December 2016

Month in Review

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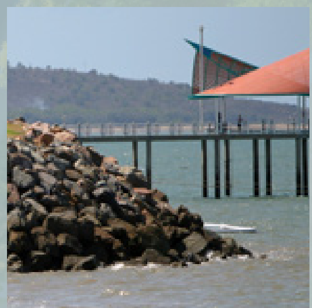
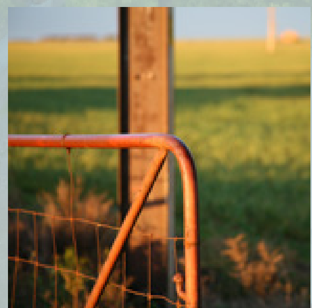
Contents





2016 Year in review

Ali, Brexit, Bowie, Cohen, Prince, Rickman, Rio, Trump, Wilder, Zika...

This year will never be remembered as 'uneventful'.

2016 has seen the loss of cultural icons and a shift in the political zeitgeist. It started as 366 days of great expectation, but anyone who says they didn't have a moment this year that shocked or surprised them must be is kidding.

While we live in a global village, it's domestic events that caused the biggest ripples in our pond. The federal election would be our top local agenda item with a slim victory for the incumbent Liberal government that now sees them courting for support at almost every turn. This has played upon our country's economic performance – we trade on confidence and any rise in uncertainty has the ability to cast a long shadow. Even now there's speculation of political leadership changes. That said, Aussies are a resilient lot, and we reside in a wonderful space – perhaps this is what will carry us into 2017.

Our property markets played their diverse roles as well. The ever-improving real estate superstars of Sydney and Melbourne proved to be an irresistible force. Granted, these two capitals alone do not constitute all of Australia, but some 60% of the real estate market is conducted within their borders so there's no denying their influence. Further north, Brisbane once again failed to set the world alight. It's a city with so much promise but rising from the mining downturn is proving a difficult task.

Not as bad as Perth though where some property performance measures actually wandered into the 'negative' column on the spreadsheet. Adelaide and Hobart were the dark horses as they rallied off a low base – but why should that be a surprise? They're great cities with plenty to offer.

Australian regionals were a mixed bag. Agricultural centres have been looking to capitalise on demand for our protein and other produce, but mining economies have (in general) continued to flounder. For these towns the shining light is that many may have now hit their bottom and can look forward to flattening out – not the most inspirational of outlooks but certainly better than a year ago.

These are all great generalisations but this summary of the nation doesn't do justice to its property market nuances. There is no 'one' Australian real estate market – our sectors are diverse and deep.

The best way to analyse 2016 is to escape the big picture and study the minutiae via a bank of on-the-ground-experts who can identify the best and worst performers throughout each state and territory.

Welcome to our stock in trade.

To make things interesting, each year in February we ask our offices to provide us with their hit predictions on how their service area property markets will track. Then, in December, we ask them to revisit their comments and provide a scorecard on their performance.

Now it's time to pay the piper.

Our team took a look back, not only to tell you exactly how 2016 panned out, but also lay bare where they got it right... and where they didn't.

If commercial is your area of interest, then we're honing in on the 2016 office sector in this issue. Our team have identified the year's big influencers and significant office property sales. We also get a study on rents and returns across all classes of the sector.

So there you are, good reader – a guide to ensure your Christmas table real estate conversation skills are honed to a fine edge. That way you'll be able to engage and educate all those around you with your prowess in the ways of Aussie property circa 2016.

We here at Herron Todd White would like to take this opportunity to wish you all a happy and safe holiday period. As we do each year there'll be a break from our Month In Review mail out during January, however we certainly look forward to sending you our thoughts on the year ahead for 2017 come February.

Good cheer to you and yours.

Commercial

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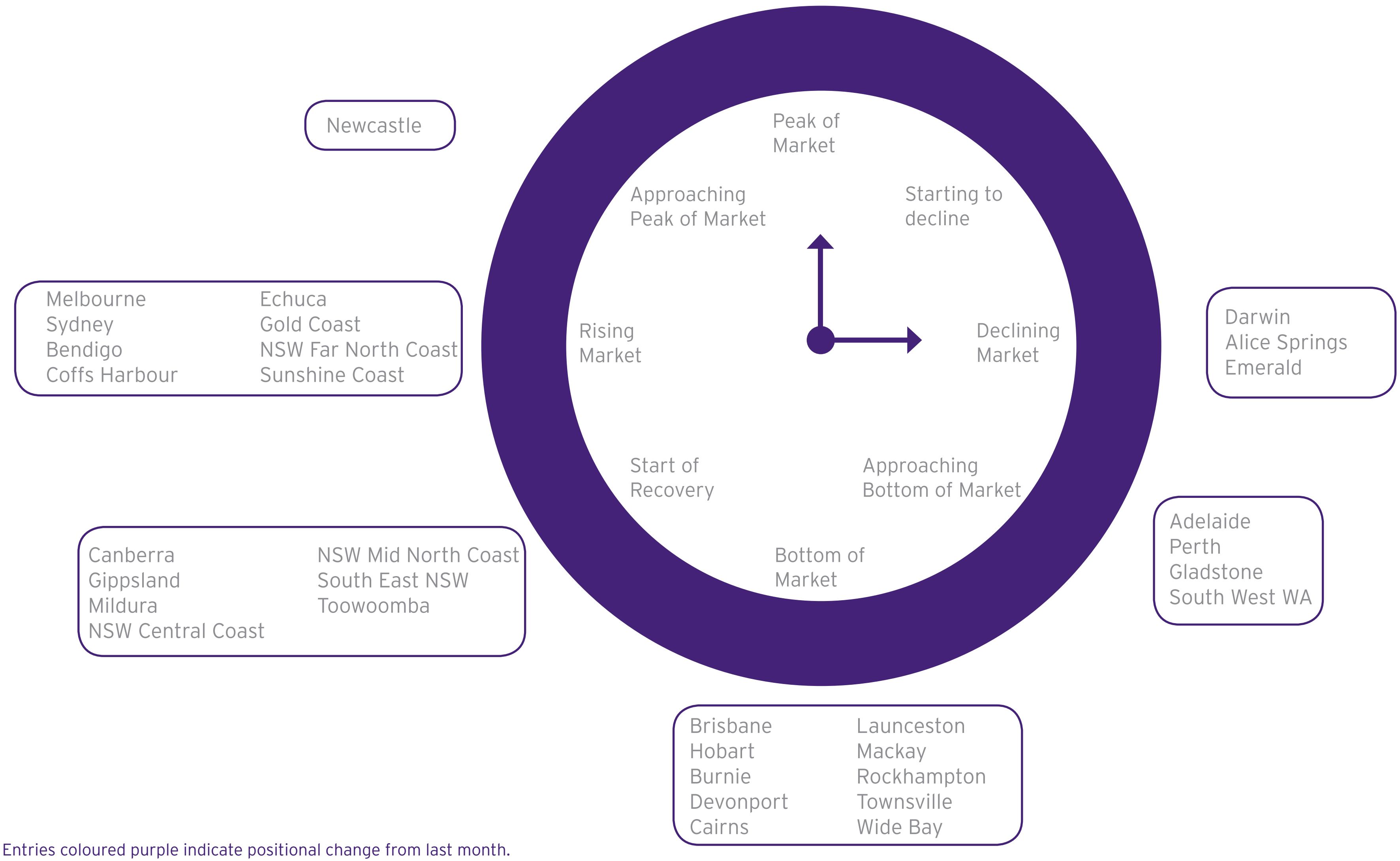
National Property Clock
December 2016
Office



Entries coloured purple indicate positional change from last month.

HERRON TODD WHITE COMMERCIAL

New South Wales

Overview

Commercial real estate came into its own in 2016 with large sources of capital, via superannuation and overseas investment, seeking a higher-yielding home in the Australian property sector.

But markets are more varied than a single comment can convey – and this year was one of surprises.

This month, our experts take a detailed look at their service area's office sector so we may learn what made 2016 such an interesting year in commercial property.

Sydney

In 2016 we have witnessed substantial growth in the Sydney CBD office market. By June 2016, the CBD office market had recorded a positive net absorption of approximately 148,000 square metres, due in part to the withdrawal of buildings acquired for the new metro lines and those being converted to residential. The vacancy rate at June 2016 was 5.6% and this is predicted to fall further by the end of 2017 and into 2018. Due to its strong tenant activity, the Sydney CBD is the only national CBD office market with a total vacancy below 7%.

Prime and secondary net effective rents at September 2016 were in the order of $595 per square metre and $430 per square metre respectively and these are anticipated to achieve an average increase of approximately 9% for the 12 months ending December 2016.

From a supply perspective, the most significant office spaces available in the Sydney CBD market over the next three years are Barangaroo, the key development underway with Tower 3 completed early this year and more recently 200 George Street. These developments supplied a total of approximately 118,560 square metres with only approximately 20,000 square metres uncommitted. By the end of this year, 333 George Street, Barangaroo Tower 1 and refurbished 80-82 Pitt Street totalling approximately 130,160 square metres will be completed with over 50% already committed. There will be only one other new development of significance at Darling Square in 2017 which has been pre-committed to the Commonwealth Bank.

The NSW Government's $2.1 billion light rail construction along George Street is well under way, with the project expected to run until 2019. Sydney's transport system has been somewhat disturbed, with buses and cars restricted from accessing certain parts of the street. Daily movement of the peak hour pedestrian and vehicular flow is considered to have change tenant outlooks along George Street.

The Sydney CBD has experienced significant buyer interest and has been keenly sought after by investors as Australia's city of choice in 2016. Examples include 420 George Street where Investa Commercial Property Fund paid $422.5 million in March for a 75% interest in the property at a reported yield of 5.25% and 1 Shelley Street where Charter Hall and Morgan Stanley Real Estate Investment paid $525 million in May at a reported yield of 5.3%.

Values of strata offices in the city have been firming over the past twelve months. This is primarily due to increased interest from owner occupiers and self-managed superannuation funds coupled with conversions of office space into residential and hotel accommodation. When strata offices are being marketed for sale they are on the market for shortened periods with a higher demand placed on prime stock, filtering down to secondary office stock.

Yield compression is being witnessed across all sectors of the property market, emanating from historically low Reserve Bank interest rates playing a part in a shift in expectations on returns on investments. Strata office properties are being sold on relatively low yield rates, currently sitting between 5.5% and 7.5%.

Suburban office markets have continued to improve over the past 12 months with a reduction in vacancies, while rental growth has returned along with a decrease in incentives. Growth in available supply of product has been restrained within some areas where commercial buildings are being converted to residential.

A considerable amount of infrastructure construction is already underway throughout the metropolitan areas of Sydney, while approximately $88 billion is proposed in NSW over the next four years, including preparations for the proposed new airport in western Sydney. This should all have a positive flow on effect to suburban commercial areas of Sydney.

As residential affordability continues to impact Sydney's landscape, a noted increase in demand for suburban office space is apparent, with the general suburban population seeking office space within close proximity of their primary place of residence. Take up of suburban office space is primarily being driven by the owner-occupier sector, as well as a big push from the superannuation fund market as a result of recent legislation changes. Coupled with this are the decreasing vacancies and increasing rental rates in the Sydney CBD which should encourage movement to the major commercial hubs in Sydney's metropolitan areas.

Illawarra

The Illawarra office market has shown clear signs of improvement throughout the year with an increase in sales volumes, demonstrating improved confidence after a prolonged period of static conditions. Investment transactions have increased as investors are enticed back to the market by yield arbitrage that is becoming scarce in the capital cities. Low interest rates, a recovery in the development site market and increased buyer depth have resulted in yield compression despite rents largely remaining stagnant.

Price point has become less of a factor with good demand for higher valued assets (plus circa $5 million) as is evident by the sale of the Commonwealth Government (Department of Defence) anchored office building at 8 Station Street, Wollongong for $13.6 million, reflecting a passing yield of 9.5% and $3,559 per square metre of lettable area, and 90 Crown Street, Wollongong at a record price of $43.9 million, reflecting a passing yield of 8.5% and $4,786 per square metre of lettable area. In addition to local buyers, the region is attracting private and syndicate investors from Sydney, interstate and overseas as well as second tier funds. Owner-occupiers also remain active in the sub circa $2 million price range.

Low interest rates are a significant driver in the local market and have also made it more attractive for tenants to become owners. The development of several large strata titled mixed-use projects in the Wollongong CBD may convert some existing and potential tenants to owner-occupiers.

Commercial leasing conditions in the Illawarra region have improved throughout the year with government tenants continuing to be a major driver of the leasing market. There is growing evidence of a market split between A grade space which has low vacancy rates and good demand and lower quality B and C grade space which have higher vacancy rates and modest demand. Most tenants however are driven by affordability and therefore we see limited upward pressure on rents although some leasing agents are of the opinion that there is appetite for A grade rents in the $500 per square metre gross range which would be a new benchmark if achieved and may justify new construction.

Newcastle

There have been a number of positive factors in the Newcastle office market over the past 12 months. At the start of the year, A grade vacancies rose to 10.7% which was attributed in part to the down sizing of the Tax Office space in the CBD. This vacancy rate fell significantly in the first half of 2016 with the re-letting of this asset along with the strong pre-commitment leases at 18 Honeysuckle Drive. We are seeing a higher demand for A grade offices in the CBD and Honeysuckle precincts. Anecdotally, there is a push back into these areas by businesses that are keeping their workers at front of mind to give them the best possible amenities, therefore keeping them engaged. This is one of the factors driving demand.

The positive influences on the market have been the relocation of the law courts to Hunter Street, the imminent completion of the new University of Newcastle city campus and the Newcastle Rejuvenation project. These projects have brought life back into a market that was stagnant for an extended period. Demand for A grade accommodation is again on the increase as businesses return to the CBD and Honeysuckle looking for higher quality accommodation. Examples of recent transactions are Austero's relocation from Charlestown, which they had occupied since 1988, to 18 Honeysuckle Drive and Suncorp's relocation from a C grade office to 2,500 square metres of A grade offices at 11 Argyle Street. In saying that however, there are still fully tenanted offices hitting the market regularly, but these are in such high demand that they tend to turn over almost immediately.

In terms of significant sales in the past 12 months, there are two that stand out. First is the Tax Office Two building which sold for $56.7 million. This property comprises 13,875 square metres of lettable area and floor plates of approximately 1,657 square metres. The second sale of note was 11 Argyle Street. This property featured a six storey building comprising four levels of car parking and two levels of A grade office accommodation. This property was sold to a Brisbane based REIT for $29.6 million on a passing yield of 8.4%.

Generally the Newcastle office market has performed better than expected in 2016 due in most part to the completion of major projects in the CBD. There is a renewed demand for prime A Grade accommodation which is driving vacancies down. This is creating a more positive outlook for 2017.

Victoria

Melbourne

Melbourne's office market has continued to strengthen over 2016 with falling vacancy rates and tightening yields. According to the Property Council of Australia, Melbourne's CBD office market has observed a decline in vacancy rates over the first half of 2016 from 7.8% in January to 7% in July, underpinned by positive demand and withdrawal of older office buildings. Melbourne remains the second lowest vacancy rate throughout all capital cities and is significantly lower than the national average of 10.4%.

With strong tenant demand and restricted supply, we are witnessing improving effective rents with CBD incentives beginning to shift down in certain sub markets. However, leasing incentives continue to be relatively high with 25% to 30% net incentives being offered for longer lease terms across larger tenancies. The office leasing market within the city fringe/inner east has had a strong year as tenants, especially from the creative, technology and business services sectors actively compete for well-located high quality accommodation. This has pushed the vacancy rate in the Inner East down 1.14% over the past six months to record lows of 4.15% in September 2016, while the city fringe vacancy rate has also fallen from 1.77% to 4.96%. However in the outer suburbs, agents report a softening in rents over 2016 for secondary stock due to tenant migration and an influx of prime space.

Investment stock has been highly sought after by institutional buyers, private investors and oversea purchasers. Major transactions in 2016 include 1 Collins Street which was sold for $125 million in February to Stamoulis Real Estate representing an initial yield of 5.2%. A-REIT, Growthpoint, acquired 75 Dorcas Street in South Melbourne for $166 million in June reflecting an initial yield of 6.6%. Sales under $50 million within the CBD include 395 Collins Street which was sold to a private investor for $34 million with an analysed market yield of 5.79% and 51 Queen Street was sold to a Brunei investor for $23.4 million in June 2016 on an analysed market yield of 6.08%. This represented a capital gain of approximately 43% after the property was last acquired for $16.4 million in 2012.

For CBD commercial sites with development potential, transaction volumes have slowed since the interim planning controls were introduced in September 2015. This market segment has lost momentum due to the uncertainty and prospective purchasers appear to be more cautious, willing to hold off on decisions until the permanent planning controls, Melbourne C270, are announced in November 2016. Furthermore, with the planned introduction of "Better Apartments" standards which may have the affect of reducing development yields, we anticipate some potential for softening of development site land values. Notwithstanding the challenging conditions for the Melbourne apartment market, Malaysian developer, SP Setia, acquired 308 Exhibition Street for $101 million with plans to launch a $640 million mixed use project comprising retail levels, A grade office space and apartment towers in the second half of 2017.

City fringe and inner suburban development sites continue to benefit from the shift in developers' interest from the Melbourne CBD.

We are witnessing many local and overseas developers buying existing older style office buildings with the view to converting them for residential purposes. We have also observed more suburban transactions to overseas purchasers focusing on underlying redevelopment potential. Competition is strong for properties with holding income and development upside. 452-484 Johnston Street, Abbotsford was sold to Chinese developer, LYZ Property Group, for a lucky purchase price of $88,888,888 in June 2016 reflecting an initial yield of 6%. 11 Dorcas Street in South Melbourne was also sold to a Chinese investor for $23.28 million in March 2016. The five-level office building was last purchased by a Malaysian family in 2012 for $14 million.

There is an increase in owner-occupiers returning to the market by purchasing a suburban office property as an alternative to leasing owing to the low interest rate environment. For instance, 168 Peel Street, Windsor was sold to a local owner-occupier for $6.25 million who plans on relocating their business from South Melbourne.

Despite the uncertainties associated with ‘Brexit’ and the US election, quality office assets should continue to attract strong demand from both local and overseas institutional buyers and sovereign wealth funds.

Recent sales activity suggests that market yields are firming for well-located investment grade assets exhibiting sound fundamentals, such as strong lease profiles and limited capital expenditure requirements. Investor demand is particularly strong for assets in the vicinity of $5 million to $50 million within the CBD and inner suburban locations. We anticipate the trend of strong inflow of off-shore capital, particularly from Asia, will continue into 2017 owing to strong investment returns (relative to their own country of origin) combined with a relatively low cost of debt, stable political and economic environment and a transparent property market which has created an ideal environment and an opportunity to invest in secure commercial assets.

Bendigo

2016 has been an interesting year in the Bendigo office market which has remained relatively stable from 2015 and displayed very modest growth across the board. The most common office transactions were converted dwellings providing modest office accommodation close to the CBD. Some strong sale prices were achieved for modern purpose-built multi-storey office buildings with strong leases to government tenants including a sale in Bridge Street for $7.3 million and another in McLaren Street for $10.1 million. Yields have ranged on average around 4% to 7% across all office grades.

All grades of office property have seen marginal movement in rental rates between 2015 and 2016 with rates per square metre ranging between $150 and $250 for secondary office space. Prime office space in Bendigo typically achieves between $250 and $350 generally with some car parking associated with the highest rates. First floor office space with no associated car parking remains unpopular within the market with numerous long term and current vacancies observed.

On another note 2016 yielded a noticeable increase in the number of mixed use developments within the Bendigo CBD with multiple developments including a substantial office component in addition to residential and retail space offerings. This largely comes off the back of local planning policy encouraging increased development density and mixed use projects within the CBD. These developments are occurring in a number of different formats including entirely new buildings from the ground up, conversion and renovation of the old and preservation of heritage façades with an entirely new building. These developments appear to have been well accepted within the market with reports of strong demand for all spaces including pre-development commitments and sales. The developments observed in this space over the past year herald positive signs for the direction Bendigo is heading into the future and reaffirms the value of quality CBD office space.

Echuca

There were two sales in excess of $1 million on High Street during the year. The smaller assets without national tenants are just bubbling along. Without doubt the highlight was the sale of Beaurepaires on Sturt Street for $1.45 million at a yield of 4.25% with a WALE of 4.25 years. The hunt for yield has without doubt pushed investors into the regions to chase some sort of return with strong demand for national tenants.

Mildura

The office market in Mildura during 2016 has been fairly unremarkable. Rents have been stable for several years and there are a number of vacant premises. Tenants and owner-occupiers alike tend to be established businesses and will only move if they need larger or smaller space.

An example of businesses relocating to smaller premises is the move by Bank Australia (formerly known as Members Equity Credit Union) from a large, old office building in Eighth Street to a smaller, refurbished office on the opposite side of the street.

The most noteworthy sale of 2016 was the former Centrelink premises at 158 - 164 Langtree Avenue Street, which finally sold for $1.3 million after sitting empty for around two years. This vacant possession sale shows an analysed yield of 9.25%, influenced by one title being held under a College Leasehold rather than freehold title.

South Australia

Adelaide

The South Australian economy faces challenges in the year ahead but should be aided by the low interest rate environment and the weaker Australian dollar. From 2014 to 2015, the South Australian economy grew by 1.6%. It is expected to have grown 1.5% from 2015 to 2016. The outlook for 2016 to 2017 is for continued modest growth of around 1.25%.

The closing of the car industry in South Australia late next year will represent a significant negative for South Australian manufacturing. This will be offset to some extent by defence manufacturing in the state. The weaker currency has lifted the competitiveness of the manufacturing sector as well as agriculture, tourism and international education.

Population growth, a driver of growth in the larger states, has been soft in South Australia, commodity prices have fallen and the ageing population has slowed growth in the labour force.

Business investment has been lack lustre in South Australia in recent years, however he size of the declines in business investment in South Australia has been less dramatic than in some of the resource states.

In relation to the Adelaide office market, the downturn in business activity has created huge vacancies in A grade quality buildings with the likes of Santos, BHP and Telstra all contracting their tenancies into smaller, compact areas.

Contraction has been the underlying theme in Adelaide's office market in the past 12 months and the large vacancies created by multi-national tenants have caused a ripple effect down to the suburban market.

Local leasing agents note that rarely are deals not incentivised at the moment, with one agent stating that the rule of thumb is "one month rent free per year agreed to in the lease term as a minimum" (three year lease giving three months rent free). This has also given sitting tenants a great negotiating tool when market reviews arise, bringing rental rebates into the mix as well.

As an example, a 346 square metre A grade office tenancy in the heart of the Adelaide CBD on Pirie Street recently underwent a market review. Prior to the review the tenant (a blue-chip national tenant) was paying circa $682 per square metre net per annum. However, post-market review a new rent of $347 per square metre was agreed to, as well as a $200,000 rental rebate over the five-year term of the lease. This dramatic drop in rent in one of the CBD's more sought-after locations illustrates the weak nature of the leasing market and the competitive environment of tenant retention.

In regard to office sales, activity has remained low but steady. Agents are aware of the difficult market conditions and won't list properties before tidying up tenancy schedules and re-negotiating lease terms with existing tenants. Generally, tenanted office buildings under the $5 million price point will not draw significant interest unless a WALE of four years or greater is evident. However, vacant possession offices, especially those under the $2 million price point continue to draw strong interest from local businesses, particularly for converted character villa offices.

Queensland

Brisbane

CBD Office Market

The Brisbane CBD saw the completion of two major commercial projects during 2016: 180 Ann Street and 480 Queen Street. The July 2016 PCA figures demonstrated the impact of these developments on the overall leasing market with vacancy rates reaching a record high of 16.9%. This is an increase from 14.9% in January 2016 and July 2015. As premium office accommodation has entered the market, we have seen a tightening in vacancy rates and rental incentives between premium grade buildings and older style, B grade accommodation. B grade vacancy rates were reported at 18.6% in July 2016. Prime vacancy rates increased from 8% in July 2015 to 22.1% in July 2016. It is believed that these vacancy rates will force further refurbishment or withdrawal of older stock.

The July 2016 PCA figures did however see the first net absorption since 2013, reported at approximately 41,000 square metres in the 12 months to July 2016. The upside to the current vacancy rates is that prime office properties such as Waterfront Place and Riverside Centre are able to implement rolling refurbishment programs after having maintained premium grade ratings for a lengthy period without refurbishments. The rolling refurbishment programs will allow the properties to be repositioned within the market and capitalise on the next round of anticipated major tenant moves later in the decade.

We believe commercial development heading into 2017 will reduce significantly with only two commercial development projects currently in progress.

