December 2017

Month in Review

HERRON TODD WHITE

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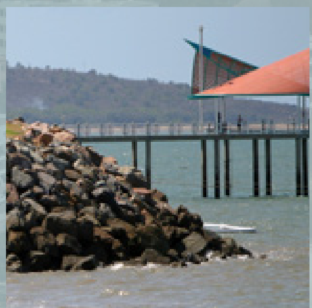

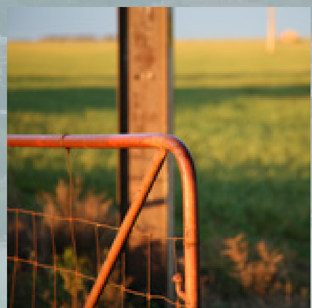

Disclaimer

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.

2017 - The year in review

We're about to bring down the shutters on a year full of action.

Most of us hoped world events in 2017 would provide of less surprises compared to its tumultuous predecessor. We're not sure 2017 delivered in terms of a quiet one, but perhaps the new normal has set in and we're all recalibrating our compass. The year still had its moments of tension, brinkmanship and awe after all.

Given the generally grey pallor of events both here and abroad throughout most of the last two years, any moments of bright news was clutched at with excitement. A great example occurred just last month when the announced royal engagement brought a collective cheer from the excitable crowd all keen to celebrate something good. Here's to more of that sort of news in the coming annum.

Property wise, it's been a mixed bag for the nation once again.

This year will undoubtedly be seen as the one where the collective boomtown mentality of Sydney took a breather. Softer auction clearance rates were an at-the-coalface sign that the seemingly unstoppable masses of boisterous bidders were taking stock. Of course, there's more to Sydney than its blue-chip eastern suburbs.

In Melbourne, it was a very good year for property with great fundamentals and many investors still confident there's a way to go. Once again, however, there are patches that should have been avoided.

The surprise dark horse in the mix was probably Hobart. Our Apple Isle capital was rediscovered by buyers as high yields and beautiful properties, coupled with a general economic strengthening, united. The city saw substantial gains in both growth and yields in 2017.

Brisbane would rate as an arguably disappointing result. At the start of the year there were quite a few speculating it was 'our turn' in the Sunshine State. Its overall performance was positive, but lacklustre according to many. However, this sort of clunky statement doesn't recognise the nuances of the market – because there were some very good news stories across its real estate too.

The problem is that it's hard to find a source eager and able to discuss the complexity of our nation's individual markets in 2017. Fortunately, Herron Todd White has the means.

At the end of each year, we ask our very smart, highly attuned property professionals to look back across the frozen tundra of the past year and let us know what actually happened in their neck of the woods. It covers coast to coast and tip to tail.

This month's issue is an important summary of our countries performance because it's detailed on a geographic basis. Our data is populated by experts who hit the ground every day talking to contacts and assessing real estate. It's a rare source of qualitative musing designed to benefit you.

This is also the time of year when we ask our offices to look back at their hit predictions from February's "Year Ahead" issue and tell us how they went. As usual, some will be hits – but others will be misses. Why not read through and check out each office's scorecard on their predictions?

For commercial this month, we're tackling retail and have again adopted the year in review theme. What's been good and what's been bad? We look at new and exciting projects in retail - the big sales, the cheap ones and the surprising ones as well. Our team have delved deep into retail markets and let you know how your investments performed – city by city, suburb by suburb.

So, there it is – your Christmas bonus barbecue stopper issue of Month In Review. The document that lets you get smart about the year in property so you can dazzle friends and family with your impressive knowledge of all that is real estate. Who knows, you might be able to distract them with your brilliance long enough to avoid the post-Christmas-lunch wash up!

As we leave another year behind, we at Herron Todd White would like to thank all our clients and contacts for staying the course. A Merry Christmas, Happy New Year and enjoyable festive season to all. See you in 2018.

Tax Depreciation for Residential Rental Properties

Residential investment property depreciation has been affected by the Federal Budget 2017 changes. These changes have been passed in parliament and fall under the Treasury Laws Amendment (Housing Tax Integrity) Bill 2017. There has been some confusion as to whether an investor should still arrange for a Tax Depreciation Schedule to be completed on their investment property. Even with the changes in place, residential investment property Tax Depreciation Schedules can still offer a tax benefit to the investor.

There are two components to a Tax Depreciation Schedule: plant and equipment depreciation; and capital works deductions.

Plant and equipment depreciation has been affected by the new legislation. Plant and equipment items are those that can easily be removed from a property such as carpets, hot water systems, air-conditioners, etc.

Capital works deductions are income tax deductions that can be claimed for items such as building construction costs, the cost of altering a building and any external improvements such as fences, driveways, retaining walls, etc. It is important to note that the capital works component of the Tax Depreciation Schedule remains unchanged, which can be a major benefit to some investors.

For properties purchased post 9 May 2017, plant and equipment depreciation can be claimed if:

- the property purchased is new and you have not lived in it;
- you have purchased plant and equipment items to be installed in the property and you have not used them for personal use;
- A company owns the property (not a SMSF or a Family Trust).

For properties purchased pre 9 May 2017, plant and equipment depreciation can be claimed if the property you purchased was used as a rental property some time during the 2016/2017 financial year.

A commonly asked question is whether it is still worth preparing a Tax Depreciation Schedule on an existing property purchased post 9 May 2017. The second most asked question is what can be claimed if you decide to rent out the original family home post July 2017.

The answer is that investors are eligible to claim the capital works deductions in both scenarios. If construction of a residential property is post 1987, or if it is an older property and renovations have been carried out by the current or a previous owner, capital works deductions of the estimated or actual costs of construction of the property can be claimed.

Herron Todd White property valuers who carry out inspections and Herron Todd White Quantity Surveyors who produce the reports have the professional expertise to view a property and estimate improvements in order to maximise the tax benefit to the client.

The scenario following is typical of many Tax Depreciation Schedules Herron Todd White carries out for owners of older residential investment properties. The actual example below has been completed post the Federal Budget 2017 tax changes and reflects the new rules.

Property: Typical single storey brick home
Construction date: Completed July 1998
Purchase date: 01 July 2017
Purchase Price: $340,000

Quantity Surveying

This existing home was purchased in the 2017/2018 financial year as an investment property. The client has asked if there is any tax benefit to them to have a Tax Depreciation Schedule prepared. The answer is yes as under the new legislation, while the client is unable to claim Division 43 Depreciation on existing plant and equipment items, they are able to claim Division 40 Capital Works deductions on the house and the improvements that were carried out by previous owners.

On inspection, it was noted that the property had been improved from its original construction: renovations to the kitchen and bathroom, a new timber boundary fence, concrete slab to garden shed and fixed shelving to the laundry were identified.

The claimable deductions amounted to $3,600 per annum and the cost of the report is tax deductible.

We are proud of our ability to use professionally trained property valuers to complete our inspections. We offer full coverage Australia wide from all capital cities and regional towns to remote locations. We have fully qualified Quantity Surveying staff to interpret the data and maximise returns to you, our clients.

If you would like to receive a quote to obtain a Tax Depreciation Schedule on your property or if you would like some advice regarding tax depreciation, please contact our experienced team here at Herron Todd White by email: qs@htw.com.au.

Estimated deductions post May 2017 purchase

Year	Building Allowance	Structural Improvements	Plant & Equipment (Not applicable)	Total
2014/2015	$ 2,628	$ 974	$ -	$ 3,601
2015/2016	$ 2,628	$ 974	$ -	$ 3,601
2016/2017	$ 2,628	$ 974	$ -	$ 3,601
2017/2018	$ 2,628	$ 974	$ -	$ 3,601
2018/2019	$ 2,628	$ 974	$ -	$ 3,601
2019/2020	$ 2,628	$ 974	$ -	$ 3,601
2020/2021	$ 2,628	$ 974	$ -	$ 3,601
2021/2022	$ 2,628	$ 974	$ -	$ 3,601
2022/2023	$ 2,628	$ 974	$ -	$ 3,601
2023/2024	$ 2,628	$ 974	$ -	$ 3,601
Totals	$ 26,276	$ 9,736	$ -	$ 36,012

Quantity Surveying

Commercial

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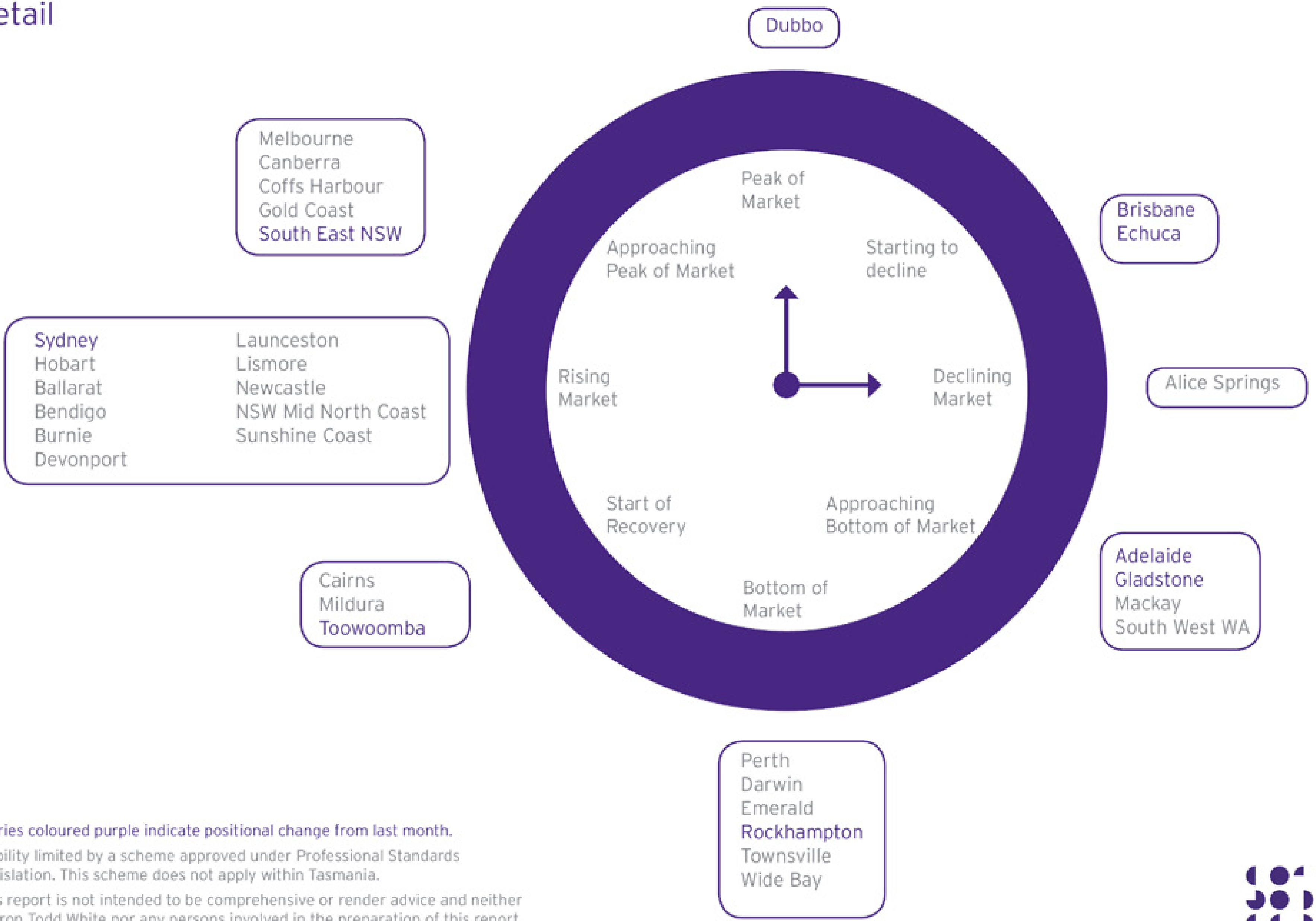
National Property Clock
December 2017
Retail



Entries coloured purple indicate positional change from last month.

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New South Wales

Overview
A rush to yield helped drive prices up in many commercial markets, but of course this only served to tighten returns over the long term. Not every market was the same in 2017 of course – we're a diverse country with opportunities galore across our wide, brown land.

Our commercial team are set to give you a rundown of the year in retail property. It's a reflective moment to take stock and see how your investments may have performed.

Sydney
The direct retail property market in the Sydney metropolitan area has generally performed well throughout 2017 as continued growth in the capital value of residential property has increased the perception of household wealth and in turn encouraged discretionary spending. This attracts investor confidence to the retail property market.

From an investment perspective, retail assets remain an attractive proposition given a relatively healthy yield profile compared with other asset classes. Sydney's weighted average yield across all retail was approximately 5.3% and vacancy is currently at approximately 3.5% across Sydney CBD centres and strip retail.

The prevailing confidence in the sector should be weighed against potential headwinds such as the rise of e-commerce entities including Amazon, Kaufland and various on-line betting companies that do not require bricks and mortar street exposure. Signs of a slowing residential market, low wage growth, high levels of household debt, the ever increasing cost of running a household, higher cost of transport and potential for interest rate increases in 2018 are other factors that may affect confidence and the performance of the retail sector moving forward.

On the supply side, we note that planning provisions set out by councils requiring ground level retail shops to be included in mixed use developments has and is triggering new retail supply to be added to the retail market, though primarily in secondary or non-traditional retail locations. In many cases, particularly in locations detached from main retail strips, the ground floor strata retail for new developments is slow to lease up, placing downward pressure on capital values for these assets compared to retail assets located in more established markets that benefit from a more stable and established consumer base. In terms of shopping habits, time will tell if the generally increased supply of locally situated boutique retail space will reverse the long term trend towards larger, destination style shopping centres.

Average Sydney CBD gross face rents have performed well in 2017, currently averaging in the region of $11,000 per square metre. When compared with Melbourne at around $7,500 per square metre and Brisbane at around $4,750 per square metre, this emphasises the additional cost of operating out of Sydney's CBD compared to alternative capital CBD markets. Secondary strip retail and neighbourhood markets have grown more steadily due to the aforementioned increase in supply placing pressure on market rents, capital growth and occupancy rates.

Canberra
2017 began with a number of sales sub $500,000 in local centres and this was followed by sales along Flemington Road, Gungahlin due to the development of the light rail project. The development approval for the construction of Gungahlin Town Centre Cinema, Hibberson Street, Gungahlin was also confirmed. The development will comprise a cinema (3,500 square metres), retail suites totalling 4,820 square metres and office space of 2,495 square metres. Construction of the mixed-use development is anticipated to commence in late 2017 and reach practical completion in early 2019.

In recent weeks Bunnings has agreed to occupy the former Master's store at Majura Park moving from an older premises at Fyshwick to a modern facility at the airport precinct. Cafes and restaurants remain the base support of retail space in the CBD and town centres with constant openings and closures and joint ventures between established traders. Kingston Foreshore has seen some occupants come and go. Braddon remains a strong location for small businesses. Woden town centre is still struggling to revitalise with some upgrades needed to existing buildings and mixed use development under construction.

Neighbourhood specialty shop rents are 0.3% higher year-on-year despite no significant change to market conditions during 2017.

Two sales of note were The Cinema Centre Building, 50 Bunda Street, City for $9.8 million and Green Square Centre, 62 Jardine Street, Kingston for $5.5 million.

The Canberra market remains stable with continued development in most sectors except office which is improving from previous years of oversupply.

Illawarra

The retail landscape in the Wollongong area continued to face headwinds throughout the year, a trend experienced for some time across most locations not just in Wollongong but nationwide. The Wollongong CBD has seen a significant growth in food and beverage tenancies such as cafes, restaurants and small bars and this trend is continuing with David Jones recently relocating and opening its food oriented department store within GPT's Wollongong Central.

Sales activity has increased and yields have declined over the past 12 months with investors chasing yield and owner-occupiers active in the sub $1 million range. Despite local agents reporting increased interest from retail tenants, rents have largely remained stagnant and incentives are common, generally ranging from 10% to 15%. Average letting up periods for standard sized shops are in the order of six months. The high number of residential unit developments recently completed and planned for construction should give retailers in the Wollongong CBD a boost as the population grows.

Newcastle

The talk of the town in the retail commercial world has been the net positive effects that the Newcastle Rejuvenation Project will bring to Newcastle. This is happening hand in hand with the large scale development known as East End by Sydney based developer Iris Capital making headway and taking advantage of the strong local market conditions. While Stage 1 of this master planned endeavour is now DA approved and 150 units are on the market, significant retail additions will not come until the later stages in the development. For now though, there is a short supply of tenanted retail stock listed on the market for sale and market values continue to show strong growth. The residential unit boom in and around the Newcastle CBD has brought in more occupants to the beachside inner suburbs and demand for retail space is increasing. We do note a number of retail spaces that have been listed on the leasing market for an extended period, indicating this market sector is still sensitive to locational factors such as exposure and proximity to complementary users.

Asking rents in the Hunter Street Mall are surging on the back of the anticipated East End development. We know café operators who are excited not only about the influx of occupants in the area, but in a more immediate sense with the increase of trades-people in the area working on this 500 unit staged development. To be honest, we're a little excited too. The changes to the Newcastle retail scene over the past two years have been fairly impressive. The rise of small bars throughout the city, the life flowing back to the Hunter Street Mall and the market transformations underway in Newcastle West and Wickham have been great to see and we keenly look forward to further growth in the local economy.

Dubbo

The Dubbo retail market has had mixed results with retail vacancies enduring extended lease up periods. This has resulted in distinct sale markets with properties subject to strong lease covenants enjoying strong investor demand, for example, sale of a national fast food outlet at 5.82%, while in the same vicinity, a near vacant property sold at 10% on an analysed yield. A large retail property (leased to Sportsmans Warehouse) sold recently at 7.4%, while over the road a small vacant retail property sold at 6.1% (analysed) to an owner-operator. Retail properties perceived to lack security of income are selling at a discount compared to leased properties of approximately 3%.4

Despite ongoing retail vacancies, the Dubbo CBD is enjoying a development boom with three major developments either approved or in the planning stage. At 216 Macquarie Street, a redevelopment of the former 5,000 square metre Rural Press site is planned for a major mixed development comprising retail and office space, 200 serviced apartments and 90 residential units in a staged development. Also in Macquarie Street, a 1,200 square metre retail development with approximately 20 residential units has been approved, while in nearby Church Street, another mixed development comprising ground floor retail, a four star hotel of 61 serviced apartments and 26 residential units is also in the planning stage. These are expected to revitalise the Dubbo CBD.

Orange
There remains good interest from investors in Orange however the market is approaching its peak.

Retail vacancy levels remain low within Summer Street and fringe CBD locations.

In January 2017, Myer vacated its space of in excess of 6,000 square metres (across two levels) which remains vacant. There is a planned redevelopment for the building.

A new Quest apartment building which includes ground floor retail has been approved in the CBD fringe. A new private hospital to include retail shops has also been approved.

The old hospital site (Dalton Street) has been demolished and is in the process of being removed, providing opportunity for future development including a potential mix of residential and retail.

New major listings include the Summer Centre which includes anchor tenants Dan Murphy's and IGA.

Lismore
2017 is a continuation of the trends which commenced in 2015 of limited supply increasing demand and downward pressure on yields (upward pressure on values).

The questions remain:

- Where is the top of the market?
- What is going to change the market?
- What is on the other side? and
- Are we looking at a soft fall or a major change?.

Where we have come from ultimately leads us to the risk that lies ahead. The most significant changes are along the coastal strip with the stand out performer being Byron Bay. The remaining coastal strip has also performed well with the following data for Mullumbimby typical of the more coastal localities.

Address	Sale Date	Analysed Market Yield (%)
Mullumbimby	24/04/2013	7.74
Mullumbimby	01/05/2015	7.37
Mullumbimby	01/05/2015	7.57
Mullumbimby	30/06/2015	7.42
Mullumbimby	01/05/2016	6.08
Mullumbimby	18/08/2016	6.65
Mullumbimby	01/05/2017	6.74

Broadly, Mullumbimby has seen a 1% to 1.5% decrease in yields from the above data however the nature of the last sale is likely a little deceiving as it would have come from a much higher yield point than the earlier sales. As such we would expect since 2015 that two point increase which reflects approximately a 25% increase.

What the above does not demonstrate is the additional increase and impact of rental growth. Rents along most of the coastal localities have shown strong increases and as such, growth in values has been much greater than the 25% indicated by yield alone.

Byron Bay yield decreases are in the order of 2% to 2.5%. The following is a summary of market results:

Address	Sale Date	Analysed Market Yield (%)
Byron Bay	27/11/2013	6.80
Byron Bay	25/09/2013	6.82
Byron Bay	10/10/2014	7.27
Byron Bay	14/03/2014	7.63
Byron Bay	01/02/2015	6.74
Byron Bay	12/02/2016	5.85
Byron Bay	10/02/2016	6.59
Byron Bay	18/02/2016	6.74
Byron Bay	26/10/2016	4.93
Byron Bay	17/07/2017	4.69
Byron Bay	03/05/2017	5.55
Byron Bay	01/05/2017	5.57

Address	Sale Date	Analysed Market Yield (%)
Byron Bay	14/03/2013	7.56
Byron Bay	31/07/2015	5.03
Byron Bay,	07/10/2015	6.33
Byron Bay	21/11/2016	5.21
Byron Bay	04/10/2016	4.89

While 2% may indicate growth in values in the order of 30%, there has been significant growth in rents over the past two to three years, in some localities as high as 30%, while more broadly growth has generally not been below 10%.

Inland retail areas have also seen growth albeit more modest. Further, rental growth has been very limited and as such overall growth has not been as pronounced as the coastal areas.

The regional centre of Lismore was also impacted by a major flood event in March which has significantly impacted the retail centre with increased vacancies reported, modest retail activity and very limited demand for retail space. Sales of retail properties have also been very limited, allowing a more precise assessment of market movement.

The following is a broad snapshot of sales:

Address	Sale Date	Analysed Market Yield (%)
Lismore	25/02/2014	9.92
Lismore	29/04/2015	8.20
Lismore	30/06/2015	10.67
Lismore	16/11/2015	9.96
Lismore	04/03/2016	6.44
Lismore	15/11/2016	7.13
Lismore	01/09/2017	8.57

A noticeable variation in the above evidence pertains to the strength of the tenant. National tenants with good lease covenants show yield rates well below locally leased properties. This can be in the order of 20%.

Broadly it would appear that yields since 2014/15 are likely to have firmed one to two points (depending on quality) from a much higher starting point than the coastal counterparts. Without rental growth, a more modest growth in values more in line with the yields is likely (10% to 20% overall). Where rentals have fallen we have seen value levels similar or weaker. This is epitomised by a more recent sale of a bank premises in Casino which saw a fall in rent, a stable yield and a subsequent fall in value.

Address	Sale Date	Sale Price	Land Area (m2)	Lettable Area (m2)	Passing Yield (%)	Analysed Market Yield (%)	$/m2 Lettable Area
Commonwealth Bank, 115 Barker Street, Casino	15/05/2015	$1,147,000	762	375	7.11	7.11	$3,059
Commonwealth Bank, 115 Barker Street, Casino	04/04/2017	$1,025,000	762	375	7.09	7.09	$2,733

So where to now?
The greatest risk appears to be where our greatest gains have come from, being the coastal strips with yields at record levels and rents pushing higher. Any significant change in the real estate market could result in falls in value as a result of yield, however if the broader economy was to falter, a weaker economy could drive rents down which will compound the reduction in values due to yield.

Coffs Harbour
The retail market remains soft particularly in fringe or secondary locations. Vacancy factors are high and lease up incentives of between one and three months rent free periods are common.

There remains a high vacancy factor within the main strip retail centre for specialty retail shops within Coffs Harbour. There are currently nine shops available for lease within the prime CBD strip centre. This represents a vacancy rate of approximately 15%, due to a combination of a soft local retail market and low discretionary spending, the unwillingness of local property owners to meet the market and incentives being offered by shopping centres Park Beach Plaza and Coffs Central attracting local retailers. Rental rates within the prime strip centre depend on size and exact location but average space can be in the $550 to $700 per square metre range. The redevelopment of a dormant site to the eastern end of the CBD for a commercial hotel, offices and retail shops by Gowings should assist to increase foot traffic and provide some economic stimulus to retail shops nearby. The most interesting recent retail sale occurred in Gerrard Drive in May 2017 for $11.75 million, being three nationally tenanted retail outlets within a large bulky goods centre. The sale showed 7.4% market yield or $1,796 per square metre of building area for a 6,544 square metre building on a 16,960 square metre site.

1-3 Spring Street, South Grafton attracted sound market interest selling for $10.9 million at an analysed market yield of 7.21% or $4,147 square metre of building improvements. The property is a retail service centre featuring two national and one local tenant in a food and service station complex.

Retail precincts at the Jetty, Sawtell and Woolgoolga appear to be faring much better, with lower vacancy and increased appeal based on a lower rent structure, and their popular restaurant, café and entertainment establishments which are well supported by locals and tourists. Rents in these locations are generally $300 to $400 per square metre. A recent sale in First Avenue, Sawtell for $839,000 for two old shops attracted a yield of 5.12%.

