overall economic health is still influenced by national and international factors. There's no escaping this. So long as uncertainty reins, we will feel the brunt of facets such as trade wars or political machinations. We are a relatively small player on the global stage.

Here are a few things to keep an eye on in 2020.

First up – the financial landscape. Tighter bank rules in 2018/2019 made securing loans tough and this had an absolute flow on to our market. If credit is freed up further in 2020, then this will definitely be a good thing for our real estate.

Another thing to keep an eye on is new tenancy legislation. We'll avoid taking a political position on this for now, but if the proposed laws make it through parliament, it appears landlord's property rights will be diminished. Our mathematical mind does compel us to think removing some of an owner's control over their investment property will affect the values, but as to how this plays out we'll need to wait and see.

As to where to invest in 2020, we revert to our tried-and-true approach that the fundamentals of property economics are always best displayed in Brisbane.

That's to say the closer you buy to our CBD, the more likely you will see capital gains. Add to that detached housing still attracts better growth premiums that attached housing.

So, the basics indicate that buying a detached home within as reasonable proximity of the city as best you can afford will be the surest approach this year. The flex points are you can travel further out but be nearby to public transport options, major services and employment centres.

If you were looking for locations at or around the median Brisbane house price – which is somewhere in the vicinity of $550,000 depending on which data house you ask –then head to the outer suburbs for a standard house, or look for something modest a bit closer in.

If you're on a budget but need some space, heading to locations like Carseldine, Fitzgibbon, Taigum and Banyo to the north. These should get you more bang for buck with traditional homes, while Acacia Ridge and Runcorn will provide options that might appeal in the south. These suburbs may not be for everyone, but they do offer reasonable housing with some long-term upside potential.

We look for to some decent, sustained gains in 2020 with a hope that the year proves to be a foundation for more impressive upside through to 2025.

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If you have more dollars to spend on a home, perhaps those 'next-suburb-out' addresses will have something for you. Try Chapel Hill and Kenmore to the west, Stafford Heights and Chermside to the north and Holland Park, Carina Heights and Moorooka south of the river.

Of course, blue chip locations like Hamilton, Paddington, West End and East Brisbane should be good-uns for anyone with decent coin to spend.

We continue to be shy of units and apartments in terms of price growth in 2020. If you are looking for something solid, please seek out a second-hand unit in a small complex but in a good location. Be close to café hubs and transport as a rule. Keep your eye on the old favourites such as Ascot, Auchenflower and Fairfield as examples.

So – overall, we look forward to some decent, sustained gains in 2020 with a hope that the year proves to be a foundation for more impressive upside through to 2025.

Gold Coast

Central West and Scenic Rim

2019 saw an easing in market values following the effects of the royal commission into the banking sector, however the market is set to improve in 2020. A number of real estate agents in the local area have stated that confidence has returned since the result of the last federal election.

The central west and western Gold Coast region provides first-home buyers and investors with entry options in areas such as Highland Park, Nerang, Pacific Pines, Maudsland, Upper Coomera and Oxenford. The entry-level market will remain strong due to the government first home grant of $15,000 and home loan interest rates continuing at record lows. Many home buyers are keen to enter the property market before prices go up further.

Over the past year or so, a number of owners have been tapping into the Airbnb market.

Local infrastructure projects and jobs growth will contribute to the improvement. Also, cashed-up interstate buyers continue to see value or a better lifestyle in the Gold Coast market. Property types popular in the region include house and land packages, second hand detached dwellings and attached duplex and townhouse or villa units that either meet first home owner requirements or provide investors a rental return.

A niche market seen within the region is Tamborine Mountain, located on the western hinterland with a variety of tourism based cafés and restaurants, wine outlets and wedding reception establishments. Over the past year or so, a number of owners have been tapping into the Airbnb market by extending their homes into dual living floor plans and leasing part or all of the home on a short term basis. Many owners who have done this advise of very good rental demand and return.

North West Region

We believe that with the record low interest rates at present, the year ahead looks like we should have some improvement, albeit at a moderate rate, however with the economy not going very well at present compared to the mining boom in the Howard government era, combined with our current massive bushfire disaster and rising tensions in the Middle East, we can expect a large hit on the economy. With this in mind, the growth predicted by some economists for 2020 could all disappear and push the housing market in the other direction. What we have to say at present is that it is really wait and see time.

The housing market in the north-west includes significant construction however in the past 18 months, construction in the region has been deflated. Prior to this, developing estates were thriving with constructions and land sales and as a result we have seen an oversupply of new housing with many vacant houses and second hand modern dwellings having to be heavily discounted to achieve a sale. With the slow down in construction, we hope to see a catch up of demand to supply. Yarrabilba and Flagstone are the ones to watch.

Southern Gold Coast / Northern NSW

The northern New South Wales and southern Gold Coast market became segmented towards the end of 2018 with mixed results continuing into the first half of 2019.

Throughout the second half of 2019 however, agents advised that stable prices were seen along the coastal areas and in some instances, reported evidence of growth, particularly in the coastal suburbs of Coolangatta, Kingscliff and Casuarina.

Coolangatta Source: @crawlstu via Twenty20

Investment in further infrastructure throughout the area, with projects such as the Tweed Valley Hospital and the approved continuation of G:Link into Stage 3, has improved general market sentiment which should continue in 2020. It would appear that a slight spike in investor activity has occurred across the board with easing lending policy post the royal commission as well as an increase in domestic migration to the southern Gold Coast and Tweed Shire.

Central Gold Coast

Given the positive final quarter of 2019, the central Gold Coast area is anticipated to remain fairly buoyant throughout the first half of 2020. Sales activity spiked during September and October 2019 and local agents have reported that good levels of demand continued throughout holiday period for a broad range of property. The stable market conditions in the Sydney and Melbourne property markets along with the low interest rate environment and easing of lending policy has given confidence to local buyers, particularly those seeking to purchase property priced in the higher price brackets. Burleigh Heads and Burleigh Waters remain hot spots, however more recently we have noticed good sales activity in the suburbs of Miami and in Sorrento (Bundall).

It will be interesting to see how property will perform within the Isle of Capri (Surfers Paradise) over the year. The Isle of Capri is regarded as one of the preferred residential waterfront areas within the established areas of the central Gold Coast, being within close proximity to the Surfers Paradise CBD. A fairly large infrastructure project (road bridge upgrade) has commenced which aims to improve traffic flow through the locality (to and from the CBD area). The expected completion of the project according to local council is mid 2021. In

Isle of Capri Source: realestate.com.au

the meantime, residents are likely to be disrupted by the project due to increased traffic congestion caused by the ongoing road works. We will wait to see if the project has any significant impact on property sales in this pocket.

The unit market may experience slightly tougher conditions in 2020 compared with 2019. This market (particularly within Surfers Paradise and Broadbeach) is heavily reliant on investors from interstate and overseas. With a good volume of new unit stock introduced in 2019 and more high density projects due to be completed this year on the central Gold Coast, there is some concern about a potential oversupply in this area. On a more positive note, general feedback from local real estate agencies suggests that demand for rental properties has remained firm and rental values are trending upwards.

Sunshine Coast

First and foremost, we at Herron Todd White Sunshine Coast express our deepest sorrow and wish to pass on our best wishes to those battling the current bushfire crisis across Australia. Although it is certainly not over, the stories of communities coming together to look after each other goes to show that the true Aussie spirit is alive and well.

In 2019, the Sunshine Coast property market was a tale of two halves. The first half of 2019 saw a slow down on the back of the slowing Sydney and Melbourne markets, the effects of the banking royal commission and the lead up to the federal election in May. Move ahead a few months and all these concerns appeared to be turned around. An election result perceived by the market to be favourable, improvement in the Sydney and Melbourne markets and passing effects of the Banking Royal Commission all led to an injection of confidence. The end of 2019 finished very well.

In 2019, the Sunshine Coast property market was a tale of two halves.

As always, the first quarter will be a good indicator on how the year will unfold. Should the Sydney and Melbourne markets continue to perform well, this will be a good sign for the coast market. Unfortunately, like 2019, 2020 has the dark cloud of not one but two elections looming. The local government election is set down for the end of March and the state election set for the end of October. Uncertainty always presents a challenge to the market.

Coastal areas with proximity to the beach are always highly sought after. The coast lifestyle is a major driving factor and there is no reason this will not continue. The coastal strip from Noosa to Caloundra in the sub-$800,000 price range is expected to continue to be in demand.

It is expected that the larger estates of Aura located to the south of Caloundra and the Harmony

Estate at Palmview will continue to generate good interest from both owner-occupiers and investors. We also expect to see good interest in the hinterland subdivisions in the railway townships such as Habitat in Palmwoods, with larger land sizes being the driver.

There are a number of unit complexes under construction with some due for completion this year. From what we have seen, the majority of interest is in owner-occupier style units and complexes that directly target this market are going well. Smaller, investment grade units have been lagging, especially if they suffer from high body corporate fees making it difficult to make a return. The established unit product is also influenced by this.

The prestige markets across the coast have been operating at a number of different speeds. The areas in and around Caloundra to the south and Mooloolaba and Maroochydore to the central parts of the coast have been turning over and have been pretty steady with some good prices. The headline continues to be the Noosa Heads region on the northern coast, which finished off the year well with some record prices being recorded. An example of this is the recent sale of a Hastings Street beachfront unit, Unit 6, Noosa Court for $9 million or $37,500 per square metre and this wasn't even the best unit in the complex! We have initial reports of a beachfront unit that is under contract for circa $42,000 per square metre. This market is heavily influenced by the Sydney and Melbourne markets, so the improved confidence there has helped as well as ex-pat and international buyers becoming more active on the back of the weak Aussie dollar.

Unit 6, Noosa Court sold for $9 million Source: domain.com.au

The good news stories continue to be the considerable infrastructure projects underway that should attract new investment to the coast. The Maroochydore CBD and Sunshine Coast Airport expansions have been moving along with the Sunshine Coast International Broadband Submarine Cable project dovetailing in beautifully. Providing Australia's fastest telecommunications connection to Asia and the second fastest to the United States is an unbelievable opportunity for a regional centre.

2020 is still expected to see some good activity across the residential market. Will it be as strong as 2019 is anyone's guess given the two looming elections. There is one thing for certain - the Sunshine Coast appears to be positioned well for the future.

Rockhampton

As the Rockhampton and surrounding residential markets enter 2020, there is a feeling of optimism and increased confidence for the year ahead. The close of 2019 saw increased sales activity, shorter selling periods and a firming of sale prices. In particular, well maintained and well-presented owner-occupied homes in sought-after suburbs have been leading the charge.

Many agents are reporting a shortage of listings due to having sold the majority of their stock. For the first time in many years, buyers are feeling the pinch with stories emerging of some now starting to miss out on their first choice of homes. Vacancy rates reduced dramatically throughout the course of 2019 and are currently very tight. This has resulted in an increase in rents which we anticipate will hold firm during 2020.

So, you ask, what's driving the change?

Well, we are now seeing significant government infrastructure projects coming to fruition, particularly Main Roads committing to major upgrades including the Gracemere duplication, Parkhurst corridor and of course the Rockhampton Ring Road which is now in the early stages of planning and resumption. This combined with a surprise federal election result in May 2019 gave Central Queensland a boost in confidence, particularly in the resource and mining sectors which have largely experienced improvements in production, and created new jobs throughout the latter half of 2019.

In summary, all the key components are there for what should be a positive year ahead with firming conditions predicted in what is shaping up to be a recovery year for the region. After all, it has to be said that the past seven to eight years have largely been disappointing from a property and economic perspective.

Gladstone

Slow and steady growth is expected over the course of 2020 in the Gladstone region. The market is still being driven by affordability and we will likely see further value increases across 2020. We expect rental levels to continue to increase on the back of low vacancy rates (the current vacancy rate sits at about 1.8 percent).

1.8%
Gladstone
vacancy rate

The trend in new construction activity is expected to remain steady. Builders are currently reporting high enquiry levels, however the supply of land is limited. Near level, 800 square metre plus allotments are in greatest demand. There is still an oversupply of small lots in Gladstone. We have seen a recent trend of developers combining two or more smaller allotments to create larger lots to suit current demand. We expect to see more of this in 2020.

Bundaberg

Once again, we begin the year by looking at where we see our residential market heading. I guess you could say it's our 2020 vision...

The Bundaberg residential market has been a steady performer over the past number of years and we don't see that changing in a hurry.

Bargara and the entire coastal strip are seeing some positive signs of investment which has the potential to fuel growth along the coast. There are a number of projects happening or proposed that should stimulate interest in the area, such as the redevelopment of the Bargara Hotel, a new tavern near the Stockwell shopping centre, a new eco-friendly residential development at Innes Park/ Bargara South and renovations to the Bargara RSL.

We see the coastal strip as being the shining star in 2020.

Hervey Bay

The Fraser Coast market for the next twelve months is likely to be similar to the market conditions in 2019, with slow capital growth in Hervey Bay and minimal movement in Maryborough. Affordable property below $300,000 in Hervey Bay can still be sourced in some of the older suburbs such as Pialba, Point Vernon and Urangan. Property priced below $200,000 is available in Maryborough with some achieving above seven percent yields, however a vast majority of these homes is likely to be high-set Queenslanders that require overdue refurbishment and ongoing maintenance.

The rental market is expected to remain very tight, with low vacancy levels of below two percent and demand to remain constant. New dwellings in Hervey Bay that sell for $360,000 are now returning $400 per week rent (gross) providing yields of above five percent along with associated tax depreciation benefits. Good value for money can still be sourced in areas close to the beach for older dwellings in need of some TLC.

The suburbs of Dundowran Beach and Craignish are expected to remain popular with buyers with most sale prices ranging between $500,000 and $800,000. The absorption of excess land stock in River Heads has increased over the past 18 months and this looks set to extend into the foreseeable future. New construction activity is also in an upward trend which is especially good for local employment and small business for materials. Unit values have stabilized however do not appear to be achieving any noticeable growth. Employment opportunities will benefit the region when the new aircraft manufacturing facility is built in Urangan (currently under construction) along with the new munitions factory in Maryborough.

Mackay

Welcome to 2020! We will again dust off the crystal ball and come up with our predictions for the Mackay residential market in 2020.

2019 was a positive year not only for the Mackay residential market but for the general Mackay economy. A buoyant resource sector coupled with large infrastructure projects, particularly the Mackay Ring Road, saw increased employment opportunities and population growth throughout the year. The residential market saw increased demand and slight capital growth. The rental market really gathered momentum in 2019, with vacancies below two percent and rental values increasing significantly.

In 2019, Mackay's economy was strong, we had record low interest rates and there were excellent employment prospects across most industries, but we only saw minor property value growth. There are a number of factors that contributed to this.

Firstly, the median house price for Mackay fell from $438,000 to around $340,000 at the bottom of the market, a drop of around $100,000. This equity reduction eroded the purchasing power of a number of people who purchased property, particularly if they purchased at the height of the

The rental market really gathered momentum in 2019, with vacancies below two percent and rental values increasing significantly.

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market. Also, the strict lending policies of banks meant that a far greater deposit was required to purchase property.

As we head into 2020, there appears to be no slowdown in the resource sector with significant employment opportunities available. Also, the Mackay Ring Road project is well underway, with the government approving Stage 2 and the Walkerston Bypass being recently listed on the National Infrastructure Priority list. Add the smaller local projects, including The Resource Centre of Excellence, retail expansion including Coles at Andergrove and the Northern Beaches Emporium development plus other council projects including the Mackay CBD to Harbour link, Queens Park revitalisation project and the Rotary lookout in North Mackay and all of these projects and opportunities should keep the economic recovery of Mackay continuing into 2020. Interest rates are expected to continue at record low levels for the short term and there appears to be a softening of some of the strict criteria of the banks.

So what do we think will happen to residential property in 2020? We think the momentum gained in Mackay over the past two years will continue into 2020. We anticipate modest price growth throughout the year across all market sectors, with rentals to remain tight. With continuing record low interest rates, good employment opportunities and a general feeling of optimism across Mackay, we think 2020 will be a good year for the residential real estate market.