Gross face rents have remained unchanged over 2016 while incentives and outgoings have continued to increase which has resulted in a significant reduction in net effective rental rates and overall achievable incomes for CBD commercial properties. With no significant compression in yields, capital values have remained stagnant at best and in many instances have fallen, in particular within second tier properties (B and C grade).

Yields based on net face rents for premium grade accommodation currently ranges between 5.75% and 6.25% reflecting a capital value rate per square metre of $10,500 to $11,500 while A grade accommodation ranges between 6.25% and 7.25% and a capital value rate per square metre of $6,200 to $8,200. Demand and yields for B grade stock are currently significantly softer at between 7.25% and 8.25% and a capital value rate per square metre of $4,500 to $5,500.

While demand for well leased commercial CBD accommodation has remained strong over 2016, the decrease in net effective rents within the CBD has additionally seen a compression in IRRs which are often reported below the analysed yield.

Fringe CBD Office Market

Leasing activity continued within fringe CBD locations in particular within the inner south and Urban Renewal locales. The majority of recent transactions have occurred within these locales due to the provision of high levels of amenity, public transport and proximity to the CBD. Overall vacancy rates for the fringe CBD remained consistent over the year at 12.7% in January 2016 and 12.9% in July 2016. Spring Hill and Milton have continued to come under pressure for residential conversion, Spring Hill in particular as the Spring Hill Neighbourhood Plan progresses through the approval process. With a declining office market, it is anticipated that these areas will see further withdrawals of stock as the highest and best use of a number of these assets changes to residential use over 2017.

Due to the current leasing market within fringe CBD locations, demand from investors continued throughout 2016 for stock with a secure WALE and strong tenancy profile but there is very limited good quality stock available. Demand from owner occupiers or part owner-occupiers for properties sub-$10 million increased significantly over 2016 due to the low interest rate environment, availability of vacant stock and potential to purchase properties at below replacement cost.

Amenities, end of trip facilities, proximity and access to the Brisbane CBD as well as public transport continue to be the major drivers for tenants and as such, we anticipate seeing a further differentiation between the inner south and Urban Renewal locales in comparison to the Spring Hill and Milton markets.

Suburban Office Markets
With the exception of a few bright spots, suburban office markets have remained slow and relatively stagnant throughout 2016.

Leasing activity has been generally flat, with commercial accommodation currently remaining vacant for extended periods of time.

In some locations, local agents report very little enquiry at all. Rental rates within this market currently range between $200 and $400 per square metre of NLA gross per annum while incentives generally range between 10% and 20%.

During 2016, the low interest rate environment increased buyer demand from owner-occupiers within good locations where interest costs are well under leasing rates. This interest is primarily within the sub-$1 million market but also extends to properties under $2 million.

Toowoomba
Leasing demand for commercial offices in 2016 was considered moderate with a low number of major leasing transactions. As a result office rentals have remained relatively static. Gross face rents for prime office buildings sit at around $375 to $400 per square metre per annum gross.

There were no new major office building developments in Toowoomba during 2016, with only a small development completed on the corner of Herries and Phillip Streets. The lack of activity is seen as a result of limited demand and need for extensive lease pre-commitment and market leading rentals to make projects feasible.

The low interest rates have resulted in strong demand for commercial properties by investors, however the lack of supply of quality, fully leased properties has limited the number of investment sales. The major investment transaction of note in 2016 was the sale of the James Cook Centre for circa $11.5 million, which reflected an analysed net yield of 9.69%.

Owner-occupier demand has been strong, particularly for premises with sub 200 square metre floor areas. These offices are often former houses converted for professional use and provide easy access for employees and clients and good off street car parking. A diminishing supply within this segment has resulted in a few sales reflecting a premium price.

Gold Coast
2016 has seen the Gold Coast office sector continue on from its improving state during 2015.

Pretty much the overview that we portrayed for 2015 again played out for 2016. Overall, the across the board vacancy level continued its downward trend; office rentals remained stable and in cases exhibited slight uplift; the level of incentives being offered diminished; sale volumes remained buoyant with several sales spread fairly evenly over the course of the year; and yields continued to compress.

The continuation of the low interest rate environment is considered the catalyst for these outcomes.

Figures released by the Property Council of Australia (PCA) reflected an across the board Gold Coast office vacancy as at July 2016 of 14.3%, which was a slight improvement on the 14.8% as at July 2015 and 15% as at July 2014.

The Gold Coast's more traditional office precincts of Southport, Bundall and Surfers Paradise tend to exhibit higher vacancy levels (as at July 2016, circa 15.5%, 16.9% and 19.3% respectively) while Broadbeach and Robina/Varsity Lakes see lower vacancy levels (as at July 2016 being circa 8.8% and 10% respectively).

There were no new office developments undertaken on the Gold Coast during 2016, however the trend for entrepreneurial investors to purchase older buildings for refurbishment and release back into the market for lease continued over the course of 2016. Examples include 50 Cavill Avenue in Surfers Paradise and 36 Laver Drive in Robina. We also note that the older Kaybank Plaza at 33 Scarborough Street, Southport was purchased virtually vacant for what we assume will also be for refurbishment and letting up.

Rental levels in 2016 were again generally stable, although we did also note some instances where rental growth occurred. More prolific though was the continuing reduction in incentives being offered, now representing circa 7% to 8% of lease term rental.

Typically, rental rates for A grade stock range between $450 and $500 per square metre gross plus car parking; B grade stock between $350 and $450 per square metre gross plus car parking, whilst C and D grade stock ranges between $225 and $300 per square metre plus car parking.

A good volume of market transactions were again exhibited over the course of 2016. Once more we put this down to the low interest rate environment attracting owner-occupiers to vacant properties and investors to leased buildings.

The list of transactions in chronological order over the past 12 months includes the following:

- January - 50 Cavill Avenue, Surfers Paradise. $48.75 million. Highly vacant and showing a passing yield of 5% and $2,866 per square metre of lettable floor area.
- March - Kaybank Plaza, 33 Scarborough Street, Southport. $5.8 million. Virtually vacant and showing $2,105 per square metre of lettable floor area.
- April - KRG House, 15 Bay Street, Southport. $12 million. Passing yield of 5.71%, analysed yield 7.61% and $3,399 per square metre of lettable floor area.
- June - Westpac, 25 Scarborough Street, Southport. $5.42 million. Passing yield 6.56% and $8,126 per square metre of lettable floor area.
- June - 75 Nerang Street, Southport. $4.325 million. Passing yield 7.28%, analysed yield 6.87% and $2,982 per square metre of lettable floor area.
- June - 36 Laver Drive, Robina. $5.4175 million. Vacant and with scope for expansion of NLA. $3,643 per square metre of lettable floor area.
- July - Campus Alpha, 11 Campus Crescent, Robina. $26.225 million. Passing yield of 7.7%, analysed yield 6.87% and $5,955 per square metre of lettable floor area.
- July - 91 Upton Street, Bundall. $4.8 million. Passing yield 7%, analysed yield 6.84% and $2,892 per square metre of lettable floor area.
- August- Earle House, 40-46 Price Street, Nerang. $4.4 million. Passing yield of 8%, analysed yield 7.5% and $3,870 per square metre of lettable floor area.

Another very good test of the strength and investor appetite for the Gold Coast office market will be the SteelX building at Varsity Lakes. This well leased, high quality asset with lettable area of 3,315 square metres and net income of circa $1.276 million per annum was put to the market under an EOI that closed on 10 November 2016.

The Gold Coast strata office market has also continued on its reasonably strong path through 2016, again buoyed by owner-occupiers taking advantage of the low interest rate environment.

Value rates exhibited by good quality strata office space on the Gold Coast typically reflect between $3,500 and $4,500 per square metre inclusive of car parking and between $2,000 and $3,500 for secondary stock depending upon size, location and physical attributes. These are similar levels to 2015, although the median rate in each category has probably increased circa 5%.

In summary, 2016 was another positive year for the Gold Coast office market following a similar scenario to 2015. Local economic conditions have remained pretty good, net office vacancies dipped slightly again and rental levels continue to improve, albeit marginally.

Moving into 2017 we would expect the improving conditions to continue on the back of sustained low interest rates and the ongoing benefit of planned infrastructure associated with the Commonwealth Games to be held in 2018, however global conditions, including a change of President in the US, could have implications for the Australian property market overall.

SteelX building

Sunshine Coast

2016 saw a number of strong results across the office market on the Sunshine Coast.

In February we saw the sale of a refurbished, two level, walk up office in Mooloolaba with a high level of exposure sell for $3.5 million to a local investor. Jetts Gyms head office was the tenant on a near new two plus two year lease and indicated a yield of 6.87% and a rate of $5,255 per square metre. The property was purchased by a local investor.

Jetts Gyms Sale

A number of strata titled offices also sold in the Birtinya area with a mixture of leased and owner-occupier stratas. These generally indicated yields from 7.5% to 8.5% and rates from circa $3,000 to $4,250 per square metre. Strata offices elsewhere on the Sunshine Coast indicated similar overall patterns, although sales in Maroochydore and Noosa had a slightly higher upper end range up to circa $5,000 per square metre for smaller offices in sought after locations.

In July we saw the largest office sale in the past few years of 1 Innovation Parkway in Birtinya. This was a circa 15 year old, three-level office complex, which sold for $10.812 million and indicated a yield of 8.38% and a rate of $3,576 per square metre. The property had no vacancies at the time of sale and was leased to a range of mainly local tenants with two State Government leases in place. The WALE reflected 1.55 years. This sale likely reflected the confidence in its location near the new Sunshine Coast University Hospital rather than its market fundamentals. It was purchased by a local investment syndicate.

1 Innovation Parkway Sale

We have also seen a recent contract in the Birtinya area, although details are yet to emerge. It appears the property has been contracted at over $10 million and is of a similar overall size and scope to 1 Innovation Parkway.

The Maroochydore market saw limited vacancies in 2016, although the new Kon Tiki development is nearing completion and will add circa 16,000 square metres of space to the market (approximately 10% of total existing space on the Sunshine Coast) and reportedly has less than 25% in pre commitments. This will test and will likely negatively impact market rentals for the majority of the market unless the existing property has strong location factors.

Proposed Kon Tiki Building.

Wide Bay

2016 saw a stable year for the office markets in the Wide Bay. Notable additions to the market have been medical office and specialist medical developments in Urraween and Bundaberg West with sales demonstrating analysed rates per square metre between $3,000 and $4,000 in affordable price brackets (sub $500,000). Leasing large office space remains a difficult task and rental affordability remains a strong theme in the office markets. Yield compression hasn't crept into these office markets from the retail market however, a recent sale in Bundaberg of an office leased to Rabobank sold for a reported yield of circa 7%. Owner-occupiers are still dominating the sales activity. Anecdotal evidence indicates that investors are in the market however there is a lack of good quality office investment stock.

Gladstone

Market conditions in Gladstone's office sector continued to soften in 2016, with very little activity on the sales and leasing front. Some new known rentals negotiated during 2016 showed reductions up to about 50% from rentals achieved in peak market conditions, with incentives such as rent free periods and fit out allowances common as part of new negotiations. Older stock has become increasingly difficult to lease and it may take some time for the available space to be re-absorbed. There is one known arms length transaction of a strata office unit in the Gladstone CBD. This was a leaseback sale to the vendor with a five-year lease term. The sale price of $490,000 reflected an analysed market yield of 9%. We are advised the sale was to a non-local investor, indicating that investors remain active in the Gladstone market, however they are very particular about their purchases and are sensitive to tenant strength and lease terms.

Rockhampton

A wrap of the office market for 2016 shows a fairly stable year in Rockhampton, with steady sales volumes and generally stable rentals. We have seen increased local and non-local investor activity throughout 2016 compared to previous years, with investors attracted to properties with strong income profiles, solid tenants and appropriate unexpired lease terms or weighted average lease expiries (WALE). The most significant office sale for the 2016 period was the NAB building at 39 East Street, which sold for $9.375 million in June at an analysed market yield of 8.43%. The WALE of the property was 5.62 years.

Overall the year has shown the strength of Rockhampton as a regional market, given its ability to maintain a stable market while market conditions in surrounding central Queensland towns have deteriorated. This is a result of the diverse economy of Rockhampton, which includes government, education, resources and agriculture industries.

Mackay

The commercial office market in Mackay has been rather boring in 2016. The trend seen in 2015 flowed into 2016 in that there was an oversupply of available office accommodation relative to demand from tenants.

Agents report that there has been very limited demand from tenants for office properties with lettable areas over 250 square metres. First floor tenancies are even less desirable.

Tenants tend to be opportunistic in their negotiations and are seeking cheap rentals. Some owners have been meeting the market throughout 2016, resulting in a general decline in rental levels (with some rentals being negotiated at levels below $200 per square metre gross), however there has also been evidence of rents being negotiated at $250 to $350 per square metre gross for better quality space (the range varying depending on the size and quality of the accommodation). There is a wide range in recently negotiated rentals.

Owner-occupiers have been pretty active in 2016, picking up some properties in the sub $1 million range. Buyers appear to be taking the opportunity of lower prices to secure a place in the market.

A large, multi-tenanted office complex is currently listed for sale in Mackay through Burgess Rawson. The market is watching this property, which will provide an indication of the appetite of investors for large commercial assets in the area.

Overall, the commercial office market has been pretty quiet this year. The recent rises in the spot price for coal has boosted confidence in the region. Some businesses have begun hiring staff again and some report that the enquiry level for their services has increased since September, however the town is still cautiously optimistic. Fingers crossed that this confidence and activity continues into 2017.

Townsville

Throughout 2016 we have seen a number of office buildings sell in the CBD reflecting long term confidence in the market, especially compared with the very competitive environments in the major capital cities.

Following the federal election and the announcement of funding for the new stadium and the allied Priority Waterfront Development in the CBD, there has been an increase in interest for property within the waterfront precinct, along with a few smaller scale sales to local buyers within the sub $2 million price range.

By far the biggest office sale of the year was the transaction of Stanley Place for $53.5 million. This reported counter-cyclical buy is the most expensive office building ever sold in Townsville. Northtown, a seven level office and retail building is also reportedly under contract and Landmark a two-level office building with three-street frontage also sold recently.

Cairns

The Cairns office market is relatively shallow and experiences limited sales activity. The market has also experienced limited new development. The last large office building constructed in Cairns was the State Government office tower completed in 2010 and there are no known new developments in the pipeline.

Commercial property sales in Cairns, inclusive of retail and commercial office premises, remain well below the peak levels achieved in the 2005 to 2007 period. Nevertheless the market has been slowly rebuilding in sales volume since 2010. Prices paid for strata titled premises have been relatively stable since 2010 at around $2,500 to $3,000 per square metre of floor area.

Most new office space leasing demand is for smaller areas and for modern, good quality green star rated premises, however there is only a handful of such buildings in Cairns. These buildings achieve high levels of occupancy and are experiencing stable rent levels typically of $350 to $400 per square metre per annum. Demand for lesser quality space remains limited and there is a large oversupply even of good quality non-inner CBD and well exposed secondary space. These conditions have placed downward pressure on secondary rents, resulting in the emergence of incentives.

Overall there has been little change in the Cairns office market during the past 12 months.

Northern Territory

Darwin

The Darwin office market has endured a fairly difficult 18 months. New supply, consolidation of older space and a push away from the CBD are very real issues facing existing owners within the market.

The Property Council of Australia issued its annual market report in July 2016 and in summary, the Darwin CBD was sitting at a vacancy rate of 20%, being 44,000 square metres of empty space in a total market pool of 213,000 square metres. While a very high rate compared to Sydney (5.6%) and Melbourne (7%), it is not completely out of line with other markets such as Perth (21.9%), Brisbane (16.9%) and Adelaide (15.8%).

The biggest influence on the Darwin office market in 2016 was the completion of the Charles Darwin Centre in the Smith Street Mall. This building presents with circa 12,000 square metres of office space over 18 levels. Given the NT Government has consolidated into around 8,000 square metres of office space in this building from many older tenancies, there is a considerable vacuum left behind. The end result has been a spectacular new building in the Darwin CBD, without doubt a building that wouldn't look out of place in any major city of the world.

Non CBD locations are flush with supply at present. The developing Berrimah Business Park is providing high grade office accommodation and smaller strata options in Winnellie, Berrimah and Yarrawonga are continuing to decentralize the once dominant CBD. With population growth and new residential development spreading away from the CBD it is likely that these locations will continue to be popular as travel time, easier access and good amounts of parking are strong drivers to these locations.

In April 2016, the CLP sought expressions of interest for a new headquarters for the Department of Health to supply up to 12,000 square metres of office accommodation. With a change of NT Government in September there has been limited new information made publicly available on this requirement, however it is no doubt one to be keenly watched in 2017.

In terms of completed sales during 2016 there are very few transactions of note. Jacana House was actively marketed by Knight Frank but at the time of writing there hasn't been a sale transacted. The previous sale price of $58.75 million was a sales record for the CBD.

Cavenagh House located on the corner of Knuckey and Cavenagh Streets is currently being advertised for sale by Savills and Knight Frank. This will be a good test of the market, being a vacant building in a challenging market environment. It is a prime site of 1,720 square metres, NLA of 6,683 square metres, over nine levels and 31 basement car parks.

Another notable property in the CBD being advertised for sale by Colliers International is the Galleria in the Mall. This is more a retail and development opportunity than an office building, however the market will watch the outcome of this with eager interest.

An obvious reaction to significant new space in the CBD has resulted in a softening of rents. The market segments most under pressure are B and C grade rents, with tenants upgrading to newer buildings with better facilities at a similar rent. Certainly the market has shifted allowing tenants to negotiate stronger terms than previously offered. In this instance it has certainly tracked in a similar vein to the residential unit market in the CBD - more supply equating to more options and more affordable alternatives.

Looking beyond 2016 the market is likely to remain fairly weak. Like other sections of the property market, office space is heavily influenced by population and project growth. With the NTG being the single largest tenant in the market, their activity and requirements will continue to dictate much of the new construction and market activity. In the meantime there will be new opportunities for conversions of older offices into hotels, particularly on the back of the investment being made by Tourism NT.

Western Australia

Perth

Almost 22% of Perth's CBD office space is sitting empty. That is a 2.2% increase over the past six months and a 4.5% increase from a year ago. In comparison, West Perth has 14.8% vacancy at the moment, an increase of 2.6% over the past six months and a 4% increase from this time last year.

The vacancy rate by grade in the Perth CBD is as follows: Premium grade 16.7%; A grade 19.9%; B Grade 28.5%; C grade 21% and D grade 37.5%.

> The Perth CBD office market currently contains approximately 1.768 million square metres of lettable space, which is an 8.5% increase of new supply from this time last year.

In contrast, West Perth contains an additional 425,000 square metres of lettable space of which 138,000 square metres is A grade space. The vacancy rate by grade in West Perth is as follows: A grade 11.3%; B grade 15.3%; C grade 17.4% and D grade 23.5%.

In the six months to July 2016, Perth experienced 30,582 square metres of new office supply. Weaker demand for new offices by tenants in Perth led to 17,241 square metres of negative net absorption of office space.

During 2015, almost 130,000 square metres in new supply was added to the Perth CBD office market, a significant year in terms of new construction. There are no new projects due for completion until 2018 when the new Woodside tower is completed. There is unlikely to be any speculative development commenced in Perth until vacancy begins to decrease and rents stabilise. Perth may see several smaller developments over the next five to eight years, but a new development cycle is unlikely to get underway before 2020.

In West Perth, there are very few development opportunities.

There are however planned refurbishments in the pipeline in the Perth and West Perth office markets with landlords scrambling to retain and attract tenants in an ever increasingly competitive market place. Landlords are providing their existing and prospective tenants with owner provided meeting hubs, refurbished foyers, some with concierge services, gymnasiums or wellness centres and some innovative landlords are looking at child care or child minding facilities within their buildings in addition to the obligatory end of trip facilities such as bike storage rooms and in some cases bike repair shops.

Due to a lack of supply additions, the Perth CBD is expected to stabilise with tenants adopting a flight to quality approach over the medium term. The B grade segment experienced the largest increase in vacancy from 23.7% to 28.5% in the six months to July 2016.

Agents active in the office leasing market advise that there are approximately 70 formal requests for proposals totalling approximately 85,000 square metres from tenants looking to relocate offices to the Perth CBD. Agents report a flurry of activity from tenants seeking to capitalise on the incentives on offer from landlords (rent free, cash contributions towards fitout and rebates). Approximately 30% of the enquiry (equal to about 27,000 square metres of space) is from tenants in suburban office locations looking to centralise back to the Perth CBD to afford their staff better linkages to the public transport network hub and superior amenity.

Agents advise of approximately 150,000 square metres of office space leasing in the 12 months to June 2016 in the Perth CBD office market, resulting in a negative net absorption of -17,200 square metres and approximately 17,300 square metres of office leasing activity in the West Perth office market, resulting in a net negative absorption of -11,000 square metres.

With a glut in the office leasing market and a flight to quality occurring, owners of B and C grade buildings are looking for conversion opportunities to residential, educational and even hospitality uses.

In terms of capital transactions there has been approximately $780 million worth of office transactions in the Perth CBD to the 12 months to June 2016. This is an increase from the previous 12 months and close to the five year average of $760 million. 14 properties were recorded as sold over the past 12 months to June 2016, up from seven the previous year. Key transactions include the sale of 219-221 St Georges Terrace, Perth in February 2016 for $193.64 million which reflected a passing yield of 7.46% or $6,246 per square metre of lettable area. 190 St Georges Terrace, Perth also sold in February 2016 for $63.90 million at an initial yield of 8.35% and $6,826 per square metre of lettable area. 81 St Georges Terrace sold in January 2016 for $63.90 million at an initial yield of 6.99% and $6,867 per square metre of lettable area.

Sales transactions have however decreased within West Perth over the past 12 months. The lack of quality stock with medium to long term WALEs combined with uncertain economic conditions have affected transaction activity. It is likely the market will see a pick up in activity from private investors over the next 12 months.

The outlook for the Perth office leasing market is to see a stabilisation in rental incentives and rents over the short term and no significant new building activity until at least 2020. We anticipate that vacancies in the Perth CBD will stabilise and vacancies in West Perth will increase further as tenants look to relocate back to the Perth CBD.

South West WA

There have been no significant developments in the office markets in the South West of WA during 2016. It has ended the year pretty much how it started. There have been no major sales of office buildings throughout 2016 and no significant office developments.

There continues to be a lack of quality office space available in the main towns in the South West and the continued good demand for A grade space rents has held up very well with rates of between $280 and $320 per square metre being achieved in both Busselton and Bunbury, with higher rates for smaller areas under 100 square metres.

Secondary office rates are achieving between $180 and $250 per square metre depending on location, due in part to the greater supply of secondary office space particularly in Bunbury.

A grade office space is expected to remain stable until further space is developed. It is anticipated however that there will be downward pressure on rental values for secondary space, particularly for space further away from the CBDs.

Residential

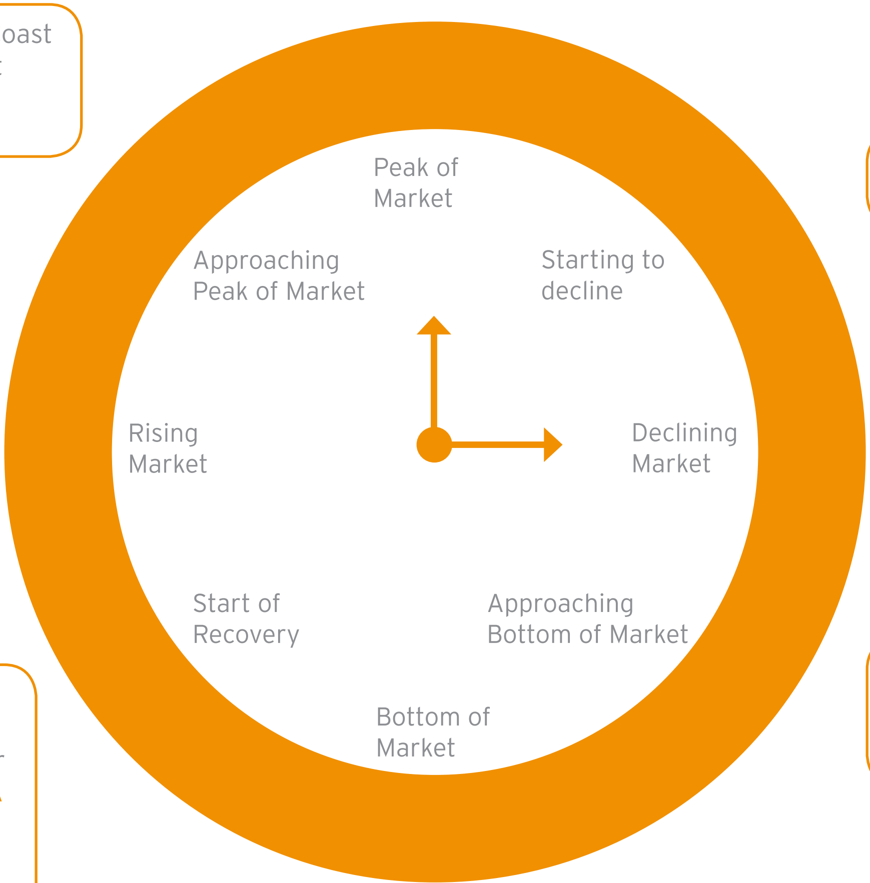
HERRON
TODD
WHITE
RESIDENTIAL

National Property Clock
December 2016
Houses

Coffs Harbour
NSW Central Coast
Newcastle

Melbourne
Ballarat
Gold Coast
Ipswich
NSW Mid North Coast
NSW North Coast
South East NSW
Sunshine Coast

Gippsland
Toowoomba



Adelaide
Sydney
Canberra
Bathurst
Cairns
Echuca
Orange
Tamworth

Alice Springs
Gladstone
Mackay
Rockhampton

Brisbane
Hobart
Burnie
Devonport
Emerald
Hervey Bay
Horsham
Launceston
Mildura
Mount Gambier
South West WA
Warrnambool
Whitsundays

Darwin
Perth
Bundaberg
Townsville

Entries coloured orange indicate positional change from last month.