Victoria

Melbourne

Melbourne's retail property market has continued to perform strongly during 2017. Investment yields have remained low and we have seen yield compression across many of the retail sub markets over the past 12 months. Supply of quality retail stock has generally been limited. Purchaser demand for retail investment property, in particular for well located properties with secure long term leases, good lease covenants or with future development potential, is very strong at present. The steady low interest rate environment, low Australian dollar (compared to the US dollar) and the ongoing perception of being a safe haven have all combined to drive strong interest from domestic and overseas retail property buyers.

In recent years the Melbourne CBD retail environment has experienced growth driven by a substantial increase in the resident population due to a boom in high rise apartment developments, higher rates of office occupancy, increasing tourist numbers and growth in student numbers at city-based educational institutions.

In the retail space, major international retailers continue to demonstrate confidence in the Melbourne market with the opening of new stores. During the year, British retailer Debenhams opened its flagship store at St Collins Lane in its first foray into the Australian market.

The year also saw the collapse of a number of retailers including Pumpkin Patch, Herringbone, Rhodes & Beckett, Marcs, David Lawrence, Payless Shoes and Howards Storage World. Many commentators are forecasting more retail brands, particularly clothing retailers or fast fashion competitors, to fold in the face of increased competition from overseas retailers such as Uniglo, H&M, Zara and the forthcoming arrival of giants Amazon and Alibaba as well as a gradual yet inexorable move to online retailing.

Inner suburban regions that have demonstrated strong results for freehold retail properties on sites which provide medium to longer term potential for mixed use development over the past 12 months include Richmond, Collingwood, Fitzroy and South Yarra.

Notable recent sales in the inner suburban market include an older style, two level retail building situated on a corner site of approximately 478 square metres on Bridge Road, Richmond. The property sold for $5.1 million in August 2017 reflecting an analysed yield of 3.77% and a capital value of $10,669 per square metre of improved site area. The property was vacant and is considered to be suitable for investment or development of a multi-level mixed use complex (STCA).

An older style, two level mixed use retail and commercial property on a site of approximately 1,000 square metres in a prime part of the popular Bay Street retail strip sold in Port Melbourne in May 2017. The sale price of $14.5 million reflected an analysed yield of 3.92% and a capital value of $14,216 per square metre of improved site area. The property has a short WALE and is considered to provide good potential for a multi-level mixed use development (STCA).

There has been an increase in development activity and a surge of modern mixed use complexes, particularly within a ten kilometre radius of Melbourne's CBD and within other major retail and commercial hubs such as Hawthorn, Box Hill and Springvale. Investor interest in strata-titled retail properties subject to long term leases and with good lease covenants is particularly strong in the current environment also given these investments are often at a more affordable price point of less than $1 million in comparison to freehold property.

There appears to be a discrepancy between capital values and rental income growth as capital values within popular precincts appear to be experiencing strong growth while rental income growth appears low in comparison. The retail rental market has experienced some downward pressure during the year, particularly in suburban retail strips. In the past 12 months, traditionally strong retail areas such as Chapel Street, South Yarra and Burke Road, Camberwell have seen an increase in vacancies, a decline in rents and an increase in incentive levels. Food based retailers continue to be the main occupants taking up these tenancies within various retail strips.

Ballarat

2017 has been a relatively steady year for commercial property throughout the Ballarat region. There has been increased demand for Burgess Rawson auctions for well leased properties with national tenants and probably fewer retail/commercial transactions than past years overall. Properties offered for sale with vacant possession have had generally longer selling periods, while industrial vacant land demand remains weak. The development of the Delacombe town centre in the south-western growth corridor has been successful with good demand from national tenants, including a second cinema and reports of a second Bunnings store.

2017 has also seen a number of child care centres developed across Ballarat, with over ten constructed or permitted within the past two to three years. Further major construction within central Ballarat is due to commence with the redevelopment of the Civic Hall site and railway precinct.

Echuca

The market has been really interesting with two notable investment sales to national tenants of Beaurepaires and the other of Reece Plumbing, both of which were considered to be at secondary locations but sold very strongly at auction to provide passing yields below 5% (Beaurepaires) and just above 5% in the case of Reece. Since that time there have been no similar type assets offered to market and notably the Cheap As Chips building in the heart of Echuca failed to sell. Centrelink Echuca has just hit the market and it will be very interesting to see how it performs in the investor market. Smaller buildings appear to be struggling with demand hampered by the larger scale retailers and it will be interesting to see how small to medium sized properties fare in the coming 12 months.

South Australia

Adelaide

Retail trade growth of 2.8% for the third quarter of 2017 remains below the national average of 3.1% and below its ten year average of 3.1%. In continuation of the recent trend, the major growth sector was cafés at 11.2% with household goods the closest other sector at 5.6%. Clothing was the worst performer at 1.1%. This shows the impact of online trading on clothing and department stores, the lack of economic confidence in discretionary spending and South Australians' love of cafés.

The results confirm what is being seen anecdotally within the CBD and strip shops where many ground floor retail stores are being converted for use as cafés.

Agents Savills reports notable retail asset sales over $5 million as follows:

Address	Sale Date	Sale Price	GLA	Reported Market Yield (%)	Reported GLA Area
Woolworths Gawler (Neighbourhood)	June 2017	$32.05 million	10,920	6.81	$2,935
Pirie Plaza (Sub Regional)	Sep 2017	$32.05 million	11,029	7.53	$2,906
Kilburn South (Large Format Retail)	Sep 2017	$22.35 million	7,404	7.21	$3,019
Wharflands Shopping Centre (Neighbourhood)	Sep 2017	$21 million	10,215	8.89	$2,056
12-18 David Witton Dr, Noarlunga Centre (Large Format Retail)	Feb 2017	$17.5 million	7,454	8.16	$2,348

In terms of supply, the following additions and new centres are either under construction or proposed. This is considered a thin level of additions to the market, but not surprising given the poor confidence levels and general economic concerns.

Address	Proposed Completion	Additional m2
Foodland Supermarket and Shopping Mall	2017	1,100
Eyre Village	2018	2,600
District Outlet Centre Parafield	2018	40,000
Westfield Marion	2021	11,000

Significantly, the Parafield District Outlet Centre has recently announced a delay in opening due to poor economic conditions in Adelaide. The $50 million brand outlet centre is a replication of a similar centre, Harbor Town, in the western suburbs. It was reported by The Advertiser on 13 November 2017 that the developers (Devwet Group) had previously anticipated opening in time for Christmas this year but the "subdued" Adelaide retail leasing climate has made securing tenants difficult, but noted that the recent securing of two anchor tenants has given moment to the project. The anchor tenants have not been confirmed.

The difficulty in obtaining tenants for such a centre is further evidence of the lack of general demand over-arching weak confidence in the retail climate in South Australia.

Queensland

Brisbane

Overall Brisbane retail rents have remained stable and firm yields are continuing to be achieved, with sustained demand from investors for quality retail assets and even secondary assets achieving a premium.

There have been some noteworthy transactions over the course of 2017, including the sale of Wondall Road Village in Manly for $16 million at a yield of 6.08%. This sale created a new Queensland record for an IGA anchored centre and demonstrated the strength of the investment market for quality retail properties in metropolitan Brisbane. Further proof of this was reflected in the sale of the Urban Village Convenience Centre in Cannon Hill for $9.125 million at a yield of 5.74% and a significantly high rate of lettable area of $9,790 per square metre.

The impact of online shopping and in particular the incursion of Amazon continues to be a concern for the sector. This will ensure that retail businesses will be cautious going forward and rents will remain flat. Amazon's expansion in Australia will also accelerate growth in the online retail market which will result in reduced growth in turnover of some retailers. Additionally, similar to when a large number of international retailers entered the market, there will be a need for retailers and owners to adapt and innovate to remain successful.

Toowoomba

The two major retail developments in Toowoomba in 2017 included the redevelopment of the QIC owned Grand Central Shopping Centre and the construction of a new Bunnings. The $500 million plus redevelopment of Grand Central has predominantly been completed. The redevelopment has seen the centre double in size to approximately 90,000 square metres introducing new discount department stores, supermarkets and approximately 160 speciality stores. The construction of a new Bunnings on the former Toowoomba Foundry site has also recently been completed. This is the second Bunnings in Toowoomba and should have a positive impact on the northern CBD precinct.

The redevelopment of the Shell/Coles Express in Kearneys Spring has now been completed with two additional tenancies including a café with a drive through facility. Construction of a food based retail centre known as The Intersection was also recently completed. Tenants in the centre will include Subway, Café 63, Burger Urge, Baskin-Robbins and Oporto.

Over the past 12 months there has been an increase in leasing activity within other areas of the Toowoomba CBD. The majority of activity has been to cafés, bars and restaurants. Most of these operators are new to Toowoomba, resulting in a significant increase in new options for local diners.

The historically low interest rates have resulted in a strong demand for retail properties by investors, however the lack of supply of quality, fully leased properties has limited the number of investment sales and has resulted in a firming of net yields over the past two years.

Recent retail investment sales in Toowoomba include:

Wyalla Plaza, Taylor Street, Newtown – Semi-modern convenience shopping centre and service station with a lettable area of 3,997 square metres. Tenants include Friendly Grocer, Brumbys, Dominos, Malouf Pharmacy, a mix of convenience retailers, Puma Service Station and a large medical centre. Reported passing net yield of circa 7%. Sale price of $14.45 million.

283 Ruthven Street, Harlaxton - Semi-modern retail centre that was leased to Red Rooster and a Foodworks supermarket. WALE of 1.48 years. Sale reflected a net yield of 6.99%. Sale price of $1.8 million.

251 James Street, Toowoomba City – Modern mixed use building with a ground floor retail showroom tenancy of 567 square metres with first floor office tenancy of 541 square metres and basement car park for 41 vehicles. Leased to The Open Range and Neil's Parts. WALE of 2.84 years. Sale reflected a passing net yield of 7.9% and an analysed net yield of 8.86%. Sale price of $3.1 million.

Gold Coast
2017 has been another very active year for the commercial property market on the Gold Coast, particularly for bigger ticket items in both the office and retail sectors. In particular, supermarket anchored shopping centres have had investors clamouring, resulting in some big dollar transactions at very firm yields for this market.

The continuation of the prevailing low interest rate environment has again been the main catalyst fuelling this activity, although this has been a common factor across many property markets across the nation in 2017.

Outlined below are a number of the stand out retail sales, ordered according to sale date starting with the most recent:

- Pacific Pines Coles, Pacific Pines – sold in July 2017 for $30.025 million reflecting an analysed yield of 4.63%. A brand new, freestanding, state of the art, full-line Coles Supermarket and Liquorland store, completed in November 2016. WALE 15 years.
- Pinnacle Pines Shopping Centre, Pacific Pines – sold in July 2017 for $19.7 million reflecting an analysed yield of 5.35%. Neighbourhood shopping centre anchored by a freestanding McDonald's Restaurant and a 7-Eleven service station and convenience store supported by nine specialty stores.
- Mermaid Plaza, Mermaid Beach – sold in June 2017 for $8.27 million reflecting an analysed yield of 7.24%. Mixed use, part two level beachside strip complex with shops, medical component and office suites. Purchased by a developer with a view to future redevelopment.
- Beaudesert Central Shopping Centre, Beaudesert – sold June 2017 for $16.85 million reflecting an analysed yield of 6.46%. Rural town locality. Neighbourhood shopping centre anchored by a Woolworths supermarket plus 12 specialty tenants.
- Mudgeeraba Markets and Franklin Square, Mudgeeraba – sold June 2017 for $38.8 million reflecting an analysed yield of 5.75%. Two adjoining properties, Mudgeeraba Markets being a neighbourhood shopping centre anchored by a Woolworths supermarket plus 26 specialty tenants and four ATMs, and Franklin Square a two level strip retail and commercial premises featuring 11 ground and five first floor tenancies.
- Piazza on The Boulevard, Surfers Paradise – sold May 2017 for $22 million. A volumetric land title with a five level, semi-modern arcade style retail complex including basement and upper level car parking. Total net lettable area of 9,061 square metres, although highly vacant. Purchaser looking to reinvigorate facility to draw back both tenants and shoppers.
- The Markets Yarrabilba, Yarrabilba – sold in March 2017 for $8.9 million reflecting an analysed yield of 6.2%. A brand new convenience retail shopping complex anchored by an IGA supermarket plus several specialty shops.
- Worongary Town Centre, Mudgeeraba – sold in March 2017 for $46.3 million reflecting an analysed yield of 6%. An open neighbourhood shopping complex encompassing six buildings anchored by a Coles supermarket plus a freestanding Caltex service station, 41 retail, medical and office specialty tenancies and two ATMs.
- Ashmore City Shopping Centre, Ashmore – sold November 2016 for $35 million reflecting an analysed yield of 7.5%. A neighbourhood shopping centre encompassing three adjacent freestanding buildings, anchored by a Drake's IGA Supermarket and Liquorland and supported by 49 specialty stores including food service, national banks, medical tenancies and an ATM.
- 174 Pascoe Road, Ormeau – sold in October 2016 for $9.6 million reflecting an analysed yield of 6.92%. A semi-modern, colonial style, single level neighbourhood convenience shopping centre partitioned to provide 16 tenancies.

Based on the above example sales, it would be fair to say that during 2017 the spread in analysed yields consolidated, with the dominant range 5.5% to 6.5%, being a 100 BPS reduction on our suggested 2016 dominant range of 6.5% to 7.5%.

Over the latter part of 2017 market conditions have indicated signs of coming off, not necessarily in value levels and reflected yields, but more so in investor participation and interest and general market place fervour. Notwithstanding this observation, we do not anticipate any substantial variation in market conditions moving into 2018.

As we suggested this time last year however, we do feel it appropriate to highlight the increasing risk to purchasers and financiers of a market correction should interest rates begin to rise again in the coming years or if international or interstate purchasers curtail their activities. As Bob Dylan says, the times they are a-changin', but it's just a bit difficult to predict when a significant turn might occur.

Sunshine Coast

The retail market on the Sunshine Coast has seen a range of sales and results achieved during 2017. We have seen improvement across the market in traditional retail strips, smaller townships and also in the main tourist retail precincts.

Some headline sales during 2017 include the $17.3 million sale of a Woolworths anchored shopping centre complex in Tewantin indicating a yield of 5.76% and the $21 million sale of a strata titled complex at the corner of Hastings Street and Noosa Drive, which indicated a yield of 5.9%.

There have also been a range of smaller investment sales, typically in the sub $3 million range, that have indicated yields ranging from circa 6% to circa 8% across the Sunshine Coast.

The rental markets have generally been strong in this time. The Hastings Street market has noted a general firming of rentals with limited vacancy and the Coolum Beach retail area has also improved with limited vacancy over the second half of 2017. The Mooloolaba precinct has seen some increased levels of vacancy, even within the Esplanade fronting tenancies. Some of this is due to the improved retailing around Ocean Street in Maroochydore which has become the premier entertainment area of the Sunshine Coast.

Retailing precincts within hinterland townships have generally improved with limited vacancy in these areas and local investors generally driving value growth.

On the development front, we have seen the commencement of the Sunshine Plaza redevelopment, which is adding a further 34,000 square metres of space. A number of smaller retail developments have also been completed across the region including the commencement of the second retail development in the Sippy Downs town centre, Sippy Downs Central, adjoining the stand alone Coles supermarket.

Overall, the retail market has performed well during 2017 and with continued strong tourist conditions and population growth, this is likely to continue during 2018. In the medium term, retailing conditions are difficult to judge given the changing macro environment and the disruption likely to be caused by on line retailers.

Wide Bay

The Wide Bay retail market remained soft throughout 2017 with a low volume of sales occurring in the region. During the year Stockland opened its Stockland Kensington neighbourhood centre which was converted from the former Bunnings site opposite the Stockland Bundaberg shopping centre. Stockland also commenced construction on an expansion of the Stockland Bundaberg centre which will include an outdoor dining precinct and detached drive through restaurant.

At the top end of town, significant transactions include the Eli Waters Shopping Centre for a reported $33.2 million and the Maryborough Woolworths Shopping Centre for a reported $13 million.

At the lower end of the scale, a notable transaction is 15 Electra Street, Bundaberg Central which sold for $660,000 at an analysed market yield of 8.12%.

Gladstone

The standout sale for Gladstone's retail market in 2017 was the Woolworths anchored Gladstone Square, which transacted at $31.5 million in June at a reported 7.25% yield. In comparison to other centres in Gladstone, Gladstone Square has maintained relatively good occupancies in recent years while others have experienced increasing vacancies as a result of the tough economic conditions in Gladstone. There has been very limited sales activity across most sectors, with very few known retail sales. Owners are aware of the current market conditions and are hesitant to sell unless necessary. As a result, there are few available quality retail investment properties for sale. We note that the Avion Centre in New Auckland has recently been listed for sale via an expressions of interest campaign. We understand that the property is being sold under mortgagee in possession, with offers closing mid to late November. The property is anchored by a SPAR supermarket and previously accommodated a medical clinic, however for the main part now has significant vacancies. Also of note is the opening of the first ALDI in Gladstone earlier in the year which has been well received by locals.

Rockhampton

The retail market in Rockhampton in 2017 has continued much in line with 2016, with relatively slow movement. Rentals have remained relatively stable throughout the year, however incentives are becoming quite significant in some instances in order to secure tenants, with some known incentives of up to six months rent free. There are still high vacancies in some newly developed retail centres, likely due to a variety of factors, however rental affordability is a key driver in the current market.

Both local and non local investors have been active for retail properties, however are very sensitive to tenant strength and WALE (weighted average lease expiry). Of mention are two sales during the year (one of which is under contract) of multi tenanted older style properties with good exposure and location, that have sold at yields between about 9.5% and 10%. The stand out sale for the year for retail would be the Office Works building at $6.05 million which reflected an analysed market yield of about 6.5%. We expect that modern properties with quality tenants and good unexpired lease terms are likely to attract investors in the 8% to 9% yield bracket. We note however that historically, few properties have traded at a sub 7% yield. The Office Works sale is somewhat market leading for Rockhampton.

There has been some continued development in 2017 and some development looming on the horizon. In recent months, we have seen the development of an IGA in Park Avenue (comprising an IGA, child care centre and four specialty shops), and development of a combined gym and retail centre on the fringe of the CBD. Development in the pipeline includes: construction of an ALDI at its recently acquired south-side location next to Fantastic Furniture; a shopping centre, service station and food and drink outlet at the corner of Nagle Drive and Norman Road (subject to council approval); and a $45 million dollar expansion of the Stockland Shopping Centre (also subject to council approval). Also of note is the relocation of Bunnings from its existing site to the former Master's building. It is reported that Bunnings expects to be trading from the new location in mid 2018.

Mackay

The most outstanding transaction in Mackay for 2017 occurred in May. This was the sale of Bunnings South Mackay at $28.5 million with a reported net income of $1,697,440 per annum and an unexpired lease term of nine years to show a net yield of 5.94%. The property was purchased by a listed property trust.

The marketing of this property occurred shortly after the closure of the local Masters store. This is further evidence of the strong national demand for quality lease covenants to secure national tenants.

Despite the downturn in the local economy in recent years, neighbourhood shopping centres have performed quite well throughout 2017 with market rentals easing by only around 5% for speciality shop tenancies.

Leasing demand for large bulky goods retail space remains weak. The former Bunnings building and Sam's Warehouse tenancy in the Greenfield precinct of Mount Pleasant have now been vacant for years and the former Masters building on the Mackay – Bucasia Road at Richmond now sits empty.

Demand for shops in the Mackay CBD remains fairly weak and vacancies are high.

ABS information for the Mackay, Isaac and Whitsunday Local Authority Areas shows that there were 471 retail businesses in June 2014 and 421 in June 2016, a decline of 10.6%. Similarly retail staff numbers have fallen by 496 to 446 over the same period to also show a decline of 10%. These statistics are consistent with our observations of the retail property market in this region over the same period.

Townsville

Throughout 2017 the retail market remained patchy and positioned at the bottom of the market cycle.

We have seen continued expansion of the retail landscape including the completion of the Willows regional shopping centre's $70 million expansion and the $10 million City Point redevelopment currently underway in the city centre. Development applications have also reportedly been lodged for expansions to the Fairfield Central neighbourhood shopping centre and the Castletown Shoppingworld regional centre.

Retail sales during 2017 have included a mix of product and yield spread with good demand from southern investors who are active given the attractive yield profile in regional areas relative to their home locations. Two key sales that demonstrate this demand include The Precinct, a modern suburban fast food and convenience centre in Idalia which sold for $22 million. This property comprises 32 specialty tenancies over four buildings and reflected a WALE of 3.12 years and a yield of 8.23%. The Woolcock Street Supa Store sold for $16 million and comprises a large format big box retail building with four national tenants. This property had a WALE of 3.6 years and analysed to a yield of 7.2%.

Overall the retail market has continued to tick along with investor sales increasingly focusing on properties with strong lease covenants, tenant profiles and lease periods with a widening differential between properties exhibiting these positive factors and those that do not.

Cairns

The Cairns retail market passed through the bottom of the cycle back in 2014, but the limited recovery thus far means that the retail property market remains relatively flat. It must also be said that retail property sales in Cairns are extremely sporadic, with most sales involving retail property of mixed use retail and office buildings or tenant buyouts of single premises.

High exposure CBD retail space remains reasonably well occupied, but vacancies are more noticeable in the lesser exposure locations and on the CBD fringe. Rents have remained generally stable, showing ranges of $600 to $800 per square metre per annum for prime CBD space, and $1,000 to $1,750 per square metre per annum in key tourist precincts such as the Cairns Esplanade.

Blue chip retail located within the main Esplanade tourist strip as well as the central business district show reasonably low vacancies, though there is also limited demand from new businesses. There remains good investor demand for well leased properties which rarely come onto the market.

In other words, there was little to no change in local retail market conditions during 2017.

Northern Territory

Darwin

Since 1974, the Casuarina precinct in Darwin's northern suburbs has dominated the Darwin retail scene, providing a retail destination with air-conditioned mall, free undercover parking and a well-controlled tenancy mix, expertly managed by GPT.

However, 2017 was a watershed year for Darwin retail with not one but two regional style retail developments commencing trading.

First off the blocks was Coolalinga Central, servicing the Darwin rural area which has a catchment of 25,000 and growing, especially since some East Palmerston suburbs find it easy to access as well. Coolalinga has been a major service centre area for the Darwin rural area for a long period, especially on the south-western side of the highway including Woolworths and specialty stores. However, over the past four years there has been significant retail development on the north-eastern side of the highway including bulky goods retail, service station and the ubiquitous McDonalds. This culminated this year with the opening of the main air-conditioned mall, anchored by Coles and Kmart.

Hot on its heels was Stage 1 of Gateway, on the northern fringe of the Palmerston CBD. This is a larger development with Stage 1 including Woolworths, Big W and cinema complex with six screens. Stage 2 includes the entertainment precinct and is scheduled to open in 2018. Gateway will provide stiff competition for retail in the Palmerston CBD.

The two new centres underscore, that future population growth in Darwin will be focused along the Stuart Highway and south-east corridor. The construction of the new hospital at Palmerston and the announcement of a new police station in Palmerston will provide enhanced services to this growth area.

In this respect, Casuarina (and indeed Royal Darwin Hospital) is disadvantaged by being placed firmly in Darwin's northern suburbs, well removed from these population growth areas. Nevertheless, Casuarina is expected to retain patronage from residents in the CBD/inner suburbs as well as the northern suburbs and has recently been upgraded as an entertainment destination by development of The Quarter.

The increased options spell good news for tenants, especially quality national tenants who are the beneficiaries of strong competition amongst these centres, as well as existing retail centres, to attract or retain them.

Reinvigoration of Darwin CBD may also improve its attractiveness for retail, as well as workers and residents. The NT Government has budgeted $100 million to rejuvenate the CBD. Works recently announced are a new 450 bay underground carpark at parliament House, which will replace the existing open carpark at the Supreme Court, enabling this area to be converted to green open space. This is part of an overall plan for heat mitigation in the CBD which will also involve green shade structures over part of Cavenagh Street. General retail in Darwin is quite moribund and it is hoped that these developments will improve the CBD's appeal as a retail destination.

Western Australia

Perth

Continued weakness in discretionary spending habits of consumers continued throughout 2017 and looks set to stay in place through to at least the middle of 2018. Retail turnover growth in 2017 was only 0.4%. Subdued wages and employment growth and the softening housing market have all contributed to the slowdown in retail turnover growth in WA.

Retail owners remain under pressure to maintain occupancy in their assets, with evidence of increasing incentives in this market. Vacancy rates increased throughout the past year across the board however remain lowest in the prime retail hubs of the Hay and Murray Street Mall locations, followed then by regional shopping centres. There is however an increasing trend towards tenants on short term leases, holding over and pop-up style shops. Given the significant potential supply pipeline, competition in the leasing market is expected to increase as owners seek to secure new international retailers within developments.

Two retail construction projects reached completion in 2017, adding 32,750 square metres of retail floor space. The largest completion was ISPT's new Lakelands Shopping Centre (21,170 square metres). Also completed over the June quarter was the 11,575 square metre extension to Charter Hall's Secret Harbour Square. Supply additions over the past 12 months totalled 84,700 square metres. There is currently 136,700 square metres under construction at 11 locations. The new 10,900 square metre Butler Central neighbourhood centre began construction in the second quarter of 2017.