Emerald

We see the market in 2020 continuing on a similar trend to 2019.

A steady firming of values off the back of strong employment in the resource sector has caused

We always keep a close eye on coal prices as our market has paralleled with this over many decades.

rents to increase and the vacancy rate to drop below two percent for most of the Central Highlands' major towns over the past 12 months.

We always keep a close eye on coal prices as our market has paralleled with this over many decades. Coal prices dropped throughout 2019 but most forecasts have the price stablising to firming slightly over the next three years. The drop in coal price doesn't seem to have affected the resource sector at present, which appears very vibrant with many jobs on offer and mines looking at increasing production and expanding while new mines are still on the horizon.

There's a large portion of the Emerald market still stuck in the position of having bought in the boom and not quite able to get out yet. This has definitely slowed turnover below what you would normally expect but we anticipate that those new to the market will continue to push values up slowly. Mortgage repayments compared to rental will also start to influence the market in 2020. If coal prices stay where they are or increase, we can only see the market slowly firming in all areas during 2020.

Whitsunday

2020 here we come! The residential market in the Whitsundays is expected to move along nicely so long as we don't experience any large, dare I say it, cyclones! We seem to be just cruising along in the laidback style of the Whitsundays. Agents are reporting that listings are slowing up a bit and there certainly appears to be less houses on the market at this point in time. Builders have new homes coming to life around the Jubilee Pocket, Cannonvale, and Cannon Valley localities. There appeared to be new increased activity in units during the month of December, so let's hope they will bounce back. I believe that 2020 will be a great year for property located in the Whitsundays.

Cairns

The Cairns economy and residential property market continue to plod along and our best guess is that 2020 will look a lot like 2019 (which looked a lot like 2018).

The $176 million redevelopment of the Cairns Convention Centre is due to commence in June 2020. With Riley, Bailey and Flynn (the Crystalbrook Collection Hotels) being finished, the first half of 2020 will lack a large construction project and the lack of activity may extend the normally quiet summer period further into 2020.

The changes to GST charges on foreign-flagged superyacht charters and predictions of a surge in superyachts visiting for leisure and maintenance is a real positive for Cairns and is exactly the type of stimulus needed to support the local property market.

2020 is an election year with council elections due on Saturday, 28 March 2020 and state government elections due on Saturday, 31 October 2020. Unfortunately the uncertainty elections cause tends to have a negative impact on market activity with people delaying decisions until after the dust has settled.

If we had to have a wager on where the residential market would be in December 2020 our bet would be the same or slightly less sales than 2019 and median prices similar to or slightly below 2019.

Townsville

The second half of 2019 saw increased levels of activity in the residential property market. 2020 is likely to be the litmus test to determine whether we are genuinely into better times or merely experiencing a bubble of post flood activity.

Townsville has a strong pipeline of projects proposed for 2020 including a number of developments around the North Queensland Stadium which is nearing completion (to be named Queensland Country Bank Stadium) including the Cowboys Centre of Excellence, a 166-room Double Tree by Hilton Hotels and pedestrian walkway linkages from the city centre and central precinct to the stadium. The $71 million Marine Tourism Precinct which will include a four-star hotel, new SeaLink ferry terminal, car parking, new ferry berths and two new high speed ferries is another development proposed for 2020. Some other projects include the currently underway Flinders Lane retail development along with a number of proposed mixed use residential and food and drink developments in the inner city and Strand precincts.

The inner city 4810 postcode had a good level of activity in 2019 and this is likely to continue in 2020. Suburbs within a five-kilometre radius of the city centre could see increased interest as inner city projects improve the amenity of the area.

After an absence of sales in flood affected suburbs during 2019, we are likely to see these suburbs coming back to the market, providing a better understanding of the impact on value levels following this event.

The balance of the Townsville market will likely remain status quo whilst people monitor unemployment and job security factors.

Overall, the outlook for the residential market in 2020 is positive with higher levels of market confidence and improving economic conditions.

Toowoomba/Darling Downs

2020 looms as an interesting year for the Toowoomba market. 2019 saw a continuation of the trends seen in 2018 and 2017 with slowing levels of sales activity and some value stabilisation following the boom period from 2014 into mid 2015. Although sales activity has been steady across the board, the market has continued to be multispeed and property specific, with declining values and transactions in the lower and middle markets and strong demand and value levels in the upper end of the market. This is expected to continue throughout 2020.

Reduced investor demand has had a downward effect on values in the western suburbs. The two properties below in the suburb of Glenvale provide an example of this negative trend in the western suburbs.

5 Chainey Court, Glenvale Source: RP Data

Year Built: 2013
Sale Date: 13 September 2016 **Sale Price:** $430,000
Sale Date: 20 August 2019 **Sale Price:** $405,000
Price Change: -$25,000

33 Carlin Street, Glenvale Source: RP Data

Year Built: 2015
Sale Date: 29 April 2016 **Sale Price:** $372,000
Sale Date: 8 March 2019 **Sale Price:** $330,000
Price Change: -$42,000

Kearneys Spring is another Toowoomba suburb suffering from declining investor demand. The two example properties below illustrate the declining trend in unit values from 2012 to 2019 in the suburb of Kearneys Spring.

2/9 Wapiti Street, Kearneys Spring Source: RP Data

Year Built: 2013
Sale Date: 30 October 2013 **Sale Price:** $299,000
Sale Date: 3 March 2019 **Sale Price:** $260,000
Price Change: -$39,000

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2/14 Sunning Street, Kearneys Spring Source: RP Data

Year Built: 2012
Sale Date: 4 June 2015 **Sale Price:** $280,000
Sale Date: 20 May 2019 **Sale Price:** $259,000
Price Change: -$21,000

Toowoomba has been a hub for major infrastructure projects in recent years, including the Toowoomba Second Range Crossing, Wellcamp Airport and the Grand Central Shopping Centre expansion. These infrastructure projects have assisted in holding vacancy rates low while many employees resided in the Toowoomba area throughout the construction processes. Now that many major projects are completed, the vacancy rate is expected to climb throughout 2020.

The key development areas for new housing include the suburbs of Glenvale, Cotswold Hills, Torrington, Kleinton, Highfields, Cambooya and Westbrook. Demand for vacant land has slowed significantly as a result of reduced investor demand and limited local buyer enquiry for lots of less than 500 square metres. Sales rates for land in many new housing estates are very slow, especially when compared to recent years when projects often sold out off the plan. Some developers are discounting and offering buyer incentives to attract interest in their respective projects, while a number of projects are out performing the market.

The key challenge for community leaders in 2020 and beyond will be the creation of sustainable employment in order to underpin broad demand for the residential property market.

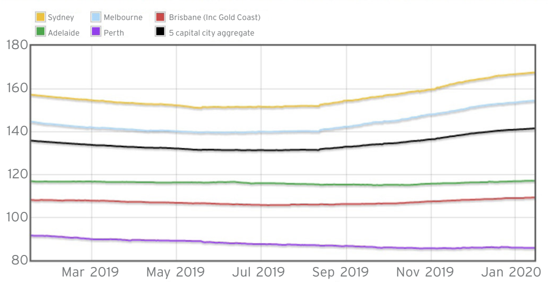
Towns within the Surat Basin west of Toowoomba have experienced significant declines in values and transaction levels following the sudden decline in the construction phase of the major coal seam gas projects in the area. These towns have largely reverted to levels more aligned with their predominantly rural based economies and as such, local employment factors are now contributing to the trends witnessed in each of these towns. These markets are expected to show continued signs of improvement in 2020 with enhanced interest for dwellings from owner-occupiers as affordability has returned and a sustainable level of activity is returning in the gas sector. Many towns are enjoying strong occupancy rates leading to positive movement in rental values.

South Australia

Adelaide

To understand where we are going, we need to know where we have been.

During the middle part of 2019, the historically slow winter period was compounded by the federal election and lingering effects of the banking royal commission. The metropolitan market slowed with both state government and CoreLogic supplied data indicating a declining market. Historically the South Australian market has lagged behind Sydney and Melbourne which both began to show signs of recovery in mid 2019. On the back of this data it was hopefully only a matter of time before the tides turned. And turned they have. The most recent CoreLogic Daily Home Value Index indicates that the metropolitan market has recovered to a point of 117.06 from a low of 114.99 in September 2019.



Hedonic Price Index Source: Corelogic

This market fluctuation has been supported by agents who have reported that the middle part of 2019 saw a reduction in buyer activity and also a limited amount of available stock, only for market conditions to flip come spring.

Market segments to watch throughout the year will be the middle ring $400,000 to $600,000, entry level character dwellings and the prestige market of $3 million plus.

So, with this being said and no known market disruptors on the horizon, there is no reason to indicate that this strengthening level of market activity won't continue into 2020.

Market segments to watch throughout the year will be the middle ring $400,000 to $600,000, entry level character dwellings and the prestige market of $3 million plus.

The middle ring provides affordability for first home buyers and also a price point for cashed up investors who do not have to rely solely on a lending institution. Fitting this profile are the suburbs of Felixstow, Seaton and Pasadena.

Felixstow is located seven kilometres north-east of the Adelaide CBD. This suburb was established in the 1960s with further development occurring in the late 1990s. The suburb is currently going through a stage of urban renewal with a significant amount of older stock being demolished. Felixstow has proximity to Linear Park, is serviced by Marden Shopping Centre and has direct access to the CBD via Payneham Road and the O-Bhan bus route. Zoning changes in 2017 allowing for higher density development saw the suburb's median house price spike to $685,000. This has since cooled off to a median dwelling price of $598,888 as at September 2019. Representing Felixstow's past and present are the sales of 32 Wilson Avenue, an original 1960s brick dwelling on 1000 square metres and 11 Pearce Avenue, a circa 1993 three-bedroom, two-bathroom brick veneer dwelling on 380 square metres, which achieved sale prices of $574,500 and $571,000 respectively.

11 Pearce Avenue Felixstow Source: realestate.com.au

Seaton is located 11 kilometres north-west of the Adelaide CBD. This suburb was established in the 1950s and has since gone through a number of stages of urban renewal with a mixture of newer 1980s to 2000s dwellings. The suburb has proximity to Grange Beach, is serviced by Westfield West Lakes and has The Royal Adelaide Golf Club within its confines. This suburb has seen its median sale price steadily rise since mid-2015 and has a current median dwelling price of $495,000.

Older stock in Seaton is considered most popular, providing purchasers with the greatest potential to value add. Recent sales in this category are 39 Seaton Terrace and 7 Stevens Street, both comprising partly updated 1960s brick dwellings on large allotments and achieving sale prices of $508,000 and $460,000 respectively.

39 Seaton Terrace, Seaton Source: realestate.com.au

Pasadena is located nine kilometres south of the Adelaide CBD. This suburb was established in the 1970s and is characterised by large brick homes on 700 square metre allotments. A large portion of Pasadena extends into the Adelaide foothills, which provides many properties with local views and has restricted higher density development. The epitome of this is the recent sale of 85 Quinton Court, which achieved a sale price of $585,000 in December. This is a two level brick dwelling disposed as three bedrooms and two bathrooms with local views and situated on an 820 square metre allotment. Pasadena has a direct route to the CBD via Goodwood Road and is located only a short distance from the Southern Expressway, which provides access to the Fleurieu Peninsula. Pasadena has a median dwelling price of $566,250, some 15% below the median dwelling price of the greater Mitcham Council.

85 Quinton Court, Pasadena Source: realestate.com.au

With a buyer pool as deep as a baritone, entry level character dwellings continue to be the most popular property type within the inner and middle rings. Irrelevant of condition, there is upside in these properties for those looking to renovate, whilst the comfortable and renovated properties provide options for first home buyers and downsizers. The entry price point varies depending on location. North and west of the CBD sees an entry price point of $500,000 to $700,000, whilst $600,000 to $800,000 represents the entry price point south and east of the CBD. Prospect (north), Mile End (west), Goodwood (south) and Kensington (east) of the CBD provide the best chances of picking up an entry level character dwelling.

The prestige market of $3-million-plus offers purchasers a significant slice of house and land compared to a number of the other metropolitan markets. Buyer activity has come locally as well as from interstate and overseas. Within the inner ring, 1900s character mansions on larger land holdings are considered most popular whilst west of the city, properties require a high standard of finish and ocean views to push the value past $3 million. A number of suburbs achieved significant top end sales in the latter stages of 2019. The inner south-eastern suburb of Fullarton had its first sale above $2.5 million when 137 Wattle Street settled for $3 million in November. West of the city, Glenelg North achieved only its highest transaction since 2012 with 10 Patawolanga Frontage achieving $4.04 million in December. East of the city, Kensington Park achieved only its second sale above $4 million with 56 Yeronga Avenue settling at $4.2 million in December. Ironically, Kensington Park's only previous sale above $4 million was 56 Yeronga Avenue which achieved $4.25 million in 2013.

56 Yeronga Avenue, Kensington Park Source: realestate.com.au

For those looking for capital growth, the CBD apartment market and outer ring should be treated with caution. Both these market segments have heightened levels of available stock, which creates a dynamic that isn't conducive to an increasing market.

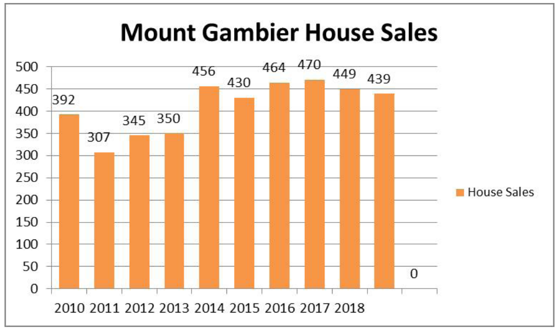
We don't claim to be able to tell the future but with data indicating a strengthening finish to

For those looking for capital growth, the CBD apartment market and outer ring should be treated with caution.

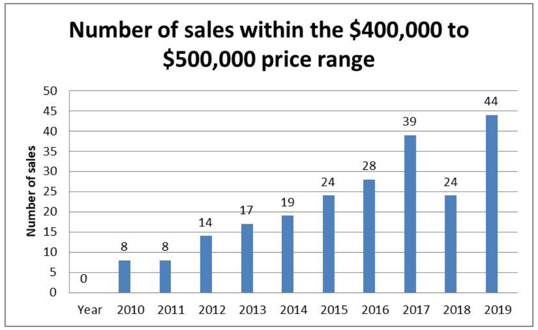
2019 and positive feedback from agents, the metropolitan market is in a position to enter the new decade on a positive note. Whether this trend continues can only be answered by the clairvoyants among us.

Mount Gambier

The outlook for 2020 for Mount Gambier is that the housing market will remain stable throughout the year. We are not aware of any obvious indicators that will have a significant impact on the local economy and the property sector. As seen in the graph below, house sales for 2019 were at similar levels to where they have been since 2014 and it is expected that this trend will continue throughout 2020. The median housing price has increased slightly in recent years, however there is still a large supply of housing and land for sale, which does impact on growth in the region.



The graph below shows the number of houses sold within the $400,000 to $500,000 price range for the past 10 years. There was a significant drop between 2010 and 2011 when the market declined, however there has been a steady incline in sales since then, with sales within this range now the highest they have been in the past 10 years. This may be something to watch this year to see whether sales within this range continue to increase or we start to see a few more house sales above $500,000.



The $200,000 to $300,000 price range is affordable and it's where the most number of sales occurs. A house in this range appeals to families and first home buyers and are generally of good quality, including three or four bedrooms, one or two bathrooms, a garage and a pergola area, situated on 600 to 800 square metres. This is affordable compared to other cities such as Adelaide, where $250,000 to $300,000 will generally get you a small two-bedroom, one-bathroom unit or house situated on a small allotment of around 200 square metres.

Small regional towns are heavily reliant on a small number of industries. These towns should therefore be treated with caution as they are dependent on local employment. History has shown that decreases in employment will impact negatively on the property market in these regions.

