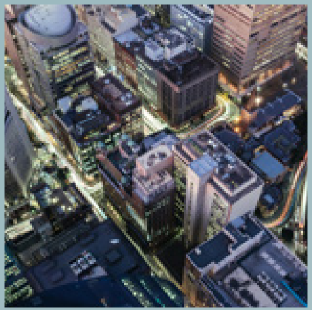
June 2018

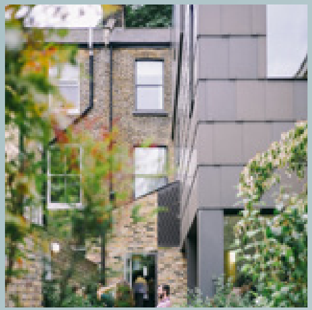
Month in Review

HERRON TODD WHITE

Fifty Years of Property Valuation | 1968 - 2018

Contents





Disclaimer

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

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

Half-time. What's happening?

Sometimes you become so engrossed in the game you forget to look up and check the scoreboard.

Whether it be league, AFL, soccer, union, netball, foozeball, dodgeball or tiddlywinks, taking a moment to pause and assess the state of play is crucial.

Ploughing on with scant regard to the players and how they're performing is a recipe for disaster if your goal is a victory lap come game's end.

So it is with property markets as well.

Our annual interest in real estate runs cyclically - like Cadell Evans on a mountain range.

After a breather during the festive season (December), we all like to steady our feet and prepare a firm foundation for what lies ahead (January). This is all before our markets start in earnest and set their path for the year (March to May)

We should always be watching the movers and shakers that signpost the right time to jump on an opportunity. It's always nice to have a 'sitter' pop up in front of you on the try line, but that sort of good luck only comes your way when you've been watching the game closely.

So here we are in June - it's time to take pause and assess how it's all playing out.

At a very general glance, has certainly seen its softer results become a more established trend while Melbourne continues to look relatively rosy.

In the north, Brisbane has entrenched a steady pace while the mood in Perth is a little more buoyant.

Adelaide looks full of promise while Tasmania can barely wipe that smug smile off its dial.

Regionally – it's a mixed bag of performances depending on employment opportunities, economic bases, and relative affordability drivers.

This tight little summary is all well and good but Australia's property markets are too complex to be captured in four sentences.

To help, we've called in our trainers from all parts of the compass. Our valuers are kitted up and ready to run on with a magic sponge and squeeze water bottle, giving you a comprehensive rundown on where markets sit and some strategic approaches on how to get the best out of your real estate game on their home ground.

For the commercial clash this month, we've suited up our industrial team who are set to tackle a rundown on growth zones within their service areas.

They've pulled out the hypothetical whiteboard, positioned the magnetic markers and are keen to bark instructions on where industrial developments worth your attention are underway.

So, there you have it, folks. A guide for all you 'Monday's Experts' on exactly how our residential and industrial property markets are performing as we approach this financial year's end.

Of course, all this information come to naught unless you have the greatest coaching squad on your team, and we here at Herron Todd White pride ourselves on our ability to get the best from each player to maximise the score in your favour.

It's all part of ensuring you be holding a winning trophy investment in your portfolio come December.

Victories are made during half-time – so call us now before the whistle blows to run back on.

Commercial

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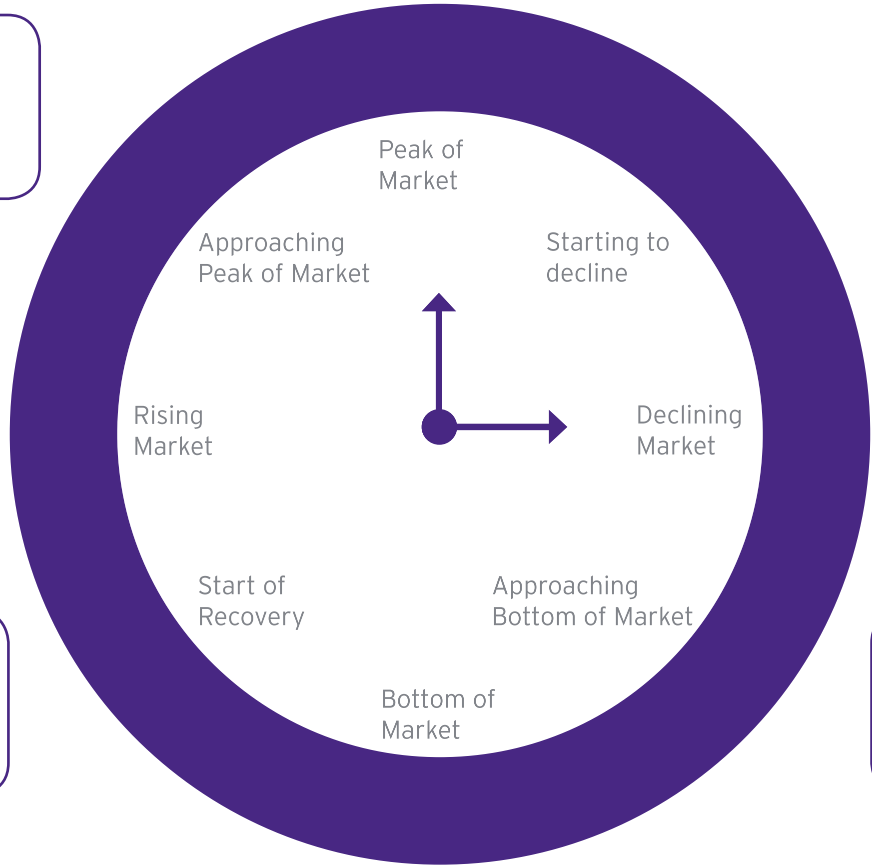
National Property Clock
June 2018
Industrial Space

Dubbo
Gold Coast
Griffith

Albury
Coffs Harbour
Melbourne
Mid North Coast

Ballarat
Bendigo
Brisbane
Burnie-Devonport
Echuca
Hobart
Launceston
Lismore
Newcastle
South East NSW
Sunshine Coast
Sydney



Alice Springs
Canberra
Gippsland
Toowoomba

Adelaide
Cairns
Central Coast
Horsham
Mildura

South West WA
Gladston

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

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New South Wales

Commercial Overview

Industrial remarkets remain a 'must watch' for most investors because they're a great litmus test on the health of the overall commercial sector in any given location.

This month, our teams provide not only an overview of how their industrial markets are performing, but also highlight locations where new development is underway.

It's a stellar summary of growth projects and new infrastructure bringing in buyers and bolstering the industrial sector.

Sydney

There has been substantial growth in industrial values, especially over the past three years, due to increasing demand, decreasing market yields as well as increasing land values and rising rents over the past 12 months.

Market yields for larger prime investments are in the order of 5.5% to 6.5% while yields for smaller strata units in good locations are ranging between 4% and 5%. In the case of the latter, investors are seeking higher returns than obtainable from residential investments or are looking for a haven for their super funds.

Owner-occupiers continue to be strong in the Sydney market, creating strong competition for assets which has driven capital values higher and seen yields firm with effective rents across Sydney increasing by an average of 5%. This has seen investors enter the secondary market in search of higher yields. With prime yields compressing, we anticipate that the spread between prime and secondary industrial assets will tighten over the coming twelve months as investors look for higher performing returns, with development upside.

Rental growth remains strong and this is unlikely to change in 2018.

Infrastructure projects have been driving demand for industrial properties including land. There is much speculative buying happening, especially in the western Sydney region. Sydney's western industrial areas will benefit from the proposed completion of the North-South rail link, with the first stage from St Marys to Badgerys Creek via Western Sydney Airport due to be completed by 2026.

The airport itself is due to be partially operational by 2026 and fully finished five years later. Installation of power has started at the airport site and clearing of the site is due to start later this year.

There is also some speculation about planned road and freight rail lines, including one that will connect to Erskine Park which is being considered but is not yet confirmed. Freight rail lines connecting from other intermodal transport services are also being investigated.

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

Construction on the intermodal terminal at Moorebank is underway and is currently at Stage 1. Stage 2 is due to commence in 2019 with the first operations commencing in 2019/2020. The Moorebank intermodal terminal will be able to handle interstate freight trains, up to 1.05 million TEU per year of import-export freight and another 500,000 TEU per year of interstate freight. It will also provide a direct link to Port Botany. The intermodal terminal is well located next to the M5 Motorway and near the M7 Motorway and Hume Highway.

As an example, future industrial development land in Bringelly is currently achieving a rate of around $1 million per acre for land that is currently zoned rural.

In nearby Leppington, light industrial land along Bringelly Road with no services is achieving over $200 per square metre.

Elsewhere in Sydney, DA approved land of over 10,000 square metres is attracting rates of over $600 per square metre.

There is a lack of suitable land for industrial development, which has seen new strata buildings constructed in older industrial areas such as Marrickville and expansion of existing areas on the outskirts of the Sydney metropolitan area such as Penrith, Mount Druitt, Kemps Creek and Erskine Park to the west and Smeaton Grange to the south-west. In fact, the lack of land supply has seen an increase in multi-level industrial units.

Examples of new offerings include First Estate at Erskine Park which is approximately 48 hectares and will provide large format logistics and warehousing. Examples of strata industrial estates include The Horsley Business Centre at Smithfield which comprises brand new strata industrial units. Agents advise that sizes start from 156 square metres and are priced from $695,000 plus GST.

The Kookaburra Business Park at Belrose also provides 30 new units. Sales in this development are reflecting between $4,000 and $4,800 per square metre and range in size from 100 to 250 square metres.

South East NSW

The industrial market is arguably the strongest of the three main asset classes at present, coming to life over the past two years after a prolonged period of stagnation post the GFC. We expect this strong market sentiment to continue throughout 2018 as major infrastructure projects, albeit Sydney-centric, impact on the Illawarra region. These projects include the Western Sydney airport, the numerous projects (road and rail) that form part of the NSW Government's Western Sydney Infrastructure Plan and the Albion Park Rail Bypass (a local project that forms part of the overall Princes Highway upgrade).

The drivers of this market are low interest rates, extremely strong conditions in the Sydney industrial market, high confidence in the local economy and activity surrounding the port of Port Kembla.

The relative affordability and simple availability of industrial land and existing product compared to Sydney combined with the region's proximity and improving connectivity to Australia's largest city is making the Illawarra an attractive option for owner-occupiers, while investors continue to chase yield that this major regional city can offer.

Newcastle

Our focus this month is on growth zones within the industrial sector. Today we will take a look at industrial estates up and down the M1 Freeway between Beresfield/Thornton and Somersby.

Industrial estates that are situated on, or have ready access to, the M1 Freeway include Beresfield, Thornton, Cameron Park, Morisset, Warnervale, Tuggerah, and Somersby. We've seen significant market growth in all of these estates in the last 2 years – especially in those estates to the south being Morisset, Warnervale, Tuggerah, and Somersby.

As the Sydney industrial market continues to heat up, only one hour drive down the highway these sites are sitting at around half the value rate per square metre of those in Western Sydney's industrial growth corridor. The market has identified this and these cheap sites are being snapped up. Values in Somersby and Morisset have especially risen and have been identified in the market as having been previously under-valued.

Interestingly, the historically strong and popular industrial estate of Beresfield has not seen as much as a land value increase within the same 2 year period. The reason for this is twofold. Staged land releases within the Freeway Business Park have meant that stock has been plentiful, putting downward pressure on value growth. Also, being the northernmost area of those being discussed today, Beresfield will have less of a Sydney transport influence than say Somersby, which is about an hours highway drive to the South. We note the M1 Business Park in Beresfield is now being listed for sale with asking prices ranging from roughly $200 to $250 per square metre. This is a big jump from the circa $140 to $180 per square metre price range at the adjacent

Freeway Business Park North estate, however, not unreasonable given the superior frontage and exposure to Weakleys Drive.

Lismore

Byron Bay again is setting the standard on the Far North Coast of NSW. Traditionally, the industrial estate has included an illegal component of residential accommodation and semi-retail/ commercial uses which has been strongly sought after.

Byron Shire Council and developers have recognised this strong demand and have met the market with a newly mixed-use precinct known as Habitat.

The developing Habitat Community Development comprises a commercial precinct that will have a reported 35 first floor spaces and 29 ground floor spaces including a 270 square metre food and retail hub.

It also includes meeting and conference rooms, breakout spaces and boardrooms available for use by all occupants as well as shared indoor and outdoor meeting spaces, licensed café and food outlets, lap pool with shower and change room facilities, open grassed area, children's play and passive recreational use area, barbeque facilities, covered ping pong tables, car parking and bicycle parking.

The recently developed first stage of live/work properties includes ten commercial townhouses (with private courtyards, 2-bedrooms above and office, lounge, kitchen and dining below) and 12 live/ work loft-style apartments (with 1-bedroom above and large open plan commercial studio/office space below). Stage 2 of the development is yet to be confirmed with the yield to be determined by market demand. We have been advised that the developer indicated there will be several blocks of apartments similar to those in Stage 1. The site plan is reported to have changed several times, but the rough estimate at this stage is reported to be about 80 to 100 apartments in total.

The majority of the live/work complex sold off the plan, initially selling for $650,000 to $750,000. As yet, there have been no resales, although there are reports of owners being offered $150,000 to $200,000 more than the original purchase price. One of the units that originally sold for $650,000 is currently listed for sale at $1.15 million fully furnished.

The Habitat development is very Byron Bay and while very successful in Byron Bay, would not be readily transferable to other North Coast localities, however we believe there is significant space in the industrial estate for mixed-use developments (retail and residential).

Pictured: The Habitat development

Coffs Harbour

The industrial market in Coffs Harbour and the Mid North Coast could be described overall as steady. There is sound market interest for reasonably priced property with some purpose built leasebacks. The year ahead indicates that there is a looming supply shortage of industrial land stock. This is particularly relevant for those requiring larger land holdings. Accordingly, land prices are expected to edge upwards over the next 12 months.

The Coffs Harbour City Council recently issued development consent for an enterprise park at the airport. The consent will allow approximately

80 new allotments ranging in size from 1,000 to 6,000 square metres. The uses are expected to be clean high technology and use associated with the airport including hangers, rental offices and perhaps accommodation.

Nambucca Shire Council is also moving towards development of an industrial park at Valla close to the Nambucca Pacific Highway interchange. Lot sizes will vary but range from 2,000 square metres to four hectares. Stage One is being formulated with circa $8 million in infrastructure required as part of the initial development. Some of this land will have Pacific Highway exposure.

The proposed expansion of industrial land supply will be well received as existing stock, particularly larger holdings, are rare to the market.

The Grafton industrial market is gradually improving with new modern developments close to the Pacific Highway being completed. Land supply in the Clarence Valley is not an issue at present and therefore value levels remain steady.

Victoria

Melbourne

With interest rates remaining low and a relatively stable economy, new industrial developments are continuing to come onto the market. This can be seen in growth corridors across Melbourne and the outer fringes, including suburbs such as Clyde and Pakenham in the south-east, Truganina and Derrimut in the west and Epping in the north.

The movement of the Melbourne fruit and vegetable market into Epping has created an influx of demand from food grade users to move into the locality in preference to competing areas such as Campbellfield, Somerton and Coolaroo. The surplus zoned industrial englobo land creates ample opportunity for subdivisions in Epping and the close proximity of major transport routes such as the Hume Freeway, Hume Highway and Western Ring Road pushes demand up, thereby increasing the underlying land values.

Within the western region of Melbourne, the West Park Industrial Estate located in Derrimut encompasses approximately 310 hectares of industrial land, parts of which are established with tenants and others with vacant land available for development. Similar to the northern industrial precinct, the West Park Industrial Estate is well located, being close to major transport routes such as the Western Freeway and Western Ring Road.

Greenfield land is readily available throughout south-eastern suburbs such as Keysborough, Dandenong South, Lynbrook and Pakenham. The development of the South East Business Park in Pakenham consists of a staged multi-lot development, with over 50 percent of the available land already sold.

The current planned infrastructure upgrades and road projects will benefit the industrial corridors across Victoria, including projects such as the Western Ring Road Upgrade, CityLink Tulla Widening, West Gate Tunnel Project and the anticipated North East Link Project. The completion of these upgrades will positively impact the aforementioned growth corridors across Melbourne and allow for further efficiencies in transportation and logistics, particularly with regard to the growth in e-commerce and the importance of distribution centres. These infrastructure upgrades are creating stable links between destinations, reducing the risk of contingency when transporting goods.

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

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

Gippsland

Due to market conditions surrounding the unpredictable nature of the coal power plant industry, industrial development in the Latrobe area is stagnant.

Echuca

The industrial market has broadly been flat for many years on account of ample land supply and a general willingness for many market participants to build their own premises which have effectively capped market demand which is predominantly from smaller owner-occupiers.

It will be interesting to see whether the strength in the agricultural industries or demand associated with the second bridge crossing results in any additional demand but at this stage, this seems set to continue to bubble along.

South Australia

Adelaide

Renewal SA has a number of industrial projects predominantly situated to the north and south of the Adelaide CBD.

These include:

- The Grand Trunkway Estate and Port Direct developments to the north-west of the CBD and close to Port Adelaide, Edinburgh North to the outer north, Tonsley to the south and Seaford to the outer south.
- The Grand Trunkway Estate is a General Industry zoned development of 15 hectares and has strong transport links to the Outer Harbour, Interstate Main Rail Line and the Port River Expressway. Renewal SA also retains land for further stages and to accommodate occupiers with larger land requirements.
- Further north-west is the Port Direct development of 27 hectares which has good access to the Outer Harbor import/export facilities and to the facilities within the Naval Shipbuilding Precinct which is within 1.2 kilometres.
- The Northern Adelaide Food Park at Edinburgh North is proposed to be the state's premier food manufacturing precinct. The site was previously earmarked for the Parafield Airport, however concerns from tenants and purchasers relating to the ownership of the land have caused the government to reconsider.
- The Seaford Industry Park project commenced in 2004 with the aim to support food and wine businesses with links to McLaren Vale. The development is zoned General Industry and aims to support the fast-growing suburbs south of the Adelaide CBD.
- Tonsley, the former Mitsubishi Motors assembly plant, is in the process of being completely re-developed into a mixed-use district with residential, high-value manufacturing and commercial allotments. The Main Assembly Hub, an 80,000 square metre warehouse, has been adapted for re-use as the centre of Tonsley's social activity and features shops, cafes, services and facilities.
- The General Motors Holden site of approximately 122 hectares at Elizabeth (north of the Adelaide CBD) is reportedly under contract to an interstate developer with a large portion of the site to be transformed into an innovative business park.

Reports indicate that Holden will retain a significant portion of the site as a spare parts operation and the history of the site will also be recognised with a proposed heritage and hospitality centre.

The above developments are not considered to be situated within prime industrial locations. The premier industrial precinct within Adelaide is Regency Park which is partly due to its proximity and ease of access to major transport routes.

The North-South Corridor is integral to the delivery of the 30-Year Plan for Greater Adelaide. At present, there are a number of stages and ongoing works underway for the project, spanning some 78 kilometres between Old Noarlunga and Gawler which include a series of strategic non-stop links to connect the expanding industrial and residential growth areas in the north and south, as identified above.

Herron Todd White Research and M3 Property Research have seen yields within well located, prime industrial locations tighten. Knight Frank Research indicates Prime industrial yields across all precincts are typically between 7.75% and 8.75% whilst secondary yields are between 9% and 9.75%.

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

Queensland

Brisbane

Brisbane's industrial space has seen a few new estates come online recently and they all have two things in common: good access to major transportation infrastructure and surrounding amenities. This is the case in particular for North Lakes Business Park (further stage released in 2017 and now almost sold out), Metroplex at Westgate South in Richlands (one lot remaining) and Colmslie Business Park on Lytton Road in Morningside (recently released).

North Lakes Business Park is a mixed-use development precinct that accommodates a variety of uses including retail, office, warehousing and service industry. This prime location has attracted a wide variety of occupiers due to its exposure and road connectivity to the Bruce Highway, Gateway Motorway and Gympie Road. Stage 1 was completely sold out after being released in 2017 and Stage 2 is expected to come online around the third quarter of 2018.

Metroplex at Westgate offers an alternative to Brisbane's existing high profile commercial centres within the CBD, Airport precinct and Port of Brisbane. The Metroplex South estate is located in Wacol within Brisbane's western growth corridor and sits at the nexus of the Ipswich Motorway, Logan Motorway and Centenary Highway. Metroplex Westgate is serviced by both rail and bus transport options. Transportation infrastructure around Metroplex Westgate has been significantly upgraded, making it a prime industrial location.

Colmslie Business Park's prime location within the TradeCoast is a major asset to the development, having direct access to the Brisbane Airport, Port of Brisbane and major transport routes with the added benefit of being close to the CBD, major infrastructure and public transport. The TradeCoast precinct is the most tightly held industrial precinct in Brisbane.

We expect to see high levels of pre-commitments throughout 2018, as was seen in 2017 with a 19% increase in space from 2016 supply levels. This is due to the desire of tenants to occupy new, modern space with attractive rents and good incentives. On the other hand, we have seen limited levels of speculative development.

Development activity for owner-occupiers has been subdued with Sigma Pharmaceuticals being the only major build in 2017 of approximately 14,990 square metres. We expect to see the Hilton Foods meat processing facility at Logos Heathwood Logistics Estate which will comprise circa 45,000 square metres as well as a Coca-Cola Amatil expansion completed in the first half of 2018.

Several transport-related infrastructure projects are well underway in Brisbane that will help to stimulate industrial development through better connectivity and transport options. Notably, the Kingsford Smith Drive update commenced mid-2016 at a cost of $650 million and involves widening Kingsford Smith Drive from four to six lanes in certain areas, road improvement works, public transport improvements and cycling and pedestrian infrastructure. The project should be completed in 2019.

