Residential

December 2019

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

Albury
Bathurst
Canberra
Dubbo
Sunshine Coast
Tamworth

Central Coast
Wodonga

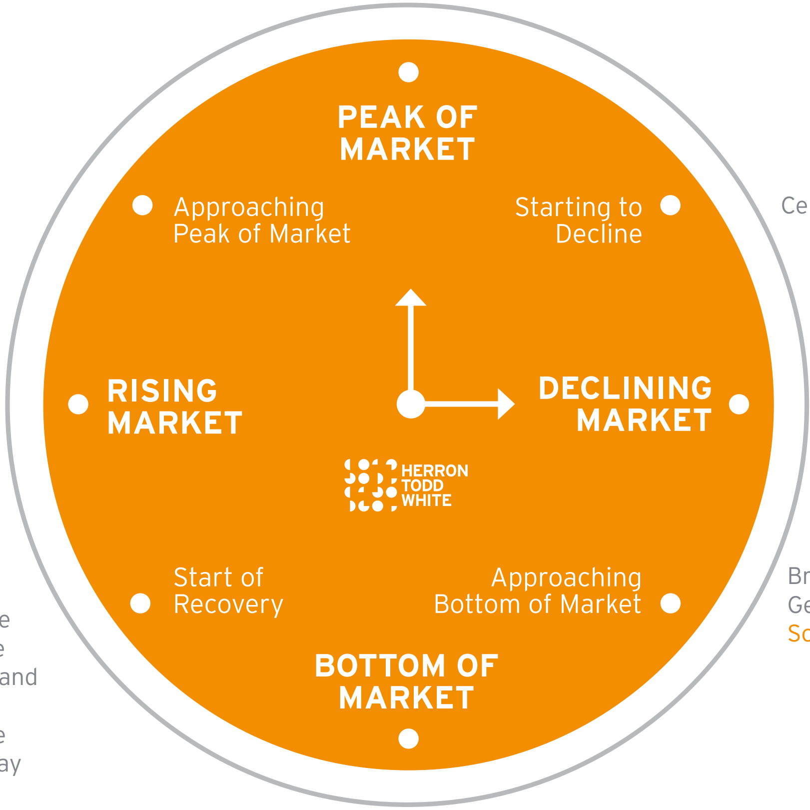
Kalgoorlie

Broome
Geraldton
South West WA

Adelaide
Adelaide Hills
Alice Springs
Barossa Valley
Darwin
Ipswich
Perth
Rockhampton
Southern Highlands
Southern Tablelands
Toowoomba

Ballina/Byron Bay
Brisbane
Bundaberg
Cairns
Coffs Harbour
Geelong
Gladstone
Gold Coast
Illawarra
Lismore
Mackay
Melbourne
Newcastle
Port Hedland
Sydney
Townsville
Whitsunday

Burnie/Devonport
Emerald
Hervey Bay
Hobart
Karratha
Launceston
Mildura
Mount Gambier
Shepparton



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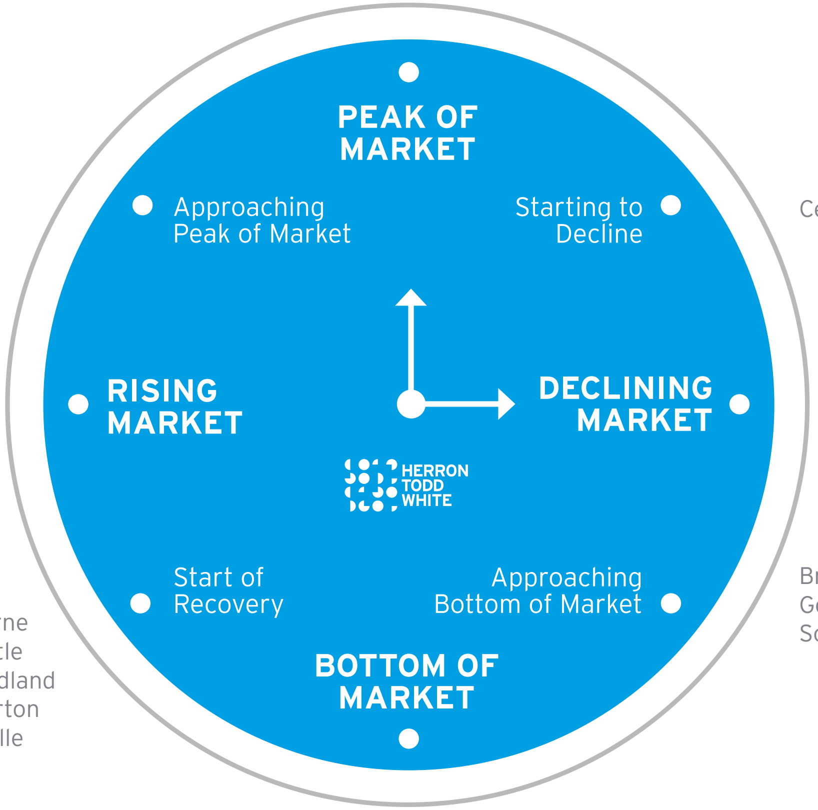
National Property Clock: Units

Entries coloured blue indicate positional change from last month.

Albury
Bathurst
Sunshine Coast

Tamworth
Wodonga

Central Coast



Burnie/Devonport
Dubbo
Hervey Bay
Hobart

Karratha
Launceston
Mildura
Mount Gambier

Canberra
Kalgoorlie

Perth
Southern Tablelands

Ballina/Byron Bay
Bundaberg
Cairns
Emerald
Geelong
Gladstone
Illawarra

Lismore
Mackay
Melbourne
Newcastle
Port Hedland
Shepparton
Townsville

Broome
Geraldton
South West WA

Adelaide
Adelaide Hills
Alice Springs
Barossa Valley
Brisbane

Coffs Harbour
Darwin
Gold Coast
Ipswich
Rockhampton

Southern Highlands
Sydney
Toowoomba
Whitsunday

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New South Wales

Overview

The end of 2019 is in sight and markets across Australia, having worked through the spring selling season, are preparing for the Christmas period. Over the coming weeks you'll begin to see an increasing number of retrospective reports about Australia's real estate market – but we'll be among the first.

We've seen wide and varied results again this year, another demonstration that it's impossible to accurately describe our nation's residential property sector as a single market.

Sydney

At the beginning of 2019 we forecast that the wider market would continue to weaken up until the state and federal elections, with a plateau post-election if other economic indicators remained the same. As it turned out, our predictions were accurate regarding the elections being a line in the sand.

What we didn't predict however was the outcome of the federal election, which meant the well publicised changes to negative gearing and capital gains tax didn't eventuate. It is likely that the market had already factored in these taxation changes, which meant that the election result kick started a more positive sentiment. Agents anecdotally reported to us that within weeks of the election, their phones were once again ringing hot with renewed interest from both vendors and purchasers.

Since then, an easing of APRA policy for residential mortgage lending along with three interest rates cuts has prompted a surge in activity in the first home buyer and upgrader markets. This has resulted in a much quicker than anticipated rebound in values in a number of areas, particularly those that experienced larger declines during the downturn.

Given the above, we have marked ourselves a seven out of ten in regard to our start of year predictions.

With interest rates down to record lows in October, the market recovery appears to be in full swing with CoreLogic reporting 5.71 per cent growth in the most recent quarter (as at time of writing) across the Sydney metro area. However, it is important to note that year-on-year, RP Data is still recording a 1.58 per cent loss to the median value. Interestingly, on a year-on-year basis (across the Sydney metro area) units are outperforming houses at +1.29 per cent and -2.45 per cent respectively.

The new unit market is probably seeing more of a mixed recovery with pockets of oversupply along with well publicised issues around significant building defects and flammable cladding concerns. It is almost twelve months since the Opal Tower was evacuated due to significant building issues. Since then a number of other unit complexes, including Mascot Towers, have been identified as having significant building issues. In addition to the building defects, approximately 444 complexes have been identified as having non-compliant cladding.

Mascot Towers — Source: Sydney Morning Herald

Settlement valuations were still a concern for a number of new unit complexes with values coming in lower than the off the plan prices agreed upon in a stronger market. Many of the units we were valuing in 2019 were purchased off the plan at around the peak of the market.

Inner Sydney/Eastern Suburbs

Within the inner city, investor heavy markets have been slow to recover with Hometrack reporting largely stable unit values within areas such as the CBD, Zetland and Waterloo. Conversely, median prices for houses within city fringe suburbs have improved slightly, with Hometrack showing Surry Hills having recovered from a low of $1.49 million in March to $1.635 million in October.

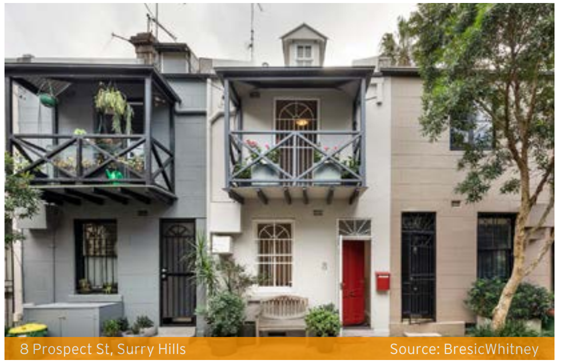
Local agents are reporting that markets where significant interest was lost throughout early 2019 are now springing back to life, including Redfern, Darlinghurst, Pyrmont and Annandale. Furthermore, it appears that the improved affordability and lower interest rates have spurred first home buyers to enter the market. The ABS reports that "first home buyers comprised the largest proportion of national owner occupier mortgage activity since early 2012...comprising 29.8 per cent of owner occupier loans nationally" which is 4.8 per cent above the long term average of 25 per cent.

According to ABS data, investor demand still appears to be holding at weaker levels, having decreased from its peak of 43 per cent in 2015 to 26 per cent in August 2019, well below the long term average of 34 per cent.

Generally, the surprise this year has been the resurgence of interest in the inner-city markets. This appears to be largely driven by lower interest rates and post-election confidence.

Some parts of the inner city may be benefiting from the near completion of the light rail through Surry Hills and Centennial Park.

One memorably high result was an attached terrace in Surry Hills which sold for $1.71 million in July. The property comprising three bedrooms, one bathroom and no parking on just 83 square metres of land was initially offered with a buyer's guide of $1.5 million, with highly comparable nearby sales within the previous month selling at around $1.6 million.



8 Prospect St, Surry Hills Source: BresicWhitney

In just over 12 months the property has undergone extensive works and recently sold at auction for $2.615 million and appears to have captured the recent lift in property prices.

Another notable example of how the market has performed this year is 95 Sturt Street, Kingsford, which sold in October 2018 for $1.7075 million and comprised a completely original 1930s style bungalow on just over 400 square metres.

Since then, the property has been fully refurbished and extended to the rear with an open plan style living area which opens to a large rear deck that can also be used as additional alfresco style living space.

In just over twelve months, the property has undergone extensive works and recently sold at auction for $2.615 million and appears to have captured the recent lift in property prices. The selling agent explained that there was very strong interest in this property as there are limited options for this style of property and price point, which is pushing prices higher. It is also located within walking distance of the last stop on the south-east metro line, which is close to opening.

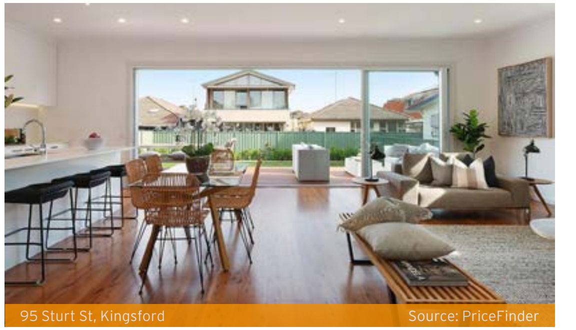
Then...

95 Sturt St, Kingsford Source: PriceFinder

95 Sturt St, Kingsford Source: PriceFinder

Now...

95 Sturt St, Kingsford Source: PriceFinder



95 Sturt St, Kingsford Source: PriceFinder

Northern Beaches

Overall, the Northern Beaches market played out reasonably as predicted and consistent with the wider Sydney market. The major exception and biggest surprise was how sharply the housing market rebounded in the second half of the year. We originally anticipated the market to bottom out in 2019 but were not anticipating the level of capital growth and strong buyer activity currently in the market.

This was particularly evident in the sub-$2 million housing bracket due to the amount of investors and first-home buyers who are more sensitive to regulatory and monetary policy changes. It felt as though the spring market started a month early as vendors were encouraged to capitalise on the positive market conditions and to list before the spring influx that never really eventuated. Dwelling stock levels were extremely low in the second half of the year, approximately 23 per cent lower year-on-year in the months of August, September and October as per the table below (source: SQM Research). This was really one of the fundamental drivers of the housing market and resulted in a strong back end of the year.

We also mentioned the potential Mona Vale Road upgrades that fortunately commenced in 2019. It is still premature to assess the impacts the upgrades will have on the proposed Ingleside development, however it is encouraging to see much needed infrastructure upgrades commencing and the positive benefits these will have on the local community and future development of the area.

NORTHERN BEACHES DWELLING STOCK LEVELS

MONTH	2019	2018
August	490	592
September	516	622
October	564	718

(source: SQM Research).

South

The year started slowly with a weakening market that appeared to be set in for the year, however post election and interest rate decreases, the market has started its recovery. Local agents are noticing an increase in the number of buyers currently in the market at open homes and auctions, with dwellings under $1.5 million and units under $1 million seeing the highest demand.