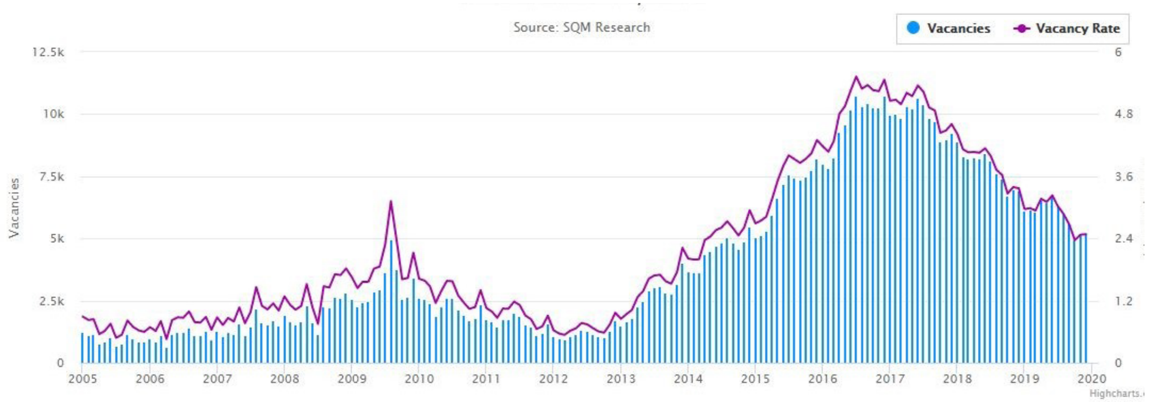
Overall, we are expecting this year to be similar to last year with no major fluctuations in the local market.

Western Australia

Perth

We're starting 2020 with a positive mindset. It's been a hard slog over the past seven years as market conditions contracted in line with construction activity in the resources industry. There's been plenty of pain throughout the state, but in many regions it appears that consumer confidence is on the up and consumers are spending again. We believe that 2020 will be an educational year for many market participants on several fronts and in different markets. We also believe that the market will once again be influenced by activity in the state's resources sector. Both of these points should see investors return to the market, particularly in the second half of the year. In fact, we consider that late in 2020, many market participants will either have or be actively looking to purchase, but will come to realise that the choice of stock has become more limited throughout the year.

A big driver this year is expected to be the resources industry. 2019 was a relatively positive year in the industry. After a long period of routine maintenance, a construction phase has commenced, albeit not to the same extent as what occurred between 2006 and 2013. Increased activity throughout Karratha in particular, but also Port and South Hedland, are lead indicators of demand. Values in Karratha surged by double digits in 2019, with several suburbs in the town experiencing growth in excess of 20 percent for the year and the rental market being stripped of stock. Construction projects in the inland Pilbara are expected to have further flow on



Vacancy rate — Source: SQM Research

effects to Port Hedland, Newman and Tom Price, and the manpower required for these projects will positively affect net migration statistics. The big question this cycle is what will happen to wages? With extensive reconstruction projects occurring throughout many areas in the eastern states, will Western Australia attract enough skilled tradespeople to fill the order books? If so, what will that do to vacancy rates both in the Pilbara, but also in the fly in fly out base of Perth? What flow on effect will this create if and when investors return to the Perth housing market? By the end of the year, we should have a decent indication of the scale this cycle will be.

The rental vacancy rate in Perth peaked in 2016 at 5.5 percent according to SQM Research and has been steadily declining since. The rental vacancy rate stayed below three percent throughout 2019, reaching a low of 2.5 percent, which coincided with a slight increase in the median rental amount. According to REIWA, such a rate is representative of demand slowly outstripping supply and a good indicator that the median rental rate may continue to rise, subject to any increase in supply. Whilst a rate of 2.5 percent is somewhat high historically for Perth, we need to keep in mind that the majority of supply in the past seven years has been in outlying suburbs, hence we would expect that the actual rental vacancy rate in inner Perth is much lower and would be starting to look quite attractive to investors.

The outer suburbs are also interesting though and we do expect to see an increase in investor activity in these areas as well, but for a different reason. These oversupplied areas such as Ellenbrook, Baldivis, Clarkson and Piara Waters offer relatively new properties that may be more attractive from a depreciation point of view and given the distinct lack of demand in recent years for near new dwellings in such locations, values have declined significantly.

Ellenbrook currently has a median sale price of $346,000 and attracts a median rental of $330 per week, but there are more attractive offerings for bargain hunters. For example, this property in Boyagarring Gardens recently sold for $335,000, comprising a 2013 built brick and tile dwelling on a 452 square metre allotment. Prior to its sale, it was rented for $380 per week whilst offering attractive depreciation benefits.

Boyagarring Gardens Source: RP Data

Similar examples can be found in Clarkson, a modern suburb in Perth's northern coastal corridor. The following property in Walpole Place sold for $350,000 in September, below Clarkson's median house price of $363,500. The property comprises of a 1995 built four-bedroom, two-bathroom dwelling on a 648 square metre allotment and is subject to a lease of $400 per week.

Walpole Place Source: RP Data

Similar examples are found throughout many of the establishing outlying areas of the Perth metropolitan area, where for several years the market has been dominated by first home buyer house and land packages, with minimal demand for used dwellings placing continuous downward pressure on values. It will be interesting to see what happens in this space given the returns currently on offer for properties offering attractive depreciation benefits in a market where there are signs of an impending increase in demand. Watch this space! To be clear, we do not expect to see much capital growth in such suburbs throughout 2020, but there are other factors that may influence the purchasing decisions for market participants keen to buy in subdued market conditions, as opposed to the returns currently available in most other capital cities. Choice can play a large part in the buying decision and with stock on the market sitting at circa 12,000 properties, a quarter less than the same time last year, it's obvious that the choice of stock available is on the decline.

We think that the market will educate itself that there is a finite time to bargain hunt and that trying to pinpoint where the bottom of the market is or was is a futile exercise.

At the other end of the scale, we have seen an increase in market activity in many more sought after areas. These markets seemed to surge and pause throughout 2019 and caused a great deal of confusion as to where the market was at. What did become clear though, is that many market participants believed they had ample time to find the perfect property and quickly realised they had misread the market. We expect this to continue throughout 2020 as a sense of urgency returns to the market from those who missed out on previous offerings. In locations such as Nedlands, we are hearing (and witnessing) various surges in demand where the market will pause for a period of time, listings on the market slowly build and then a surge of demand will see multiple offers on many properties in a short period of time, or buyers who previously missed out on a property act swiftly with strong offers during the very early stages of a marketing campaign. Whilst the average property in Perth takes 84 days to transact, the median to achieve a sale in Nedlands is currently 26 days – not bad for a suburb with a median sale price of $1.63 million.

Returning to the more affordable end of the scale, we do expect that we will start to see an increase in activity in established secondary markets as the rental market tightens and rental values start to rise later in the year. We expect to see an increased sense of urgency from those who have been renting as they watch the availability of decent stock dissipate, forcing them into a return to the housing market. We also expect to see an increase in upgrade and exchange buyers – those buyers who have been considering relocating and the dwindling stock supply creates a sense of urgency. With transactions comes discussions between friends, colleagues and the like and real estate becomes the topic of choice at barbecues.

In the apartment market, government intervention has resulted in a period of concern. In 2019, the Western Australian government announced stamp duty exemptions for off the plan apartments on the proviso that construction of the development had not commenced yet. Whilst there is method to the madness (build demand that will lead to a construction boom at some point in the future), the immediate effect was that demand for established complexes or those currently under construction declined overnight. It also placed an additional level of caution over the long-suffering apartment market, at the lower to middle value ranges anyway. We expect this to persist throughout 2020 as developers secure pre-sales prior to committing to commencement of construction.

All in all, we see a fairly mixed bag for 2020, but largely a positive one. We think that the market will educate itself that there is a finite time to bargain hunt and that trying to pinpoint where the bottom of the market is or was is a futile exercise, especially whilst above average returns are on offer. We see 2020 as a solid year for buyers ready to act on the choice of stock currently available, with the buying decision becoming harder later in the year and into 2021 as stock levels retract.

South West WA

The last quarter of 2019 saw the number of sales across much of the major South West towns spike. Compared to the same time in 2018, this was a significant increase in activity. While much of this could be seasonal, particularly for the holiday hot spots of Busselton, Dunsborough and Margaret River, agents are cautiously optimistic. As valuers however, we tend to be a bit more circumspect and we have seen these grass roots start before and come to very little. The general feeling is that the market has stabilised and yes, we have passed the bottom of the market but it could still be a long slow recovery and any significant increases in value may still be a long way off.

The major residential subdivisions such as Treendale, Dalyellup, Brookfield, Provence and Vasse Newtown are at a level now where they have become very affordable. The number of sales in these areas has increased significantly.

The Dunsborough Lakes market is poised for some potential growth given that the subdivision is quickly running out of new land with less than two years of future land stock available. Once this has been exhausted it could be a while before another significant subdivision development enters the market. This would put a squeeze on supply and therefore one would assume that this would place upward pressure on values.

A major development this year will be the commencement in March of direct flights from Melbourne to the Margaret River – Busselton Airport. This could have a significant impact on tourism and potentially provide an economic boost to the region. This may have a flow on effect to the short stay residential market.

Northern Territory

Darwin

2020 is shaping up to be a continuation of the previous tough few years for the Darwin residential property market with a number of factors still contributing to the current financial position of the Territory. With some long-term projects getting the green light and more in discussion, the flow on effect will not be seen in 2020 and sentiment will continue to remain weak across the residential market and wider economy in general.

With the completion of the construction phase of the Ichthys Gas project and remaining construction workers now onto the next project, the focus shifts to what is next for Darwin and the Territory overall, as new projects are needed. The $200 million CBD revitalisation including the newly announced CDU campus is well underway. It is hoped that with a more vibrant city as well as more bodies on the ground, will have a flow on effect for businesses and therefore uptake in CBD dwellings. This will have a direct positive impact on the residential unit market, with increased demand for rental accommodation in the CBD.

Further projects such as the announcement of the $400 million ship lift facility, the $1.05 billion Todd Gold mine construction, $200 million Westin Hotel project, the $1.45 billion project Sea Dragon prawn farm and the longer term $20 billion sun cable project in Tenant Creek due to commence in 2023 that will supply 20 percent of Singapore's electricity. While these are positive announcements and major drivers of the economy long term, it is difficult to see an immediate positive impact in 2020 on the residential property space.

Looking at sales figures across 2019 it becomes clear that while sales volume appears to have increased particularly through the back end of the year, we have not seen any increase in equity and in most cases people are in a negative equity position. While property prices remain low it makes it more difficult for local or smaller investors to re-enter the market and add to their portfolio. The REINT have reported that median house price as at the end of Sept 2019 of $460,000 is in line with 2009 prices, while median unit prices for greater Darwin of $294,000 is in line with March 2007.

Looking into the Crystal ball for 2020, we see the most action in the residential market will be first home owners. As prices continue to soften and in conjunction with the newly released First Home owner deposit scheme, we believe that some of the saturated unit market will be absorbed by first home owners and entry level homes due to the low price point. This Federal Government scheme, which allows a purchase for Territory dwellings of up to $375,000 with a five per cent deposit, should take some of the lower price point stock off the market.

The grants on offer certainly are not limited to first home owners. Currently in the territory we have on offer, a $20,000 build bonus scheme if buying or building a new home from February 2019, limited to the first 600 applicants, a first home owner grant of $10,000 on new homes, Territory home owner discount, with up to $18,500 off stamp duty on the purchase of either a new or existing home for new home owners in the Territory and finally a $10,000 home renovation grant if buying your first home is an existing dwelling. Only 200 of the 600 build bonus applications have been exhausted so there remains a strong stimulus to still be seen in the market.

It's not all doom and gloom! Darwin presents great opportunity for the investor market with the highest yields for any capital city in the country. Investors can typically expect a gross return of over five per cent across both units and dwellings and with the lowest median house prices in the country at year end 2019, the entry into the property market is easier and in most cases a positively geared asset.

Looking into the Crystal ball for 2020, we see the most action in the residential market will be first home owners.

Proposed Darwin Ship Lift Facility   Source: Northern Territory Government

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

Alice Springs

December and January are historically slow months for the property market in Alice Springs as school holidays and the festive season usually see a mass exodus of Centralians to the coastal areas of Australia. Who can blame them, after all; Alice Springs is the town closest to every beach in Australia!

It remains firmly a buyer's market in Alice Springs, with agents having to re-set vendors expectations in a number of cases in order to achieve a sale. Annual sales statistics have shown another mediocre year in terms of the total number of residential sales (dwellings and units combined). Only 283 sales were recorded in 2019, compared to 321 in 2018. This is a far cry from the halcyon days of 2007 when there was a total of 496 sales. The median house price has dipped by two percent for the year, down to $470,000, whilst the median unit price has increased two percent to $310,000. This increase in the median unit price is most likely due to some strong sales in the upper end of the unit market pushing up the average rather than a general upturn in the market.

Alice Springs No. of Sales

2019: 283

2018: 321

2017: 496

Older two-bedroom units continue to slide in value, due in part to the abundance of new or totally refurbished unit developments completed in recent years. This oversupply has seen a number of unit developments stall or be deferred in the absence of sufficient pre-sales.

The past few months have seen some really strong individual sale outcomes. Two adjoining units in a complex on the golf course both sold for over $600,000 and a rural lifestyle property changed hands for $1.2 million, one of only two residential sales for the year that exceeded $1 million. This proves that there is still a market for these prestige properties in Alice Springs, although there are few participants active at this end of the market.

Rural residential property near Alice Springs that sold for $1.2 million in December 2019 Source: xgxgxgx

In the coming months, there seems little to get excited about as far as an upturn in the real estate market is concerned and the market is expected to continue to bounce along at (or near) the bottom for the foreseeable future.

Australian Capital Territory

Canberra

Ahhhh Canberra.......the city the rest of Australia loves to hate. Well listen up, the times they are a-changing.

Population growth is over two percent year-on-year, investment in infrastructure including development of the Northbourne Avenue corridor, the Canberra Hospital expansion, a new Canberra Theatre and the successful introduction of Stage 1 of the light rail system (with plans in place for Stages 2 to 4) seem to be attracting more people to the Bush Capital.

So what does this mean for the Canberra housing market? Well, let's look back before we look forward. 2019 brought us the long awaited conclusion to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, record low interest rates as well as a general election and the media frenzy regarding the Sydney and Melbourne housing markets. Any one of these events could have significantly affected the Canberra market but what actually happened? Not a lot! Houses still sold and most real estate agents have had a very good year, thank you very much. In fact, records were broken w ith 30 Mugga Way, Red Hill, selling for $5.85 million at the tail end of the year.

So what of 2020? From my Year 7 economics lessons, I recollect the effects of supply and demand on any market and it is no different in the Canberra housing market. There is a predicted rise in population (for the reasons stated above) and these people will all need somewhere to protect them from the Canberra elements (freezing winter conditions and searing summer heat).

So demand is there but what about supply? Sales of Mr Fluffy blocks have slowed considerably with the general consensus being that you can get better value elsewhere. New land releases in Wright, Coombs, Denman Prospect, Throsby, Taylor and Strathnairn have seen steady sales with additional land releases in Whitlam set for March 2020. These should keep the building contractors in Canberra busy over the coming year and possibly see a rise in already high construction costs.

Supply of units is a slightly different story although it is influenced by locality. Units in areas such as Gungahlin (approximately 14 kilometres from Civic), have seen values drop slightly due to rapid development, with an influx of units coming onto the market and reduced demand (back to Year 7 economics).

Elsewhere, the value of units is expected to be steady although it will be interesting to see the effect of the recent media attention given to poorly designed or built units in Sydney and Melbourne and whether this will see potential purchasers turning their attention from buying off plan to looking at older more established blocks. However, it's not all bad news for owners of units as rental income is high and vacancy rates are low and there is no reason to believe this will change over the coming year.

Housing in established suburbs is still expected to be in demand with property selling well, particularly in the popular inner south and inner north. Ainslie and Yarralumla are leading the field with regards to median house prices which are well over $1 million. At the other end of the scale, areas further away from Civic have a lower median house price such as Belconnen ($375,000), Charnwood ($458,000), Banks ($488,500) and Phillip ($490,000).