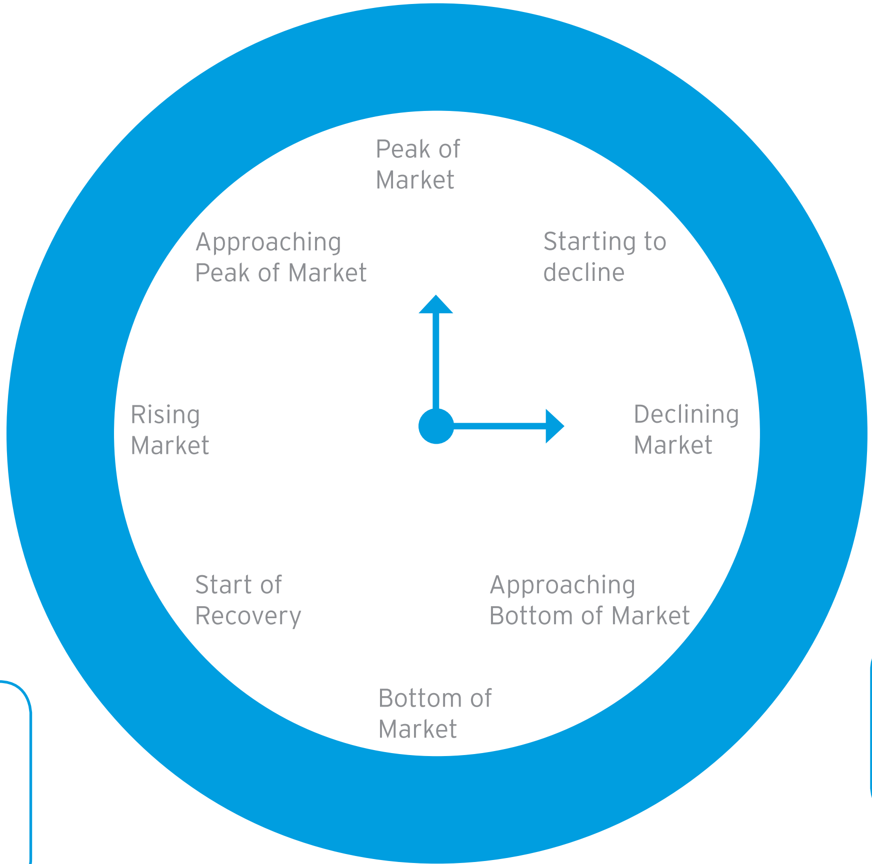
HERRON TODD WHITE RESIDENTIAL

National Property Clock
December 2016
Units

Melbourne
NSW Central Coast
Coffs Harbour
Gold Coast
Newcastle

Sydney
Ipswich
NSW North Coast
NSW Mid North Coast
South East NSW

Brisbane
Ballarat
Gippsland
Toowoomba



Bathurst
Echuca
Orange
Sunshine Coast
Tamworth

Darwin

Hobart
Burnie
Devonport
Cairns
Hervey Bay
Horsham
Launceston
Mildura
Mount Gambier
South West WA
Warrnambool

Perth
Alice Springs
Gladstone
Mackay
Rockhampton

Adelaide
Canberra
Bundaberg
Emerald
Townsville
Whitsunday

Entries coloured blue indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview

2016 continued to illustrate how diverse our nation's residential sector is. From our global cities and they're seemingly unstoppable growth to many regionals looking for their price bottom, Australian residential property has run the full gamut of possibilities.

This month, we not only take a look back at the year that was, our team also analyse their market predictions from February to see how they fared.

Sydney

After a sustained period of strong growth, the final quarter of 2015 saw a softening residential market across many parts of Sydney and it was widely expected that this trend would continue into 2016. Despite those expectations, the market continued to see price growth throughout 2016, with double digit growth in a number of suburbs for both houses and units.

Auction clearance rates have recovered since the beginning of the year and are now consistently above 70% and 80%. Some areas such as the inner west and eastern suburbs have had clearance rates regularly above 90%. A major reason behind the increase in clearance rates and sale prices has been the reduced number of properties on the market and majority of properties going to auction rather than private treaty. The usual boom in the number of transactions taking place in spring has failed to live up to past experience. According to CoreLogic the month of November saw auction volumes starting to ease as we approach the holiday season. Sydney has 948 auctions scheduled for the third week of November compared to 1,063 in the second week of November. In 2015 the last week of November saw 1,372 auctions in Sydney. The decrease in auctions from 2015 has been mainly due to lack of stock coming onto the market. Agents have been unable to obtain the same amount of stock compared to 2015. This has caused congestion amongst competing buyers and agents are taking advantage of this. We have seen properties advertised with a price guide only to see prices jump further as they get closer to auction. Sometimes these properties are sold prior to auction for unjustifiable prices.

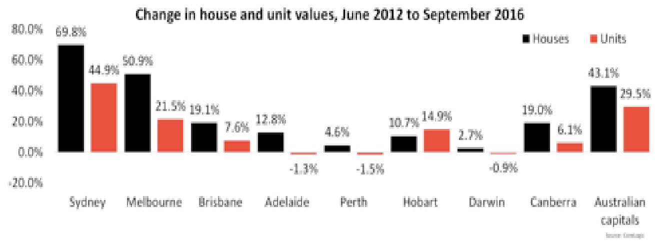
Mosman in Sydney was the busiest suburb for auctions. In the second week of November, 26 properties were scheduled to be auctioned. The data from a 2015 CoreLogic report indicates that in the week ending 28 November 2015, Mosman was also the busiest suburb in Sydney for auctions with 20 properties scheduled. This trend continued and we have seen an increase in the number of Herron Todd White valuations ordered by lenders in Mosman for the month of November, particularly in the prestige market.

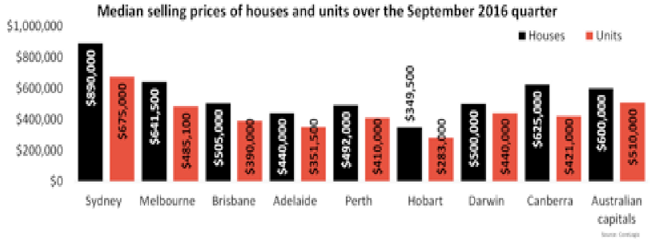
Australian Economy Extract

The minutes of the Reserve Bank of Australia meeting on 1 November indicate that the Australian economy is still going through a transition from mining sector to non-mining sector. The RBA is struggling to gauge the implications of this and the uncertain job market. Low interest rates have seen an acceleration in housing, growth in construction activity and government infrastructure projects which have resulted in the continuation of the strong property market in Sydney.

Sydney Unit supply

The Reserve Bank of Australia also noted that over the next few years a considerable amount of apartments will hit the market in particular capital cities. Growth in rents in the September quarter was slowest for some decades as a result of this new apartment stock coming onto the market. The value of units in the Sydney metropolitan area since the start of the growth phase in June 2012 has increased significantly when compared to other capital cities however is still below the increase in housing values for the same period (Graph- Change in house & unit values). This increase in housing costs has meant that units are an affordable option for the majority of buyers - owner occupiers and investors alike, especially in key locations with accessibility to infrastructure a major driver.



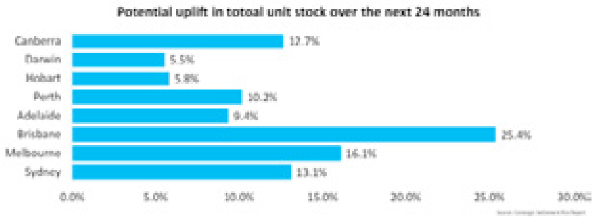


Although units are more affordable, the Sydney median unit price is $675,000 (see graph below of median selling price of houses over units) which is more expensive than the median Melbourne house price at $641,500.

A report published by Urbis titled Sydney Apartment Essential Report indicates that the average sale price of off-the plan units was $1.150 million which is considerably higher than the median unit price. We have seen these large contract figures for off-the plan valuations prior to the recent decision by the Australian Property Institute to abolish off-the-plan valuations. The more notable areas are Mascot, Zetland and Waterloo which have been attractive because of their close proximity to the CBD and the amenities required for modern living incorporated in these developments. These developments are very popular with overseas investors.

Herron Todd White also noted a decline in off-the-plan valuations prior to their abolishment due to the Australian Prudential Regulation Authority's tighter lending regulations for banks. Many of these lenders have black listed suburbs such as Waterloo, Zetland, Botany, Homebush, Sydney Olympic Park, Greater Parramatta and Auburn. These suburbs are considered high risk lending due to the large supply of these apartments and the unjustifiable prices.

Buyers should take the same cautions as lenders for these suburbs as Corelogic reports that the construction boom is yet to slow with 16,194 apartments under construction in New South Wales. The graph below indicates that if everything that has been approved is built over the next 24 months there will potentially be a big uplift in stock.



The big uplift in stock levels will come from the inner-city locations as well as regions further afield which have benefited from transport infrastructure projects. The potential risks in Sydney should not be discounted. Corelogic reports that Strathfield, Burwood and Ashfield will potentially see a 20.7% increase in apartment stock, Parramatta apartment stock could increase 19.2% and Auburn could see stock increase by 26.1%. Many of these apartments are marketed to overseas investors and with the tighter lending criteria there is an oversupply risk in some areas. Furthermore, the risk of oversupply is likely to be vastly different across product types, target markets and based on the quality of the development, location of the site and the reputation of the developer.

Top 20 regions for potential new units over the next 24 months

SA3 Regions	State	Total Units	New units next 12 months	New units next 24 months	% stock increase next 12 months	% stock increase next 24 months
Melbourne City	Vic	78,504	7,358	16,534	9.4%	21.1%
Sydney Inner City	NSW	108,467	3,862	11,291	3.6%	10.4%
Brisbane Inner	Qld	32,451	3,904	10,894	12.0%	33.6%
Brisbane Inner - North	Qld	21,553	2,773	7,151	12.9%	33.2%
Strathfield - Burwood - Ashfield	NSW	34,033	2,664	7,047	7.8%	20.7%
Parramatta	NSW	31,007	1,592	5,957	5.1%	19.2%
Perth City	WA	38,564	1,080	5,056	2.8%	13.1%
Port Phillip	Vic	46,436	1,096	4,739	2.4%	10.2%
Ryde - Hunters Hill	NSW	27,039	1,091	4,724	4.0%	17.5%
Auburn	NSW	17,481	2,191	4,555	12.5%	26.1%
Glen Eira	Vic	31,530	1,550	4,473	4.9%	14.2%
Brunswick - Coburg	Vic	17,441	1,535	4,108	8.8%	23.6%
Canterbury	NSW	21,799	1,221	4,094	5.6%	18.8%
Yarra	Vic	24,348	1,505	4,074	6.2%	16.7%
Holland Park - Yeronga	Qld	12,462	1,517	4,044	12.2%	32.5%
Maribyrnong	Vic	14,875	929	3,986	6.2%	26.8%
Darebin - North	Vic	14,031	1,370	3,984	9.8%	28.4%
Stonnington - West	Vic	33,329	1,778	3,933	5.3%	11.8%
Whitehorse - West	Vic	16,050	1,623	3,929	10.1%	24.5%
Boroondara	Vic	30,825	1,367	3,851	4.4%	12.5%
Manningham - West	Vic	10,151	1,068	3,412	10.5%	33.6%

Source: CoreLogic Settlement Risk Report

Eastern Suburbs

The suburbs along or close to the south-east light rail corridor have been performing well as construction has commenced. Suburbs such as Kensington saw growth of 8.3% in 2016 with the median apartment price being $790,000 and Centennial Park has seen growth of 9.2% in 2016 with a median price of $675,000. On the eastern beaches, the suburb of North Bondi has been performing well with growth of 22.4% in 2016 and a median house price of $2.5 million compared to 2015 which was 13.1% growth and a median house price of $2.287 million. Lastly the popular city fringe suburb of Paddington has seen growth of 16% with a median house price of $2.03 million. The strong performance is an indication that the market has caught up from previous years as in 2015 the growth was 8.7% and median house price was $1.75 million and in 2014, growth was 3.8% and median house price was $1.61 million *(pricefinder.com.au)*.

Inner West Suburbs

It was widely anticipated that a softening investor market, both local and abroad, along with an increase in new unit stock coming on to the inner west market would begin to affect prices in some suburbs. A number of lenders listed post codes they considered risky for unit buying, including CBD fringe suburbs such as Rosebery, Waterloo and Zetland. This is mainly due to high investor demand, over supply and lack of quality associated with developments. Many of the developments are replicating each other in terms of quality and finishes included. There are early indications that this is beginning to happen with Waterloo's median price in 2016 to date down 0.3% on 2015 after three years of double digit growth *(pricefinder.com.au)*. Herron Todd White has found that the product performing strongly in the inner west is houses over $2 million. Suburbs such as Marrickville, Stanmore, Petersham, Newtown and Enmore have had substantial growth recorded according to pricefinder.com.au. An example of this is a sale in Newtown which saw an 1880s Victorian terrace fetch $3.76 million, a new suburb record. In the February 2016 Month in Review, we predicted that the Harold Park development in the suburb of Forest Lodge would see strong demand with the opening of the Tramshed, which houses many boutique style restaurants and the Jubilee Park station. Suburb growth for Forest Lodge units in 2016 has seen a 17.9% increase and the median unit price is $935,000. The amenities provided, public transport (light rail) and the quality of the Harold Park development has led to this increase in price.

Southern Suburbs

The Sutherland Shire suburbs such as Gymea, Kirrawee and Miranda have been strong performers in the housing market. Gymea has had growth of 10.3% in 2016, Kirrawee 4.5% and Miranda 7.3% *(pricefinder.com.au)*. While these growth figures are not huge compared to 2015 these suburbs have performed stronger than others. A trophy house built in 2012 at 18 June Place, Gymea fetched $2.185 million and a house built in 2015 at 24 Rutherford Avenue, Burraneer sold for $3.3 million. These house sales are showing the strength of the market for quality properties. In the unit market the top performers are Miranda at 3.2% in 2016 and Cronulla at 4.9%. A boutique luxury style development at 19 Gerrale Street, Cronulla saw unit 403 fetch $2.54 million which is the first resale in the development since purchase from the developer. Again sales are showing the strength of the market for quality properties. The suburbs which did not perform in 2016 are Engadine, Menai, Bangor and Alfords Point coming back around 2.2% (pricefinder.com.au). In our previous Month in Review we discussed Miranda and Sutherland which had not taken off due to an oversupply of units which has continued into November. Suburbs such as Monterey and San Souci have seen houses under performing. Monterey house growth was 20.8% in 2015 compared to just 8.8% in 2016 and Sans Souci was 23.1% in 2015 compared to 9.1% in 2016.

Prestige

The prestige residential market in Sydney is generally considered to comprise properties with a value in excess of $3 million. These properties tend to be located either within the eastern suburbs and eastern beaches, Lower and Upper North Shore, northern beaches, some waterfront localities in the southern suburbs and the larger rural residential estates to the north-west of Sydney.

During 2016, the prestige residential market generally showed signs of sustained demand and growth across traditional prestige residential localities within the Sydney metropolitan area, although a recent evident lack of stock in the prestige tier appears to be creating a bottle-neck in the market, with transaction numbers slowing and the number of off market sales increasing.

Having now clearly rebounded from the impact of the GFC, current drivers supporting the prestige market include limited stock levels, the weak Australian dollar, a perceived robust economic foundation, sustained strong auction clearance rates and to a far lesser extent a current record low official cash interest rate of 1.5%.

Local high net wealth purchasers as well as ex pat buyers and international purchasers are currently active in the Sydney residential market, with overseas purchasers primarily seeking to capitalise on the current weaker Australian dollar.

The expected slow in demand from high net wealth overseas purchasers does not seem to have transpired, although we would consider that purchasing decisions from both local and overseas high net wealth buyers is now occurring at a more conservative level and impacted by limited stock levels, which becomes more apparent the higher the overall value level.

Although demand from overseas purchasers appears to have remained steady, with the recent introduction of a NSW Stamp Duty surcharge on foreign purchasers (an additional 4% charged from 21 June 2016) and with a new Land Tax surcharge (0.75%) to be introduced for the 2017 tax year, there are concerns that overseas investors may tread more warily when considering Sydney prestige residential real estate.

The impact of Chinese buyers (prevalent in the Sydney prestige market over recent times) may also weaken with ongoing difficulties surrounding moving cash out of China due to changes to capital control regulations and local bank and regulatory changes surrounding loans obtained based on overseas income.

Currently, the Sydney prestige residential market seems somewhat immune to deterioration, although we note the property market moves in cycles and we consider the prestige residential market may potentially be approaching the peak of such a cycle.

A reported recent sale of note is an over $70 million purchase in Vaucluse.

This property reportedly includes four separate properties (13, 13A, 15, and 15A Coolong Road) which have been purchased in one line and once amalgamated, will form a near 4,270 square metre waterfront site with a north-eastern aspect over Vaucluse Bay.

Should this transaction settle, it will represent the most expensive amalgamation of Australian residential property to date and overshadows the sale of James and Erica Packer's non-waterfront estate which sold in 2015 for $70 million.

Another home with the potential to set a new Australian price record is the reported recent listing of Point Piper residence of "Aussie" John Symond. With media coverage indicating a potential sale price in the vicinity of $100 million, this harbour front mega mansion set on around 2,700 square metres with a near 90 metre harbour frontage is believed to provide around 4,000 square metres of accommodation, took five years to build at a reported cost of more than $50 million.

Canberra

Overall, 2016 saw the Canberra residential sector continue on a level path, with a noticeable improvement in the housing sector occurring from the end of 2015 and throughout 2016. Established residential housing in the $700,000 to $2 million sales bracket performed well with increased demand for centrally located properties. The high supply of new unit developments notably in outer suburb locations saw some softening in this market segment. Selling prices for 1-bedroom unit off the plan stock have come back to around $260,000 with earlier prices around the $300,000 mark. Unit price points in the City and Kingston foreshore areas remain relatively stable with 1-bedroom accommodation ranging between $400,000 and $500,000. Location remains a critical point of difference for these unit markets.

Other points to note from 2016 include the re-election of the sitting labour government with a major policy, the light-rail project connecting Gungahlin to the City commencing, the sale of Mr Fluffy blocks in established markets and the impact of these sales on owners' expectations and values, a selection of high level prestige sales over $3 million occurring, high demand for residential land in several greenfield developments and a selection of ACT rural leased properties selling to land bank purchasers.

The ACT residential property market saw many positive trends throughout 2016, mainly in the housing market. These trends are expected to continue in the short term.

Illawarra

The year started off strongly in January 2016 with continued strong growth and buyer demand for residential property in the Illawarra. From this strong start it was our prediction that the heat in the market (experienced since mid 2013) would diminish and sales would slow with the environment equalising from the then seller's market being experienced. As 2016 has progressed, any possible signals we have noticed of things slowing down have quickly been surpassed with numerous strong sales results. As at the time of writing the residential market appears to be as strong as it has been at any time during this strong growth period.

An example of the market remaining strong are two properties on Spinks Road in East Corrimal of identical block sizes and comparable improvements. The first property sold in July 2016 for $893,000 and the second just recently at auction in November 2016 for $950,000. This represents a four month growth of 6.4%.

The extent of the strong market has been widespread stretching from Helensburgh down into the Shoalhaven. Nowra and surrounds has enjoyed sustained growth for the first time in many years. RP Data reports that the median house sale price rose from $301,500 in January 2016 to $383,000 in October 2016 and from $415,000 to $468,000 for the wider Shoalhaven LGA.

Of interest in the prestige market is a property in Thirroul. This substantial residence set at the base of the escarpment on 5,306 square metres sold in December 2015 for $2.87 million but was listed by the new owners for sale again in April 2016. A new sale was negotiated and the property exchanged in September 2016 for $2.6 million. This is a 9.45% decrease in nine months however we must note that the prestige market (over $2 million) can be rather fickle with a property often requiring the right buyer at the right time and extended selling periods are common.

Market factors driving the Illawarra residential property market throughout 2016 include steady employment, the strength of the Sydney property market and the official cash rate reducing from 2% in January 2016 to the current 1.5%.

Southern Highlands

Across the Wingecarribee Shire, the annual median price to October 2016 increased 20% to $648,000 on 19% less volume of sales (1,713). This is in contrast to our expectation that the market would remain steady and sales activity remain constant, however is reflective of what local real estate agents have been saying for the past six months - there is a lack of listings.

We did predict at the beginning of the year that renovation and extension activity in well located, older style and character homes within the townships would increase and that has been the case.

The below chart summarises price movements over the past year.

South East NSW median prices January to October 2016

Region	Average		Median		# Sales	
	2015	2016	2015	2016	2015	2016
Wingecarribee Shire	781,000	816,000	540,000	648,000	2,117	1,713
Goulburn Mulwaree	425,000	404,000	308,000	340,000	1,224	1,013
Mittagong	549,000	663,000	425,000	550,000	691	552
Bowral	937,000	1.013M	739,000	825,000	630	531
Moss Vale	772,000	739.000	450,000	540,000	789	617
Sutton Forest	1.214M	1.665M	715,000	1.015M	-	-
Exeter	571,000	576,000	430,000	425,000	-	-
Picton	571,000	649,000	474,000	545,000	215	139

Strong growth across the region in general is evident, particularly those suburbs and precincts located close to townships and established infrastructure. What is also apparent is the variance in the market outside the townships. Exeter for example, comprising residences on 1,000 square metres to two hectare blocks, located approximately 20 minutes from Moss Vale has been flat for the year, while Sutton Forest, traditionally rural lifestyle properties of up to 40 hectares has seen strong growth over the same period, albeit on a very thinly traded and volatile market.

Southern Tablelands

Goulburn Mulwaree annual median price to October 2016 increased 10% to $340,000 on 17% less volume of sales (1,013). As the economic centre of the Southern Tablelands, Goulburn is in a good position to see a strong 2017 in terms of residential growth with stable employment anchored by education, health, Corrections Centre and Police College.

In the past six to nine months, Goulburn residential prices have strengthened and demand is strong. Local agents are reporting increasing interest from Sydney and Wollongong investors seeking a reasonably priced investment in a strong city with good rental returns and who are continually priced out of their own local markets.

Land prices have increased to the point where it is difficult to find anything for sale under $200,000. We are also seeing some buoyancy in rural resilient residential properties within a short driving distance of the city's facilities.

Newcastle

This column, by necessity, is going to be towards the briefer end of the spectrum for Month in Review prognostications. We are absolutely inundated at the moment with valuation requests which is indicative of a market at the very height of its cycle. This should tell you enough about the strength of the current market right there. An appropriate word might be bullish. Buoyant would also get the job done. End of column......

Fleshing things out slightly and putting this in parlance that might resonate with property novices, we could liken the present market to the All Blacks a week before Ireland came along, cruising along in battle formation, unswayed by outside influences. If rugby is not your thing, maybe a summer sport would work - an Australian cricket team led by the relentless Steve Waugh simply uncaring about opposition teams, media or game plans. There is only one goal and no deviation from the task at hand is acknowledged or accepted. Outside influences do not exist.