Brisbane Airport Corporation (BAC) has invested $1.7 billion in infrastructure projects since 2012 with a further $1.7 billion investment in redeveloping the domestic terminal, building a new runway, building a new multi-storey car park, investing in the latest passenger friendly technology and developing a new Industrial Park and Auto Mall project.

The Gateway Upgrade North Project (Nudgee to Bracken Ridge) is a $1.143 billion project aimed to reduce congestion (particularly from population growth and continued expansion of the TradeCoast), improve safety and increase the efficiency of the motorway network.

The Logan Enhancement Project is a $512 million project to improve congestion along the Logan Motorway/Mt Lindesay Highway/Beaudesert Road interchange and the Wembley Road/Logan Motorway interchanges. It also includes construction of south-facing on and off-ramps on the Gateway Extension Motorway at Compton Road.

The Inland Rail is another major project that will see the construction of a 1,700-kilometre freight rail that will run from Tottenham in Victoria to Acacia Ridge in Queensland. This will be up to ten hours faster than the existing rail network via Sydney and will help reduce congestion on highways.

Overall, industrial yields stabilised over the first quarter of 2018. Prime yields are currently sitting between 6.25% and 7.25% with the TradeCoast precinct having the tightest investment yields, whilst secondary stock typically ranges between 8% and 12%.

Rent levels have been subdued for some time now but have remained stable over the past year. Developers offering competitive rents and decent incentives in the pre-commitment market are a couple factors holding back rental growth. Leasing demand increased over the first quarter of 2018 and was mostly concentrated in the south side. Net face rents for prime industrial assets generally range between $95 and $140 per square metre per annum whilst secondary rents range between $50 and $100 per square metre per annum. Incentives being offered to secure tenants typically range between 5% and 20% for prime assets depending on size and between 8% and 25% for secondary assets.

The majority of leasing transactions during 2017 were design and construct and pre-commitments, with a high volume of this also expected for 2018.

Sunshine Coast

The industrial market on the Sunshine Coast continues to show strength at the midpoint of 2018.

A number of new developments are being constructed across the coast, though primarily in the Bells Creek area to the west of Caloundra. These new developments are mainly in the northern part of the estate and are being aimed at the owner-occupier market. These developments are typically sub 300 square metre strata and value levels are generally ranging from $1,900 to $2,300 per square metre over the past six months. Demand for these new developments has been very strong to date.

This estate has also seen some development of larger stand-alone sheds in that time with two new sheds developed by owner-occupiers.

The industrial area of Aura has reportedly had very high levels of demand noted with a range of local and national style businesses reportedly having contracts on land in this area, which is likely to be ready for construction in the latter months of 2018.

The established areas of Kawana and Kunda Park have seen limited development due to the lack of land available in these estates.

The Coolum and Noosaville markets have also seen an increase of development, again aimed mainly at the owner-occupier strata market. Coolum has seen some increase in value levels, although this is tempered by the amount of land available for further development in this area.

The Noosaville industrial estate had land developed over the past three years, which has now sold out from the original developer and a range of stand-alone and strata titled units have been completed since. Some of the high-level industrial strata titled units have achieved market leading rates of up to $3,000 per square metre in this area, though are generally sub 100 square metres in size and have higher quality design finishes, typically more noted in retail showroom developments.

Gold Coast

The industrial market on the Gold Coast as a whole continues to show uplift in value levels due to strong buyer demand and limited industrial land supply as well as the persisting low interest rate environment, setting record price levels recently. In response, developers have sought to market small or boutique strata unit developments in the central and southern Gold Coast industrial precincts, which represent some of the last development sites available at present. Below is a synopsis of some of these properties.

- 8 Production Av, Molendinar - This property sold in October 2017 for $3.1 million, representing $406 per square metre of land, as a redevelopment site. The property has since been marketed with 16 industrial strata units available for sale off the plan with sizes ranging from 110 to 660 square metres. The development has been marketed for circa two weeks to date with three units under contract so far. Asking prices range from $2,100 to $2,700 per square metre of floor area;

- 10 Technology Dr, Arundel - Construction has commenced on this property which will comprise 14 strata titled industrial units ranging from 160 to 300 square metres in size. Marketing of the units has only recently commenced with four units under contract and two remaining for sale. The balance are to be retained by the owner for lease. Asking prices for the units for sale range from circa $2,500 to $2,700 per square metre of floor area.
- 45 Hutchinson St, Burleigh Heads - The property has yet to receive DA approval, however is planned for the construction of 16 industrial units with pre-commitments for 11 of the units already (in an approximately two month marketing campaign). The units range from 127 to 395 square metres with asking prices currently in the order of $2,800 to $3,000 per square metre of floor area.

It is apparent from the above that there is greater value for money for buyers within the central Gold Coast industrial regions, the Burleigh Heads/southern region having a more limited supply of industrial units and development sites.

In addition, the old Colgate Palmolive site at Captain Cook Drive, Arundel has recently sold, which has the capacity to deliver up to 60 new industrial lots in the next two to three years. Should this transpire, a more tempered supply/demand metric could be witnessed over the medium term.

The recent announcement that the State and Federal Government have come to an agreement on funding for the major upgrade of the M1 Pacific Motorway is significant for the Gold Coast. This will improve travel times in the region which have become hampered by increasingly greater levels of traffic congestion, escalating with the growing population of the region. The upgrade will likely have a substantial impact on industrial properties in the area with value levels anticipated to continue to firm (should interest rates remain at record low levels) and potentially leading to more small sites being developed or redeveloped to cater for demand.

Overall, the outlook for industrial properties on the central and southern Gold Coast remains highly positive with some fundamental drivers for price growth at play.

Cairns

The industrial sector in Cairns is relatively small with areas close to the CBD showing the stronger demand. Although we now perceive the industrial market to be entering a recovery phase, industrial property sales remain slow. Industrial property development is likewise slow, with no new projects of significance on the horizon.

Prices per square metre for established strata titled industrial units have been steady at around the $1,250 to $1,500 mark for some time. Commercial agents advise limited availability of good quality stand-alone warehouse stock with slow to reasonable demand for these types of premises. Strata titled industrial warehouses are also limited in numbers to either sell or lease with similarly limited demand.

Industrial property rents range from $90 to $150 per square metre per annum gross depending on size, location and quality. A lack of new stock should see availability tighten as we move through the next 12 months.

There is good investor demand for leased industrial properties across all price ranges of the market, from small strata through to large showrooms, however there is very limited quality investment stock available for purchase. This will tend to support values for well-leased properties over the short to medium term. The market has been gradually consolidating over the past 12 to 18 months and the outlook is for stable conditions over the immediate future. There is likely to be a lack of vacant industrial land in the short term if there is a more widespread recovery in the local economy.

Toowoomba

Leasing demand for industrial properties in Toowoomba continues to be moderate with an increase in the number of industrial vacancies. Although face rentals have been relatively static, some lease incentives may be required to secure tenants.

Demand from owner-occupiers for vacant industrial properties is also considered moderate although investor demand remains strong. This has resulted in a larger than normal premium for properties with good quality tenants on long-term leases.

A new industrial subdivision has been approved for a 5.9 hectare site in the suburb of Torrington. The proposed development is located on Robson-Hursley Road, positioned to the southern side of Carrington Road. This project will appeal to small-scale industrial operators. The approved subdivision will contain 21 lots with land areas of between 1,000 and 4,532 square metres. New large-scale operators will likely be attracted to sites available in the Charlton-Wellcamp Enterprise Area (located to the west of Toowoomba). Lots of two hectares and larger are available in this precinct and suit both manufacturing and transport and warehousing operators. The key feature of the precinct is its position close to the Toowoomba Bypass Road (construction commenced in 2016), the proposed Melbourne to Brisbane Inland Railroad ($8.4 billion in federal funding announced earlier this year) and the Brisbane West Wellcamp Airport (opened in November 2014).

Wide Bay

The Wide Bay's industrial markets have been very stable for an extended period now. There is an abundance of vacant industrial land within the well-established industrial estates of the three major localities (Maryborough, Hervey Bay and Bundaberg). The rate of sale of vacant land within these estates is generally low, which is reflective of a low level of demand.

There have been no recent infrastructure projects commenced or announced which are predicted to have a positive impact on the market and increase the level of demand for vacant industrial land. Moving forward, the elevated supply levels of vacant industrial land is predicted to keep value levels stable over the foreseeable future.

The market for built form industrial properties has seen a relatively low volume of transactions across Maryborough, Hervey Bay and Bundaberg. Most transactions have been occurring within the sub $750,000 price range and have generally been purchased vacant for owner occupation or by a sitting tenant for owner occupation. The rates reflected generally sit in the order of $700 to $1,000 per square metre depending on location, size and building quality.

Rental levels have followed the same trend with limited growth in recent years. Industrial rents generally sit in the order of $60 to $80 per metre gross depending on location, size and building quality.

Mackay

The industrial property market in Mackay is passing through a cyclical trough with agents now reporting increased enquiry for properties available for lease and sale, chiefly from mining service users. Rental levels are reported to be showing some modest improvement and heavy engineering premises with overhead cranes are in very short supply. So far as the sale market is concerned, it remains three-tiered comprising high-value investments, stand-alone owner-occupier properties and low-value industrial units.

At the upper end of the market, the Trilogy Industrial Property Trust has recently acquired two large investment properties in Paget from the same vendor in one transaction. The properties at 33-41 Diesel Drive and 11-21 Crichtons Road were respectively leased to Independent Mining Services Qld Pty Ltd and Alfagomma Australia Pty Ltd. The transaction amounted to $11.25 million with a reported yield of approximately 9.5%. This is the largest industrial transaction since mid-2016 and demonstrates that properties with sound lease covenants in regional areas continue to attract interest from yield chasers in the national investment market.

The mid-level owner-occupier market has been reasonably well supported through the market downturn as buyers exploit counter cyclical buying opportunities within a market range of around $750,000 to $2 million. A vacant high clearance warehouse/workshop at 37 Enterprise Street which falls into this classification was reported to have sold in April at an undisclosed price. The property had a total lettable area of 1,080 square metres and occupied a 1,644 square metre site. While the price was unknown at the date of preparing this Month in Review, it demonstrates that trade in this sector is still ticking over.

At the bottom end of the market, a group of 11 mostly vacant industrial units in the Railway Central complex at 70 Connors Road was recently marketed through an expression of interest campaign under instructions from receivers and managers. The properties were offered for sale either in one line' or individually. The selling agents report good enquiry levels and several expressions of interest were submitted. We understand that contracts of sale have been achieved over a few of the individual units. Prices remain confidential but are expected to show fairly low rates per square metre in the context of the broader market. This market remains oversupplied.

The market for vacant industrial land has been thinly traded in the first half of 2018.

Gladstone

As a result of market conditions in recent years and current stock still available in the market, there are no major projects or new estates currently underway to provide additional growth areas for the industrial sector. We do acknowledge a proposed longer-term growth project by Economic Development Queensland within the Clinton Industrial estate.

The application is reported to include the reconfiguration of eight large industrial lots located on Red Rover Road into 78 smaller lots. If the project goes ahead, it is planned to commence in 2021/2022 and continue over the next 20 years. The lots are proposed to range from 3,500 to 10,000 square metres.

Land within the Chapple Street Business Park has now been mostly absorbed, with most lots being taken to auction earlier this year. Settled sales show a rate range generally between $80 and $100 per square metre of land. Sales within this estate have been to a mix of owner-occupiers and investors and we have seen construction now commencing or completed on some lots. The industrial market is still considered to remain volatile, with sales and leasing activity limited. Owner-occupiers still seem to dominate the industrial property market, however we have seen some investors beginning to return to the market. Investors are however very cautious.

Rockhampton

Most projects in growth precincts within the industrial market in Rockhampton were undertaken during the last market boom and development of industrial land has been fairly stagnant in recent years. We make note of the industrial precincts in Gracemere which are slowly being absorbed by the market. There is still further development to be undertaken within the Gracemere Industry Park (near Toll), with land to the rear approved to be developed into medium and light impact industrial allotments. It is unknown when this land will be developed. The Livingstone Shire Council has also been releasing industrial lots to the market within its Gateway Business and Industrial Park.

The estate comprises six stages in total with a proposed 71 lots. The lots range in size from 2,000 square metres to 1.3 hectares. Stage 2 has been developed and is currently available for sale. We anticipate that this supply of industrial land will provide for Yeppoon's industrial market for some time. Major infrastructure projects that will assist in stimulating growth of the industrial sector will be the proposed Ring Road project as well as the Rookwood Weir.

In general, the industrial market for the first half of 2018 has continued at a steady pace. It is anticipated that recovery of the coal price and green shoots within surrounding mining towns as well as local infrastructure projects will help the recovery of the industrial market in Rockhampton for the remainder of the year.

Townsville

There is currently limited new industrial development occurring in Townsville as the sector remains at the bottom of the market cycle.

A high number of transactions occurring are either price point or affordability driven with little regard to yield, or higher end investment transactions, which are strongly yield driven.

Sentiment is improving on the back of the improving resource sector which drives our manufacturing industry, however the current market remains somewhat at a stage of equilibrium with demand currently being met within the existing market supply.

Sales of low impact/light industrial properties in the sub $1.5M range with the majority in the sub $1M range continue to tick over catering largely to intending owner occupiers.

Some recent transactions have exhibited tendencies of a fractured market with prices achieved in both the sale and leasing spaces appearing highly dependent on the owner/landlord's level of pressure. This is resulting in a widening spread of prices/rents for properties that are otherwise similar in quality, utility and/or location.

Northern Territory

Darwin

The major growth zones for industrial land supply are centred around Berrimah. Berrimah is 12 kilometres east of Darwin, about midway to Palmerston. It has been one of Darwin's main industrial areas since the 1960s although the northern area along Boulter Road is now undergoing residential development. Berrimah is close to the demographic centre of Darwin and we are also witnessing its development as a retail and bulky goods precinct especially along the highway with developments such as the Amart complex (under construction).

The latest development is Stage 2 of Berrimah Business Park, with titles expected to issue shortly on this new commercial and industrial land. Stage 1 was quite successful, with developments along the highway frontage of retail type facilities as well as Darwin Corporate Park which has managed to attract a number of businesses out of the CBD due to its close proximity to many clients and availability of parking. Stage 2 has already negotiated a commitment from Fisheries for a new headquarters.

There are a number of other industrial estates in and close to Berrimah including Hidden Valley Business Park, Wishart Business Park, City View Estate and Truck Central. These generally are more industrial in nature. Truck Central is currently under construction and will be the new location of Darwin's Motor Vehicle Registry and is expected to attract businesses associated with logistics.

Due to the oversupply of industrial-type land and weak economic conditions, the market for industrial property around Darwin is enduring a moribund phase. The recent decision by the Northern Territory Government to allow hydraulic fracturing should stimulate exploration and development of on-shore gas reserves, especially in the Beetaloo Basin. Despite this being about 800 kilometres from Darwin, it is hoped that in the long term it will stimulate some demand in the Darwin industrial sector for logistics associated with exploiting this resource.

Western Australia

Perth

The broader Perth industrial property market has remained subdued in the past 12 months, with these market conditions being coordinated with the downturn in the resources sector which had previously driven strong rental and capital value growth.

Discussions with agents active in the leasing of industrial accommodation indicate there is minimal inquiry for vacant space and a number of in-situ tenants are continuing to reconsider their space requirements in the context of the current weak market conditions.

There is clear evidence of a "lessee's market" at present with the limited number of prospective tenants taking advantage of the oversupply of stock and often able to negotiate very attractive deals. To an extent, industrial leasing activity is "mirroring" trends in the Perth office market with a "flight to quality" evident.

Face net rental rates for prime industrial warehouse premises tend to range between $75/m2 pa and $90/m2 pa; whilst rates for secondary quality space are commanding between $55/m2 pa and $65/m2 pa.

From a purchase perspective, demand for industrial property has generally also been subdued with a low volume of transactions during the last 12 months.

These soft market conditions are more pronounced within secondary industrial precincts.

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

Yields for prime industrial assets tend to fall between 6.25% and 7.50% with yields for secondary industrial properties much softer.

Discussions with the real estate agents active in the sector also confirm the softening in demand for vacant industrial land. Feedback suggests the lack of demand tends to be a function of the very limited number of prospective buyers as opposed to pricing, particularly for those sites > 2 hectares.

Recent land releases within established industrial precincts, namely "Tonkin Industrial Estate" in Bayswater and "Swan Brewery Industrial Estate" in Canning Vale, have been met with reasonable demand although sales rates in the latter estate have tapered off during the last 6 months.

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

Two notable infrastructure projects currently underway in Perth include the Forrestfield Airport Link and NorthLink WA. The Forrestfield Airport Link is the construction of a new passenger rail line linking Perth City to Perth Airport and continuing further east to the suburb of Forrestfield. Once completed this project is likely to enhance the profile of the Forrestfield industrial precinct and drive new development particularly around the train station. Construction is well advanced and scheduled to be operational in 2020.

NorthLink WA is a $1.02 billion transport project in Perth's east/northeastern corridor to be constructed in three (3) stages. Stage 1 has already been completed and Stage 2 is well underway. Once all sections are complete (estimated for the middle of 2019) NorthLink WA will provide a non-stop transport route from Morley to Muchea and likely to directly benefit industrial estates in that corridor.

Australian Capital Territory

Canberra

The strength of the ACT industrial market steadily improved over the first half of 2018, with varied performance depending on the suburb. Listed below are our perceived strengths for each industrial suburb:

- Queanbeyan - Strong market with medium to high activity;
- Hume - Steady to strong market with medium activity;
- Fyshwick - Steady market with low to medium activity;
- Mitchell - Steady market with low to medium activity.

Some notable sales for the industrial market include:

- 15 Albany Street, Fyshwick sold over late 2017/ early 2018 for $3.8 million. The 2,693 square metre property is leased to a long-term furniture retailer and is utilised as a warehouse/showroom for bulky-goods and furniture.
- 27-29 Raws Crescent, Hume sold in May 2018 for $2.657 million. The warehouse property featured a new five plus five year lease to the property's long-standing tenant. The gross floor area of the warehouse totals 2,600 square metres and the property is situated on a 6,493 square metre parcel of land.

Yields are 7% to 8% and rents are $100 to $160 per square metre.

Industrial development around the ACT appears to be materialising after a term of relatively minor activity. The developing industrial suburb of Beard has witnessed various new industrial projects, although the suburb still features a large quantity of undeveloped vacant land which is expected to be developed over the short to medium period. Throughout 2017 and 2018, most of the industrial land in Beard sold for between $250,000 and $350,000, with most land parcel sizes ranging between 750 and 1,300 square metres.

One notable redevelopment within the established industrial areas is the revamp of the Fyshwick Markets, which is set to extend the markets and make way for an extra 40 new traders. The revamp will aim to have a contemporary warehouse-like feel to remain consistent with the industrial nature of Fyshwick.

Residential

HERRON TODD WHITE RESIDENTIAL

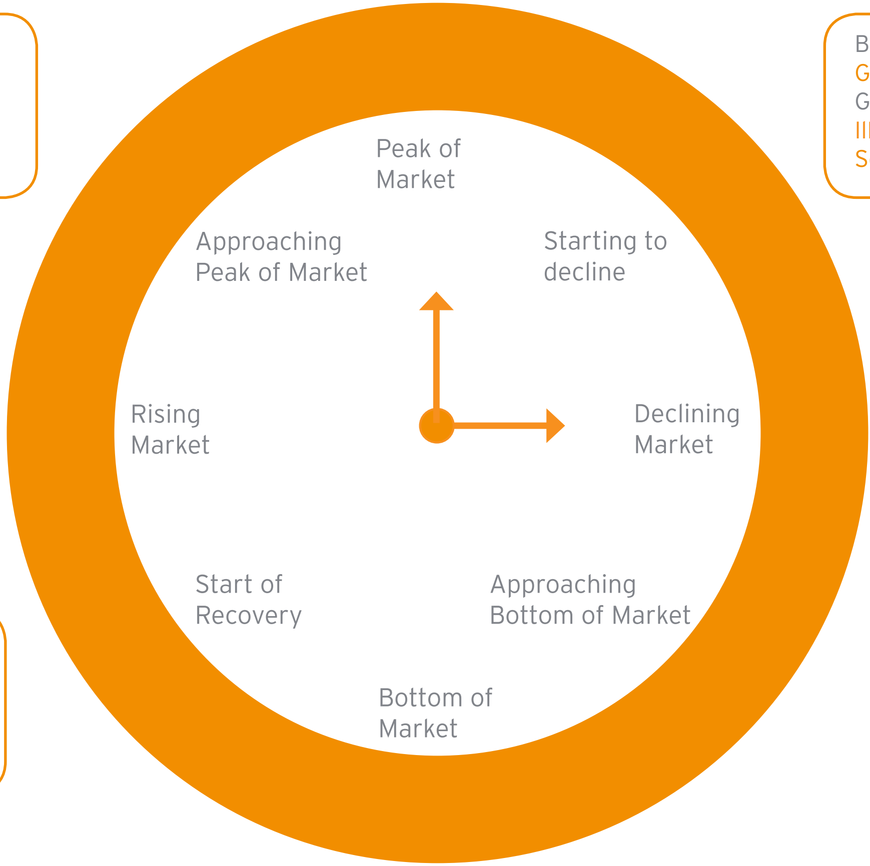
National Property Clock
June 2018
Houses

Central Coast
Coffs Harbour
Mid North Coast
Newcastle

Bathurst
Canberra
Melbourne
Orange
Sunshine Coast

Bendigo
Gippsland
Gold Coast
Illawarra
South East NSW
Sydney

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



Cairns
Emerald
Gladstone
Hervey Bay
Ipswich
Mackay
South West WA
Townsville

Alice Springs
Bundaberg
Darwin
Perth
Rockhampton
Toowoomba

Entries coloured orange indicate positional change from last month.