MEDIAN HOUSE PRICES

Belconnen
$375,000

Charnwood
$458,000

Banks
$488,500

Phillip
$490,000

The introduction of the home buyer concession scheme, which means that first time buyers pay no stamp duty if their income is under a certain threshold, has strengthened the lower end of the market. Unfortunately, this has generally resulted in any savings being absorbed by the rise in sale price due to an increased number of people looking at property in this price bracket.

We anticipate a slightly slow start to 2020, which is not uncommon, followed by a steady year with some growth in all sectors except for the unit market which is expected to be fairly stagnant with some fall back in places. However, don't be surprised if that record sale price is toppled in 2020.

Tasmania

Hobart/Launceston

Overall Tassie's housing market remained the star performer nationwide in 2019 with six of the top 10 suburbs all coming from the apple isle. Many regions achieved above 10 percent growth and much of the state was above five percent.

So what of 2020?

Simply due to the strength in the local economy, population growth, near nil vacancy rates in the rental market and ongoing housing shortage, we feel that 2020 will deliver continued growth, a steady market in Hobart and we remain positive with regard to overall pricing.

The outer ring lower socio economic suburbs such as Bridgewater and Gagebrook have recently led the capital growth path. We would expect this to slow a touch as some realism comes back into the market. Middle and inner ring suburbs continue to experience firm demand conditions and upward pressure on pricing. We expect this to be ongoing.

In the north, Launceston was one of the standouts in 2019 with solid growth through all price segments and most locations. Continued expansion of the tourism sector (yes, there is a crane in the sky), the impending commencement of the next stage of the university campus (sod to be turned in January 2022) and a generally buoyant outlook would suggest that 2020 will be no different.

The north-west coast and west coast regions continue to have their own economic challenges and in some regions, continue to struggle, especially the mining based townships along the west coast. We are expecting Devonport to continue its momentum of 2019. Burnie has no doubt turned the corner with a continuation of improved conditions during 2019. We expect both these major centres to continue upward in 2020.

The areas to watch for this year?

Climate change is now one of the main drivers attracting people to migrate to the state. Look out for the coastal towns, especially those that offer medical or nearby medical facilities such as St Helens (has medical facilities) & Orford (one hour from Hobart). We are expecting to see the sea change and climate change effect continue, especially from Queensland and Western Australia as buyers seek to relocate to a milder climate. Cashing in the interstate family home, buying a very nice holding on the Tassie coast and having money left over in the bank to play with - what more could you want?

Wishing all our readers the best for 2020.

Climate change is now one of the main drivers attracting people to migrate to the state.

HERRON TODD WHITE RURAL

Rural

February 2020

Overview

Welcome back to 2020 and we are all looking skywards to see if the late monsoon can deliver some much-needed rainfall to many parts of the country and put out some fires, provide some pasture growth and create some solid sub-soil moisture for our cropping land.

2019 closed with some good sales and a sense there's still an underlying demand for quality rural land in most localities. That said, questions are starting to emerge such as, "What if we get good general rain on a wide scale?" Will that see a rash of new listings to the market and swamp supply, or will the market tighten further as conditions improve?

Everyone has an opinion.

What we do know is there is a fair bit of catch up and recovery to occur in relation to stock rebuilds and crop production. Also, lending is available but can be challenging, while most commodity markets have sound to strong outlooks and rural land holders are ever the optimist.

Our team are providing some thoughts on the year's close and the current conditions in their regions. We will be holding our national market updates in Melbourne and Brisbane at the end of February where we'll aim to piece the puzzle together, analysing 2019 and providing a view of the 2020 outlook (normal caveats will apply of course).

The link to the Brisbane event scheduled for 7am start Friday 28th February is below for those that may be interested

https://www.eventbrite.com.au/e/90100467925

Tamworth

Welcome rain, although patchy, has seen a positive start to 2020 for some areas across New South Wales. Isolated falls and heavier storms have begun to fill dams with reports from northern New South Wales that in one storm, dams that have been dry for two years have filled up.

Welcome water! Source: HTW

With large areas of New South Wales still affected by the ongoing severe drought, follow up rain and a return to average seasonal conditions is required before a more optimistic outlook can be taken.

There remains reasonable demand for rural land in New South Wales, particularly from existing land-holders looking to expand, and we expect this to continue throughout 2020. Values appear to be holding, however it is expected that if the drought shows signs of breaking and there is a return to normal seasonal conditions, there may be an influx of listings which has the potential to create an oversupply which may in turn lead to a softening in values over the next 12 months.

Lismore

The weather and subsequent farm production levels are foremost in the minds of farmers at the start of 2020. There is uncertainty in expected production this year for most rural industries on the New South Wales North Coast. Anecdotal reports indicate that there may be a reduced macadamia crop, parts of the sugar industry did not complete 2019 planting and ratoon crops in some areas have struggled in the dry conditions, the summer crop planting of soya beans has been restricted with the planting window to close in the next few weeks and pasture conditions for beef and dairy farmers are challenging in the dry conditions. There has been a slight upswing in world sugar prices, but a long way to go there. Lower production levels and lower farm incomes may limit farm purchase activity. The exception is farms that have rural lifestyle attributes to attract more cashed up purchasers from urban areas.

Mildura

In the horticultural sector, the overriding issue in 2020 will remain the availability of irrigation water. Catchment dam levels have been gradually lowering since the start of 2017 and substantial rainfall is required to replenish supply. Most irrigators have been able to provision for reduced allocations in the current water year through a combination of carry over and leasing water, however the cost of doing this for a further year will be tough for most producers and there is no certainty that there will be enough available water to keep all crops fully irrigated.

Data from the Murray Darling Basin Authority

Mildura Source: milduraregion.com.au/

suggests that the volume of water required to irrigate permanent horticulture crops in the region is in the order of 550 Gigalitres (GL) per annum. Of this, around 180 GL will hopefully once again be available from New South Wales Murray High Security Water Licences. The remaining 370 GL will need to be found primarily from Victorian allocations and so an allocation in the 2020/21 year of at least 35 percent for Victoria Murray Zone 7 Water Shares will be required to meet this need. The final picture will depend on the ability to transfer water between the Murrumbidgee, Goulburn and Murray River systems, with the restrictions on inter-valley trade during the past six months exacerbating the current shortage of water in the region.

It appears inevitable that some producers will elect to dry off their less profitable crops in 2020, such as white wine grapes, Valencia oranges and dried vine fruits and also bring forward the decision to clear older, less productive plantings of other crops. At the same time, we expect to see a deferral of further expansion plans. This will affect contractors, nurseries and irrigation design and supply businesses, all of which have enjoyed a period of strong activity during the past four years.

The dried fruits industry, in particular, will be vulnerable in the event of a reduced area of plantings. There are currently three dried fruit processors in Mildura and the industry will be nervously watching the production forecasts for 2021 to see whether there be enough tonnes to keep three processors going.

It also appears inevitable that values of all types of horticultural property will plateau as growers take a wait and see approach, however we don't expect to see a significant decline in values during 2020. Some consolation comes from the expectation that commodity prices for many of the region's crops will remain high, which makes leasing water at current levels of over $800 per megalitre economically feasible for some. Farmers tend to retire at a time of their choosing rather than age and we expect people will try to ride out the current drought rather than sell at a time of reduced demand.

However the smaller, less efficient growers, particularly those who rely entirely on leasing water, will be vulnerable should the dry conditions continue throughout 2020. There will be a widening gap between the balance sheets of irrigators who hold significant water entitlements and those who do not.

There are a number of reviews currently occurring into water trade and river management and while everyone hopes that this will result in improved transparency in water ownership and the trading platform, it is unlikely that we will see recommendations that will contribute to any significant reduction in the cost of leasing water. The cost will again be entirely governed by the supply of water, in particular whether New South Wales Murray and Murrumbidgee General Security Water Licences receive any allocation.

Confidence in the dryland farming communities will also hinge on rainfall leading up to the optimal sowing period in April and May. Producers were able to tap into stored soil moisture to grow a crop in 2019, however soils are bone dry at present. Values of farming properties in the Mallee region have been increasing in recent years, however we expect that buyers will be cautious until the season improves. Dryland farmers in the Mallee realise that they rarely benefit from years of both high yields and high grain prices and that a good season will inevitably coincide with an easing in grain prices.

Meat prices are forecast to stay high for several years and livestock producers in the Western Division are all optimistic about the future of their industry. Even though feed remains critically short or even non-existent on some properties, all the evidence suggests that property values will remain firm, in part due to an expectation that only a limited number of properties will be offered for sale until the drought breaks.

North and North West Queensland

The 2020 north and north-western Queensland grazing property market certainly is primed for a make or break year ahead. Off the back of the 2019 market conditions, both purchasers and vendors will need to do their homework and have their wits about them.

Major demand factors in the recent year have been from:

- Southern graziers seeking higher rainfall and grassed areas;
- Southern farmers taking a risk to establish northern dry land farming projects;
- Positive producer sentiment as cattle prices are good and are expected to rise;
- Low interest rates; and
- Commonwealth acquisitions in the Greenvale and Charters Towers area.

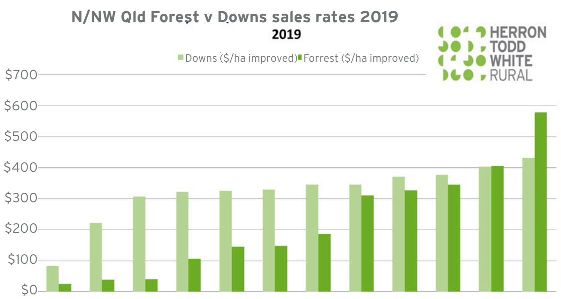
Market commentary appears to be mixed. There are some who are looking to expand in these market conditions on the back of low interest rates and confidence in cattle prices in the next five years and then there are those who believe that once it rains down south, the demand that drove the 2018 market pricing will dissipate, values may languish and market demand (and pricing) may change within weeks.

The following graph shows a cross section of 2019 sale parameters (excluding cattle and plant and equipment) that shows the contrast in market pricing between downs and forest country.

Downs country values increased from 2018 to 2019, however 2019 really was the year for the forest country types. The market for forest country outshone the downs for once.

Typically, downs country reflects stronger hectare rates to the forest breeding. Given the strong demand and offerings of mixed to top quality basalt country, the forest country has come through and toppled the downs.

Sale hectare rates for mixed quality to top quality basalt country in the Charters Towers and Greenvale areas achieved similar (and in the cases of Reedybrook and Marionvale, stronger) hectare rates than the downs last year (see graph).



It is time to be careful and calculating of the risks in buying or selling cattle stations at this stage of the property market cycle.

A few market comments have started to appear that have not been around since about 2006 to 2008. These were bullish comments then and are indicative of confidence rising now. For some, their investments worked. For others, bullish expansions resulted in unfortunate situations. Perhaps the variance in outcomes arose from calculated due diligence processes for the successful manoeuvres as opposed to emotional acquisitions that stretched all available resources.

An example of a comment that has recently surfaced again is the classic one: "We need to buy Johnny a property now because property values are rising. Johnny is old enough for a property now and we will never get the opportunity again!"

The resurfacing of such an emotionally driven reason to buy a property is a reasonable indicator that market sentiment is getting up there. The top of the current market cycle may be looming. At this stage, emotionally driven buyer transitions have been minimal.

With such a strong southern buyer demand influence last year, potential local buyers knew what price point reflected their highest bid point. This shows that local buyers are doing their homework at this stage of the cycle. They have calculated the price at which they can be profitable and successful. If another buyer out bid them, then so be it.

Should southern buyer demand dissipate in the ensuing months, vendors too will need to be prudent. It may be that in the absence of southern buyers, asking for a price increase on 2018 values may not achieve a successful sale.

In this stage of the market cycle, both, buyers and vendors need to be prudent.

Certainly, with cattle prices looking good and interest rates low, graziers are looking to grow and expand their operations.

Far north Queensland

The general outlook for the 2020 rural market in far north Queensland is best described as cautious optimism.

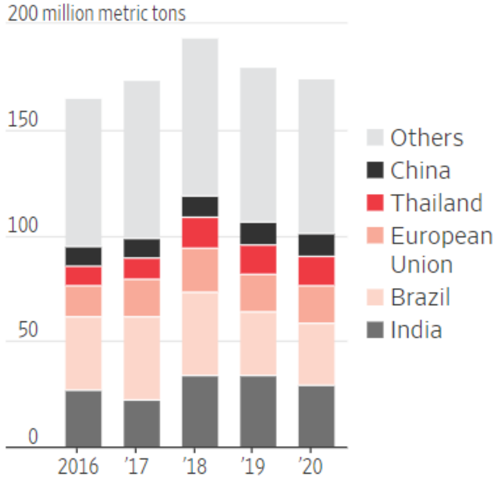
Coastal Horticulture

Sugar commodity prices are forecast to rise throughout 2020 as a consequence of a supply shortfall in Asia.

"Raw-sugar futures rose 1.13 percent to 14.32 cents a pound in New York on Tuesday, extending their advance in 2020 to 6.7 percent. Sugar prices have outstripped other soft-commodity markets so far this year, and have recovered 33 percent since falling to a trough of 10.76 cents a pound in September." "Adverse weather conditions for sugar farmers in India and Thailand—the world's largest and fourth-largest producers respectively last year—have lifted prices in recent months."

Sugar Shortfall

Annual sugar output by major producers



Note: 2020 is a forecast.
Source: U.S. Department of Agriculture

Alternative use industries for coastal horticulture lands may reduce reliance on the traditional industries of sugar cane and bananas. The recent purchase of a large sugar cane farm near Mourilyan, south of Innisfail, may signal the start of a viable alternative use for coastal sugar cane farms. International Biomass Solutions (IBS) has purchased the farm as a test plot for the growing of high protein grasses as a cheaper, alternative protein source.

IBS is engaged in the development, growing and processing of various biomass plant varieties in different parts of the world. With the use of innovative technologies of its partners, the company aims to contribute to energy and industry transformation with the ultimate objective of sustainably reducing carbon dioxide output and increasing farmers' income. IBS works on biomass projects independently or in close cooperation with growers, cooperatives, local or national governments and industrial stakeholders.

The ongoing success of quarantine measures for the banana fungal disease Panama Tropical Race 4 is likely to give greater confidence to the banana industry and growers, particularly in the Tully Valley. Despite the threat of the disease spreading, it has been well contained to a few small outbreaks on two farms. Banana farm sales were limited in 2019, however the success of quarantine measures is likely to lead to more farm transactions in 2020.

NT/Kimberley

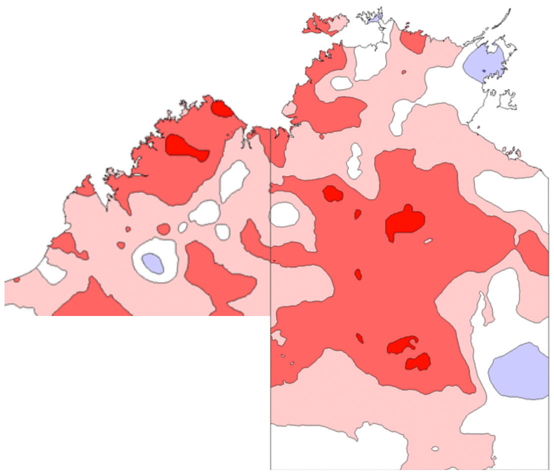
Pastoral

Following a relatively steady year of sales activity in 2019 which included nine station sales (all Perpetual Pastoral Lease holdings: PPLs) with combined WIWO sale price of $131.2 million - or $122.12 million (bare) - and a combined current carrying capacity (at current levels of development) of around 67,300 Adult Equivalents (HTW's estimate). Interestingly, that works out at $1816/AE (bare). Around $50 million of the $131.2 million above comprised two CPC sales ("Ucharonidge" and "Manbulloo") and that the figures also exclude the "Auvergne/Newry/Argyle Downs" deal which went to contract back in January 2019 for around $135 million (WIWO) or $70 million (bare) but which has not yet settled. It also excludes the sales of the two Perpetual Crown Leasehold cattle properties (PCLs generally have superior utility compared to PPLs) including "Carmor Plains" $20 million (WIWO) or $17.9 million (bare) and "Sturt Downs" $7.5 million (WIWO) or around $6.5 million (bare). Add these three deals to the mix (on the basis that the "Auvergne" aggregation actually settles) and total sales for 2019 will stack up to $265 million (WIWI) or $216.73 million (bare). That lifts the $/AE (bare) rate significantly $2925/AE.