We predicted an oversupply of units from Miranda through to Kirrawee as a large number of complexes were due to for completion. There is still a problem of oversupply as these complexes have only finished construction over the past few months. There has only been a handful of resales within these new complexes and the resale values are generally slightly less than the original purchase price paid two to three years prior.

A one-bedroom, one-bathroom unit with two car spaces at 204/42 Pinnacle Street, Miranda sold off the plan for $574,000 in May 2017 and recently resold for $510,000 in September 2019.

The year started slowly with a weakening market that appeared to be set in for the year, however post election and interest rate decreases, the market has started its recovery.

204/42 Pinnacle Street, Miranda Source: realestate.com.au

Duplex sites are still experiencing subdued interest as lending criteria is still very tight for a construction loan involving multiple dwellings.

Prestige

After a long period of strength and buoyancy in the Sydney prestige residential market (above $5 million), we finally experienced some stabilisation, as predicted at the beginning of the year. As with the general residential market, high quality properties in prime locations continued to achieve good results, but properties in secondary locations and properties which had peculiar characteristics struggled in terms of selling period and sale results. This was most evident in the first half of 2019 as the heat really came out of the market and although we didn't see any dramatic falls in value, the number of transactions above $5 million decreased substantially.

In the Month in Review edition published at the start of the year, we touched on the number of transactions above $10 million in 2018, with Vaucluse having 18 such sales and Bellevue Hill having 15 sales above $10 million. In comparison, Vaucluse has had three sales and Bellevue Hill has had six sales above $10 million so far in 2019 (pricefinder.com.au), clearly showing the reduced market activity experienced throughout this year in the affluent eastern suburbs.

Sydney's Lower North Shore prestige market experienced a similar trend throughout 2019, with a clear drop in sales activity. Prices at the prestige level in this area appear to have softened in the first half of 2019, but as with other prestige areas of Sydney, the declines have been subtle.

However, the softened market conditions across the Sydney prestige market seem to have been relatively short lived. The second half of 2019 is already seeing a greater number of transactions and returning confidence to the market after a relatively short hiatus. Although some of this increased activity may be attributed to seasonal effects, it is clearly evident that a positive trend is emerging in this higher value sector of the market.

Artist Impression - Barangaroo Towers Source: Domain.com.au

Amongst all of the talk around the softening market, particularly in the first half of 2019, we received the news in October that the most expensive residence in Australia has transacted for $140 million. The property comprises a penthouse and sub-penthouse apartment, purchased in one line, to be situated in the yet to be built Tower 1 Development at Barangaroo South. The complex is earmarked for completion in 2023 and the purchasers will reportedly utilise the penthouse as their main residence, with the sub-penthouse to be configured as separate living quarters. This sale is a reminder that the Sydney prestige property market is alive and well and is considered highly desirable both locally and abroad.

Lismore/Casino/Kyogle

At the start of the year, it was predicted that "the residential market for the year ahead in the Lismore area is expected to hold ground with a steady as it goes vibe" and the Richmond Valley/Kyogle Council areas were to experience some softening.

Hmmm....it kinda was a game of two halves.

During the first six months of the year, the Lismore City area showed some admirable resilience with the residential property market across most suburbs (apart from North Lismore and South Lismore) showing some pleasing gains, particularly in Goonellabah where there were 30 odd house sales in the $500,000 plus price range. Well-presented rural residential stock with added features such as creek or river frontage, pool or rural views still appeared to turn over reasonably well. The other less desirable lifestyle product needed to be on point with their price range in order to snare a sale.

For the Casino/Kyogle areas, market activity for the first six months was relatively steady albeit at a more sedate pace compared to the regional centre of Lismore.

However, rental accommodation became rather tight. This was primarily due to new people coming into the area of which a majority were just not ready to buy into the market. Hence, already limited rental stock became even more stretched.

During the last half of 2019, market activity in Lismore, Casino and Kyogle has generally tapered off. Even with three RBA rate cuts in 2019 from 1.50 per cent in February 2019 to 0.75 per cent in October 2019 does not appear (as yet) to have caused overwhelming confidence. The fallout from the banking commission and resultant tightening of lending conditions would have played a part as well. Any progress from here will largely rest on the shoulders of the lenders and how they make their next move to coax the wary customer into action.

It clearly is not a situation where the borrower rocks up to the lender with an empty dinner bowl and says "Please Sir, can I have some more?" to which the lender replies "Yes, of course, just supply your three last payslips, yearly credit card and bank statements and explanation of your over-usage of your Netflix account...and then we can talk".

One thing hasn't changed though since the beginning of the year...and that is the persistent cry of the real estate agent for more quality listings like the "clear ringing of silver trumpets on a chilly winter morn". They have buyers....but no one really wants to sell.

One of the surprises for the year was the continued demand for the larger rural lifestyle product of

20 hectares plus with a well-presented dwelling and ancillary buildings and ground improvements, particularly for properties in close proximity of the regional centre (Lismore) and the rural townships (Casino, Kyogle). We also noted a steady demand for larger tracts of good quality grazing land in the areas between Lismore, Casino and Kyogle. However, as the drought and dry conditions look likely to continue for some time yet, it would be a very brave person to predict that the demand for such a property type would improve. I mean... no grass, no feed for stock and creek water drying up?? Who wants to pay for tank water every two months or so?

We also noted that the breakthrough in 2018 of suburban properties in Lismore City breaching the $600,000 price bracket continued well into 2019. This is seriously big money in these parts. However, as the number of sales mount up, it is something that cannot be dismissed as being an anomaly. It appears to be the new norm for the upper end of the market in Lismore City.

In summary, the residential and rural residential property market for Lismore, Richmond Valley and Kyogle Council areas for 2019 improved steadily for the first half of the year. The remaining half of the year has tapered off, but with lack of stock to sell, good quality properties should hold value and would be keenly picked off if offered for sale by approved buyers hiding in amongst the trees ready to pounce.....providing the lenders do their bit.

Cheers!

Ballina

The market throughout the Ballina Shire began the 2019 year somewhat slowly after heated market conditions throughout 2016, 2017 and early 2018. Whilst market conditions were comparatively slow, no noticeable falls in value levels were experienced. The second half of 2019 has seen a moderate increase in market activity, however local agents still report that listings need to be priced appropriately for any interest to be generated.

The prestige market in the sought after coastal locations of Lennox Head, Skennars Head and East Ballina as well as the sought after rural localities towards the north of the Shire remain strong which can be partly attributed to the recent upswing in the Sydney and Melbourne markets. Local agents report limited stock available for sale across this market segment, creating some upward pressure on value levels, however again listings need to be priced appropriately

Clarence Valley

The Clarence Valley performed mostly in line with predictions over the 2019 period. The region continued to see market momentum roll over from 2018 fuelled primarily by the Pacific Highway and Grafton Correctional Centre upgrades. As predicted, these projects and their associated workforces, as well as the locale's relative affordability, desirability and quaint beachside appeal, are likely contributors to the increase in median house price in beachside Yamba, which has risen to $550,000.

Further south in Grafton, predictions also came to fruition. The Grafton residential market saw a noticeable stabilisation in the recently rising median house price with no positive shift recorded for the 2019 period, albeit that the rate of sale recorded has already surpassed that of 2018. Overall as predicted, many of the primary influencing factors behind the positive property market trends of 2018 continued into 2019.

Since the recent interest rate reductions to a record low 0.75 per cent, we have seen a resurgence in market activity.

Coffs Harbour

Looking back at the year, the Coffs Harbour market has been on a bit of a roller coaster ride getting off to a slow start and increasing pace as the year progressed.

The slower market conditions at the start of the year were attributed to reduced interest which was evident from capital city markets, increased APRA lending restrictions for broader investment loans and media reports of declining market conditions, especially within Sydney and Melbourne. Our market, like the capital cities, was impacted by the fallout from the Royal Commission into banking practices and the resultant negative effect on lending policies and available finance.

Since the recent interest rate reductions to a record low 0.75 per cent, we have seen a resurgence in market activity. Current evidence indicates market enquiry and sales rates have

Sold for $2.1 million in August   Source: realestate.com.au increased with most good quality property types holding value. There is still some buyer resistance for property that is overpriced, lacking in key features or situated in a secondary location, however there is good demand and some continuing increases in value being experienced for entry to mid-level residential product.

The prestige market ($1 million plus) has also increased with leading real estate agents reporting increased buyer enquiry, although this market is traditionally more thinly traded and reliant on out of town purchasers, typically coming from the capital city markets. Given the recent rebound in the capital city markets, selling agents are reporting that this out of town market is coming back. We have recently seen our first $2 million plus beachfront sale, the first since 2015 and making a total of eight since 2007. This statistic indicates the thinness of the Coffs Harbour residential prestige market priced greater than $2 million.

We have seen no real disparity between the owner occupier, investor, first home buyer or rural residential versus town purchaser with all market sectors seeming to have lifted since the interest reductions. The RBA decision to reduce interest rates has definitely created strong real estate activity across the board. We will have to wait and see whether we see this flow into the retail sector.

Newcastle

We have been asked to score the property predictions outlined with a great deal of confidence back in our February 2019 issue. Don't do anything unless you do it confidently is our advice. As luck would have it, we predicted we would be asked to do this well before we were asked and therefore award ten points to Gryffindor. We are that good. We feel so confident in this that we haven't even reviewed our predictions.

You could make an argument that the market has rebounded from its nadir around May this year.

Oh… you insist that we have a quick look do you? Ok then, fine. Reading between the lines of our first prediction and discussion point, (we did meander a touch at this juncture if we are truly honest), it was an assertion that the Australian cricket team was on the decline. We hit the important stuff right up front it seems. We tenuously linked this event to the Newcastle property market. Having read it back for research, the point appears completely organic and seems to work quite nicely, so big tick there for us. As to the substance, the cricket team lost the T20 World Cup and won the Ashes. Up and down form there we would suggest and fully supports our adopted position.

Moving to the next point, clearly we nailed it, the fine print being we left it broadly open-ended enough to come true regardless. We are sheepishly looking around the room at each other collectively feeling like one of those fairground charlatans. Successful fairground charlatans to be sure, make no mistake on that score. We have the rapt crowd staring at us in awe with mouths open catching flies for how naturally brilliant we appear. Some kind of wizardry clearly just happened. However the reality is that we used basic sleight of hand and a few cheap shenanigans while they weren't looking.

How did we do it you ask? How did the lady, who was quite clearly cut in half with a well-used, but suspiciously clean saw, suddenly extract herself from the box and start strutting around like it never happened? We used the old "percentage chance of multiple outcomes occurring, but covering all bases trick" trick. Sorry. It's a bit like horoscopes really.

We predicted there was a ten per cent chance that the market would rebound. We then said there was a 30 per cent chance of a balanced market. At this point our maths failed us and we said that whatever was left over was directed towards the downturn continuing. Hedging our bets quite nicely we would suggest. We then spent a few paragraphs waxing lyrical about why predicting the market direction was really hard. We definitely hammered that home. Probably overkill.

In reality, you could make an argument that the market has rebounded from its nadir around May this year. Supporting the rebound theory is the continued occurrence of record or near-record sales occurring in many suburbs in Newcastle and the Hunter Valley. For further details see our most recent columns in Month in Review. Depending on which metric you choose to focus on, the stronger argument is that the market is largely balanced at present with the trend seen as improving by and large. Whilst we have record sales still occurring, we haven't really seen a general increasing level of values. It's too soon in the recovery for all that. Anecdotally we are coming across many properties that sold initially around 12 months ago reselling presently. There is not a great deal of variance in value from 12 months to now based on these sales. In reality some are selling for less and some are selling for more.

What has been the catalyst for confidence returning to the market? Its multi-faceted (full disclosure: we looked that up, we know you know we didn't know that word). The election result was a tipping point. Traditionally, elections slow the property market and uncertainty of elections and

> *It could go either way, just like the Australian cricket team.*

ensuing policy always translate into less activity. We make no judgment on policies and approaches of the parties; simply put, the uncertainty was made certain. Interest rates continued to lower in light of a softening economic landscape and serviceability requirements also loosened up over time as distance was put in to the banking Royal Commission. These factors have all made some impact on the local residential market.

As with all things, whether this is a fledgling recovery or small blip in a falling trend is largely unknown. It could go either way, just like the Australian cricket team. Full circle. Yes, we are that good.

Mid North Coast

During the first half of 2019, demand remained slow along the Mid North Coast due to various factors including a softening of investor demand in the residential market throughout the region and uncertainty during the election run-up. Over this period, values stabilised and selling periods lengthened, returning to the more normal periods of up to four months.

Coastal towns within the region (especially the major regional centre of Port Macquarie) continued to see reasonable land sales activity in new subdivision developments, resulting in continuing but slowing building construction activity.

The May election with the Liberal/National coalition government win, three interest rate cuts between June and October and the relaxing of some lending policies have seen a steady increase in activity as the weather has warmed up. This has the Mid North Coast property market heading into the festive season on somewhat of a high. The increased activity together with limited stock has also seen a reduction in the days on market and modest price rises.

Of most surprise in 2019 was the milestone sales, namely the $2.97 million reached for a well publicised property breaking previous canal sales records within Port Macquarie.

Central Coast Region

At the beginning of the year we commented amongst other things that the market would slow and that 2019 would be less prosperous than the previous year.

This has proven partly correct. The market did slow a little, but overall it pretty much ran without too much fanfare. Real estate agents report that attendances at open houses was down in the first half of the year, but back to normal toward the latter part.