Maybe sport doesn't interest or excite you. You might be more engaged in politics. If that is the case maybe we could see some parallels between our current market and (the writer pauses and ponders the ramifications of writing about politics for a brief period before continuing on...) America a week before the election of a new President. Think back to the collective thoughts of media, pundits and even politicians at the time. They all knew one thing and that was a certain outcome was all but assured. There was massive momentum for this outcome and it didn't look like anything could stop it. No one thinks the market here in Newcastle is going to slow down either... Any brave souls out there?

The above scenarios are all examples of absolute juggernauts that steamroll everything in their paths, with nary a flicker of emotion or remorse - the All Blacks are renowned for their merciless efficiency, whether against the historic foe or newer upstart pretenders. So too the mid 90s Australian cricket team which was equally as ruthless, taking pride in not removing their foot from even the most helpless opponent; in fact, squeeze harder was their mantra.

The housing market in Newcastle is not too dissimilar to these behemoths - large, powerful and showing no mercy to those not at the top of their game. If you are in the market for a new home or an upgrade, you need a few things on your side. You need to be able to move fast. This writer recently saw a clip on the Galapagos Islands where a single iguana was being pursued at every turn by a large pack of snakes lying in wait. The lone iguana was twisting and turning in an attempt to outrun the devious snakes. In order to escape the snakes there was a mix of frantic energy and cold calculation. Our market appears like this sometimes - in order to purchase a property, often a premium is required to be paid and it needs to be paid quickly to avoid gazumping. You need to be calculating and frantic.

One thing is interesting and worth thinking about with these three separate examples.

The All Blacks lost to Ireland and their world record winning streak is over. The streak will have to start again. You have to start at one win.

The invincible side of Steve Waugh is all but a distant memory with the Australia cricket team in the midst of its worst slump in three decades.

The Democrats lost the election to the surprise of absolutely everyone, including it appears the President Elect.

These factors illustrate the fact that good times never last, things are cyclical and its best not to crow too much when on top as you are likely to hear about it on the way down.

Yes, the market is hot right now and we would question whether now is a good time to buy a property. If you do you are likely to pay more than it's worth. Only time will tell whether the price you pay now is cheap in 12 months time.

NSW Central Coast

One word sums up the real estate market on the Central Coast in 2016 - smiles.

Smiles all round in fact. Sellers were very, very happy. Buyers were very relieved to become part of it. Real estate agents were run off their feet. Record volumes were seen, it was a very solid year for auction clearances and lenders were struggling to keep up with demand for new loans.

Many suburbs have been revitalised, some continuing on from the previous year and a few bloomers.

By far, there have three star performers in the region - Umina Beach, Erina and the unit market.

Umina Beach and its immediate neighbours Woy Woy and Ettalong Beach had a cracker of a year with a huge volume of sales and ever increasing values from start to finish. For these areas, 2016 was a continuation of the previous record year. At the beginning of 2016, we couldn't see how the record sales and volumes could continue – but they did.

Erina, sitting between the Gosford business hub and the cool beachside suburb of Terrigal also had a very good year with an inexplicable rise in popularity and significant value rises.

At the beginning of the year we predicted the rise in the number of new residential units. While mostly concentrated in the Gosford CBD, this part of the market has been very impressive. It has centred around good quality construction and finishes in equally good positions. The developers of these units are known for their astuteness, care and attention to detail in terms of what the buyers want and not what the developers want to give them - a common mistake made in previous property cycles. Pre-sale numbers have been impressive to say the least and pleasingly, local buyers have been seeing the value in these units as much as buyers from outside of the area.

We also thought there would be a few more standouts and whilst they did perform, it was a little less than we thought. Narara and Niagara Park saw a good level of turnover, but the numbers were a little lower than expected. To the north, the newer suburbs of Woongarrah, Hamlyn Terrace and Wadalba also continued on from last year. The majority of sales in these areas appear to be for house and land packages by a few builders. We think these are reasonably good value, but noticed a bit of inconsistency occurring in pricing levels.

Do we think there have been any weak suburbs? Well not really, the numbers suggest a pretty good year across the region, but some areas thought to be on the verge of making good ground on rising values didn't quite get there. We are talking about Avoca Beach, an iconic coast location which has always enjoyed a reputation of the place to be. It just cruised with an adequate number of sales, but far from the impressive numbers we were expecting. We also think that Bateau Bay, historically another place to be, didn't quite perform as well as expected.

Here on the Central Coast, we have always taken life as it comes - a few raised eyebrows here and there, but mostly laid back when something big occurs. But this year, there was a sense of urgency and anticipation across many sectors and segments of the market and we think the enthusiasm from those coming into the region this year has infected us all - and that's a good thing. If we had to describe a big event that shaped the region, it would be the shake up in values caused by those coming into the area. Everyone has been a winner - buyers squeezed out of the Sydney market finding the home of their dreams in a beautiful setting and sellers having good reason to smile. We hope to see more of if next year.

Tamworth

Throughout 2016 there has been a noticeable increase in land values and demand for vacant land. With 14 sub-divisions currently underway in Tamworth the market has responded well to the increase in available land, in both the investor and owner-occupier markets. As predicted the market for established older homes has softened slightly with people looking to build rather then renovate. This has caused a drop in prices for established homes, allowing first home owners and those looking for cheaper houses to get into the some good properties for cheaper then previously available. The tightly held patches of East Tamworth and parts of North and West Tamworth continue to trade well with demand for federation style houses in these locations still strong.

With an increase in investors building in Tamworth, we have seen an increase in the supply of duplexes and smaller townhouses. This has weakened the unit market which was traditionally targeted by investors due to government incentives to build new dwellings and the ability to then receive two rental incomes from one property.

The expanding of the local abattoirs and poultry industry has seen an increase in people moving to Tamworth looking for work, which in turn has seen the traditionally cheaper rental markets of Westdale and Oxley Vale become more attractive to purchasers.

The upgrade to the Chaffey Dam has added some security to the town's water supply, which in the past has been on the low side.

Overall the market reacted this year as we thought it would with no major impacts and the market continuing to firm.

Our predictions for 2016 proved to be mostly correct with a divide occurring between new and established homes. The increase in vacant land values and demand was also predicted. It was also noted that the inferior subdivisions being targeted by investors may have a slightly negative effect on the surrounding suburbs, which we have seen as owner-occupiers look for houses away from these developments.

With Tamworth being a relatively cheap market any property selling for over $1 million is a special property. In May this year, 163 Brisbane Street, East Tamworth sold for $1.2 million. This renovated and extended federation style home on a massive block in prestigious East Tamworth with extensive grounds, pool and tennis court was the top priced residential sale for 2016 in Tamworth. Another property currently under contract for $1.1 million is 51 Raglan Street, East Tamworth and is another example of how a well renovated federation home in East Tamworth can achieve a high sale price.

Bathurst/Orange

The overall market has been positive during 2016. The slow down in mining has caused downward pressure in some affected areas. Sales listings are in demand for small acreage and properties in established residential areas are experiencing some improvement. New subdivision lot prices have been steady in Orange with some further gains in Bathurst. Sales periods have shortened over the year for well priced properties. Increased investor interest in Lithgow, Bathurst and Orange has been a highlight of the year.

While the property market has shown relatively little volatility the same cannot be said for rainfall in the area. The year started out hot with an extended dry period and has ended with one of the wettest winters on record. The Central West is covered in a lush green cover and makes for a pleasant drive or bike ride. This has been good for the agricultural sector which is always good for the market.

There have been continued efforts on many levels this year to send the message that all the services you would expect in an urban area can be found in our regional centres, along with the benefits of the lifestyle on offer. The improving road network to Sydney, the South Coast, Canberra and Melbourne has helped the region to tap into some of the flow on effects of the booming prices in those areas.

Setting the pace is a centrally located 955 square metre vacant battle-axe block with expansive views at 135A Hope Street, Bathurst. This sold in September for $310,000. If a bit more land is your thing, a one acre block on the fringe of Orange at 5 McCormick Place sold in August for $315,000.

Victoria

Melbourne

Inner City and Inner Suburban

Over the past 12 months, St Kilda has experienced median house price growth of just under 20%, from $860,000 last December up to $1.03 million by October 2016 (Source: REA Group Ltd, 2016). The St Kilda house market is comprised predominantly of period dwellings, with Victorian and Edwardian terraces, California bungalows, Spanish mission villas and art deco apartments, as well as modern townhouses and apartments. St Kilda is considered desirable by young buyers and middle-agers due to its proximity to the beach and the CBD, as well as its vibrant café and music scene and public transport access.

80 Wellington Street, St Kilda sold for $3.3 million in March 2016. It was awarded House of the Year in 1991 by Belle Magazine. It is a double fronted Victorian on 655 square metres of land, with a two storey extension including a double garage. (Source: RP Data, 2016).

The Melbourne apartment market continues to be viewed with caution. The median unit price fell from $460,000 in December last year to $435,000 by the end of October 2016 (Source: REA Group Ltd, 2016). One main contributor to the falling demand for apartments is the decreasing rate of lending to foreign investors, as the major banks have tightened lending to international purchasers. Another factor is the continuing increase in supply of apartment stock in the city, with complexes such as Melbourne One, EQ Tower, 888 Collins Street and Platinum complete or beginning the settlement process at the time of writing. This fits with what we predicted at the start of the year, with concerns about oversupply and building regulations still casting a shadow over the apartment market.

Inner West

While the Melbourne CBD and Docklands might appear to grab the apartment oversupply headlines, many suburbs in the inner north west of Melbourne have also seen large volumes of completions during 2016. We referenced concerns of excessive supply in suburbs such as North Melbourne, West Melbourne, Moonee Ponds, Ascot Vale and Essendon in our February 2016 predictions and it would appear that this caution was warranted.

The September 2016 quarter has seen falls in unit median prices across multiple suburbs. In North Melbourne, the median unit price fell 10.7% to $518,000 while in West Melbourne, the median fell by an even greater 17.6% to $482,000. In Moonee Ponds, the median unit price fell 13.8% to $535,500, while in Ascot Vale the median fell further by 26.6% to $455,000. Of the suburbs we referenced, only Essendon has seen a rise in the median unit price of 18.8% to $547,000 over the same period *(Source: REIV, November 2016)*.

Vacancy rates appear to be impacted by the increased volume of apartments. In North Melbourne, the rental vacancy rate is 5.02% and is 5.24% in West Melbourne (Source: Real Estate Investor, 2016) compared to an average of 3% for inner suburbs up to four kilometres from the CBD *(Source: REIV, September 2016)*. These higher vacancy rates – over twice the market equilibrium of 2.5% - underpin the relative weakness of the unit market in these suburbs.

Houses on the other hand have seen median price gains over the past quarter. We have highlighted the trend towards subdivision of large blocks in suburbs such as Sunshine, 12 kilometres west of Melbourne's CBD, in previous Month in Review editions. The median house price in Sunshine rose 11.2% to $689,500 over the September 2016 quarter while closer to the CBD, in Maidstone, the median rose 15.2% to $755,000. Buyers being priced out of inner west suburbs such as Yarraville and Seddon are increasingly looking slightly further out to suburbs such as Sunshine, Braybrook Maidstone, St Albans and Albion all with fast train links to the CBD, shopping, schools and road infrastructure.

The price growth in Sunshine has since been eclipsed with the sale of 3 Hertford Road, Sunshine on 29 October 2016. On 768 square metres of land and in the same family for more than 90 years, the sale price of $1.615 million smashed the previous suburb record of $1.1 million (achieved in June 2016) by over $500,000.

3 Hertford Road, Sunshine (Source: REA Group Ltd, 2016)

The larger lot size is positioned directly opposite the Sunshine Shopping Centre. It is also located inside the Sunshine Activity Centre Zone which was incorporated into the City of Brimbank Planning Scheme launched in December 2015 to encourage job growth and development around Sunshine town centre. The zoning permits development of up to four storeys (13 metres) for this address (Department of Transport, Planning and Local Infrastructure, 2016). These factors combined to propel the selling price to over $500,000 past the reserve. The property was sold to a buyer with adjoining land in an L-shape around the property.

Outer West

Throughout 2016, the outer western suburbs have performed quite well although some suburbs have performed better than others. The table below shows reported median sale prices for September 2015 compared to September 2016.

Suburb	Sept 2015 Median Sale Price	Sept 2016 Median Sale Price	Change
Point Cook	$520,000	$595,000	+14.4%
Tarneit	$405,350	$427,000	+5.3%
Truganina	$423,000	$455,000	+7.6%
Wyndham Vale	$365,000	$360,944	-1.1%
Werribee South	$585,000	$475,000	-18%
Werribee	$340,500	$421,000	+23.6%
Williams Landing	$540,000	$710,000	+31.5%

(Source RP Data, 2016)

As shown, Point Cook, Williams Landing and Werribee have performed particularly strongly. However, Werribee South has not performed as well which may be due to its isolation and the slow pace at which development is taking place.

A high sale was recently recorded in Point Cook - 23 Panorama Way sold on 1 August 2016 for $1.8 million. This waterfront property is situated within the Sanctuary Lakes estate. With a land area of 900 square metres and a total living area of 386 square metres, it comprises 4-bedrooms, 4-bathrooms and a double garage.

23 Panorama Way, Point Cook (Source: RP Data, 2016)

North

In the north of Melbourne there were not too many surprises in 2016. Dwellings in the inner north continued to perform well and show good growth. Suburbs such as Brunswick, Brunswick East, Thornbury and Northcote proved to be the strongest performing suburbs, with Victorian and Edwardian period homes fetching the highest prices. The median house price for November 2016 for Brunswick, Brunswick East, Thornbury and Northcote are $920,000, $950,000, $997,500 and $1.112 million respectively (REA Group Ltd, 2016). First home buyers are now looking to suburbs with lower price points such as Pascoe Vale, Fawkner and Coburg North to get a start in the market and subsequently we have seen the median house price increase gradually throughout the year.

Throughout the north of Melbourne, median house prices across all suburbs showed some growth. In the mid north, there were no outstanding results or surprises, with suburbs such as Thomastown, Meadow Heights and Dallas all showing growth of around 5% (REA Group Ltd, 2016). In the outer north the performance of suburbs such as Greenvale and Craigieburn all remained steady, due to the abundance of new housing estates and supply of vacant land.

167 Clarke Street in Northcote set a new suburb record price of $4.3 million, eclipsing the previous record of 29 Cunningham Street by $760,000. The 5-bedroom dwelling which features a swimming pool, wine cellar and city views shows the increasing popularity of suburbs such as Northcote.

167 Clarke Street, Northcote (Source: RP Data: 2016)

Outer East

The twelve months to November 2016 have seen a steadying of the market and in general, flattening or modest price growth within the outer eastern suburbs.

As predicted, Ringwood continued to be popular with developers with a number of low-rise apartment developments reaching completion over the past year. Additionally however, developers continued to push further east to suburbs such as Kilsyth, Mooroolbark and Bayswater North. As affordability remains an issue for first-time purchasers, developers are taking the opportunity to develop traditionally larger blocks of land with a single dwelling on them and subdividing them into townhouses.

Wantirna Rise, Wantirna and the Harcrest Estate, Wantirna South are two new estates which have proved to be particularly popular over the past year. Fuelled by their proximity to reputable schools and the Westfield Knox shopping centre, purchasers paid in the region of $500,000 for a 450 square metre parcel of vacant land.

Glen Waverley and Mount Waverley were the two suburbs which appeared to be most negatively impacted by changes to foreign investment regulations established by the Foreign Investment Review Board (FIRB). This coupled with new legislation set by the Chinese government to limit movement of funds out of mainland China to US$50,000 per year saw considerable stagnation and in some instances price decreases within Glen Waverley and Mount Waverley. In the last quarter of 2016 however, it appeared that the market began to regain momentum, driven partially by the record low interest rates, but also local purchasers and families determined on ensuring their children had the opportunity to enrol in one of the best schools in Victoria.

South East

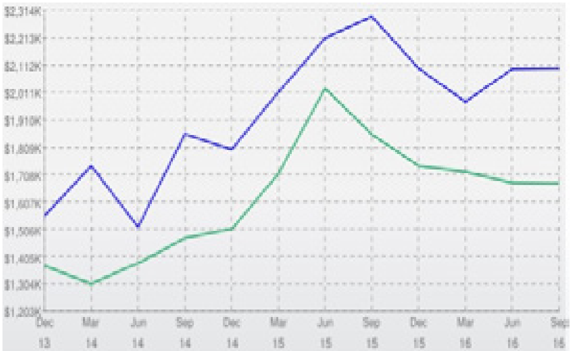
As predicted at the start of the year, Frankston has started to show the signs of growth that many have been forecasting for a while. In the Frankston area, namely Frankston, Seaford, Carrum Downs and Langwarrin, entry level houses circa $400,000 to $500,000 are in high demand and selling well due to limited supply. The market continues to be strongly influenced by record low interest rates, strong buyer demand and limited available stock. This also links in with an affordability issue as buyers are priced out of more affluent areas closer to the city.

Further along the coast and into Bayside, established period homes and newly built townhouses and units performed strongly, especially those within close proximity of shopping centres or shopping strip, train stations and the beach. Markets performing not so strongly were off the plan apartments, in particular 1-bedroom apartments of around 50 square metres in size and apartments constructed circa 2000.

Predictions for a stabilising market and moderate growth in the south east housing estates have been a little off, as growth was generally stronger than initially predicted. In February we forecast that prices would stabilise due to high volumes of new land being released in the estates, however we have seen consistent growth throughout the year, namely in Clyde and Officer.

Prestige

Previously overheated suburbs within the Boroondara municipality such as Balwyn and Balwyn North saw house prices dip at the end of 2015 and early 2016 as previously reported due to the restrictions on foreign lending by some of our larger banks in addition to limitations by Chinese banks on international bank transfers.



House Price Movement Balwyn, Balwyn North December 2013 - September 2016 (Source: REIV, 2016)

Towards the latter part of 2016 however there have been strong results throughout Boroondara, especially within coveted estates such as Sackville Ward. The recent sales of 107 Mont Albert Road, Canterbury and 51 Rowland Street Kew, which both represent essentially land value only, sold for $4 million and $4.8 million respectively. Both sales exceeded their reserves significantly and are considered to be well above an acceptable market range, demonstrating the re-emergence of Australian-Chinese purchasers within the area.

The trophy sale of 2016 would have to be 4 Robertson Street in Toorak. The undisclosed sale price, achieved only 22 days after hitting the market, is purported to have fallen just short of the Victorian record house price of $26 million.

The three level Provincial style dwelling boasts 7-bedrooms, 7-bathrooms, 3-kitchens, a dining room that seats 20 people and a 25 metre self-cleaning lap pool with spa. Designed by Casper Architecture and Design in conjunction with Thomas Hamel Interiors, the dwelling sits on over 1,700 square metres of land within a coveted Toorak estate. Despite having significant overseas interest, the swift sale of the property is reported to have gone to a local family.

4 Roberston Street, Toorak (Source REIV, 2016)

Ballarat

The residential market in Ballarat has performed in line with expectations during 2016. That is, the upper echelons and central suburbs have performed well while the lower market segments and new estates remained fairly static.

Lake Wendouree, Newington, Ballarat Central and Soldiers Hill have experienced strong demand and have shown some growth. Lake Wendouree in particular has experienced some notable sales and on the back of this success, the volume of houses being sold in the suburb has increased. The market shows a strong preference for larger allotments and period style housing, with these properties in very high demand. During 2016, a noticeable swing to auctioning properties has been evidenced in the hopes of capitalising on the strong demand in this area.

The lower echelons of the market such as Sebastopol and Wendouree have remained static with little growth evidenced. This is also true for the new estates to the south-west such as in Delacombe and Winter Valley, where supply still exceeds demand with many new estates still to come to the market.

The rental market has remained fairly static within Ballarat and agents have reported a softening in the market for lower quality stock. This lower quality segment of the rental market has been affected by the increased volume of unit developments offering newer, better quality rentals for tenants.

Overall, 2016 has seen the Ballarat housing market perform as expected with no surprises. It has continued to provide a stable market with the central suburbs performing well.

Horsham

The Horsham residential market has remained static over the past twelve months, unable to get around the subdued demand and lack of market confidence. The market has been slow across all sectors (house, unit and vacant land) recording lower than average volumes of sales. House median prices have continued to hold around $250,000 to $300,000 with a high percentage of these sales being purchased by owner-occupiers. Unit prices are tending to demonstrate a two tier market with units of an inferior location and quality ranging from $150,000 to $175,000 and units of a superior quality and location ranging from $250,000 to $300,000. The rural residential market has also remained stable with a small volume of sales recorded.

Even in sluggish residential market conditions, Horsham has been able to record a high residential sale of $695,000 of a detached circa 2005 two storey residential dwelling on the fringe of Horsham's commercial precinct which appears to have been purchased as an investment.

Warrnambool

The residential property market within Warrnambool has remained stagnant in the majority of classes. As predicted earlier in the year, Central Warrnambool has proved to be on the rise with properties spending less time on the market. This is due to the amount of buyers currently active within this space wanting to buy within this area. Properties within central Warrnambool can be purchased from $350,000 to upwards of a million dollars. This is largely determined on the current state of repair and proximity to key amenities including the CBD, hospital and beach. There have been several examples of central properties selling in excess of vendor expectations. In saying this, high end properties located within this area are still spending more time on the market due to the limited amount of purchasers in the price bracket ($700,000 to $1 million).

North Warrnambool, Dennington and West Warrnambool have remained relatively stagnant in comparison to Central Warrnambool due to the oversupply of vacant land within these areas.

A key residential sale this year was 530 Hopkins Point Road, Allansford which sold for $1.63 million after previously selling in 2010 for $1.35 million. This sale created interest among the prestige purchasers within the Warrnambool area due to the tightly held market along Hopkins Point Road.

Queensland

Brisbane

It was a year that promised so much, but probably under delivered in the great Southeast.

A look back at our predictions from February reveals most pundits were keen to see a stronger market after a somewhat deflating 2015 – but despite others saying 2016 would be Brisbane's year, Herron Todd White's outlook was more drab. No matter how we dressed it, there was no way to create a buzz. In fact, here's a direct quote from our February 2016 publication:

We've now taken the real-estate temperature and are ready to predict the coming year's market direction... and the winner is (drum roll please)... MODEST!

Words like "unexciting" and "steady" followed on from that quote – but we call them as we see them!

Beyond the flat generalisation, we also took a look at our market nuances to see what else could be said, and our expert calls on the various sectors were more interesting.

We said the good news for 2016 would be the near city localities such as Morningside, Murarrie and Carina, which would have terrific profit potential – plus their neighbouring suburbs would also benefit if you were looking for "bridesmaid" option. These areas had detached dwellings priced between $500,000 and $800,000, which deemed them affordable and well positioned.

Renovators were also on our tick list – we highlighted suburbs such as Stafford Heights and Geebung as worthy of mention as they offered detached 3-bedroom housing for half the price of a Sydney bedsit and with the ability to create a little "sweat equity" through paint and floor coverings.

We also thought areas such as Enoggera and Wavell Heights to the north, or Holland Park to the south were solid options, despite their median price being a little higher.

Our call for unit hunters was to stick with second-hand unit stock in areas with a large potential tenant base this year. We specifically liked well laid out un-renovated units in quiet positions but within five kilometres of the CBD.

In terms of sectors to be treated with caution in 2016, we said buyers must continue to watch their step with inner-city, off-the-plan units based on oversupply concerns. Our thoughts were if you feel you absolutely MUST get into this market, then seriously consider well designed, owner-occupier type units to broaden your potential buyer base come resale.

So how did we go? Well we're pretty pleased with our powers to call the year in advanced.

The strongest market continued to be inner-city dwellings – although, in general, prices remained fairly stable. This includes housing in Bulimba, Balmoral, Hawthorne, Norman Park, West End, Highgate Hill, New Farm, Teneriffe, Paddington, Red Hill and Auchenflower.

Inner-city property performed best when it had all the right fundamentals. Buyers were, however, price sensitive so vendors needed to get that right or risk sitting on the market.

One thing we didn't pick early was the potential strength in vacant land – particularly within five kilometres of the city, but further afield as well. Anyone who managed to grab a well-positioned site at the start of the year would be pleased.

As for the underperformers, one sector was townhouses in outer suburbs such as Marsden, Browns Plains and Dakabin. It's resulted a lot of rental stock in areas that are oversupplied.

And we needn't detail how spot-on we were about the off-the-plan inner-city units.

We predicted the market direction would be modest and that is generally how it has played out. A solid nine out of ten performance (in our humble opinion).

And to round things off, here's the eye candy transactions from this year

The highest sale for the year was $10.5 million achieved for a modern three storey home on an 800 square metre river boardwalk front property in New Farm.

The other sale of note was the Courier Mail reported purchase by the honourable Kevin Rudd of approximately $8 million for a penthouse unit in the CBD (though this is still to be confirmed).