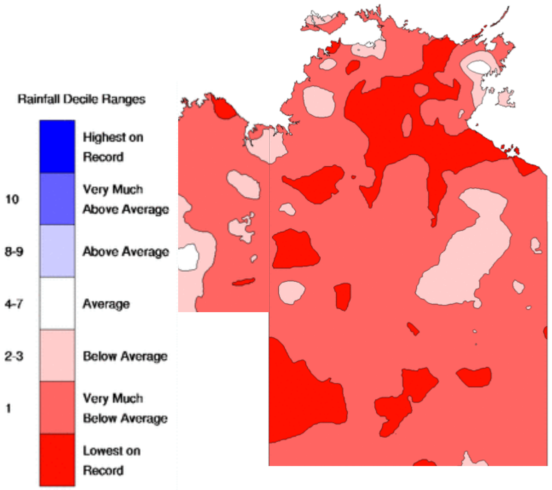
I also note that there were no pastoral sales in the Kimberley during 2019. Overall however, it was a much bigger sales year compared to 2018 which yielded just five sales: $43.37 million (WIWO) or $25.48 million (bare) showing $1405/AE (bare).

As we have mentioned in previous Month In Reviews during 2019, the value rates reflected by the sales ($/AE) vary significantly between similar type properties, due mainly to widely varying opinions of sustainable levels of productive capacity (carrying capacity) and there would appear therefore to be some unjustifiably high value rates because of this. The below average pasture growth that occurred across many NT stations during 2018/19 has highlighted some of these overestimates. With rural property market conditions approaching 12'o'clock in the cycle, now is not the time to be bullish on sustainable carrying capacity estimates, otherwise any negative effect of a property downturn (not saying there is one imminent) will be compounded as the market at that point will be using realistic productivity assessments as a negotiation piece - why wouldn't they? But at this stage the chickens haven't come home to roost for some, and despite the well below average 2018/19 wet season (refer rainfall deciles below) and the poor start to the 2019/20 wet season, the dry times didn't keep the buyers away.

Bureau of Meteorology Wet Season Rainfall Deciles:
1 October to 31 2018 to 30 April 2019



1 October to 31 December 2019



With rural property market conditions approaching 12'o'clock in the cycle, now is not the time to be bullish on sustainable carrying capacity estimates.

Halleluiah! The monsoon appears to have finally arrived (mid January, a bit over two months late) and with it the first sales activity for the year with a large-scale aggregation in the northern half of the NT contracting for sale. Full details remain confidential at this stage however the two PPLs (over 5500 square kilometres combined) apparently attracted a reasonable number of competing interests and the sale is expected to form a well tested value benchmark for live export dependant, northern grazing country. Although it's not the traditional selling season (normally during the dry season), pastoral listings in the NT/Kimberley are looking a bit slim with nothing formally advertised for any of the regions apart from the Top End (one station), Sturt Plateau (three stations), Central Plateau (one), Tablelands/Gulf (two) and Alice Springs (one station).

Agriculture

The irrigation land market is picking up over in the East Kimberley (Ord River Irrigation Area or ORIA) with building confidence that GM cotton may be the next mainstay crop of the ORIA, particularly into the 7700-hectare Stage Two (Goomig) expansion area. After three farm sales in the original 15,100-hectare Stage 1 area during 2018 which showed between $10,500 to $11,000 per 'green' hectare (inclusive 17ML/ha pa surface water allocation) there has been another transaction, late in 2019, that confirms such value levels and also confirms the growing belief by farmers from the south-east that cash flow can be underpinned by having irrigation country in the ORIA given its secure water supply. At this stage, the details of the transaction remain confidential, but like two of the three buyers in 2018, this buyer is also from down south and was chasing a large, secure supply of irrigation water.

In the same theme, the Mirriwoong Gajerrong Corporation (MG Corp) who are the second largest landholder in Stage 2 of the ORIA, in its pursuit of commercial agriculture ventures on their land, signed a Memorandum of Understanding (MOU) with cotton giant Cubbie Farming. The organisations will work together to investigate the feasibility of cotton by growing trials on around 290 hectares of leased land in the Goomig area. The first crops will be sown by February (2020) and once harvested, later in the year, will be sent to Cubbie's Dirranbandi-based gin in Queensland 3500km away. If trials are successful MG and Cubbie will consider making a joint application to the Northern Australia Infrastructure Facility to secure federal funding to build a cotton gin in Kununurra.

An industry commissioned feasibility study early in 2019 considered whether a gin, which could cost in excess of $30 million to build, would be financially viable in northern Australia. Cubbie Farming report that "diversification" was the impetus for the MOU which has been under negotiation for the last twelve months following an expression of interest process in 2018. The drought and low to nil allocations and no reservoir supplies back at Dirranbandi, have reportedly encouraged Cubby to search for diversification opportunities. This agreement is further evidence that eastern Australian irrigators (particularly cotton growers) now appear to be more willing to bear the increased risks and costs of farming in more remote locations if the trade-off is simply a far more secure water supply. At present, many of these farmers currently have expensive, high quality irrigation assets back in eastern Australia that have nil water available and therefore have significantly reduced cash flow. Cubby Farming would have considered the known cost of transporting raw cotton from Kununurra to Dirranbandie for ginning, however they have committed to this MOU in order to potentially develop more irrigation country in the ORIA to sure up production.

Cubby will also have been aware of the debate on water reform in the ORIA which has been ongoing now between the Ord Irrigation Cooperative (OIC) and W.A. Department of Water and Environmental Regulation (DWER) now for nearly four years. What is potentially at stake here is a thirty percent reduction in the OICs water entitlement. I note that each irrigator in the ORIA has a shareholding (which equates to their annual entitlement) in Water Services Provider: OIC who control water allocation in the valley. The OIC holds a single, large, surface water licence (SWL) by virtue of the Water Services Licensing Act, subsequently water licences and renewals are at the discretion of the DWER. The SWL is for 335 gigalitre per annum which is ultimately sourced from Lake Argyle, Australia's largest dam (twenty times the volume of Sydney Harbour). The OIC currently distributes its allocation to irrigators through entitlements that equate to 17ML per hectare of their developed farm area. However, the OIC's licence is currently only in place due to a standing injunction which is preventing DWER from enforcing their 2015 decision (at the time of OIC's last licence renewal) to reduce the SWL by around thirty percent back to 246.3 gigalitres per annum. The OIC objected to the department's decision and won the injunction to maintain the previous allocation whilst the matter was dealt with under the State Administrative Tribunal (SAT) process. In its decision to order the thirty percent reduction, DWER claimed that since gaining its first water licence, at most, the OIC had used only sixty per cent of its entitlement, down to as little as 42 per cent in some years and that under the SAT process, experts from DWER and the Department of Agriculture had worked together with two independent experts to calculate current and future crop requirements and that the new 246.3 gigalitres would be more than ample.

An industry commissioned feasibility study early in 2019 considered whether a gin, which could cost in excess of $30 million to build, would be financially viable in northern Australia.

Our discussions on this matter with the OIC, indicated that there was a possibility that the thirty percent reduction could be imposed if the 2015 decision to enforce the reduction is upheld in the final SAT hearing scheduled for March 2020. This is therefore likely to have the flow-on impact of reducing entitlements to irrigators. However, the most recent negotiations between OIC and DWER at the SAT hearing in Kununurra in December 2019 were reportedly promising from an OIC/entitlement holder's perspective. The case put forward by the OIC is based on a mounting argument that DWER are operating outside logic or good government with a 'use-it-or-lose-it' mentality which is inconsistent with the National Water Initiative (to which WA is a signatory) and also that the current 335GL allocation gave irrigators the necessary flexibility they need to overcome their remote location and the tyrannies of distance by achieving economies of scale given their current ability (with 17ML/ha pa) to interchange between a variety of crops with different water demands depending on market prices. This is the single greatest advantage that farmers in the ORIA have.

In the figures below I have attempted to show the value that buyers of irrigation land in the ORIA appear to be placing on high security water combined with comparatively high allocation rates (compared to the rest of Australia). The dollar per irrigable hectare rate for properties in the ORIA tends to be toward the lower end of sale rates in Queensland due mainly to the higher underlying land values in the Queensland locations, but this is countered to a large extent, by the value the market is currently placing on the much larger and more secure annual water entitlement in the ORIA (subject to the SAT outcome of course!). For example, if the added value of the water entitlement only (ie. water value separated from the underlying land value) is analysed on the basis of a $/hectare rate as well as a ML/hectare basis, then the Queensland sales compared to the ORIA sales show (approximately):

- **Sale 1** (2018, Central Queensland) $7000/ha (water value only) for a 7ML/ha pa entitlement
- **Sale 2** (2018, Central Queensland) $11,000/ha (water value only) for a 6ML/ha pa entitlement
- **Sale 3** (2018, Southern Queensland) $13,300/ha (water value only) for a 11ML/ha pa entitlement
- **Sale 4, 5 & 6** (2019, ORIA, Kununurra, WA) $7,000/ha (water value only) for 17 to 19.4L/ha pa entitlements.

RURAL

HERRON TODD WHITE RURAL

I note that the ORIA sale has significantly superior water security compared to the Queensland sale properties. I will be watching the outcome of the final SAT hearing in March with much interest, as I'm sure will all stakeholders in the far northern Australia farming community.

Please also Note: Unlike Queensland, where we have good evidence for the value of developed dryland cropping country (ie. developed cropping country sitting alongside irrigable country of similar quality, but the former just doesn't have an allocation), there have been virtually no dryland farming sales in the ORIA to accurately determine value of potentially irrigable land. And theoretically, if Lake Argyle and its massive supply never existed, then I guess the Ord Valley would never have been developed. Therefore, we could argue that virtually all of the value in the Ord Valley is in the water and the land really holds very little value, despite its beautiful self-mulching clay characteristics. This would then mean that an irrigation entitlement in the ORIA could potentially be worth close to all of its $10,500 to $11,000/ha. At 17ML/ha this equates to around $630/ML!

HERRON TODD WHITE

Property Market Indicators

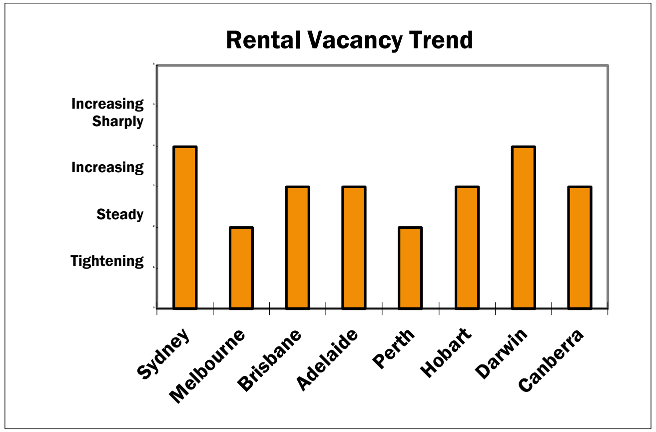
February 2020

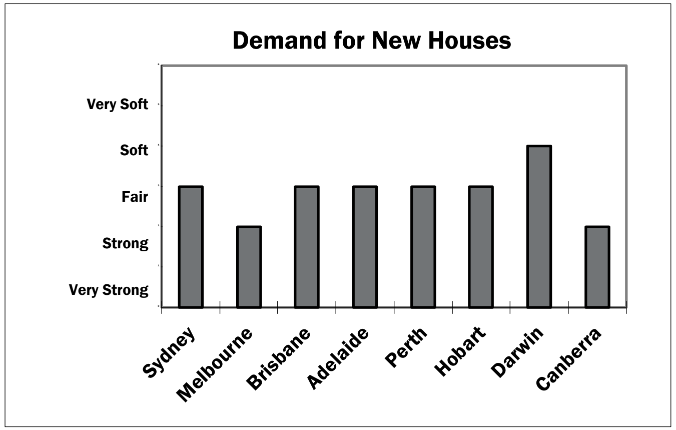
Capital City Property Market Indicators – Houses

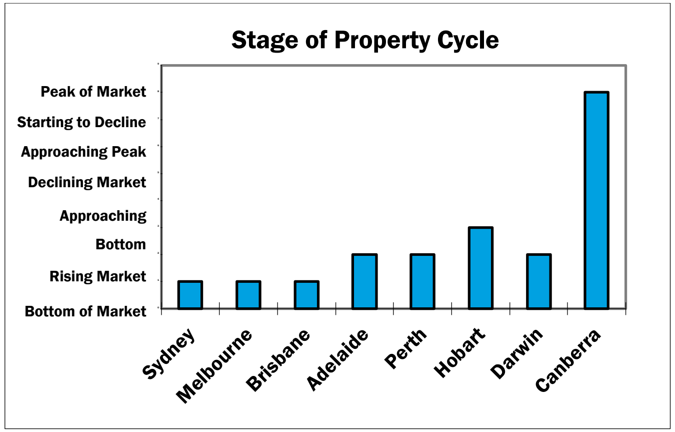
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Over-supply of available property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

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

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





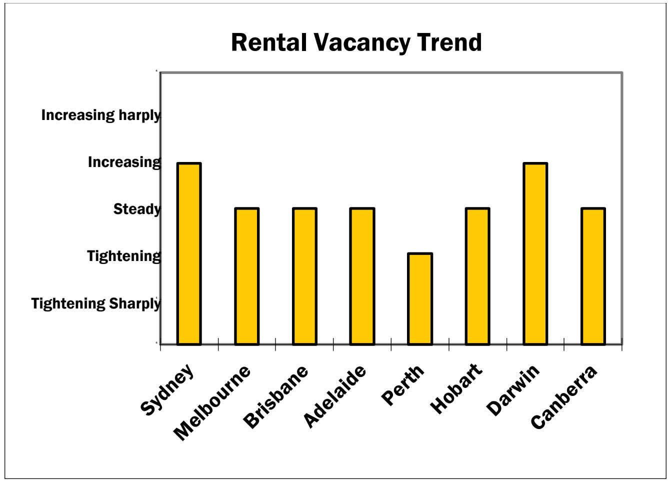


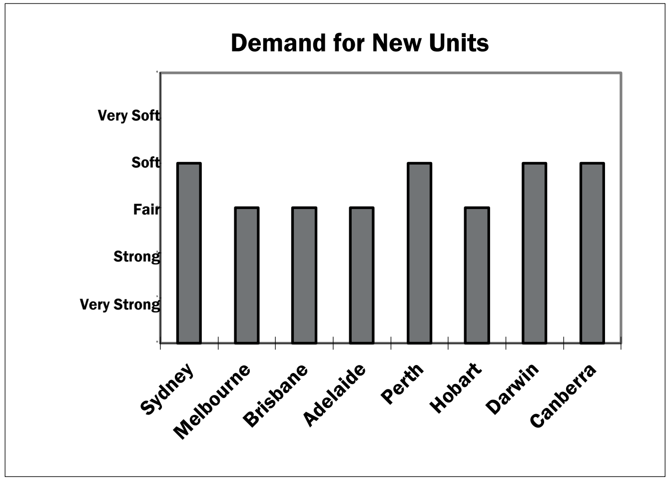
Capital City Property Market Indicators – Units