Leading into the new year, we did say the local market had peaked and we think that has been proven.

We also said that some of our older suburbs toward the northern end of the region would gain some attention on the back of newer suburbs experiencing popularity. We mentioned areas such as Kanwal, Gorokan, Charmhaven and Toukley. As the year draws to a close, we did see a little more activity, but not as much as expected. Maybe next year.

Toward the middle of the region, we mentioned areas such as Narara, Niagara Park and Wyoming would leverage off the revitalisation of the Gosford CBD, but from what we can see, the limited availability of stock being sold prevented any great advances in this regard.

We mentioned the region's peninsula areas of Umina Beach, Woy Woy and Ettalong would be challenged in terms of values being sustainable and for the most part, values have come back a little but not too much overall.

A large level of focus was on the unit market within and around the Gosford CBD. The developments under construction for the past few years have been completed and settlements of purchases are being called. For the most part, the prices paid off the plan were okay on today's values, but there were a few issues with not meeting the purchase prices for some developments.

Illawarra

The first quarter of the 2019 Illawarra property market continued on trend from the end of 2018, which saw the market continue to decline after the property boom experienced from 2013 to 2017. Unstable economic conditions, notably relating to employment growth and inflation, combined with the great uncertainty of the upcoming federal election in May contributed to the continuing declining property market in the Illawarra region. This decline was across all property sectors. At this time local agents were advising of longer selling periods, fewer buyers and decreasing sale prices.

Post the federal election in May, there was a renewed confidence in the Illawarra property market. This did not lead to drastic changes in the market, however it did seem to at the very least halt the declining market and begin to stabilise certain property sectors. The result of the federal election played a key and unexpected role in the sudden shift in the state of the market. Also a contributing factor to stabilising the Illawarra property market was the decision on 4 June by the Reserve Bank to lower the cash rate by 25 basis points to 1.25

per cent. Midway through 2019, local agents were advising of stronger buyer activity and good sale results.

As we head towards the end of 2019, the Illawarra property market continued to stabilise and showed some signs of slight growth. Another cash rate cut by 25 basis points to 0.75 per cent in October continued to bring first home buyers and investors back into the Illawarra property market. Valuers and agents alike are noting some strong sale prices and a decline in days on the market.

From the beginning of 2019 to now nearing the end of 2019, we have seen the Illawarra property market change from a declining market to stabilising mid-way through the year and now to more recently showing some signs of growth. This has been evident across most suburbs and property sectors. Uncertainty lingers about the new subdivisions in Calderwood, Tullimbar, Horsley, Wongawilli and Kembla Grange as well as new unit developments in and around the Wollongong CBD. Vacant land prices in these new subdivisions seem to have settled, however supply still outweighs demand and with more new land releases planned, this could be the sector which does not follow the rest of the Illawarra market.

Southern Highlands

Looking back at our February publication for the Southern Highlands region, our main points raised were impacts that a falling market may have on new land subdivisions and higher end rural acreage and lifestyle properties. So how did these play out as per our predictions?

We noted an oversupply of new land, particularly in subdivisions such as Renwick and Moss Vale's Darraby Estate as at Quarter 4 2018, which brought increasing anxiety about discounts that may need to be applied as the market became saturated with vacant parcels.

Well, as predicted, these vacant lands sales have been negatively impacted by a softening market but not as severely as we had initially anticipated, with discounts of between five and ten per cent being seen on prices paid around the peak of the market. We have however seen a recent oversupply of cheaply built project homes within this section of the Renwick land release, which has impacted resale values as more and more of these listings hit the market and agents struggle to move them. We are seeing the better quality builds command a reasonable price, however overall we are still seeing the far better money commanded in the older section of the Renwick estate.

Looking at the rural lifestyle market in and around the Southern Highlands, it appears that this portion of the market has remained fairly strong overall, with most properties holding their values or commanding more as the year progressed. As always, quality of product has played a key role and anything purchased at an above market price in 2017 has seen slight corrections, however overall reports from local agents suggest that interest from Sydney buyers seeking weekenders or large good quality rural land holdings are still promising. Typically this rural residential space has been difficult to gauge due to a lack of transactions and this has certainly been the case in 2019 as transactions across all markets have dried up significantly, however as the year has progressed and transactions increased in spring, we have been surprised at the overall stability within the space.

Looking further north into the Wollondilly Shire, we have seen smaller rural residential holdings (ten hectares and under) around the Pheasants Nest and Bargo area the most heavily impacted with up to 20 per cent discounts being noted within this space.

Overall the start of 2019 was slow with transactions down and buyer interest across the board being limited, however as the year passed and we saw the back end of an election and a few interest rate cuts along the way, there are certainly better numbers starting to be achieved across the board and agents report a late spring flourish of buyers as Sydney appears to be back on an upward trend.

Southern Tablelands

After peaking in mid-late 2018, the Goulburn region began the year with uncertainty, experiencing softer market conditions after a long period of strong growth. We saw properties across all sectors recording longer selling periods, weaker sale prices, a smaller number of buyers and fewer transactions, some areas experiencing larger declines than others. This was as a result of tighter credit availability, negative market sentiment and the uncertainty surrounding the federal election taking place in May.

With the end of 2019 drawing near, agents and valuers are noting more optimism across the board within the Goulburn property market as we shift from a declining market to a stabilising market. This is as a result of confidence being renewed in buyers post the election in May, another cash rate drop in October and overall market sentiment shifting. It is evident that selling periods have generally reduced in more recent times, there is stronger

Valuers and agents are noting some strong sale prices and a decline in days on the market.

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buyer activity and more transactions taking place, however this is typical when spring is in full swing. Whilst conditions appear to be improving, inferior quality properties and those in secondary locations are still expected to struggle in the current market.

Albury

In 2019, the Albury-Wodonga and north-east Victoria property market has shown resilience set against an eventful year for national and global issues. The first half of the year was dominated by the federal election looming in May. This uncertainty created some hesitation in the market as a whole but also mobilized investors fearful that if they did not buy before the election, they may not qualify for exemptions from a new set of property related policies if Labor won.

A good example of this behaviour was in the snow village of Dinner Plain, 13 kilometres up the road from Mount Hotham, where one local agent had an Easter ski chalet buying frenzy fuelled by pre-election jitters. Interestingly this market has remained strong for the remainder of the year, whereas the trendy tourist township of Bright at the foot of the Alpine area appears to have stabilized after a sustained and phenomenal hike in demand and growth over the past three years. The owner occupiers of the region pre-election adopted a very stoic wait and see attitude and agents reported a drop in sales activity and listings as people held off any big decision making.

So the post-election scenario, given the status quo was held, should have meant a return to the pre-pre-election status, however by this time everyone was being saturated with news stories about the decline in the Sydney and Melbourne property markets and although prices held in our regional area, another form of uncertainty crept into the fast approaching spring property market. Coupled with daily reports on the drought, unrest in Hong Kong, the US-China trade war and climate change, it seemed the remainder of the year could get a little choppy as people closed their wallets with little prospect of wages growth and paused a little longer on property related decisions. With less stock hitting the market, agents reported sales were still moving but activity was lower as new listings slowed and spring was somewhat subdued across the region. There also appears to have been an increase in off market transactions and sales without the intervention of an agent.

All in all, 2019 to a great extent might be remembered as business as usual with a lot of background noise that did not really change our markets very much and reaffirmed the stability of our regional area that is for the most part, very grateful not to be subjected to the dreadful drought conditions further north. What would be a terrific finale is completely out of any market control… RAIN! Wishing everyone a safe, happy and restful festive season.

Wodonga

The Wodonga market has slightly declined over the past twelve months with the median house price down five per cent from the same time in 2018. Sales activity in the housing sector also decreased slightly by around eight per cent on the previous 12 months. The vast majority (63 per cent) of all dwelling sales occurred in the $200,000 to $400,000 price bracket.

63%

Percentage of sales since **November 2018** between $200,000 and $400,000

Unit sales have remained stable. Sales activity within this market however has returned to 2017 levels after declining to 53 sales in 2018. The decline was most likely due to the political uncertainty of the election and the fallout from the banking Royal Commission.

Once again, the median land price has remained stable, although the market has seen a significant reduction in the level of sales activity, declining from 152 to 118 over the past twelve months. Overall the market has remained stable, however there are early indications the market is beginning to decline slightly.

Probably the most surprising aspect of the market over the past twelve months has been the failure of the market to surge again with regard to sales activity, particularly in light of the cash rate being below one per cent and the re-election of the Liberal Party.

Whilst conditions appear to be improving, inferior quality properties and those in secondary locations are still expected to struggle in the current market.

Victoria

Melbourne

As we draw close to the end of another year, it's time to look back on our predictions from February to see how accurate we were in our insights for this year's residential market in all regions of Victoria.

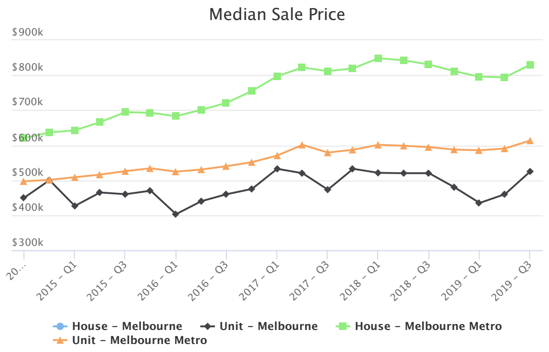
2019 has been an unpredictable year in the residential property sector. As forecast earlier in February, the fallout from Royal Commission along with the potential changes to negative gearing definitely rocked buyer confidence. As a result, the property market was very much subdued until the third quarter of the year when reductions to the cash rate by 75 basis points and lower mortgage serviceability tests resulting in the removal of barriers which allow banks and brokerage firms to better facilitate access to credit for borrowers started to have an impact.

Melbourne CBD

It was originally forecast at the start of the year that the property sector in Melbourne's CBD would face a decline due to the influx of off-the-plan purchased apartment complexes coming onto the market at settlement due to purchasers being unable to raise finance. Whilst fluctuations remain in some areas, the CBD residential market has surprisingly remained steady and has even taken a turn for the better. As shown below, the median sale price of units has increased greatly from Quarter 1 to Quarter 3 of 2019. This could be the result of the property market stabilising from the conclusion of the federal election, two consecutive rate cuts by the Reserve Bank in June and July and the easement of home loan serviceability tests.

As forecast earlier in February, the fallout from the Royal Commission along with the potential changes to negative gearing definitely rocked buyer confidence.

Contrary to initial predictions, 2019 has become the year where banks, state and federal government are looking for ways to increase people's borrowing capacity.



Source: REIV, 2019

The federal government's latest initiative is the First Home Loan Deposit Scheme starting on 1 January 2020, where the first 10,000 applicants will be eligible to purchase their first home using only a five per cent deposit. To be eligible for the scheme, buyers must be purchasing a property valued at or below these thresholds. This policy would be ideal for those looking to buy into the CBD as the average median unit price is $525,000.

State/Territory	Capital City/ Regional Centre	Rest of State
NSW	$700,000	$450,000
VIC	$600,000	$375,000
QLD	$475,000	$400,000
SA	$400,000	$250,000
WA	$400,000	$300,000
TAS	$400,000	$300,000
ACT	$500,000	-
NT	$375,000	-

Source: NHFIC,2019

South-East

It was noted at the start of the year that the suburb of Pakenham was previously known as one of Melbourne's most active housing markets and it was forecast that it would face a softening in the first half of the year and stabilise in the second half of 2019. We were correct in this prediction.

Located approximately 54 kilometres south-east of the Central Business District, Pakenham has been one of the fastest growing suburbs in Melbourne in the last twenty years as it has been one of the major areas for new residential development in the south-east growth corridors and it is expected to continually increase in the future. Recent figures show that Pakenham is not

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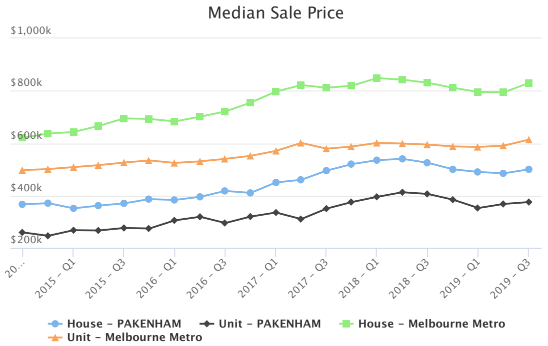
only experiencing capital growth every year, but rental yields are above the metro average sitting at 3.8 per cent and 2.9 per cent respectively.

Recent figures show that sales in Pakenham have slowed yet remained steady, as dwellings have increased in sale price by 3.2 per cent from Quarter 2 to Quarter 3 after facing a slight decline from Quarter 1 to Quarter 2, averaging $500,000 in median sale price in comparison to the average Melbourne metro areas which increased in median sale price by 4.5 per cent to $830,000.



Source: REIV, 2019

Inner & Outer East

The market in the inner and outer eastern suburbs of Melbourne has seen months of prosperity coupled with declines in clearance rates at auctions, median house prices fluctuating over the course of 2019 and a sense of instability across the wider residential market in Melbourne. From January to March, clearance rates were rising and were at 64 per cent across suburbs in Boroondara, Stonnington and Yarra's municipalities. This was a huge increase from October 2018 to December 2018 when clearance rates were at 52 per cent. The steady correction in median house prices is highlighted most significantly in the graph below. It indicates a rise in median house prices in direct correlation with rising auction clearance rates.