From all of us at Herron Todd White Brisbane, have a great festive season, safe New Year and we look forward to taking care of your property needs in 2017.

Toowoomba

As predicted in February, the Toowoomba residential market passed its peak and retracted slightly during 2016. An oversupply of new residential product has emerged (particularly units), leading to a slight increase in vacancy rates, a reduction in rental rates and subsequent exit of absentee investors. Sales volumes have retracted in an orderly fashion and median prices appear to have passed their peak. Commencement of the Toowoomba second Range crossing is believed to have assisted in capping vacancy rates at circa 3%, with many new employees renting throughout the construction process.

Whilst the Toowoomba market in general has been soft, renovated colonial homes across East Toowoomba and Mount Lofty have been stand out performers seeing strong interest and sale prices. These properties appear to be in the price ranges exceeding $700,000. Properties in the sub $300,000 price bracket have also performed well as this sector has traditionally been underpinned by first home buyers and appeals because of affordability. Due to the exit of absentee investors, the properties not performing so well are vacant land and new units in the western suburbs including Glenvale and Harristown, with lower land values and rebates being observed. Modern dwelling and land sales in Kleinton and Highfields have also slowed significantly.

Values have declined significantly throughout the Surat Basin western corridor. Vacancy rates have declined from the circa 40% peak experienced in Miles, as the now highly affordable rental rates have encouraged a new wave of renters to take up the supply of modern 4-bedroom, 2-bathroom dwellings.

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

Some of the stand out trophy sales in East Toowoomba and Mount Lofty are pictured below *(images sourced from RP Data).*

37 Arthur Street East Toowoomba, QLD, 4350
Sale Price: $1.3 million

36 Tourist Road East Toowoomba, QLD, 4350
Sale Price: $2.5 million

69 Bridge Street Mount Lofty, QLD, 4350
Sale Price: $1.15 million

Gold Coast

Central Gold Coast

The central Gold Coast suburbs have largely performed as expected during 2016.

Established housing under $1 million has remained in strong demand from both owner-occupiers and investors. Most areas gained in value throughout the year however the improvement in value levels weakened slightly toward the end of the year.

Most central Gold Coast suburbs have produced average to good gains, however a lack of stock in some suburbs may be pushing buyers into paying a premium that may prove problematic in the event of a correction in the market. Buyers are being pressured into paying top dollar for properties which would normally be overlooked or rated poorly or considered to be of secondary quality.

Recent examples of this include:
McDivitt Court, Worongary. Sold for $455,000 which was $15,000 above list price as a result of very strong buyer interest. Issue: This property is impacted by major high voltage electricity transmission lines.

Rio Vista Boulevard, Broadbeach Waters. Sold for $795,000 and had previously sold two years ago for $685,000. A very modest sized rental property on a canal. This could be considered an entry level price now for canal front property in this area. Issue: The property is located on a busy local road and would be a costly renovation project.

The lesson to be learned from these examples is that buyers in this current market need to keep their heads and not be persuaded to purchase poorer quality property out of desperation. Good quality property will sell well in most markets whilst poor quality property will be punished in a falling market.

The unit market has not performed as well as the market for detached housing. There have been some gains however the dominance of investment property in the unit market has meant that the supply constraints that have underpinned the market for detached houses have not been felt as keenly in the unit market.

There have been no nasty surprises for buyers or sellers in the central Gold Coast suburbs. The federal election came and went without causing too much concern and interest rates have stayed agreeably low in line with the expectations of most economists and the broader market.

Central Western

Overall in 2016, central-western Gold Coast suburbs are in a stable market and continue to perform well. Suburbs which would be considered generally central such as Nerang and Carrara are still seeing increased sale prices, primarily as a result of the low interest rates which have continued throughout the year and the increasingly common occurrence of low required deposits (i.e. less than 5%). RP Data shows an increase of 16.2% and 8.9% in median house pricing from January to November for Nerang and Carrara respectively. The volume of sales has decreased however which is due to a lack of stock. Most agents who consistently work these areas are all reporting low stock, with properties appropriately priced selling within 14 days of being listed on the market.

Pacific Pines is also seeing continued sale price increases. The unit market, primarily townhouse and villas, within the affordable price range has been highly sought after with agents also reporting low stock and short selling periods. A trophy sale for the suburb would be 12 Barrington Street which comprises a 5-bedroom, 3-bathroom two storey dwelling on an elevated 725 square metre north-west facing allotment with wide ranging district views to the east. The dwelling has high quality fixtures, fittings and features and sold for $900,000 after 27 days on the market.

Land is still strongly sought after which is being reflected in the increased prices for vacant allotments. Riverstone Crossing located in Maudsland continues to perform well with its latest stage of vacant allotments ranging from 460 to 690 square metres and selling for $258,000 to $298,000. A recent nine lot subdivision of a 3.65 hectare property in Nerang with allotments ranging from 4,350 to 10,050 square metres has had three settled sales and another three under contract with prices ranging from $494,990 to $720,000. Further west, the new land development Canungra Rise at Canungra has also been highly sought after with 800 square metre vacant allotments selling for $200,000 to $240,000 to local (Gold Coast) buyers.

Premiums are still being paid for new stock and to a lesser extent renovated properties that present well or like new.

The increase in development activity within Pacific Pines, Maudsland, Oxenford and Upper Coomera has also seen a slight increase in construction costs, however this increase seems to be in line with the market and purchasers are willing to pay these premiums.

As per our predictions in early 2016, Nerang, Carrara and Highland Park have continued perform for the same reasons – being appropriately priced and lack of stock. Our prediction of the strong performance in the residential sectors being sustainable has come to fruition as prices continue to increase following the high demand.

Northern Gold Coast

During 2016, the northern Gold Coast and southern Logan markets were generally stable. The southern Logan residential market has seen a revival since late 2014. More projects were released in 2016, such as Brookhaven by Fraser Properties, Tallagandra Heights by Choice Homes and Tilbury Residences. This showed that developers regained their confidence in the northern Gold Coast and southern Logan markets.

However in Yarrabilba, we have seen a large number of properties available for rent. This is due to the heavy construction of dwellings for the investment housing market. Some property managers are offering rent free periods and other forms of incentives to attract tenants.

Upper Coomera has also seen an increase in townhouse product (such as Reserve Court and Tilbury Residences) that are also considered at the upper end or above market parameters in comparison with resales.

As per our prediction in early 2016, the Ormeau Hills market has been strong so far due to the growth corridor. Land prices in Ormeau Ridge are currently considered at the upper end or above market parameters, for example lot 778 Beaufort Crescent, a 448 square metre block, is under contract for $268,900. There is no similar sized block sold at this price point.

Overall, in 2016 there are no surprises that would impact the market in northern Gold Coast and southern Logan. Everything is basically within our predictions of early this year.

Southern Gold Coast and Tweed Coast

There has been a continued improvement in this property market throughout 2016. Some suburbs and types of property have seen strong levels of improvement, whilst other suburbs and less desirable property have only seen minor to moderate levels of improvement.

Without the benefit of statistical data, the strongest performers in terms of suburbs have been Burleigh Heads, Burleigh Waters, Palm Beach, Tugun, Kingscliff and Casuarina. In these suburbs, the strongest performers have been housing in the under $850,000 price bracket closes to the beach or on waterfront.

Generally speaking, there have been no weak performers throughout 2016, including outer lying suburbs where sales have traditionally been at slower rates. All the suburbs from Pottsville to Miami and Reedy Creek to Murwillumbah and all types of property from 1-bedroom units to prestige dwellings and units have seen improvement.

The main factors that appear to be driving the market include low interest rates and an overall strong local economy with high levels of construction as we head towards the Commonwealth Games.

Looking back on our predictions from early 2016, we were very close to the mark. It was a good time to buy in early 2016 compared to late 2016. Demand remains strong with limited stock.

Some examples of recent sales include:

- *48 Skyline Terrace, Burleigh Heads* has just sold for $850,000 (GCS323873), previously valued in March 2013 at $690,000.
- *2/27 24th Avenue, Palm Beach* is under contract for $525000, previously sold December 2012 for $359,000.
- *4/17 Teemangum Street, Tugun* just valued for $410,000, previously sold September 2013 for $345,000 with some renovations completed.
- *15 Boambee Court, Reedy Creek* just sold for $805,000, previously sold January 2014 for $730,000.

Gladstone

At the beginning of 2016 we said that market conditions were likely to remain volatile in all market sectors with potential for further price decreases. Our predictions were pretty much spot on given that values and rents have continued to fall over the course of 2016 and the volatility in the employment sector has had a big impact on the market.

Values have fallen approximately 10% in most property sectors since the beginning of 2016. Since the peak of the market in 2011 and 2012, established housing has dropped approximately 50%. Units and townhouses on the other hand have dropped as much as 80% in the same time frame. Despite much talk around town that we have hit the bottom of the market, we continue to see declines in values. Sales activity has definitely increased, as values in the region are the lowest they have been in over a decade. Rental values appear to have somewhat stabilised however given that Gladstone's vacancy rate is still well above average (7.5% in October according to SQM Research), there is potential for further decreases in 2017. It is important to note that the vacancy rate has been steadily declining over the course of 2016 which shows the oversupply is slowly being reduced. Mortgagee in possession activity also increased significantly in 2016. Until such time that mortgagee in possession activity slows and the vacancy rate drops considerably, it is difficult to predict when we will reach the bottom of the market.

We knew that 2016 would be a telling year as construction of the LNG projects on Curtis Island would come to an end. All construction work was officially completed approximately one month ago. Over the course of 2016 several other major employers in the region (Rio Tinto, QAL, NRG, Aurizon) have enacted cost cutting measures through their businesses and cut hundreds of jobs. New job opportunities in Gladstone are very weak and without a major project on the horizon, the Gladstone economy is likely to remain subdued. These job losses have had and will continue to have a direct effect on the property market in the Gladstone region.

Bundaberg

Looking back over 2016, the year overall was a fairly steady one.

The $70 million Knauf plasterboard factory that is reportedly bringing over 600 jobs to the region started and is currently to frame stage. The Innes Park North and Bargara South beach front residential development is still in the pipeline and should also stimulate interest in our very affordable region. Also commencing in 2016 was the new $90 million waste water treatment plant at Rubyanna.

The residential market for both houses and units has remained steady and consistent over the past quarter with overall confidence being subdued. As these previously mentioned developments move forward, confidence in the market should lift during 2017.

Emerald

Across the Central Highlands in 2016 we witnessed the end of significant falls (which started in 2013) as predicted as a result of the resource sector downturn and restructuring. The majority of sales in these towns were mortgagee in possession. The mining dominated towns of Blackwater, Dysart and Moranbah saw an overall fall of up to 80% from the peak in 2012. The major regional town of Emerald experienced falls of up to 70% for units, 50% for houses and 30% for modern good quality product. Values were back near 2004 levels across the region. The majority of purchasers in 2016 have been local owner-occupiers. The first half of 2016 really left the region with the final wash-up after experiencing several mine closures and thousands of job redundancies over the past four years.

We felt the second half of 2016 values started to level as mines began to retain their current workforce numbers and no more closures were seen. Over recent months coal prices have been trending upwards and this has resulted in some positive outlooks and speculation. In the last month, some towns have seen rental vacancy rates tightening and others have seen values jump by up to $30,000 as supply quickly shrinks. It appears some have been wanting to buy (currently renting due to very low rents) and waiting for the bottom to come. With the positive news starting to circulate in the resource sector, sales turnover has increased, supply has tightened and values have started increasing again, particularly in Clermont, Moranbah and Dysart. In reflecting on 2016, it was the year we saw our markets bottom and stabilise.

Rockhampton

It's that time of year again when all of a sudden, it is time to reflect on the year that was. Did 2016 live up to our expectations?

This year has seen some changes in the landscape of the Rockhampton property market. What was once an investor driven market sector, the lower end of our market has seen a withdrawal of investors (both local and interstate). This has seen the sub $300,000 market in Rockhampton weaken significantly throughout the year.

The market seems to by very accepting of well presented properties, with some achieving list prices due to multiple offers in short time frames. Conversely, dwellings requiring maintenance or repairs are staying on the market longer and longer, with values declining. Again, this is highlighting the reliance the lower market sector has on investor activity and first home buyers taking advantage of the market decline which has been occurring.

While no new events took place in our region, the continuation of the mining downturn has continued to shape property market conditions locally. This is despite the positive indicators coming from other industries pertinent to the local economy, such as agriculture.

In February we had anticipated many of the above factors would play a key role in the performance of the property market throughout 2016. Despite this, the level of decline in the lower market sector has been surprising.

Fortunately, 2016 has not been all doom and gloom for the region. There was some activity in the upper and prestige market sector, in excess of $700,000. Our highest sale of the year occurred at $1.225 million. Positioned in the well regarded locality of The Range, this property consisted of a two-storey, fully renovated Queenslander providing 5-bedroom, 4-bathroom accommodation and 3-car garage with a living area of over 400 square metres plus a self contained 1-bedroom, 1-bathroom flat. The property benefits from district views and above average ancillary improvements.

There are also another couple of prestige properties recently placed on the market this month that are being well received and watched with interest to see their influence on the market.

Another factor worth reflection is vacancy rates. The results are in for the past quarter and the region as a whole has shown a surprising tightening of the rental market. Since December 2015, vacancy rates have been between 6% and 7%, however the past quarter has shown a reduction in rates down to 4.6%. This is another positive influence to end the year and will be watched closely.

There has even been some positive buzz surrounding some Central Queensland mines and we wait with interest to see what 2017 has in store for our region.

Mackay

It's that time of the year again when we get to look back on the year that was and see how our predictions back at the beginning of the year panned out with full 20/20 hindsight. Back then, we stated...

"Although sale volumes have started to slowly increase, a majority of sale transactions tends to be occurring in the sub $300,000 market. Local agents are reporting that buyers are becoming more fastidious due to the large supply of properties listed for sale. There is still a relatively negative outlook among buyers and sellers in the Mackay region and market evidence suggests that property values are still declining in the short term. It is difficult to see any growth in values in 2016 without some big momentum shift in the Mackay economy. However it is hoped that some levelling will occur towards the mid to latter half of 2016."

With this prediction, we were pretty close to spot on. The Mackay residential market continued to decline throughout 2016 with values off at least 10% and higher in some areas. We also saw a large number of mortgagee in possession properties hit the market which also put more negative sentiment into the market. However, as per our prediction, sales volumes started to increase through mid 2016 with many purchasers seeing value not seen in Mackay in over ten years. On the back of the increased sales volumes, we saw the rate of decline in property values slow, with the hope being we are very close to the bottom of the market. With respect to the last sentence above, there does now seem to be some momentum shift in the economy in Mackay and a more positive outlook for the short term future. The spot price for metallurgical coal has risen significantly in the last few months, sugar prices are up and the Mackay Ring Road is just about set for construction. It is considered all these factors may shine some light on the residential market in the short term future.

At the beginning of the year we stated...

"It is difficult to predict what will happen to rental values and vacancy rates in the Mackay region over 2016. We believe that any movement (if any) in rental values and vacancy rates will largely depend on what happens to property values and interest rates."

The rental market has been a good news/bad news story during 2016. The good news is that vacancy rates have fallen pretty consistently throughout 2016 from over 9% to sit currently just below 7%. The bad news is we saw a decline in rental values during 2016, although with a slight tightening of the vacancy rates, it is hoped that rental values may stabilise shortly.

Whitsunday

It's that time of the year again, when we get to look back on the year that was and see how our predictions at the start of the year panned out with full 20/20 hindsight. Back then, we stated...

"The year ahead is expected to deliver steady market conditions for residential property with what appears to be a stable supply and demand across the region.

There is speculation on the China Town development in the heart of Airlie and also the proposed extension/upgrade to the Whitsunday airport.

There appears to be an oversupply of entry level units at this point in time. Prestige units appear to be slowly on the increase and it is expected that these markets will continue throughout 2016.

House and land packages appear to be a sought after product with some builders stating they have work for the next nine months. This will form a steady stream of work for many local contractors, which all has a positive outlook for 2016.

The rural residential lifestyle properties are in good demand with people upgrading to an affordable lifestyle property. This is also expected to continue throughout 2016.

The downturn in the mining sector has impacted ever so slightly on Airlie Beach and its surrounding suburbs. We are looking forward to a fantastic 2016."

So the residential market has continued to be steady.

The speculation of the China Town and extension and upgrade to the Whitsunday airport have not come into play and with the change in local government, we will adopt a wait and see approach.

There is also an over supply of entry level units at this point in time and the more prestige units turn over at a slower rate. The residential market is just cruising along nicely.

Hamilton Island is seeing more movement than it has had in some time with interstate buys snapping up units following on from the good Sydney and Melbourne markets.

Hervey Bay

2016 generally ran true to our predictions with steady market conditions across the region. The sub $300,000 stock saw a slight increase in value with affordability and down sizing requirements. Rental rates were also relatively steady throughout the year, and although have fluctuated, are generally in the range of 3% to 4%. Some new estates have deviated away from the higher density, small lot format and offering 800 to 1,000 square metre sites and have received good interest.

Very little construction of new units over the past 12 month however we understand Council have received numerous applications for development so new stock is imminent. The new Marina precinct allowing 20 storeys triggered some strong discussion as to the future direction of Hervey Bay.

There was a spike in sales activity nearing June 2016 as the market was concerned the Hervey Bay Housing Affordability Project initiative would end. Council have now extended this initiative which is continuing good interest in the new estates from both owner occupiers and investors.

The increase in the number of sales over $700,000 for the year has been very encouraging with 24 residential sales. These sales are either, houses, units or rural residential with the highest price being $1.25 million located at Dundowran Beach. The Hervey Bay office would like to thank everyone for their support this year and wish all a Merry Christmas and Happy New Year.

Townsville

The Townsville residential property market started to gain some positive market sentiment in the second half of 2016 with conditions showing signs of having been through the worst and starting to stabilise. Although confidence is starting to increase, the market is still fragile and very much consistent with the bottom of the cycle.

The first quarter of the year saw the closure of Queensland Nickel Refinery (QNI) and with it the loss of some 800 jobs compounding the lack of buyer and business confidence and unemployment concerns.

The second quarter saw the local election take place along with campaigning for the Federal election. During this time support for a new Townsville stadium by both sides of politics started increasing the level of excitement in Townsville.

The third quarter saw the federal election run and the new Sports Stadium and allied Priority Development Area becoming the talk of the town. These projects have lifted sentiment in the market with the challenge now to get these projects going sooner rather than later.

As a result of these big events, market conditions have stabilised along with a steadying in sale volumes and median sale price.

High unemployment levels have continued throughout 2016, with anecdotal evidence suggesting people are leaving the area in search of employment. The rental vacancy rate has climbed throughout the year to be trending over 6% with vacancy rates for units significantly higher than that of houses. We had anticipated that the vacancy rate would progressively return to a more balanced market throughout 2016, however high unemployment coupled with lower then average population growth have affected this sector.

Overall the residential market finishes 2016 with a better market sentiment than it started, however the market remains fragile and price driven.

Cairns

Over the past three to four years, Cairns has been progressively turning around from the tough economic conditions it experienced in the aftermath of the Global Financial Crisis. The tourism industry in particular has been experiencing significantly improved tourist seasons during the past four years, particularly from the developing Chinese market, and accelerated considerably during 2016. However the overall economy cannot yet be regarded as buoyant, with the employment market still soft and the unemployment rate higher than the state average.

The lack of jobs growth and job security in the local economy has led to a flat spot in residential property demand and a softening of market confidence during 2016. The level of residential sales activity has cooled and the previous rising market has eased back to more of a balanced market. The market is best described as reasonably healthy with steady demand for appropriately priced residential property.

Price levels for houses during 2016 have been typically stable. Unit prices typically remain shy of the 2009 peak levels due to the ongoing effects of buyer aversion to increased strata building insurance costs and tightening of lending practices to investors.

Demand for vacant land has slowed and the strongly rising prices experienced throughout 2014 and early 2015 abated during 2016.

Pressures in the rental market increased during 2016 as a result of tighter rental vacancy rates. The trend rental vacancy rates for October 2016 stood at 1.9% for houses and 2.3% for units and the market vacancy trend overall at 2.1%. Low rental vacancy rates have resulted in mildly increasing rents, with the weighted average median rent for a house increasing over the past twelve months from $385 to $390 per week and for a unit from $275 to $285 per week.

South Australia

Adelaide

The Core Logic quarterly report released in August 2016 indicated that home values have recorded only a moderate rise over the past year. The number of home sales have remained reasonably steady across the city and the average selling time has reduced. On the other hand, discounting levels have increased a little as vendors become more flexible on their price expectations. Overall the Adelaide housing market is fairly steady.

Quarterly sales data released by the Real Estate Institute of South Australia indicates the top ten growth suburbs with ten or more sales in the current quarter. These include Gulfview Heights to the north of the Adelaide CBD, Sellicks Beach to the south of the city and Mile End and Brooklyn Park which are both situated within five kilometres of the western side of the Adelaide CBD. These statistics are based on detached housing.

There is a continuing issue of limited stock in many suburbs in Adelaide particularly within proximity of the CBD and in particular on the city fringe. We are hearing increasing feedback from selling agents in areas such as Parkside that many properties are being transacted privately without any exposure to the market. This has happened due to the low stock levels close to the CBD.

Given that the Adelaide market has remained steady, there have not really been any weak performers.

As at September 2016, turnover across Adelaide has been trending higher which is bucking the trend seen in most capital cities. Adelaide's auction market has shown a strong start to the spring season with clearance rates around 80% and higher auction volumes than this time last year (Core Logic Leaders Forum Presentation September 2016).

While there have not been any major events in Adelaide, earlier in the year an announcement was made that the bulk of Australian submarines are to be built at Osborne ($50 billion contract to build 12 new submarines by the French shipbuilding company DCNS). There are estimated to be 1,700 jobs created at ASC (Osborne). There are also a number of large infrastructure projects underway including the Torrens to Torrens project, O-Bahn busway extension and Darlington Road upgrades.

The Torrens to Torrens project is progressing with milestones being regularly met. The photo below shows large beams recently installed for a large section of bridge over Port Road and a concrete pour being undertaken for a bridge over Grange Road.

(Source: t2talliance.com.au)

The state government has also announced the future Northern Connector Project will commence work in 2017. The 15.5 kilometre Northern Connector is the next section of the non-stop motorway linking Port Wakefield Road, the Northern Expressway, Port River Expressway, South Road Superway and the Salisbury Highway. The Northern Connector project supports the Northern Economic Plan which is a blueprint for a prosperous northern Adelaide, focused on creating jobs and empowering local communities.

The Australian Government is contributing $788 million and the State Government $197 million to deliver the $985 million project. *(Source: http://www.premier.sa.gov.au)*

Despite South Australia's unemployment and job insecurity issues including the imminent closure of

Holden, the state government is helping to create new jobs from these projects. In the medium to long term, the property market in South Australia remains positive.

We are yet to see the impact (if any) the recent U.S. election result will have on the Adelaide property market. We will monitor this in coming months.

Predictions: Clarence Gardens, Modbury, Ridgehaven, Dernancourt, Clearview, Payneham South, Richmond

The predicted areas have remained steady in terms of growth since February. Clarence Gardens and Payneham South in particular are experiencing quite low levels of stock. Richmond is adjacent to Mile End and Brooklyn Park which have both had a positive 12 months given the median price change.

South Australia officially has a new record residential sale. An iconic Gilberton mansion known as Ivanhoe will settle shortly for $7 million. We understand that although this off-market transaction was due to settle last Christmas, settlement was extended to mid-November 2016 (source: The Advertiser). Gilberton is a highly regarded and tightly held area situated within four kilometres of the Adelaide CBD.

(Source: realestate.com.au)

An iconic city mansion known as St Coratyn has been listed for sale since April 2016. While there was some speculation that this property may become the record sale, a recent price reduction indicates this is unlikely to be the case.

Tasmania

Glenorchy and Claremont, approximately ten and fifteen kilometres north-west of Hobart respectively have been strong performers throughout 2016 with the majority of residential sales coming from the $250,000 to $325,000 price range. These homes are typically older style homes or units under 150 square metres. For homes in the $326,000 to $450,000 price bracket most of the sales have occurred in Kingston, approximately 12 kilometres south of Hobart and Howrah, approximately 12 kilometres east of Hobart. In Kingston and Howrah buyers have typically purchased either modern style homes from around 150 square metres of living area or larger, older style homes. The most popular suburb for purchasers with a budget over $450,000 is Sandy Bay where the suburb's top sale of $3.85 million occurred for a 5-bedroom, 5-bathroom modern architect designed house sitting on a 1,472 square metre parcel of land.