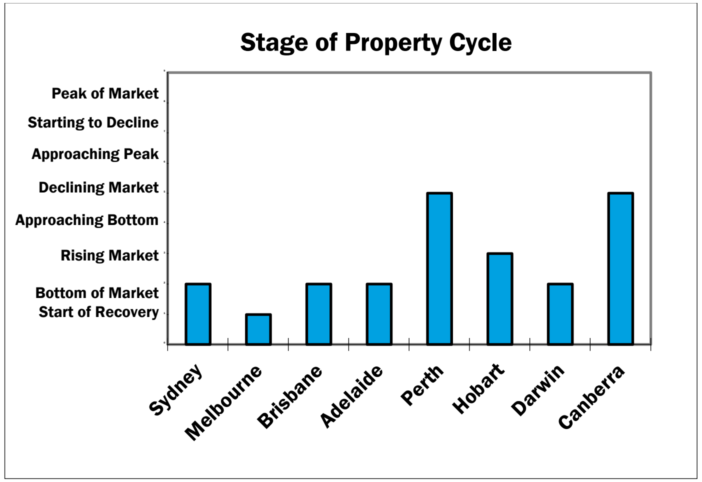
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Large over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Tightening	Steady	Increasing	Steady
Demand for New Units	Soft	Fair	Fair	Fair	Soft	Fair	Soft	Soft
Trend in New Unit Construction	Increasing	Declining	Steady	Steady	Increasing	Declining	Increasing strongly	Declining
Volume of Unit Sales	Steady	Steady	Steady	Steady	Declining	Steady	Declining	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Declining market	Rising 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	Frequently	Occasionally

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

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





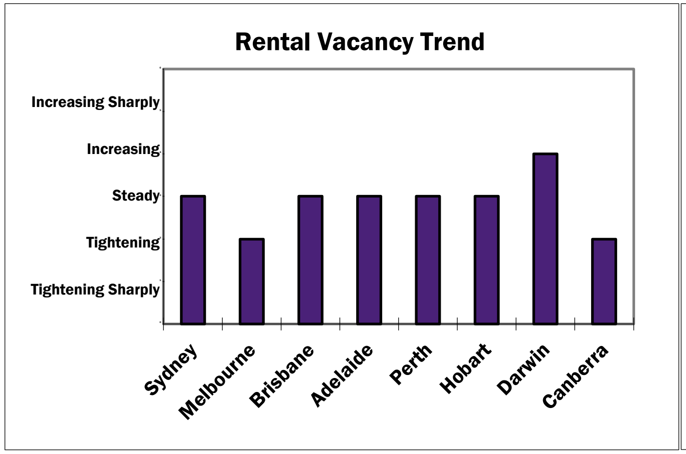


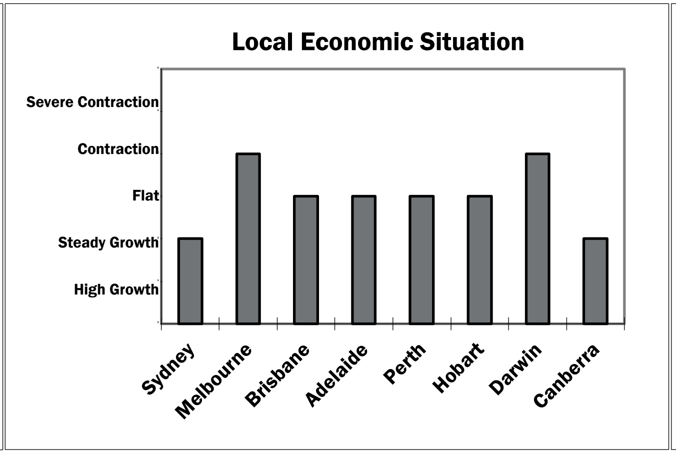
Capital City Property Market Indicators – Industrial

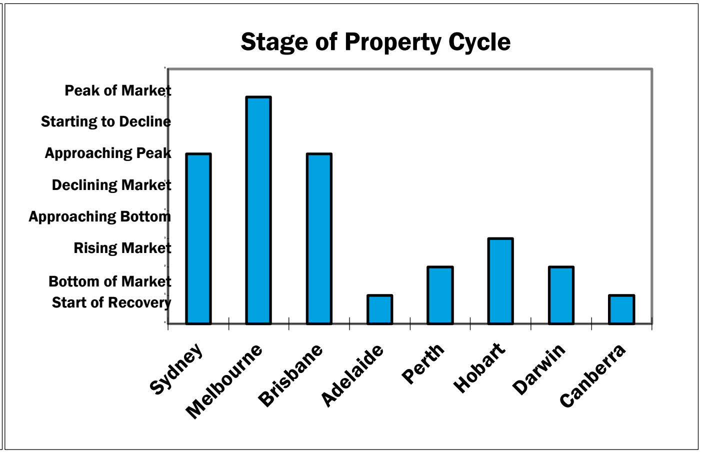
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative 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	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





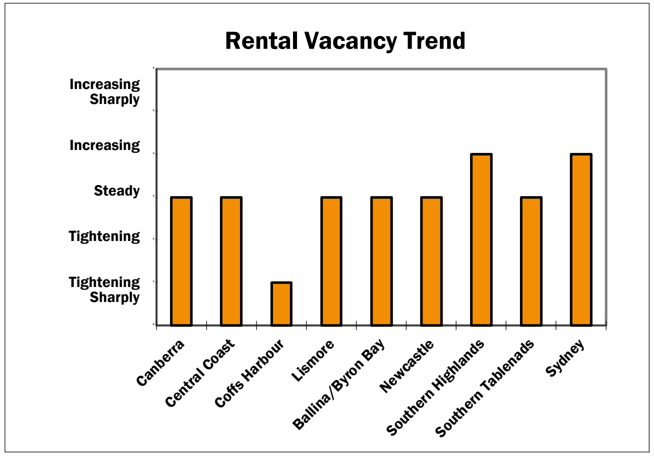


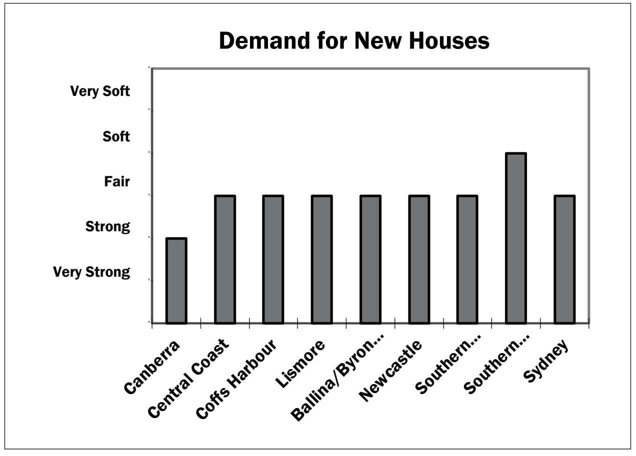
East Coast New South Wales Property Market Indicators – Houses

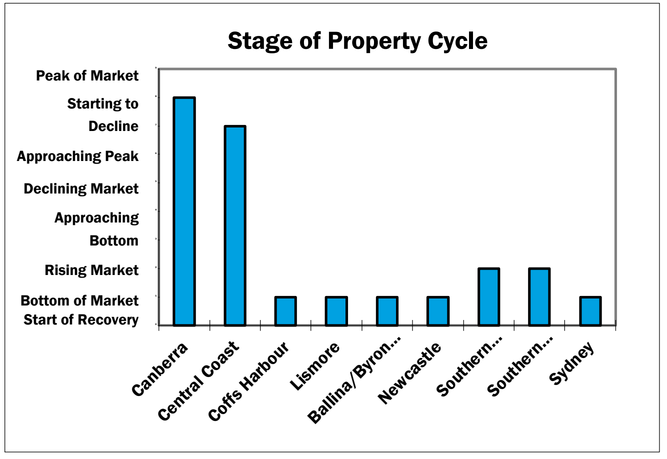
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tableands	Sydney
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening sharply	Steady	Steady	Steady	Increasing	Steady	Increasing
Demand for New Houses	Strong	Fair	Fair	Fair	Fair	Fair	Fair	Soft	Fair
Trend in New House Construction	Increasing	Steady	Steady	Steady	Declining	Steady	Increasing	Declining	Increasing
Volume of House Sales	Steady	Declining	Steady	Steady	Increasing	Declining	Steady	Increasing	Increasing
Stage of Property Cycle	Peak of market	Starting to decline	Start of recovery	Start of recovery	Start of recovery	Start of recovery	Bottom of market	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	Frequently	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	Severe shortage of available property relative to demand	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	Increasing	Steady
Volume of House Sales	Steady	Steady	Declining	Increasing	Steady	Steady
Stage of Property Cycle	Peak of market	Peak of market	Starting to decline	Peak of market	Peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Very frequently	Occasionally	Frequently

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

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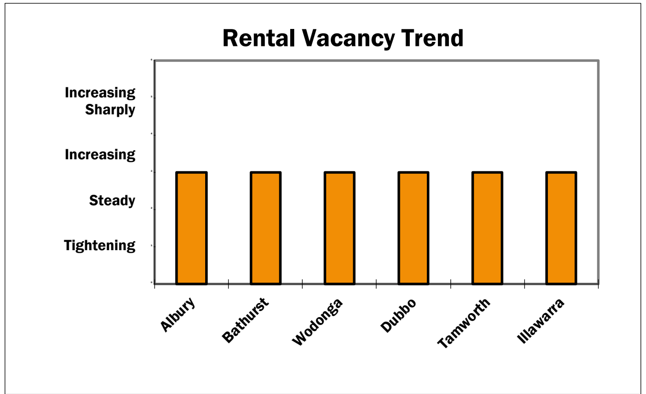
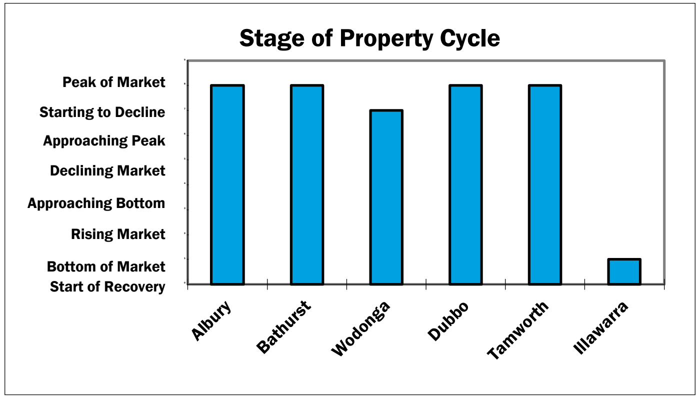
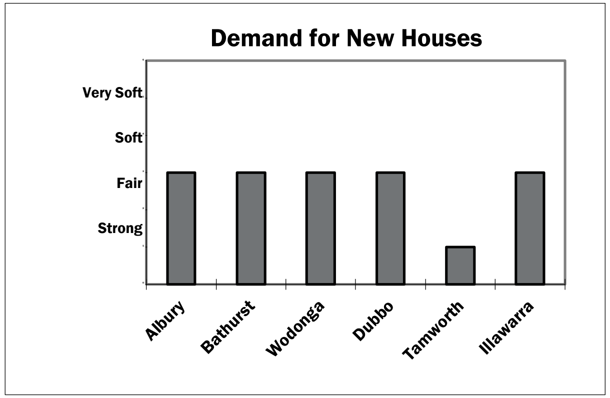




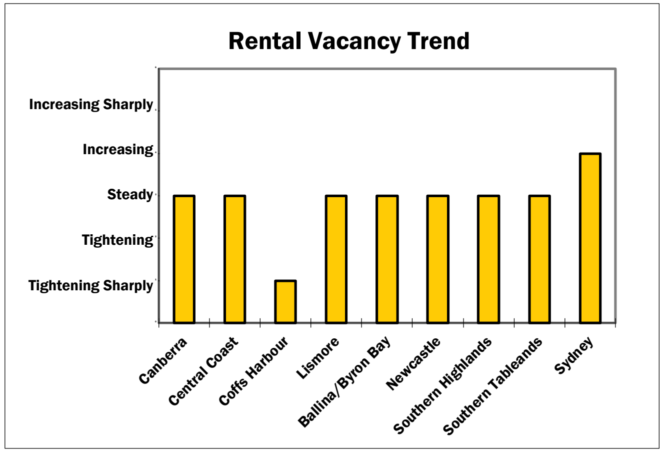


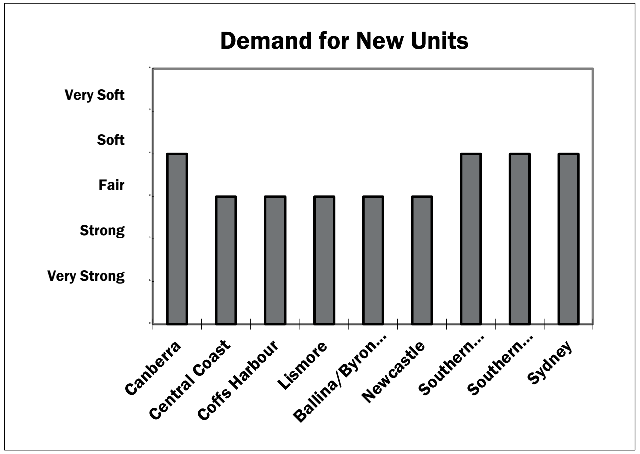
East Coast New South Wales Property Market Indicators - Units

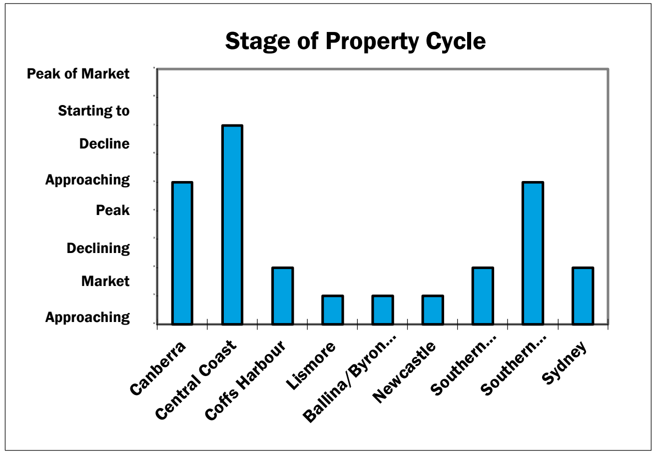
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available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







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	Soft	Soft	Fair	Fair	Soft	Fair
Trend in New Unit Construction	Increasing	Increasing	Increasing	Declining	Declining	Steady
Volume of Unit Sales	Steady	Declining	Steady	Steady	Declining	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Rising market	Peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Very frequently

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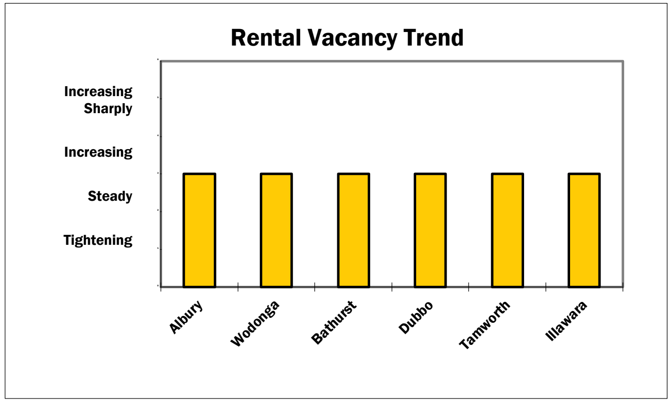
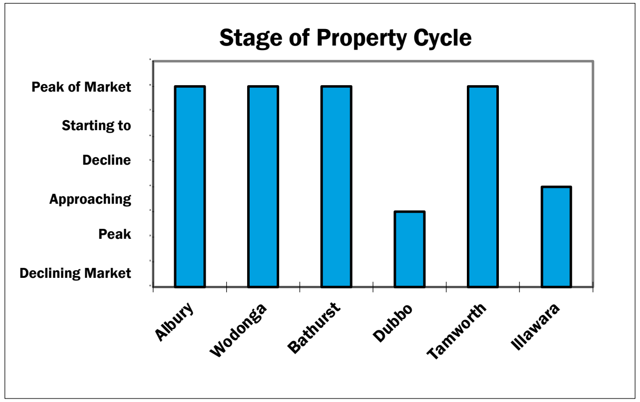
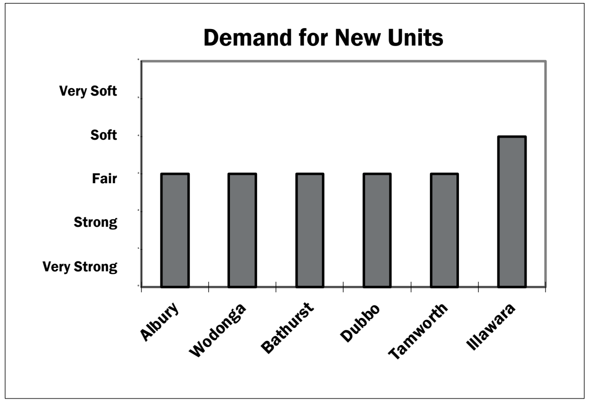