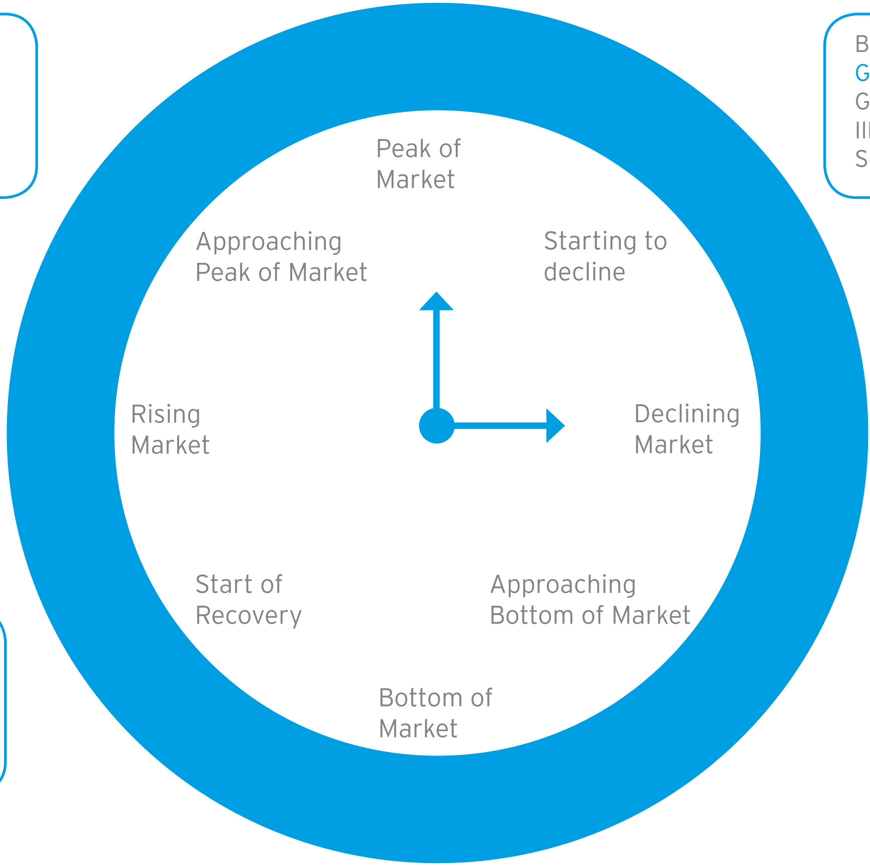
HERRON TODD WHITE RESIDENTIAL

National Property Clock
June 2018
Units

Canberra
Central Coast
Coffs Harbour
Melbourne
Mid North Coast
Newcastle

Bathurst
Orange

Bendigo
Gippsland
Gold Coast
Illawarra
South East NSW
Sydney



Ballarat
Burnie-Devonport
Echuca
Hobart
Launceston
Lismore
Mount Gambier
Sunshine Coast
Tamworth

Brisbane
Perth

Emerald
Hervey Bay
Ipswich
Mildura
South West WA
Townsville

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

Entries coloured blue indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

New South Wales

Residential Overview

We're hitting the year's mid-point and with markets having now well and truly established their direction, we've asked our talented crew to give us a half-time rundown of the residential sector in their service areas.

From high-end housing to affordable units, it's a ready guide on where to look and what to avoid in order to profit most as we journey into the second half of 2018.

Sydney

In February we shared our predictions for the 2018 property market and how it would fare in comparison to the past several years of exceptionally strong conditions across Sydney. Those predictions outlined that the Sydney property market is diverse and that certain property types and locations would stabilise, however other property types, markets and submarkets would begin to show signs of weakening as the property fundamentals of supply and demand and tighter lending policies took effect.

Generally speaking, the wider market has cooled with transaction numbers falling, selling periods extending and prices declining. "Sydney dwelling values have fallen by 1.2% over the three months to April 2018 and they are 3.4% lower over the past year", and "are now 4.3% lower than their July 2017 peak", according to a recent CoreLogic report. This is highlighted by current auction clearance rates at around 60% across Sydney which is well down on this time last year.

Western Sydney

As in other parts of Sydney, well presented and high-quality properties in Sydney's west are still achieving relatively strong results, however less desirable and average quality stock is being discounted as buyers in many areas have more options and aren't willing to pay strong money for average stock.

Interest in new land releases, whether vacant land or house and land packages, remains steady with developers continuing to stage releases to ensure demand remains relatively strong. This has resulted in a consistent level of demand for master-planned subdivisions.

We have noticed a number of settlement valuations for new units not meeting their off the plan prices when purchased during stronger market conditions, mostly in 2015 and 2016. Whilst mostly occurring for overseas buyers, this could trigger a flow of sales post settlement due to difficulties obtaining finance and rental yields not meeting expectations thanks to high investor participation. An example is in Parramatta with an off the plan sale in October 2014 of $672,000 and recent resale in March 2018 for $630,000. Whilst not an indication of the wider Parramatta market, it does highlight that discounting does occur and if a large number of vendors have to offload property at the same time, it could lead to a market correction as new benchmarks are set.

Market drivers to keep an eye on during the remainder of the year are interest rates, any tightening of lending criteria and property supply. Any significant increases to the cash rate may have flow-on effects to the home loan market, leading to the potential for more distressed sales as homeowners and investors may struggle to meet the larger repayments on highly geared mortgages. This has the potential for some pockets of Sydney to experience sharp decreases in values in the short term.

Similarly, any large volume of supply flooding a particular market sector combined with an overall slowdown, tougher lending criteria and possibly higher interest rates will eventually lead to a sharper slowing of the market. We believe this is more likely with high-density units as investor participation is higher and as densities increase markets can be supplied quickly.

Another area to keep an eye on for the remainder of the year is suburbs that allow dual occupancy development following the recent release of the NSW Government's new Low Rise Medium

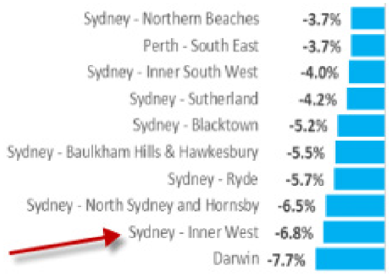
Density Housing Code. This will allow one and two storey dual occupancies, manor houses and terraces to be constructed under a fast track complying development approval. With duplex style development popular in some areas of western Sydney, this fast tracking of approvals may lead to more interest and participation in the market resulting in a boost to owners of blocks meeting the new minimum requirements.

Inner Sydney

The inner west and inner regions of Sydney include a vast range of property types that appeal to a broad spectrum of purchasers including first home-buyers, upsizers, downsizers and investors. Overall we are seeing the majority of these areas returning to longer-term averages with typical auction rates over recent months being closer to the 60% mark. Auction numbers and clearance rates for these areas during early to mid 2017 were generally well above 70%.

Housing market conditions in general have continued to slow after a period of sustained growth over recent years. For example, Sydney's inner west has seen dwelling values come back by 6.8% as at 1 May 2018 (CoreLogic), the second largest fall across Australia's capitals, although this region of Sydney has been performing extremely well for a sustained period of time and it is not uncommon for a previously heated market to experience a slight correction. There are also property types and locations that continue to be in high demand such as Annandale, which was named the most popular inner west suburb in a recent article by Realestate.com.au.

Annual change in capital dwelling values as at 1 May 2018:



(Source: CoreLogic)

The new unit investment market in particular is now feeling the squeeze as banks have tightened lending criteria across the board with a focus on interest-only loans and investment loans. This is intensified with lending restrictions on certain postcodes, most of which are high-density apartment markets around the city fringe locations.

Based on recent indications we anticipate that the property market will continue in a similar fashion for the remainder of 2018. We consider that the market will generally remain subdued with longer selling periods as buyers can be more selective and the frenzy style buying conditions are no longer a factor. Oversupply is a strong word, but there is some evidence of this in certain areas. The market is still to take many large-scale developments, particularly around Green Square. It remains unknown whether investors and overseas purchasers will have any issues when it comes time to settle. What we are seeing is an increasing number of units which sold off the plan in the past two to three years being valued below purchase price when they become due to settle.

During the heated market conditions experienced in recent times, it was common that most property types and locations performed well, however given that we are now within a different part of the property cycle there is likely to be a contrast between good quality properties and inferior alternatives. Property types that appeal to the broader market (owner-occupiers and tenants alike) and location fundamentals such as proximity to train or light rail, shopping, cafes, parks and other services and amenities will continue to be key in ensuring that a property performs well.

Other factors that may have a material effect on the market could relate to interest rate changes (RBA or bank rates), the banking royal commission, legislation and politics, media and overall consumer sentiment.

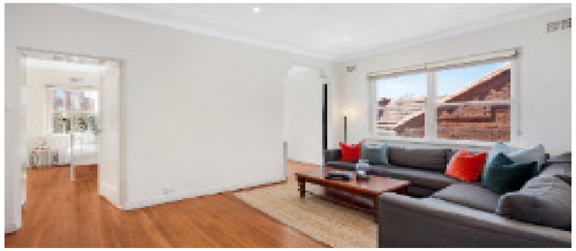
Eastern Suburbs

The eastern suburbs market is currently witnessing some mixed results which vary between market segments and property types. The first quarter of 2018 started fairly stably however more recently has seen some softening in values, extended selling periods and auction clearance rates falling to 68.3% as at 27 May, compared to 79.4% at the same time last year (source: CoreLogic).

The stronger sector of the market is currently good quality prestige houses in the $5 million to $10 million price range. In a recent article published on 23 May (realestate.com.au), prominent eastern suburbs agent, Alexander Phillips, stated that "it's harder to sell a $900,000 apartment by the beach than a house for $8 million in Bellevue Hill in the current market". As he points out, it's just harder to borrow money, which is reducing the buying power for people looking for apartments. "If you had a two bedroom apartment in Bondi open for $900,000 you'd get four or five groups, but if you had a house priced at $6 million or $8 million in Bellevue Hill you'd get 20 groups... there are just more buyers at that price point at the moment," he said.

While the prestige housing sector remains somewhat stable, the general unit market is showing signs of market resistance compared to previous years. A Bellevue Hill unit was originally passed in at auction, then set an asking price of $929,000 which was further reduced to $890,000 and was then sold for $870,000. Although not a significant reduction, this is something very rarely seen in the eastern suburbs over the past several years. Buyers have a more reserved attitude and we are expecting this to continue for the remainder of the year.

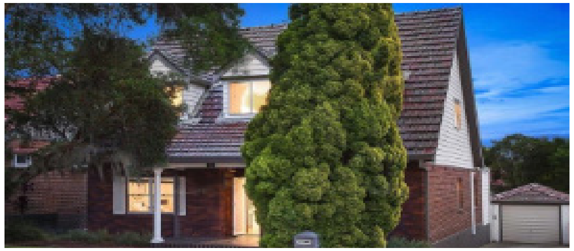
6 Latimer Road, Bellevue Hill which sold on 12 th May for approximately $8,600,000 after the first open home and approximately 3 days on the market.



10/175 Victoria Road Bellevue Hill is a typical 2 bedroom, 1 bathroom art deco unit (on a busy road sold on 4th May for $870,000 after 85 days on the market.

Southern Sydney

Like Sydney in general, the southern suburbs have shown mixed results over the first part of the year, generally down overall but with some suburbs showing more resilience than others. Market activity has slowed and auction clearance rates are down to 61.3% from 70.9% for the same time last year (source: CoreLogic). Whilst the region has shown an overall decline in dwelling values, Oatley's 2018 median house price has increased slightly by 0.5% from 2017. Engadine, however, is a suburb that has shown a drop of 11.1% in its median price compared to 2017, almost wiping out the 15.2% increase it saw in the period from 2016 to 2017 (source PriceFinder). A recent example of the declining market is a home in McRaes Avenue, Penshurst, located in a well-regarded section of the suburb. This property sold in September 2016 for $1.5 million and sold again in May 2018 for $1.48 million, highlighting that in some areas, properties are now starting to fall back below late 2016 prices.



McRaes Avenue, Penshurst (Source CoreLogic)

Residential

Prestige suburbs appear to be performing better however again there have been some mixed results as market activity in this section of the market has slowed compared to mid-2017. Burraneer has experienced a 5% drop in median sale price from 2017 while Sylvania Waters is up by 10.8% according to PriceFinder (although this is based on a small number of sales year to date).

New units are taking longer to sell with an increasing number of developers offering incentives to purchasers. An oversupply of units is still possible as a large number of new complexes reach completion over the next two years.

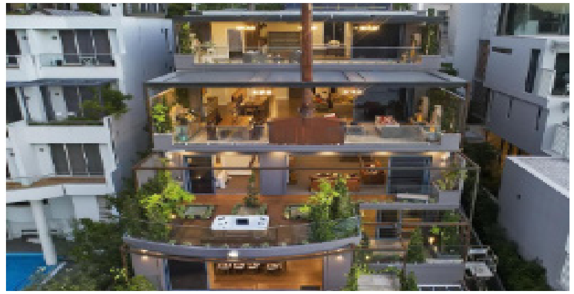
Lower North Shore

The Lower North Shore market is currently performing as we expected and in line with most other Sydney markets for the most part. A general slow-down is being reported by local agents in the area with fewer potential purchasers at open homes and fewer bidders come auction time. Although RP Data's weekly auction results don't specify the clearance rate for the Lower North Shore market specifically, it is incorporated in the North Sydney/ Hornsby sub-region break-down. This sub-region had a relatively strong 71.4% clearance rate for the week ending 27 May, the latest data available before this publication (source CoreLogic).

Although the general Lower North Shore market is showing some resilience, we do expect the market to further soften over the next few months and then stabilise towards the end of the year. The investor product in particular, as in other areas, appears to be constrained by difficulty in gaining finance. It is becoming evident that the restrictive lending environment is the main driver of softening prices, rather than an actual lack of confidence in the market. With the current banking royal commission being undertaken, we do not see any potential change in restrictive lending in the near future.

Prestige property on the Lower North Shore has also appeared to follow the current general market trend, with a reduced number of potential purchasers and these buyers now having the luxury of taking their time to make decisions in purchasing. This hasn't necessarily resulted in reduced sale prices as yet, as we are still seeing some very strong results. In particular, Cremorne had a record suburb sale in March this year, with a prestige waterfront home selling for $18 million (source: Domain). Indicating the continued strength of the prestige market, that record lasted just over two months, broken by the sale of 8 Wonga Avenue, Cremorne in late May for around the $19 million mark (source: Domain).

The purchaser is reportedly a foreign buyer, showing that they are still present and remain confident in this segment of the market. The banking royal commission on lending restrictions will have less impact in the prestige market, which is likely part of the reason we haven't seen the same clear softening market conditions for prestige property on the Lower North Shore compared to the general market.



8 Wonga Road, Cremorne (source: realestate.com.au)

Lismore / Casino / Kyogle

A broad overview of how the Lismore/Casino/Kyogle market is doing at the moment can be summarised as remaining stable. This market segment is being driven primarily by the local market and doesn't include many non-local investors. Rural townships such as the Casino and Kyogle CBDs continue to remain steady with no drop in sales volume.

The established housing sector remains steady and is the primary product purchased in the Lismore/Casino/Kyogle shire. In general, there are not many new homes being sold in Casino or Kyogle, however, a high number of construction loans are happening with new builds in Goonellabah and Lismore and the occasional sale of a new duplex unit.

The rural residential property market located west of the Casino and Kyogle CBDs hasn't seen much market movement lately and sales continue to remain relatively steady. Sales in these secondary locations tend to not be as quick to market as those of the smaller residential sales that have a superior location. Housing statistics in the Lismore region, specifically auction clearance rates, are generally good depending on the type of property in the market. Auctions of smaller residential properties seem to see the best results and have a steady presence in today's market.

The general outlook remains steady for houses in the Lismore/Casino/Kyogle shire as we move into the second half of the year. Values seem to be increasing and sale volumes remain strong.

As for units located in this area, there is not a lot of product. Sales for this particular sector are thinning.

The main drivers for the Lismore/Casino/Kyogle market include retirees and people who wish to move closer to the CBD within these townships. It is these sales that contribute to the continuation of steady market sales within this region.

Illawarra

Halfway through the year and 2018 is shaping to be the weakest year in terms of residential property growth since at least 2012. Currently, we are experiencing much weaker conditions than we have gotten used to over the previous five years. Agents are reporting reduced demand, lower number of serious buyers attending open homes. Overall sale volumes have dropped. Over the 12 months to April 2018, CoreLogic have reported a 2.7% increase in dwelling values.

This is well down from the previous 12 months which saw a 17.4% increase.

When the market was experiencing strong growth we noticed a trend towards selling by auction as agents were struggling to set prices that were constantly increasing, the preference being to openly let competitors bid prices up.

Now with demand having dropped auctions are not nearly as successful. CoreLogic has reported weekly auction clearance rates between 38.7% to 46.4% for the first 3 completed weeks in May.

Mid North Coast

This month, as we near the halfway point in 2018, we look at how the Mid North Coast residential market is tracking. Whilst regional values of residential property have generally been easing across the country, the major regional centre of Port Macquarie is still generally trending upwards during the first half of 2018, however at a much steadier rate than in late 2017. However, there are some areas that have recently seen a stabilising of values and these include the outer fringe subdivisions of Port Macquarie and the western towns.

Most recently, we have seen some recent re-listings of dwellings that sold during mid to late 2017. These are coming back onto the market at similar values to previous sale prices and in several instances, below previous sale prices. Most of these can be attributed to properties purchased at above market value when demand was high and listings low.

Recently, selling periods have increased and are back to more reasonable periods (one to three months) which was the norm before the second half of 2017.

The southern towns of the mid north coast, including Taree and Forster Tuncurry have seen slowly increasing values and good demand over the past six months. These towns tend to lag the major regional centres and often still have ample stock available at a reasonable price.

Newcastle

It is the middle of the year, the days are short and the mornings are cold, only the dedicated are swimming at Newcastle baths, the Knights are reeling from the loss of star recruit Mitchell Pearce and the city is still recovering from the heart-breaking A-League grand final loss.

While Newcastle's sporting fortunes are dwindling, the same can't be said for the local property market. With Sydney's market on a well-advertised decline, many expected Newcastle to shortly follow, a prediction that has not yet occurred.

A major rejuvenation of the CBD, a mining sector recovery and a strong tourism push are just some factors contributing to Newcastle's growing economy. Generally, with a strong local economy, the property market is strong and this is certainly the case at the moment with Newcastle.

Even though the Sydney market is cooling off, it is still the most expensive in the country meaning investors are still attracted to Newcastle because of its size, cheaper prices and proximity to Sydney. These investors are still the strongest players in the local market with their demand for property still high.

There are a number of apartment blocks being built across the CBD and most of these apartments are sold off the plan as soon as they become available, with one local agency reporting that they sold an entire block within a week.

A recent auction in Bar Beach saw a home advertised with a price range of between $2.8 million and $3 million. The property sold for $3.5 million at auction with eight bids amongst four registered bidders. While this property is certainly in Newcastle's prestige market, agents are reporting that average homes are still not lasting long on the market and vacant land in the outer developing suburbs is still selling fast.

There is no doubt the market is still strong but there is certainly caution in the air.

Agents are seeing fewer numbers at open homes and the number of apartments being built in the city has some experts believing we could end up with an oversupply situation similar to that seen in some of the major metropolitan areas around the country. Others still believe Newcastle is too directly connected to Sydney's market for its decline not to eventually be passed on.

It seems however at this stage that the Newcastle market does not rely as strongly on Sydney as the Knights do on Mitchell Pearce. The Knights may have crashed due to his loss but Newcastle's property market seems to be weathering the storm, but for how long?

Tamworth

Well, we have made it half way and so far the Tamworth market is continuing to trade strongly across all sectors. Residential properties are trading well with both owner-occupiers and investors being active. There has been a noticeable increase in the number of prestige properties being sold across several suburbs, with strong prices and limited time on market achieved. As we reach the middle of the year, the slight dip in construction we noticed at the start of the year appears to have stabilised and increased slightly, however it still appears to be down on what was occurring this time last year. This is still being attributed to the change in the first home owner grant as it is the lower end of construction ($350,000 to $450,000) which has slowed down.

The newer sections of Calala, North Tamworth and Moore Creek have seen an increase in sale prices as newer homes come onto the market as owners upgrade. The increase also seems to be attributed to the subdivisions now being more established with less construction happening around the homes, and streets on the whole having a better appeal. It is not only the newer suburbs performing well - East Tamworth has seen an increase in values particularly among the older style brick dwellings. According to Pricefinder the average increase in median price for north, east, south and west Tamworth is 11% as at today's date. Now, this is skewed data as it is only for the past five months and not completely up to date, however gives a good indication of the strength of the Tamworth market. Given the relative affordability of housing in Tamworth, the unit market trades fairly steadily with no real highs or lows. However with the town continuing to grow and with more professionals moving in, the executive townhouse style unit is certainly increasing in demand. A 3-bedroom, 2-bathroom townhouse sold earlier this year for $550,000 in East Tamworth. With many new dwellings available in this price range, it shows the strong attraction for this style of townhouse.

Overall, the Tamworth market has been trading well and we expect this to continue for the remainder of 2018. There is some concern given the current drought conditions and there may be a slight drop noticed within the rural residential sector, however local agents continue to report strong demand for these properties. Tamworth is not a town reliant on any one industry and although the drought may affect the rural and rural lifestyle sector, it is expected that the general residential market will continue to trade strongly.

Southern Highlands

As we come to the end of 2018FY, across the Southern Highlands the residential market for dwellings has experienced a hiatus, with number of sales contracting from the highs of Q4 2017 and the average price tracking lower between 4-8% across the region with the exception of Bowral which has flattened from the highs of August 2017. The most active price point continues to be in the $650k-$1m band. As has been the case historically there is emerging market volatility in the Rural Lifestyle/acreage properties in the $2.5m+ sector, where purchasers tend to be more discriminating in their purchasing decisions.