The steepest increase in housing prices in over ten years occurred over the month of October with an increase of 2.3 per cent. Demand for housing right now could be attributed largely to the lowest mortgage rates we have seen in Australia since the 1950s, renewed confidence in the government following the election, the RBA cutting the cash rate by 75 base points and the previously limited supply of housing options and has led to a huge demand across many regions of Melbourne, particularly the inner eastern suburbs.

Source: CoreLogic.com.au (2019)

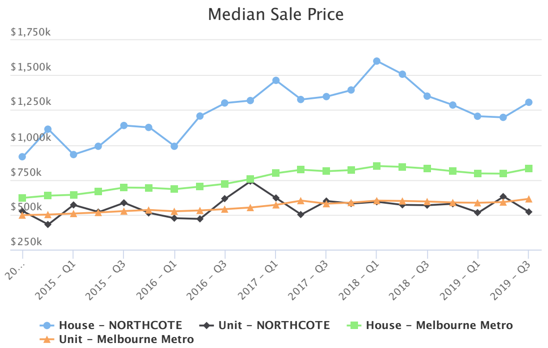
In Hawthorn, the median house price at the beginning of March 2018 peaked at $2.479 million. Prices declined heavily over the following 12 months to a low of $1.71 million twelve months later. Corelogic highlighted that in July 2019, there had been a 24.26 per cent drop in median house and unit prices. The change in house and unit prices was evident since November 2017 but year on year statistics did not highlight the severity of the decline. The market has positively corrected so significantly in the four months since July that Hawthorn is considered one of the strongest recovered suburbs from the downturn. 2020 will be an interesting year for property fanatics, eager to see what the market will produce coming into one of the most exciting times for prosperous growth and market movement in the past decade.

The steepest increase in housing prices in over ten years occurred over the month of October with an increase of 2.3 per cent.

Inner & Outer North

2019 has been a year of change, with several contributing factors confronting homeowners, investors and developers over the year. Key issues have influenced the market throughout the year which has been a year of two halves - downturn and recovery. Whilst some of the predictions made in January have come true, others have not. Development orientated areas such as Craigieburn, Kalkallo and Mickleham have seen the growth and affordability we expected and inner suburbs such as Northcote and Richmond performed better than expected. Whilst growth showed signs of a significant downturn over the first two quarters of the year, interest rate cuts encouraged home owners to borrow and therefore buy which has been seen in the Quarter 3 data. Although inner prices have pulled back over the year, Quarter 3 has indicated strong growth signs which has placed the median sales prices for most suburbs back to prices similar to the start of 2019.

Northcote, 3070, an inner north-eastern suburb of Melbourne has been one of the bigger winners in the area. The suburb boasted a nine per cent increase in the median sale price from Quarter 2 to Quarter 3 with the average home in the area costing a cool $1.3 million. This increase doubled that of the Melbourne metro area which as a whole, saw a 4.5 per cent increase in the median sale price. The increased price was also reflected by the clearance rates for the quarter, which was 93.8 per cent, also significantly higher than that of Melbourne metro at 78.3 per cent. Whilst this hot inner suburb has provided great upside in capital growth, rental yields remain under the metro average sitting at 2.6 per cent and 2.9 per cent respectively.

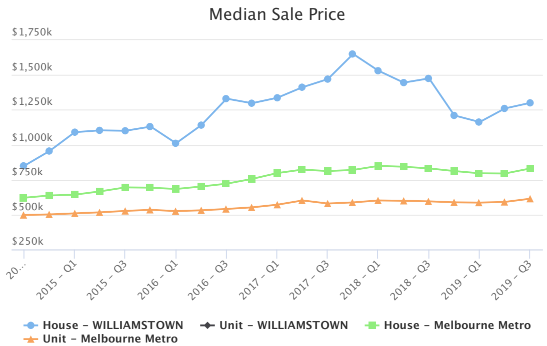


Source: REIV - Market Insights

Although strong indicators of growth have been seen in the outer northern suburbs, capital growth has not outperformed rental yields, with suburbs such as Craigieburn recorded at 3.8 per cent for the quarter. The higher rental yield rate indicates a higher demand for rental properties in the outer suburbs, making them an extremely attractive investment for developers or first home owners. Whilst there was significant growth in the area, the suburb only saw a 4.7 per cent increase in the median sale price between Quarter 2 and Quarter 3. In comparison to the inner suburbs, the clearance rates were 76.2 per cent which signifies a lack of buying and demand in the area.

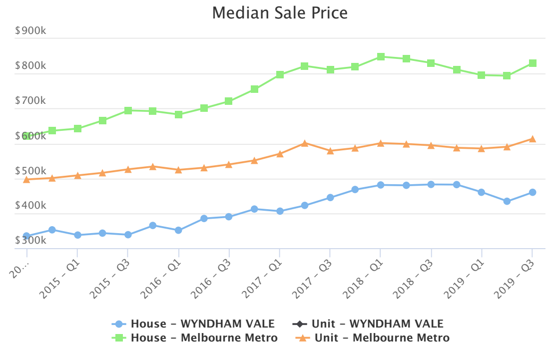
West

Reflecting on our predictions for what 2019 would entail for Melbourne's western suburban property market, it is fair to say that we were on the mark for the most part. At the beginning of the year it was believed that Melbourne's inner-west would stabilise after it suffered a bout of negative growth in the latter half of 2018. Stabilise it did and the majority of inner western suburbs such as Williamstown, Yarraville and Altona have all actually shown median house and unit price increases from Quarter 3 onwards. After suffering a fall in the early part of the year, Williamstown has bounced back remarkably with median house prices increasing by around $140,000 in just six months which is illustrated in the graph below.



Source: REIV - Market Insights

In regard to middle-outer western suburbs, outcomes were not exactly as predicted. We predicted that these regions would begin to cool after showing moderate growth in 2018 due to



Source: REIV - Market Insights

the extensive population boom. The majority of suburbs did indeed cool for the first half of 2019 although in correlation with Melbourne's inner west, the latter half has in fact started climbing in median house price. Although these outer suburbs in Tarneit, Melton, Wyndham Vale and Point Cook are in completely different regions of Melbourne west, they have all followed an almost identical pattern in 2019 in quarterly price changes and clearance rates as illustrated below.

Another prediction made at the beginning of the year was in regard to the increase in incentives being used to make purchasing land within the growth region more attractive. This rise in incentives definitely took place with many estates across Melbourne's outer middle-outer western suburbs offering extremely high rebates of up to $40,000 and dropping land deposit limits to a mere five per cent. This tactic was rife when these regions were experiencing a cooling period

Reflecting on our predictions for what 2019 would entail for Melbourne's western suburban property market, it is fair to say that we were on the mark for the most part.

however now that the market is slowly but steadily bouncing back we can expect the use of these extravagant incentives to plummet.

As a whole, we give our overall prediction a seven out of ten for how Melbourne's west property market unfolded. Our view that there would be stabilising and cooling periods did take place, as well as our statements that the Royal Commission would impact the market and that incentives would be used to attract buyers during these times. One major forecast which was missed was the current growth in the market which has taken place over the latter half of the year across the board in Melbournes west. It's fair to say we knew a bounce back would occur, but not so soon.

Geelong

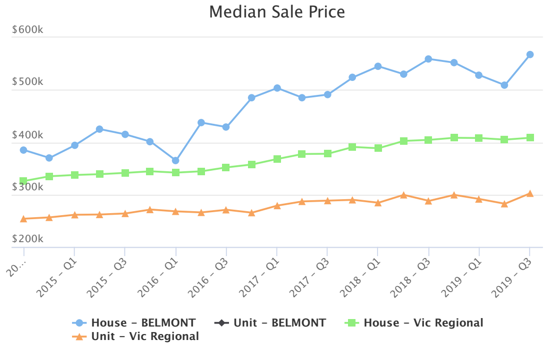
Geelong saw its biggest property boom in history in 2018 and was labelled Victoria's hottest property market. As Melbourne house prices decreased, Geelong steadily increased as it was sought after by many as a fantastic investment opportunity. A major prediction we forecast at the beginning of 2019 was that the greater Geelong property market would begin to level off after the strong growth it showed throughout 2018. Our prediction was correct in that there was a slow in the market however we did not expect the cooling period to come around so quickly. Apart from a few established suburbs such as Highton and Wandana Heights, the vast majority of suburbs suffered price drops in median house pricing for the early part of 2019.

The market however took a turn in suburbs such as Newtown, Belmont, Hamlyn Heights and St Albans which have all started showing median house price growth for the latter half of the year. This sudden burst of growth which has occurred once again is largely due to financial regulators' relaxed rules

CoreLogic statistics show the median house price in Mildura increased by nearly ten per cent to now be just under $300,000.

affecting how much home buyers could borrow, affecting the market accordingly.

In this positive market turn for greater Geelong, Belmont and Newtown have shown the most promising signs of real growth with Belmont increasing its median sale price by $50,000 in just one quarter alone.



Source: REIV – Market Insights

Mildura

2019 has played out a little stronger than we expected. Houses have been selling relatively quickly and the median house price appears to have risen more than we anticipated at the start of the year. CoreLogic statistics show the median house price increased by nearly ten per cent to now be just under $300,000. Low interest rates and local economic growth have no doubt helped this trend.

The main action continues to be for well-presented homes in the $300,000 to $500,000 range. Most buyers in this segment have been owner occupiers looking for either their first home or an upgrade from a plainer dwelling.

Values for residential units have been more stable, in keeping with the trend observed over much of the past decade. Buyers are attracted to units for the higher gross rental return rather than potential for capital gain.

Developers of residential subdivisions have faced higher development costs during 2019, however appear to have been able to pass these increases on, with the cost of buying residential lots increasing by over ten per cent during the past year. This increase in sale prices is also attributed to a shortage of developed lots being released during the year.

If anything, the gap between land values in Mildura and Irymple and the satellite towns of Gol Gol and Red Cliffs has widened. We had expected that the higher cost in Mildura and Irymple would attract buyers to the satellite towns, however this has not occurred to any great degree.

Our region is starting to feel the effects of water restrictions, however it is too early to see whether this will weaken demand for homes on larger lots with more extensive landscaping. This will become more apparent over the coming summer months. The Mildura region still has comparatively easy access to garden water.

Finally, our prediction at the start of the year that there would be less activity in the top end of our market appears to have been accurate. As discussed in last month's edition, we are not entirely sure why there have been so few sales over

$1 million in 2019. Fewer properties being offered for sale still appears the most likely factor, but possibly buyers at this end of the market are being more cautious.

Shepparton

The local property market has remained buoyant throughout 2019 even though there was a lull in sales during winter. Demand for investment properties from Melbourne buyers is still strong and vacancy rates have stayed tight. New housing in the area is still steaming ahead, even though a few estates have now either sold out or are in the final stage, such as Connolly Park and Northside estates in the north and Riverwood Park in Kialla.

The industrial development along Doyles Road on the eastern fringe of Shepparton is very promising, fostering both construction jobs and ongoing manufacturing jobs. Coupled with the Goulburn Valley Health redevelopment bringing construction and then an ongoing 600 jobs is a strong boost to the region.

Two new large-scale housing developments have been recently announced by council. The precincts known as Shepparton North East and Shepparton South East will both be located along Doyles Road/ Shepparton Alternate Route and are planned to accommodate 1,500 and 2,500 homes respectively, or 4,000 and 6,000 residents. By comparison, the Kialla Lakes estate which has been a jewel in Shepparton's housing estate crown since the mid 1990s has only just hit around 1,400 homes in the most recent land releases. Works are due to commence on the South East development next year, with the North East yet to be confirmed.

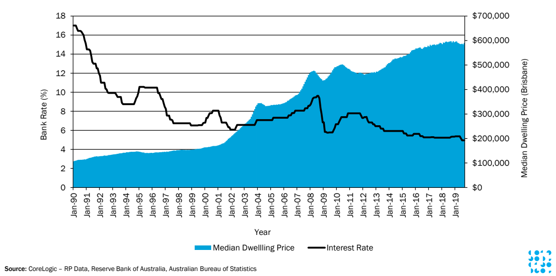
Queensland

Brisbane

Brisbane presented plenty of promise going into 2019. I believe we coined the phrase "restrained optimism" to describe our expectations when making predictions earlier this year. We said our region would continue to attract affordability-driven capital city seekers, but values across most markets would relatively remain flat.

And, for the most part, we were on the money.

Median Dwelling Price (Brisbane) vs Bank Rate

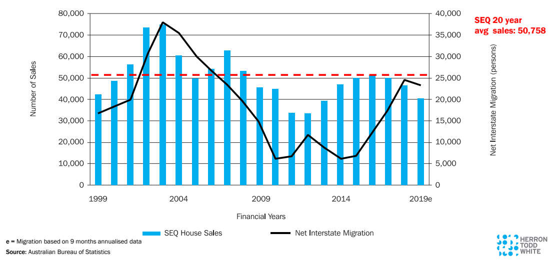


Source: HTW

But, we'll refrain from claiming Nostradamus status for the moment because, in truth, this is how our market has always operated. We aren't historically prone to huge fluctuations like Sydney and Melbourne, but rather (as a generalisation) take a steady-as-she-goes approach to price movements.