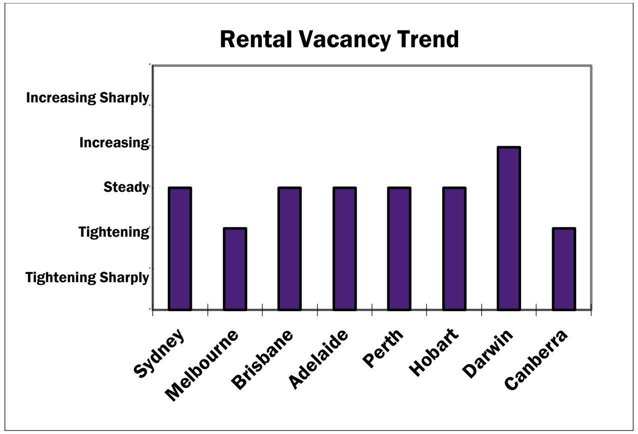


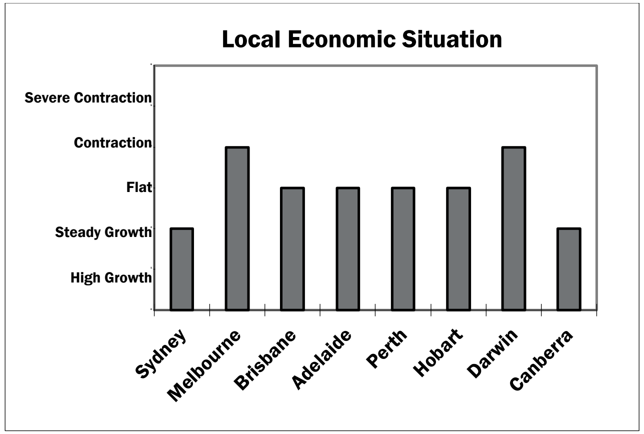
East Coast & Country New South Wales Property Market Indicators – Industrial

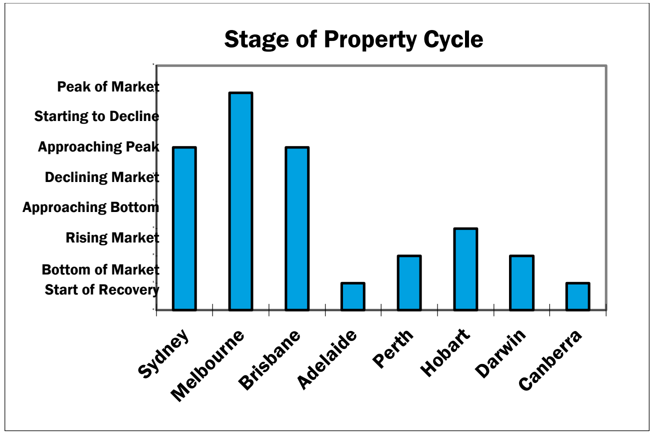
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Ballina/Byron Bay	Mid-North Coast	Newcastle	SE NSW	Sydney
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative 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

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





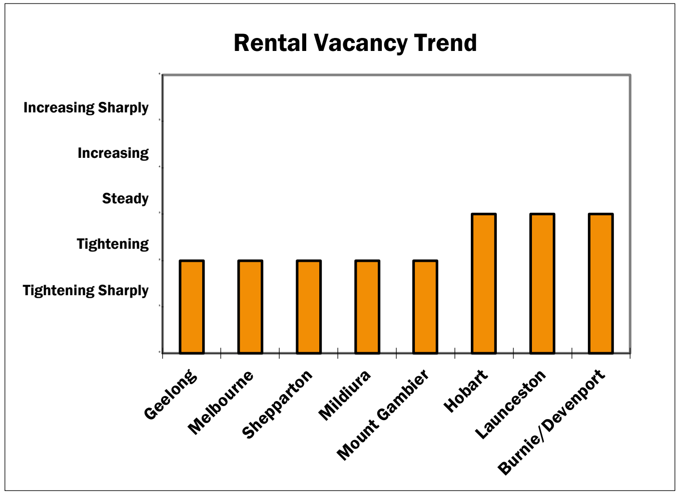


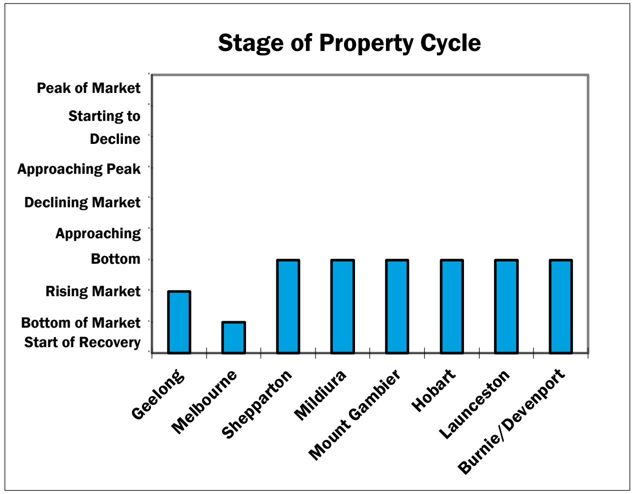
Victorian and Tasmanian Property Market Indicators – Houses

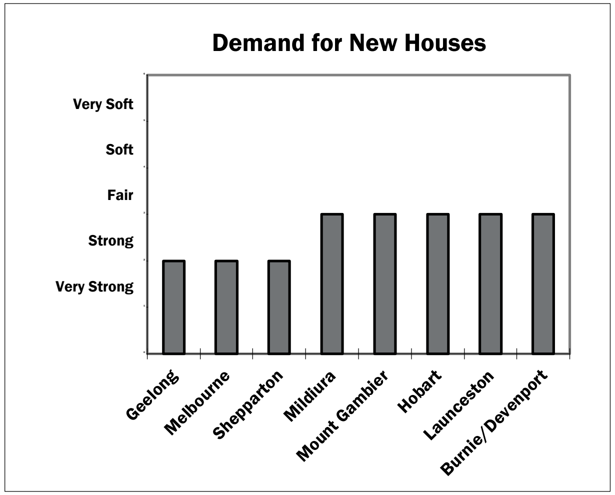
Factor	Geelong	Melbourne	Shepparton	Mildura	Mount Gambier	Hobart	Burnine/ Devenport	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady	Steady
Demand for New Houses	Fair	Strong	Strong	Fair	Fair	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining
Volume of House Sales	Increasing	Increasing	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	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







Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mildura	Hobart	Launceston	Burnie/Develport
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	Severe shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening	Steady	Steady	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Declining	Steady	Steady	Declining	Declining	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Almost never	Occasionally	Occasionally	Occasionally

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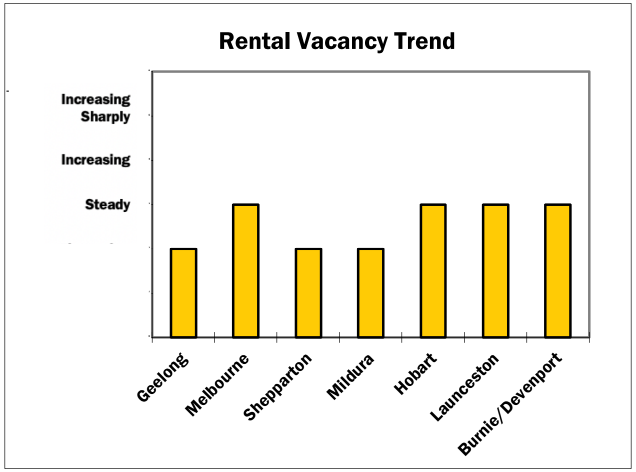
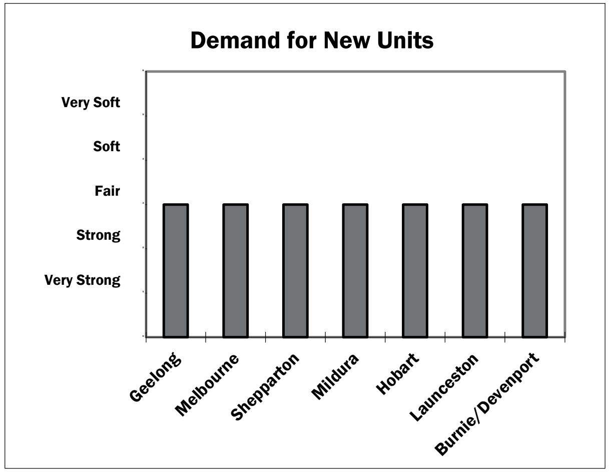
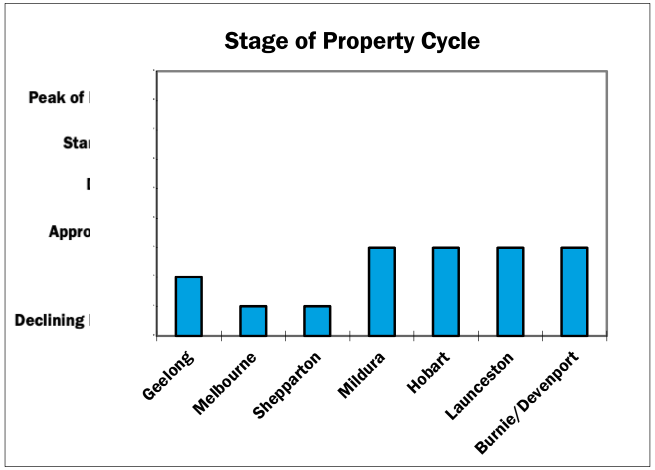
Blue entries indicate change from previous month to a lower risk-rating







Victorian and Tasmanian Property Market Indicators – Industrial

Factor	Illawarra	Orange	Geelong	Echuca	Horsham	Melbourne	Mildura	Hobart
Rental Vacancy Situation	Balanced market	Balanced market	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	Tightening	Steady	Steady	Steady	Steady	Tightening	Steady	Steady
Rental Rate Trend	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Approaching peak of market	Declining market	Approaching peak of market	Rising market	Start of recovery	Peak of market	Start of recovery	Rising market
Local Economic Situation	Steady growth	Flat	Steady growth	Flat	Flat	Contraction	Steady growth	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small	Significant	Small	Significant	Significant	Small	Significant

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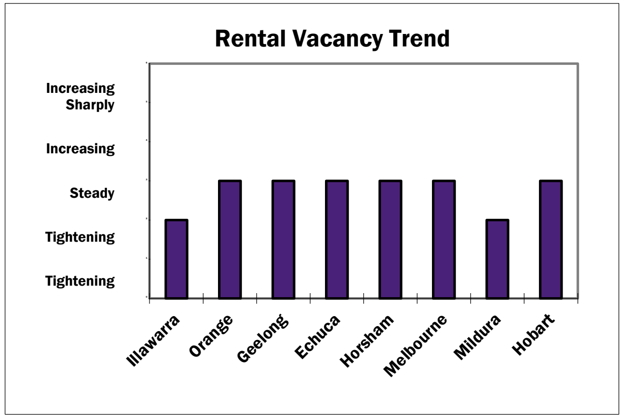

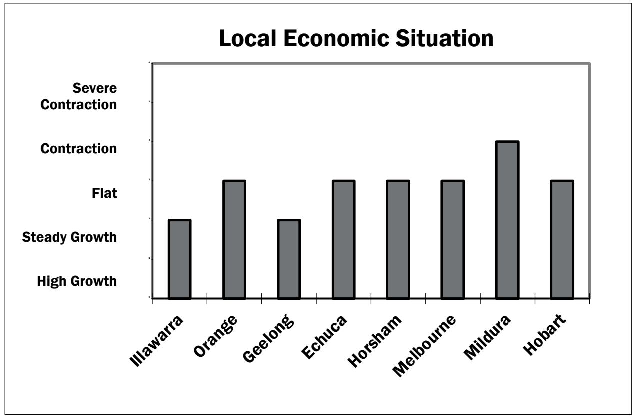

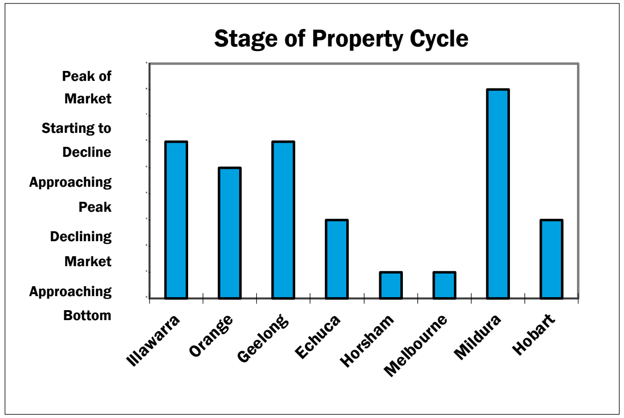

Queensland Property Market Indicators – Houses

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	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	Steady	Tightening	Tightening	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Tightening
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Soft
Trend in New House Construction	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Increasing	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Declining	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	Start of recovery	Rising market	Peak of market	Start of recovery	Bottom of market	Start of recovery	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	Occasionally	Occasionally	Frequently	Frequently

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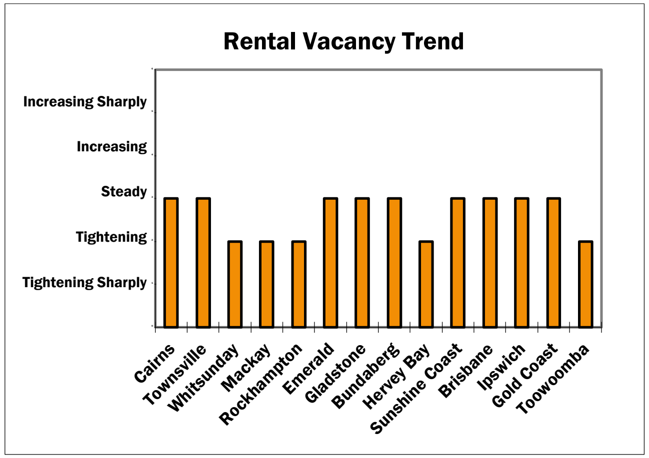
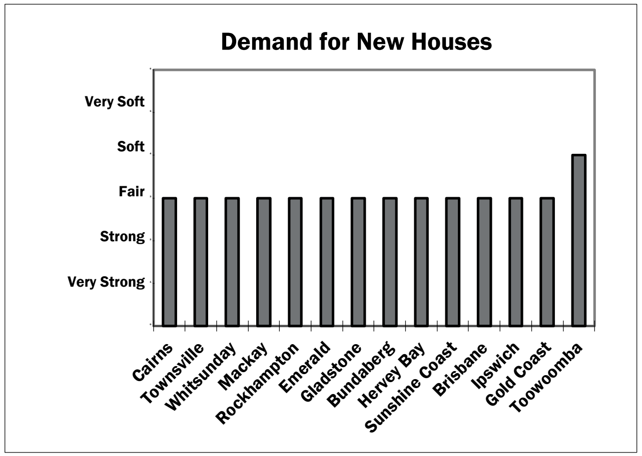
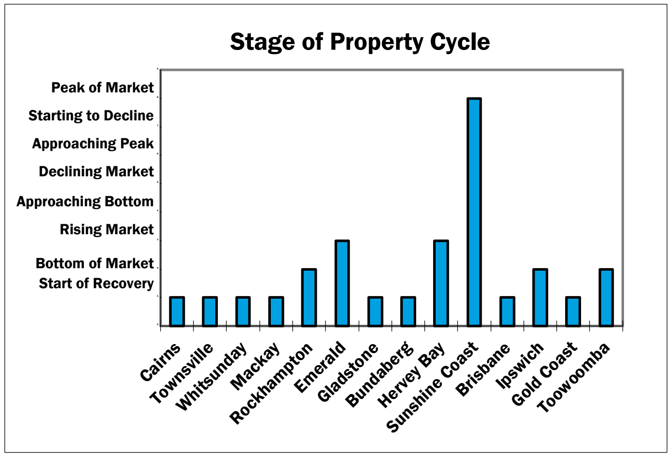
Blue entries indicate change from previous month to a lower risk-rating