At the lower end of the retail spectrum, retailers along strip shopping locations are doing it the hardest with many smaller, non-branded retailers feeling the pinch of the tightening in discretionary spending. Many of these smaller retailers are giving the game away and it is evident that landlords have to rebase their rental expectations. Franchise style food operations (think of the myriad of themed Asian style/Mexican/juice/coffee operations) are concentrating their expansion in the state to shopping centre locations as a priority and towards prime strip shop dining and entertainment locations such as Oxford Street, Leederville, Beaufort Street, Mount Lawley, South Terrace, Fremantle and Rokeby and Hay Streets, Subiaco.

Recently rising neighbourhood centre space combined with subdued demand has caused rental rates to deteriorate. In neighbourhood shopping centres, rents declined by approximately 10% during 2017 to average around $600 per square metre. The downward trend is expected to continue into 2018.

In the second quarter of 2017, there were four retail transactions greater than $5 million in the Western Australian market, totalling $55.6 million and all in the bulky goods category. The largest transaction was the sale of 5 Clayton Street, a bulky goods centre in Midland, for $30.8 million. Over the past 12 months, transaction volumes reached approximately $460 million including CBD, neighbourhood and bulky goods centres. There were no regional or sub-regional centre transactions in the past 12 months.

Retail as an asset class remains on the radar for many investors as it provides a relatively secure cash flow and upgradeable investment options. This has resulted in investors accepting lower internal rates of return which is flowing into tighter yields for quality assets. We have noted a marked increase in eastern states based private investors who are willing to accept far lower yields for assets than local investors are prepared to accept. At the entry level, we have noticed that strata or stand-alone lower end value retail units are being acquired by the sitting tenant in a majority of reported sales.

The focus of the Western Australian government needs to be on continued investment in infrastructure which will support the shift from Perth being a mining HQ to it becoming a bona-fide tourist destination. That investment from government will spark private development opportunities in the form of hotels and tourism based centres which will in turn drive demand for world class retail opportunities, providing the impetus to trigger retail expansion. We are seeing this with the redevelopment at Scarborough Beach, further redevelopment in the Joondalup Town Centre, The Stadium development at Burswood and in the future, Elizabeth Quay in the Perth CBD.

Residential

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RESIDENTIAL

National Property Clock
December 2017
Houses

Coffs Harbour
Newcastle
NSW Central Coast
NSW Mid North Coast
South East NSW

Sydney

Melbourne
Gold Coast
Sunshine Coast

Toowoomba

Adelaide
Brisbane
Canberra
Hobart
Albury
Ballarat
Bathurst
Bendigo
Burnie
Devonport
Echuca
Launceston
Lismore
Mildura
Mount Gambier
Orange
Tamworth

Cairns
Hervey Bay
Horsham
Ipswich
Sale
Townsville
Warrnambool
Whitsundays

Darwin
Perth
Alice Springs
Bundaberg
Emerald
Gladstone
Mackay
Rockhampton
South West WA

Entries coloured orange indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

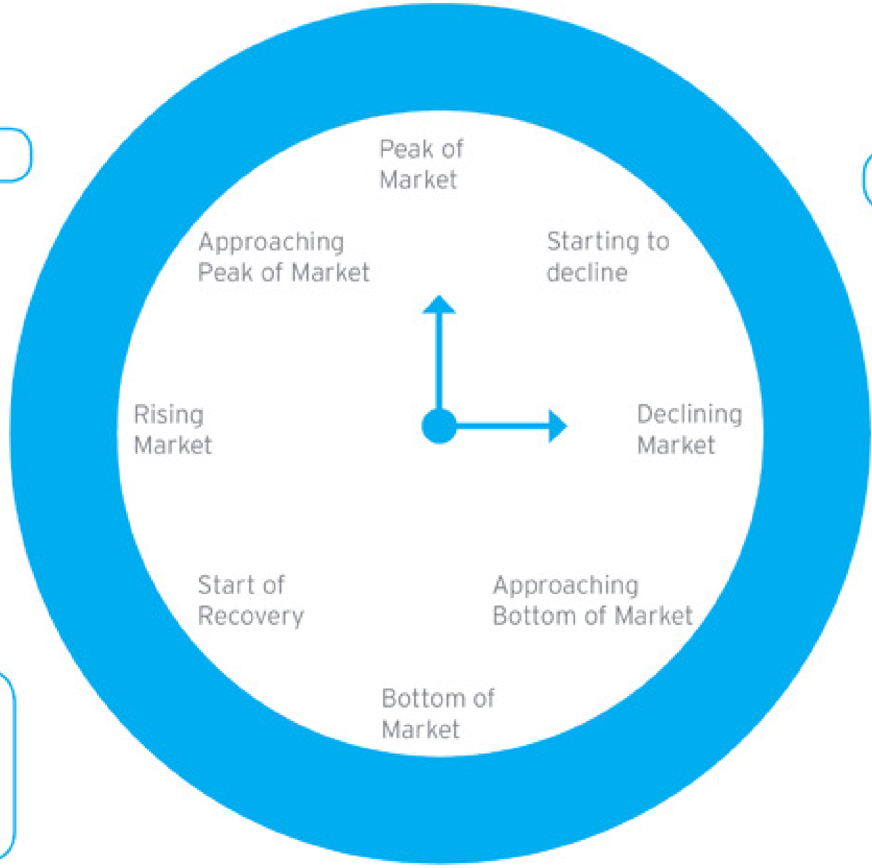
National Property Clock
December 2017
Units

Melbourne
Coffs Harbour
Gold Coast
Newcastle
NSW Central Coast
NSW Mid North Coast
South East NSW

Sydney

Brisbane
Canberra
Perth

Toowoomba



Adelaide	Gladstone
Darwin	Mackay
Alice Springs	Rockhampton
Bundaberg	South West WA
Cairns	Whitsundays
Emerald	

Bathurst	Orange
Hervey Bay	Sale
Horsham	Townsville
Ipswich	Warrnambool
Mildura	

Hobart	Launceston
Albury	Lismore
Bendigo	Mount Gambier
Burnie	Sunshine Coast
Devonport	Tamworth
Echuca	

Ballarat

Entries coloured blue indicate positional change from last month.

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HERRON TODD WHITE RESIDENTIAL

Overview

2017 was the year some of our hottest markets decided it was time to take a breather. In addition, there were those sectors that continued to lay dormant while a few even outdid expectations.

This month's residential section looks back at the year in real estate. There's also an opportunity to see how each of offices performed in terms of predictions for property in February 2017.

Sydney

For greater Sydney, 2017 was a year that saw continued growth but at a lower rate than in previous years. Recent months have shown signs of slowing even further. This was widely anticipated and our prediction of slower growth as the year progressed proved correct. CoreLogic's quarterly results as at 31 October 2017 revealed an annual return of 7.7% and a quarterly result of -0.6% for dwellings in Sydney. This annual growth occurred mostly in the earlier months with the last two quarters recording flat to slightly negative growth.

Throughout the earlier months of 2017, demand continued to outstrip supply, keeping the wider residential market buoyant. In more recent months we have seen selling periods extend closer to longer term averages and prices begin to stabilise and even fall in some areas. As the market moves from a seller's market to a buyer's market, the instances of sales results well above asking prices are becoming far less frequent.

All is not lost however. Local agents have noted quality properties are still highly desired and are continuing to record strong results; they are just taking slightly longer to sell with a reduction in the number of interested buyers compared to previous years. We have noticed that below average stock, including properties considered to be in secondary locations, is being hit harder with buyers feeling they have more choice within their budget range.

Eastern Suburbs

The Eastern suburbs generally played out as expected. The year started off very strong with some large price increases in the first quarter compared to the last quarter of 2016. The limited available stock continued to drive the market which resulted in premium prices being achieved in both units and houses up to $3 million.

With so much heat in the market over the past four or so years up until early/mid 2017, it was safe to predict that things were going to cool down at some point. The second half of the year saw a change in market conditions, with auction clearance rates and buyer demand easing but prices in most cases generally holding in value with only some slight decreases noted. The sense of urgency has been removed from the market with buyers being more savvy and cautious in their purchasing decision. A number of properties scheduled for auction are being pulled due to lack of interest, with agents often changing tactics and advertising with an asking price to entice the buyers. Selling agents are advising that if a property is priced too high, it will sit on the market longer and lose momentum. This is different to what was seen at the beginning of 2017 where almost everything was selling at premium prices and reduced days on the market.

Houses in the $1.5 million to $3 million range, which performed strongly at the beginning of 2017, eased in the second half of the year. The units up to $1.5 million sector was also a notable performer which has clearly flattened with investment style units impacted by increased listings on the market and tightening of lender restrictions. Auction clearance rates in the eastern suburbs went from 87.5% in March to 67.1% in November (source: CoreLogic).

2017 proved to be a generally good year for the prestige market in the eastern suburbs. The market saw some steady increases throughout the year with the second half of the year seeing the $4 million to $10 million housing market still performing strongly.

Interest from foreign purchasers has softened, however this market continued to perform well, driven by wealthy local purchasers looking to upgrade and demanding good quality homes in the harbour side locations of Darling Point, Woollahra, Rose Bay and Vaucluse in addition to the beachside locations of Bondi, Bronte, Tamarama, Clovelly and Coogee.

As an example, research shows that in Vaucluse, there were ten house sales of between $5 million and $9 million between 1 September and 14 November which averages at close to one per week in this one suburb alone (source: PriceFinder and RP Data).

75 Ocean Street, Woollahra sold in September for around $13.5 million after being on the market for approximately 23 days.

(Source: PriceFinder)

10 Thompson Street, Tamarama sold in September for around $9.2 million after being on the market for approximately five days.

(Source: PriceFinder.)

Inner West

As predicted, dwellings in the $1.5 million to $3 million range (a section of the market with a high concentration of owner occupiers) started the year off strongly with steady levels of growth and strong demand, continuing where 2016 left off. This appeared to continue for the first quarter of the year. Although we expected growth in this segment to remain steady, a significant change was experienced mid-way through the year. Local agents reported a substantial decrease in the numbers attending open homes as well as a sizeable drop in registered bidders at auctions. This has resulted in some of the lowest auction clearance rates seen since 2015 (source: Domain). Inner west auction clearance rates in September were recorded at 67% compared to 87% over the same period in 2016 (source: Domain). Agents attribute this partly to vendors who are yet to revise their price expectations to be more realistic taking into consideration current market conditions.

The unit market in the inner west did not show much in terms of growth throughout 2017. Popular with investors, this segment of the market was significantly affected by government policy changes around foreign buyers and developers, coupled with tighter lending requirements. As predicted, oversupply issues also continued to put downward pressure on the unit market in some areas, with the record number of development approvals seen in recent years seeing unit complexes reach completion at a time when demand is struggling.

Whilst most inner ring suburbs showed a slowing or stabilising of price growth for the second half of the year, there were also a few examples of declining prices. A dwelling in the popular inner west suburb of Birchgrove, which had very strong growth during the current boom cycle, sold in April 2017 for $1.85 million before being re-listed in October 2017. It recently sold reportedly for $1.7 million after 87 days on the market.

In the developing suburb of Erskineville, an 84 square metre, 2-bedroom, 2-bathroom unit sold on 29 April 2017 for $1.045 million. A similar 2-bedroom, 2-bathroom unit in the complex on the same floor level sold on 18 September 2017 for $1.025 million even though it was five square metres larger. Although it appears to be a small decline, it is perhaps showing early signs of things to come.

Eve complex, Erskineville.

(Source: PriceFinder.)

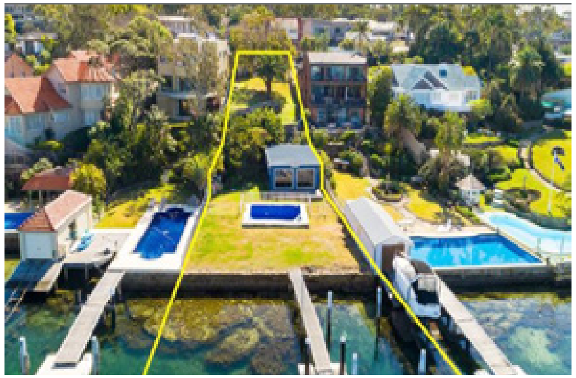
Southern Suburbs
Our prediction for 2017 was for another year of steady growth. Whilst we did see steady growth in the first half of the year, the second half saw signs of a slowing market.

A main driving factor behind the growth in the first half of the year was demand continuing to outstrip supply, while interest rates remaining steady and at historic low levels also contributed to this price growth.

We predicted strong growth for houses in Gymea and Engadine and these suburbs have seen double digit growth over the past 12 months, Gymea up 12% to a median price of $1,332,500 and Engadine up 10.8% to $1.022 million (source: PriceFinder).

We also predicted high quality units in Cronulla to have a strong year and 16 sales above $2 million have occurred to date this year compared to nine in 2016. The median 3-bedroom unit price in Cronulla is $1.597 million compared with $1.38 million a year ago (source: realestate.com.au).

Cronulla houses also recorded strong growth in the year to date with a 12.7% annual growth rate to a median price of $2.22 million (source: PriceFinder). A street to deep waterfront property at 34 Grosvenor Crescent, Cronulla was purchased in September for $3.95 million. The property comprised an easy sloping, partially terraced parcel with a pontoon and boat pen, swimming pool and garage. Unusually the property only provided a relatively small 2-bedroom residence providing the purchaser an almost blank canvas to create their dream home.



34 Grosvenor Crescent, Cronulla.

(Source: realestate.com.au)

The recent approval of Stage 1 of the F6 extension from Arncliffe to Kogarah has generated a lot of media interest. The proposed Stage 2 through to Sans Souci and Stage 3 through the Sutherland Shire will extend the F6 all the way to Loftus. What will be the flow on effect on the housing market? We will have to wait and see.

Western Sydney
There was continued growth in the outer growth areas of south-west and north-western Sydney with land values generally increasing month on month. So far the cost of land plus improvements is typically supported by the sales of completed products,

however as mentioned earlier in the year, incomplete products that don't include landscaping or internal finishes are more likely to be discounted by the market and may not stack up to the cost outlay by the owner.

Another prediction was the trend for low rental yields to continue. This was again accurate as currently dwellings on average are returning approximately 2.8% with units at 3.8% (source: SQM Research). Evidence that the rental market is struggling in certain areas is highlighted with one developer offering new renters the chance to win a car. Areas at most risk are suburbs with a high concentration of new units such as Carlingford, Wentworth Point and Macquarie Park.

One of our other predictions which proved correct was in relation to investor markets, both locally and abroad, and the challenges they may face in 2017 which we thought would reduce participation in the property market.

The regulatory changes to the local lending market that took place around mid 2017, similar to what we saw in late 2015, included higher interest rates on interest only investor home loans, higher deposit requirements, tighter lending on certain high risk post codes generally aimed at high density units and the overall restrictions on investor lending which was driven by APRA in response to the high levels of household debt and increasing property prices.

On the overseas investor front, foreign investors have found it harder and have been less willing to invest in the market due to the uncertainties surrounding the property bubble. Australian banks have cracked down on lending money to foreign investors, governments on both a state and federal level have introduced higher taxes, including higher stamp duty rates, for foreign investors and some foreign nationals have had tighter restrictions on removing money from their home countries off shore and into the Australian property market.

Given the perfect storm of regulatory changes, lending restrictions, affordability issues and increasing levels of supply particularly in the unit market, we have continued to see many off the plan units struggling, with settlement valuations coming in under the purchase price from the stronger markets in 2015 and 2016. This is more prevalent in areas with a high level of saturation and investor participation.

Northern Sydney

The northern suburbs of Sydney were forecast to continue to record steady growth throughout 2017 and generally this region has continued to move along with the overall Sydney market. In recent months there has been a cooling of the wider market with selling periods extending slightly and less participants resulting in more stable prices.

We did note that areas of concern were suburbs seeing a high supply of high density residential development in a short space of time, with the potential to stunt price growth in the short to medium term.

An example is Asquith on the Upper North Shore, which has seen an influx of high density residential development come online in the past 12 months with more planned for construction. This area is not usually known for high density units and as such may find the local market will flatten for some time as the stock is absorbed. In addition, a large participation of investors will result in the rental market remaining flat as supply will outweigh demand for the short to medium term.

The Lower North Shore has always been attractive to buyers and investors alike, with highly regarded schools, quality property, leafy surrounds and close proximity to the Sydney CBD. Whilst properties closer to the median value are steady, the prestige market appears to have slowed more quickly over the past year. Mosman has recorded nine sales over $10 million to date this year, compared to 15 sales for the full year of 2016, with the majority of the 2016 sales occurring in the latter half of the year.

Canberra

The 2017 residential market saw strong and improving conditions for standard housing and stable conditions for medium density accommodation. Sales records were broken throughout the year in various suburbs. Notable events relating to market activity included commencement of the construction of light rail to link Gungahlin to the city, the marketing and sale of vacant Mr Fluffy blocks in established suburbs, strong sale prices for vacant blocks in developing suburbs and a continuous strong demand for standard residential housing.

The ACT house market saw medium to strong growth over the past year with house values increasing 7.68% from November 2016 to November 2017, owing to a shortage in new dwelling construction and increased market demand. Canberra's inner north, inner south and Belconnen performed the strongest with the highest demand being for properties in the $600,000 to $1.3 million range.

The ACT unit market remained steady with minimal growth owing to a large increase in new unit constructions. Newly constructed complexes such as SQ1 in Greenway, Southport in Greenway, Campbell 5 in Campbell and Trilogy in Phillip have all featured upwards of 300 residential units, increasing the overall market supply significantly. Unit values increased by 2.74% over the November 2016 to November 2017 period. The 1-bedroom unit price entry point in outer suburban areas is currently between $260,000 and $300,000, while the entry point for units in the inner city suburbs is generally between $300,000 and $500,000 depending on the exact location and the quality of the improvements.

Some notable sales which have broken suburb records for Canberra's most prestigious suburbs include a $5.75 million sale in Deakin late in 2017 and a $5.475 million sale in Yarralumla negotiated late in 2016. Both properties provided high quality accommodation in highly desirable, inner south locations. These transactions indicate that Canberra's prestige market is in a strong position.

Overall, the ACT property market saw strong demand throughout 2017 for single residential dwellings which is expected to continue into 2018. The large supply of new units could create problems for unit values and the ACT unit market, although prices have remained steady which is also what is to be expected coming into 2018. Overall market conditions throughout 2017 were considered to be above average.

Illawarra

At the beginning of the year we made a prediction that the residential property market in the Illawarra would continue to strengthen until there were some significant events such as a rise in interest rates or tighter lending regulations. As we push towards the end of the year we can review the market happenings for 2017. The Domain State of the Market report for the September 2017 quarter has the Wollongong, Shellharbour and Shoalhaven annual growth of median house prices at 13.9%, 16.7% and 19.5% respectively. These are the three largest growths experienced in regional NSW.

Dig a little deeper though and for the September quarter the Wollongong median house price decreased 1.9% from $754,000 in June to $740,000. Shellharbour and Shoalhaven had smaller growth than in other recent quarters of 2.3% and 3.7% respectively. Many local agents have advised that the number of people at open homes has decreased and auction clearance rates have dipped. So there has been a noticeable shift in the market in the past two to three months, mainly around Wollongong but also in the Shoalhaven.

In late March 2017 APRA imposed tougher lending restrictions, particularly on interest only loans. Since then, interest rates on interest only loans have increased. While the official cash rate and general mortgage interest rates have remained stable, the tightening lending controls have dampened the market.

New unit construction is continuing in the Wollongong CBD although agents have advised that the rate of off the plan sales has slowed down. That said, developers are still showing confidence in the market with a strong development site sale of 1,938 square metres for $2,244 per square metre. Construction has also recently commenced on 50 units on Flinders Street.

Our early year prediction seems to have been accurate however the crystal ball game will continue to be difficult to play and we will have to get our thinking caps on at the start of 2018.

Southern Highlands/ Southern Tablelands

At the beginning of the year the call was that demand for properties would remain strong close in to the townships across the Southern Highlands at a price point up to $1.5 million.

From a review of sales for the rolling 12 months to 1 November 2017, as predicted the townships of Bowral, Moss Vale and Mittagong have been stand out performers, with access to infrastructure and price point being the main drivers of that growth. The stand out for the year though has been Wollondilly Shire with a 26% growth in average price as we close out the 2017 year.

Location	2016 sales	Price	2017 sales	Price	% var #	% var $
2575	549	$611,847	532	$702,376	-3.10%	14.80%
2576	614	$921,477	497	$1,123,637	-19.06%	21.94%
2577	583	$691,669	519	$820,753	-10.98%	18.66%
2580	1046	$360,120	1,111	$408,381	6.21%	13.40%
Wingecarribee	1882	$743,754	1,647	$870,498	-12.49%	17.04%
Wollondilly	1120	$779,307	1,097	$985,296	-2.05%	26.43%
Goulburn	1049	$366,912	1,117	$412,384	6.48%	12.39%

(Source: Pricefinder)

The observation here is that staged subdivisions such as Bingara Gorge (Lend Lease), having been established now for a number of years combined with a realisation by purchasers of direct access to the Sydney freeway, has put these precincts in the minds of buyers looking not only at affordability but lifestyle considerations.

That being said, the last quarter saw a flattening in the volume of sales and more stock coming to market across the region, resulting in a shift in sentiment to more of a buyer's market. The rental market across the main townships remains tight with a lack of stock driving rent increases of a minimum 10% over the past 12 months. The Highlands property market is heavily influenced by what is happening in Sydney and historically lags that market by six to 12 months.

Looking forward to 2018, with the range of land releases coming on line and proposed throughout the region, we would expect to see a slowdown in the rate of growth for the next 12 months and an increase in the number of sales.

As has been mentioned in earlier versions of the Month in Review, the announcement by the NSW Department of Planning that Wilton Junction has been designated as a priority growth area to accommodate up to 16,500 dwellings across the 4,175 hectare site located off the M5 East Freeway combined with the recent announcement of up to 1,500 new land lots at South Moss Vale (Chelsea Gardens/Coomungie), will see continued major scale development activity across the region over the medium term.

Newcastle

The wider Newcastle market has performed exceedingly well over the past 12 months. By wider we can include north as far as Tea Gardens and Buladelah, west as far as Jerry's Plains and south as low as Doyalson and Morisset. We can let others tell the tale of locations outside these areas.

In these locations not everything moved at the same speed. As an example, Singleton and surrounds are coming off a low base with limited activity for the past few years. Agents are now reporting more activity across the board. This is not yet translating to significant capital growth but sales numbers are picking up. Signs are promising.

In and around Newcastle, signs are more than promising. The market has been on a large upswing for a lengthy time period. A number of localities have seen record sales occurring in suburbs right across town. Suburbs that once could only dream of $1 million sales seem to have a record sale occurring every other week. As an example, Stockton in September had the first $2 million transaction in its history, smashing past the old record by a margin. The story is similar in Broadmeadow which recently pushed the $1 million mark for the first time with a sale at around $1.25 million - not just sneaking past but absolutely powering past and moving away.

Nelson Bay has likewise been a strong performer this year. Oceanside Fingal Bay in particular has seen significant growth and interest. This is likely to be because of the ocean aspect and views instead of the standard port vista enjoyed by the majority of the suburbs in this locality; it just offers a little something different. That by no means denigrates the rest of the bay. Activity has been strong for a period and many purchasers are out-of-towners. It will be interesting to see how the market tracks into the new year on the back of a reported slowdown in the Sydney markets.

All indicators in January this year were that the market was going in the right direction and it has transpired thus over the year. With a shaky political system and plenty of rhetoric over peaking markets, it remains to be seen how the market will cope after Christmas.

NSW Central Coast

At the beginning of 2017, we predicted that it would be a hot year for the NSW Central Coast region where we thought that coming off the 2016 Christmas break, a chance would be provided to take a breath, plan and regroup - but not so.

Even before the revelling had quietened down, the new year kicked off with a bang in the local market - it just took up after the Christmas break where it left off.

Anyone following not just the local market, but the broader market would have been forgiven for thinking of or predicting a slowing down of the market. We have certainly been talking of the end of another cycle in property when we will again see the market slow, prices come back a little before stabilising and picking up again. That's how it has always been, but not so during 2017.

Local real estate agents are divided on where we are heading with some seeing their (and their clients) good fortunes continuing, others just remaining hopeful of the hot market conditions continuing, while others being certain in their resolve of it not lasting much longer. A few (a lot actually) were saying that the only thing they are certain about is that they don't know!

For our part, the market just seems to keep rolling with each new reporting period throwing us a few surprises as to what's moving and by how much.

To us, the signs were present that the market would continue growing locally while ever buyers with the will to enter the property market or buyers looking to expand their portfolios are being squeezed out of the Sydney market. The reason for this of course was that property prices on the Central Coast remained reasonable compared to the Sydney market.

But.... as we approach the year's end, we are noticing a few subtle hints of the market showing signs of a slowdown that only the keenest of observers (like us) are seeing. These signs include a slight increase in queries from lenders and insurers, more deliberation by lenders, the unfortunate return of mortgagee sales, a spike in family law valuations and real estate agents actually having time to attend property inspections with us.