Looking at the upside, Brisbane continued to enjoy an increasing Net Interstate Migration (NIM) result as demonstrated by this chart:

SEQ House Sales & Net Interstate Migration



Source: HTW

The small dip at the end does allow for an annualised figure, but compared to ten years ago, 2019 has seen a relatively impressive NIM outcome. It's a number that property owners should keep an eye on, because rising NIM usually tracks in tandem with increased real estate values. If it establishes an upward trend, our market can potentially be hotter than a December day at Southbank.

That said, there were some macro challenges to tackle in 2019.

Significant headwinds manifested via the fallout from the Royal Commission, APRA's tighter lending guidelines and, of course, the federal election.

Throughout all this, Brisbane's market experienced limited activity and demand, with a slight softening in values across the wider city.

Following the election and interest rate drop mid-year however, confidence returned and buyer activity increased with the market correcting and stabilising right through to this tail end of 2019.

Let's drill down a bit further though.

By price sector, performance was varied. Assets priced sub-$2 million were most affected by the tighter lending conditions. Many purchasers looking to access funds had a hard time securing their dollars. We also anecdotally observed that property listed for sale was taking longer to sell and vendors were tempering their price expectations. In addition, finance clauses on contracts were being pushed out to between 21 and 28 days and sellers were being conditioned by their agents to agree to this.

For properties priced above $2 million, the waters were a little calmer. These buyers didn't seem to be affected, due to their strong cash position and equity and as such the higher price points and prestige market performed reasonably soundly, albeit with limited stock available for purchase.

Looking at our city by location, we stayed true to our history of growth by proximity to the CBD. Demand for suburbs closest to the city centre was consistently better than for most of the fringe suburbs. Certainly, demand from cashed-

Looking at our city by location, we stayed true to our history of growth by proximity to the CBD.

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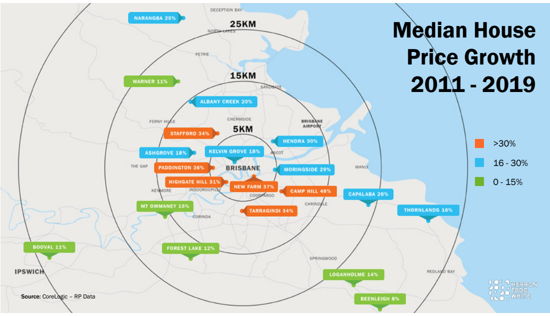
up interstate migrants for high-quality, lifestyle-oriented homes played a role in this.



Source: HTW

In addition, near-city suburbs are seen as providing good quality, long-term stock worth holding onto. If you can afford to secure something within CBD proximity and it's a detached house (and you can service the debt for a cycle or two), you should generally be fine in terms of value resilience.

Middle ring positions also did pretty well and while some of the outer burbs saw price increases, the biggest rises were still within an easy jog of the CBD.

Housing again held its own compared to units. There's just no denying Brisbane folk love their land.

Investor style units continued to see price softening, but price retractions in response to oversupply are slowing.

Perhaps the most interesting element of the attached housing market is that owner occupier units did extremely well compared to their investor-design counterparts.

Some other big takeaways from 2019 include the continued price growth potential of desirable school zones. If you're in the right catchment, demand remains high from buyers and that's translating into a handy premium for some property owners. Ask anyone looking to get into the State High catchment next year and you'll hear tales of tough battles to secure real estate.

We've also anecdotally seen an increase in owners choosing to renovate rather than sell up and move.

We've also anecdotally seen an increase in owners choosing to renovate rather than sell up and move. This is the result of multiple influences. Tough finance means it isn't as easy to get a loan for the new home. In addition, the figures show that if you can create the living space your family needs by modifying your current abode, it's much cheaper than dealing with the selling and buying costs of trading into a new residence.

So, in summary, our market pivoted mid-year to become a bit more confident, with excellent indications of sustained, long-term capital gains, particularly for detached housing within cooee of the CBD.

A merry Christmas and happy new year to everyone from all of us here at Herron Todd White Brisbane.

Gold Coast

At the beginning of the year, a few questions were posed and some market predictions were made concerning the central areas of the Gold Coast.

Overall, we anticipated the local market to continue to soften throughout 2019. After the first two quarters of this year, there were signs of the market cooling but generally speaking it remained stable, if not at times being slightly inconsistent. However, there has been a noticeable change in the market particularly over the September/October period and it must be admitted, we did not expect to see such encouraging signs at the moment.

Central

Our predictions were that prices in suburbs such as Burleigh Waters, Mermaid Waters and Broadbeach Waters may have reached a peak as the market was quite heated at the time. Almost twelve months later and these areas have remained resilient. Local agents are still reporting strong levels of demand for housing in these suburbs and price levels have not weakened. Due to a lack of stock in these areas, neighbouring areas such as Miami have benefited as buyers look for an alternative option as a result of the shortage. There are no signs of market activity easing in these areas moving into 2020.

In early 2019 it was expected that there would be a slowdown in construction and sales activity, particularly of new highrise projects around Surfers Paradise and this seems to be the case, however there appears to still be quite a bit of action around the Broadbeach precinct and towards the southern end of the Gold Coast.

We also made a safe bet that suburban housing in Benowa and Ashmore would remain stable throughout the year. Current feedback from local agents indicates that lately there are still good levels of demand for detached housing and that's in all price brackets, and also for units, but in the more affordable price range. A positive upswing in the local market has also been noticed here in the couple months. Again, it was reported that stock levels remain low and properties are selling within a reasonable marketing period.

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The Mudgeeraba housing market also appeared quite heated at the start of 2019. The market here did appear to cool temporarily for a very short period but latest evidence suggests that the slowdown was very short lived and demand, particularly for housing priced below $700,000, has ramped up again according to the latest agent feedback. Detached suburban housing remains the most popular property type with buyers, with many properties at the moment reportedly selling within two weeks of being listed on the market.

Overall, all central suburbs appear to be holding their values, with perhaps the exception of the investor driven market segment of the unit market in Surfers Paradise. The prestige waterfront dwelling market has also remained fairly stable and this has been underpinned by buyer confidence in this market sector, a steady volume of sales activity over $2 million and a low interest rate environment.

North Central

Generally speaking, the market has stabilised across most sub property categories. Perhaps the best performer has been the vacant land parcels and particularly canal frontage and golf course allotments (price points $600,000 to $1.2 million). As good developed blocks have become scarce, demand has intensified. Several sales of canal front blocks in the Fairway Island estate have demonstrated very good capital growth over very short periods of time.

At the other extreme, the lowrise investor markets through the Southport, Labrador and up to Hope Island estates have fallen quite dramatically.

Analysis we have conducted has shown that values for one and two-bedroom units have weakened significantly. It appears that this segment has now stabilised albeit at levels 10 to 15 per cent lower than say 2017. The values of three and four-bedroom units generally appear to have eased or at best maintained their values.

The canal estates have eased slightly with sales activity down from the previous two years. We are now seeing a noticeable disparity between the values of vacant land sales in these estates as opposed to the sales of those properties improved with dwellings, with the value gap between the two getting closer and closer. Something must give here.

A good performer in the market over 2019 has been the typical family style home, say the four-bedroom, two-bathroom with double garage detached dwelling in the price range of $500,000 to $950,000. Generally speaking, this market has been steady to strong through all north central suburbs. A recent good performing and stand out suburb has been Arundel (market range $450,000 to $650,000). Earlier in the year Helensvale went through a good period of demand.

There now appears to again be some market behaviour changes in play. Fuelled by the lower interest rates, we are now seeing some apparent lift in activity at the upper end of the market. Modern duplex units in Paradise Point seem to be in good strong demand with a sudden jump in values. We are certain that the local market will always keep us guessing.

Overall, all central suburbs of the Gold Coast appear to be holding their values, with perhaps the exception of the investor driven market segment of the unit market in Surfers Paradise.

Southern Gold Coast/Northern New South Wales

The far northern New South Wales and southern Gold Coast became a segmented market towards the end of 2018 with mixed results continuing into the first half of 2019. Across the majority of the market, agents had advised more stock levels and longer selling periods, but nonetheless, relatively stable prices were seen along the coastal areas and only minor evidence of weakening further west from the coast line. We saw far more stability across these markets as 2019 progressed, with some evidence of growth in the northern New South Wales coastal areas of Kingscliff and Casuarina, as well as areas on the southern Gold Coast such as Coolangatta. It was becoming more apparent towards the end of 2018 that the Sydney and Melbourne buyers are not as abundant as they were six to twelve months prior and this, as well as tighter lending policies courtesy of the banking Royal Commission, proved to impact overall market values.

As anticipated, in the case of Kingscliff where the new Tweed Valley Hospital is under construction, agents have advised of an increase in buyer interest in the area due to the new infrastructure and job creation with the new build over the coming years. It would appear a slight spike in investor activity has occurred across the board with the easing of lending policy post the Royal Commission, as well as a spike in domestic migration to the southern Gold Coast and Tweed Shire.

Sunshine Coast

It's fair to say that in 2019, the property market on the Sunshine Coast has had a stop - start kind of year. At times, sale volumes have been good with good values being achieved whilst at other times, it slowed down. General value trends have however been decent.

As anticipated, in the first half of 2019 we experienced a slowing in the market on the back of the slowing Sydney and Melbourne markets, the effects of the banking Royal Commission and the lead up to the federal election (May 2019). This uncertainty led to general enquiry falling away which effectively led to a lack of urgency in the market. Buyers were taking a wait and see approach. On the back of this, stock levels increased in some areas as well as the number of days on market. The main buyer segment affected was the investors.

Move forward a few months after the election, and with an election result that was perceived by the market as being favourable, we were off and racing. This injection of confidence led to an instant increase in enquiry. An indication of this anecdotally was that an agent advised that they had four new leads on the Monday after the election on a multimillion dollar property that was contracted the week prior. Then when you combine this with the recently reported market improvements in Sydney and Melbourne and passing effects of the banking Royal Commission, the news got better.

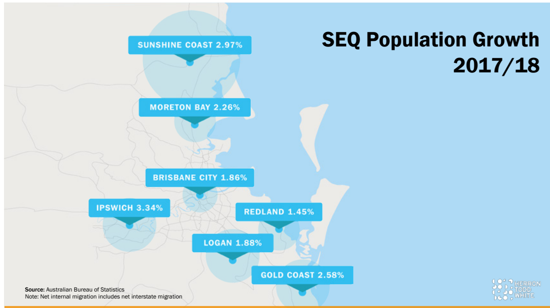
The beachside areas, as always, have been performing well with supply remaining generally tight and values picking up. The coastal strip in the sub-$800,000 price range is expected to continue to be in demand however it is becoming increasingly difficult to find good quality homes under this level. Units in these areas are a little difficult to gauge. The larger permanent occupancy style product has become increasingly popular with empty nesters.

When we turn a little further inland, estates of Aura at Caloundra South and Harmony at Palmview are still generating some good interest but it does appear that this market had slowed a little. It looks like this has mainly been by the investors pulling back a little. This may improve given the aforementioned market improvements in Sydney and Melbourne and passing effects of the banking Royal Commission.

The prestige market has had an uptick also right along the coast with the main focus continuing to be the northern coastal areas surrounding Noosa. Like other areas of the market, we experienced a little flat patch but this has certainly changed with supply being gobbled up and new value levels being hit. On the back of the record house sales in 2018, it is now units turn. A beachfront unit in Hastings Street, Unit 6 Noosa Court, is reportedly under contract for just under $10 million, and this isn't even the best unit in the complex (exact sale price not revealed). It was listed for $11 million for just less than three months and surpassed the previous record unit price for 2/23 Hastings Street of $8.25 million. At $10 million the Noosa Court sale analyses to $41,666 per square metre making the Noosa Heads beachfront unit market the most expensive in Queensland.

Noosa Court Source: realestate.com.au

The infrastructure projects underway continue to be a great talking point for the region. The Maroochydore CBD, Sunshine Coast Airport expansion and the Sunshine Coast International Broadband Submarine Cable project are all under construction and all massive for the area. Add to these new projects such as the recent announcement that the Sunshine Coast will get Australia's first Kelly Slater Wave Company wave pool and the news just keeps getting better. How this is affecting the coast can be seen from the latest population figures where the Sunshine Coast is the fastest growing region in south-east Queensland.



Source: Herron Todd White

All in all, 2019 has ended pretty well. It is pretty clear that elections, election results and the uncertainty created by them can have a significant impact on the market. 2020 is set down for both local and state elections so we will probably see some slow down and we can deal with that. As long as we don't see any major shocks to the global economy, we should go pretty well.

Rockhampton

Time to reflect on the year that was – already! At the beginning of the year, there was a lot of high anticipation for a buoyant year in the market off the back of the market stabilising throughout 2018 combined with the vast number of infrastructure projects in our midst.

Upon reflection, the market didn't fully react the way we had anticipated, however there are glimpses of positivity, mostly surfacing in the past two months.

We had predicted the price point sub-$250,000 would start to move as a result of the tightening trend in vacancy rates. In reality, this has not occurred. Whilst these rates have continued to fluctuate between 2.2 per cent and 3.3 per cent for the course of the year (a balanced market for Rockhampton has historically been between two per cent and three per cent), the sub $250,000 price bracket has continued to remain fairly flat. Whilst some local banks are reporting a definite increase in first home buyer loan applications, they have their sights set on the $250,000 to $350,000 price point, leaving market conditions in the sub-$250,000 category relatively unchanged from 2018.

At the other end of the scale, the prestige market sector has had a stellar year with a new price ceiling achieved and an unrivalled number of sales in the calendar year, compared to number of sales in previous years.