In the north of the state, the most sales below $250,000 occurred in George Town however the majority of these sales were well under $180,000 and were marketed for extended periods. Newstead and Riverside is where most of the sales have occurred for residential dwellings in the $251,000 to $350,000 price bracket. The dwelling sales from Newstead and Riverside are typically older style, renovated houses, ranging between 120 and 180 square metres. East Launceston had the most sales over $450,000. The top sale came from Launceston which was an older style 4-bedroom, 2-bathroom house constructed in 1880 on a 1,440 square metre parcel of land which sold for $2 million.

Due to challenging employment opportunities, the north west property market should continue to be approached with caution. The most sales across all price brackets occurred in the Devonport area, the largest population centre. Properties sold for $220,000 and under were of an older style up to 100 square metres of living area.

Increases in investor activity throughout the greater Launceston and Hobart regions have led to higher sales volumes within the lower price range for properties under $350,000. The increase in investor activity has contributed towards the average time it takes to sell a house decreasing from 45 days to 29 days within the greater Hobart region and 67 days down to 57 days within the greater Launceston region. The north west coast has experienced a -4.9% downturn in sales which has increased the average selling time to 90 days.

A shortage of properties for sale throughout the north and south of the state, low vacancy rates and great gross rates of return for rental properties have also contributed towards some slight rises in market prices. Housing in Tasmania is amongst some of the most affordable in Australia which offers excellent purchasing opportunities for people looking to buy or invest.

In the September quarter, five properties sold to foreign purchasers at a median price of $349,000. There were also 16 property sales recorded in excess of $1 million of which 15 came from the south of the state.

In February we suggested newly constructed homes and vacant land sales may be the ones to watch out for due to both the halving of the grant after 31 December 2015 and the fact that purchasers can often gain better value by forgoing the grant and purchasing established or near new residential property. From 1 January 2016 Tasmania's First Home Builder's Boost Grant was reduced from $20,000 to $10,000 and was available to first home buyers who purchased new homes, off the plan purchases and owner-builder homes. The $20,000 grant was resurrected by the state government when it handed down the state budget and was retrospective for those who received grants from 1 January 2016. It appears both vacant land sales and newly constructed homes have remained steady throughout the state which can be attributed to the First Home Builder's Boost Grant reinstatement, low interest rates and overall market confidence.

In the south many areas are experiencing stronger buyer demand due to reduced stock listings.

11 Ellington Road, Sandy Bay recently sold for a whopping $3.85 million. The property consists of 5-bedrooms, 5-bathrooms and sits on a 1,472 square metre parcel of land.

30/1 Castray Esplanade, Battery Point, a 3-bedroom, 4-bathroom apartment, sold in June for $2.5 million. The apartment is located in what was once a group of silos prior to redevelopment and is situated at the southern end of Salamanca which is the state's most popular tourist destination.

20 York Street, Launceston in the state's north recently sold for $2 million. The house was constructed in 1880 and consists of 4-bedrooms, 2-bathrooms and a 2-car garage with an adjoining storage room. The house sits on a large land parcel of 1,440 square metres.

Northern Territory

Darwin

2016 will be remembered as the year that the Darwin property market underwent a large correction. The general perception at the start of the year was that the market was declining. However, the big surprise to all parties involved in the Darwin property industry was just how large a decline we saw. Year on year to the September quarter, median dwelling prices throughout Darwin dropped 9.2% and sales volume decreased 17.1%. The unit market also decreased with median prices dropping 7% and sales volumes down 12.4% (Core Logic RP Data).

The amount of houses sold for the financial year fell below 1999 levels, based on REINT data, with just 820 houses sold in greater Darwin. Unit sales were around 2000 to 2001 levels with 850 sold. Overall that's a drop of 42.9% in volume from last financial year.

Although no sector of the property market was immune to the decrease there were some sectors that particularly felt the pinch. The secondary market of Palmerston was hit hard with both sales volumes and median price points down. The unit and townhouse market decreased by 11.6% in median price and 17.6% in sales volume year on year up to the September quarter. The dwelling market was also similar with a 13.7% median price decrease and 27.1% sales volume decrease year on year. This was driven by green field development in areas such as Zuccoli that offered attractive house and land packages backed by government and developer incentives such as cash back agreements on land purchases and guaranteed rental incentives.

CBD units also struggled this year as existing stock had to compete with new stock brought onto the market. This new stock was sold with either a home owner initiative to purchase new property backed by the government or developer incentives such as furniture packages or rental incentives. The yearly figures show a median price drop of 2.7% and sales volume down 13.8% year on year to September.

Although this does not seem to be a drastic decrease in median prices, off the plan sales have kept this market relatively stable in comparison to other sectors. However, these figures do not indicate the severity of the drop that we have witnessed this year in this sector. One example that stands out is the sale of a 2-bedroom unit in the fringe Darwin CBD suburb of Larrakeyah. The property sold in the low $300,000s this year. The most recent sale in the complex before this was at the end of 2014 (approximately 18 months earlier) for mid $400,000. Unfortunately this was quite common for the existing CBD unit market and this stock showed a large decline in value and lengthy periods of marketing, similar to the above example. The rental market also remained soft as 2-bedroom unit rents were down 6.3% year on year.

The traditionally more stable northern suburbs dwelling market also experienced a decrease with median prices down 1.8% year on year to $550,000 in the Sanderson Local Government Area (LGA) and the Nightcliff LGA down 13% year on year to $600,000. Sales volume also decreased in the Nightcliff LGA, which declined by 12.2% from the previous year whilst the Sanderson LGA has remained unchanged. Although this sector did not experience the drop in prices that Palmerston and the CBD did, it remained stagnant for much of the year with certain sectors of the market starting to open up and large gaps in sales evidence appearing. For the first time in many years we are seeing detached dwellings being sold for under $400,000.

Although the unit market did not fare well for a majority of the year there has been a slight glimmer of hope as the last quarter showed a lift in median prices year to year with the Sanderson LGA up 3.8% and Nightcliff up 3%. However, sales volumes were down with a reduction of 62.5% and 4.8% for each area.

The two major driving factors that had an impact on the Darwin property market were continued supply and the two elections. From the start of the year there had been much discussion about the impact that the removal of the first home owner's grant on existing property has had on the market. The Country Liberal Party (CLP) did attempt to stimulate the market by providing start up grants to assist in renovations up to $2,000 and also re-introduced stamp duty concessions prior to the election.

However, the carrot was much larger with the Labour government as they are now offering $10,000 start-up packages and stamp duty concessions for existing property up to $650,000. The general perception after the election was that the market would start to gain momentum and transactions would start to occur in some areas of the market and we witnessed some immediate uptake of this grant, mainly for semi-detached and attached units in the northern suburbs. However, other areas have taken some time get going, particularly Palmerston. Overall, we are now starting to see more contracts come across our desks and sales agents are reporting that buyer enquiry is up and more numbers are showing at open for inspections. Hopefully this might indicate a better 2017 for all parties involved.

The continual oversupply of units in the Darwin CBD also impacted on the median price point for 2016, especially for existing stock due to the incentives discussed previously. We also witnessed a similar trend for existing houses in Palmerston having to compete with the latest development of Zuccoli Aspire. Over the year we witnessed building contracts becoming cheaper and land has become more affordable. Combined with the incentives discussed previously this created the situation whereby it was more affordable to purchase or build new homes in comparison to purchasing existing homes.

Although it has been a tough year for the Darwin property market there is always a silver lining as now is a great time to buy. Taking into account the above mentioned incentives offered by the government and record low interest rates, Darwin can now potentially start to be a more attractive place for younger people to stay as it has become more affordable.

Alice Springs

This time last year we noted that we would be expecting a quiet year ahead which certainly rang true in both the house and unit sectors. Overall sales number declined from 418 to 363 year on year to the September quarter. The removal of the First Home Buyer's Grant from existing dwellings in 2014 had a significant negative impact on the market during 2015 and this has continued into 2016 with the Stamp Duty Concessions introduced after the election having had little to no impact.

Although the low transaction numbers were the dominant topic of discussion throughout the year, there were some highlights. The upper end of the market showed good volumes with around 35 sales at $700,000, mainly in Desert Springs, Stirling Heights and the rural residential suburbs.

Both Desert Springs (golf course) and Ross (rural residential) had a sale at $1.25 million which was great news for these markets.

The sub $300,000 unit market, typically circa 1980s townhouses, have been showing the largest declines in the broader market, in some cases between 20% and 30% falls since their peak during 2010 and 2011. During 2015 there were approximately 44 sales in the sub $300,000 market (excluding newly built units). At the time of writing there were already 40 sales with eight weeks of sales to come, an early sign that this market may be stabilising.

Finally, in the vacant land market, after a solid initial take up, sales have stalled in the new suburb of Kilgariff and we are yet to see a settled sale of a completed dwelling. The recent release at South Edge has also had a good initial take up with around 40% of lots sold.

Western Australia

Perth

The major events affecting the Perth residential market since our February edition were the Federal election, continued cautionary consumer sentiment, continued downturn in the mining and construction sectors, continued negative migration and population growth, job security concerns and winter, which was a very long and cold one - in fact the coldest winter since 1998. For the most part, purchasers went into hibernation.

REIWA September quarterly statistics confirmed a further reduction in the median house price to $512,500, down from the June figure of $532,000. Housing sales volumes were also down from 5,925 in the June quarter to 4,968. Surprisingly, the median unit price increased to $429,000, up $19,000 from the June figure of $410,000. The volume of unit sales however fell from 1,215 in June to 1,064 for the September quarter. The September statistics for vacant land are surprising, showing an increase of $30,000 from the June quarter of $255,000, however this is linked to far lower transaction numbers, with the volume of sales reducing from the June quarter figure of 1,770 to 875 in September.

June quarter rental statistics confirm a further correction in rents from the March quarter with the median house rental falling $10 to $390 per week and units falling $30 to $350 per week. During this period the vacancy rate also increased from 5.6% to 6%.

As at 8 November, the combined number of sales for the week was 672, up from the previous month of 519 and significantly better than this time last year of 481. Property listings were 15,140, comprising 9,433 for dwellings, 3,205 for units and 2,502 for land. This has risen slightly in line with spring listing activity, but does not give any cause for concern.

June quarter construction data from CoreLogic confirmed the number of houses under construction in WA continued to decline and that the number of houses under construction is at its lowest level since September 2012.

The most recent CoreLogic-TEG consumer housing market sentiment survey results reveal that 80% of the Perth respondents thought it was a good time to buy and not surprisingly only 20% thought it was a good time to sell. 73% of those surveyed still thought the Perth housing market was vulnerable to a significant correction in value. Only 20% of those surveyed believed values would increase over the next 12 months, with 53% believing they would remain stable and 27% believing they would fall.

Whilst the September quarter shows an increase in the median land value and not the downward correction we would have expected, our day to day experiences paint another picture with many land estates - particularly those 15 kilometres or more from the Perth CBD - having reduced their asking prices or now offering incentives including cash rebates.

Similarly, the improvement in the September quarter unit median value is at odds with what we are experiencing in the field with recent contracts of newly completed units and apartments confirming a retraction in values from the peak in mid 2014. There remains a very significant supply of units and apartments with further value corrections required to improve the demand versus supply equation.

Now back to the weather. As our city begins to thaw out it appears the residential property market is starting to experience the traditional spring uplift albeit with values confirming a correctional trend since February. Our valuers are reporting an improvement in activity within the first home buyer's market and strong activity in the upgrade market in the $800,000 to $2 million price category. This is particularly evident for suburbs with good amenity, close proximity to the CBD or beach and good schooling options.

Unfortunately the prestige market remains subdued although we note that modern contemporary properties appear to be faring slightly better than older and now perceived dated property in this market segment.

Below are some recent examples of the correction in values occurring in the Perth residential market during 2016.

The Palladio, Mandurah

3 bedroom, 2 bathroom, 2 car garage apartment. 265m² of living area.

Purchased "Off The Plan" March 2006 for $2,300,000

Sold July 2016 for $1,010,000

56% ↓

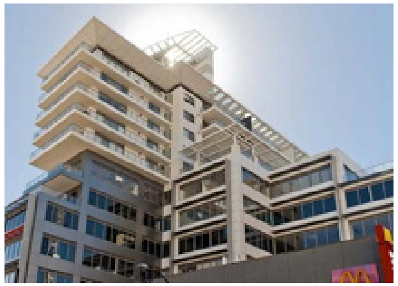
Preston Point Road, East Fremantle

4 bedroom, 3 bathroom, 3 car garage 2 storey home on a 650m² lot.

Purchased July 2011 for $2,550,000

Under Contract now in the order of $2,000,000

21% ↓



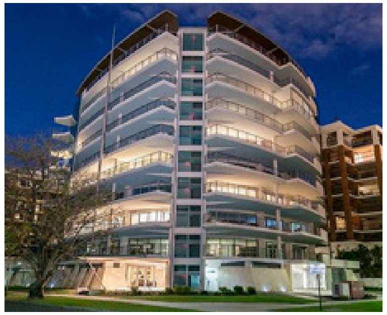
Hay Street, Perth

2 bedroom, 2 bathroom, 2 car garage apartment

Purchased off the plan Feb 2008 for $1,496,950

Sold June 2016 for $762,000

49% ↓



Scott Street, South Perth

3 bedroom, 2 bathroom apartment

Purchased July 2010 for $1,700,000

Sold June 2016 for $905,000

47% ↓

Wellya Crescent, South Yunderup

642m² vacant block of land that backs directly on to the estuary

Purchased February 2012 for $475,000

Currently under contract for $305,000

36% ↓

Our February edition can be summarised as a tale of caution and uncertainty with positive opportunities to upgrade if market corrections continued to occur. We were cautious about land values in areas greater than 15 kilometres from the Perth CBD and also cautious of the apartment/unit sector, particularly the potential for significant over supply. Despite the September statistics showing a more positive outcome, our valuers have been reporting evidence to the contrary and as such we think our predictions in these two sectors in February have come to fruition.

While the past four to six weeks has seen strong improvement in the upgrade market (which was also predicted in February), we were in hindsight too optimistic with regard to the prestige market which remains subdued. Overall, the majority of our predictions and concerns have come to pass and as such we would give ourselves a rating of 7.5 out of 10.

South West WA

As we come to the end of the year, we get the chance to reflect on how close to the mark our predictions were in February. This year it appears we were reasonably close, in that the prediction was for a slowing market throughout 2016.

Throughout the first half of 2016 the market in the main towns of the South West of Western Australia experienced a reduced level of sales with a weakening of values throughout the lower and middle segments. The top end of the market continued to be problematic, with continuing weak demand and an oversupply of properties for sale. This coupled with a lack of prospective purchasers in that value range resulted in downward pressure on values.

The rural residential markets also slowed with the majority of sales being below $1 million and most experiencing extended selling periods.

It was at this point we recommended caution and stated an opinion that the remainder of 2016 would be slow as it appeared the swings of the Perth market during the past several years, affected by a slow down in the state's resource sector, had finally caught up with us in the regional areas.

During the middle of the year the major centres throughout the South West started to see sales volumes increase and values level out. The inland townships, top end of the market and the rural residential localities are still weak but there is ongoing demand for well located properties that present to a high standard.

Vacant land values have now started to level out after seeing a correction throughout the first half of 2016, however volumes are down slightly from previous years.

Rents have now started to stabilise after a decline in rental values over the past 12 months.

Construction of new homes was slow during the first half of 2016 but we have seen a stabilisation in building activity.

Overall the property market in the South West has been slow, however is starting to stabilise after the decline seen in the early part of 2016.

Esperance

Market activity over this year for our region has been quite erratic with bursts of frenzied activity interspersed with periods in the doldrums that seem to have dragged on too long. There has been no real consistency for the whole twelve months, yet some good sales have been achieved. For example, early in the year we had two residential sales in West Beach for $1.1 million and $1.28 million. It has been some years since we saw sales in excess of $1 million for residential property in the town.

Recent months have seen three sales in excess of $600,000 in Castletown, again a rarity in the twelve to eighteen months prior. A variety of vacant land sales in established residential areas has occurred as well as in developing residential areas. Values in the main are holding, albeit with minor fluctuations in specific parts of town, notwithstanding the erratic nature of transactions.

Improved residential sales have again covered all value ranges. The lower valued area of Nulsen has seen a relatively good volume of sales with a wide spread of values from $85,000 to $270,000 which is broadly an improvement on recent years when $200,000 was a ceiling that could not be broken. The adjoining suburb of Sinclair has similarly seen a sound volume of sales for what is a small locality but quite under-rated with some good quality established housing close to local shopping and schools.

West Beach and Castletown are the main residential areas in the broader Esperance town site and have also seen a wide variation in realised values. Older homes in need of renovation and modernising are very affordable and give potential purchasers the ability to get into these localities and improve values through implementation of refurbishment programs. Newer, more modern homes are stable through the mid $400,000s to mid $600,000s value range.

Rural residential property is regularly traded with a reasonable volume for a market of this size. Values again vary considerably with a mix of accommodation ranging from substantial homes and infrastructure to habitable sheds. There has generally been a sound level of consistency in rural residential values now for some time. Larger rural lifestyle properties have also seen some minor activity. Very few of these properties are ever available on the market and tend to attract a sound demand when listed.

Within the broader south east region of Western Australia serviced by this office, there has been some cautiously encouraging activity. Firstly, the small mining town of Norseman, approximately 200 kilometres north of Esperance, saw the local mine closed and placed in a care and maintenance program in 2014. The uncertainty within the town resulted in values plummeting however over the course of this calendar year sales volumes have improved with possibly the highest number of sales seen for some time. Values have also improved albeit coming off a very low base. A contributing factor is the affordability for low income earners to have their own home – there are not too many places you can purchase and live in a home for less than $50,000.

Hopetoun, 200 kilometres west of Esperance, was hit hard by BHP opening up their mining operations and just as quickly closing them all at the same time as the GFC hit. Values initially skyrocketed, a massive supply of property hit the market and then it all fell apart. However, the latter half of this year has seen some improvement in sales volumes, with values largely ranging between $160,000 and $300,000 over all property types for single residential dwellings. One beacon was a rural residential sale for $485,000. The worst affected part of this market is the rural residential vacant land sector that is now seeing sales in the low $40,000s due to the chronic oversupply and low demand.

So all up, a sound if somewhat subdued year in this region. Wishing you all the best for the festive season and the year ahead.

Rural

Overview

Another year is almost behind us and while some will be looking forward to the slow down at Christmas, there will be many producers still on headers and trucks moving what is potentially a big harvest. Pressure on farm storages and local grain depots will test the best logistics and transport operators, and I suspect a few tempers as well.

With the forthcoming break it is a good time to reflect on a year which has seen good general rains from winter onwards for much of the country (and too much in a few places); continued commodity price levels holding in most classes other than cereals and milk in Victoria and; favourable finance costs and new capital still seeking to invest into the market, but it is harder to find a deal.

So with the outlook generally positive from the West to the East, what has this translated to in terms of land values and activity? In short, most regions have seen positive uplift in values over the 12 months from a few percentage points to double digit growth. The water market has firmed further across the board (despite full allocations and systems) but temporary water has softened, as you would expect with the recent wet weather. There has also been a continuation of land use changes in some areas influenced by the permanent crop sector with nuts, avocadoes and other tree crops expanding plantings on greenfield sites. This will add more pressure on the water market in the future.

In the livestock market, the cattle herd rebuild and the recent rains will generally impact the supply side of the equation for a while and it will be interesting to see how this impacts the feedlot sector which has seen significant sales and price movements over the past year. One wonders how some of the custom feeders will go now rain has fallen and if this starts to weigh on the forward looking market for feedlots.

We have also seen quite a bit of fencing infrastructure in most states to manage predation and currently the market has not evidenced the value benefit of these developments but I suggest it is coming. It is also hard to find a strong body of sales around organic status and carbon abatement schemes. These 'other features' will no doubt be promoted in sales brochures and so it will be interesting to see if any value outside of "normal property" ranges accrues for properties with these attributes.

For most however the year will be seen as a good one from a land value view and we will provide our national market update in the first week of March which will review the year that was and provide our outlook for 2017. The first newsletter in 2017 will have details of these events but for your date claimers now pencil in Brisbane Friday 3rd March 2017.

Thank you to all our readers, clients and to the valuer team that pull this newsletter together and I wish all our readers a happy and festive Christmas and New Year and look forward to a strong 2017.

Regards,
Tim Lane
National Director – Rural Ph (07) 3319 4400

NSW Central Tablelands

Interest and value levels appear to be remaining strong.

The usual buyers are active (neighbouring landholders, local landholders, some Sydney based buyers) but are seeing some buyers relocating from western areas to be closer to the regional centres where their children are going to school and closer to services. Residential amenity, along with access and proximity to regional centres continue to be key features of attraction. The season remains good. Naturally a large portion of producers (and horticulture / viticulture operators too) are requiring some respite from wet weather as various crops ripen.

NSW Northern Tablelands

The northern end of the Northern Tablelands is enjoying possibly its best season in ten years, following good winter rainfall, with the exception being parts of the eastern side which generally perform best with autumn rains. That said, cattle prices remain buoyant (forget any talk of boom), lamb prices remain buoyant and there is great activity to get summer crops such as soya bean in where possible.

This has led to a strengthening of demand for all sections of real estate. We have seen a rise in the number of corporate sales in the area and agents advise that sales of smaller properties are occurring. Residential sales remain steady, with slightly less completions than 12 months ago.

With seasonal conditions and commodity prices as they are the expectation is for increased activity into the new year.

The southern end of the Northern Tablelands, concentrating on the Tamworth Regional Local Government area, has seen both a mix of local farming family expansion and corporate interest with the sale of two large aggregations in the Garoo area (south of Tamworth) to RIFA Australia, which reflected improved rates of $7,350 per cow area and $7,300 per cow area. Local expansion in the Nundle area saw the sale of Tindaroo at an analysed rate of $7,700 per cow area.

Other areas of interest were properties in higher rainfall areas, particularly south of Walcha in the Niangala area, which saw the sale of Aberbaldie to Paraway Pastoral at an analysed rate of approximately $5,900 per cow area and the sale of Eulo for an analysed rate of approximately $6,400 per cow area. Both these properties, whilst in an 850 to 950 millimetres rainfall area, had limited recent pasture and fertiliser development.

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South West Victoria

In general terms, despite coming off above usual winter rain and the market for cattle and sheep continuing at high prices there has been limited sales activity when spring is traditionally the busy marketing period for farms. Agents report the stock of property put to the open market is down on previous years for spring. The farms in a wetter than usual state and therefore considered not appropriate to market and the increased farm income from continued strong prices for beef cattle and sheep have influenced the reluctance to offer farms to the market.

The market albeit limited indicates values have firmed.

A broad overview for grazing property is best summarised as falling into the following segments:

$10 million plus
The small number of sales is matched by the demand from usually corporate buyers. Several large name holdings that are well developed including good infrastructure have recently sold after strong competition from prospective purchasers.

$2 to $5 million
These properties generally comprise an area in the order of 2,000 to 5,000 hectares and usually attract local buyers. There is limited stock. The inquiry is stronger where the property is a sound, productive, ready to go farm without need for capital works to improve.

Sub $2 million
From this local buyer pool a limited number of sales have occurred for grazing farms ranging in area from approximately 40 to 200 hectares. The property which is well developed is more readily saleable compared to a property requiring improvement which is slow to sell unless the price reflects the state of the property.

As a broad benchmark, the value of grazing land is in the range of $7,000 to $8,650 per hectare (ex buildings). It is interesting to note recent sales for broad acre grazing property through the Hamilton district point to a lesser difference in value compared to similar type properties through the Hawkesdale district.

Not surprisingly, the dairy farm market has almost gone into hibernation. The auction on 18 November of a 164 hectare dairy farm at Simpson and the auction scheduled for 9 December 2016 of a 266 hectare dairy farm at Princetown will indicate the current state of the market for dairy farms.

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Echuca

What a difference a year makes. Full reservoirs and flooding to many regions saw many worried about water damage to crops rather than turning the mowers into paddocks. This resulted in significant demand in most districts with the main exception being irrigated properties which were held back mainly by price cuts in the dairy industry and challenges in the horticultural sector. This has resulted in a significant shift upward in underlying land prices, particularly in the Mallee where modern farming techniques are boosting confidence of producers that a yield is possible even with below average rainfall with good management.

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Far North Queensland

Business would be booming for farmers in the Mareeba Dimbulah Water Supply Scheme if they could find some water to irrigate. A failed wet season has resulted in Tinaroo Dam falling to 38% of capacity (168,141 millilitres) of full supply capacity of 438,919 millilitres. This in turn has forced SunWater to cut irrigation allocations by 25% as at 1 November. Tinaroo Dam has fallen below 60% twice in the past decade (December 2009 and January 2014) and current forecast storage models based on dry and average monthly dam inflows give no indication the situation is likely to change.