With respect to some of the more recent land release areas across the Southern Highlands, we are noticing increasing stock levels as new blocks in the 450sqm -2000sqm land size finally come to market. Because of the delay in registering titles, some speculative investors may find their dated lender approvals no longer current, which may prove challenging with tightening current credit criteria. For the remainder of the calendar year, we anticipate some further easing in the market as the increasing number of vendors particularly in the vacant residential land market compete with a limited pool of purchasers

The above being said, existing housing stock located close into the main townships of Moss Vale, Bowral and Mittagong, with the benefit of being located close to retail, medical, school and transport infrastructure will remain attractive to the Sydney buyer market, particularly families in the up to $1.5m pricepoint who continue to "discover" the Southern Highlands region as an affordable lifestyle alternative to an increasingly congested urban existence.

Gosford

While it can be said we are seeing a decline in supply in the Central Coast residential market post the 2017 rush, sales are still achieving high numbers (albeit at a slower rate). The Central Coast real estate market mirror the Sydney market and we are seeing properties staying on the market a little longer than seen during 2017. We are also seeing the return of the scales of dipping in favour of buyers and cases of asking prices not being achieved. Bear in mind though, asking prices are becoming a thing of the past it seems, with real estate agents opting to centre the marketing around wording such as "new to market", or "contact agent" rather than signalling an asking price with negotiations held between competing parties post the open house inspections – a quasi-auction in anyone else's language.

As seen in previous cycles, it will take some time for vendors to accept that the market has and will be moving away from the bullish market conditions with a real potential that the record highs that have been achieved may not be available. As the remainder of the year closes out, a better indication of just where we are heading will become apparent. Whether this will be media or ending rate/policy driven or both also remains to be seen. Regardless of all this, the market is still performing well overall. New dwellings continue to be built within the recently completed subdivisions at the northern end of the region in suburbs such as Hamlyn Terrace, Woongarrah, and Wadlaba. These are the region's version of the "mortgage belt" and we will be monitoring things here as a barometer of the markets sentiment, stress points, and strengths. These new dwellings appear to be attractive with first home buyers out of the Sydney market due to their level of affordability, but we also note the investor market seems to be holding representation.

While new dwellings are popular in these areas, so too are the older, established dwellings due to their relative affordability. It's an interesting note to make that many of the dwellings are not old enough for a complete renovation, but when looking at the marketing material, there seems to have been a lot of property styling ahead of placement on the market for sale purposes being and if the sale number is anything to go - it has been working well. Higher values areas such as Terrigal, Avoca Beach, and Killcare don't appear to be experiencing any change in sales performance, as we continue to see record sales in these areas.

Moving into the second half of the year, we would like to say this trend will continue, but we can't say this confidence. The rise in queries by the lenders and insurers, greater levels of urgency by mortgage brokers along with a slight slowing of sale volumes leads us to think that the market may be about to slow – if it hasn't already. The 'gentrified' northern suburbs of Long Jetty, Killarney Vale, and Bateau Bay are continuing to increase in popularity – we are particularly interested in the Long Jetty market which seems to lead the field in being trendy.

The Peninsula at the southern end of the region continues to experience some good sales figures, but after a stellar run spanning a few years, the volumes seem to be slowing a bit. The Central Coast remains a popular and more importantly, an affordable choice for Sydney buyers and as such we are hopeful that values across the region will be stable as we head into the next phase of the real estate cycle. We may see a gradual shift from a seller's market to a buyer's market. While we have previously seen bidding wars amongst purchasers, it now might become a waiting game for the seller.

The buoyancy of the market over the past several years has provided us with an increase in residential unit numbers. There have been a number of recently completed projects, with more under constructions. In speaking to the marketing agents, it seems a majority of buyers are again, coming from the Sydney market. Along with the general state of the current market, local projects to further stimulate the market includes the significant upgrade Gosford Hospital and completion of the ATO building. These in themselves have created an air of activity and positivity in the Gosford CBD. Just outside the Gosford CBD, the unit market in East Gosford and Point Frederick are pushing on as construction continues and more in the pipeline. These developments have been well received by buyers, but we remain neutral on whether the high values paid in some of the developments will be sustained into the future.

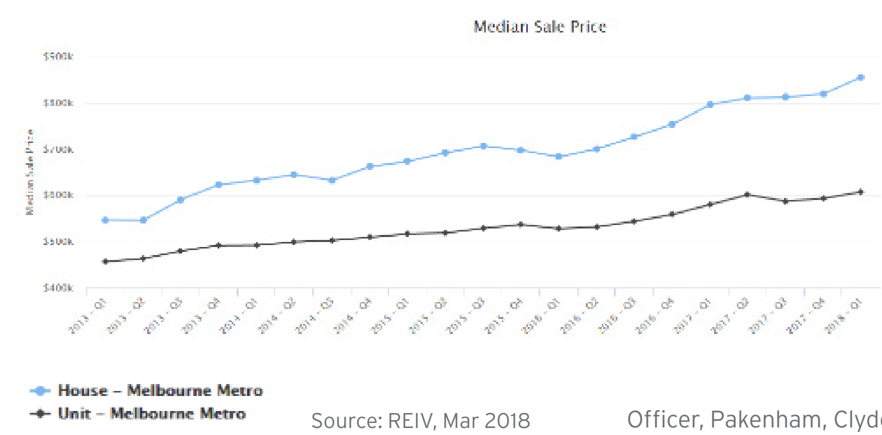
Victoria

Melbourne

The demand for Melbourne property is expected to remain stable, even with the predicted rate rise this year. According to Your Investment Property's Market Report May 2018, the slow pace has been attributed to both offshore and local investors pulling back due to tighter lending from banks, changes in negative gearing and depreciation and buyers having fewer incentives to buy off the plan. Whilst negative gearing remains available to landlords, rules are being tightened around what can be claimed, specifically related to travel expenses and depreciation deductions.

In December 2014, the Australian Prudential Regulation Authority (APRA), Australia's banking regulator, restricted banks to lending not more than 10% on investor lending. Banks tightened their policies and property prices started to slow due to more scrutiny on interest-only loans or buying for investment purposes. The recent APRA announcement indicating a lifting of this restriction (26 April 2018) is likely to have a delayed impact on the market as banks slowly adjust.

The Melbourne property market has been one of the most consistent performers over the past few years. There are signs of the market flattening with a decline of 0.4% in growth in the month of April 2018. According to Michael Yardney of Propertyupdate.com.au, Melbourne's property prices are forecast to drop by approximately 3% this year, cushioned to some extent by strong population growth (source: Propertyupdate.com.au, Yardney, M. May 2018). For the first quarter of 2018, REIV recorded a Melbourne median house price of $855,000 and unit price of $607,000.



Source: REIV, Mar 2018

The eastern suburbs continue to be stable in locations such as Nunawading, Mitcham and Blackburn, as they appear to have an oversupply of apartments situated close to railway stations and other forms of public transport. REIV Top Growth Suburbs for December 2017 to March 2018 records Wheelers Hill increasing at 10.60% and Endeavor Hills with 8% for the quarter. Certain pockets in the outer east are still achieving double-digit growth.

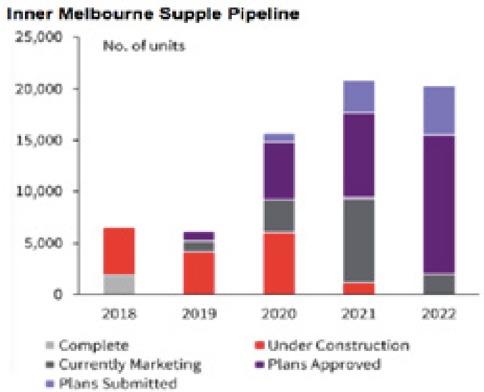
According to realestate.com.au's Property Outlook report (source: News.com.au, Carbines, S. April 2018.), Warrandyte is one of Australia's top 10 suburbs in demand, located only 24 kilometres north-east of the Melbourne CBD. It offers large parcels of land with green leafy parks, Yarra River access and availability of a majority of the local produce grown in the area.

The outer south-eastern suburbs continue to attract first home buyers and families looking for affordable living near amenities and public transport, whilst still being a commutable distance to Melbourne's CBD. With many new land releases in Officer, Pakenham, Clyde and Clyde North, buyers are able to purchase vacant blocks of land at a reasonable price and customise the home to meet their needs.

We expect the inner suburban property market to stabilise throughout 2018 in suburbs such as Port Melbourne, South Melbourne and South Yarra. We expect Melbourne's inner city apartment sector to flatten and potentially face a slight decline. The pipeline continues to shrink and limited new

Residential

submissions are being made as the large wave of off the plan apartment complexes comes to completion in mid-2018.



Source: JLL Melbourne Apartment May 2018

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319 Tindals Rd, Warrandyte is 5 bedroom property, is on the market for $2.4-$2.6 million Source: News.com.au, Carbines, S. April 2018.

The outer South Eastern Suburbs continue to attract first home buyers and families looking for affordable living near amenities and public transport, whilst still being a commutable distance to Melbourne's CBD. With many new land releases in Officer, Pakenham, Clyde and Clyde North, buyers are able to purchase vacant blocks of land at a reasonable price and customise the home to meet their needs.

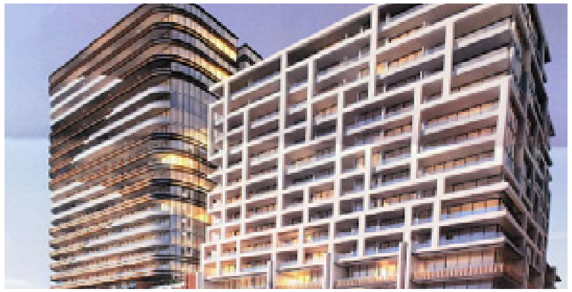
The Peninsula continues to be a strong performer, with many property owners looking to purchase an investment property or holiday house. According to the REIV, the December 2017 to March 2018 quarter list of top growth suburbs names many peninsula suburbs including Mount Martha, Mount Eliza and Dromana, which was the third fastest growing suburb at 18.6%.

Units and apartments are becoming more prevalent in the south-eastern suburbs as the price of land increases and developers look to cash in and take advantage of changing zoning regulations encouraging development near activity centres. The price growth for units has increased substantially in popular hot spots such as Brighton East, Bentleigh, Cheltenham and Highett. These suburbs are sought after due to their proximity to both beaches and train stations and established infrastructure. Clayton is still a strong performer due to its close proximity to Monash University. Because of this, many overseas investors purchase newly built apartments in this area so that their children are able to attend university in Australia.

With many inner city suburbs increasing in value, owners look to use their increased equity to purchase cheaper investment properties, which will continue to drive up prices on the Peninsula as many houses can be let out over the summer with sizeable rental returns thanks to the likes of short-term accommodation websites such as Airbnb and Stayz. The growth in the south-eastern suburbs will be at a much slower pace as many purchasers are being priced out of the residential dwelling market. Apartments and units in these suburbs will continue to show strong growth due to being an affordable option within a half hour drive to the CBD.

Inner West Melbourne market remains steady, with a growing quantum of apartments. A change in the market has shifted to Moonee Ponds with the biggest apartment development currently underway, Mason Square, comprising 1200 apartments within four towers, by Cayden Developments. The development is due to open Stage 1 from June 2018. Larger residential developments are slowly changing profile Middle Melbourne.

Source: Mason Sq, Cayden Developments.



The Middle Ring Western Suburbs' property market remains moderate as developer interest for compact, potential developments sites as the area has shown significant population growth, in particular the Brimbank municipality. Housing affordability is still prevalent with the rise in unit developments, and the upcoming presence of apartment developments emerging in the suburbs of Sunshine and Sunshine West. REIV states that the median unit price in Sunshine is $500,000 contributing to 9.2% of the market from the March 2018 Quarter. This is showing a shift to forecast higher density growth and is expected to hold for the second have for 2018.

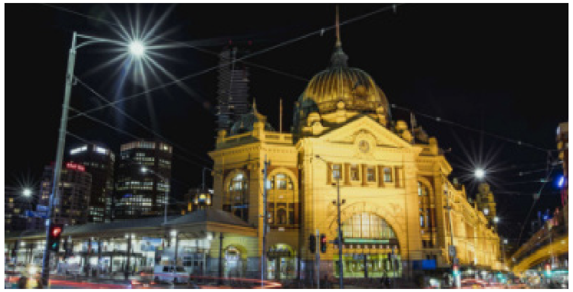
The Outer Western Suburbs of Melton, Hoppers Crossing, Werribee and Wyndham Vale have shown significant increases in volume due in part to a rise in first home owners to entering the market from July 2017, when stamp duty was abolished by the State Government for first home purchasers under $600,000. The new construction market still going strong and is expected to continue, due in part to further incentives from the Victorian State Government with the First Home Owners Grant of $10,000.

We foresee the Outer North Suburbs to continue its expansion through the assistance of new major developing estates bringing in increased housing developments within Craigieburn, Mickleham and Kalkallo. As construction enhances housing supply in the outer North, it is still evenly matched with current housing sales in surrounding northern suburbs. Median house price growth has increased from the December 2017 quarter in areas such as Sunbury and Doreen which have increased by 6.5% and 4.6% respectively (REIV). Although median house prices for the outer north are overall level, auction clearance rates are below expected market parameters. As the market continues to explore slightly higher housing prices, we do not expect the outer north to vastly increase for June 2018

Inner North Suburbs have shown a steady plateau in market conditions even though people are still willing to pay more for closer proximity housing near Melbourne's CBD rather than heading further out for less expensive trade-off. There has been substantial growth within median house prices for sought after suburb Northcote which has landed a 19.30% increase in median house price from the December 2017 quarter (REIV). The previous quarter has shown growth in median housing unit prices in Carlton and Pascoe Vale being 16.20% and 2.10% respectively. Although this growth is not the case for most of the inner northern suburbs as the market explores a period of moderation.

Affordability constraints, reduced activity from local and foreign investors, along with a general cooling in the market, are other factors that have contributed to the recent softening in the market. With dwelling values now falling or rising at a slower rate than rent, gross rental yields are generally tracking higher. In the lowest yield markets, Melbourne dwelling rents have lifted from their record lows, but remain well below the long run average.

As Melbourne's population continues to rapidly grow to and surpass 5 million this year, the suburbs in the Outer West and Outer North will continue to accommodate for new immigrants and first home buyers, but also continue to challenge the local, state and federal governments for sustainable infrastructure.



Source: Open Agent, May 2018.

Ballarat

As winter's grip tightens around the city, the market traditionally sees less stock transacting as vendors hold off marketing their properties until spring. This appears to be true again this year. Despite lower transaction numbers, the prices being achieved continue to be strong with quality inner city and period stock and rural residential property the standout performers.

A major upcoming project which is beginning to have a strong impact on certain sections of the market is the development which has been approved and commenced around the Ballarat train station. The land to the north and east of the train station which has long been a car park and open storage space is in the process of being developed into a large hotel and conference centre. Additionally, land on the corner of Armstrong and Mair Streets has development approval for a building of approximately eight levels which will be known as the Gov Hub or Government Hub. This building will be predominantly government office space and will become a workplace for around 200 people.

These two developments are creating quite the buzz among local traders in the area and from a residential perspective, are creating significant demand in the area. Not only will the developments increase demand for residential accommodation in the area, they will also beautify sections of the city which have been unsightly for some time.This demand will seep into the remainder of the Ballarat market and for that reason, we foresee continued sustainable growth in the residential market between now and Christmas. Elsewhere in the residential market, residential serviced lots appear to be selling well. There is a significant supply of lots in the more affordable south-western section of Ballarat around Alfredton, Symthes Creek and Delacombe. The development of shopping facilities at the Delacombe town centre has assisted this. At the upper end of the vacant land market however, there is a limited supply. Insignia Estate has sold out and the Lucas Platinum Estate has almost sold out. There is a new estate coming online in Ballarat North called Drew's Paddock which is receiving significant interest.

The demand for these products primarily comes from increases in the population of the area. This population growth has been strong in the past ten years and it will be this continued growth that will dictate the success of the new land coming onto the market.

Gippsland

Bass Coast

Within the past six months, the Phillip Island residential market has seen strong buyer activity with a good level of demand resulting in increased capital growth. The entry-level and middle markets have seen significant increases in values in both existing smaller style holiday houses and modern dwellings. Agents are reporting a strong demand particularly for vacant residential allotments within new subdivisions with demand outweighing supply. Many purchasers are retirees from Melbourne's eastern suburbs.

Baw Baw

The residential market for the Baw Baw Shire is predominantly driven by its two main suburbs, Warragul and Drouin, which are located just off the M1 Freeway and have a commute to the Melbourne CBD of approximately one hour. New housing is leading the market due to the numerous land subdivisions across these suburbs which are selling fast and often supply is very limited.

House prices have significantly risen in the past six to twelve months. Whilst rental yields remain strong there has been minimal movement or increase given the availability of stock. Continued demand from the eastern and outer suburbs of Melbourne will maintain consistent growth in this area for the remainder of the year.

East Gippsland

The residential market in East Gippsland showed modest improvements in median sale prices over the 12 month period to February 2018. However, more recent sales indicate a strengthening market generally with increased demand and improving sale prices across the board. Together with the improvement in the residential market, particular improvement has been noted in the rural lifestyle/residential market which has been slow for some time.

Latrobe Valley

This time last year, the Latrobe Valley was doing it tough. The negativity and uncertainty around the Hazelwood closure had a negative impact on the local markets. However in 2018 and more specifically the past three months, we have seen an increase in buyer confidence. The Moe and Morwell markets have improved slightly and discussions with local real estate agents in Traralgon indicate that they are busier than ever. It seems the flow on effect of the Baw Baw market surge is slowly starting to move further down the highway. There seems to be many more Peninsula, Cranbourne and Melbourne south-east buyers coming into the Latrobe Valley market. The residential market appears to be recovering and early signs show a positive feeling heading into the rest of the year.

Mildura

The residential property market in the Mildura region shows no signs of slowing. Selling periods remain comparatively low, often below 30 days, which contributes to agents having a shortage of listings The main sector to see growth is the upper end of the market, with a higher than normal number of sales occurring above $600,000. Many of these sales are in the surrounding semi-rural areas of Irymple, Nichols Point and Gol Gol.

This sales activity points to strong confidence in the local economy and is likely to also reflect a bit of a rub off effect, with some buyers having sold properties in metropolitan areas. In last month's Month In Review, we commented that the dramatic improvement in rural land values was providing an impetus for older farmers to plan their retirements and that we expect that this will bolster demand for better standard homes.

In the past month, we have seen several examples of this occurring, including the sale of a riverfront property at Gol Gol for over $2 million. Values appear relatively stable in the lower end of the market, while mid-range properties appear to have risen by around 4% to 5% over the past two years.

Building activity remains strong, with a number of residential subdivisions selling quite quickly. The value of serviced lots has risen faster than established housing over the past few years due to a limited supply, which has helped developers recoup the higher cost of completing subdivisions. It is hard to see anything causing the current strong conditions to weaken during the remainder of 2018.

While it appears that the Melbourne market has peaked, we expect that the Mildura market will continue to improve or at least remain stable.

Bendigo

The Bendigo residential market continues to perform well with steady growth across most segments on the back of growth in population and low interest rates. Established properties in central locations are seeing strong demand with older period style homes currently being in vogue. House and land packages on the city fringe have slowed on the back of increased supply.

The surrounding rural residential/lifestyle market is considered stable with steady demand and supply at present.Local selling agents are reporting a shortage of stock across all segments which is to be expected as many vendors wait until the warmer months to market their properties.

Small to medium-sized developers are active, putting units and townhouses to the market with success. This is predominantly within the central suburbs of Bendigo on infill sites and marketed to both investors and first home buyers. Yields across Bendigo are generally slightly lower than that of other regional cities however the stable market conditions still attract investors. The outlook for the Bendigo residential market is good with steady growth forecast. Many people will be following the RBA's decision on interests rates as this has the potential to reduce demand on a macro level.

Echuca

The residential market came slightly off the boil in the first half of 2018 with reasonable prices still being achieved although demand seems not to be as fierce as it was leading into the tail end of 2017. Nevertheless, there is still strong competition for listings from agents which suggests that there is not an oversupply which is typical for the winter lead up.

The spring campaign will bring immense interest with recent strong demand for riverfront properties and generally favourable interest rates. The mortgage belt continues to potter along although the upper end of the market ($500,000 plus) appears to be slightly slower at this moment in time with significant supply, particularly north of the border.

Queensland

Brisbane

Brisbane's stable property market performance is on display once more as we approach the middle of 2018.

There were expectations that Brisbane could ramp up beyond national averages when it came to price gains – perhaps even become a capital growth leader among our major cities. There was certainly some indication at the end of 2017 that signposted a heap of promise, but a confluence of factors has resulted in our town's performance so far this year being best described as steady.

One of the key indicators well worth watching is Queensland's net interstate migration number. Historically when this figure is on the rise, Brisbane housing gets a value boost. At the market growth peak in 2003, there were over 25,000 extra residents joining the Queensland ranks from other states and territories. That figure plummeted post-GFC. The silver lining is that we're now well and truly tracking on an upward curve after coming off this low base.

It's doubtless that many of these buyers are affordability migrants – those now priced out of Sydney's real estate market who are keen on relocating to Queensland and enjoying the lifestyle. Best of all, many are selling up their Harbour City abodes and buying here mortgage free and with a big chunk of change left over. That said, many new Queenslanders are moving to lifestyle centres rather than the capital. Regions such as the Sunshine and Gold Coasts have been major beneficiaries of population growth – and they've got the value gains to prove it.

In addition, the popularity of our relatively affordable inner city suburbs with this new southern crowd is evident. Translation? While inner-Brisbane addresses have done well over the past year or so, strong price growth hasn't necessarily extended through to the further flung suburbs.