Throughout the year, suburbs spoken about earlier as having been overlooked for the more desirable locations continued to increase in popularity. Older houses with new owners are being renovated, modified and extended. These areas include Narara, Niagara Park and Wyoming.

In previous years, Umina Beach, Woy Woy and Ettalong Beach were the focus of attention. This continued throughout the year, with sale prices being achieved no longer being met with a gasp. We do think though that at some stage, these suburbs will meet a period of price correction - we'll discuss the reasons for this next year.

We thought the popularity and activity in 2017 radiating towards the northern end of the region would occur. It did, with buyers looking to get in early on the next big thing. We also thought (once again) that Budgewoi, Buff Point, Lake Munmorah, Gwandalan and Summerland Point may become popular. They did, but not as much as anticipated.

We also said the happenings in and around the Gosford City Centre would draw plenty of opinion and we also got this right.

Developers have come back to town with numerous projects completed during the year. Some very good quality developments were completed during the year and as a testament to this, sales rates and prices proved that quality is recognised and rewarded. Commencements seem to be well managed meaning that the potential for a glut of units on the market simultaneously should be avoided, but ever the cautionary ones, we wonder whether the sale prices being achieved at present are sustainable.

In report card terms, we don't think we were far off the mark with our preview of what to expect for 2017.

Primarily, we predicted market growth would continue across the region during 2017, experiencing a high demand from local and Sydney buyers being pushed out of the Sydney market only to land here. As expected (and without too much thought in all honesty), the Central Coast market continued to improve on the ripple effect of Sydney prices.

The first half of 2017 saw continued growth in most localities of the coast, with some focus on the northern end, but a little less than we thought in these historically more affordable areas. The northern end proved to be a popular region for first home owners, many of whom took the opportunity to buy in the more affordable market and profited during 2017.

July 2017 saw the implementation of stamp duty exemption legislation (this isn't something we predicted) and an increased stamp duty for overseas investors. While the latter hasn't significantly impacted the Central Coast market, the stamp duty exemption provided first home buyers with a little more confidence to get their feet in the door. The overall implications of this were not drastic, as the investor market remained strong during 2017 despite the changes.

While the Central Coast remains a popular alternative for Sydney buyers, if auction clearance rates are any indication, we are closing out the year with a little less urgency in the market than earlier in the year with many starting to anticipate some rest and relaxation over the coming Christmas period. Nevertheless, the market remains strong.

NSW Mid North Coast

As predicted we had another strong year throughout the Mid North Coast with most residential market segments performing well. In the first half of 2017, we observed a continuation of the previous year's strong capital growth in residential dwellings, units and vacant land. However with a significant amount of vacant land being released and new dwellings available for purchase, the prediction of a slowing in the growth towards the end of 2017 came to fruition. This was exacerbated with the federal budget announcing changes to residential Tax Depreciation Schedules and banks tightening up on investment lending, which in turn reduced investor activity.

We are still seeing well presented and well located residential dwellings selling quickly for near full price, whilst the other more standard dwellings in some cases are sitting on the market and seeing some price reductions to achieve a sale. This is an indication that some investor impulse buying has cooled and is likely due to increasing vacancies and flat rents off the back of all the new construction.

With additional new subdivisions being released on the outer fringes of Port Macquarie and Lake Cathie, vacant land values are increasing at a slower rate than in the first quarter of 2017. Construction of new dwellings is continuing to be a popular option with the monthly average number of development applications increasing over the past quarter from 89 to 95 (source: Port Macquarie Hastings Council).

So how did we go? In January we predicted "During 2017, it is expected that Port Macquarie will continue to remain one of the fastest growing regional centres in NSW". CoreLogic reported that Port Macquarie saw 9.3% growth in comparison to Newcastle

(12.7%), Bathurst (6.5%), Dubbo (5.3%) and Orange (4.7%) which puts Port Macquarie as one of the best regional performers for the year.

We therefore believe that our optimism for the region in 2017 was well placed and we wish everyone a very merry Christmas and a prosperous new year.

NSW North Coast

Lismore / Casino / Kyogle

At the start of the year, it was postulated that the residential market for 2017 in the Lismore area would continue to firm following the last three months of 2016 where the demand for good quality residential stock improved and real estate agents were desperately seeking new listings. Richmond and Kyogle Shires were expected to remain relatively steady.

Looking back on the year, demand for quality real estate and the estimated selling period of available stock exceeded expectations, particularly during the latter half of the year. The common wail amongst real estate agents from east to west was "we need more listings" as well established and presented properties were quick to be picked up by financially approved purchasers. This was not limited to owner-occupiers and investors but also included first home buyers who had to compete for the available residential stock.

Rural residential real estate markets have remained steady, although not at the same demand level as residential with the exception of well-presented properties with highly valued features such as expansive views, creek or river frontage and high quality improvements which enjoy a greater enquiry level.

It was also noted that there were more incidences of residential property within the Lismore City area breaching the $600,000 - on 11 occasions so far in 2017 according to RP Data sales details. Cue sound of proverbial glass ceiling shattering.

Generally, properties within the $250,000 to $350,000 price bracket were particularly popular in Lismore City for 2017 although superior quality product in the $400,000 to $600,000 bracket improved significantly, thanks in part to the still low interest rate environment.

The flood of March and April 2017 did cause some pause in the market for South Lismore and North Lismore, however during the latter part of 2017, there was a hint of some positivity returning with good quality accommodation having a main floor level above the hypothetical one in 100 year flood level.

For Casino and Kyogle, houses in the $200,000 to $300,000 range received most of the action, however, we did notice an uptick in enquiry for larger rural residential and farmlet properties in the general rural areas close to Casino and Kyogle.

As stated, all potential purchasers were scrambling for the same real estate, whether they were upgraders, newcomers to the area, investors or first home buyers. In fact some first home buyers even contemplated purchasing new build, i.e. buy land in a new estate and build, which could be around $450,000 plus in total outlay.

In summary, we can give the real estate market for 2017 in Lismore, Casino and Kyogle a positive narrative with interest experienced across the board in all property types, however with the main emphasis being that properties needed to be well presented....and when that is in place, the real estate product flew off the shelf quickly!

Ballina /Byron

Residential markets across coastal areas of the north coast continued strongly throughout 2017, with further increases in values experienced throughout most areas. In recent weeks, local agents in Byron Bay have reported a reduction in enquiry which may indicate that the market is stabilising. This could be partly attributed to a slowing Sydney market, as a significant portion of buyers of Byron Bay properties over the past 24 months have been from Sydney.

Lennox Head and Ballina remain strong across most market segments, with three sales of beachside properties transacting in excess of $3 million in Lennox Head since September. Also of note is a recent sale at South Evans Head for $1.225 million which represents the first sale in excess of $1 million in Evans Head. Low levels of stock across most areas continue to place upward pressure on values.

Looking back at predictions made early in the year for the Byron Bay Shire, we can confirm that we were right in what we thought was to come - interest rates remained low with limited supply to market which saw strong growth in the coastal resort towns of Byron Bay and Lennox Head and the surrounding towns.

The market was driven by a lack of supply and strong demand coupled with record low interest rates. Strong interstate money and local buyers trading up were the biggest players in the market. Interstate money has traditionally been poured into the coastal resort towns of Byron Bay, Suffolk Park and Lennox Head for investment driven purposes, however as our national businesses change structure so has the demographic for these areas.

With national businesses allowing a more free and easy work from home environment, people have trended away from the city areas and commute every few weeks or when necessary. Services such as the Ballina/Byron Airport and the Gold Coast airport are within close driving distance of the areas and people are taking advantage of not necessarily having to leave high earning jobs in metropolitan areas whilst still enjoying a coastal (regional) lifestyle.

The Clarence Valley

Over the past 12 months the Yamba and Maclean markets have performed in line with expectations. That is, the market not yet shown any signs of a downturn with buyer interest across all sectors remaining steady due to the Pacific Highway upgrade and overall affordability of the locality compared to neighbouring beach front and prime rural localities. It may even be concluded that the market's performance has exceeded expectations with increases in sale prices of up to 20% over the past twelve months in localities such as Gulmarrad and Townsend. Investor interest has also increased more than expected due to the continued rental returns being achieved and that are expected to be achieved during the finalisation of the highway upgrade. Notwithstanding, the turnover of prestige sales has remained steady with sale prices showing a slight increase but not with the same momentum as the sub $600,000 market. Overall, the housing market in these areas has shown a definite buyer trend to investor properties and granny flat style additions. Put simply, buyers have responded to the increase in rental returns and are trying to capitalize on this inflated period, whilst also bearing in mind safe capital growth investments.

Coffs Harbour

2017 has given us much of the same as we saw in 2016 with what is seemingly an unstoppable market. Predictions of interest rate rises in 2017 obviously fell on deaf ears within the Reserve Bank with no movement experienced. Consumer spending, business investment, real wage growth and economic growth is low despite record low interest rates, thus keeping inflation low and therefore forcing the RBA to keep interest rates low.

The greatest increases in value were experienced at the lower more affordable end of the market with demand outstripping supply in many areas resulting in sales occurring at or in excess of the full asking price and sale periods recorded in days rather than weeks.

This has not been isolated to the main centre of Coffs Harbour but has spread to all areas of the region from the coastal towns of Urunga, Nambucca Heads and Woolgoolga to the country townships of Bellingen, Macksville and Dorrigo all of which have experienced good capital growth.

We have seen a considerable increase in new development primarily centred on new homes with vacant land becoming scarce, a high number of off the plan sales and rising land values. Unit development has also increased although at a lesser rate and centred on the local beachside suburbs of Park Beach, The Jetty and Sawtell. New unit developments are generally of a low rise nature, however two new high rise developments are under construction in Park Beach and central Coffs Harbour.

The prestige market has also seen increased activity mostly within the $1 million to $1.5 million range although we have seen several sales occurring over the $2 million mark which has been a very thinly traded market over recent years. This market is typically driven by the out of town purchaser being generally a high net wealth individual who is limited in the local market.

The rural residential market, traditionally being a more stable or slower moving market, has seen strong increases in activity and values being achieved for well located properties close to Coffs Harbour in areas such as Boambee, Bonville, Karangi, Upper Orara, Moonee Beach, Emerald Beach, Nana Glen and Bucca, generally within the $600,000 to $1.2 million value range.

The market for larger rural lifestyle properties has also firmed off the back of this general market improvement coupled with strong cattle and agricultural prices. Nowhere is this more evident than the hinterland township of Dorrigo were a number of recent sales have occurred in excess of $1 million for 50 to 100 hectare properties.

We consider our prediction of a strong market over 2017 has definitely been achieved throughout the majority of residential sectors not only driven by low interest rates, but in combination with long term growth factors such as lifestyle, transport including the regional airport and the upgrade of the Pacific Motorway (north and south), expanding medical sector and shopping facilities making the Coffs Coast ideal for families and retirees.

With the lack of supply, rapidly rising prices and many buyers missing out on purchases, a sense of urgency and fear of missing out appears to have gripped to market. First home buyers received a government subsidised stamp duty break mid-year which further fuelled demand into the second half of 2017. Economists are forecasting stronger economic growth figures in 2018 and rising international interest rates which would result in higher borrowing costs for local lenders which will be passed on to consumers. The RBA has expressed concern over higher than average rates of borrowing throughout the Australian community. There are concerns that interest rate hike effects on repayments may be too much of a burden for many borrowers (is 7% the new 17%?). These predictions of rising borrowing costs for consumers may see a softening of the investor market and investor mortgage stress resulting in higher supply. As vacant land subdivisions are selling fast off the plan an increase in finished homes and units can be expected in 2018.

However, the local rental market in Coffs Coast remains strong which may defuse any dramatic increases in supply or significant softening of prices.

Bathurst/Orange

The year has panned out pretty much along the lines predicted in the February edition. Prices have risen in most segments or at least remained steady. What has changed are government and APRA policies which have taken out some of the potential irrational exuberance in the investor market which was starting to show signs associated with the fear of missing out. Selling periods are still short but the investor dominance seems to have softened a little. Local builders have continued to be busy and the uptake of new subdivisions has been strong. Unemployment has remained low relative to national levels. Population has grown including migration to the area from around the country and the world. Tourism has continued to be a focus for local governments and there has been continued investment in infrastructure projects including additional railway services, Great Western Highway upgrades, Mount Panorama additions and social events such as the Winter Festival in Bathurst, Halloween Festival in Lithgow and Taste Orange. In all, a year that will be remembered for generally increased prosperity.

Tamworth

2017 has been a good year for the Tamworth market, playing out all but as expected from our February Month in Review. There continues to be stable growth throughout the region in both established and new homes. Vacant land sales continue to perform well with new subdivisions occurring and construction is still occurring at a steady rate, driven by both the owner occupier and investor markets.

We have noticed that in the later part of the year there was a slight decrease in sales of land and construction due to the introduction of the new stamp duty laws for first home buyers. First home owners who found it more financially viable to build now have further options and are often now opting for established homes over new. While this segment has slowed slightly, there has been no evidence of value drops or an over supply of land now available.

Also along the lines of the new first home owner stamp duty exemptions there has been an increase in interest and demand for mid range properties ($300,000 to $500,000) as these now become more affordable to buyers. Coupled with continued low interest rates we believe there is further growth in this segment to come.

The rural lifestyle market (five to 60 hectares) has seen very strong growth this year from those after a lifestyle change and those after equine suitable properties close to town. Due to the increased number of events at the Australian Equine and Livestock Events Centre in town, there has been a noticeable premium being paid for acreage close to town with equine infrastructure. These properties are still being sold to people who want a residential house, but with the added bonus of being able to have their horses.

Overall the market has performed as expected with only slight changes due to the introduction of new legislation. All sectors of the market traded as expected with steady growth and no sectors behaved unexpectedly.

Albury/Wodonga

The Albury-Wodonga market seemed to be in harmony in 2017, enjoying buoyant conditions across most market segments in the suburban areas and the strength of the rural residential/lifestyle market showing continued growth and demand. Staged residential land releases continued in both states and new display home villages kept builders busy, with land values and building costs on the rise. The change to APRA policies was evident in a slow down in out of town investment in new projects, however many first home owner and upgraders still opted to construct a dwelling. Local builders also reported being booked well in advance for large scale renovations of character dwellings in central Albury and central Wodonga and this demand was also evident for dwellings brought to market fully renovated. The lift in Wodonga started with the low end of town and has had a knock on effect in the mid range with market awareness and expectations quite high. The prestige market has seen reduced selling periods as value for money and general confidence in the region remains encouraging. While many farm retirees came into town looking for the downsize, locals and tree changers headed out of town chasing the rural lifestyle dream with a willingness to purchase land and build or snap up the established rural residential properties. A few hectares out of town is often the end game for regional property climbers, which was definitely a driver for market activity in the area this year. The Albury market continues to have its usual in vogue areas with gentrification of central areas well advanced, whereas central Wodonga has had the market activity this year in preparation for more dwelling improvements and subdividing of larger allotments.

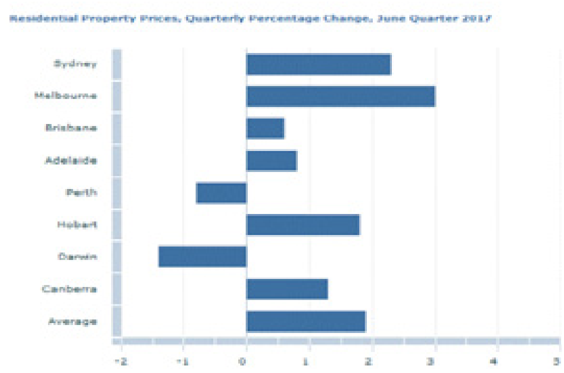
The national housing affordability conversation places Albury-Wodonga and other strong regional centres in sharp focus as an affordable option, which seemed to be explored by market aware locals entering or investing in their home town and migrators from metropolitan areas and out of town investors also key players. Overall the market was solid as expected and with the Hume Dam at capacity, green grass aplenty and interest rates remaining low, a good year was not surprising but welcome nonetheless.

Victoria

Melbourne

This year has been another strong year for Melbourne with continued population growth exceeding previous expectations and development continuing, largely concentrated in the inner ring. Development in the outer ring suburbs has also progressed quite significantly in an effort to tackle the affordability issue within already established suburbs.

The Melbourne residential property price index rose 3% from the March 2017 quarter to the June 2017 quarter, a continuing upward trend in 2017, however the market appears to have flattened considerably in the September quarter of 2017 from the boom period experienced in recent years.



(Source: Australian Bureau of Statistics)

The market within the inner ring of Melbourne (up to ten kilometres from the CBD) continued to grow exponentially with several new developments coming to completion in 2017 and over 1,600 new apartments being added to Melbourne's CBD so far in 2017. As we stipulated towards the beginning of the year, vacancy rates have continued to tighten to 1.8% as the demand for inner city living has remained strong and rental growth has increased, up to almost 2% in the second quarter of 2017. The warnings of an oversupply of strata units at the start of the year have been quelled to some degree, with Melbourne's strong population growth continuing to meet the supply of new off the plan apartments. Sale volumes in the latter half of the year have slowed in line with investment demand and tougher lender policies, as well as regulations for investors which have affected the supply of new apartment towers, as pre-construction purchase requirements are unable to be met by some developers.

At the start of the year we commented on low interest rates driving the property market, though recently more prudent lending to investors in the market has seen a significant flattening in most property classes. The strong foreign investment in the CBD apartment market has continued throughout the year with legislation recently introduced in an effort to subdue foreign investment in Melbourne's highly contested market. However, the effects of these new legislative requirements will be seen further into 2018.

We have also seen a moderate growth in northern middle ring suburbs, both in established suburbs such as Craigieburn and newer surrounding suburbs such as Mickleham and Kalkallo. These suburbs are still mainly attracting young couples and families and recently arrived migrants looking for affordable yet spacious housing options, with 3- and 4-bedroom detached dwellings being the most common. The reported median price for houses in Craigieburn in the third quarter of 2017 is $540,000, a 22.7% rise year on year (source: REIV).

Inner northern suburbs such as Brunswick and Northcote continue to be popular with young professionals, childless couples and cashed up families, but are also increasingly attractive to downsizers and empty nesters, who are willing to move from larger estates to townhouses and boutique apartments closer to the city. Median house prices in Brunswick have reportedly increased by 21%, reaching $1.27 million, while units have relatively stayed at the same price level. Meanwhile, in Northcote both houses and unit prices have risen by approximately 3% (source: REIV).

Residential

(Source: Corelogic RP Data Professional)

The outer south-east market performed strongly throughout 2017 with significant price growth observed over the past 12 months. This has been evident in both new estates and established areas. This rate of growth is considered to be stronger than most people would have anticipated. The driver is seen to be a combination of low interest rates, strong population growth and affordability in comparison to the inner and middle established areas. This affordability has led to an increase in demand from buyers priced out of older established areas. The key drivers include the proximity to schools, parks and shopping centres, road linkages and employment centres along with the attraction for buyers of owning a new or as new home.

The land market of outer south-eastern Melbourne including land within new estates such as Delaray and Berwick Waters (Clyde North) demonstrates perhaps the strongest price growth within the study area. The recent land transactions recorded show price growth of 45% to 49% over a 14 month period *(source: Realestate, 2017)*.

Address	21 Merrin Circuit, Clyde North	71 Castillo Avenue, Clyde North
Estate	Berwick Waters	Delaray
Size	400 m2	400 m2
Sale date	12/09/2016	13/08/2016
Price sold	$259,000	$231,900
Resale date	17/11/2017	25/10/2017
Price resold	$386,250	$336,221
Return	$127,250	$104,321
Price change (14 month)	49%	45%

The outer eastern suburbs of Melbourne experienced moderate growth throughout 2017 with people opting for bigger blocks rather than proximity to the CBD. Croydon Hills was in the top four average visits per year (source: Realestate.com) with home buyers being pushed further and further out in 2017. At the start of the year, Ringwood was touted as a suburb to watch and has experienced considerable financial growth and appeal throughout 2017, with an increase of 4.9% on median sale prices in the area. Ringwood North has seen growth of 9.5% throughout 2017 as the median sale price in the area as of August was $935,000. The rapid increase in price in these outer suburbs is starting to force buyers towards lower grade off the plan apartments in the outer east. At the start of the year we speculated on the poor quality of apartments being erected in the outer east, which is an investor driven market, which could potentially affect resale value.

Melbourne's inner western suburbs have remained relatively stable throughout 2017.

At the start of the year we suggested neighbouring suburbs to Sunshine would be worth watching and while they haven't met the median prices of Sunshine and Sunshine North, they have still had considerable capital growth. The Sunshine median house price in December 2016 was $847,500 for a 4-bedroom house and grew to $886,500 in late 2017, a 4.6% increase. Sunshine North and Ardeer had median house prices in December 2016 of $654,500 and $613,250 for a 4-bedroom house and grew to $687,500 and $659,000 in late 2017, a 5.04% and 7.46% increase respectively.

As anticipated, the western growth corridor of Melbourne has continued to be one of the predominant areas of both population and development growth in 2017. Both the north-western suburbs such as Melton and Rockbank and the western suburbs such as Tarneit, Truganina and Wyndham Vale have been popular with young migrant families and first home buyers. At the start of 2017, the speculation that growth would continue in the outer western suburbs has held and we are continuing to see development occurring at a rapid pace with new estates and land releases in existing estates coming onto the market regularly.

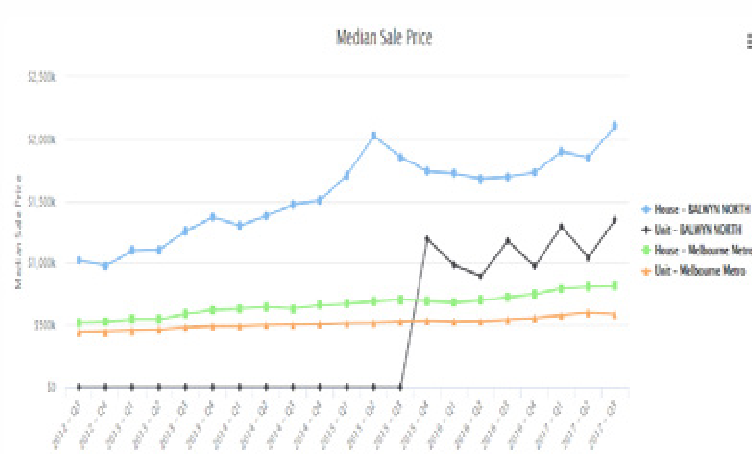
The prestige residential market in the cities of Boroondara and Stonnington experienced continual growth from February. This was evidenced by strong auction results in February and March combined with a sprinkling of auction results well in excess of expectations. Lack of stock was the main contributing factor for these high results.

The market appeared to level out in May. Many valuation reports started adopting higher market risk ratings to cater for this. Anecdotally, agents were reporting a decrease in the number of attendees at open for inspections and auctions. We have the opinion that the prestige market had plateaued which appeared to coincide with a withdrawal of national and international Asian buyers. In July, the Chinese government introduced more stringent conditions on their nationals taking money out of the country.

Over the winter months, prices continued to stabilise. There was concern that the spring market, which traditionally experiences an increase in volume of sales, would put downward pressure on prices. This did not eventuate. There have been some record volumes of sales occurring in this time and prices for land and A-grade properties, such as 16 Stanley Grove Canterbury which sold for $5.908 million in November, continue to drive market prices up.

Stats/figures:

- Toorak values suggest they could be approaching their peak. A highly sought after address at 1 Heymount Close, Toorak on over 2,000 square metres of land sold in May for $17.6 million. It was suggested that the purchaser bought to demolish and rebuild in the medium to long-term, so the sale represented mostly land value.
- 75 Leura Grove, Hawthorn East sold in May 2016 for $3.02 million. 69 Leura Grove sold in November 2017 for $3.4 million. The properties were similar sized allotments and both sales are considered land value.



Graph shows Balwyn North median house price continues an upward trend from Q1 this year (source: REIV).

Ballarat

The Month in Review filing system here at HTW Ballarat is well overdue for an overhaul, but after an inordinate amount of time sifting through the dusty recesses of our sent items, our predictions for the year which is rapidly coming to a close were located.

After a quick read, it appears that although not earth shattering, our predictions have in general been accurate.

To summarise, we proffered that quality period dwellings in quality locations would do well, as would lifestyle properties. We also contended that second tier green field estates would remain static and that there was good growth potential for period properties in second tier suburbs close to the city.

Reflecting on the piece, there were a couple of unforeseen occurrences. As above, we expected the top tier residential market to grow, but were not so bold as to predict the bull which bestrode Sturt Street in 2017. There were double the amount of residential properties sold above $1.25 million which did not have frontage to Lake Wendouree in 2017 as there were in 2016. (Source: RP Data). The why however is always more instructive that the what. So why was this?

The local economy has remained vibrant, underpinned by the traditional triumvirate of manufacturing, education and health services. State and local governments have continued to market the area successfully.

There was a feeling among those in the know that there were sections of Ballarat which were perhaps undervalued when compared to locations in similar cities such as Bendigo and Geelong. It could be argued that 2017 has seen this perceived gap close and there have been further advances in train services to Melbourne.