Queensland Property Market Indicators – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rock-hampton	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	Steady	Steady	Tightening	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Fair	Soft	Very soft	Fair	Fair	Very soft	Fair	Fair	Fair	Fair	Fair	Soft	Soft	Soft
Trend in New Unit Construction	Steady	Steady	Declining significantly	Increasing	Steady	Increasing strongly	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing
Volume of Unit Sales	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Start of recovery	Rising market	Peak of market	Bottom of market	Bottom of market	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	Occasionally	Very frequently	Very frequently	Frequently	Very frequently

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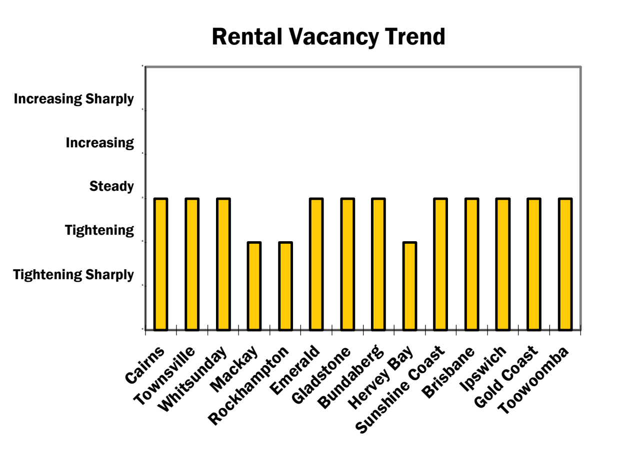
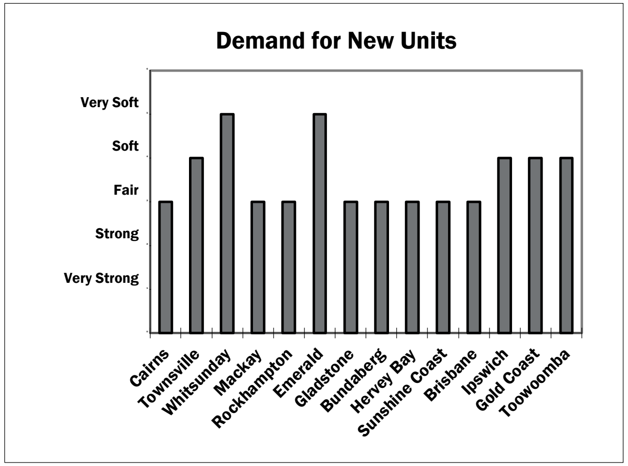
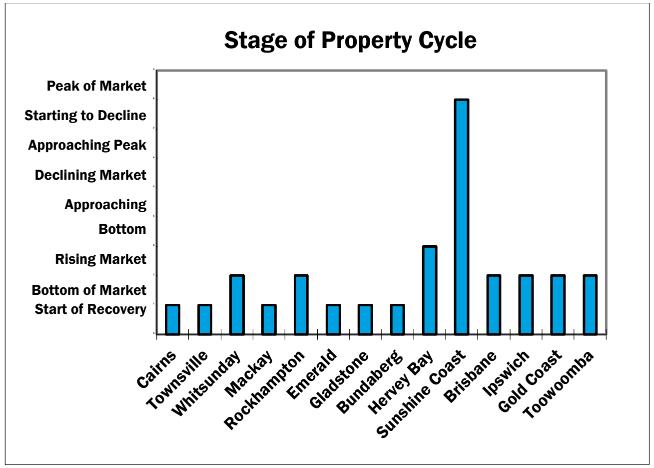
Blue entries indicate change from previous month to a lower risk-rating







Queensland Property Market Indicators – Industrial

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Wide Bay	Hervey Bay	Bundaberg	Emerald	Sunshine Coast	Brisbane	Ipswich	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	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Steady	Tightening	Tightening	Steady	Steady	Steady	Tightening	Increasing	Steady	Tightening
Rental Rate Trend	Stable	Increasing	Stable	0	Stable	Stable	Increasing	Stable	Stable	Stable	Increasing	Stable	Stable	Increasing
Volume of Property Sales	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Steady	Steady	Steady	Steady	Increasing
Stage of Property Cycle	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	Starting to decline	Start of recovery	Peak of market	Approaching bottom of market	Bottom of market	Start of recovery
Local Economic Situation	Flat	Steady growth	Flat	Flat	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Contraction	Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Large	0	0	Significant	Significant	Significant	Large	Large	Small	Small	Large	Significant	Large

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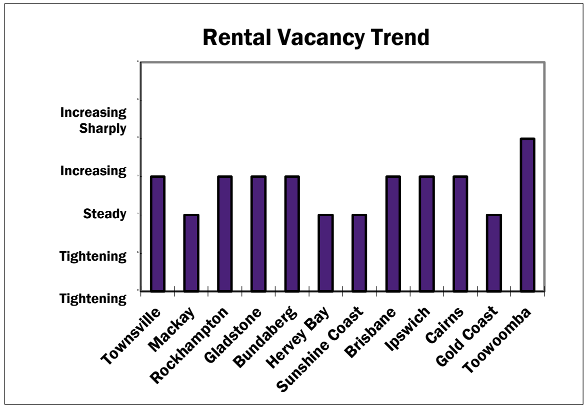

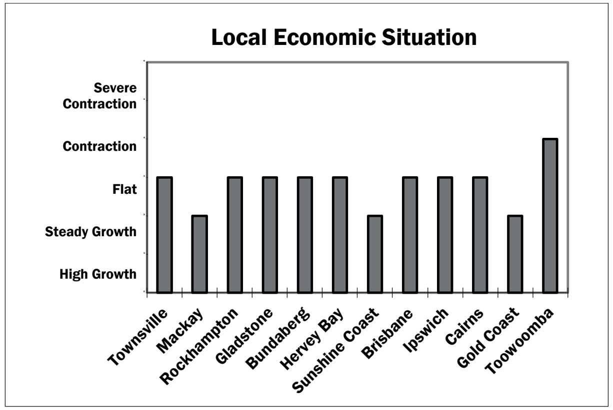

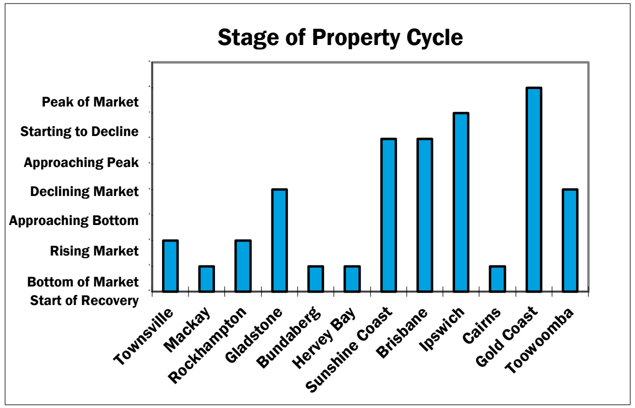

SA, NT and WA Property Market Indicators - Houses

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

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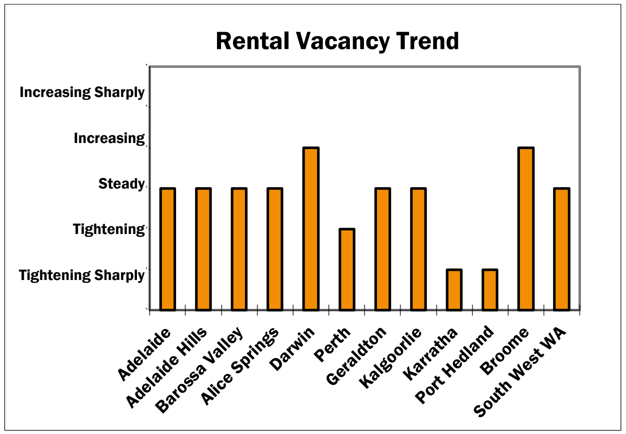

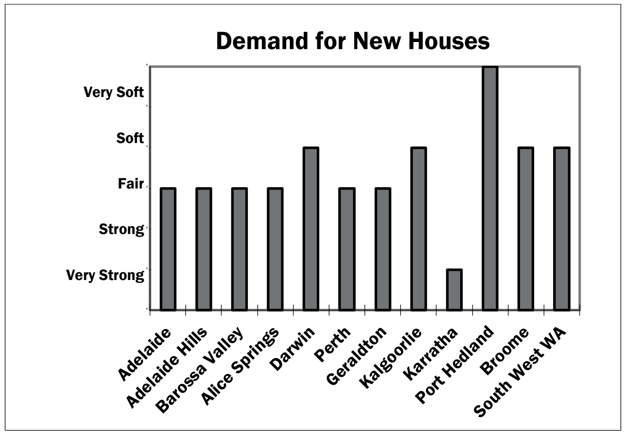

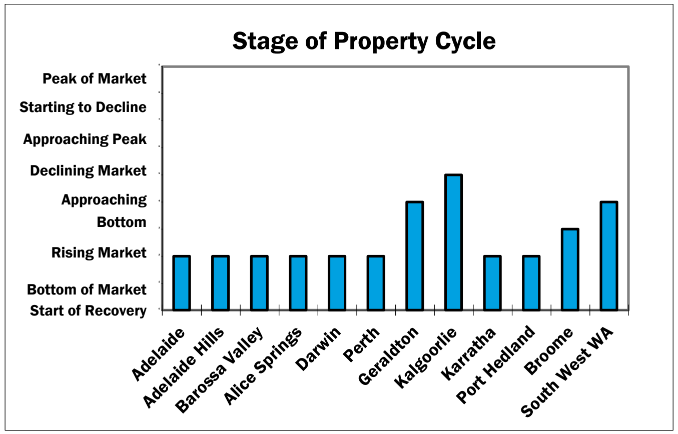

SA, NT and WA Property Market Indicators – Units

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

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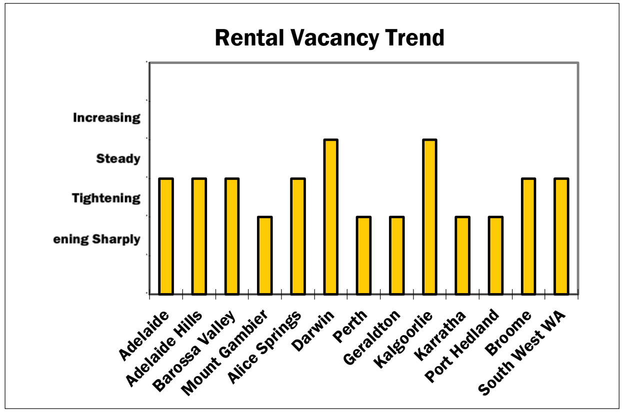

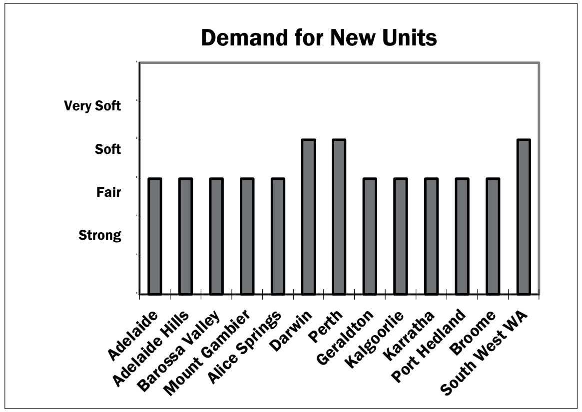

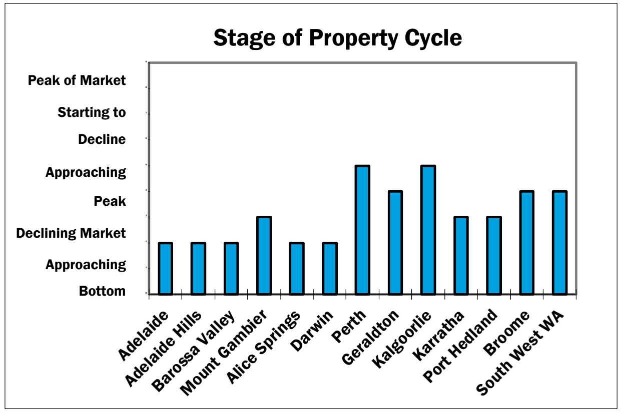

SA, NT and WA Property Market Indicators – Industrial

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
Rental Rate Trend	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady
Stage of Property Cycle	Start of recovery	Peak of market	Bottom of market	Bottom of market	Approaching bottom of market
Local Economic Situation	Flat	Flat	Contraction	Flat	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small	Large	Large	Large

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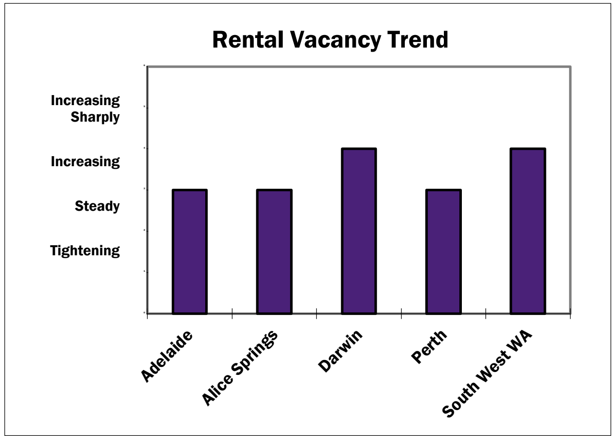
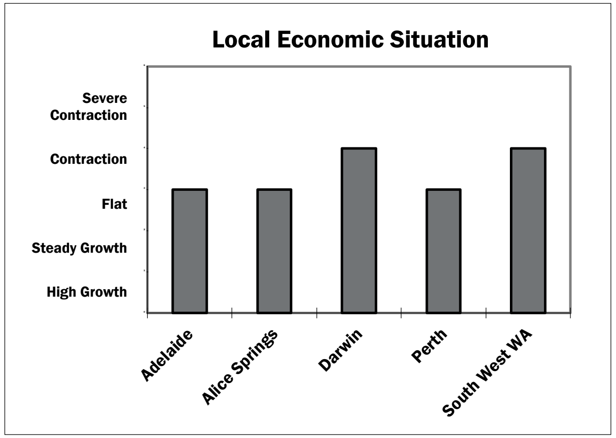
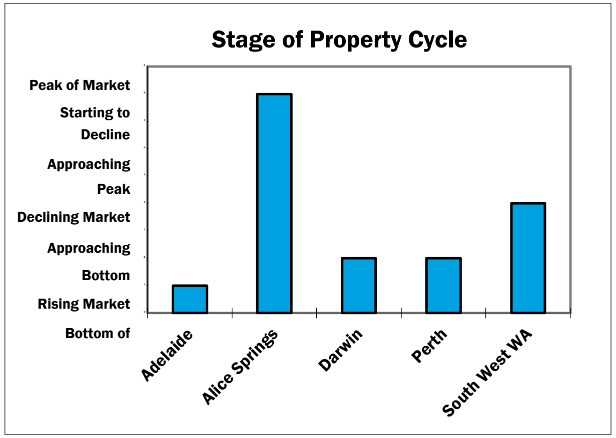
Blue entries indicate change from 3 months ago to a lower risk-rating







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