Another tough metric for Queensland is employment, which remains soft. There is a glimmer of hope though, with big infrastructure spends on the cards that might well help drive job numbers higher. The impact of continued low-interest rates is a general positive for our market and a recent relaxation in rules governing investor loans only bodes well for those wanting values to rise.

With these musings as a backdrop, let's take a look at how Brisbane's market has performed so far this year. Detached housing remains a firm favourite among Brisbane buyers and the flight to quality that always comes in slow markets continues to be a feature.

Housing within six kilometres of the CBD is definitely a winner. If you watched its performance over the past two years, certain locations have enjoyed a 20% capital gain in median values. This sort of upward movement has moderated a little so far in 2018, but the fundamentals for inner-city housing remain upbeat and values should continue to track in a positive, if somewhat uneventful, manner over the rest of the year.

Stepping a little further out, the mid-ring of housing from six to 20 kilometres from the CBD was hoped to hold a whole heap of promise this year. Upwardly-mobile young families priced out of the inner city would be looking for established housing in this sector. There are great schooling options and if you're handy with a hammer, there's the chance to buy a renovation project for adding some equity and liveability to your home. That said, demand has moderated over 2018 for the mid-ring. But fear not, this sector is also expected to remain positive with similar characteristics of firm demand and limited stock listed for sale. Expect modest but upward gains during the rest of 2018 again.

Housing in the outer fringe has been a mixed bag really. Supply is good so prices have remained relatively static. One of our larger community projects, North Lakes, went into its final stages so the remaining vacant blocks have sold well as supply dried up. In fact, most comprehensive community projects have seen good demand for vacant land this year as affordability investors look to build their functional and stylish dream homes or decent yielding investment properties with depreciation benefits. As a general observation, smart detached housing investors will continue avoiding secondary locations in this type of market. Main roads, inhospitable surrounding uses, train lines abutting – the usual stuff. There is resistance from buyers for these holdings and they usually only perform at their best when a boom market is underway.

Now onto our unit market. The significant increase in the supply of inner Brisbane city units along with a cooling in demand has resulted in prices softening for new stock pitched primarily at investors. Inner Brisbane includes the Brisbane CBD, Fortitude Valley, Newstead/Teneriffe and Bowen Hills, Hamilton, South Brisbane, West End, Woolloongabba, Kangaroo Point, Stones Corner/Greenslopes and Milton. These suburbs are the focus of development activity, with projects of 50 plus units the norm.

Furthermore, rental vacancy rates have increased over the past few years with evidence that rental levels are falling – in fact, the inner Brisbane vacancy rate is in excess of the equilibrium rate of 3%. Various incentives as well as rental compensations are now quite common in many localities in order to attract tenants. Whilst it's difficult to establish exact numbers, anecdotal evidence suggests there are some off-the-plan units now failing to settle at completion because their values aren't stacking up to their original contract prices.

So, what does this mean? Well, in 2018 the impacts of oversupply have come home to roost. Prices for units are down, tenants are being incentivised and new projects that haven't started construction are being land banked.That said, we can look forward to this softer market washing through sooner than some expected. While we believe there's more pain to come, much of this has already been factored in, so the landing could be less bumpy than first predicted.

The other bit of bad news for units in Brisbane is that the softening in the new sector has flown through to second-hand units and townhouses too. This means that well located but older apartments within five kilometres of the CBD are tough to sell. The upside is that many now present a good opportunity for buyers – particularly first-timers or investors with a long-term outlook on their holdings. While we don't expect prices to rise any time soon for these older units, yields are reasonable and the long-term prospects remain positive.

Finally, there are the satellite centres. The western growth corridor out through Ipswich is attracting its fair share of affordability driven buyers looking for growing infrastructure appeal to help boost their property values. Ipswich itself has cranked up its cool factor over the past few years, so expect its current popularity to continue. Similarly, the eastern zones out to Redland remain desirable for those seeking established housing for the longer term.In the Moreton region, upgrades to transport infrastructure and a rise in the availability of essential services and facilities bode well. In this area, supply isn't an issue. 2018 will again be a year of moderate growth in the north.

In summary, much of the market's expected urgency has dissipated. Brisbane property will remain relatively sound, however it will be somewhat slower in comparison to the previous 12 to 18 months for housing. The apartment market will continue to be slow with limited demand, reduced values, rents and yields and pricing will need to meet the market in order for the stock to be absorbed.

Gold Coast

After a dull period of market activity during the Commonwealth Games, most agents have reported that buyer enquiry across the central areas of the Gold Coast has now generally improved to a steady level. Despite the volume of sales activity dropping over the past twelve months in most areas, it has been reported that some suburbs are still performing quite well, particularly within the Varsity Lakes and Mermaid Waters areas. They have attributed the positive levels of buyer enquiry in these suburbs to a shortage of good quality stock in central areas and asking prices being more affordable in comparison to neighbouring suburbs.

Agents who specialise in the Surfers Paradise and Broadbeach areas have noted that they are still receiving steady levels of enquiry for listed stock, particularly up to $500,000. A good slice of their enquiries are buyers from south of the border (New South Wales and Victoria) which demonstrates that interstate investors still see good value for money opportunities in this market segment.

However, it is becoming more apparent that agents are finding it tougher to get a quick sale for unit stock priced between $500,000 and $1.5 million. If the apartment is not reasonably priced from the get-go, feedback has indicated that it will likely sit on the market for an extended period. There are many new medium to high rise developments under construction between Mermaid Beach and Surfers Paradise at the moment. It will be interesting to see if this will create a huge oversupply in the near future.

We have received mixed feedback in relation to how the waterfront home market has performed in the past month. Broadbeach Waters, which has been one of the more sought after suburbs in recent years, still appears to be one of the better performing locations. Entry level waterfront property (priced between $800,000 and $1.1 million) is still moving rather quickly.

Selling waterfront properties priced above $1.5 million is becoming far more challenging for some agents. More recently we have noticed a significant decrease in sales volumes and market activity, particularly in Clear Island Waters and Benowa in this segment of the market.

With what has occurred so far this year in the Gold Coast property market, we expect the second half of 2018 to remain stable. Whilst we don't expect sales volumes to increase any time soon, steady levels of demand and a lack of listed stock will likely continue in most central suburbs. An unexpected rate rise in the next six months however would definitely make things very interesting.

Southern Gold Coast and Northern NSW

Overall, the market within the southern areas of the Gold Coast has slowed and there is an obvious decrease in listings and longer selling periods in the northern New South Wales areas. The southern Gold Coast is still achieving good prices with similar selling periods to post Commonwealth Games. Owner-occupiers have realised that there was no Commonwealth Games bubble and prices have not increased substantially.

The established housing market is still selling well as long as vendors are realistic in their expectations. This is evident across the southern Gold Coast and northern New South Wales localities. There is a price differential with premiums paid for properties within close proximity to the beach and transport hubs, with a noticeable decline in sale prices achieved the further the property is from these services.

The unit market in this locality remains very strong as investors are still active and rental returns are good. It is anticipated that this demand will continue to remain steady for the remainder of 2018 as long as vendors continue to be realistic and willing to negotiate to achieve a sale.

Northern Gold Coast and Southern Logan

Generally, the northern Gold Coast/southern Logan market remains steady with no significant increase or decrease in value for the first months of 2018. Sellers with high expectations within this locality remain on the market for extended periods of time and typically require a price adjustment to effect a sale.

In Yarrabilba, there is currently a significant gap between resale and new products. Generally, resale property is selling at a discount compared to recently completed and new stock due to the level of competition within the estate. The rental market in Yarrabilba is also very competitive and it is common to see a property with a reduction of rent from $390 to $350 per week in order to secure a long-term tenant. Brookhaven is located closer to Beenleigh and is considered to be a direct competitor to Yarrabilba. The other master-planned community of Flagstone remains quiet with the developer aiming more at the owner-occupier market. The prediction is that the second half of 2018 will see the established market remain stable, however the developing estates will require more attention to price point as a number of developers may be in a situation where growth outweighs demand which will put downward pressure on the underlying land component which in turn would reduce the gap between new and second hand stock.

Central Western Gold Coast and Hinterland

Prices have remained relatively steady for the first half of 2018. Agents continue to advise of a shortage of stock for dwellings within the $450,000 to $650,000 market in areas such as Nerang, Highland Park, Maudsland and Pacific Pines. Recent feedback from agents suggests the higher priced dwelling market ($750,000 plus) has slowed, with longer selling periods. The $300,000 to $450,000 townhouse, villa and duplex market remains strong, being affordable options for first home owners and investors. The western rural residential markets such as Beaudesert continue to experience relatively stable sale rates, although prices have not increased significantly.

Agents have advised that the recent Commonwealth Games did not have a major influence on the market in the western area of the Gold Coast. Rather, factors such as the generally low interest rate environment, affordability (Sydney and Melbourne buyers continue to see value in our market) and first home owner scheme have helped the market's performance. The Queensland Government extended the $20,000 first home owners grant in late 2017. The grant is set to end on 30 June 2018. This has somewhat contributed to the strong performance of the affordable new dwelling, townhouse, duplex and unit markets.

The next half of the year looks to remain stable, with interest rates not expected to rise dramatically and demand from interstate and overseas investors expected to remain steady. We will see whether the Queensland Government will extend or end the $20,000 first home owner grant come 30 June and what impact that might have.

Cairns

2018 thus far has proved to be a stodgy year for the Cairns property market. Residential property demand has remained constant, prices have remained flat and the market has remained stuck in a steady state position.

The latest trended median price readings in Cairns for sales during April 2018 stood at $405,000 for houses and $209,000 for units. Technically, these represent price changes during the past twelve months of -2.4% for houses and -5.5% for units.

Our own in-market assessment is that individual property value movements over the past 12 months have been varied by no more than plus or minus 5%. The upshot is that even though solid fundamentals are in place with low rental vacancy rates, no obvious oversupply in any market sector and continued economic improvement, the Cairns property market is still being hampered by a lack of confidence and a constrained fiscal environment.

We have been on record expecting demand for most residential property to revitalise during 2018 as a result of ongoing economic improvement. Sales volumes have been expected to come back to a slow but steady increase and flow through to modestly rising prices. So far it hasn't happened. What's more, if it doesn't happen in 2018, it never will.

Sunshine Coast

The residential property market is still performing quite well across the different property types. The first six months of 2018 saw a slight fall in the volume of sales compared to this time last year but the main reason for this has been the limited stock available. General buyer activity has been good but some agents over recent weeks have begun to notice that enquiry levels have slowed with some urgency disappearing from the market. Whether this is just a seasonal impact or something more sinister is too early to tell. Properties and areas that have good market appeal are still performing well.

Of the various residential property types, existing dwellings and vacant land are still outperforming the residential unit market. The lower end of both are in demand, particularly the sub $600,000 market. Property along the coastal strip from Caloundra to Noosa Heads as always is in demand and well positioned good quality rural residential properties in hinterland localities are also generating good interest. The market for property on the Sunshine Coast is still being heavily influenced by the interstate migration from the southern states as well as Brisbane buyers relocating north.

The southern end of the coast has two large small lot affordable housing estates which comprise predominantly sub $600,000 single unit dwellings. Land continues to sell prior to titles being issued in most cases, however we have also begun to see a decline in investor activity with the tightening of credit and investor loans by the banks really taking effect. Further north, land is still selling well at Bli Bli and Peregian Springs although the supply of vacant land in new estates generally decreases north of the Maroochy River with limited sites available.

The improvement in the prestige and higher end properties has historically been driven by a high percentage of interstate investors from Sydney and Melbourne. This is especially the case in the Noosa region. The relative affordability when comparing Sydney and Melbourne prices to those of the Sunshine Coast demonstrates pretty good value. It also appears that the Sunshine Coast is pretty high on a number of the lists of the baby boomers who have started to retire.

The next large infrastructure projects likely to give the coast another boost are the continued development within the much anticipated Maroochydore CBD as well as the Sunshine Coast Airport expansion. Works to the Bruce Highway are also well underway which will provide a much-needed improvement to traffic flow once completed. The next big game changer is the Sunshine Coast International Broadband Submarine Cable project which is still to be announced. This project has the potential to make the coast into a major tech hub.

We are expecting the Sunshine Coast residential property market to simmer along in much the same fashion as the first half of 2018 with values being good.

Net migration from the southern states is expected to continue now it appears that the southern markets are cooling and people are selling up and moving north for lifestyle reasons. It appears the market may be in the early stages of transitioning after several years of strong growth across all residential property markets.

Hervey Bay

The residential housing market in Hervey Bay is very stable with good steady demand for property priced below $350,000 and consistent sales of executive homes in the upper price brackets above $500,000. There has also been a small increase in sales of Esplanade properties over $1 million. Rents are sitting firmly at present after a progressive period of increases over the past eighteen months. Construction of new homes (for house and land packages) has slowed in recent months. The housing market in Maryborough continues to be relatively stable with prices very affordable and low compared to nearby Hervey Bay. Yields have been returning between 7% and 10% (gross) for small blocks of flats of three or more in Maryborough/Granville which is encouraging.

The Fraser Coast region is finally appreciating some stability in local government due to the recent mayoral election which is likely to improve confidence for developers and future investors to the area. The new emergency department for the public hospital is currently making good progress. The completion of a new caravan park in Urangan close to the pier is almost finalised. It is expected that values will continue to gradually improve throughout 2018 for Hervey Bay, with the market in Maryborough predicted to remain flat overall.

Emerald

The Emerald region continues to strengthen with no signs of slowing down. The local resource sector is performing stronger in both coal and solar. A few coal mines have recently sold strongly and a few have indicated reopening mines which have been closed for a number of years. There are many jobs in both coal and solar on offer and many individuals with no previous mining experience entering the workforce.

We anticipate another labour shortage and this in turn usually pushes up wages as companies battle to hold on to workers and high wages are offered to attract more workers. This in turn then pushes up rents and values in the property market as supply struggles to keep up with demand. We are just starting to see some disposable income coming back into the town which hopefully starts to lift business confidence which has been low for five years. This is all off the back of higher coal prices and if the price stays steady or increases, we can only see the employment demand increasing and an upward cycle in our property market continuing. The vacancy rate is now below 3% and tightening.

Whitsundays

When looking at how the Whitsundays market is travelling coming up to the midyear point, you can't help but comment on how the region is recovering in the wake of Cyclone Debbie. There are still noticeable signs of recovery with Daydream and Hayman Islands closed to the public and boats filled with tradesmen travelling to Hamilton Island daily. On a smaller scale, we are still seeing a number of houses and units that are in need of repair. It appears that the demand for tradesmen in the region continues to be strong.

In regard to tourism, the Whitsundays market has been experiencing a growth in domestic and international tourist visitors compared to the past few years. It is worth noting however that although visitor numbers have increased, tourists are staying for a shorter period and are spending less in the region. This is as expected with some of the major attractions and smaller businesses still recovering.

The Whitsundays region is also supported to a lesser degree by mining. We have started to see increased optimism in the mining industry with the high price of coking coal and significant infrastructure projects in the works. This recovery is well reflected by the Mackay region unemployment rate. In 2012 the unemployment rate was 3.2%; it rose to 8.4% in 2015 and is currently sitting at around 4.4%.

We have started to see positive growth in the residential market of Airlie Beach and surrounding suburbs. The graphs below reflect the median price of a standard residential dwelling, the average rent per week and yields achieved. As shown, there has been a significant increase in sales volumes from the third quarter of 2017 with a mild increase in the median sale price. The rental market has increased at an unsustainable rate with gross yields at 5.6% and an average rental of $480 per week.

Looking forward to the second half of the year, there are a few things that we should all be paying close attention to. Firstly we look forward to the completion of a number of larger projects including the reopening of Daydream Island. With the completion of these works, we anticipate a significant number of workers leaving the region. This will most likely lead to an increase in the vacancy rate and a decline in the median rent back to sustainable levels. We cannot predict the full effect that this will have on our market. We do however expect that as the construction work declines, tourism will continue to increase with a renewed appeal to the region.

Mackay

This month, we turn our attention to the mid-year review and take stock of how the year has progressed so far. For the Mackay residential market, it's full steam ahead so far in 2018.

Economically speaking, Mackay is probably in its best shape in almost five years, with falling unemployment, a buoyant resource sector, increased infrastructure projects and generally improved sentiment.

Projects underway include the $500 million (approximately) Mackay Ring Road project which is in full swing, the sports precinct out by Central Queensland University, Vines Creek Bridge and the Eton Range Bypass just to name a few. The Mackay Regional Council has also announced a number of infrastructure projects such as flood mitigation and drainage work in East Mackay.

This has then had a flow on effect to the residential market. We have seen vacancy rates virtually halve in past 12 months, leading to increased rental values (only slightly so far). We have seen increased buyer demand for owner-occupied dwellings, with reducing days on market and good activity across almost all sectors.

However, we should temper the above comments a little bit. While activity has increased and general sentiment has improved, we have not seen any real increases in value as yet. There are still a number of hurdles in the Mackay market, mainly harsher lending policies still in effect for the 4740 postcode and the large equity reduction seen in the market over the past six years.

All in all though, the past six months has definitely been a big improvement for not only the Mackay residential market but the whole Mackay region and we look forward to a continuation of this for the rest of the year.

Gladstone

So we are nearly at the halfway point of the year and I'm sure all of our avid readers wonder how the often turbulent Gladstone market has been tracking. At the beginning of 2018, we made many positive statements about what was happening in this market; statements such as increased sales volumes; declining vacancy rates; reduced days on the market; multiple offers being made; and an increasing trend in new dwelling construction.

Now at the midpoint of the year, we have some solid evidence that these statements were not just speculation. Some recent transactions have shown the slight increase in capital values that the market is showing:

- A 3-bedroom, 2-bathroom townhouse in Telina sold in April 2017 for $176,000. Resold in March 2018 for $185,000 representing an approximate 5% increase in value.
- 1990s 3-bedroom, 1-bathroom brick dwelling in Telina sold in January 2017 for $226,500. Resold in May 2018 for $259,000 representing an approximate 14% increase.

We do not suggest the entire market has magically risen 5% to 15% over the past six months however we are definitely aware that times are changing and market sentiment is definitely trending upwards. We have seen a minor shift in values with many price points now pushing the boundaries of the value levels of six to 12 months ago.

Other indicators include the vacancy rate which currently sits at 3.7%. This rate has been slowly trending downward from 4.7% in January 2018. The latest quarterly data from the RTA shows that the median rent for a 4-bedroom house ($260 per week) has increased $20 per week from the same period 12 months ago. 2-bedroom units have also tracked upward by $10 to a median of $150 per week over the same time period.

After an upward trend in new construction activity throughout the first half of 2018, new construction now appears to be slowing, but for a positive reason! There is a general lack of land available in Gladstone but seemingly good demand. This is likely to push the value of land upwards and perhaps some larger developers will start to release lots in estates that have typically been in a holding pattern over the past several years.

Another positive is the sharp decline in the number of mortgagee in possession transactions.

It is the expectation that the market will continue to improve throughout 2018 on the back of continued affordability in the region.

Rockhampton

We are through half of the year already and heading into the cooler months which generally bring a bit more activity in the market. The Rockhampton market has been weakening for some time now with sales numbers steady over the past few years. January to March was overall quite positive, providing a good start to the year. Whilst the months since have not been as buoyant, there are still signs within the area that market improvement is just around the corner.

Overall the housing sector as a whole has continued to plod along with no real stand out areas although the prestige market has seen more activity in recent times. There is still good buying within most price brackets, with the best buying being in the sub $300,000 established homes. Newer homes have tended to hold their prices better over the past few years but are still offering buyers good value for money. The construction of new homes has improved slightly, however there is still a way to go, generally due to modern established homes offering better overall value for money at the current time.

The Rockhampton unit market continues to provide purchasers with a wide variety of options. A number of unit projects are in progress in various areas throughout the Rockhampton area. Of note, The Gallery, which is the latest Riverside high rise apartment complex, is all but completed, with a number of units still available for purchase. The Skyview complex is also under construction with units still available and The Loft apartments are getting pre-sales together. New walk-up units are also available on both sides of the river in older more established areas. Older units are generally priced in the lower section of the market and are generally offering good buying.

The second half of the year is looking positive. There are a number of projects both small and large either about to start or that have had announcements with funding pending. Rookwood Weir and the lingering project are the two largest projects that are mooted for the area. Should either of these go ahead, they will help drive the Rockhampton and Central Queensland economy in the future. Should further action towards these projects take place within the next few months, we would expect the property market to react positively. Other projects taking place in Rockhampton include the construction of the Rockhampton Hospital Carpark and the soon to start duplication of the Capricorn Highway to Gracemere and the Bruce Highway Northern Access upgrade.

Although there is still some way to go, the Rockhampton market is showing some positive signs that will hopefully lead to market improvement. The prestige market has seen more activity in recent times with a number of sales over $1 million and a few more that have not been far off that mark. Rental vacancy rates have dropped to around 3.5% with some agents reporting possible small rent increases. The coal industry is more buoyant and strong employment continues in this sector. Together with the current and future projects, these factors should see a more positive outlook for residential property in the region.

Bundaberg

We would expect the Bundaberg residential market to continue with a stable rate of sale and median sale price in the later half of 2018. There is little evidence to suggest a market movement, whether positive or negative, which has been the case over the past few years.

Bundaberg is a relatively compact residential market with its main advantage being the generally low-cost affordability of housing compared to other regional cities. We do note that the volume of sales of vacant land has risen over the past six months.

Toowoomba

The Toowoomba residential property market has continued to remain steady throughout the first half of 2018 following a general decline since the peak of activity at the end of 2013. Although sales activity has been steady across the board, the market has continued to be multispeed and property specific. There has been little consistency with variations in sale prices and buyer interest across the established suburbs. The prestige market, however, has been performing strongly, particularly in the eastern suburbs as has the upper end of the rural residential lifestyle market.