But no man or market is an island and without doubt, the strongest driver of the top tier Ballarat market is the strength of the Melbourne residential market. A continuing and growing stream of purchasers with a family, a career and a gutful of trying to purchase a home in the suburbs to nurture them all continue to venture west, past Melton to Ballarat, a city with an old soul, a rebellious streak, a strong heart, a timeless face and detached 3-bed 2-bath at the right price.

We were similarly unable to find in our tea leaves the strength of the Wendouree market. This area has historically been a second or third tier suburb offering basic accommodation to middle and low income households. While the area has not seen Collingwood style gentrification, its popularity and population has seen significant growth over the year. Agents have reported that large amounts of retirees and investors have been active in the market seeking affordable property with good access to amenities and good rental returns.

The vacant land and new dwelling markets in the new estate area of Lucas, Alfredton and Winter Valley have had mixed fortunes. Lucas and to a lesser extent Winter Valley appear to have now gained a critical mass and have really gathered some pace in the year due to the opening of Delacombe Town Centre and further commercial spaces at Lucas.

Vacant land and new dwelling sales in the estates have been strong with modest value increases.

There is an emerging second tier in the green field estate market in Ballarat. 2017 saw several new estates open and begin to market and sell lots. These include Champions Estate, Winterfield, Pinnacle and Ballymanus. Values in these areas are static but the large supply means they are under negative pressure. The next 12 months will give a good indication of the ability of the market to absorb the supply.

The rural lifestyle market has been the final big winner of the year. Areas close to town such as Invermay, Brown Hill, Mount Helen and Buninyong have seen significant growth. The popularity of this type of property has burgeoned in the past five years and the growth in the market has reflected this demand. Critically, there is very little rural residential land remaining in the popular areas and so like any asset with limited supply we expect this trend to continue.

The strugglers for the year have been second grade dwelling and townhouse stock in areas such as Sebastopol, Mount Pleasant and some sections of Canadian. These properties also suffer from an over supply issue. The supply has slowed but it will take some time to see capital growth in these dwellings.

Echuca

The residential market has shown no signs of slowing down in a year of further tightening and an increase in off market sales as agents have multiple buyers interested in property before it hits the market. In many instances this results in the asking price or a touch stronger being achieved. This is consistent across almost all market segments with tightening market conditions spreading into rural residential holdings which historically required marginally longer selling periods. Land sales west of Echuca have been well received amid limited competing supply while Moama has continued to see significant development. Nevertheless there is still an imperative to having properties listed correctly with older stock at secondary locations probably being the only slight drag on the market. Builders are busy and the market is likely to stay tight for some time, particularly the rental market on the back of commencement of the second bridge.

Mildura

A look in the rear vision mirror for 2017 shows that there weren't too many surprises in the residential market for Mildura. As we forecast at the start of the year, demand remained strong for better standard homes and for vacant residential lots. The decision of both the Victorian and NSW state governments to continue attractive first home builder's grants assisted with the latter segment.

The sector which seems to have received the strongest demand and the highest capital gain is large lot rural residential housing, with buyers snapping up the available properties on lots of around 2,000 to 5,000 square metres in locations within a ten kilometre radius of Mildura. Buyers of these properties have generally been families wanting room for sheds or swimming pools. We have also continued to see migration of families and retirees to Mildura with many of these buyers able to afford better standard homes.

Values of lower standard homes have tended to remain stagnant.

The most expensive sale for the year in Mildura was for a home in Cambridge Terrace, which sold for over $1.3 million. This property occupies a 1,600 square metre lot, was built to a very high standard and included very good ancillary improvements. Meanwhile, the highest sale in the area outside Mildura was for a property at Boeill Creek with very appealing frontage to the Murray River which sold for $1.2 million. This property is located approximately 15 kilometres from Mildura and included improvements suited to horse enthusiasts.

Rental demand remained strong during 2017 and it appears that we continue to have a fairly evenly balanced rental market.

Queensland

Brisbane

Ahoy there Brisbane fans!

We know! Our city seemed to sit back and take wallflower status when it came to capital growth this year. While larger cities revelled in their enormous gains, anyone speculating in the Brisbane market appeared to have little to show apart from reasonable yield and boring performance.

This, however, is only a half-truth because it doesn't recognise the rich tapestry that is Brisbane's property markets. We had some highlights and some lowlights but all in all, our sunshine city saw good performance for anyone who followed the fundamentals of property investing.

First the lowlights, and the darkest shadow cast across our town has been inner-city high-rise unit construction. To be more specific, it was investor stock.

We warned anyone who cared to listen over the past few years attached units with little appeal for owner-occupiers would be troublesome and 2017 seems to be the annum where the rubber finally hit the road. Falling unit pre-sales entrenched themselves firmly in the early part of the year. Many developers started mothballing projects that hadn't yet begun – or sold off sites that couldn't turn a profit.

We've started to see falling prices bite in this sector now, with resales of off-the-plan purchases demonstrating just how far the values have softened.

If you did look to make your mark with an owner-occupier style unit, the pain was a little less severe. Certainly, attached housing overall was tough to own in 2017, but at least with a good size 2- or 3-bedroom apartment offering the sort of amenity owners love to enjoy, your potential buyer base was wider and option to sell stronger.

There was also bad news flowing onto second hand unit stock in our mid and outer ring. Extended selling periods, price discounts and difficulties finding tenants effected this sector, as a result of the new unit overbuild. Most smart owners made sure their good tenants stayed happy. This allowed them to hold onto their investment and wait for the inevitable market turn around.

Now for some good news – look beyond the unit gloom and you'll find Brisbane is hitting it straps for well-positioned housing.

We've started seeing a turnaround in some key economic indicators – particularly towards the end of this year. Employment is strengthening in Brisbane and with a number of impressive infrastructure projects coming out of the ground, it would be nice to see much of our population continue to enjoy gainful employment.

Another great number worth watching is our net interstate migration number which is enjoying a steady resurgence on the back of housing affordability, lifestyle and predicted jobs growth.

While none of this has fuelled a rush, 2017 revealed exactly how affordable we are in comparison to those southern cities. A recent set of numbers released by CoreLogic revealed Brisbane's most affordable suburb within a 10 kilometre radius of the CBD was Rocklea with a median price of about $400,000. The same analysis of Sydney showed its most affordable was Tempe with a median of $1.2 million. At one-third of the price, it's easy to see why southerners will continue to have an eye on our homes.

Another reason to not feel too bad for Brisbane is that quality, detached family homes, particularly in great school zones, close to transport and lifestyle facilities continued to feel the love. Demand for this stock is high and sellers weren't missing out on great prices.

Looking back on our hit predictions from the February issue of Month In Review and we're going to score ourselves a nine out of ten this year.

We correctly picked continued strength in reasonable quality property in blue-chip suburbs. A tick there. Our office also said mid ring suburban housing would see steady gains citing Kedron and Wavell Heights among the ones to watch. These probably did a touch better than expected for the right style of home.

We predicted the rise in house-and-land prices on the fringe. This has come to pass in many respects. In one of our biggest projects – North Lakes – the finalisation of development will tighten supply. Also, towards the end of the year, agents were reporting too many buyers, not enough stock.

We also said the prestige sector could expect a bit more action too. In fact the sentence from February reads:

"We will probably see a few more of these benchmark sales occur in 2017"

As if on cue, a clifftop mansion at 1 Leopard Street, Kangaroo Point broke Brisbane's residential property record in 2017, selling $18,488,888 million in five weeks. The sale beat the previous record of $14 million paid for Aaron Avenue, Hawthorne by Gina Rinehart in 2014. Given this sale among other great results, I think we were on the money with our prestige prediction.

We also saw the potential bad flow on to second hand unit stock back in February so we're giving ourselves a gold star on this call as well.

Overall – 'steady as she goes' Brisbane rang true for most sectors in 2017.

Toowoomba

Toowoomba has been fortunate to benefit from major infrastructure projects including the Toowoomba Second Range Crossing, the completion of QIC's Grand Central Shopping Centre extension and the imminent Inland Rail Project.

As predicted in February, despite these major infrastructure projects, the Toowoomba and surrounding suburbs residential market has continued to remain relatively stable throughout 2017 following a slowing level of sales activity in 2016. This followed the peak experienced throughout 2014 and into mid 2015. Although sales activity has been steady across the board, the market has continued to be multi-speed and property specific. There has been little consistency with variations in sale prices and buyer interest making it difficult to determine well performing suburbs and specific property types.

In 2016, an oversupply of new residential product emerged (particularly units), which led to a slight increase in vacancy rates, a reduction in rental rates and subsequent exit of absentee investors. Sales volumes retracted in an orderly fashion and median prices passed their peak. Throughout 2017 a balance appears to have emerged with vacancy rates continually falling from an average of 3.5% across 2016 to 2.3% as at October 2017. The median house price appears to have plateaued at approximately $370,000 while the unit median price has slowly declined to approximately $305,000.

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

As mentioned in February, the key development areas for new housing included the suburbs of Glenvale, Cotswold Hills, Torrington, Kleinton, Highfields, Cambooya and Westbrook with a mix of owner-occupier and investor orientated estates under development or planned. Smaller lots than the traditional 600 to 1,000 square metre parcels have also been developed in Toowoomba and the acceptance of this small lot product appears to be growing.

West of Toowoomba, the towns within the Surat Basin have experienced significant decline across the board following the decline of the construction phase of the mining and gas boom. These towns are all either regressing currently or have reverted to levels which are more aligned with their predominantly rural based economies. As such, local employment factors are now contributing to the trends witnessed in each of these towns. Rental rates and sale prices have declined significantly following the oversupply situation, however appear to be stabilising and interest in dwellings is being experienced from owner-occupiers. A significant over supply situation remains in the unit market which continues to place downward pressure on this sector. The Roma market is relatively inactive and downward pressure appears to remain while Dalby is showing good signs of stabilisation with a strong occupancy rate leading to positive movement in rents.

In general there were no surprises in the Toowoomba market and predictions made at the beginning of the year appear to have been relatively accurate. We give our predictions a score of 8 out of 10!

Gold Coast

Our predictions from the February Month in Review generally panned out well in 2017 across the entire Gold Coast.

2017 started as it left off in 2016 - strong across nearly all property segments and sales numbers and sales prices both being strong. However, by early to mid-year there appeared to be a general slowdown in sales numbers but with values remaining strong and heated. Real estate agents reported conflicting situations from suburb to suburb and from month to month as sales activity started to become patchy. Generally values stabilised across most of the lower to medium property segments as opposed to the more sought after locations that have continued to improve.

Western suburbs had a noticeable and unpredicted increase in investment from first home buyers.

Central west (Nerang, Carrara, Pacific Pines, etc.) maintained consistent value levels and sales volumes throughout the year, particularly properties below $500,000 and everything priced reasonably selling within a few weeks.

Murwillumbah was affected by the aftermath of Cyclone Debbie with severe flooding in the area in March and April 2017. The caused a bit of a negative stigma in the market with limited transactions since in any flood affected areas, however properties in flood free locations have continued to improve strongly over the year.

The northern Gold Coast growth corridor and southern Logan region steadily improved or was generally stable during the course of 2017. This region provides affordable housing options for first home owners, owner-occupiers and investors, which fuelled the volume of sales over the year. Sales agents active in the rural residential market in the western regions such as Jimboomba and Logan Village reported improved growth and shorter marketing campaigns.

Positive factors included continued low interest rates, interstate migration mainly from NSW and Victoria, first home buyer's grants, market perception of the impending Commonwealth Games providing some confidence, marginally improved unemployment, shortage of residential vacant land parcels and the light rail system with stages going to Helensvale in the north and plans for Stage 3 to go to Burleigh Heads.

Negative factors included macro events such as US elections creating economic doubt, tightening by the Chinese government on international property investment and oversupply of new and developer units in the circa $300,000 to $650,000 bracket.

There were mixed predications about how the Gold Coast property market would behave over 2017 with some predicating a sharp fall, some predicting stabilisation and others predicting a continued strengthening.

Some of the main property market segments can be summarised as follows:

Vacant residential parcels: There has been a general shortage of good building parcels in most estates. Land sales have been very strong with sales prices reflecting in the order of 15% increases.

Units: ($200,000 to $650,000): Decreased sales volumes with developers now offering incentives and large sales commissions to real estate agents.

General detached dwellings (typical family homes): $500,000 to $900,000: Slowdown in volumes with stabilised price points at increased strong price levels.

Rural residential: A poor performer with low volumes of sales and marginal increase in values. Demand and values for rural residential properties in the northern corridor appear to be improving.

Prestige units: ($750,000 to $3 million). Strong with circa 10% improvement in values.

Prestige market: (i.e. dry, golf course and canal/ water front properties $1.2 million to $5 million): Very strong with circa 15% to 20% improvement in values.

Suburbs with good proximity to Gold Coast beaches such as Palm Beach, Broadbeach, Miami and Burleigh Heads have seen continued strengthening values, as much as 35% over the past three to four years.

Interstate and international buyers continued to be a significant investor component. Chinese buyers appeared to slow down, however seem to be back now with a reported increase in buyers also coming from Vietnam. New Zealand investors are also significant, however perhaps not as strong as in previous years. Most sales seem to be localised investors buying up and improving their own personal homes or improving investment portfolios with first home buyers strongest in the western Gold Coast suburbs.

The biggest surprise is how well the prestige market and beach suburbs are now performing with values pulling further away from lower property brackets and other non-beach locations.

A notable sale was 3 Anzac Parade, Burleigh Heads, which is currently under contract for $1.025 million. This is an older style, knock down house on a medium density zoned site. It previously sold in 2007 for $647,000, resold in December 2016 for $950,000 and has now resold with the sale price representing land value only. The property is suitable for a duplex style redevelopment which has been a very popular style of development for local developers in recent years, however with land prices being so high, the level of profit for the project has been minimised as the cost of the project continues to rise, although the value of the completed duplex units does not appear to be improving as quickly as the land prices.

Large new housing estates such as Yarrabilba have sprung up in the northern corridor. These estates were seen as affordable opportunities for first home buyers and investors with land selling well below the established areas of the Gold Coast. We are now seeing some worrying signs in some of these estates with properties slow to resell and high rental vacancies. An example of a resale was that of 14 Orb Street, Yarrabilba. This property is currently under contract for $372,500, purchased by a local Yarrabilba buyer for less than cost. The property comprises a circa 2016, 4-bedroom, 2-bathroom dwelling with a two car garage of 36 square metres, living area of 149 square metres and outdoor area of 26 square metres. It is situated on a regular shaped 400 square metre, level block with no significant views. The land was purchased in March 2016 for $167,000. The building contract in 2016 was $220,000 (total land and build cost of $387,000). The property was listed on 11 September 2017 for $380,000. The sales agent reported that only three people viewed the property during the marketing campaign.

There have been some conflicting signals with the market becoming heated in some segments and stabilising in most other areas and brackets. The confidence in the prestige market appears to be what will lead the way as we go forward.

Sunshine Coast

The Sunshine Coast property market in 2017 has continued on from where 2016 left off. Activity has been good with increases in values experienced in most areas. The market has started to experience some issues that we are going to have to work our way through.

The significant sales recorded throughout the market in the first half of the year has had the effect of lowering the stock levels. Whilst the upward movement in prices has helped to encourage vendors onto the market, stock levels continue to remain relatively low. Good if you are in the market.

Another factor affecting the market in the second half of the year was the impact of APRA's policy changes to investor lending. These changes have effectively limited the number of interest-only investor loans, thus putting the brakes on the investor market.

With Sydney, Melbourne and in part Brisbane markets performing well over a number of years, significant amounts of interest and in effect buyers have been looking to relocate to or invest in Sunshine Coast property. Let's face it - with the strong values in the southern capitals, our property in some cases is pretty cheap especially given what's on offer.

We were experiencing most of the activity at the entry levels of the coast property markets and in particular along the coastal stretches and areas close to amenities. Well the good news has moved upward through the higher value levels as well as to the inland areas. Upgraders have been active as well as the influx of people to the coast. As we have mentioned, we do not believe there have been any main problems with this market other than limited stock levels that has effectively curbed sale volumes.

The unit market has been somewhat similar to the housing market in that entry-level properties have tended to perform pretty well. There have been a few more unit complexes under construction over the year. From all reports the well designed and finished units are having a good level of market acceptance. There has also been a bit of an increase in the larger permanent style units and also larger townhouse and small lot housing on the back of empty nesters wanting to downsize.

The rural residential market has continued to see good improvement and has gained some good momentum. Confidence in the better quality properties in the $750,000 to $1.5 million price range has been improving.

The prestige residential market has also continued to strengthen. As mentioned this market is closely related to the southern markets of Sydney, Melbourne and Brisbane so at the moment has been pretty good. Buyers in this segment are certainly purchasing for a position or lifestyle choice and in quite a number of cases is the future retirement home and principal place of residence. The majority of activity in this market is occurring up to the $2 million mark running right along the coast from Caloundra up to Noosa.

2017 has been another good year in the property market across most sectors on the Sunshine Coast. With the hospital finally opening and a number of good long term projects such as the Sunshine Coast Airport Runway extension and Sun Central (New Maroochydore CBD), there are exciting times ahead.

Hervey Bay

The Fraser Coast showed some positive signs of a recovery throughout 2017, with values making slight increases in some price points and rising demand particularly for property over $500,000. This has been the case in Maryborough also with a noticeable increase in sales of property over $350,000. Renovated Queenslanders finished to a high standard are now fetching between $350,000 and $450,000 which is a welcome change to the minimal activity over the past five years. Sales of blocks of flats in Maryborough have routinely attracted gross yields of between 5% and 9%. The buildings are typically older dated properties in need of refurbishment, tenanted to long term residents. Rents appear to have now steadied after a period of slow increases throughout the year for both Hervey Bay and Maryborough.

Selling prices for Esplanade property in Hervey Bay have improved with a number of properties selling between $900,000 and $1.4 million, which has not been experienced for many years. The continued house and land packages throughout the numerous estates in Hervey Bay appears to have slowed during the latter part of this year. The supply of these new homes seems to be meeting demand with little excess stock available. Local brokers report that first home buyers are still few and far between now that the local council incentives have been concluded. Most agents indicate that buyers in the region are a mix of locals, interstate and intrastate residents. Overall the future is looking optimistic for the area with the expectation that values will grow at a slow to gradual pace in the near future.

Bundaberg

The Bundaberg residential market stayed relatively flat with a slight decrease in both volumes and price. The rental vacancy rate is hovering on about 4%. We predicted at the start of 2017 that there would be increased confidence in the region and that this would translate into an increase in values. Unfortunately this has not been the case.

With mortgage rates at all time lows, it is a mystery as to why the market has not begun moving upwards.

The key to the area is that Bundaberg is very affordable.

Emerald

Values across the Central Highlands region stabilised in 2017. In Emerald, Clermont and Moranbah, values firmed slightly and rental vacancy rates tightened across the region. Employment demand in the resource sector is currently strong off the back of sustained higher coal prices. A quiet confidence has returned to the resource sector with some reporting a skilled labour shortage already. This in turn has started a recovery in the property market with median house prices on the rise along with rent increases. Potential purchasers are even enquiring about available vacant land (not seen for five years) and a few new houses are starting to pop up. All in all the optimism is rising and the negative sentiment and low business confidence is finally starting to shift with all indicators pointing in the right direction for a much more positive future over the next few years if coal prices remain at current levels or better.

Gladstone

Overall, 2017 was the most positive we have seen our market perform in nearly five years. Most property sectors have now bottomed out and stabilised and we have even seen some evidence of an increase in values. Sales activity has been strong for most of the year with buyers very aware of the great affordability the region represents. Affordability is currently the driving force for the Gladstone region market.

Good quality existing stock is attracting multiple offers and significantly reduced days on the market. This has also led to an increase in new construction activity. Owners and upgraders are opting to build their forever home due to record low land values.

Mortgagee in possession sales appear to comprise about 30% of all sales and while the number of repossessions has not declined, most stock appears to sell in a reasonable time frame providing they are priced appropriately.

In February we reported that the vacancy rate sat at 8% indicating there was still an oversupply of product. We further stated that until that rate was at least halved, there was unlikely to be any change in rental values. Fast forward to the end of 2017 and the vacancy rate sits at 3.5% indicating the rental market is nearly balanced. Already over the later stages of this year, we have seen a slight uplift in rental levels across most property sectors.

Rockhampton

At the start of the year, we reported a more optimistic outlook for the residential property market in 2017 in comparison to previous years. At the time, this optimism was based on a general improvement in mining and associated service industries, affordable house prices and low interest rates.

As the year panned out, these factors did attract more to the property market with volumes increasing slightly towards the latter half of the year. Some of these transactions were those holding off during the bottom end of the market, probably due to a wait and see approach, prior to committing. Owner-occupiers have been the primary players in the market, particularly so for those moving into family sized homes of around the $450,000 to $550,000 mark.

The lower end of the market (sub $250,000) has not improved as much. This market is typically driven by investors, which there is a current lack of, possibly due to a reduction in rental income and a tightening of lending conditions. On a more positive note, there has been a drop in vacancy rates from an average of 6.5% to a consistent 4.5% in the second half of the year. We do find though that there is a time lag between a drop in vacancy rates and an improvement in the investor market.

Reflecting on the year that was, there are a few additional factors which have affected our market.

These include major projects which started later in the year by both the Livingstone Shire Council and the Rockhampton Regional Council to improve the liveability factor in our region. These projects include the foreshore and town centre revitalisation developments in both Yeppoon and Rockhampton. The developments are currently in various stages of completion, however certainly helped to improve the outlook in the latter half of this year.

Probably the most significant event has been the lead up to and then the naming of Rockhampton as the FIFO hub for the Adani Carmichael mine. It is reported that approximately 1,100 FIFO workers are to be located in the Rockhampton region for the two year construction period. Post construction, this workforce is expected to be reduced to approximately 625.

Overall the Rockhampton region property market performed largely in line with what was anticipated coming into 2017 and the last month or so has even provided some added bonuses to end the year in a better overall position than this time last year.

Mackay

It's that time of the year again, where we get to look back and see how accurate our crystal ball gazing was in February when we wrote "The Year Ahead."

In February we wrote…"The Mackay residential market isn't expected to show any real signs of improvement in terms of value in the first half of 2017. We think there will be a consolidation of values during this time and that sales volumes will continue to be strong in early 2017. "

Nailed it!! The Mackay residential market has shown solid sales rates not only in the early stages of 2017, but right through the year. Values did stabilise through the year and appear to be at the bottom of the market with some early indications of slight increases across the back end of 2017.

However, the gains (if any) have only been slight. There are still a number of hurdles the Mackay market will need to overcome before we see any material or substantial growth in values. Firstly, 4740 still appears to be a swear word with some of the banks, with harsher lending policies still in effect. Also, the downturn in the market saw significant value loss, with the average loss in value of dwellings being around $100,000 and higher. This in turn has eroded a lot of equity for potential purchasers. A common theme from local agents and punters is they would love to buy in this market, however due to the drop in value of their existing house don't have the deposit or ability to purchase.

In February we wrote…"There has been negative buyer sentiment in Mackay over the past few years. We have seen this sentiment start to change during the last half of 2016, leading to higher sales volumes across the residential market, albeit at value levels not seen in Mackay in over ten years. This is seen as a possible predictor that the market has reached the bottom. Only time will tell if this negative sentiment can be reversed during 2017."

There has definitely been a swing in buyer sentiment throughout 2017. It appears the penny has dropped that the market had reached the bottom, with buyers who were holding off now entering the market. There appears to be a number of factors leading to this increased confidence not only in the residential market but in the general Mackay economy. The rise in price of metallurgical coal and continued record production has seen employment opportunities in the resource sector improve dramatically in the past 12 months. Also major infrastructure projects such as the Eton Range Bypass, new fire station and Mackay Ring Road Project to name a few, plus the increased employment opportunities linked with repairs from cyclone Debbie have also contributed. Couple that with record low interest rates and the ingredients were there for the stabilisation of the residential market.

This consolidation has not only been associated with sales, but rental values and vacancy rates also improved throughout 2017. Rental vacancies started the year at around 7% and based on latest REIQ figures, halved by the end of the year.

My opening statement last year I think summed up our attitude and thought process at the start of the year… "I have to admit, the last few years I have dreaded writing the year ahead predictions, but this year I have a renewed sense of optimism that the worst may be behind us and that the Mackay residential market will stabilise." Nailed it!!

Townsville

Throughout 2017, Townsville's residential property market progressed to the start of recovery phase as sentiment continued to consolidate. Even so, the market remains fragile with the housing sector continuing to advance more noticeably than the land and unit markets.

We have seen positive market drivers including a relatively sustained period of business positivity, increased sentiment surrounding the mining sector and increased jobs growth and falling unemployment during the course of 2017, with the trend in the number of jobs being advertised in October 2017 for the Townsville region increasing by a healthy 34% compared to the same period in 2016.

The housing market is highly suburb selective with reasonable turnover levels in the sought after mid to inner suburbs, but slow sales in the outer areas and suburbs with perceived social issues. The market is being driven by owner-occupiers including a number of first home buyers. The unit market has seen a slight increase in trend terms in sale volumes however volumes remain at low levels compared to recent years.