Growers are now scrambling to buy or lease any water they can which of course has driven water values up by nearly 200% over the past few years. About 1,000 farmers draw water from the Mareeba-Dimbulah irrigation scheme which covers 17,000 hectares, so this is not a small challenge for regional producers.

The timing couldn't be worse with growers recently undertaking massive expansion plantings into avocados, limes, blueberries and sugar cane to cash in on growing consumer demand, rising fruit prices and a rebounding sugar price. Stand alone water values in the western catchment of the MDIA have increased from $750 per millilitre to reported sales of $2,000 to $2,500 per millilitre in a relatively short time. Stand alone water values in the east of the MDIA have also increased from $1,500 per millilitre to reported sales of $2,500 to $3,000 per millilitre. Increased water costs have flowed through to land values with average irrigation hectare rates in the Mareeba Dimbulah Water Supply Scheme moving from $10,000 to $15,000 per average irrigated hectare ex-structures a few years back to $20,000 to $25,000 per average irrigated hectare ex-structures from sugar cane and other mixed cropping, non-tree farms.

The scarcity and cost of water has led to innovation in irrigation infrastructure delivery by Australia's large player in the sugar industry, MSF Sugar. It is reported that they will invest $3.2 million to improve irrigation efficiency by converting low-efficiency furrow irrigation into best-practice drip irrigation via fully automated sub-surface drip irrigation. The advantage is that a precise amount of water can be delivered when and where it is required and it works for fertigation as well. The lower input costs and increased crop yields will result in a short payback period for the investment in addition to the environmental and ongoing cost benefits of using less water.

The ongoing battle between production dollars chasing fewer, scarce natural resources in a changing climate may mean that innovation becomes the norm and not the exception.

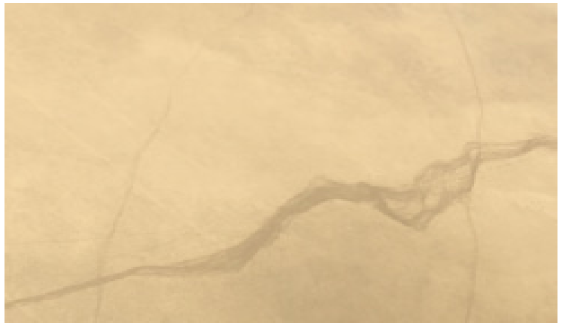
Central Queensland

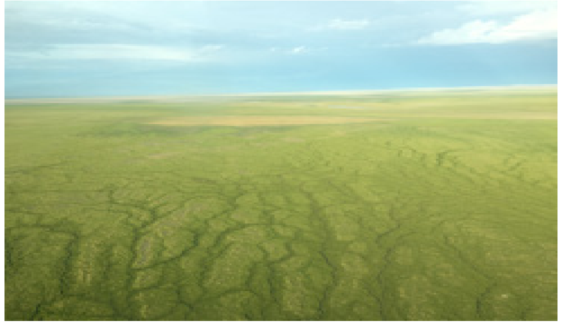
Inland Oasis.

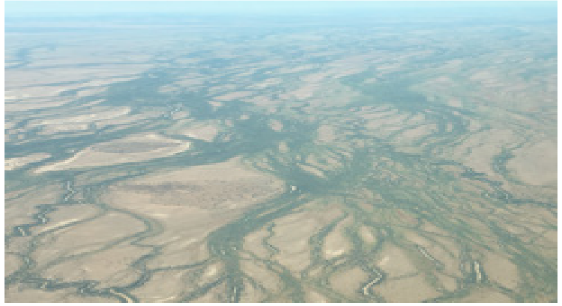
It is not very often that you travel west from Rockhampton to find that the further west you go, the greener it gets. On a recent run out to the Channel Country in far western Queensland this was precisely the case. The record breaking unseasonal rainfall throughout the winter months has (for the most part) put an end to what was widely considered the worst drought in the past century. As we tracked westwards the view from about 8,500 feet turned from a greyish brown colour around Rockhampton (somewhat typical for this time of year, in anticipation of the coming wet) continuing out to the Dawson Valley. Across the Central Highlands a tinge of green strengthened as we past over Springsure. By the time we commenced our descent leading into Blackall to get fuel, the scenery was a lush green. This delightful green scenery continued for the next 200 miles, only to turn a deeper shade of green nearing Windorah as we passed over the Cooper Channels. The abundance of feed on the ground is extraordinary, making it difficult to imagine that only 12 months prior some of these areas were struggling to keep even the most resilient native animals alive, let alone carry livestock. Most of these areas are now severely under stocked relative to the amount of highly nutritious feed available. Stock on the ground are now spread far and wide living in mobs of three or four head in their own little patch of paradise, picking through the smorgasbord of herbage and grasses on offer.

Given these sights it is not surprising that the more southerly located Nappa Merrie Station recently sold prior to auction. The biggest problem faced by stakeholders in this region is finding and affording stock to take advantage of these phenomenal circumstances. Many of the holdings are currently stocked at well below half of their long term average and probably closer to 25% of their current capacity. At least these low numbers will give the land and pastures a well earned rest and a chance to regenerate.

The pictures below represent the stark contrast between how things looked on a similar run to the Channel Country 12 months ago (November 2015) and now.







Recent Central Queensland Market Activity
Values across central Queensland have continued to strengthen in recent months. Notable recent sales include:

- Tyagarah and Rolfe Park North aggregation just north of Middlemount for $17.5 million including stock.
- Lynorah Downs just south of Rollestone sold for a reported $25 million. Highly regarded irrigation property.
- Dalga Station south of Calliope for an undisclosed figure.

There has also been a string of sales in the central western region from Tambo through to Winton with a total of eight transactions taking place since the start of September. Rates shown by these sales indicate that this western market has been keeping pace with the number of offerings and values appear to be holding at similar strong levels to those seen earlier this year. Current price points appear to be in the order of $110 to $160 per hectare for better quality Mitchell grass downs and developed Gidgee scrub country, showing analysed beast area value rates of about $2,500 to $3,000 per adult equivalent.

Local agents are reporting continued strong demand with a current shortfall of supply.

Contact:
Michael Chaplain Ph: (07) 4927 4655

Southern Queensland

The winter harvest is now in full swing, both on the Inner Downs and also the southern border areas that suffered some storm weather delays earlier in November. The dry and hot days have allowed farmers and contractors to get a good run at stripping the crops. Initial yield reports are positive with wheat protein levels higher than initially expected. Commodity prices are considered generally steady, although chickpeas have fallen slightly to $780 per tonne delivered Dalby, down about $100 the previous month. Despite the typical price fluctuations at harvest time, the season is expected to be a good one. Combining a consecutive year of good winter returns will allow not only further debt consolidation but potential upgrading of machinery and ultimately the confidence to look at expanding. Although the volume of sales on the Inner Downs has been relatively thinly traded, there is a distinct firming trend in values. Many established operators are now looking to secure further country but ideally being near neighbours to provide farming scale. In some circumstances there has been significant premiums paid either by the power of auction with strong competition by multiple neighbours or similar off market transactions where there is an opportunity to secure the asset within a tightly held region. The volatility in the Inner Downs market can be a difficult one to get your head around looking in from the side line.

On the grazing front the market continues to show firming signals. As we have been saying for a while now, ultimately the continuation of the firming market will be underpinned by the 2016 to 2017 summer season. As the days have warmed up and pastures haying off with the dry westerly winds, many are looking for the next storm rainfall. In the Brisbane Valley the season could be easily argued to be firmly in drought with lack of surface water becoming a real issue for many producers. One could be forgiven for thinking the agri market is all beer and skittles at present however as of November all local authorities west of the Dividing Range remain drought declared. No doubt the season has improved on the back of good winter and spring rainfalls, but should the full benefit of this be realised a good summer will be needed to enable pastures to re-establish and re-seed. Despite what may happen this season there has been an increased demand in rural properties across the area. One sector of the market, far western Queensland, is now showing increased interest by all reports. This is considered due to the return of improved seasons but also as some presently view it as better value for money, especially in comparison to eastern land values. The eastern markets have seen improvement in market conditions over the past 12 months unlike the western country that hasn't seen the same levels of recovery, at least to date.

Contact:
Stephen Cameron Ph: (07) 4639 7600

South West WA

2016 has been a year of change and disruption. The headers and combines have been rolling for a number of weeks now across the wheat belt areas and what was proposed to be a bumper harvest has been tarnished by frost events (some very severe) across a number of areas. The confidence that was in the market off the back of the past two years will have also been tarnished and it is likely that a number of farmers who were looking to buy that add on property this year are now unlikely to proceed. In the regions not affected by frost events the majority are reporting above average yield results that has flowed on to an increase in sales activity however environmental risk factors are likely to be at front of mind.

It is apparent that 2016 has been a year of change and disruption both locally and across the globe. At the start of the year, I never thought I would receive contact from the UK asking about advisers from Australia giving talks to farmers on producing and running businesses without subsidies in post BREXIT UK. Back in Australia the resources industry has continued to rationalise its workforce and production creating financial pressures on national, state and some personal budgets. Also not many would admit to having predicted Trump in the White House if they were being true to themselves.

The agri-business sector has been a hive of activity in 2016 with some large and notable acquisitions transacted or underway. This year has highlighted to me that it is now more important than ever to understand risks (the obvious and hidden) and implement change before it is needed to keep pace with the world, but also not to lose focus on the fundamentals that your return is ultimately dictated by your initial investment. Now and into 2017 agri-business is being promoted as the next big thing which is likely to result in market activity continuing to increase, resulting in land and agri-business asset values accelerating at a greater rate towards a peak as local and international demand increases.

Contact:
David Abel Ph: (08) 9754 2982

Northern Territory

Our first Month in Review for 2016 stated that the year was shaping up to be another active year on the pastoral sales front in the Northern Territory and Kimberley. It's fair to say that the year has not disappointed.

A lot of the interest has come from the big end of town, both overseas and Australian purchasers. Many of these purchasers appear to be more concerned with positioning themselves in terms of long term food security than short term price movements. However, they are also no doubt benefiting from buoyant live export prices at present.

Despite the volume of sales this year, there are still parts of the Territory which have not been sold. Of special interest is Kalala, 3,760 square kilometres at Daly Waters and Mount McMinn, 809 square kilometres, both being actively marketed at present. At the time of writing these had not sold but we understand that they have both attracted good interest.

The NT Government has recently announced a $4.1 million upgrade of the Berrimah Export Yards (the major marshalling point for live cattle exports). The upgrade will involve construction of two shelters which will accommodate up to 4,000 head of cattle and assist in the year-round processing of cattle.

It has also been an active year for horticultural properties, especially mango plantations. Larger scale plantations such as Pine Creek Mango Plantation and Jabiru Tropical Orchards have sold. A major Calypso plantation aggregation at Mataranka, Katherine and Berry Springs is also being marketed.

For our local office, the highlight of the year was definitely the review of the unimproved capital values for the pastoral estate across the Northern Territory, which we carried out on behalf of the Territory Government. This project involved re-assessment of the unimproved carrying capacity of every pastoral lease in the Territory on an individual basis, then assessing their unimproved capital values based on this information. It was a big undertaking that required us to call in a variety of expert opinions to assist in providing consistency of approach across a variety of country types from Alice Springs to the Top End.

We take this opportunity to wish everyone a merry and very wet Christmas.

Contact:
Terry Roth Ph: (08) 8941 4833

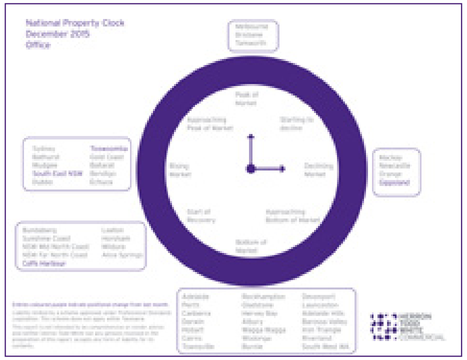
Property Market Indicators

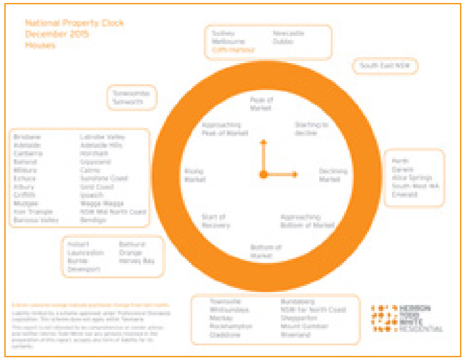
HERRON TODD WHITE

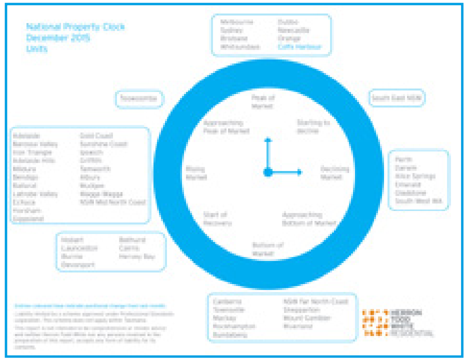
Disclaimer

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.

Herron Todd White accepts no responsibility for any reliance placed on the commentary and generalised information. Contact Herron Todd White to obtain formal, specific property advice on any matters of interest arising from this publication.





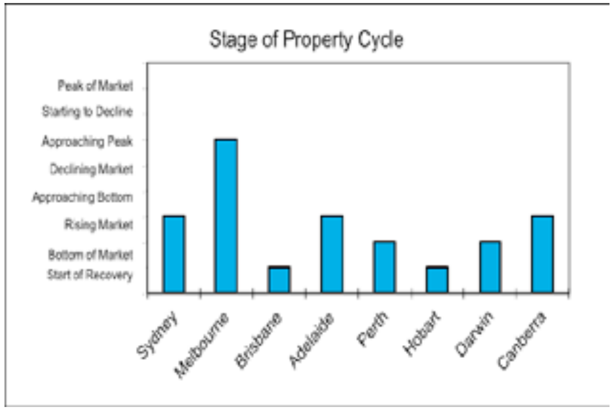


Capital City Property Market Indicators - Houses

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

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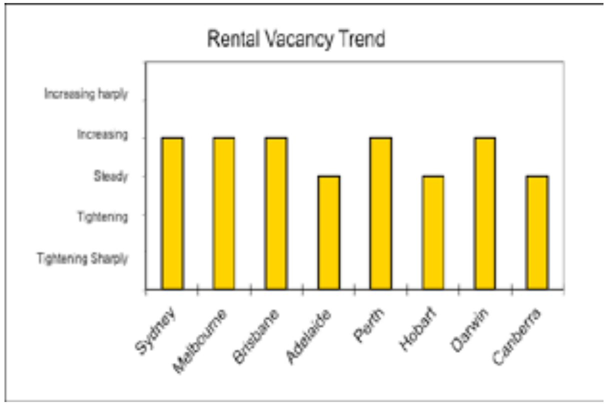
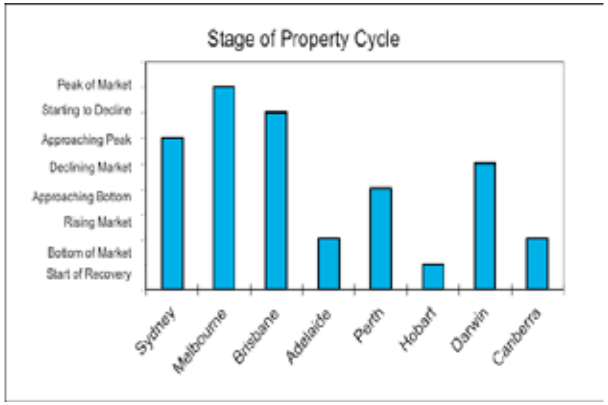
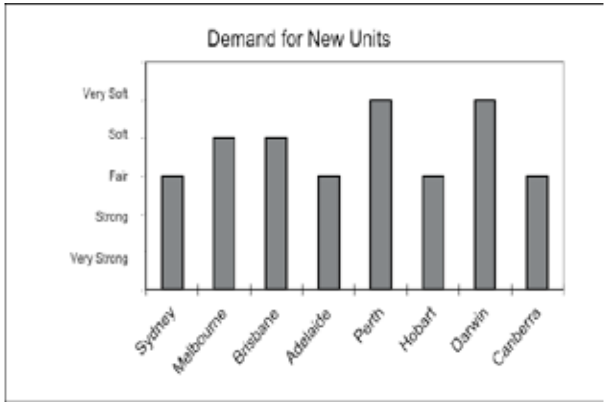




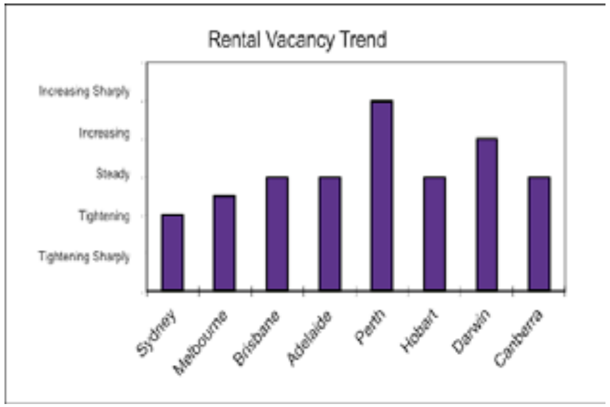


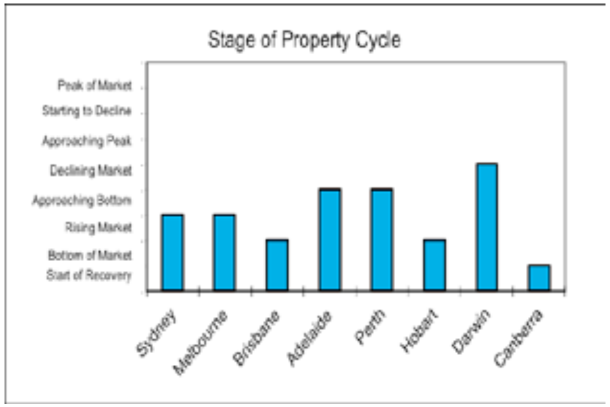
Market Indicators

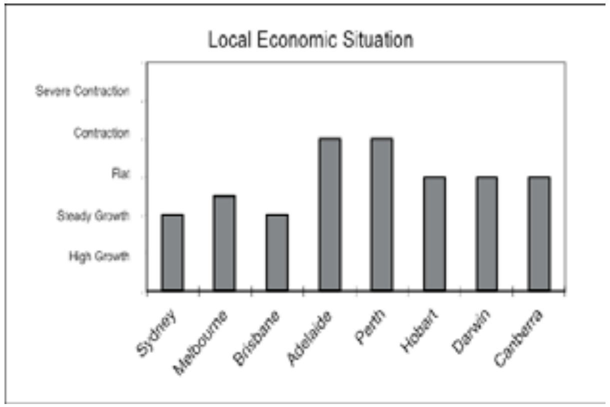
Capital City Property Market Indicators – Office

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

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







New South Wales Property Market Indicators - Houses

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

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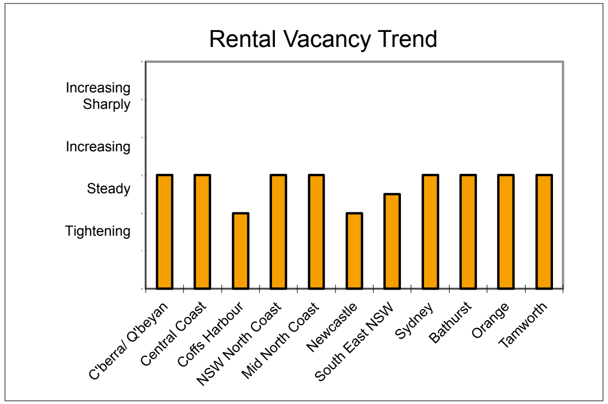

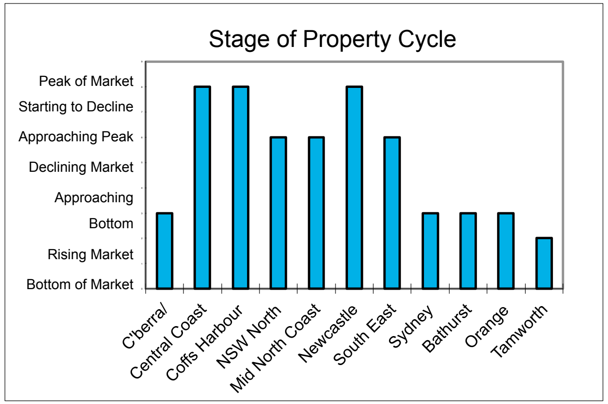

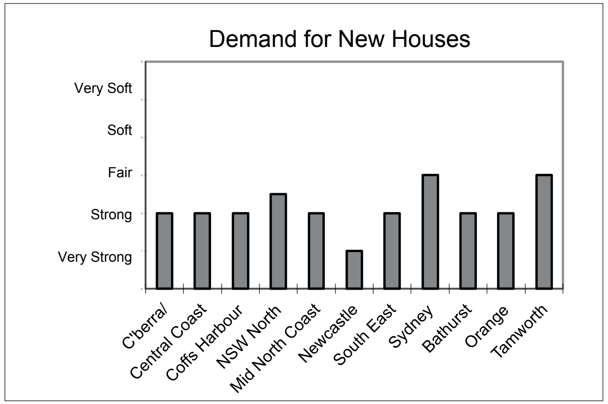

Market Indicators

New South Wales Property Market Indicators - Units

Factor	Bathurst	Canberra	Central Coast	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	Orange	South East NSW	Sydney	Tamworth
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	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Units	Fair	Fair	Very strong	Strong	Fair - Strong	Strong	Strong	Fair	Fair	Very strong	Soft
Trend in New Unit Construction	Steady	Increasing	Steady	Increasing	Declining - Steady	Increasing	Declining	Steady	Increasing	Steady	Declining
Volume of Unit Sales	Steady	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	Steady
Stage of Property Cycle	Rising market	Bottom of market	Peak of market	Peak of market	Approaching peak of market	Approaching peak of market	Peak of market	Rising market	Bottom of market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Frequently	Frequently	Occasionally	Frequently	Almost never	Almost always	Occasionally	Frequently	Frequently	Occasionally

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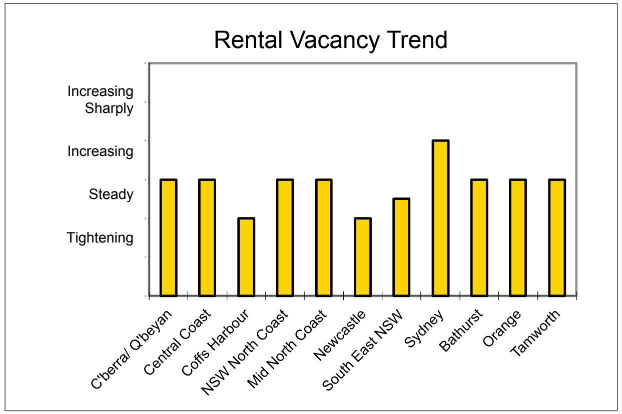

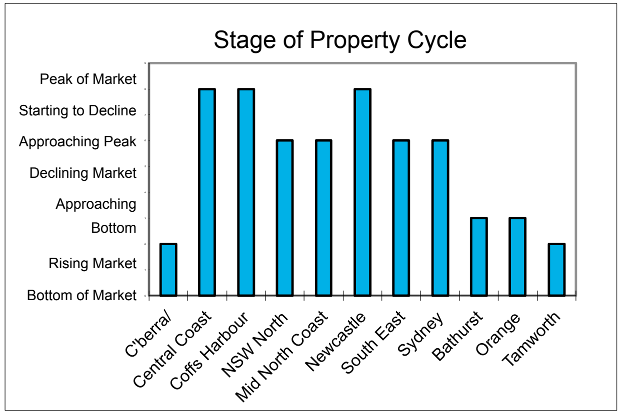

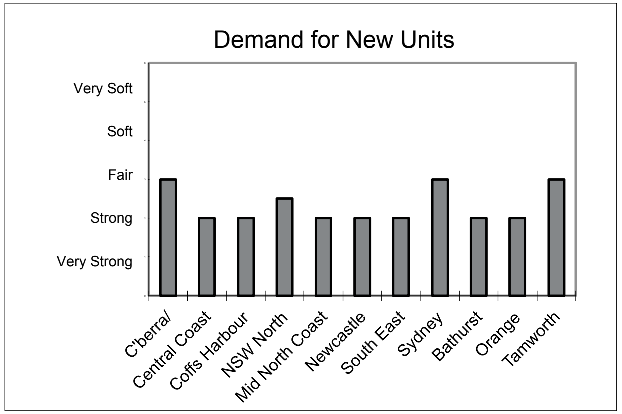

Market Indicators

New South Wales Property Market Indicators - Office

Factor	Canberra	Coffs Harbour	Far North NSW	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Tightening
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Increasing
Volume of Property Sales	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Rising market	Rising market	Start of recovery	Approaching peak of market	Start of recovery	Rising market
Local Economic Situation	Flat	Flat	Flat	Flat	Steady growth	Steady growth - Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Small	Large	Significant	Small