The median sale price has displayed some growth over the past 3 years, currently sitting at approximately $390,000 up from $375,000 in June 2015. Another key indicator of the steady property market is the volume of property listed for sale. As of April 2018, there were approximately 1,740 houses and units listed for sale in postcode 4350. This is near a 6 year high and does not show well for price growth in the short term.

The unit market has followed a similar trend to the housing market, with low sales volumes following the oversupply of unit product that became apparent throughout 2016. Land sales volumes steadily increased in the 3 years between 2012 and 2015; peaking at 1,063 sales in 2015. In 2016, 681 sales were recorded and 677 in 2017.

In contrast, vacancy rates across Toowoomba are approximately 2.3% as at April 2018, which is considered tight and below the balanced market level of 3%. The Toowoomba Second Range Crossing project under construction appears to have assisted in maintaining low vacancy rates, with many workers residing in the region. It is anticipated that the low vacancy rate and substantial infrastructure projects in the pipeline may reignite interest in Toowoomba residential property from investors.

The steady market conditions currently being experienced in the residential property market are expected to continue throughout the remainder of 2018.

Townsville

The remainder of 2018 is likely to remain status quo with overall confidence and market sentiment positive.

The inner city 4810 postcodes remain buoyant with inner-city projects including the Townsville Stadium and proposed waterfront precinct being positive factors.

The present market is highly suburb selective, with reasonable turnover levels in the sought after mid to inner suburbs, but patchy sales in other areas and suburbs with perceived social issues.

During 2018, the trending rental vacancy rate has remained in a balanced market range with the overall trend vacancy rate at just over 3%. This is significantly lower than the prevailing trend in vacancy rate for the similar period of 2017 at 5.52%.

The unit market is currently steady, albeit at low volumes, with some resistance still being experienced due to the holding costs associated with unit ownership including body corporate fees and high insurance costs.

Our overall feeling is that the remainder of 2018 will remain similar to what we have seen to date so far, with any changes to demand or sentiment heavily reliant on factors such as unemployment, job security and population growth.

South Australia

Adelaide

The South Australian property market performed well over the first half of the year with stable growth occurring. State Government data from the March quarter indicated an increase in the median house price from $465,000 to $470,000 for metropolitan Adelaide from the December quarter, whilst a rise from $260,000 to $270,000 was recorded in the same period for non-metropolitan major townships.

The Liberal Party won the May state election with policies promoting the creation of jobs, lower utility costs and investment in new industries and infrastructure. The change in leadership has led to renewed optimism for the South Australian economy. A number of significant infrastructure projects continue to make the CBD more accessible from northern and southern suburbs whilst the development of the Riverbank Precinct and activation of the East End and Hindley Street precincts have continued to help create a vibrant atmosphere in the heart of the CBD. These factors along with the record low cash rate of 1.5% being maintained by the RBA at its May meeting continue to entice purchasers into the Adelaide market.

The established inner ring suburbs with proximity to the CBD continue to be the best performing. Agents are indicating that they are unable to keep up with demand as selling periods have reduced with less stock being available to offer to the market. Realestate.com has released data from the six months to 30 April indicating that dwellings within the north-eastern fringe suburbs were spending 13 days on the market, down from 35 days for the same period 12 months ago. Gilberton was indicated as the suburb with the quickest selling period whilst Hyde Park, Sefton Park, Clarence Gardens and Melrose Park are all seeing dwellings on average achieve a sale within 20 days.

The increased demand has seen an improvement in auction clearance rates. CoreLogic data from the weekend of 26 and 27 May shows Adelaide to have a clearance rate of 66.7% from the 82 auctions held. For the same period in 2017, 112 auctions were held with a clearance rate of 57.6% achieved. The improved clearance rate is being influenced by buyer demand and the limited available stock.

For investors, gross rental yields within the outer ring remain steady in the 6% to 7% range. Yields tighten to sub 4% within the inner ring. With an increase in demand for properties in the inner ring, gross rental yields are expected to tighten further.

Residential units continue to be popular with owner-occupiers and first home buyers and have a current median price of approximately $330,000. Agents have indicated that purchasers in the sub 25 age bracket are purchasing units as their first foray into the property market given the lower price point for entry. 2- and 3-bedroom units are typically in higher demand whilst agents have advised that single bedroom and bedsit units are requiring longer selling periods.

Character homes within the inner ring continue to be in the highest demand. Interest in this market has been coming from owner-occupiers and investors. Recently listed to the market is 66 Ann Street, Stepney with an undisclosed asking price.

Pictured: 66 Ann Street, Stepney (source: Klemich)

This is a single fronted detached blue stone cottage disposed as 2-bedrooms and 1-bathroom. The dwelling is situated on an allotment of 270 square metres with two off street car parks available and has been updated internally. Stepney is located 3.8 kilometres north-east of the Adelaide CBD and is characterised by turn of the century homes in a mixture of styles. This suburb is serviced by The Avenues Shopping Centre, the ever-evolving retail and dining precinct along Magill Road and the Parade Norwood a stone's throw to east.

Within the first three days of being offered to the market, the agent had interest from overseas and a number of interstate investors. CoreLogic indicates the current median house price in Stepney to be $900,000.

The north-western suburbs continue to provide value for money for those looking for character homes in established suburbs. The suburbs comprising the greater area of Woodville provide tree-lined streets within eight kilometres of the CBD serviced by both Port Road and Torrens Road. The city tram network has a final stop at the Adelaide Entertainment Centre which is where Port Road meets the city ring route. There have been proposals to extend this network along Port Road which would provide permanent public transport infrastructure to service Woodville and the surrounding suburbs. Under contract for $575,000 is 7 Oval Terrace, Woodville South. This is a renovated double fronted cottage disposed of as 3-bedrooms and 1-bathroom. The property has an attached double garage and is situated on an allotment of 509 square metres. CoreLogic data

Pictured: 7 Oval Terrace, Woodville. (Source: RayWhite)

indicates that as at February 2018, the median house price in Woodville South was $540,000 which is a 4% increase from the same period in 2017.

There continues to be a steady supply of new homes being constructed in both metropolitan Adelaide and in proximity to larger regional centres. The metropolitan councils have softened their development constraints over the past 12 to 24 months, allowing for an increase in medium to high-density residential development. This has seen a sharp increase in the prices being achieved for larger parent allotments with favourable zoning constraints. This is evident in the sale of 15 Richardson Avenue, Tranmere which settled in January 2018 for $842,000 after being purchased in 2012 for $520,000. This property was purchased in 2012. as a family home, only to be sold in 2018 as a development site. There is currently an application to divide this property into four allotments.

Pictured: 15 Richardson Avenue, Tranmere. (Source: Supplied)

New stock, particularly townhouses, being created from the middle ring suburban development sites continues to be in demand with price levels exceeding expectations. Agents have indicated that townhouses in smaller groups with direct street frontage and limited common improvements typically see the highest levels of demand. Price levels for this style of product historically fluctuated within the $400,000s and high $500,000s range. Recent sales evidence is now indicating this value range has expanded into the mid-high $600,000s. Higher quality townhouses within the middle ring north-eastern suburb of

Hectorville have been achieving prices in the mid $500,000s over the past six to twelve month period. The sale of 8 Laver Street, Hectorville achieved a price of $663,000 which broke through the ceiling of what was considered achievable for this type of product in this location. This is a circa 2018 4-bedroom, 2-bathroom high-quality semi-detached dwelling on an allotment of approximately 241 square metres.

Pictured: 8 Laver St, Hectorville. (Source: TD)

Residential development has continued in the areas surrounding the larger suburban satellite centres of Mount Barker, 35 kilometres south-east, and Gawler, 51 kilometres north of the CBD. Land values within these locations are at a lower rate than those closer to the CBD. This provides first home buyers and investors an opportunity to enter the property market with a new product at a lower price point. Price levels for land and build packages within these locations range from $270,000 to $460,000 which has remained constant over the past 12 months.

There has been continual speculation as to the way the general property market will fare for the remainder of 2018. Recent data has shown negative growth in a number of the major Australian capitals with slowing auction clearance rates. Given the gradual growth over the past 12 to 24 months of the South Australian property market, it's viewed that it will be shielded from any significant downturn seen on the east coast as the market comes off the boil. The South Australian property market is expected to remain stable for the remainder of 2018.

Tasmania

Hobart

Hobart continues to lead the nation's capitals with regard to residential capital growth and rental growth. Indicators suggest some suburbs (not just inner city but also those lying in the middle band such as Montrose and Oakdowns) may approach 10% capital growth for the first six months this calendar year. A recent rental affordability survey had Hobart as the least affordable city for rents in the nation with 29% of average income required to pay a median rent (Sydney was next at 27%), however it should be noted that incomes on average are well below the larger mainland cities.

Both the house and unit markets continued to be fueled by a lack of stock to the market. Agents are reporting reduced listing opportunities with one of the better-performing agents telling me this week he had not had a listing opportunity in over a week.

For the second half of the year, we envisage continued upward pressure on both rents and house and unit pricing but suggest there may be a cooling effect to some degree.

As we enter the winter months with less tourism, some of the Airbnb housing stock should be released to the market which could ease the rental stress/ shortage being experienced.

Launceston

Launceston is a similar story to the state's capital, with strong capital growth also approaching 10% for the six months in some suburbs (the stand out is South Launceston), sub 2% vacancy rates and stock shortages to the market especially in suburbs such as South and West Launceston.

On the north-west coast, Devonport continues to enjoy a recovery in pricing and Burnie has lifted itself off the floor and is starting to follow the other main centres in an upward trajectory.

Western Australia

Perth

Over the past year, it has been well documented that Perth's housing market has been stagnant in many sectors, but with evidence of positive performance in others. According to the Real Estate Institute of Western Australia (REIWA), the residential housing market has seen little annual change overall.

The December 2017 quarter showed signs of a very small swing in the right direction. A similar story has been written in the March 2018 quarter, with many of the underperforming outer suburbs lagging behind, whilst the upgrade market has seen growth in areas in close proximity to the CBD. A strong performance has been seen in the rental sphere and first home buyers have decided to bite the bullet and get active with a 5.7% increase in house sales sub-$500,000, perhaps due to the feeling that prices may start to increase soon. Unfortunately, as the market remained generally stable overall, mortgagee in possession activity continued to increase - sadly some property owners have not witnessed the change in market conditions they may have been relying on.

Recent statistics published by the REIWA reveal that Perth's interim median house price has fallen by 1.9% to $510,000, however the actual median is expected to increase to $517,000 once all sales have settled. This would mean a decrease of only 0.6% from the December quarter, but an overall increase of 0.4% compared to the same time last year, proving some stability in the residential market. Units have followed a similar trend, falling 2.4% to $400,000, although this figure should be corrected after a settlement of open transactions. Vacant land has traded at a median of $276,000, representing a 3% quarterly increase and a 12.6% increase since March 2017, although this result may reflect a proportionate increase in vacant land transactions in more desirable locations, as our valuers continue to report that the volume of land sales in traditional first home buyer areas continues to stagnate.

REIWA's data shows that in terms of sales volumes, the residential market has tanked in the last quarter. House sales fell by 4.7% to 5,336 and took an average of 67 days to sell - seven days more than the previous quarter. Sales of units declined 9.5% to 1,194 and took five more days to trade at an average of 83 selling days. Vacant land activity ceased, seeing a quarterly decline of 44%. There were 14,411 total residential listings in Perth at the end of the March quarter showing a small decrease of 2.9% from the same time in 2017 but a quarterly increase of 10% which could be represented by consumers looking to upgrade to more prestigious locations before prices increase.

As previously stated, Perth's rental market tracked well over the March quarter. The median for both houses and units remained stable with an increase of $5 to $350 per week. Leasing activity rose 4.2% whilst the REIWA indicated that East Cannington, St James, North Fremantle, Ellenbrook, and Booragoon saw the biggest growth in leasing volume levels. As the deposit savings rate is currently at 1%, property continues to offer a more attractive return on investment than many other alternatives, with yields of 3.7% for houses and 4.2% for units. Rental listings are down by 18.6% compared to the same time last year which may be accredited to Perth's increasing population growth. This bodes well for Perth's house sales as a strong rental presence can be connected to an improving sales market. Migration figures indicate that 4,441 persons moved to Western Australia from overseas in the September 2017 quarter. This growth in net overseas migration has improved rental demand, although it is worth noting that during the same period, net interstate migration remained negative.

Looking more closely at some of Perth's sub-market activity, the upgrader market in Perth was a strong performer over the past quarter with the western suburbs being a focal point. Floreat, Swanborne, Cottesloe, Claremont, Nedlands, Dalkeith, Mosman Park and Peppermint Grove are all areas where we are seeing good activity for aspiring residents wanting to get a foot into the prestige market. Further north, suburbs such as Trigg, North Beach and Watermans Bay are also seeing a similar effect. Subject to locational aspects, lot size and views, the prestige market starts at a price point in the low to mid $1 million range which represents raw land value or near land value with reasonable but generally dated improvements. At present, the market seems to be showing a strong preference for acquiring a site and building a residence to fit personal specifications rather than purchasing an established, near-new dwelling. For upgraders who can't quite buy into the upper-end prestige market, suburbs such as Rossmoyne, Shelley, Salter Point and Waterford can present potential opportunities along the Canning River.

Older units in inner city locations are still experiencing very poor sales activity. Values for units built prior to 2013 have slumped significantly over the past couple of years. This is mainly due to an abundance of new apartments being released into the market, with shoppers opting to buy recently built stock rather than purchasing anything dated, whilst new unit complexes in sought after localities such as Claremont where supply is lacking are in good demand. Areas such as South Perth, Applecross and Mount Pleasant will see some activity generated in the apartment sector over the next few years with the release of numerous new developments. The continual release of new developments throughout the city and surrounds means that older apartment stock will continue to struggle, with a further negative impact on values likely over the next 12 months.

Further south, Mandurah is lacking confidence although showing some signs of improvement. Properties under the $500,000 price point are struggling with a large oversupply of listings creating downward pressure on property values. There have been positive signs within the area, however houses are still achieving lower prices compared to the same time in 2017. The upgrader market in Mandurah has been trading steadily. There have been a number of sales above $1 million for residents looking to trade up and some sales in excess of $2 million for properties within the Port Mandurah canal development. Overall, activity in Mandurah is likely to remain poor, with supply in the sub $500,000 market overshadowing demand and confidence in this area will likely remain low for several more quarters.

Mortgagee in possession activity has continued to increase throughout 2018. Our office has seen a two-fold increase in mortgagee activity in the March quarter compared to the March 2017 quarter. Lower priced, outer rim suburbs experiencing chronic oversupply tend to bear the brunt of this activity - Baldivis and Ellenbrook being at the top of the list. Areas such as Wellard, Stratton, Gosnells, Yanchep, Alkimos, Armadale and Port Kennedy are also suburbs we regularly visit for this purpose.

At an economic standpoint the general outlook across Perth is that we are improving. At a national level, consumer confidence has actually declined according to the Westpac-Melbourne Institute Consumer Sentiment Index. Their Red Book reports that the consumer sentiment index has receded 2.6% from 105.1 in January 2018 to 102.4 in April. The report outlines that "while the index remains positive overall, the mood has shifted from "cautiously" to "slightly optimistic"" and states that "increased financial market volatility and concerns about global trade tensions, declining house prices and the economic outlook have dampened expectations with views around family finances still a notable weak spot". Yet the counter-cyclical nature of Melbourne and Sydney in relation to Perth's property market may give Western Australian consumers a different perspective. With house prices remaining stable and (fingers crossed) being set to rise not fall, the attitude here in the west may persist to be slightly more positive than our eastern state counterparts.

In addition, consumer confidence in Perth is at a four-year high according to the Chamber of Commerce and Industry WA's survey for the March 2018 quarter, naming a stable political environment, subdued interest rates and minimal inflationary pressures for the positive outlook. This being said, consumers in Western Australia remain cautious about the slow growth of wages, high household debt and weak property market.

Part-time employment has soared according to a recent article in The West Australian, which stated that part-time workers accounted for 29% of the total workforce in 2014. That figure has now increased to more than 34%. According to 11 Recruitment, Western Australia may be seeing a trend in the right direction for employment. May 2018 saw a 22.8% increase in job ads compared to the same time last year. The engineering sector is worth keeping an eye on with a 61% increase in SEEK job ads from April 2017 to April 2018. Overall, the number of Western Australian job advertisements increased by 15% over the past year, whereas job advert views actually decreased by 4.4% creating a further divide between supply and demand which may, in turn, help with wage growth, lower unemployment and boost consumer confidence in the near future.

The state budget revealed an increase in taxes for foreign purchases of residential property to 7% (effective in 2019) which could impact on Chinese interest in Western Australia and hinder the ability to get development projects off the ground in the future, although with the current supply levels, this may be welcomed by some.

According to the Managing Director of InvestWest, Daniel McQuillan, Western Australia is set to become the world's leading supplier of lithium. This will provide work beyond that of pure construction jobs for sites and refineries, creating sustained employment for the future. In addition, the federal budget has brought significant funding for Western Australia's METRONET initiative, an expansion of Perth's public train network, which will boost development activity around proposed transport nodes. This is likely to be a significant contributor to the performance of many residential suburbs.

In conclusion, Perth is still a bit of a mixed bag as we see lots of activity from first home buyers, rentals and the upgrader market, yet oversupplied outer-rim suburbs are underperforming and we feel the divide between old stock versus new. The general consensus is that we will see slow but sustained growth over the next six months which will be welcomed by many.

Australian Capital Territory

Canberra

Canberra's residential housing market heads into the second half of 2018 off the back of a period of overall positive growth and market sentiment. Buoyed by Canberra's historically low levels of unemployment, high job security and high average weekly earnings, the median house price in the Territory for the quarter ending March 2018 was $727,914, making it at the time, the third highest median house price in the country. Quite the positive self-endorsement of its own residential housing market when you consider Canberra-Queanbeyan only has the eighth highest population in Australia.

On the topic of population, the latest ABS Census of 2016 revealed that Canberra's Gungahlin District, located in the outer northern part of the city, recorded the second fastest level of population growth within Australia from the 2011 Census, helping Canberra's population count surpass the 400,000 mark for the first time ever. On a ground level basis, this population growth can be seen by residential valuers working within the Gungahlin District from the mostly overseas born migrants who are fast absorbing the new residential housing stock being released onto the market as well as purchasing existing stock within the district. This is conducive to the overall national trend of positive migration into Australia over the past decade or so, largely made up of skilled migrants. Closer to the CBD, we find the familiar scenario of the prestige and blue-ribbon suburbs and Canberra's residential housing market is no different.

The inner southern and northern suburbs such as Forrest and Deakin to the south and Reid and Turner to the north have always had strong demand and limited supply and heading into the middle of 2018 sees the status quo maintained. However, growth within Canberra's inner north has been particularly strong in recent times, thanks not only to the established character dwellings, leafy streets and anticipated hype surrounding the city's first light-rail project along Northbourne Avenue but also the RZ2 zoning, allowing dual occupancy and medium density developments in areas once characterised by dwellings on nothing less than the old quarter-acre block.

With demand generally remaining strong over the six months to June 2018, auction clearance rates within Canberra still tend to be in favour of the vendor but are showing signs of being down on the rates achieved in the early quarters of 2017. However, properties that are passed in or sold by private treaty don't seem to sit on the market long if priced accordingly and tend to be quickly absorbed by the overall demand within the city.

The unit market however isn't so black and white. There continues to be mixed results across the Canberra unit market, with small 1- and 2-bedroom apartments and units showing signs of either negative, stagnant, or very limited capital growth based on resale values, which may only be compounded further into the latter half of the year as more brand new stock is released onto the market, particularly in the Gungahlin District. With the Gungahlin town centre becoming a new transport node in the outer north upon completion of the light-rail terminus there, and Flemington Road becoming an urban corridor of high-density apartment complexes straddling the new light-rail track, the past few years has seen medium to high rise complexes springing up throughout the district.

Completion of the Mezzo and Infinity Towers developments in Gungahlin in recent months has seen the addition of over 500 new units to the area, with a further three separate medium to high rise developments nearing completion, currently under construction or in pre-sale stage. Off the back of the district's positive population growth, the newest stock has been absorbed but with so much in the pipeline, there is a lot resting on that growth to continue. Larger 4-bedroom apartments and units however seem to have a firmer trajectory of growth, with some either remaining firm or showing some growth, often swallowed up by those pushed out of the much more expensive housing market for similar sized accommodation properties.

Rental costs throughout Canberra also tend to reflect the overall theme of positivity, with increases or stability upon yearly review periods. Surprisingly, despite a large amount of high-density apartment and townhouse developments coming onto the market in Canberra, the rental vacancy rate remains low and is anticipated to stay so. This factor added to the growth in population and Canberra's historically transitional workforce may lead to increased competition at rental inspections, ultimately leading to an increase in rents.

Overall Canberra finds itself in a good position as the calendar turns over to June 2018, with the residential housing market in safe hands fostered by strong demand, increased population and stable market sentiment in the core product. The residential unit market has also crossed over into the second half of 2018 as a winner, of sorts, with low vacancy rates returning good rents for investors and new stock seemingly mopped up by the steady flow of new residents into the market.

Heading towards the end of the year, recent hindsight tells us that Canberra's housing market will remain solid in demand, growth and new supply. The unit market, however, will be one to watch, with further new stock to be added to the supply line by year's end. If current absorption rates backed by good population growth continue, the market will cap off what has been a good year for unit developments.

Northern Territory

Darwin

At the halfway point of 2018, the Darwin property market has tracked as expected with minimal growth, some stabilisation in certain sectors and other sectors have not fared well.