Our HTW Monthly Rent Roll Survey indicates that the rental vacancy rate tightened considerably throughout 2017. Population growth is a big driver of the rental market, with growth over the past four years being at below the long term average growth rates. With a number of large scale projects either commencing in 2017 or readying for commencement, workers from out of town are being attracted to the region, which has assisted in reducing the vacancy rate. The overall trending vacancy rate has reduced from 5.61% in January 2017 to record a trending vacancy of 3.9% as at October 2017.

Cairns

Conditions in the Cairns tourism industry are revitalising significantly from the tough conditions experienced in the aftermath of the GFC. The improvement in tourism conditions initially stimulated a revival of upgrades and extensions in the industry, particularly in the accommodation and reef vessel sectors. However 2017 saw the first new developments of significance take hold, with construction commencing on three new large hotels in the Cairns CBD. Concomitant with this, the Cairns region has seen a 7.7% uplift in employment during the past twelve months and its unemployment rate has declined to 5.6%.

You would think that these improvements would have produced a significant boost in local property market sentiment, but so far they haven't. The overall level of residential sales activity has remained in a steady state throughout 2017 and Cairns can be best described as a static market. There has been steady demand for appropriately priced residential property, but overall, prices and volumes have been flat. Median trend prices for properties sold in the month of October 2017 came in at $405,000 for a house, $205,000 for a unit, and $212,000 for a block of land.

Pressures have been maintained in the rental market during 2017 as a result of tight rental vacancy rates. The trend rental vacancy rates for October 2017 stood at 1.8% for houses, 2% for units and 1.9% overall. The low rental vacancy rates have seen rents mildly increase, with the weighted average median rent increasing over the latest twelve months from $390 to $400 per week for houses and from $280 to $290 per week for units.

South Australia

Adelaide

Based on Real Estate Institute of South Australia data, the change in median price between September 2016 and September 2017 for the predictions for 2017 are as follows:

- West Hindmarsh: 11.03%
- Edwardstown: 3.14%
- Seaford: 4.96%
- There were no sales in the September 2017 quarter in Welland or Devon Park.
- Christies Beach: 0.72%

This may indicate that the market in this area has slowed somewhat after previous periods of higher growth.

Renown Park data indicated that the median price had decreased by 5.34%. This is based on only four sales which is a very small sample size.

The Adelaide market has continued to remain stable on the whole with performance differing greatly depending on location.

The market has moved in a way that was expected. Lower supply in inner city areas has resulted in increased demand. Areas which offer a larger number of properties on the market have remained stable.

Demand for character style dwellings in proximity to the CBD has continued to remain high due to low stock levels.

Detached housing remains the dominant property type in Adelaide although there has been increased construction of townhouses and apartments in locations such as Prospect and Campbelltown. Although there are increasingly fewer properties below $500,000, particularly close to the CBD, Adelaide remains the most affordable mainland capital city on a median house price basis.

Top performers over the September 2016 to September 2017 period were Toorak Gardens (50.37% change), Dernancourt (29.82% change) and Moana (29.08% change) (source: reisa.com.au). Toorak Gardens is a sought after suburb two kilometres east of the Adelaide CBD. It typically incorporates high quality character style dwellings in an appealing location with close proximity to local services and facilities. Dernancourt is further from the CBD (approximately 12 kilometres) but still offers a range of housing at varying prices particularly for first home buyers seeking to enter the market. Interestingly, Moana is adjacent the suburb of Seaford which we noted as a prediction suburb for 2017. It is an increasingly popular beachside suburb situated approximately 36 kilometres from the CBD. It is well serviced by the Seaford railway line.

Activity from first home buyers remains fairly stable with owner occupiers and investors still active in the market.

There has not been a shift in the dominant buying demographic in the Adelaide market.

The Torrens to Torrens Roadway and the Darlington upgrades are still underway. Whilst this is causing short term issues for local residents, we envisage that these projects will provide improved access for the north-south corridor and improved access to the CBD for southern suburbs residents. The O-Bahn tunnel project in the eastern parklands is nearing completion. This will help alleviate traffic issues from the north-eastern suburbs by taking O-Bahn buses off the road between the O-Bahn track and Grenfell Street. These projects are also continuing to provide employment opportunities for the state and improved facilities for the public. Interest rates have remained on hold with the state's outlook remaining stable in the short term.

O-Bahn Project Update October 2017

Views looking east to the southern side of the tunnel and view inside tunnel

(source: infrastructure.sa.gov.au)

Sales of note for this year:

Fitzroy House located in the city fringe suburb of Fitzroy.

Sold June 2017 $5.55 million

The property comprises a circa 1882 bluestone mansion with original timber-panelled ballroom. The property overlooks the North Adelaide Parklands and includes a six car garage, coach house, floodlit north/south tennis court, swimming pool and substantial cellar on a 2,508 square metre allotment. The property was built for South Australian Federalist Sir Josiah Symon and incorporates approximately 800 square metres of living over two levels. (source: realestate.com.au)

(Source: realestate.com.au)

Woodley House in the eastern suburb of Glen Osmond

Sold April 2017 for $3.005 million

The property comprises a circa 1845 bluestone mansion on a 5,891 square metre allotment. The property includes up to six bedrooms, north facing conservatory and tennis court. The property also enjoys views of the city (source: realestate.com.au).

(Source: realestate.com.au)

Prospect Road, Prospect

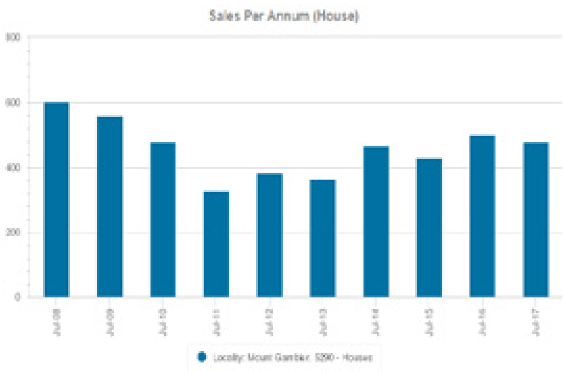
Sold April 2017 for $3.2 million

The property comprises a large land holding of 1,765 square metres with a large character style dwelling, tennis court and in-ground swimming pool. The property is located approximately five kilometres north of the CBD and has been rezoned Urban Corridor in recent years. This zoning allows for a broad range of potential uses including retail, office or high density residential. Although improved with high quality dwelling and ancillary improvements, the property was sold as a development site which offers short to medium term leasing opportunities with potential for future redevelopment (source: realcommercial.com.au).

(source: realcommercial.com.au)

Mount Gambier

The market in Mount Gambier has remained relatively stable throughout 2017, as demonstrated in the graph below. There was a significant drop in 2011, however an increase in sales can be seen in recent years. Whilst the market has remained stable, there are still no economic indicators that look to improve the current economic state to an extent which could see house sales volumes rebound to the 2008 and 2009 levels shown,



The $200,000 to $250,000 price range is affordable and it's where the most number of house sales occurred throughout the year. A house within this range appeals to families and they are generally of good quality, including 3- or 4-bedrooms, 2-bathrooms, a double garage under the main roof and a pergola area, situated on 700 to 800 square metres.

Throughout 2017 there has been an increase of properties that have achieved a value within the $300,000 to $450,000 price range. There were few dwellings purchased under $150,000 or over $500,000. Dwellings under $150,000 are generally in less sought after locations and have limited market activity. Units are often within this price range. Dwellings over $500,000 are at the top end of the market and have a reduced market segment.

With the $200,000 to $250,000 and $250,000 to $300,000 price ranges being the most popular, buyers throughout the year have been a mix of first home owners and families. These price ranges are affordable for those looking to enter the market and suit the needs of families too.

There were a number of rural living properties that sold throughout the year that made good money, which was surprising. One of these is listed below.

226 Lange Road, Yahl - $950,000

A circa 1990 brick, 5-bedroom, 1-bathroom dwelling situated on 32.37 hectares

Overall, at the beginning of the year we expected that 2017 would be a similar year to 2016. This turned out to be correct, however we did see a slight increase in sales in the upper range.

Tasmania

Well we all but nailed it! Last February we suggested continued population growth would persist in placing upward pressure on pricing in both Hobart and Launceston. What we did not pick was the strength of the resurgence.

The overall upswing in the general economy, especially growing retail sales figures, strong tourism and continued falling unemployment, gave an end result greater than predicted growth in both of the two major cities and also recovery and capital growth in many other regional areas including Devonport.

Hobart was the stand out performer, up 13% year on year overall and higher in many inner ring suburbs. The stand out sale was a $6.5 million transaction for a dual title river front holding on Sandy Bay Road.

Many interstate investors and SMSFs are active in this market. With the popularity of Airbnb, many holdings that would otherwise have been available to the permanent rental market are now not; vacancy rates are at near zero, especially inner city. We thus have rising rentals, rising capital growth and returns still around 5%.

Holiday coastal townships are also now back in favour. Historic favourites such as Orford, Bicheno, Coles Bay, St Helens and Binalong Bay along the east coast have had agents smiling again.

Northern Territory

Darwin

2017 has proven to be a difficult year for all participants in the greater Darwin residential market, however as we approach Christmas there are some green shoots popping through. Unit prices have continued to decline on the back of significant supply through 2015 and 2016, extensive land supply has placed pressure on exiting housing markets and the looming completion of the construction phase of the Ichthys project is drawing nearer. According to RPData, 53% of all unit sales through June 2017 were sold at a loss from the previous sale price. This clearly highlights the pain being felt in the market place. The green shoots in the market place are in the detached housing market. REINT data as at September 30, show that sales volumes are up 6.7% year on year, so while there is a large decline in value we are starting to see the market tick over again, as in previous recoveries it all starts with sales volumes.

For the first time in as long as the writer can recall, there won't be any tower cranes in the sky at Christmas in the Darwin CBD. The residential construction industry has slowed significantly, which has come on the back of less enquiry from interstate investors (currently active in Sydney and Melbourne), difficult financing conditions, and the years of previous supply. So looking forward, this will ease the pressure on the existing unit stock without further supply to an already saturated market.

Vacant residential land has continued to hit the market place through 2017. The final stages of Muirhead in Darwin's Northern Suburbs have reached the market. Zuccoli continues to provide a mix of small to medium sized allotments in Palmerston, and the Halikos constructed development of NorthCrest in between Darwin and Palmerston has provided a new supply of allotments with titles expected in very early 2018.

The Palmerston market has seen a number of changes through 2017, First home owners are increasingly moving into brand new house and land packages, with the availability of small residential allotments circa 300 square metres. First Home Owners are choosing a house and land package against the previous preferred strata title duplex or townhouse option. This has left the strata unit market in a precarious position in Palmerston, with limited population growth and a strong supply of dwellings, the unit market has suffered heavily.

The population in Darwin remains relatively transient and renting remains a very popular option. RPData shows that rental yields in Darwin for both units and dwellings remain the strongest in the country, a position which has long been held. As at October 2017, gross rental yields are sitting at 5.8% for Darwin, compared to Sydney of 3.1% and 2.9% of Melbourne, so while the capital values are down in a relatively low cost financing environment, Darwin remains a viable investment option.

The difficult year that has been endured through 2017 for the market was not unexpected, business confidence (locally) is down and residential construction and investment activity tracks so closely to the overall performance of the economy. The positive signs are the increased sales activity and while for many participants these sales are confirming a loss, it does provide opportunities for first home owners and there has been a marked reduction in cost of living pressures. So while it has been a hard year, we can head into the Christmas break with a firming confidence of what is to come.

Alice Springs

Well it's been another quiet year in the Alice Springs residential space, however as predicted earlier this year we have seen the market continue to stabilise throughout 2017. Notably, we have seen transaction numbers increase off the lows of 2016 (363) up to 401 sales for the 12 months to September 2017. While these number are well off the peak levels of 700 plus in the years up to 2009, at lease it's a move in the right direction.

As expected the bounce in sales numbers came from single dwelling sales, rather than units, which continued to show a reduction within this segment, the poorest performer in recent times, and now has a compound annual growth rate in the median unit price of 2.95%, compared to the single dwelling market at 4.7%.

We have seen first home buyers make a tentative return to the market, although not in any great numbers. Subsequent home buyers still dominate the market, investors are still in a minority and new dwelling demand is still at generally low levels.

Overall it was a generally flat year, with our predicted continued stabilisation playing out as thought and an improvement on 2016.

It was a different story for Tennant Creek however, which continued to decline in 2017 after successful performances up to 2014. The median (12 months) price to September 2017 showed the third consecutive year of declines, this time with a drop of 10.78%. In this location there have been fewer investors and the home occupiers only out for the bargains.

Western Australia

Perth

The year was expected to bring us more stable market conditions overall, with some pockets of upgrade activity being countered by minor corrections in the established, sub $1 million housing market and an increase in mortgagee sales activity throughout the year. In response to changes to the First Home Buyer Grant, a significant increase in apartment and off the plan villa transactions was expected. Lastly, we forecast a median sale price of $510,000 at year's end.

Our predictions played out to be fairly close to the mark for the most part. We underestimated the role that lending restrictions would play in the established housing market for first home buyers and the effect that would have on the remainder of the market. We also assumed that interest rates were likely to rise in the latter half of the year. Thankfully interest rates have remained low but the first home buyer market has been interesting to say the least.

Our expectations of significant improvements in the volume of unit sales was incorrect, due to a large number of issues discussed later in this article. Sales volumes are down 17% in comparison to the previous year. Established house sales also experienced a decline, with transaction volume being some 20% lower than 2016. Interestingly, the median land price rose by 20% from the September quarter, reaching a figure of $300,000 although this corresponded with a 75% fall in transactions. Last year's statistics surprised us with a similar result and was subsequently corrected after all final adjustments had been made and we expect a similar correction this year.

Close to our predictions, the statistics for the September quarter provided an unadjusted median house price of $499,000, down from $520,000 last year. After adjustments, the median price is expected to land slightly higher at $515,000 according to the Real Estate Institute of WA – just $5,000 off our prediction.

It is safe to say that Perth is experiencing positive signs of stability, supported by improvements across most key indicators of market performance. Consistent market conditions over the June and September quarters seem to have boosted the confidence level of our inhabitants. Six months of market stability has also given many an answer to the everlasting question, has the market hit rock bottom? We can now say that a significant decrease in property values would cause jaw dropping reactions – we believe we are at or have already seen the bottom of the market in most areas, with some exceptions.

Aligned with our predictions, established housing below $1 million is still experiencing soft market conditions, but there has been an improvement in activity in many areas. We have seen a very interesting mix of activity in the established mortgage belt, but buyers appear to be extremely price sensitive, causing a solid link between listing price and level of activity. Properties listed at or slightly below actual value often attract multiple offers. Established housing sub $1 million was predicted to remain in oversupply, although the trend has tightened more than our expectations. As of the week ending 7 November 2017, there were 14,494 properties listed for sale. Listings are down 4% from the same time last year and the sales proportion of property type has remained almost identical. Average selling days have increased slightly over the past year reaching an average of 70 days, which is an increase of three days from the September quarter.

Outer suburbs such as Baldivis and Alkimos are experiencing declining activity at an increased speed. According to realestate.com, Baldivis has approximately two years of supply sitting on the market with a current sales activity rate of just 5.6%. Market activity in Alkimos is even worse, sitting at around 3.6%, however the suburb is not oversupplied to the same extent. We have also seen a significant increase in mortgagee in possession activity across the whole metropolitan area, although the bulk of these have been concentrated in outlying, more traditional first home buyer areas such as Ellenbrook, Baldivis, Clarkson and Byford.

Mandurah is also a prime example of the varied buyer demand we are currently experiencing. Upgraders are willing to pay reasonable prices for high end properties in good locations as well as high quality rural properties loaded with ancillary improvements. In the meantime, conventional dwellings have suffered declining values of between 5% and 10% over the last year along with limited sales.

The reluctance of first home buyers to embrace apartment living has remained strong for most of the year. Apartment and off the plan villa transactions were expected to increase as a result of changes to the First Home Buyer Grant, however sales are down from last year's September quarter. In more recent weeks however, the inner city has shown positive signs of improvement, demonstrated by increasing numbers of people attending home opens along with often multiple offers being received. The demand applies to newly constructed apartments where anything constructed pre 2010 is struggling. It is evident that further price corrections are needed in order to improve demand.

The largest and somewhat most concerning aspect of the market throughout the year, was that rather than first home buyers being tempted by brand new, well priced inner city apartments, quite often they found they still couldn't afford to purchase these properties, or to be more accurate, they could not secure finance. They also could not raise the correct deposit for established housing, hence the only market left was the house and land package market. What we witnessed throughout 2017 and what has been one of the largest influences on the market as a whole is that incentives by developers in land estates and from building companies themselves often combined to be the ONLY way many buyers could enter the market. The issue with this is that much of this activity is in areas that are already chronically oversupplied and the result was that there was reasonable demand for a house and land package, but almost no buyer demand for a one year old dwelling. Buyers could only secure funding by relying on various incentives buried within contracts (and sometimes as a side contract) and many developers and builders are very happy to help such buyers navigate such a finance approval process. Given the fragile nature of such borrowers, the rate of mortgagee activity in these areas rose dramatically during the year and dare we say it, continues to rise now.

On a brighter note, we have certainly seen micro bursts of activity in sought after areas as a result of improved consumer confidence, with such activity concentrated on traditional upgrade or aspirational areas. In particular, prestige areas such as Cottesloe, Dalkeith and North Beach along with other traditional upgrade areas are experiencing impressive rises in property values. Cottesloe is taking the lead with an 18.5% rise over the last year. It is safe to say that we are, for the first time in several years, witnessing a shortage of supply in such areas. Buyers have started to realise that they can afford to upgrade, but most importantly, they have gained the confidence to upgrade. The fear of missing out on a bargain has also played a part in the sudden improvement of activity. The heavy jump in demand has already led to increases in property values in many locations.

The rental market started off the year with a 6.6% vacancy rate and was expected to remain high throughout 2017. Not far from our predictions, the September quarter came back with a slight increase to 6.9%, down from 7.3% in the previous quarter. During this period, house rents fell by 8% to $350 and unit rents by 7% to $325. The gap between rent for units and housing is decreasing at an increasing pace. There are 9,359 properties currently listed for rent in comparison to 10,570 last year. The average unit rental price in relation to the median unit price has remained relatively stable providing a yield of 4.28% for this September quarter in comparison to 4.23% last year. Housing provided a slightly lower average return of 3.6%, compared to 3.8% last year.

In summary, the overall market has stabilised over the past 12 months, providing positive signs for Perth's property market. As predicted in our February article, Perth is experiencing significant variations of activity. Values are up by up to 18.5% in some areas, while others are still significantly oversupplied and subject to increased supply due solely to the vagaries of the finance options to a significant portion of the market. Properties within more sought after areas are in high demand from upgraders and we have already seen significant increases in property values in some areas. Established suburbs have remained in oversupply, however for the right price, it is not rare to see multiple offers according to our valuers. During the past few weeks, we have seen increasing interest in inner city apartments, mainly by first home buyers.

Overall, our February predictions played out quite well and we would give ourselves a score of eight out of ten.

Esperance

The year still doesn't seem like it has really got started yet and we are at the end of it already. Market activity over this year for our region had small bursts of activity interspersed with little to no action that seem to have dragged on too long. That said, values on the whole have remained quite consistent over the year. There is a train of thought that we are seeing the results of the strong performance in our agricultural sector with solid returns now over a prolonged period, the upshot of which is investment is occurring in the broader rather than local economy.

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

West Beach and Castletown are the main residential areas in town and have also seen a wide variation in realised values. Older homes in need of renovation and modernising are very affordable and give potential purchasers the ability to get into these localities and improve values through refurbishment programs. Values for these are typically in the higher $200,000s through to the mid $300,000s. Newer, more modern homes are stable through the mid $400,000 to mid $600,000 value range.

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

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

Hopetoun and Raventhorpe, 200 kilometres west of Esperance, were hit hard by BHP opening up their mining operations and just as quickly closing them all at the same time as the GFC hit. Values initially skyrocketed, a massive supply of property hit the market and then it all fell apart. However, the latter half of last year and into this year saw some improvement in sales volumes and at last some minor recovery in values including in the chronically oversupplied rural residential sector. The mine has again been placed in a care and maintenance mode however general sentiment is that the market can cope with this and more recent transactions are so far holding up.

So all up, a sound if somewhat subdued year in this region. We can only hope the next big thing will arrive soon to give us the kick start we need to get firing again and this time next year there can be much more to report. Wishing you all the best for the festive season and the year ahead.

South West WA

In early 2017, we predicted that the year would see a bottoming out of the residential market and values stabilising. On the whole this has pretty much come to fruition. With the market being very quiet and low sales number across the region it was a tough time for agents and many agents called this as being the bottom of the market.

Sales numbers have picked up in the past few months to be more representative of long term averages however values are yet to show any significant movement. Listings are hard to come by and properties need to be priced appropriately or they will stagnate on the market. Buyers are more educated than ever and are not prepared to pay above market value.

There still appears to be a good level of demand for beachside properties particularly in Busselton and Dunsborough however the top end of the market i.e. above $1.5 million is still quiet with very few transactions.

The major residential development Dunsborough Lakes has been quiet however is expected to run out of stock soon which may place upward pressures on values. Vasse, Newtown, Provence, Brookfield, Treendale, Millbridge and Dalyellup are all continuing to expand with limited movement in values.

The rural residential market in Yallingup and Margaret River experienced a lot of activity mid year as would be expected with the green fields aplenty and there have been a number of significant sales which will keep the median prices up. However there are only a few small subdivisions providing new stock in this sector which could place upward pressures on values.

The rental market was weak early on in the year with high vacancies and falling rental values however it has picked up more recently which is often the case in the later part of the year and current vacancies are very low, putting upward pressure on rental values.

One notable exception has been Withers. Significant competition has entered the market and values have fallen in Withers with the State Housing Commission (SHC) deciding to sell a relatively large number of properties in Withers. This is reportedly part of their reconcentration project. The process is to relocate existing tenants, refurbish and prepare homes for sale. It is reported that 25 tenancies are to be relocated to other areas. The SHC sold at least six properties between March and November 2017 with several more currently under contract with prices ranging from $175,000 to $195,000.

Rural

HERRON
TODD
WHITE
RURAL

Overview

Well, it's official! The humble avocado, the reason why many young people apparently cannot buy a home, is well and truly the new black in the agricultural world with everyone wanting a piece of the action. The recently reported sale of Jasper Farms in Western Australia for around $180 million for 360 hectares of developed orchard ($500,000 per hectare) puts the avocado right at the top of the tree in the horticultural stakes for values paid. The smashed avo brekky looks like being on the menu for a long time to come and at the values reported there will be plenty of people looking for opportunity to maybe enter the sector via established or more likely greenfield development.

In one sense this sale sort of sums up the 2017 year - horticulture big sales were evident for most of the year with generally rising values in most commodity classes. Almond sales have slowed to almost none but this is more a factor of no supply versus no demand; there is still plenty of pent up demand it appears. Recent plantings for the past three years will start to come into production phase and this is expected to see annual yields for 2018 nationally at around 90,000 tonnes, more than double what it was in 2011. Investors are also still seeking macadamia, lime and many other permanent tree crop opportunities across the country.

This horticulture interest has taken the beef story off the front page as such and sales rates have slowed down in the past six to eight months. The shift of the cattle pricing downwards, processor margins, export conditions, etc have all combined to take some steam from the market, but values are still at peak or close to peak levels historically. There is still demand out there but like most agricultural assets there is now very limited supply.

2017 has been a year more for the niche asset type however as we have reported throughout the year, most regions and commodities have had solid annual gains in values. Really only dairy and some assets in the poultry sector have struggled due to commodity prices falling or structural reform in the poultry sector in Queensland and Victoria. Will the trend continue into 2018? Does the market start to draw breath? Are the capital and returns they seek able to find value at current asset levels? Some of those questions will be addressed at our 2018 annual market updates in Melbourne on 28 February and Brisbane on 2 March - note your calendars accordingly.

I would like to thank our readers for taking the time to read and at times provide feedback on our updates and wish everyone well for a safe and happy festive season.

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Murray Riverina

From the same time last year the market has launched into new records in many market segments. Record prices for land reported at Dookie ($4,200 per acre), secondary country at Quambatook (over $1,100 per acre) and southern Riverina prices for cropping land starting at $1,000 per acre suggest croppers have had a good time of it of late. This is part confirmed by activity in the corporate sector which has seen strong financial performance and a large aggregation acquisition around Boort for in excess of $20 million. Low interest rates and average seasons and prices in conjunction with improved technology appear to be propelling the market further in this segment. Interestingly there appears to have been some recovery in the horticultural space, some improvement in market activity, reasonable levels of value being achieved for stone fruit properties and some reinvestment by participants in new packing sheds and infrastructure. We note that in all instances, varieties need to be right and the age profile of the orchard needs to provide for improving yield potential in the coming years.

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North Queensland

Around the Ridges for 2017

Both the Charters Towers Regional and Flinders Shire Council areas ran a competitive race this year for the highest rural property sales activity across north and north-west Queensland.

Charters Towers is expected to take second place, with ten sales including the recently announced sale of Longton, Narellan and Natal Downs as an aggregated sale.