The Capricorn Coast has performed as expected with a continuation of improved activity and modest price increases for most market sectors. The coastal unit market and vacant land (particularly sloping allotments) remain weak.

Fortunately, we highlighted the risk of a number, if not all, of the planned infrastructure projects being unable to come to fruition as per the planned commencement dates. This has indeed happened. Whilst each project remains in the pipeline, only the northern access corridor and Capricorn Highway duplication have commenced construction. The Rookwood Weir, South Rockhampton Flood Levy and GKI are all yet to get out of the ground.

Something we had not anticipated in the Rockhampton market has been the premium purchasers have been prepared to pay for very well presented, renovated properties. There have been a number of cases across all locations and price points where a well-presented property has generated strong interest in the market, often attracting multiple offers, resulting in a sale price right at the upper end of a supportable market value range.

2020 will be a year to watch our local market closely.

Gladstone

It's always nice to know you are able to predict the future. I really wish I could do the same with my lotto numbers!

The Gladstone residential market behaved almost identically to the way we predicted at the beginning of 2019.

All market sectors in the Gladstone region have shown some form of recovery across 2019. We have seen value increases as high as 15 per cent for different property types. This year we also saw two $1 million plus sales in Gladstone, the first that have occurred in over four years.

Affordability is still the key driver of the market and is bringing newcomers to the region.

Rents continued to rise across 2019 on the back of tightening vacancy rates. The current vacancy rate is approximately 1.8 per cent. The last time we saw a rate that low was in mid 2012 at the height of the LNG boom.

The new construction trend has continued albeit slower than we had anticipated. Apart from small lots (sub 500 square metres) there is little developed land available at market attuned prices. A number of developers with significant stocks of 600 to 800 square metre lots have increased their sales rates by combining two lots to form larger allotments that are definitely more attractive to purchasers looking for space for the shed or pool.

GLADSTONE
VACANCY RATES
1.8%

Mortgagee in possession activity has continued in 2019, however we have started to see slight declines in the volume of these transactions over the past couple of months.

Bundaberg

The Bundaberg residential market has been as predicted - steady as she goes. Whilst sales have been regular, values do not appear to have strengthened in the past year.

Rentals are tightening and it appears that the lower end of the market has a lot of competition with up to ten groups turning up to inspect the open houses. Hopefully this demand will begin putting pressure on the contract prices and we may see an increase in the new year.

Mackay

Wow, I can't believe we are writing the year that was already and that the year 2020 is just around the corner!! It's always with a bit of trepidation we write this column, as we get to test our predictions from the start of the year against the events that happened through the year. So here we go. At the start of the year we predicted;

"We think the residential market will continue its momentum throughout 2019, following through from 2018. There appears to be no slowdown in employment opportunities related to the resource sector and infrastructure projects throughout Mackay and the adjoining Bowen Basin. These increased employment opportunities, coupled with (relatively speaking) cheaper cost of housing and rentals (compared to boom time levels) have seen many people move to the Mackay region. Notwithstanding any major economic crisis associated with world trade and the market for our most valuable export (metallurgical coal), we think the Mackay residential market will go from strength to strength during 2019 with growth predicted in both rental values and market values."

MACKAY
VACANCY RATES
2.2% - 3.3%
for sub $250,000 throughout 2019

So how did we go? Not too bad at all!

Besides a lull in the market just before the federal election, the Mackay market has continued to press ahead throughout 2019. Agents have reported strong demand across all market sectors throughout 2019, with market values rising slightly (between three per cent and five per cent generally, slightly higher in some areas).

The big mover in 2019 was the rental market. Vacancy rates for residential property remained low right throughout 2019 and have sat below two per cent all year. Market rents have also increased during the past 12 to 18 months, between ten per cent and 20 per cent.

At the start of the year, we stated, "The tightening of the rental market will see increases in weekly rentals, which will have the two-fold effect of:

1. Bringing investors back into the Mackay market based on increasing yields and potential for capital growth; and
2. Increasing demand for owner occupier purchases as cost of rents increase and become more difficult to secure."

This prediction was half right. Yields on residential properties have increased as rental value increases have surpassed capital value increases. The tightening of the rental market has also seen the number of tenants leaving to purchase property increase. However, investors have not returned to the market in numbers predicted at the start of the year. This can be possibly attributed to a number of factors, including more difficult lending criteria for investment purchases and costs associated with things such as insurance eroding net yields.

Lastly, we stated at the beginning of the year, "The difficult part is predicting the extent (of price growth). Momentum is a funny thing in real estate. At the moment, there is a definite shift in sentiment, both in the general economy and residential market, with all the momentum on the positive side of the ledger. We are quite optimistic about the year ahead and after the downturn we experienced between 2013 and 2017, that makes a refreshing change!"

We think it is pretty safe to say that 2019 was a good year for the Mackay residential market and general economy. With record low interest rates, increased employment opportunities and continued relative affordability in Mackay, it's seen as an ideal time to enter the property market.

There are still a few hangovers from the downturn that haunt the Mackay market. Firstly, even with increased demand and slight increases in value, the median house price for Mackay is still down around 20 per cent than the peak or between $60,000 and $100,000. This equity erosion will limit potential purchasing power and ability to sell for those who bought during the peak times. Also, the lending policies of the banks for our postcode 4740 are still causing some concern.

Emerald

At the beginning of 2019, we predicted steady growth but cautioned keeping an eye on coal prices. The first half of 2019 was steadier than we were expecting. The election may have had something to do with that as after the election, the market started moving in a positive direction with more turnover and rents increasing.

Coal prices dropped throughout the year and the median sale price fluctuated about three to five per cent over the past 12 months to land in a similar position as the start of the year at $310,000. Jobs growth has remained high throughout 2019 and rent is what stood out to have the most growth.

We definitely saw values increase for good quality properties that had multiple potential buyers, with two sales hitting over the $1 million mark. All in all, a slightly steadier year than we anticipated unless you had a property which offered uniqueness or the lot with pool, shed and size, although the second half of the year appeared much stronger than the first. Buyers in general appear to be showing caution in the main with perhaps the last boom still fresh in many minds.

We think it is pretty safe to say that 2019 was a good year for the Mackay residential market and general economy.

Whitsunday

The Whitsundays has just cruised through this year. There has been some movement in the tourist and hotel industry with the Conway Caravan Park, Airlie Beach Hotel and the Coral Sea Resort all being sold.

This year has also seen Daydream Island and Hayman Island back up and running following the aftermath of Tropical Cyclone Debbie and with the completion of expansion of the airport, it is anticipated that this will bring more tourists to the area, which will have the flow on effect of employment and growth for the area.

The residential market for single residential houses just seemed to be steady as she goes. The unit market is yet to find its feet. With high body corporate fees, this sector appears to be struggling in 2019.

Cairns

2019 has been a little up and down however in general terms it is our view that we have ended the year around or even a little ahead of where we started, at least in terms of activity. There has been limited movement in prices although overall they have tended to hold up reasonably well. Rental demand is still strong and there is limited availability of stock.

We have noticed a pick up in activity since the start of the financial year and it is likely due to the interest rate cuts allowing people to refinance or possibly trade up after sitting tight in recent years. Investors are reportedly a little more active although still not at a level to lift the investment market.

Townsville

The year started out positively following on from the improved sentiment of late 2018 with the inner city 4810 postcodes and in particular North Ward and Belgian Gardens seeing good levels of interest and activity.

In late January and early February, our city was hit by a massive weather event which is reported to have been the largest rainfall event to have occurred over the Townsville catchment in the past 120 years. As a result, a number of suburbs including Idalia, Rosslea, Hermit Park, Railway Estate and other low-lying areas experienced extensive flooding.

A period of upheaval in the market followed with a reported 3,300 properties damaged. The rental market experienced a significant level of demand from displaced occupants and along with damage to rental stock, resulted in a very tight rental market.

Following this event, property transactions were likely being driven as much by emotional factors as market fundamentals, however as the year panned out, the market has stablished and anecdotally interest and volumes of sales have been positive, however we are yet to see if this is a post flood boost or improving activity levels. To date there have been limited sales of flood affected residential dwellings to clearly define what factor the market has priced in as a result of this event.

Of interest during the second half of the year is that Townsville appears to have attracted the attention of buyer agents and investor strategy groups with a number of sales through these groups having occurred during the year. This is something we have not seen in our local market for many years.

Overall the property market is finishing 2019 on a positive note despite having a period of upheaval following the weather event, with the rental market seeing an easing in vacancy rates as occupants return to their repaired properties and repaired rental stocks coming back to market.

Toowoomba/Darling Downs

Toowoomba has been fortunate to benefit from major infrastructure projects including the completion of the Toowoomba Second Range Crossing and the imminent Inland Rail project.

As predicted in February, despite these major infrastructure projects, the Toowoomba and surrounding suburbs residential markets have continued to remain relatively stable throughout 2019 following a slowing level of sales activity in 2017 and 2018. This followed the peak experienced throughout 2014 into mid 2015. Although sales activity has been steady across the board, the market has continued to be multi-speed and property specific. There has been little consistency with variations in sale prices and buyer interest making it difficult to establish well performing suburbs and specific property types.

The rental market is in a balanced situation with vacancy rates remaining relatively low.

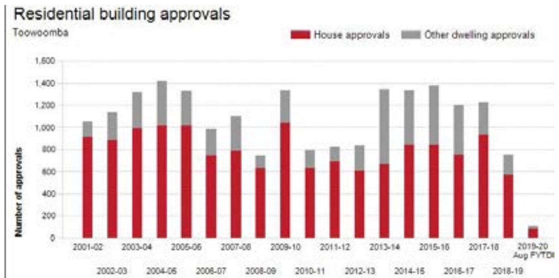
Toowoomba has been fortunate to benefit from major infrastructure projects including the completion of the Toowoomba Second Range Crossing and the imminent Inland Rail project.

Source: SQM Research

The infrastructure projects are believed to have assisted in holding vacancy rates low with many employees living in the Toowoomba area throughout the construction processes.

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

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



Source: RP Data and ABS

West of Toowoomba, the towns within the coal seam gas hub of the Surat Basin have reverted to levels which are more aligned with their predominantly rural based economies. As such local employment factors are now contributing to the trends witnessed in each of these towns. Enhanced interest for dwellings is being experienced from owner occupiers as affordability has returned. A significant over supply situation remains in the unit market which continues to place downward pressure on this sector. The Roma market is relatively inactive and downward pressure appears to remain while Dalby is showing good signs of stabilisation with a strong occupancy rate currently being enjoyed leading to positive movement in rental values.

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

South Australia

Adelaide

The South Australian market is renowned for shadowing the major east coast markets; always a step behind. This shadowing has always provided those in South Australia a crystal ball into how our market may track. The back end of 2018 and beginning of 2019 saw these major markets head into negative territory. After a period of sustained growth dating back to 2017, the South Australian metropolitan market was put to the test. Would the market be a bull and be outstanding in its field or continue to shadow?

In our 2019 February edition, the middle ring was tipped as being the segment to watch in 2019 with an entry price point of $300,000 to $500,000 providing options for both first home buyers and investors. The suburbs of Hope Valley, Dover Gardens and Ingle Farm were our picks to watch. On the most recent quarterly data, these suburbs achieved year on year median dwelling value growth of 1.45 per cent, 0.21 per cent and 2.62 per cent respectively. This year saw Dover Gardens achieve its highest residential dwelling transaction since November 2015 with 1 Seaforth Avenue, Dover Gardens achieving a sale price of $745,000. This property comprises a circa 2006 modern four-bedroom, two-bathroom dwelling on 600 square metres. In a market that has trended downwards, our call on these suburbs deserves a tick.

1 Seaforth Avenue Dover Gardens Source: realestate.com.au

The suburb of Campbelltown, north-east of the city, was tipped to be treated with caution in 2019. The local council had announced that they would be increasing the minimum allotment sizes to try to stifle the excessive townhouse development occurring within the council area. Broadly, Campbelltown achieved quarterly year-on-year price growth of 4.05 per cent which bucked the trend of the greater market. More specifically development sites have had mixed results through the year on the back of the zoning changes. As one sale faltered another would catch the market by surprise. The sales of both 3 Grivell Street, Campbelltown and 32 Downer Avenue, Campbelltown tell a vastly different story on how the market treated development sites in 2019. These properties transacted in mid 2017 and early 2018 for $700,000 and $560,500 respectively. Both transacted again in 2019 with 3 Grivell Street having a $25,000 loss and 32 Downer Avenue having a $104,500 gain.

3 Grivell Street Campbelltown Source: realestate.com.au

32 Downer Avenue Campbelltown Source: realestate.com.au

After a period of sustained growth dating back to 2017, the South Australian metropolitan market was put to the test.