The stronger performing sector of the market is dwellings. Sales volumes have continued to trend in a steady fashion in both the northern suburbs and Palmerston. Both areas have stabilised and we expect that this will continue into the short term. In the Palmerston dwelling market, we have now seen the first million dollar sale since July 2013. The sale property, 28 Smith Court, Bellamack settled for $1.015 million in March 2018 and was positioned on the tightly held acre blocks in Bellamack. What the sale reflects is that there is confidence at the upper end of the market and this is further supported by another acre block sale, 20 Smith Court, Bellamack, which settled for $960,000 in May this year. Although there are transactions occurring for properties at the higher end, there may be an increased selling period in order to achieve the sale prices.

Entry-level stock continues to tick over in Palmerston, with sales continuing to occur in Gunn, Durack and Rosebery. The northern suburbs sales are also similar to sales occurring in Leanyer, Tiwi, Malak and Karama. There is now consistent sales evidence to show that the market has come back 20% to 30% from the 2013 to 2014 period or back to circa 2008 to 2009 value levels for both sectors of the market.

Agents report that there has been an increased level of enquiry in the rural residential area. Although there hasn't been the volume of sales to support this claim, we have now started to see evidence of higher-end sales occurring which we have not seen over the past 12 months. 150 Shewring Road, Mcminns Lagoon settled in March this year for $1.62 million. The property was marketed over a 12 month period. Given the quality of the property, we would consider this marketing period to be reflective of the market for this type of property, meaning longer selling periods are required for higher end stock. The sale provides a good benchmark for prestige property in the rural area.

On the lower end of the rural residential market, we are starting to see a number of sales of uncertified structures, sheds or demountable style homes. This type of property is common in the rural residential market as it is priced for entry-level buyers. Although the contracts that we are seeing appear to be in line with the market, there has been some resistance amongst lenders to lend on this type of asset which has resulted in some contracts falling over. Given the depressed market conditions and asset type, we are not surprised that this is occurring and would caution potential purchasers to do their due diligence prior to contract as they may require larger deposits or guarantors.

Unfortunately, the unit market has continued to struggle. Given the depressed market conditions, the only vendors that are selling are the ones who are forced to. This has been particularly evident in the northern suburbs and Palmerston since the start of 2018 and has put downward pressure on value levels. Unfortunately, we have also started to see a number of mortgagee in possession sales which are further adding to the downward pressure. We would caution any potential vendors looking to offload this type of stock that the market is struggling and potential purchasers are aware of the state of the market and are constantly looking for a bargain.

Land is tracking steadily in the northern suburbs with Northcrest continuing to release land and construction in the display village now starting to occur. The only other option potential purchasers have is Muirhead that is nearing its completion of a two part release in Stage 7. In Palmerston, there are numerous developers in competition releasing land in the Zuccoli sub-division. Developers appear to be offering a range of discounts and prices to attract purchasers of vacant residential land. Given the broader market conditions for the Territory, we anticipate that this sector of the market will continue to track as is in the short to medium term with more emphasis on price point, especially in Zuccoli.

Alice Springs

The Alice Springs market is providing some mixed results after an extended period of consolidation, some of which continues. The owner-occupier market continues to be the strongest while the investment market continues to be stagnant to slow, in part due to a lack of confidence and with some impact of the tighter investment lending policies of the major lenders.

The better-performing sectors of the housing market are those associated with subsequent (second and beyond) home buyers and include the suburbs of Old East Side, Desert Springs (Golf Course) and the rural areas. Each of these areas has had record prices in recent months due to unique properties being offered to the market however overall there has been little capital growth. Other suburbs such as Larapinta, Sadadeen, Braitling and Gillen remain generally flat.

The median price indicators in Alice Springs provide some guidance, however should be treated with caution due to low transaction numbers that cause high variability in the data, both in houses and units.

Older style units (circa 1980s 2-bedroom units) are still the worst performers, however we note that there is good demand for new units which continue to be introduced to the market, albeit in low numbers. Given the continued supply of newer units, the outlook for an older unit for the foreseeable future is for more of a subdued performance.

As we move into the latter half of 2018 we expect a continuation of the recent performance in the broader market with further stabilisation and transaction numbers at similar levels.

Rural

HERRON TODD WHITE RURAL

Rural Overview

Another financial year is almost closed and we continue to see strong interest in most regions nationally, as well as the majority of commodity classes. As we forecast 18 months ago, the supply and demand for land to transact as developed holdings has largely been picked over and we are seeing a lot more interest in greenfield sites for horticulture-related activity as well as renewals energy projects. This demand pressure is being played out in North Queensland with Roger Hill from the Townsville office reporting a large number of pastoral assets under or about to go under contract, his summary is well worth a look.

For most other regions the demand is tempered a bit by the ongoing and widespread dry conditions and it will be interesting to see the impact of this dry on demand towards the latter part of this year. Currently, agents are still generally reporting demand exceeding supply. If this demand pressure and potential new capital into the sector (this being a global trend not unique to Australia), continues to build then we may see the point soon where return outlooks go beyond viable parameters, the market will ultimately make those decisions.

With another tax year about to close and given the ongoing transactional activity in the market, this is a timely reminder to our readers that our rural valuers can assist purchasers with the creation of a tax depreciation schedule on an acquisition. This report can be provided to your accountant and complies with the ATO requirements for the creation of a schedule of depreciation. The service has been part of Herron Todd White for 11 years and we undertake this work nationally on every type of agricultural and investment property you can imagine. If you have bought a property recently, or in the past 3 years even, and have not had an assessment undertaken then you should be contacting your local Herron Todd White office to get a quote and guidance on the outcome. A typical grazing holding could easily attract $30,000 pa or more annual deductions and with a fee to undertake fully tax deductible and about 1/10th the annual benefit this really does make sense for many.

I wish you all well with the year close and would also like to thank our dedicated rural team for their ongoing work effort this year.

Tim Lane

Darling Downs

The past month we have noticed both graziers but also Inner Downs farmers are discussing the fair seasonal outlook for the winter season ahead. The Bureau of Meteorology has recently revised their rainfall forecasts issued on the 31st of May for the period between June to August. The chance of receiving median rainfall for much of South-East and Southern Queensland is between 25% to 35%, hence likely dry conditions ahead.

Many grazing operators in the Condamine and Moonie areas have punted on receiving some rain given planting on minimal moisture. With the dry conditions we are seeing the migration of kangaroos also impacting on early fodder crops. Those operators that have undertaken significant expenses in constructing exclusion fencing or forming part of a cluster group will now be able see the benefits, subject to controlling the kangaroo population within the boundary confines.

With a large number of graziers undertaking such development it has been timely for merino graziers with the Eastern Market Indicator closed at 2,011 ac/clean kg at the end of May. This is up 38% from the previous year which will provide a significant boost to wool producers. A common question in the market is ‘how much does a property with exclusion/cluster fencing add value’? It’s a difficult question to definitively answer as there have been only a small handful of sales that have sold with similar fencing. It’s further difficult to analyse such sales in a rising market given does the premium reflect the added value of the fence or broad strengthen in land values.

Ultimately when property values stabilise we will be able to more accurately analyse the evidence to address this question.

However, the simple fundamentals to determine the added value over a conventional fence will be reflective by the improved productivity of a property either through increased weaning rates by reduced wild dog attacks and or reduced grazing pressure by kangaroos or damage to crops by wild pigs for example.

On the market front we are seeing the continued demand for either good quality country or landholder purchasing neighbouring country to secure further scale.

Stephen Cameron

North Queensland

The property marketing season is well and truly underway in North and North West Queensland.

While the market was slow to get going this year, sale volumes have hit the double digits.

There are eleven cattle stations in the process of going under contract or under contract at present and due to settle within the next month.

It is likely that a few more contracts will be signed within the next month.

The marketing season is late this year, due to vendors and purchasers waiting to see how, when and

what rain fell.

Where is the activity:

- Charters Towers – Four of the current contracts are in this area.
- Desert Uplands – Two properties under contract and sold very well following a spell and good rain.
- Downs – Four properties under contract.
- Far North Qld – Two stations are under contract.

What are the key messages:

1. Condition - Stations with grass and land in good condition will market well as there are purchasers looking for land with grass and country that is in good condition.
2. Quality – Blue ribbon country will always sell, however purchasers are still being picky with secondary country types.
3. Profitability – Purchasers have not just been going in and buying without considering the viability of their acquisition either within their existing portfolios or in accordance with their broader business (of farm for the starter markets) interests.
4. Summary - Successful deals have arisen from realistic vendor expectations around price, land type, land condition, weed status and infrastructure.

How about the prices:

Prices appear reasonable at this point in time. So far Two of the current contracts are resales within the last five years. They are within the realms of their last sale hectare rate. (One is the same, the other is higher however there has been capital works done on that property).

One of the current contracts is a resale from within the five to eight year period. This resale is showing a stronger hectare rate.

Yes, there have been some improvements done to that station and the land is in a better condition, however, when these are considered, there is a value increase in this resale.

Bearing in mind the number of years between these two sale events occurring, the increase is considered prudent and reflects a percentage rate of capital value growth typically found over the longer term.

There are a few stations to be auctioned in the coming month. At this stage things are looking rational in the marketplace as shown by the three re sales mentioned above. However, there is a change in the wind for some higher pricing.

A gear change may well occur as the year progresses, depending on the following drivers:

- The rare opportunity arises to acquire a top shelf, blue ribbon station that is in very good condition.
- Should it stay dry in central and southern areas, there may be new purchasers come into the local market.
- Or if winter rain falls.
- Cattle market picks up. The cattle market has softened, yet the property market sentiment is that suggests that land values should be rising!
- Interest rates stay low.
- And depending on how the Defence Force negotiations for their intending purchases in the Greenvale / Charters Towers area go.

There is good grass to the north of Julia Creek and Cloncurry, however this area is tightly held and typically not for sale.

Opportunity does exist at present in the Croydon to Einasleigh districts and down to Hughenden where there has been good rain. Some of the stations in these districts are in good condition with good bodies of grass.

To date, purchasers appear to be doing their sums prior to spending their money, they know when to walk away and not go into the silly money zone.

For vendors, knowing when to hold or fold your cards is a skill on its own.

Roger Hill

Mildura

Optimism remains high in almost all local industries and there appears to be a number of potential buyers available for most properties being placed on the market. One of the sectors enjoying much stronger demand is for land suited to greenfield horticultural development. There are currently a number of buyers seeking to acquire sites suitable for planting to almonds, citrus, table grapes and dried fruit. This activity is extending from small parcels of land within irrigation districts to large sites of over 1,000 hectares.

The price paid for temporary water allocations has spiked over the past three months from levels of around $100 per megalitre in January 2018 to up to $190 per megalitre in the past week as irrigators try to balance their water accounts at the end of the season. Most irrigators applied higher than average rates of irrigation water in the past season as a result of the much drier than average summer and autumn. Many local irrigators rely on the use of leased allocation and they will be hoping that the catchment has a third consecutive wet winter and spring in order to maintain a strong supply of water over the next six months.

A dry winter will likely see the price paid for temporary water remain above $150 per megalitre.

The demand for temporary irrigation water is likely to remain high, with the majority of the greenfield developments referred to above expected to rely almost entirely on the use of leased allocation. There is growing disquiet in the local irrigation community, with the level of proposed development having the potential to both inflate the price of temporary water and also test the capacity to supply sufficient water in peak periods.

Many locals hold fears that the over-extraction of water in the northern half of the basin is now being repeated in the southern basin and that existing irrigators could face restricted access in periods of peak demand.

The wine grape industry continues to report strong export demand. Wine exports were up 16% to $2.65 billion in the past year, with almost all of the increase attributed to China. Exports to China increased 51% to $1.04 billion.

The national value of wine exports has increased by 50% over the past four years. This growth is due almost entirely to a steady increase in the average price per litre rather than increased volumes and the higher price has now started to flow through to growers' hip pockets.

Shane Noonan

South West Victoria

There is confidence returning back to the marketplace in dairy regions within south west Victoria. These regions have been somewhat removed from the continuing strong land values in grazing and cropping sectors experience by the majority of the state. This is no doubt as a result of the milk price clawback during the 2016/17 season. However, on the back of farm gate prices opening higher than initially forecasted and the Murray Goulburn/Saputo transaction now finalised, there is likely to be strong demand for milk and a change in the current milk supply landscape present in the market.

Similar to other Dairying locations throughout southern Australia, corporate interest is again on the rise after being relatively subdued for the previous 12-24 month period. Enquiry and demand for well-established dairy farms have increased with several corporate entities either acquiring or looking to acquire well-established dairy farms situated within close proximity to Cobden and Warrnambool.

Although the demand has risen, institutional buyers are asset conscious and only well-improved farms are receiving this increased interest. Farms that are poorly presented or have obsolete dairy infrastructure are receiving little interest in the marketplace. These are commonly being purchased by large neighbouring farmers wishing to expand their current dairy operation or graziers wanting to acquire land within a higher rainfall bracket.

Benjamin Mugavin

Tasmania

Corporate activity in Tasmania is heating up as many pension funds, high net worth investors and corporate buyers continue to seek out affordable rural assets with reasonable return parameters. Examples of such recent activity can be evidenced by Laguna Bays recent purchase of a number of dairies in the north-west of the state, Farmright/PSP's purchase of Sustainable Agri Funds Cradle Coast dairy asset for a reported $25 million or TRT Pastoral's purchase of SAF's King Island Aggregation for $45 million. The grazing and dairy space are not the only sectors of corporate interest in Tasmania at present with berries and permanent plantings such as cherries and vineyards also seeing growing enquiry and due diligence as a result of Tasmania's ever-improving irrigation schemes and security of water, in addition to a lower more attractive price point relative to the mainland, ultimately improving investor returns. Current corporate listings of note in Tasmania include the 21,861-hectare Rushy Lagoon dairy/grazing enterprise with a price tag of circa $70 million and the 8,580 hectare RMS forestry portfolio which both provide great opportunities for corporate level investment in an improving market.

On a more local front, our recent attendance at AGfest, Tasmania's largest rural field day, further confirmed the buoyant local attitude in the Tasmanian rural economy which has been backed up by evidence of strong value improvement in many recent smaller local transactions, especially in the irrigation sector.

Angus Shaw

Northern Territory

Despite the growing number of cattle stations hitting the market in the Northern Territory, its been a slow year on the sales front with the only sale so far being "Mount McMinn" (809.6sqkm, Roper River District) which is currently under contract (settlement is reportedly early in June). Full details remain confidential at this stage however we understand the buyer to be South African.

We said things were a bit slow, however, the bush telegraph has kicked into gear as the month closes with the word of a multi-station acquisition in the Alice Springs region. Again, details are yet to be confirmed however we are aware that a multi-property deal is in advanced stages of due diligence and negotiation - can't say, however, will hopefully be able to report back next month.

Overall however, it would appear that Territory pastoralists are becoming more aware that now must be a reasonable time to dispose of a property or two given the combination of record pastoral prices, declining live export prices, the mothballing of the odd abattoir and a forecast increase in the cost of borrowing a dollar, because recent listings in the north of the NT are steadily mounting.

Including the recent Consolidated Pastoral Company pastoral portfolio listing, there is now an estimated 54,000 square km (or 5,400,000 ha) of pastoral land being actively marketed for sale in the Northern Territory/Kimberley. This comprises 22 pastoral holding operations in the NT and two in the east Kimberley.

Meanwhile, following the discovering Citrus Canker (a contagious disease of citrus) in a Darwin nursery earlier this year which led to restrictions on the movement of plants as well as the destruction of affected plants, the NT Department of Primary Industry and Resources (DPIR) has unfortunately just confirmed the disease on a property in Katherine.

We note that it appears the disease has only struck "backyard" citrus trees and not any of the Top End's commercial orchards at this stage.

In May the DPIR issued special restrictions on the movement of host plants in order to contain the spread of citrus canker.

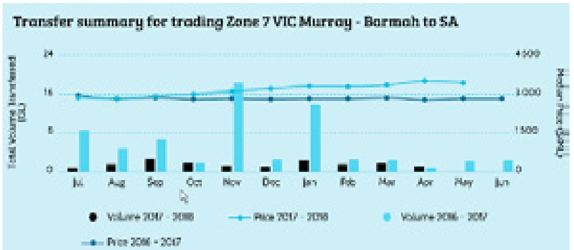
The control area now covers the greater Darwin area and beyond, south to Adelaide River, east to Kakadu, west to Dundee and the whole of the Katherine LGA. However, one commercial-scale lemon grower recently reported to us that they have still been able to export their fruit given they had the necessary biological control protocols in place with DPIR.

This is fortunate given the reported excellent yields recently (March - April harvest) and the strongest citrus prices for many years.

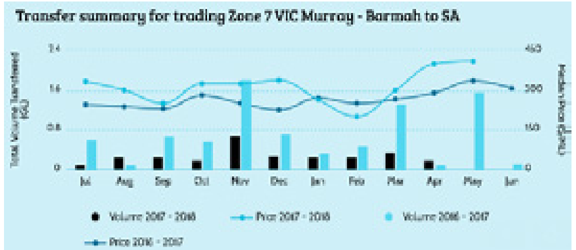
Frank Peacocke

Echuca

Without doubt the mover in the market has been water with all classes rising sharply in the past 12 month period. The following graph depicts the water register records for Murray (Trading Zone 7) and demonstrates the prices achieved over the past two seasons for High Reliability Water Shares:



The market for Low Reliability Water has likewise seen significant gains notwithstanding the usual seasonal spike as irrigators look to secure parking opportunities for carryover water at the end of the season:



Recent auction results demonstrate a spike in water prices up to $3900/ML for Victorian water while NSW High security water has tipped over $4,000 per ML after trading in a band of $3,300 to $3,600 per ML in the preceding twelve month trading period. It will be an interesting ride if the current dry conditions continue.

David Leeds

Property Market Indicators

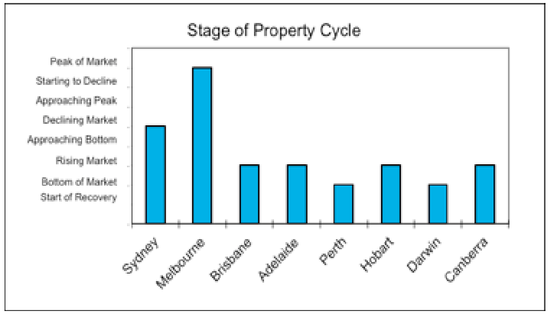
June 2018

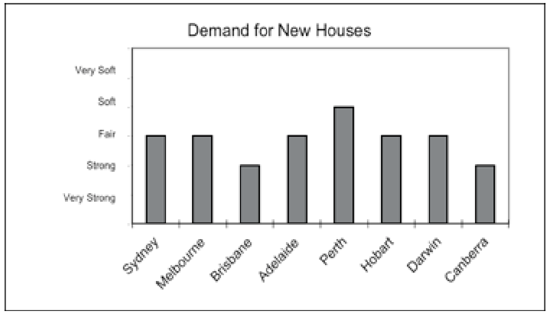
HERRON TODD WHITE

Capital City Property Market Indicators - Houses

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

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



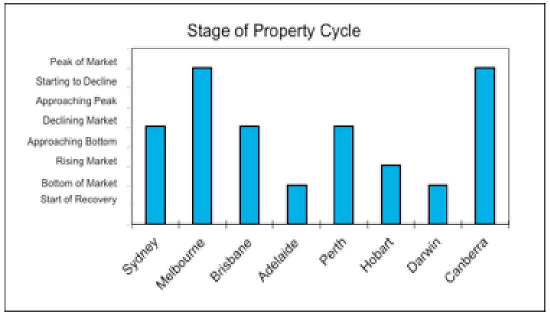


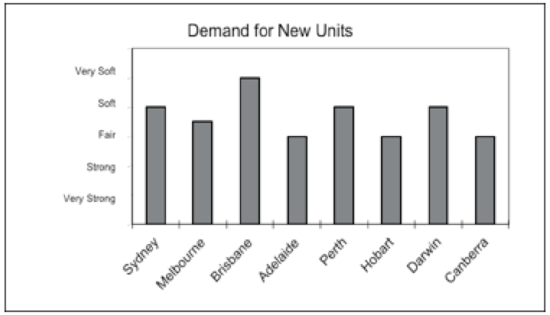
Capital City Property Market Indicators – Houses

Capital City Property Market Indicators - Units

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

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





Capital City Property Market Indicators – Units

Capital City Property Market Indicators - Industrial

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Increasing	Increasing	Steady	Increasing	Steady
Demand for New Houses	Increasing	Stable	Stable	Stable	Declining	Stable	Stable	Stable
Trend in New House Construction	Steady	Steady	Steady	Steady	Declining	Declining	Declining	Increasing
Volume of House Sales	Rising market	Approaching peak of market	Rising market	Start of recovery	Approaching bottom of market	Rising market	Starting to decline	Start of recovery
Stage of Property Cycle	Steady growth	Flat	Steady growth	Flat	Contraction	Flat	Contraction	Steady growth
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Small	Significant	Large	Large	Large	Significant	Large	Significant

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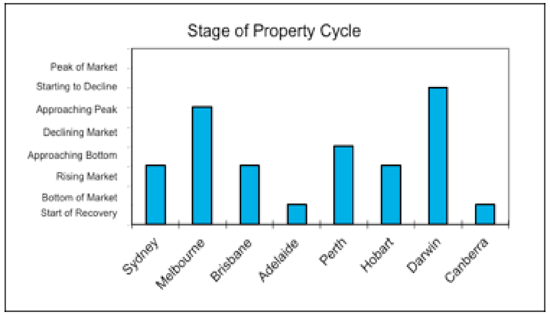
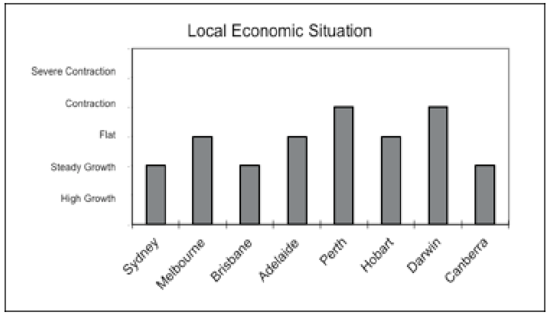