Flinders Shire has seen eight sales so far in 2017. This is expected to increase to eleven as there are a couple of sales in process at present. Perhaps a late sprint for the finish line, one might say!

The remaining shires across the north and north-west saw between zero (five of eight other shires) and one sale each for Richmond, Etheridge and the Tablelands Regional Council.

The reduced activity in these other shires is not a negative. Many of these property owners are sitting still, consolidating and going about their day to day business affairs. Should the opportunity to buy a good property arise, then the deal will be on.

For some shires, they have their own micro cycles. Take the Croydon Shire for instance. Typically, if it's dry on the downs, then the market demand switch is on; if there is grass on the downs, then the market demand switch is off!!

That being said, watch that space. Lately, there has been an increase in market enquiry in the Croydon, Georgetown and Mount Surprise areas. This is against the micro cycle trend mentioned in the previous paragraph. There are some prudent families carefully doing their figures to see if the apparent low cost, reliable rainfall breeding country is now priced correctly and coming into vogue. Perhaps this is an indicator of lack of supply of heavier carrying breeder country or the market indicating that the heavier country has reached its current price ceiling. Only time can tell for that one.

By year end, cattle station sale volumes are likely to be between 25 and 30 across the north. This is around the long term annual market volume average.

Neither of the last two years sales volume in this shire reflect the normal, long term sale volume. Apart from the rain last year and continued good cattle prices, some of this has been driven by family succession activity.

After allowing for cattle, plant and equipment, the market turned over $31,098,740 (to date) in 2017 for a total of 154,740 hectares (382,370 acres). From an area (hectares or acres) perspective, this is about double the area that sold last year, due to the average size of stations sold being larger.

It would be wrong to simply divide this price by the area sold to play with average rates due to the mix of forest country and downs country sold.

Of the eight settled sales to date, three have been forest country, one has broken black soil amongst forest and four have been downs country.

Council area	Number of sales >2,500ha	2017 Total Area (ha) sold	Combined bare sale prices	2016 Total Area (ha) sold	Combined bare sale prices
Charters Towers Regional	10	521,143.99	$84,125,000	229,519.64	$29,730,520
Flinders Shire	8	154,740.02	$31,098,740	73,416.11	$31,098,740

Flinders Shire

For the Flinders Shire, eleven sales this year is slightly up from the seven sales in 2016. Most of the current phase of sales has occurred since August 2016 following the late rain.

From an area perspective the split this year has been 50:50 forest country and downs. Perhaps you can see why picking up a calculator and dividing the combined sale price by the total area sold would be imprudent to say the least.

As a point of interest, last year the split was 35% forest and 65% downs.

The range of forest country rates (bare of livestock, plant and equipment) has been from $50 per hectare to $175 per hectare ($20 per acre to $70 per acre). Obviously the variation of forest type and rough country is relevant in this range.

The range in downs country rates (bare of livestock, plant and equipment) has been from $283 per hectare ($115 per acre) to $338 per hectare ($137 per acre). Varying dynamics relating to buyer motivation have been at play this year.

The time on market has been short this year with three auctions and the rest being a mix of private treaty and family succession negotiation.

Charters Towers Regional Council

This market area has seen a shift in dynamics.

Last year, some of the sales were as a result of vendor circumstance. This year there has been a good mix of vendor and purchaser decisions, a healthier market situation.

For the year to date, 521,143 hectares (1,287,770 acres) has changed hands in this shire. This is more than twice (2.3 times) that of the 229,519 hectares (567,152 acres) sold in 2016.

After allowances for cattle, plant and equipment, $84,125,000 of property has changed hands in this shire this year to date. In 2016, this was $29,730,520. This year, the combined price of cattle stations sold was 2.8 times what it was last year.

This is largely due to the sale of the Longton, Natal Downs and Narrelan aggregation which is of a scale and market segment that is not reflective of the day to day cattle station size and value in the shire.

For both this year and last year, excluding the sale of this large aggregation, the range of property sizes are from 5,163 to 56,600 hectares with most of the sales within the lower half.

Of the stations sold in this shire, there has been a good mix of forests (granites, basalts and desert uplands). The average sale rate per hectare in 2017 (excluding the Longton, Narellan and Natal Downs aggregation) was $260 per hectare ($105 per acre) bare.

Yes, this does confirm some degree of market movement from the $129 per hectare in 2016, however you would be wrong to assert that to the full extent.

The change in vendor and purchaser situations as previously mentioned has a large part to play. Another contributor is simply the types of cattle stations sold.

In 2016, not many smaller, entry level stations sold. There was a bit more of the granite type forest in this mix as well.

Marketing periods in this shire for correctly priced stations have been short. Most transactions have been negotiated privately.

Wrap Up

In general for the year:

- Graziers are aware that the cattle market dynamics are changing;
- Property owners are aware that while there have been some good prices paid for some stations, there has not been any light carrying or harder country sell either to balance the market trend of price consolidation;
- There are some property owners who want to consolidate their position irrespective of the property market movement;
- There are station owners who would buy if the opportunity arose to buy good quality stations nearby existing country;
- There has been an increase in cattlemen who are discussing their due diligence on operating costs so that they know the costs of each country type to produce a weaner or grow a steer;

- There is increased discussion about the link between country condition, animal production and business performance;
- Access to capital is still tight, however there are avenues emerging for development projects and expansions;
- There is optimism in the oncoming wet season.

On that note, all the best for family time over a jolly wet season and may there by plenty of calves to brand in 2018.

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Central Queensland

Holy Moly

When looking back on the year that was for the Central Queensland property market there are a few distinct sales that have set new benchmarks in almost every region. Throughout the later part of 2016 and early 2017 we found ourselves saying "holy moly, I didn't see that coming" when speaking of the latest property transaction which stretched parameters to higher levels. As the year has progressed we now find ourselves saying "holy moly, I should be surprised, but I'm not", as the elastic fibres of the rural property market are again stretched further.

Before being game enough to give our predictions on where things will go from here, we have first put together a schedule of marquee sales in each local government area (LGA) within our Central Queensland region. We have grouped together the LGAs based on their geographical location and similar market traits.

Rockhampton - Livingstone– Gladstone– Isaac (eastern side) Shires/Regional Councils

These regions take in the majority of the coastal country from north of Bundaberg to south of Sarina and have seen strong growth across all market sectors. We have observed increased demand for smaller scale inferior quality coastal range breeder blocks from starter block buyers up to about $1.5 million due to better quality blocks becoming less affordable. Demand for larger scale breeder blocks has increased substantially which is likely driven by established operators looking to shore up stock supplies (weaners) under continued strong competition at market.

Benchmark/Marquee Sales:

- Galloway Plains, via Calliope - $15 million (WIWO) – 12,335 hectares at $892 per hectare
- Balmoral, via Rockhampton - $3 million - 2,507 hectares at $1,196 per hectare
- Tedlands, via Sarina - $9.1 million (WIWO) – 3,286 hectares at $2,030 per hectare

Isaac (western side) - Central Highlands – Banana Shires/Regional Councils

These regions take in the vast majority of the brigalow belt country and have probably seen the strongest competition in Queensland over the past 24 months across all market sectors. We have seen beast area values creep up to $6,000/AE (adult equivalent) which is in line with and in some cases surpasses the previous records set in the 2007/2008 boom.

Benchmark/Marquee Sales:

- Mayfield, via Dingo - $8.5 million – 4,242 hectares at $2,004 per hectare
- Murraway, via Moura - $10.025 million – 3,999 hectares at $2,507 per hectare

Interestingly, both these sales previously transacted in mid to late 2013 and show increases in value of 62% and 47% respectively. These sales show the most rock solid evidence of percentage increases in value over this period.

North Burnett / South Burnett Regional Councils

Although a lesser volume of sales, especially at the higher end above $5 million, these regions have also shown strong growth in the grazing sector.

Benchmark/Marquee Sales:

- Camelot, via Monto - $7.45 million – 6,126 hectares at $1,563 per hectare (ex. forestry lease)

- Stockhaven, via Gayndah - $3.4 million – 3,816 hectares at $460 per hectare

Barcaldine Regional Council - Blackall Tambo Regional Council
Sales evidence has been very limited with the only sales being properties that were still carrying good feed reserves and consequently set new benchmark parameters for their respective locations.

- Spring Creek, via Jericho - $4.15 million – 9,254 hectares at $448 per hectare
- Isoroy, via Tambo - $6,861,900 – 9,290 hectares at $739 per hectare

Longreach / Winton Shire Councils
Despite still suffering form the effects of the worst drought in living history, the property market in these regions has remained relatively stoic, although some sales are showing a slight softening of values from 2016 rates. Again there was a very limited number of transactions over the past 12 months in these areas.

Benchmark/Marquee Sales:

- Pauralos Park, via Winton/Longreach - $2.4 million – 10,265 hectares at $234 per hectare
- Roseneath, via Longreach - $4.8 million – 20,210 hectares at $238 per hectare
- Myrtle Farms, via Aramac - $1.85 million – 6,597 hectares at $280 per hectare

Interestingly, the sale of Myrtle Farms shows a 13.5% increase in value from its previous sale in mid 2013.

Barcoo Shire Council - Diamantina Shire Council
Even during boom periods these markets show a very limited number of sale transactions, especially as the majority of the larger holdings are corporate owned. There are only a couple of smaller transactions to mention with no great variance in value parameters from previous market evidence.

Benchmark/Marquee Sales:

- Juno Downs, via Jundah - $1.7 million – 28,932 hectares at $59 per hectare
- Maxvale, via Jundah - $1.2 million – 13,495 hectares at $89 per hectare

We note the recently offered Coniston Station which is a larger scale holding (28,500 hectares) relative to the above, is reportedly under contract for $3.6 million after passing in at auction which at that level would appear to be a new district benchmark.

Predictions
Unfortunately we do not have a crystal ball, however what we can provide is our opinion on some of the fundamentals which have been driving the rural property market in recent times. For this piece we have broken our commentary up into two main areas, east of the Drummond Range and west of the Drummond Range. To provide some context for readers not so familiar with our regions, the Drummond Range is located between Emerald and Alpha, with the eastern side being not so affected by drought in recent years and the western side being very heavily drought affected, especially from Jericho west.

East of the Drummond Range
Our view is that as the cattle market appears to have peaked and interest rates are more likely to go north than south, we believe the property market in this region will begin to plateau. If values continue to rise without any further increase in commodity prices (very unlikely in the short to medium term based on global commodity pricing) the sustainability of these values would become highly questionable. This being said there is currently very limited supply which will create strong competition until supply increases.

West of the Drummond Range
Most sales in 2017 have shown mixed results as the potential buyer pool declines. The majority of potential purchasers, from the eastern and southern districts of Queensland where drought conditions have been less prevalent, are waiting for the season to break. Northern cattle producers, traditionally active in the central western Queensland land market, are rebuilding herd numbers after severe drought conditions and are not looking to expand at present.

Once widespread rains have occurred (hopefully sooner rather than later), property listings could outstrip demand as many properties with limited feed supplies have been withheld from market. However, while interest rates remain low and cattle (along with sheep and wool) prices remain strong, the fundamentals underpinning the property market should see values remain more resilient. We believe the eastern and southern buyers will play a considerable role in absorbing supply as pricing in their local regions appears relatively inflated at $4,500 to $6,500 per adult equivalent versus $2,500 to $3,000 per adult Equivalent. We will politely reserve our comments on what may transpire if widespread rainfall is not received.

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NSW Far North Coast

The rural property market has been strong throughout 2017. Macadamia nut tree farms have been a feature and remain in strong demand. Established productive macadamia farms have sold in the general range of $50,000 to $85,000 per planted macadamia tree hectare for flood free red basalt farms. Flood liable sugar cane farms have been in strong demand for expansion of the macadamia industry. Values paid have been up to $17,000 per hectare for land to be planted. An ex. managed investment scheme forestry plantation property at Lawrence was purchased for $3.925 million for macadamia nut tree planting. This 1,393 hectare property was planted to about 940 hectares of timber plantation. This represents an overall value of $4,171 per hectare for the timber planted land.

The broad acre market was dominated by the sale of 46 ex. managed investment scheme forestry properties covering about 19,650 hectares for a total value of $34.93 million (average value overall of $1,778 per hectare). Purchasers were predominantly beef cattle graziers planning to remediate the land for beef cattle grazing in response to the strong cattle prices. Other purchasers were interested in the land for establishment of farms for macadamia nut trees, blueberries and the company that owns the co-generation electricity plants at Condong and Broadwater sugar mills was securing supply of the plantation timber for wood chip for burning fuel for the boilers. A reported increase in world market prices for wood chip has resulted in some wood chip from timber plantations delivered to the port at Brisbane as well as the previously stated local demand for wood chip for the co-generation electricity plants at the sugar mills. This demand for wood chip has resulted in the purchasers of the ex. managed investment scheme forestry properties being paid a royalty per tonne for the clearing of the timber plantations. This has been a significant advantage in defraying the cost of remediating the land because for many properties prior to this it was a cost to remove the plantation timber.

The Green Pigeon avocado farm located at Green Pigeon north-east of Kyogle sold for a reported amount of $5.12 million and indicates over $100,000 per planted avocado tree hectare.

The rural residential lifestyle market has been very strong close to the coast, contributing to increasing land values for farms.

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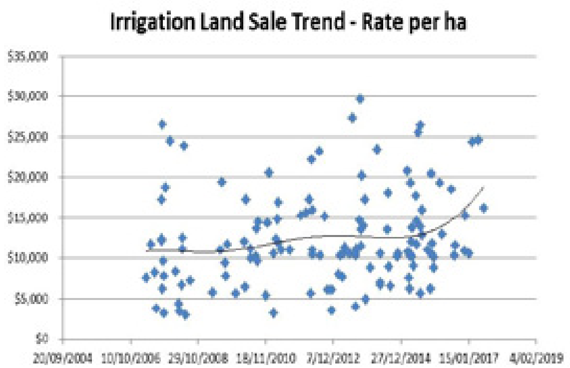
Tasmania

The rural property market in Tasmania has performed better than expected in 2017. Land values have been very slow to recover since the decline of farm land values following the timber boom in 2012 and confidence in rural investment growth has been limited. The significant boost in confidence in the agricultural industry over the past two years coupled with the tightening of supply and rocketing price movement for quality rural assets on the mainland has seen demand for rural assets in Tasmania improve significantly over 2017. The current oversupply of poppies and low prices has seen many farmers concentrate on irrigated grazing or alternate crops over the past twelve months.

Of particular note is the significant increase in interstate, corporate and international interest and investment into Tasmanian agriculture in recent times as a result of the comparatively high prices of land and water on the mainland. Permanent plantings such as stone fruit and cherries or irrigated crops such as berries have been a particular focus. Consequently irrigated land values are on the rise as indicated by the below graph. Secure, good quality irrigation water remains important following a dry year in many areas.



View of the South Esk River in the Fingal Valley

South West Victoria and South Australia

2017 proved to be a challenging year for farmers in western Victoria and South Australia as a result of a number of external factors largely linked to weather events and commodity prices.

The dairy regions in south-western Victoria and south-east South Australia remained quiet in 2017 as a result of the 2016 milk price cuts and continued challenges of the rising costs of production. The resulting movement in land values in these higher priced areas remained relatively static but more generally we did not see the big declines in land value that many first thought. Much of this decline was buffered by the strong beef industry and low feed grain prices earlier in the new year, enabling dairy farmers to ride the wave without widespread turmoil. The current strong grazing and livestock industry has prompted quick development of a number of saleyard facilities around the region with the new Mortlake and Ballarat sale yards currently under construction.

Photos below:

Mortlake

Ballarat Development

Further north, mixed farming land displayed significant increases in value especially around Lake Bolac, Skipton and Glenthompson with both graziers and cropping farmers fighting for supply of good quality land amongst the bigger buyers such as Corinella, Laguna Bay and high net worth individuals. Sales of up to $10,000 per hectare are occurring in this area for quality cropping country. Other cropping regions such as the Wimmera and lower Mallee continued to see improving prices following a bumper 2016 harvest and closely following 2017 season.

The 2017 growing season saw varying levels of success throughout south-eastern Australia with much of South Australia's Eyre Peninsula and mid-north regions experiencing below average rainfall and a poor season. The current 2017 harvest is well underway across Victoria and South Australia at present, with Victoria and southern Western Australia considered the shining lights for grain production in 2017 due to average rainfall and long growing season for most areas. Closer inspection and recently harvested crops suggest that the impact of frost has been far more widespread than first thought and many southern growers are now deciding to cut crops for hay rather than harvest.

Land prices for most commodities improved significantly throughout 2017 with the exception of some of the secondary stock in the poultry and dairy sectors. The majority of cropping and grazing regions throughout South Australia and western Victoria experienced continued growth throughout 2017. The depth of buyers appears to be diminishing in some markets which may have an impact on the rate of growth going forward.

Wimmera Canola Crop

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New England and North West

The rural property market throughout the New England and North-West saw a period of strong growth stemming from early to late 2016 with a number of significant sales particularly for large aggregations. The trend throughout 2017, particular the Tamworth region, showed signs that the market was cooling which was a result of a number of factors including the lack of listings for large aggregated properties, lower than average rainfall particularly from April 2017 to September 2017 and a decrease in overseas interest leading to lower levels of demand.

Throughout 2017 the majority of rural sales over 400 hectares in the Tamworth LGA were north of Tamworth in areas that still offered scale however were still affordable especially for existing landholders looking to expand.

Closer to Tamworth the recent re-sale of Mountview at Moonbi for $8.5 million in April 2017 showed a 47% increase from the previous sale of $4 million in June 2013. A significant amount of capital expenditure was invested into the property since purchase to the existing buildings, pasture improvement and fencing.

Rural sales throughout the New England region particularly from Armidale to Glen Innes continued to show strong results with buyers attracted by the high, more reliable rainfall areas for added security. The majority of sales were for cattle properties.

Sales of note included Glen Alvie at Ebor in June 2017 for $17.5 million. This property was located within a 1,250 millimetres average rainfall area and represented the strength of the Ebor market indicating a $/cow area of around $10,000.

Another recent sale of a highly developed property in a high rainfall area was Elderberry at Guyra for $5.555 million in April 2017 indicating a $/cow area of just under $10,000.

We also note that since the cattle and sheep prices strengthened and remained at record levels there was a noticeable increase in family farming operations expanding their existing operations with a particular focus on purchasing neighbouring properties before they hit the open market.

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Central Tablelands, Southern Tablelands (and Monaro)

This year has seen a great deal of positivity in the rural market across the Central and Southern Tablelands. There has been a continuation of the strong and busy rural property market seen in 2016 with buyer interest coming from a broad cache of buyer types. Several of the key and indicative sales that occurred in 2017 are:

Kyle, Berthong is a productive 897 hectare mixed farming property located 28 kilometres west of Young. It was purchased by a local farming family for $6.7 million.

For the market of properties within a reasonable proximity to Sydney with good highway access we saw Bandanora, Capertee, a well improved 1,053 hectare mostly open property sell for $5.2 million to a large equine oriented buyer. Warrawang, Mount Lambie (445 hectares) sold for $3.105 million to a Sydney purchaser.

Perhaps the most reported sale in the Central Tablelands in 2017 was The Bridge, Borenore. This is a 613 hectare property with substantial residential improvements located between Orange and Molong. It was sold for $7.8 million at a very well attended auction that included a number of active bidders.

A key re-sale in 2017 was Wingarra, Bylong, a productive 910 hectare Bylong Valley mixed farming property which sold at auction in Sydney for $4.5 million. It previously sold for $4.175 million in September 2014. Another re-sale of note in 2017 was Arkendeith, Mount David, a productive 647 hectare grazing property located 55 kilometres south of Bathurst which sold at auction for $4.7 million. It previously sold in 2010 for $2.625 million.

Several Monaro Plains sales in 2017 marked continued market growth from 2016 in that region. Rockybah, Nimmitabel, a 1,379 hectare part open, part timbered property sold in May 2017 for $2.65 million, indicating $1,820 per hectare. Also, Murlingbung, Berridale (1,304 hectares) sold for $3 million indicating $2,301 per hectare for good Monaro Plains grazing country.

In the Central and Southern Tablelands, 2017 has seen a great deal of sales activity and may be reflected on as very much a year of sales.

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South West WA

This year has been eventful for many in Western Australia with the completion of the new stadium and a new Labor state government coming into power. It has also been a year of extremes with unprecedented monsoon like rainfall early in the year along areas of the south coast creating mass flooding with many people being left stranded and enduring damage to property and infrastructure. On the flip side, it was a dry start for many others across the state with dry seeding and some miserable looking crops in June and July looking like a poor year ahead. Late solid winter rainfall helped crops recover and total tonnage has been upgraded to 13 million tonnes - it is looking like the result could be an average harvest this year.

Sales activity during 2017 has been steady with landgate records indicating that 316 sales of rural property in excess of 100 hectares settled so far this year, down in comparison to 535 sales in 2016. This reduction in activity is indicative that demand is catching up with supply especially for the larger scale properties which have seen strong levels of demand from corporate and overseas purchasers in the past five years. A notable sale in 2017 which continues the some strong activity along the south coast is Willyama Station for $30 million in March 2017. This property is extensively developed for cropping purposes and is located in a high rainfall area which is considered to perform well year on year.

The pastoral regions continued to see some activity with reports of Harold Mitchell selling Yougawalla Pastoral Company for in excess of $70 million (to be confirmed) to an overseas investor, confirming the continued appetite for Western Australian beef properties.

Overall, confidence continues to grow however weather events of this year have highlighted the risk outside of the sphere of influence. The hope is that all have a better than expected harvest this year which will continue to drive market activity across the regions.

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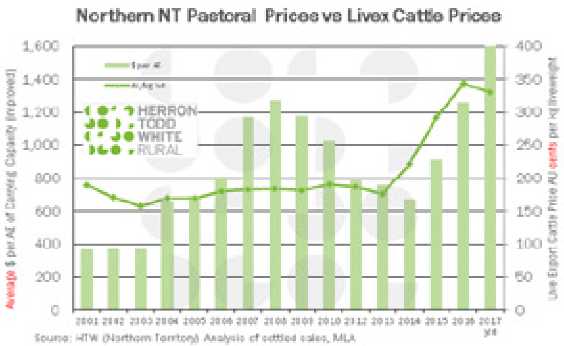
Northern Territory

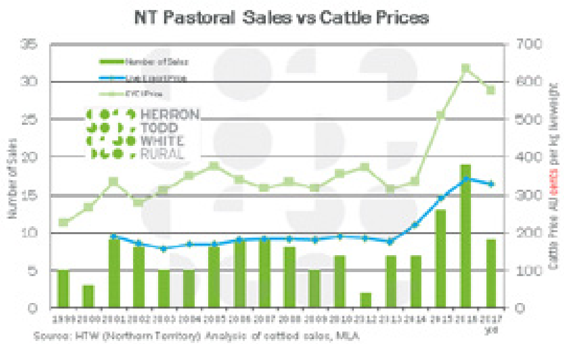
Pastoral Leasehold

The most recent pastoral transaction to settle in the Northern Territory was 'Broadmere Station' in the Roper Gulf district (2,590 square kilometres, sold for $7 million bare) brings the total pastoral land sales to around $100 million (across nine sales), down from the record breaking $395 million reached in 2016 (across 19 sales) and $155 million in 2015 (13 sales). It's also below the average for the preceding ten years which sits around $119 million of pastoral real estate sold in the NT per annum. Nevertheless, as can be seen in Table 1 the $/AE improved (or Beast Area Values) continued to strengthen, partly on the underlying confidence that cattle prices (live export and domestic) should remain at above historic levels (despite the weakening of both throughout 2017), and the relatively limited supply of properties that hit the market this year also appears to have underpinned strong competition between buyers. And well, what if western Queensland gets some good rain?

One significant process to keep an eye on in 2018 will be the proposed changes to the NT Pastoral Land Act and Pastoral Land Regulations which, if legislated, will allow for the grant of a sublease of a pastoral lease for non pastoral purposes and for the sublease to be registered on the title as security.

Table 1





Freehold

In the year to date around $12.8 million worth of commercial-scale freehold farming country has sold in five transactions throughout the Northern Territory which was down on the $62.8 million in 2016 (across 18 sales) and $20.4 million in 2015 (over nine sales). As a benchmark, the $/ha paid for cleared hay growing or improved pasture grazing country (mainly in the northern half of the NT) has strengthened only moderately over the past three years, compared that is, to the significantly greater increase in grazing land values on the pastoral leasehold side. Despite this, the supply of freehold land with a combination of large areas of cleared land (or clearing approval), water allocation and the right soils remains fairly tight and subsequently has potential NT farmers (including foreign buyers) looking at pastoral leasehold land and its potential for landing a diversification permit (or a potential sublease as mentioned previously) to develop land for farming. With improving profits from record live export prices local cattlemen have also been more active in acquiring smaller freehold (depot type) blocks. We note that the $12.8 million in 2017 sales included one mango plantation (around $1.1 million) however we are aware of advanced negotiations on two more mango plantations with a combined probable selling price of around $8.6 million (bare of crop, P&E). In 2016, around $20.8 million worth of mango plantations sold across seven transactions. The $/ha paid for mango plantation area has also strengthened to a moderate degree and most of the sales have been existing growers expanding their NT operations.