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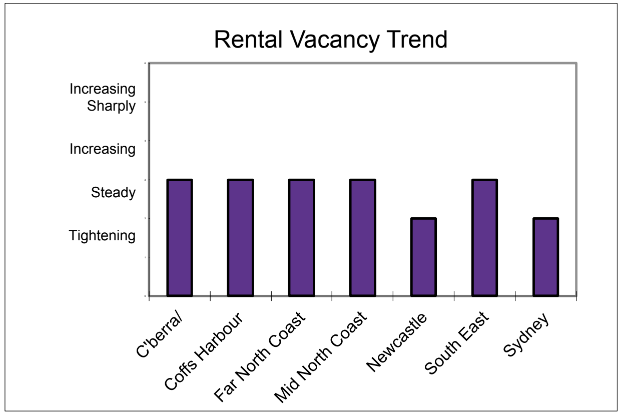

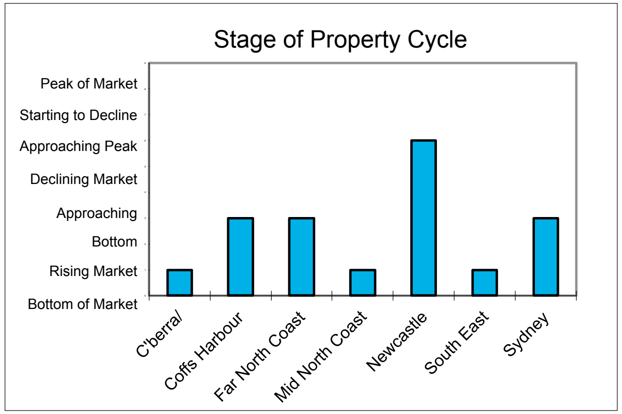

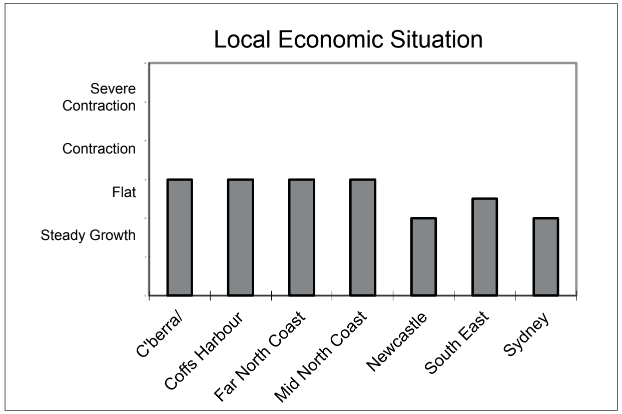

Market Indicators

Victoria/Tasmania Property Market Indicators - Houses

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

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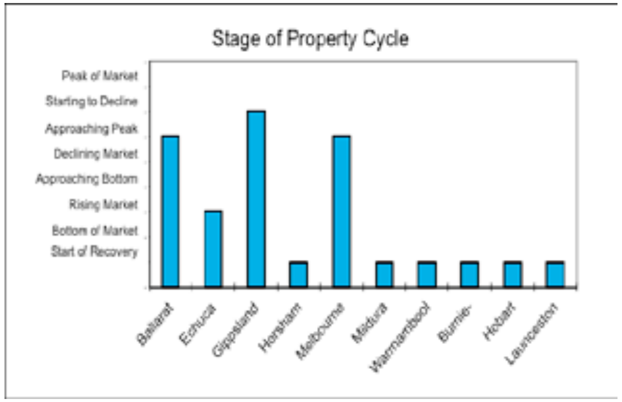

Market Indicators

Victoria/Tasmania Property Market Indicators - Units

Factor	Ballarat	Echuca	Gippsland	Horsham	Melbourne	Mildura	Warrnambool	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Increasing	Steady	Increasing
Demand for New Houses	Soft	Fair	Fair	Fair	Soft	Fair	Fair	Fair	Fair	Soft
Trend in New House Construction	Steady	Steady	Increasing	Increasing	Steady - Increasing	Steady	Steady	Increasing	Increasing	Steady - Increasing
Volume of House Sales	Increasing	Steady	Declining	Declining	Declining	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Starting to decline	Rising market	Starting to decline	Start of recovery	Peak of market	Start of recovery	Rising market	Starting to decline	Start of recovery	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Almost never	Occasionally	Almost never	Almost never	Occasionally	Almost never	Occasionally

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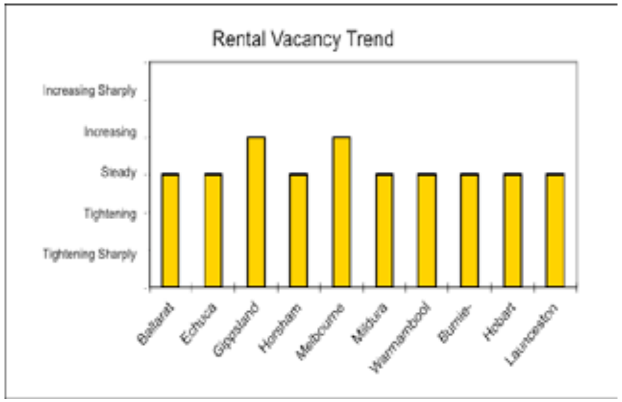
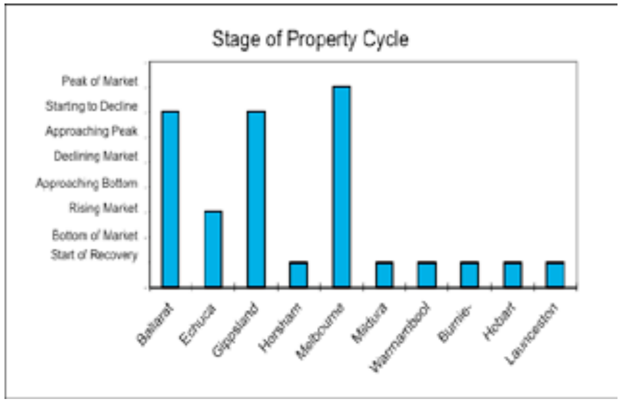
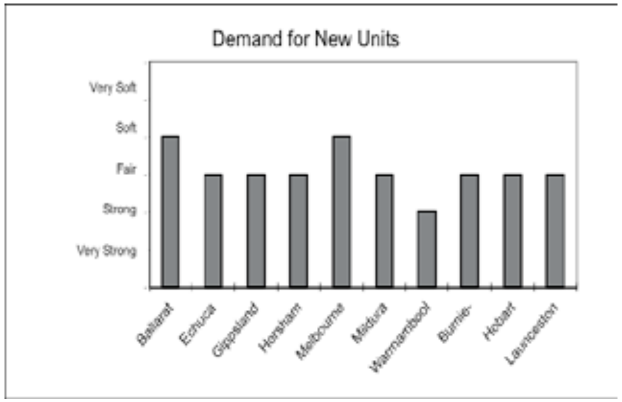






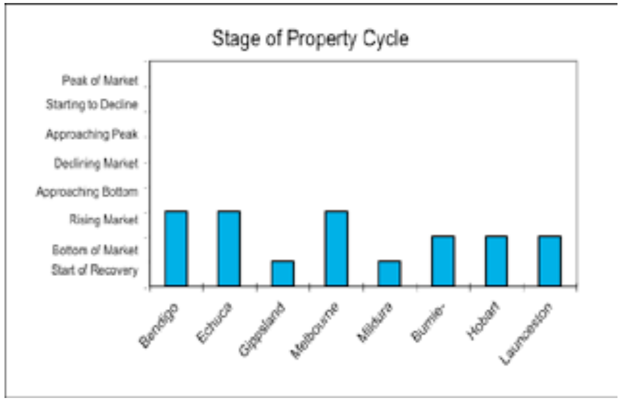
Market Indicators

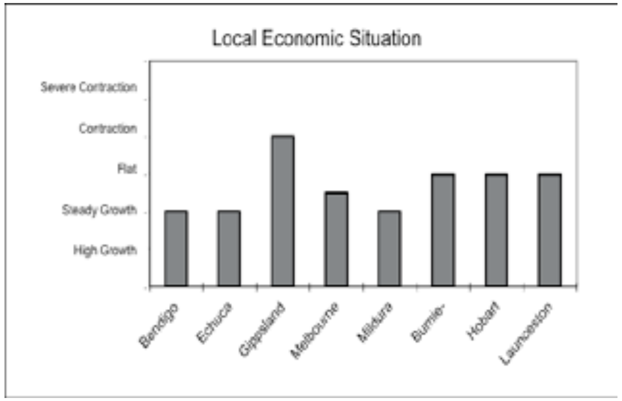
Victoria/Tasmania Property Market Indicators - Office

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





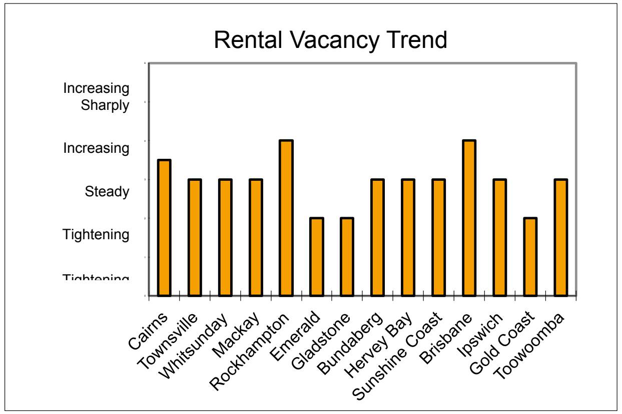
Market Indicators

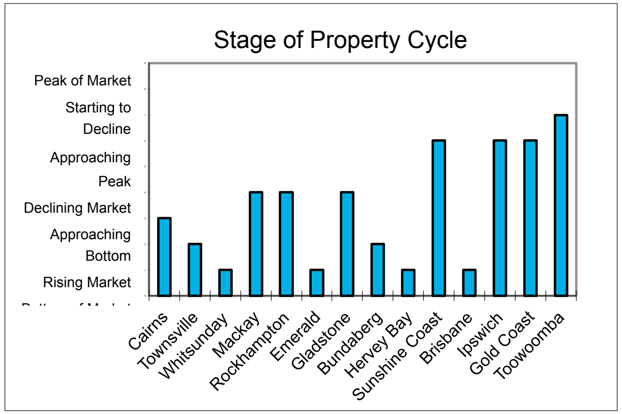
Queensland Property Market Indicators - Houses

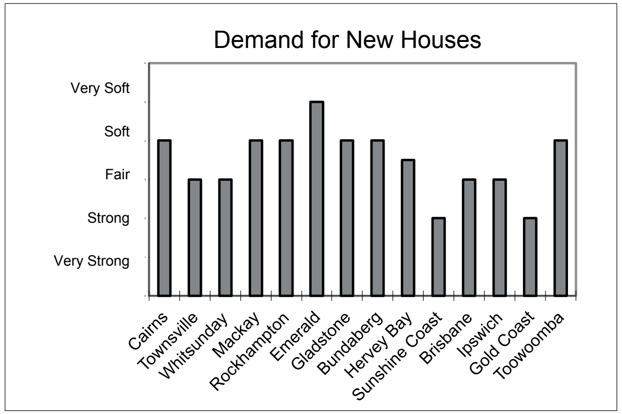
Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Shortage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







Market Indicators

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	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady - Increasing	Steady - Increasing	Steady	Increasing	Increasing	Tightening	Tightening	Steady	Steady	Steady	Increasing	Increasing	Steady	Increasing
Demand for New Units	Very soft	Soft	Very soft	Soft	Soft	Very soft	Soft	Soft	Fair - Strong	Fair	Soft	Fair	Soft	Very soft
Trend in New Unit Construction	Declining	Declining	Declining significantly	Declining - Steady	Steady	Declining significantly	Declining	Steady	Steady	Increasing	Declining	Increasing	Increasing	Declining
Volume of Unit Sales	Declining	Declining	Steady	Declining	Declining	Steady	Steady	Steady	Increasing - Steady	Steady	Declining	Declining	Steady	Declining significantly
Stage of Property Cycle	Start of recovery	Bottom of market	Bottom of market	Approaching bottom of market	Approaching bottom of market	Bottom of market	Approaching bottom of market	Bottom of market	Start of recovery	Rising market	Starting to decline	Approaching peak of market	Peak of market	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Frequently	Occasionally

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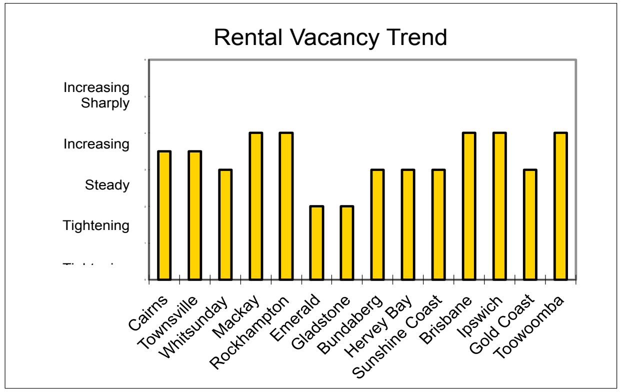
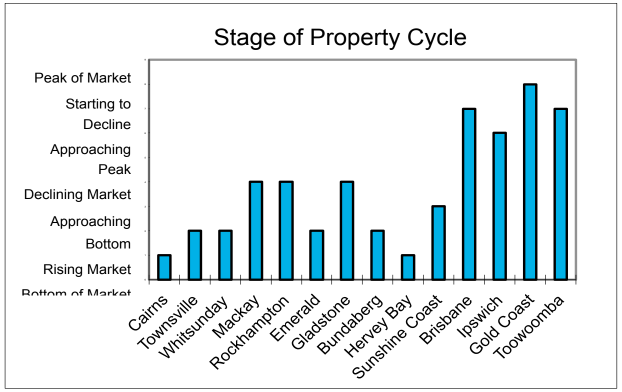
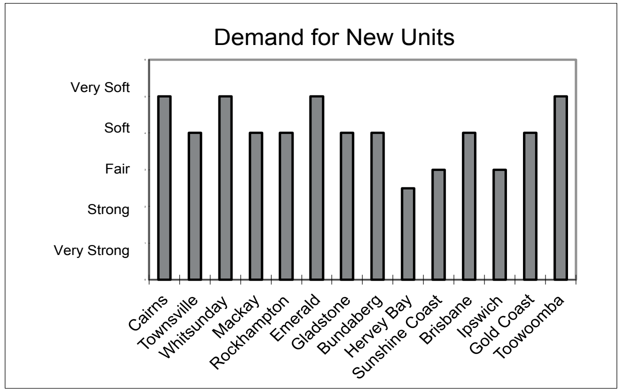
Blue entries indicate change from previous month to a lower risk-rating







Market Indicators

Queensland Property Market Indicators - Office

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

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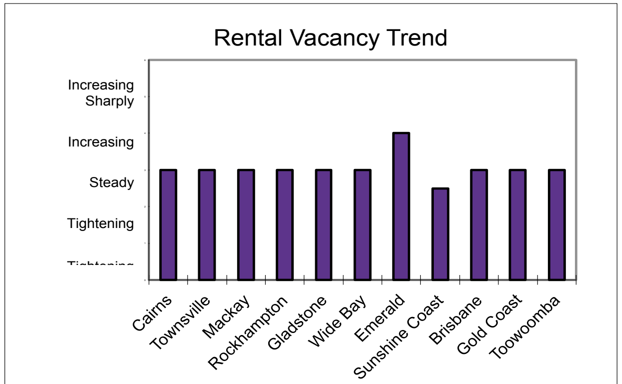

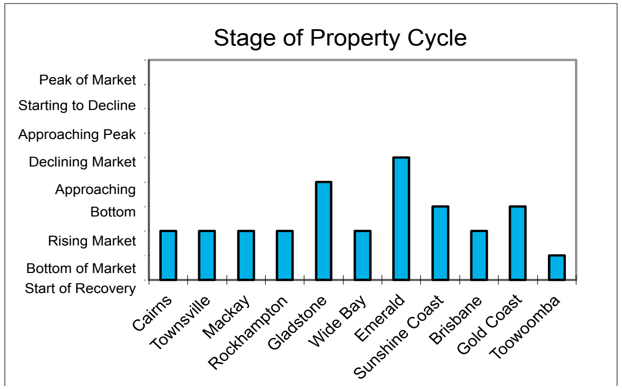

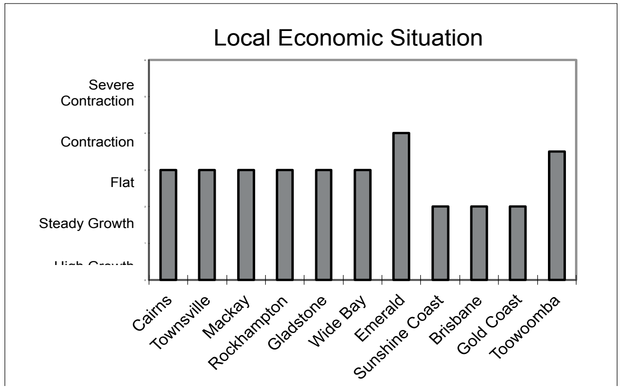

Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

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

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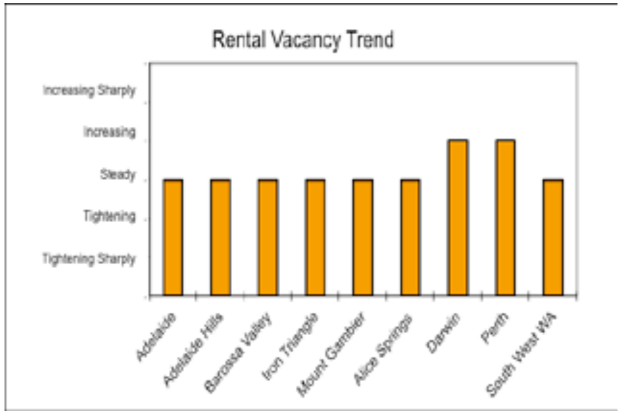
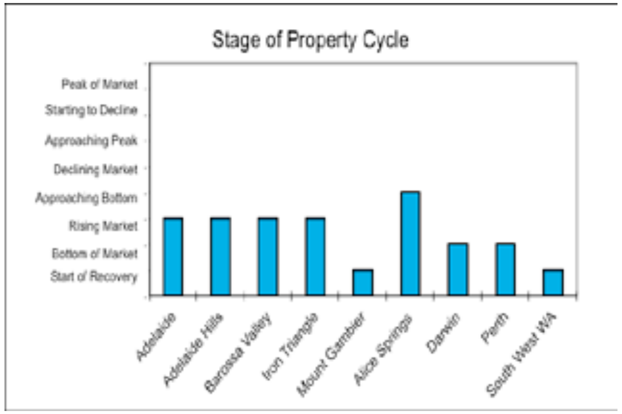
Blue entries indicate change from 3 months ago to a lower risk-rating





Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Units

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

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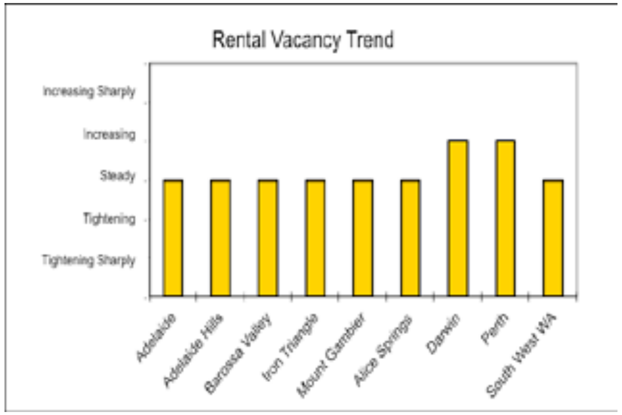

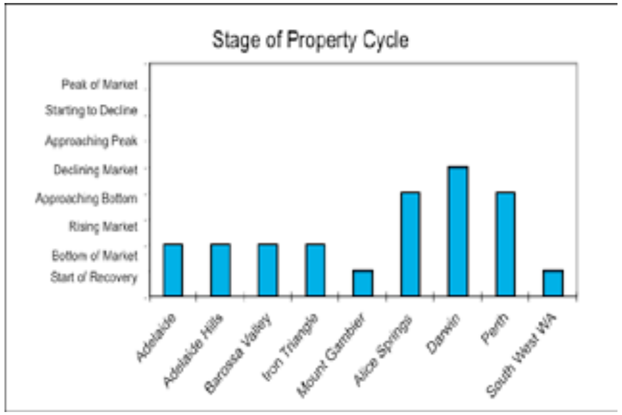

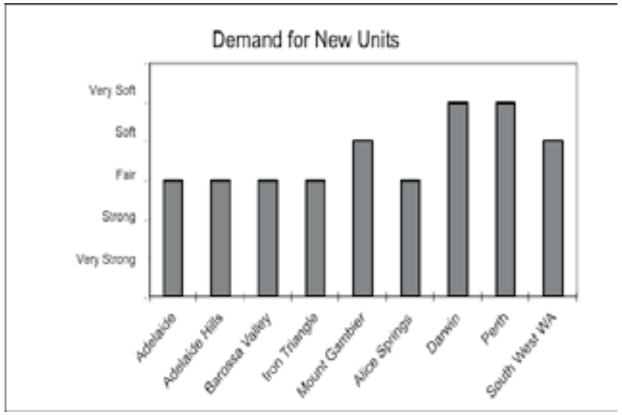

Market Indicators

Northern Territory, South Australia & Western Australia Property Market Indicators - Office

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

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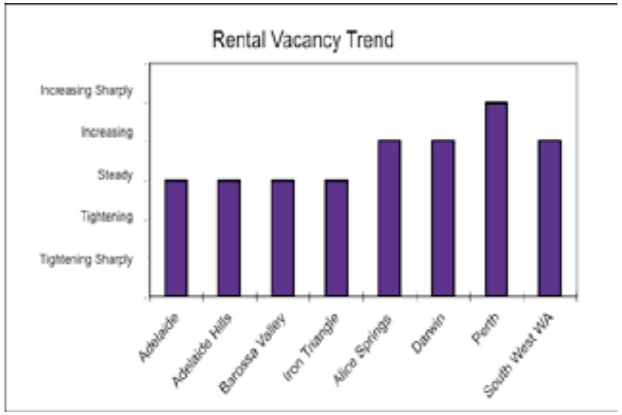

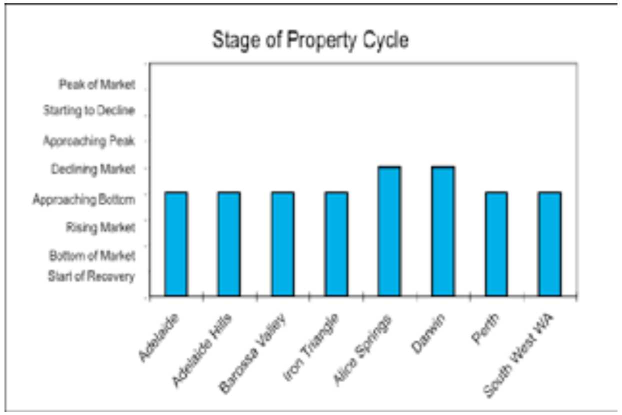

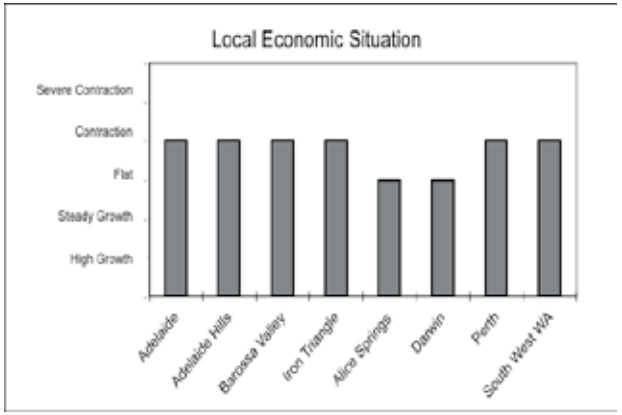

Market Indicators

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