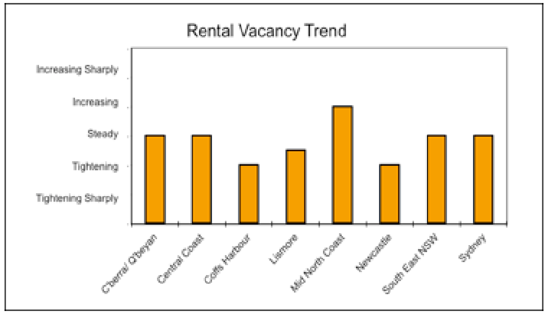


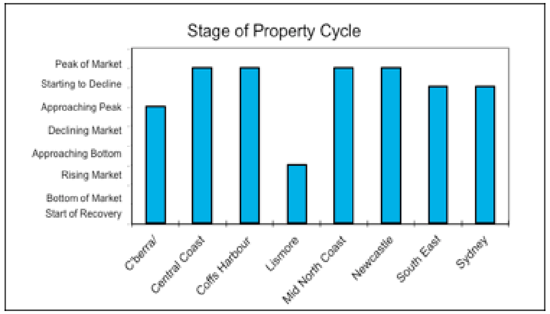
Capital City Property Market Indicators - Industrial

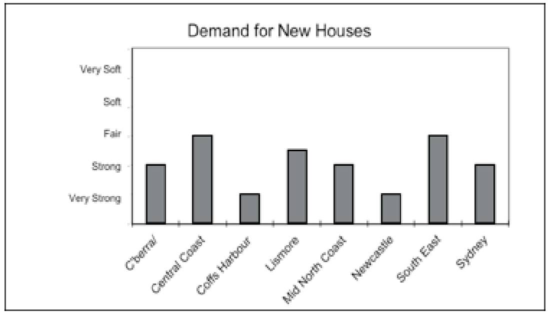
New South Wales Market Indicators - Houses

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

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







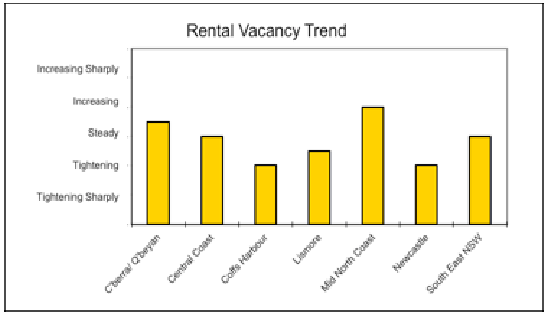
Market Indicators

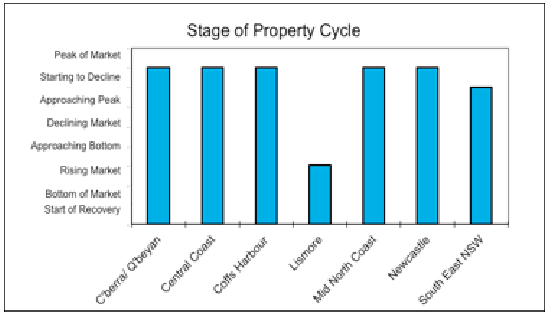
New South Wales Market Indicators - Houses

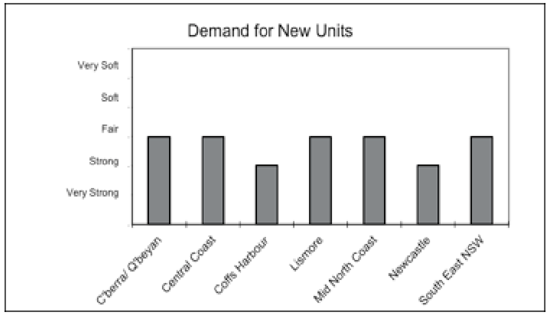
New South Wales Market Indicators - Units

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

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







New South Wales Market Indicators - Units

New South Wales Market Indicators - Industrial

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Tightening	Steady	Steady	Tightening - Steady	Tightening
Demand for New Houses	Stable	Stable	Stable	Increasing	Stable	Increasing	Stable - Increasing	Increasing
Trend in New House Construction	Declining	Increasing	Steady	Steady	Steady	Steady	Increasing - Steady	Steady
Volume of House Sales	Declining market	Start of recovery	Approaching peak of market	Rising market	Approaching peak of market	Rising market	Rising market	Rising market
Stage of Property Cycle	Steady growth	Steady growth	Flat	Flat	Steady growth	Steady growth	Steady growth	Steady growth
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Significant	Significant	Significant	Small	Significant	Significant	Significant	Small

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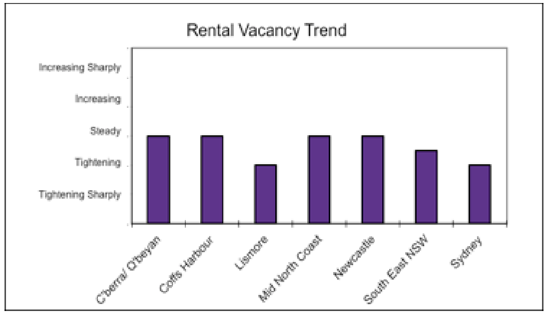

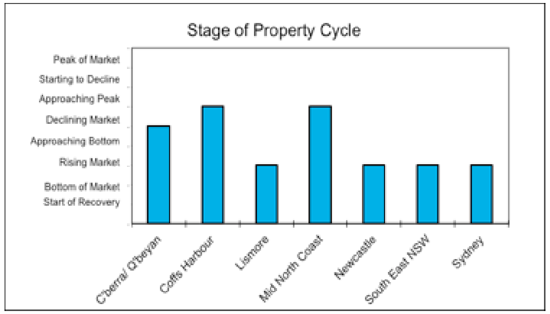

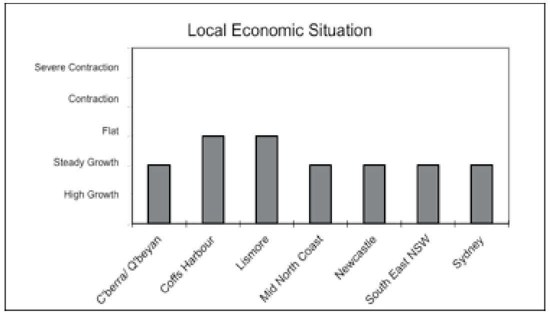

New South Wales Market Indicators - Industrial

Market Indicators

Victoria and Tasmania Market Indicators - Houses

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

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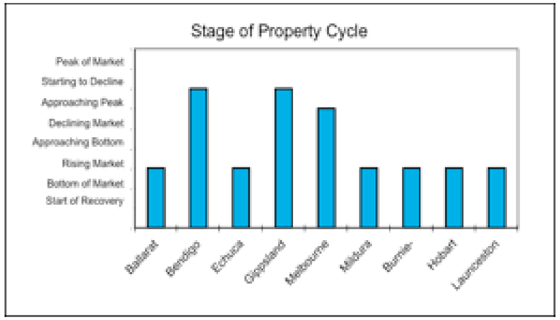
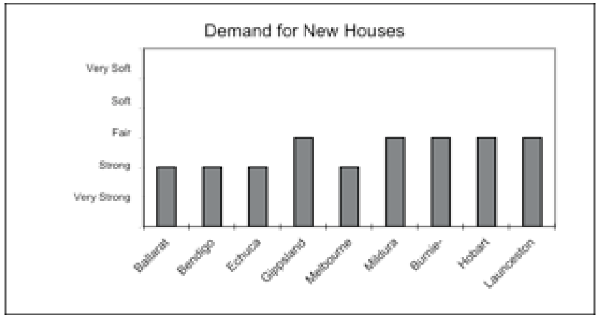




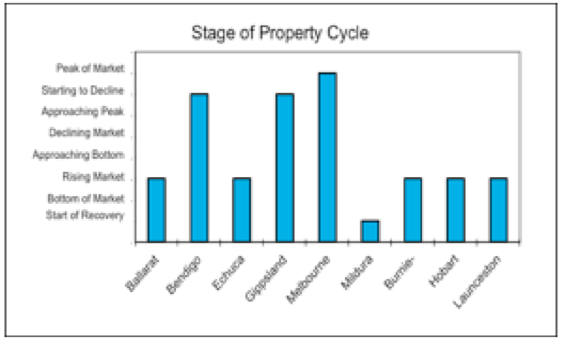
Victoria and Tasmania Market Indicators - Houses

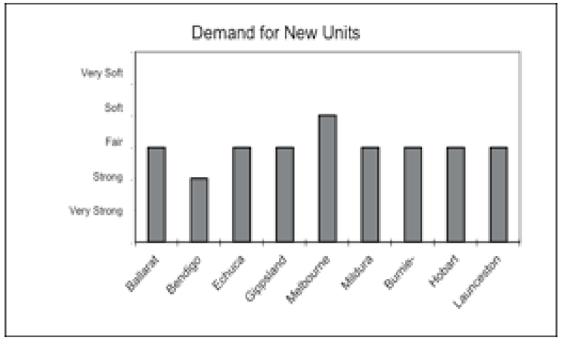
Market Indicators

Victoria and Tasmania Market Indicators - Units

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

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





Victoria and Tasmania Market Indicators - Units

Market Indicators

Victoria and Tasmania Market Indicators - Industrial

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

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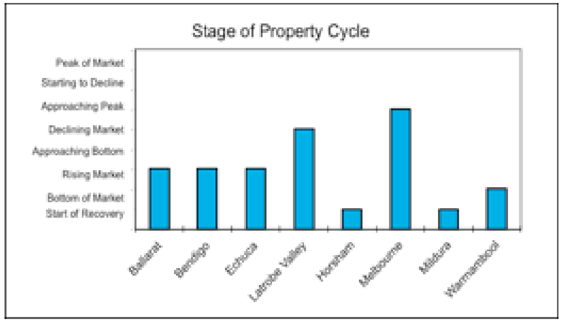

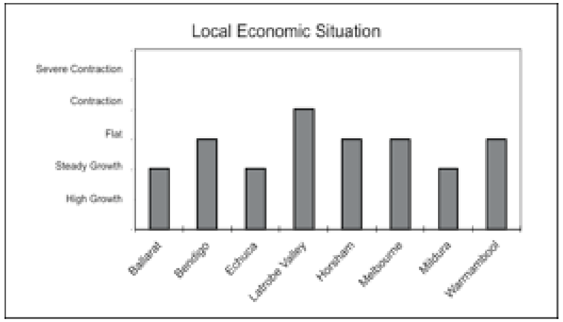

Victoria and Tasmania Market Indicators - Industrial

Market Indicators

Queensland Property Market Indicators - Houses

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

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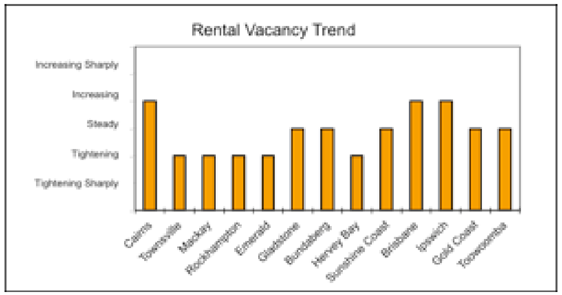
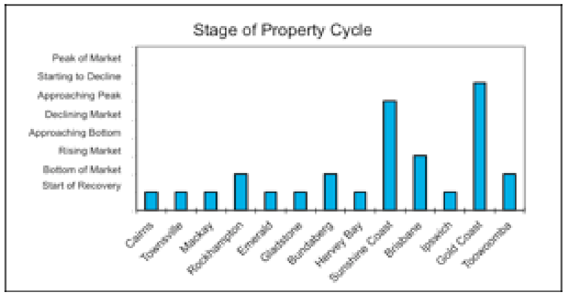
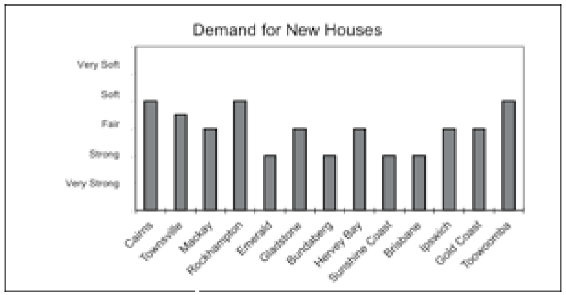






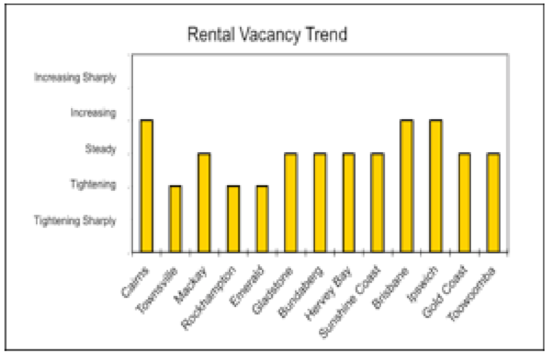
Queensland Market Indicators - Houses

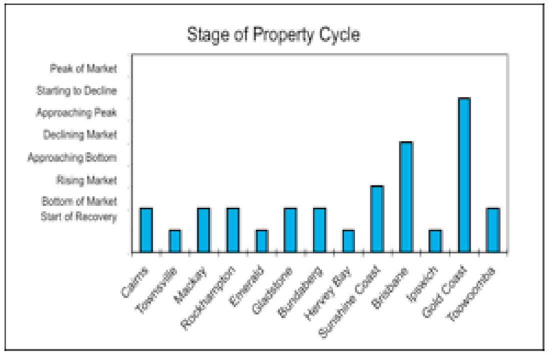
Market Indicators

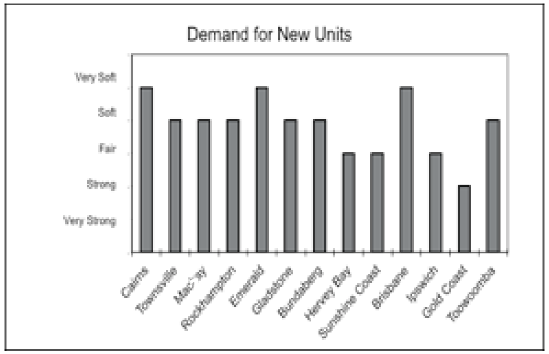
Queensland Property Market Indicators - Units

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

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







Queensland Market Indicators - Units

Market Indicators

Queensland Property Market Indicators - Industrial

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

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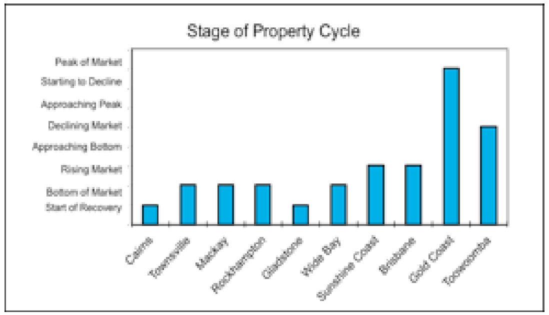

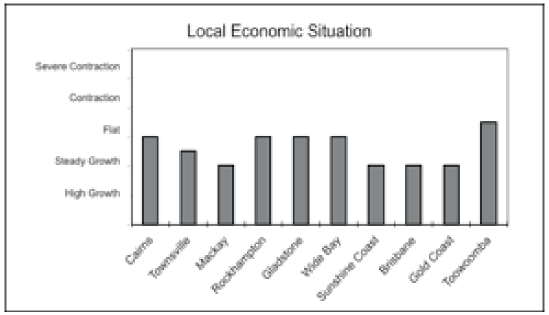

Queensland Market Indicators - Industrial

Market Indicators

SA, NT and WA Property Market Indicators - Houses

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

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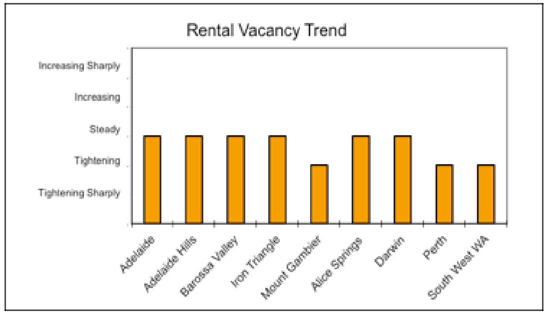
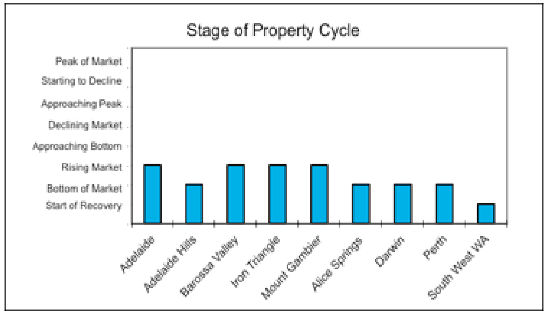
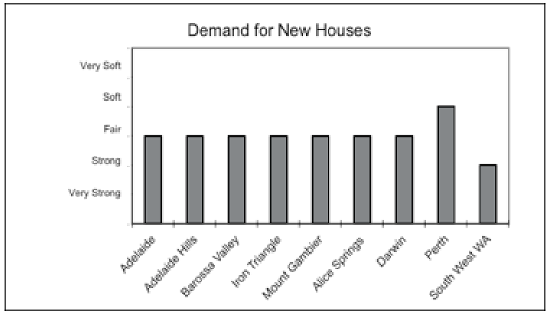






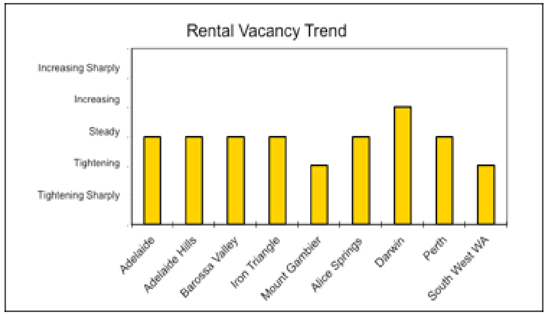
SA, NT and WA Market Indicators - Houses

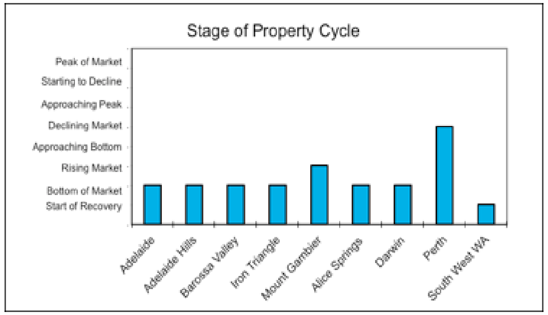
Market Indicators

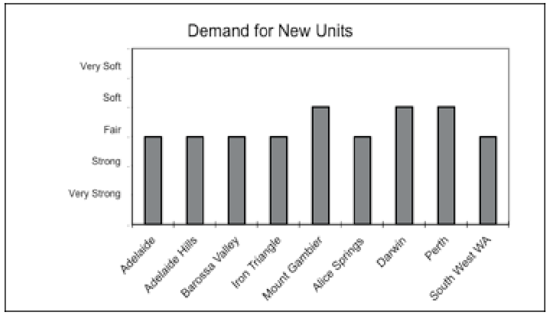
SA, NT and WA Property Market Indicators - Units

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

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







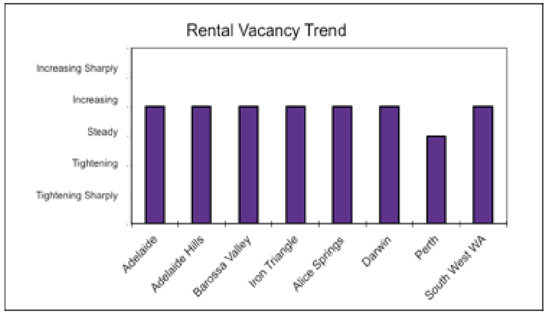
SA, NT and WA Market Indicators - Units

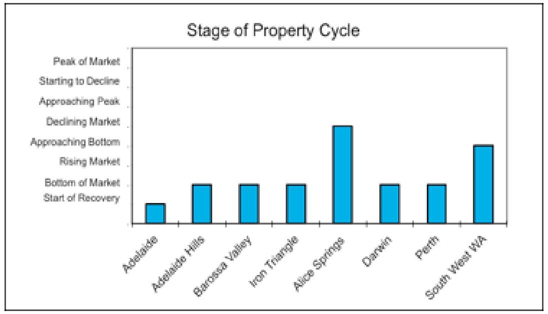
Market Indicators

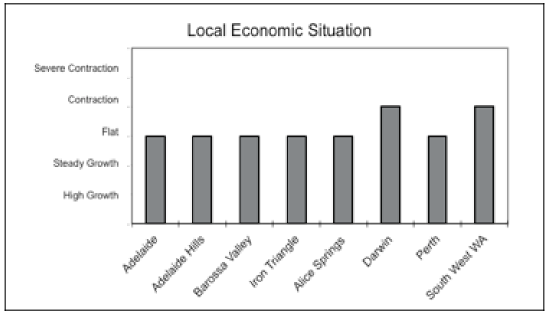
SA, NT and WA Property Market Indicators - Industrial

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Steady	Increasing	Increasing
Demand for New Houses	Stable	Stable	Stable	Stable	Declining	Declining	Stable	Declining	Stable
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady
Volume of House Sales	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Declining market	Bottom of market	Bottom of market	Approaching bottom of market	Start of recovery
Stage of Property Cycle	Flat	Flat	Flat	Flat	Flat	Contraction	Flat	Contraction	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Significant	Significant	Significant	Significant	Large	Significant	Large	Large

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







SA, NT and WA Market Indicators - Industrial

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