Both Port Adelaide (and surrounds) and Mount Barker were tipped to watch in 2019 with the substantial development occurring within their vicinities (seven years into Renewal SA's Port

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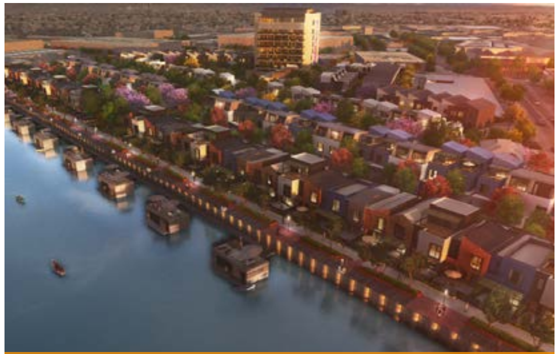
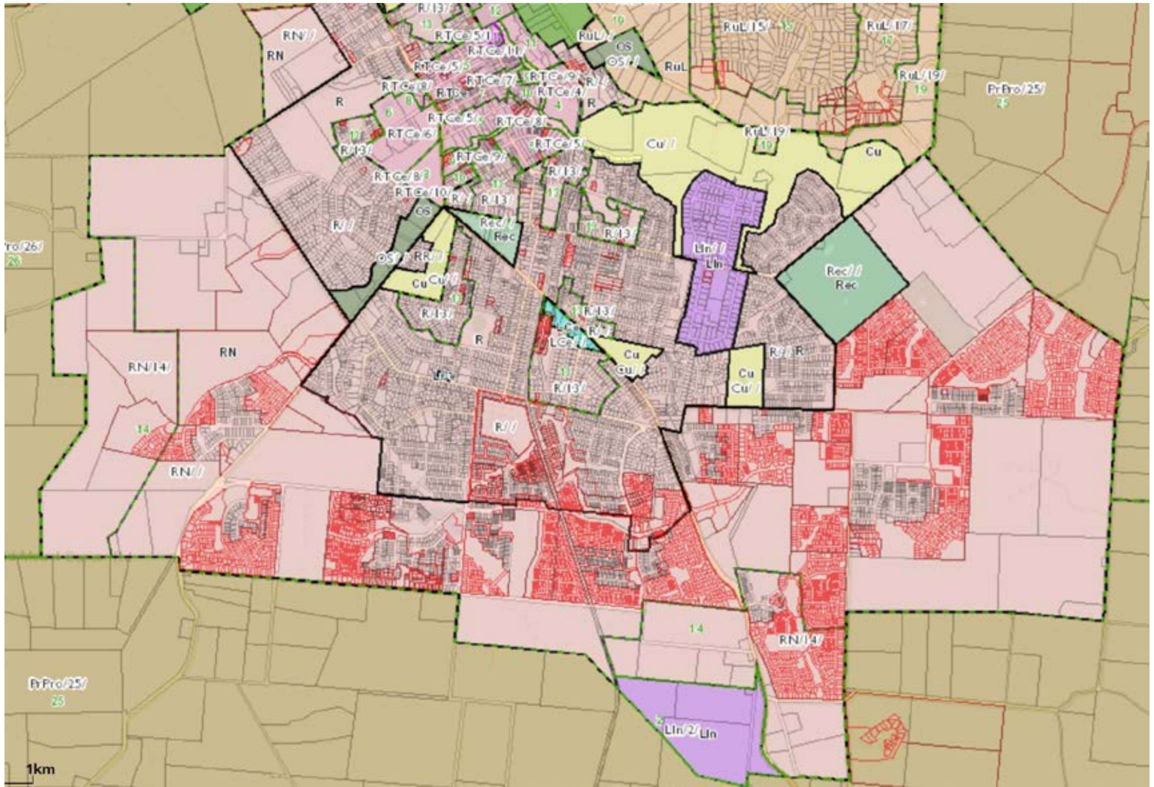
Adelaide rejuvenation project and the early 2019 announcement of the Dock One development). The Port was considered an area to watch for increased market activity as early adopters jumped in. Port Adelaide and the surrounding suburbs had mixed results in 2019 with price levels fluctuating and no visible price growth across the board. Our prediction looks to be premature but there is plenty of time for The Port to live up to the hype with another eight years remaining in Renewal SA's rejuvenation project.



Dock One Source: realestate.com.au

Mount Barker has continued to undergo significant residential development with former agricultural land being carved up. The abundance and availability of stock was considered a negating factor in any immediate and sustained price growth. It was pleasantly surprising to see Mount Barker have a 5.56 per cent increase in its quarterly year on year median dwelling price. The increase provides an indication that demand is meeting supply in this developing suburb. The map below provides an indication of the development occurring within Mount Barker with the red lines representing proposed subdivisions and the pink shaded areas representing land zoned for residential development.



Mount Barker Map Development Source: xgxgxgx

At the beginning of 2019 the year's outlook was somewhat murky. The South Australian metropolitan house price had grown quarter by quarter since September 2017. At the back end of 2018 the sluggish east coast market, banking Royal Commission and tightening lending conditions were making national news whilst locally the state government's proposed land tax shake up was striking fear into the hearts of all property owners. If there was ever a time for the South Australian market to hit a speed bump this would be it. The metropolitan median house price hit a peak of $480,000 in the March quarter which was followed by two quarters of decline with the most recent September quarter data indicating a median house price of $471,900. The non-metropolitan (major towns) median house price has also fallen to $265,000 which is the lowest point it's been since December 2017. The South Australian market typically lags behind the larger capital city markets; with declines being felt around the country it was only a matter of time before South Australia followed suit.

Speaking to both buyers and agents in the field, the ability to borrow was put down as a major factor in the lack of activity in the market. Agents operating in the inner ring have indicated that properties typical of a sale by auction were receiving mixed results with purchasers struggling to obtain finance. Within the middle and outer rings, first home buyers and mum and dad investors faced similar finance issues. The real winners have been cashed up purchasers who have reduced reliance on lending institutions. These buyers have had the pick of properties in a subdued market with declining interest rates.

A few surprises were thrown up during the year but none more than the transaction of 19 Statenborough Street, Leabrook. This property was transferred off market for a staggering $8 million in June. This has become the highest property transaction in the metropolitan area's history, eclipsing the previous record holder by $1 million. Available information indicates the property has a living area of some 1,300 square metres across three levels on an allotment of 2,200 square metres.

Throughout 2019 the market provided some surprises however wasn't able to buck the shadow of the east coast markets and keep on the upwards trend. Recent data suggests price growth in a number of the major metropolitan markets, so don't hit the panic button yet.

Mount Gambier

Mount Gambier is the second largest city in South Australia with a population of approximately 28,000 people. We are famous for the Blue Lake which is a dormant volcano sitting quietly providing fresh drinking water for the region.

At the beginning of the year, our outlook for 2019 was that the housing market would remain relatively stable throughout the year. As can be seen in the graph below, our predictions were correct. House sales volumes for 2019 were at similar levels to where they have been since 2014, as there have been no obvious indicators that have had a significant impact on the local economy and property sector. Overall, we score ourselves a ten out of ten for our predictions at the beginning of the year.

One thing that has surprised us this year is the continued strength in the rural and rural residential market.

Mount Gambier sales per annum Source: RP Data Professional

The Mount Gambier property market has performed at a similar level to 2018 with a slight increase in the median house price (approximately four per cent). House sales are currently sitting at a similar level to the preceding years with total houses sales at year end expected to be 400 to 450. This is expected given there have been no major employment or population boosts over the past 12 months. The market has generally remained stable, which considering current economic conditions provides confidence in the local market.

The best performing price range over 2019, which has been the best performing price range over the past few years, is $200,000 to $300,000 which is where the median house price sits. The price range provides an entry point for first home buyers, people looking to upgrade their home and investors given the good rental returns. A price range which has seen an increase in sales numbers is $400,000 to $500,000. Typically this price point has been less active, however a number of well-located central houses have sold, as well as higher end modern houses. Sales in this price range have doubled since 2014 which does show confidence in the local property market with higher value properties selling.

In summary, the housing market for Mount Gambier has remained stable which in our view is positive for the region. One thing that has surprised us this year is the continued strength in the rural and rural residential market. Sale prices of rural lifestyle and rural properties have exceeded expectations on a number of occasions. We expect further surprises could continue in this sector into 2020.

Western Australia

Perth

Our property market predictions in February's edition of the Month in Review forecast a reasonably stable 2019 overall. We were concerned about the gap between value growth in the inner versus the outer suburbs and expected greater Perth to continue its downward trend towards the bottom of the market, driven mostly by poor performances of newer land estates on Perth's urban fringe. The most positive news was the strength of Perth's rental market. This has continued throughout the interim, as the median weekly rental has held up at $350 per week.

REIWA states that the rental vacancy rate has improved for the second quarter in a row, lowering to 2.5 per cent. This is likely due to Western Australia's net migration figures. From mid 2016 to late in 2017, Western Australia was receiving less people than were leaving the state, however this has since been reversed and we are now seeing an upward trend, pushing net migration into the positive again.

Significant mineral resource investment is one factor influencing Western Australia's population over the year. In an article in August 2019 by Mark Beyer in Business News, he said:

"Of the 12 biggest mining projects under way or likely to proceed this year, seven are in the iron ore sector. The expected investment in the iron ore projects is $17 billion, out of a total investment of $20 billion across the top 12 mining projects." (BusinessNews.com.au, 2019).

These mining ventures by the likes of BHP, FMG, Rio Tinto and more are presumed to create 11,000 jobs for the construction stage alone. There is no doubt that these projects have already and will continue to generate demand for a number of skilled and specialised employees. Historically, resource sector wages have been very attractive to local, national, and international workers so this could help to bolster Western Australia's population again. As stated in previous editions, large net migration figures impact the rental market first, as many migrants choose to rent before looking to purchase a property.

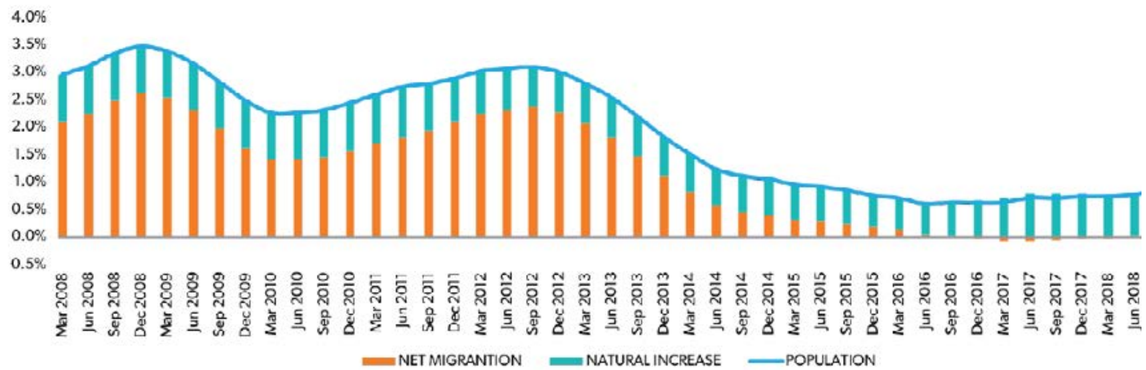
$500,000
Perth median house price February 2019

$480,000
Perth median house price September 2019

Due to the known effects of the last mining boom and bust, workers from interstate or overseas are hesitant to purchase property when moving to Western Australia, as the well-documented slump of Perth's property market could have imposed a more conservative and cautious attitude in potential buyers. Perth has however, felt the effects of the net migration increase over the past few quarters as negative median house price growth has continued to diminish.

With the data available in February we reported a median house price of $510,000 for greater Perth, however after sales had settled it turns out that the median was closer to $500,000. The September 2019 quarter has shown a median house price of $480,000, equalling a decrease of four per cent from February to September.

Sales activity in the greater Perth region decreased by four per cent during the September 2019 quarter with 7,050 sales recorded. REIWA reported a three



WA Population Growth Source: REIWA

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per cent fall in house sales, two per cent rise in unit sales and a 17 per cent fall in vacant land sales. This decrease indicates that Perth's developing suburbs are suffering. The oversupply of land in fringe locations continues to be detrimental to greater Perth's overall median house price.

Vivien Avenue, Baldivis Source: CoreLogic

The property shown in Figure 2 was purchased in April 2014 for $410,000. The circa 2006 Baldivis home comprises four bedrooms, two bathrooms and a double garage on a 511 square metre allotment. It sold again in September 2019 for $280,000 after more than three years on the market showing a loss of $130,000 or 32 per cent.

Horrocks Road, Byford Source: CoreLogic

The property in Figure 3 was purchased in May 2015 for $498,000. The circa 2014 Byford property comprises four bedrooms, two bathrooms and a double garage on a 42 square metre allotment. It sold again in August 2019 for $418,000 after 121 days on the market, showing a loss of $80,000 or 16 per cent.

Durant Way, Ellenbrook Source: CoreLogic

The property in Figure 4 was purchased in September 2014 for $535,000. The circa 2007 Ellenbrook dwelling comprises four bedrooms, two bathrooms and a double garage on a 495 square metre allotment. It sold again exactly three years later in September 2019 for $380,000 showing a loss of $155,000 or 29 per cent.

Carrabelle Street, Butler Source: CoreLogic

The property in Figure 5 was purchased in May 2014 for $392,000. The circa 2011 flute-style property comprises three bedrooms, two bathrooms and a rear double garage on a 240 square metre allotment. It sold in June 2019 for $272,500 showing a decrease of just under $120,000 or 30 per cent.

These examples paint a very poor picture for developing suburbs on the outskirts of Perth, but it is an unfortunate reality. The examples shown were extreme however it is very common to see properties in these locations having extended selling periods and selling with heavy discounts of between 10 and 20 per cent. As covered in previous editions, suburbs with a large oversupply of land are seeing consistent median house price decreases, the reason being that the public can purchase their own land and build to their own specification cheaper than the established homes were previously bought for, so vendors must give significant discounts to sell established housing stock, otherwise they may face extended selling periods. This also ties in with the number of mortgagee properties that we have been seeing. The number of mortgagee-in-possession jobs received by our firm has almost doubled over the past three years.

Though the greater Perth market softened overall, there were some suburbs that bucked the trend and showed strong performances. These were mostly in affluent locations with median house prices that far surpassed the Perth median. As at August 2019 Swanbourne, Menora, Shelley, Mount Pleasant, Hillarys, Cottesloe, Trigg, Kensington and Waterford all had year-on-year median house price growth rates of between five and 20 per cent. Those suburbs also took fewer days to achieve a sale than the Perth September 2019 quarter average of 84 days. This was four days slower than the quarter previous which was unsurprising since the September quarters usually see the least sales activity throughout the winter months.

In the year to September 2019, the highest growth suburbs in Western Australia were Newman, Pegs Creek, Lamington, Rossmoyne, Katanning, Nickol, South Hedland, Mullaloo, Port Hedland and South Bunbury, showing growth rates of between ten and 35 per cent. Only two out of the ten suburbs listed were within greater Perth, showing that some regional locations are flourishing.

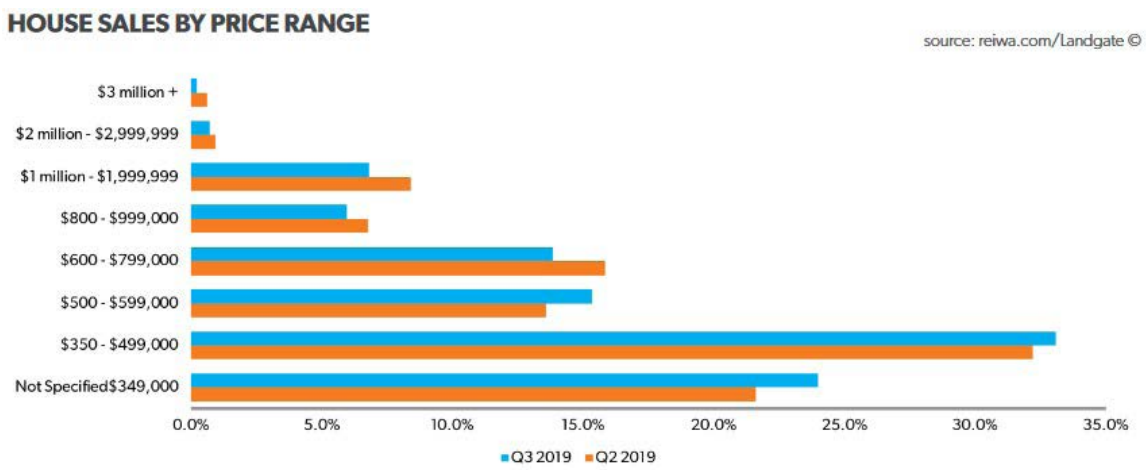
REIWA has recently reported that five of Western Australia's nine regional centres have recorded an increase in sales activity of more than 19 per cent over the September 2019 quarter. REIWA Deputy President Lisa Joyce said, "From a rental market perspective, properties are in high demand in the Karratha region, which is demonstrated by a 27 per cent reduction in leasing activity and an increase of $68 per week in median rent – the highest of all regional centres for the quarter." Ms Joyce attributes this to "an increase of jobs in the area,

Though the Greater Perth market softened overall, there were some suburbs that bucked the trend and showed strong performances.

with existing companies expanding their workforce and new companies needing accommodation for their workers in the area."

Karratha's median house price settled at $350,000 for the September 2019 quarter, showing an increase of 1.3 per cent. Port Hedland was the other regional centre to record an improvement in the median house price, increasing by 2.8 per cent to $236,500. Overall the regional Western Australian median settled at $315,000 for the September 2019 quarter, decreasing 1.6 per cent but showing an increase in sales volumes of three per cent.

Back in Perth, first home buyer activity showed an improvement over the last quarter as seen in Figure 6. There were more sales under $599,000 in the September 2019 quarter than in the June quarter and REIWA states that 24 per cent of all house transactions occurred at or below $350,000.



REIWA September Quarter Market Update

Source: REIWA.com.au, 2019

The increase in first home buyer activity may be attributed somewhat to changes to Keystart's eligibility criteria. From 1 July 2019, Keystart's income limit thresholds were increased by $15,000 for singles and couples to $105,000 and $130,000 respectively and increased by $20,000 for families to $155,000 for the metropolitan region. This would have allowed many more residents to qualify for stamp duty exemptions allowing more people to enter the market.

There were plenty more changes to economic, monetary and housing policy in 2019 in a bid to stimulate the overall economy, some of which we have covered in previous editions. On 2 October 2019, the cash rate was decreased by 25 basis points to a 60 year low of 0.75 per cent. This was a relief for financiers and the Perth property market as a whole. The RBA was hoping the full 0.25 per cent cut would be passed on to the end consumer, but unfortunately this did not prevail for most lenders.

The West Australian government has also introduced a 75 per cent stamp duty discount for property buyers purchasing off-the-plan, pre-construction, multi-level apartments in an effort to attract more density to inner areas of the Perth region.

Liberal's federal election win was a positive for Perth's housing market as Labor's plans to limit negative gearing to new housing, halve the capital gains tax discount from 50 per cent to 25 per cent and limit negative gearing to new investment properties only may have increased the pain levels within an already suffering property market.

APRA made a few big changes in 2019, removing the cap on interest only loans and changing lending criteria guidelines to allow brokers and banks more flexibility. The guideline changes will allow the average home owner to borrow an extra nine per cent, which goes a long way in the search for your perfect home.

To wrap up, I would score our February predictions an eight out of ten. We did not expect big changes in the property market and we thought 2019 would be a year spent searching for the market floor. The consensus remains that if we aren't quite there, we are likely to be very close!

South West WA

2019 has seen a regional residential property market in the South West of WA that has shown noticeable resilience generally against the backdrop of the banking Royal Commission and state debt remaining high (albeit beginning to reduce) and unemployment rates not improving much over the past 12 months. Bank interest rates were predicted to reduce during 2019 which has transpired, but household income has appeared to decline, as utility charges continue to rise year on year. This has resulted in a weak residential property market that was anticipated but realistically priced and well-presented dwellings are selling, albeit slowly, in a market where the buyer remains in the better position.

At the start of the year there was talk of improvement in the trading of the Western Australian minerals resources sector and this was notable in the growth of lithium production, particularly at the world's largest lithium mine at Greenbushes (80 kilometres south-west of Bunbury). The exportation of iron ore from the Pilbara has also increased, albeit with slightly lower prices. This improvement in the resources market is having a modest positive effect on the residential property in the South West of WA due to resurgence in the FIFO workforce from the area. One noticeable effect is the bottoming of the rental market which was anticipated 12 months ago.

The South West of WA remains a leading growth area for both residential and commercial development and the majority of the demographic of the new residents is made up of young families who are supporting the local economy and schools, improving community resilience. There was also an anticipated growth of retirees relocating to the region which has seen new development of over 55s retirement accommodation in Kealy and Dunsborough.

A significant win for the region was the announcement in November that Jetstar will be commencing direct flights from Busselton-Margaret River Regional Airport to Melbourne from March 2020. It is anticipated that this will provide stimulus for market improvement in the local economy.

As the current year comes to a close, analysis has revealed that residential property values have dropped six per cent in the Busselton region and other areas such as Collie and Dalyellup have performed even more poorly, but the upside of this trading climate is that investors are cautiously returning to the market as returns on investments begin to look more attractive.

In conclusion, the regional residential property market was at best benign during 2019 against the challenging economic climate.

Our score for South West WA's 2019 prediction is six out of ten.

In conclusion, the South West WA regional residential property market was at best benign during 2019 against the challenging economic climate.

HERRON TODD WHITE RESIDENTIAL

Northern Territory

Darwin

As 2019 draws to a close, we have the opportunity to reflect on the year that was in the Darwin residential property market. Our February Month in Review charted a likely course and it will come as no surprise that our expectations earlier in the year for a subdued 2019 have transpired.

In reference to the state of the economy, we commented that "...the residential property market is unlikely to show much growth under these conditions and critically, sentiment will likely remain weak across many aspects of the economy".

The most recent stats to come out of the Real Estate Institute of the Northern Territory (REINT) show that as at September 2019, total sales volumes declined by some $9 million since the same period in 2018, a reduction of over eight per cent. This was mirrored by the reduction in median price from $497,500 in 2018 down 7.5 per cent to $460,000 in 2019.

Interestingly the unit market actually showed an increase in total sales volume, up $2.7 million, however this is largely due to the increase in sales volume up 37 sales to 153 from September 2018 to September 2019. However, the contraction in median price from $352,500 to $294,000 in 2019 reflects the continuing weak segment plagued with over supply issues and distressed sales.

One of the key drivers in the market throughout 2019 has been the house and land construction in the new estates of Darwin and Palmerston. The NT Government released a suite of concessions and bonuses for eligible applicants across an array of categories which include new construction, first home owners and existing Territory home owners. Anecdotally the more popular of these has been the Build Bonus Grant which is a grant of $20,000 for new constructions. Under a first home owner qualification, the total maximum benefit available is $50,601 which includes a stamp duty concession and household goods grant. The impact on the market has seen new constructions and land sales dominate activity in these areas, taking demand away from older and more established suburbs. This is seeing these established areas presenting real value for money - an opportunity we see emerging in the market going forward.

$497,500
Darwin median house price 2018

$460,000
Darwin median house price 2018

In line with our comments in February, the market remains a buyer's market. Despite the contraction in median value across some asset types, the market remains fluid with agents reporting good demand for reasonably priced good quality property. We would expect that this trend and sentiment will continue throughout the balance of 2019.

Anecdotally, the more popular of the government bonuses has been the Build Bonus Grant which is a grant of $20,000 for new constructions.


Zuccoli Source: domain.com.au

Alice Springs

The local market remains about as flat as the terrain around Lake Eyre, with little for property owners to get excited about. Demand continues to be soft and the fallout from the banking Royal Commission continues to be felt. Easing of interest rates by the Reserve Bank over recent months has had minimal impact on consumer confidence which remains subdued, with some financial commentators blaming a lack of wage growth and dwindling household disposable income. This seems to be the state of play Australia-wide and Alice Springs is no exception.

Houses at the lower end of the market ($350,000 to $400,000) continue to move quickly if reasonably priced, with some bargains out there for those not scared of a bit of hard work, but the lack of capital gain in the market place is proving to be a deterrent to flippers. Older two-bedroom units continue to slide in value, due in part to the recent abundance of new or near new units coming on line in recent years. This oversupply has seen a number of unit developments stall or be deferred in the absence of sufficient pre-sales.

A recent sale of a beautifully renovated 1990s, three-bedroom unit with golf course frontage has been a highlight, with a price tag in excess of $600,000. The quality renovation and stunning views of the golf course and MacDonnell Ranges ensured a good outcome for the vendors.

The real estate market over December and January is historically quiet with the town population shrinking as a result of the annual exodus of Centralians back to their former home states for the holidays. This coincides with the off season for tourism and so the streets will be looking decidedly quiet for the next few months.

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

1990's, three-bedroom unit with golf course frontage Source: HTW

Australian Capital Territory

Canberra

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

Most Canberra suburbs have maintained median price points for standard dwellings while medium density and unit stock have seen some small declines.

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

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

Investors and owner occupiers are active, however strong supply within the medium density market has had an impact on activity.

Price points in the medium density unit market range from $200,000 to $275,00 for a one-bedroom unit recently constructed in a fringe Town Centre location to $400,000 to $500,000 for a centrally located unit in Canberra's inner north or inner south. Investors and owner occupiers are active, however strong supply within the medium density market has had an impact on activity. Being in close proximity to or directly in Town Centres including Tuggeranong, Woden, Canberra City, Belconnen or Gungahlin is important for rental return, low vacancy and potential future growth.

Tasmania

Hobart/Launceston/Regional

Well, what a year we have had in the country's best performing market.

Time to ask how we went calling the year ahead.

Back in February, we called Hobart as continuing to grow with a levelling off in the inner ring suburbs, Launceston to continue to push ahead and the north-west coast to strengthen its recovery.

So, what actually happened?

Hobart has continued to lead the nation in capital growth notwithstanding a levelling off from the double-digit growth of the past few years. The inner ring suburbs evened off a little but still achieved reasonable growth in the order of five per cent. However, some of the other suburbs such as Oakdowns (western side of the river) achieved an outstanding lift of 22 per cent in median pricing. The established suburb of Howrah lifted its median house price to $535,000 (eight per cent increase) and median unit price to $415,000 (twelve per cent increase).

In the north, Launceston has continued in leaps and bounds. The city is up broadly across all price segments, from Ravenswood (lower socio-economic suburb to the east of the city centre) up 13 per cent to Newstead (higher priced inner suburb) up 11 per cent.

On the north-west coast Devonport is continuing its steady rise, however Burnie appears to have levelled off, which may be a reflection of a more stagnant population base.

Interestingly the stand out performers came from the north-east. Centres such as Bridport (coastal holiday township) and Scottsdale (rural town near the mountain bike tracks) are both up 15 per cent and more.

The west coast is the dampener on the story however with centres such as Queenstown, Zeehan and Roseberry continuing to struggle on the back of a reduced mining sector.

Score out of ten? An eight with marks off for not quite nailing Burnie slightly coming off or the strength in the Launceston market.

Happy new year everyone! :)

2019 value increases:

5%
Inner Hobart

22%
Oakdowns (Hobart)

13%
Ravenswood (Launceston)

11%
Newstead (Launceston)

15%
Bridport (Regional)

Well, what a year we have had in the country's best performing market.

HERRON TODD WHITE RESIDENTIAL