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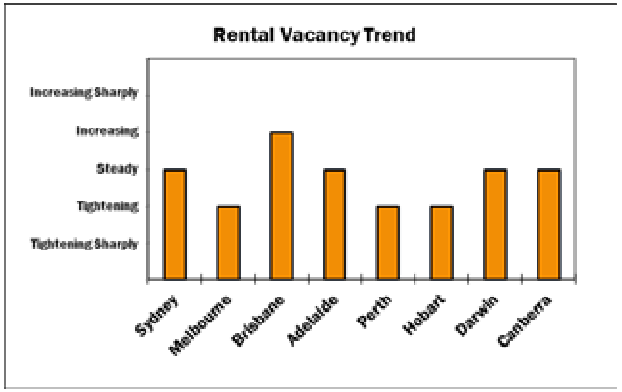
Property Market Indicators

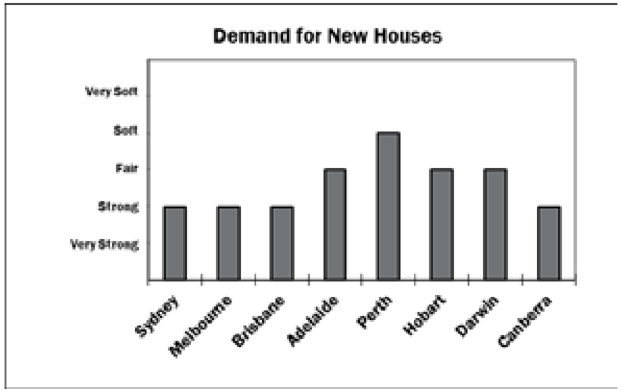
HERRON TODD WHITE

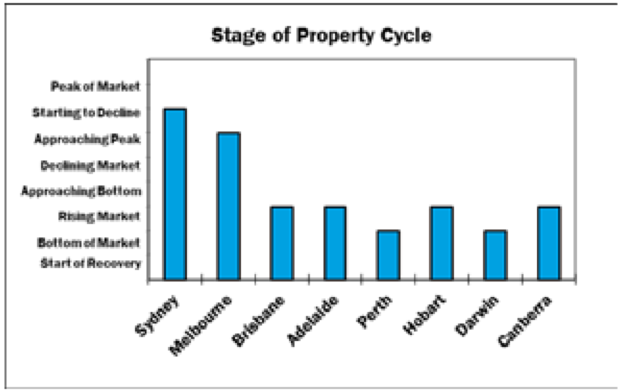
Capital City Property Market Indicators - Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Tightening	Increasing	Steady	Tightening	Tightening	Steady	Steady
Demand for New Houses	Strong	Strong	Strong	Fair	Soft	Fair	Fair	Strong
Trend in New House Construction	Steady	Steady	Increasing	Increasing	Declining	Declining	Declining	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing
Stage of Property Cycle	Starting to decline	Approaching 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	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally

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





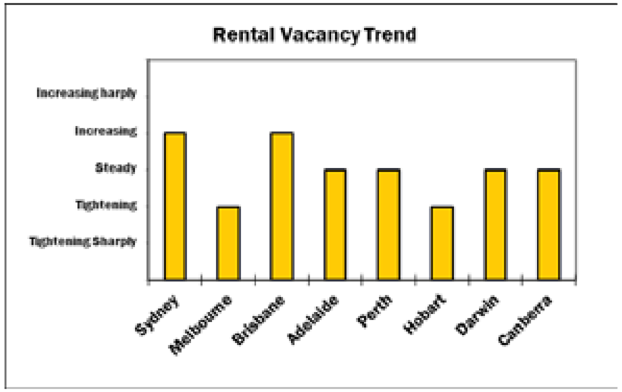


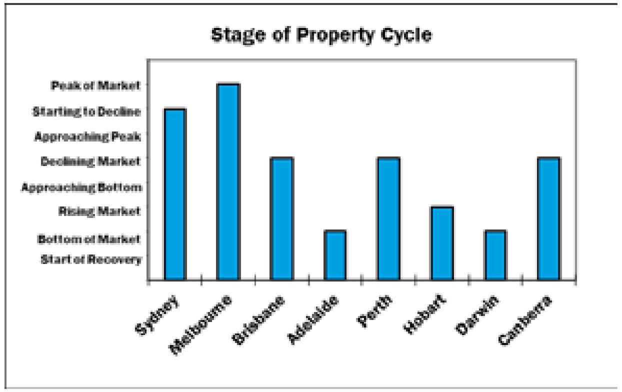
Market Indicators

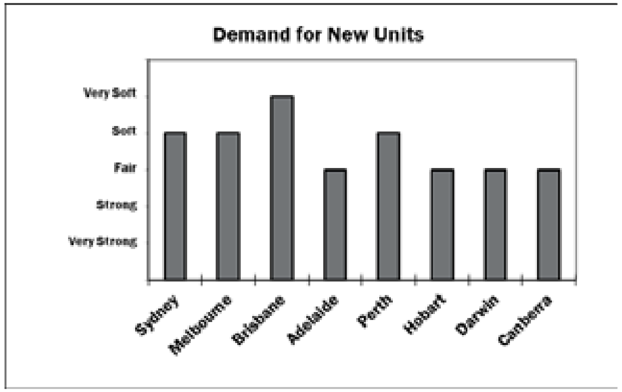
Capital City Property Market Indicators - Units

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

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







Market Indicators

Capital City Property Market Indicators - Retail

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

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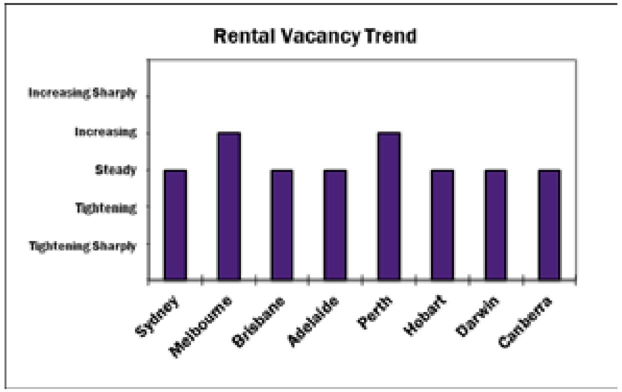
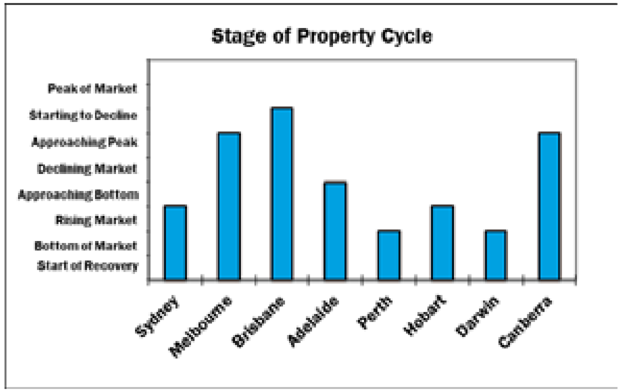
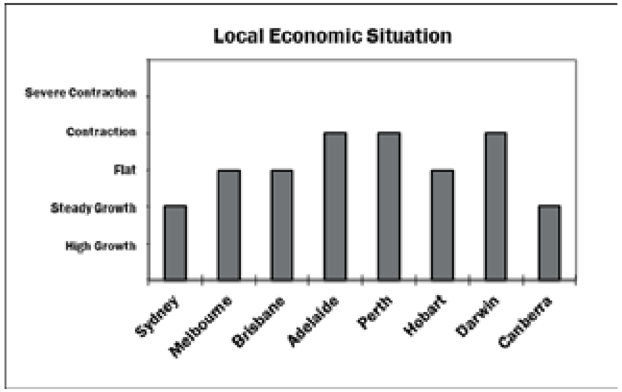
Blue entries indicate change from 3 months ago to a lower risk-rating







Market Indicators

New South Wales Property Market Indicators - Houses

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

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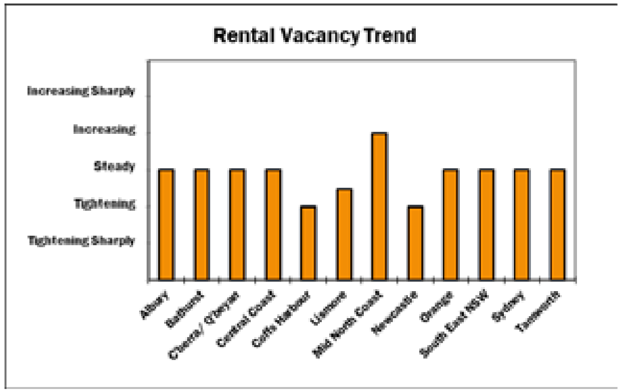

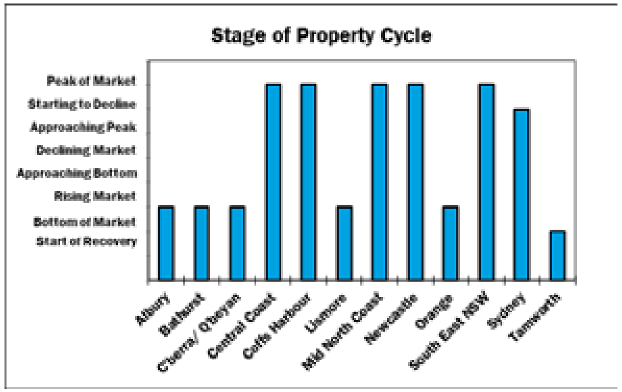

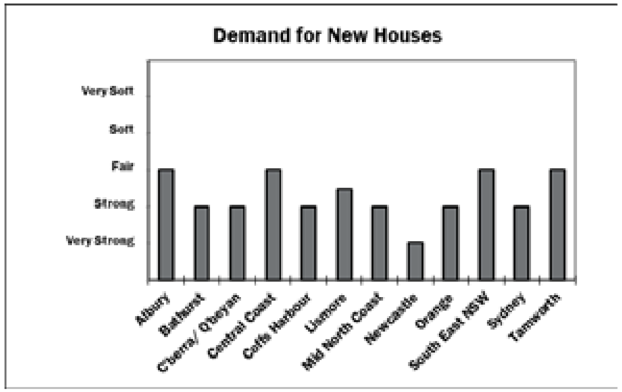

New South Wales Property Market Indicators - Units

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

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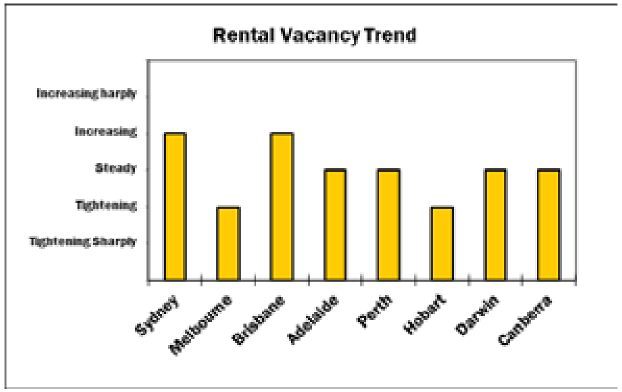

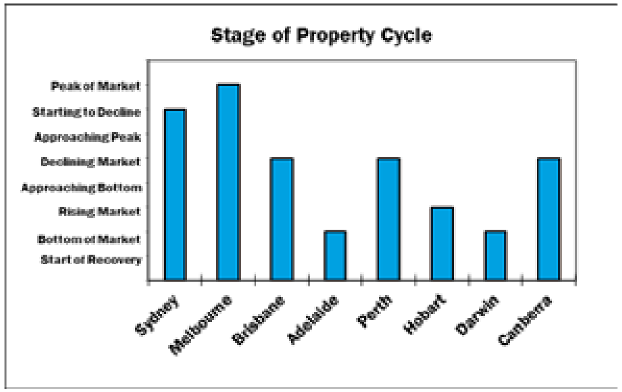

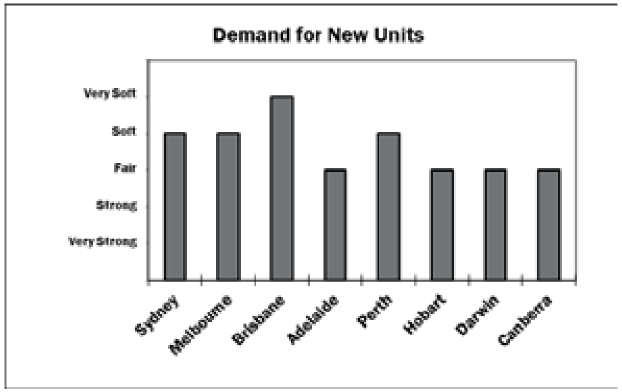

New South Wales Property Market Indicators - Retail

Factor	Canberra	Central West NSW	Coffs Harbour	Far North Coast	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	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	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Tightening	Tightening	Steady	Steady
Rental Rate Trend	Stable	Declining - Stable	Stable	Declining	Increasing	Increasing	Stable	Increasing
Volume of Property Sales	Declining	Steady - Declining	Increasing	Steady	Increasing	Increasing	Increasing	Steady
Stage of Property Cycle	Approaching peak of market	Peak of market	Approaching peak of market	Rising market	Rising market	Rising market	Approaching peak of market	Rising market
Local Economic Situation	Steady growth	Steady growth	Flat	Flat	Steady growth	Steady growth	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Small	Significant	Significant	Small

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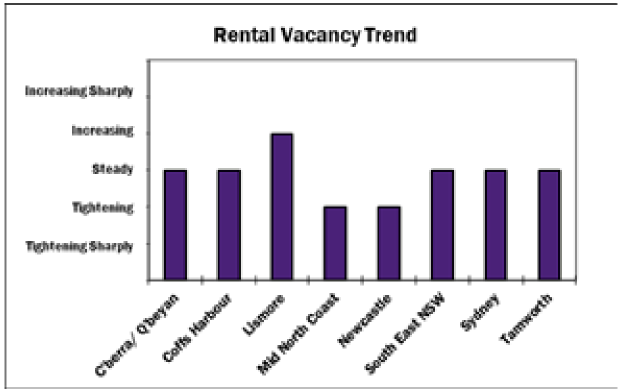

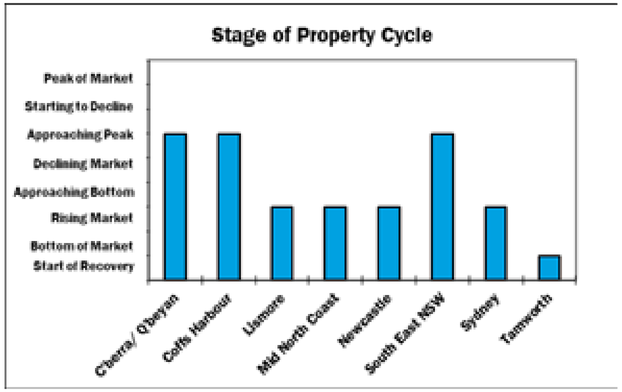

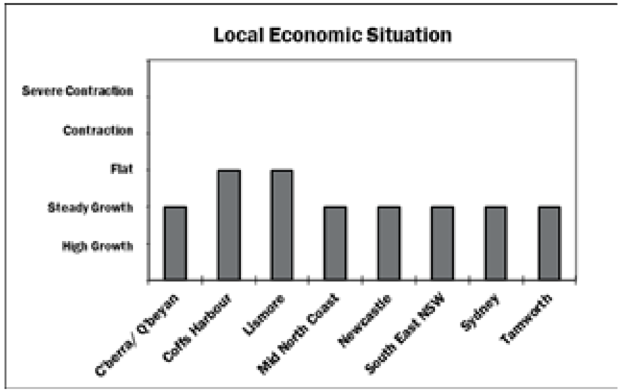

Victoria/Tasmania Property Market Indicators - Houses

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

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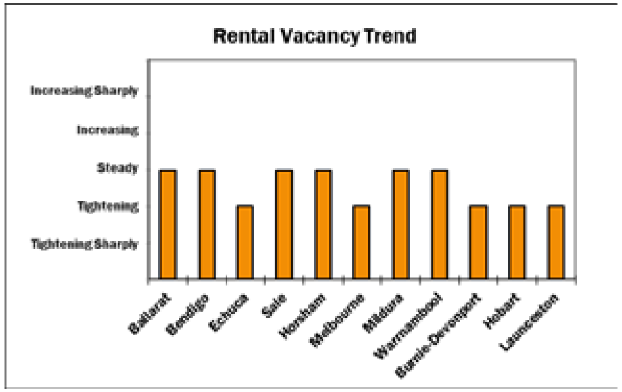

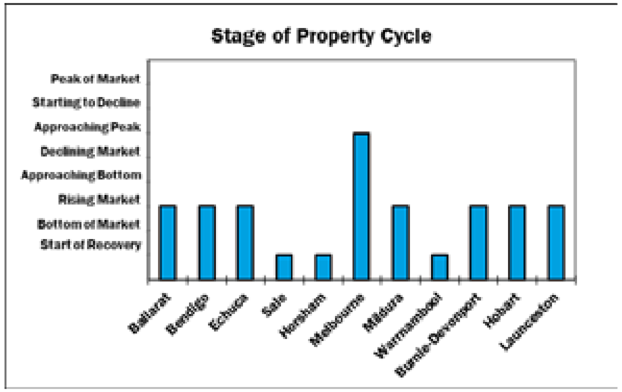

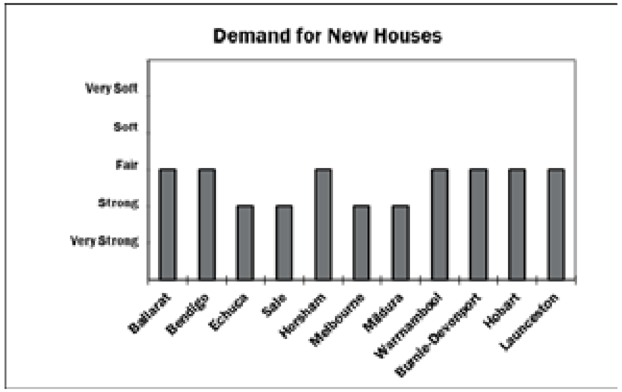

Victoria/Tasmania Property Market Indicators - Units

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

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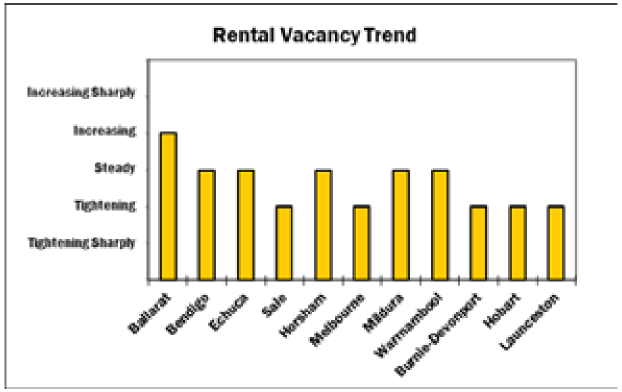

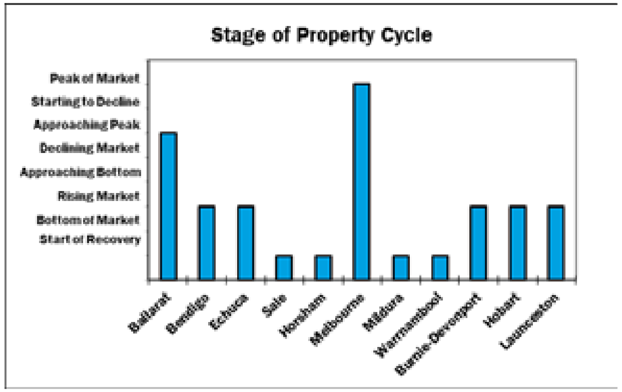

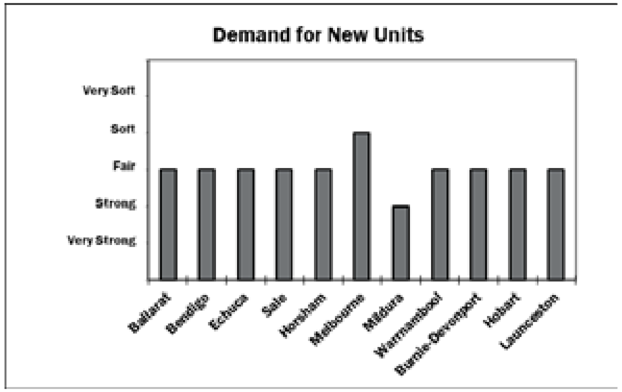

Victoria/Tasmania Property Market Indicators - Retail

Factor	Ballarat	Bendigo	Echuca	Melbourne	Mildura	Burnie/ Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	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
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady
Rental Rate Trend	Stable	Stable	Declining	Declining	Stable	Declining	Declining	Declining
Volume of Property Sales	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Starting to decline	Approaching peak of market	Start of recovery	Rising market	Rising market	Rising market
Local Economic Situation	Steady growth	Flat	Steady growth	Flat	Steady growth	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Large	Significant	Significant	Significant	Significant

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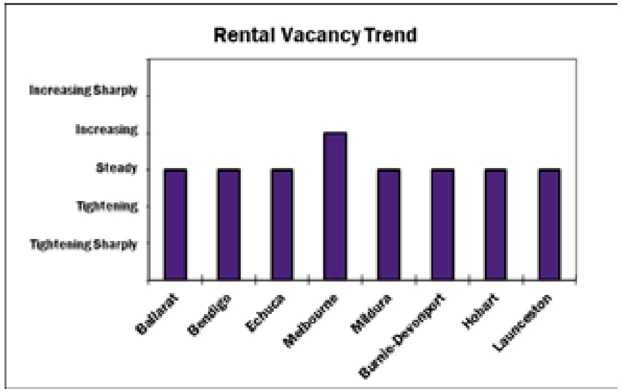

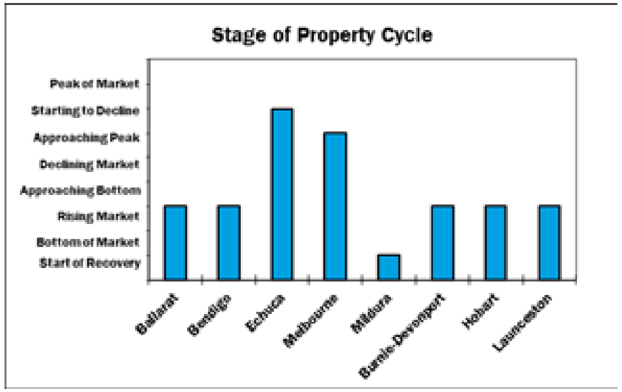

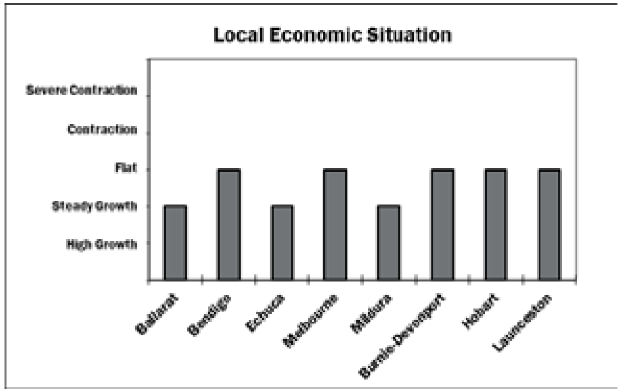

Market Indicators

Queensland Property Market Indicators - Houses

Factor	Cairns	Townsville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Tightening	Tightening sharply	Tightening - Steady	Tightening	Tightening	Tightening	Steady	Tightening	Steady	Increasing	Increasing	Tightening	Steady
Demand for New Houses	Soft	Fair	Fair	Fair	Soft	Soft	Fair	Soft	Fair	Strong	Strong	Fair	Strong	Soft
Trend in New House Construction	Steady	Steady	Steady	Steady - Increasing	Declining	Increasing	Increasing	Declining	Steady	Increasing	Increasing	Increasing	Increasing	Steady
Volume of House Sales	Steady	Steady	Increasing	Increasing	Steady	Steady	Steady	Declining	Increasing	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Approaching peak of market	Rising market	Start of recovery	Approaching peak of market	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Frequently

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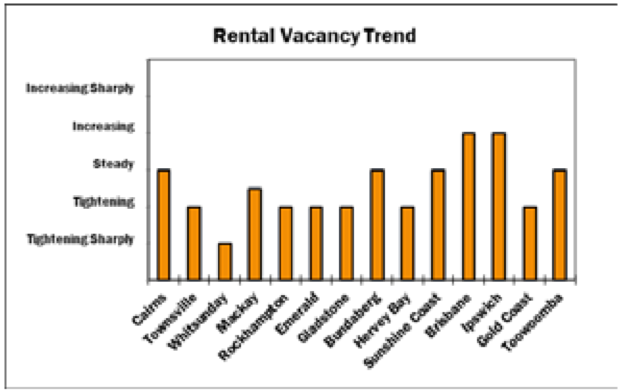

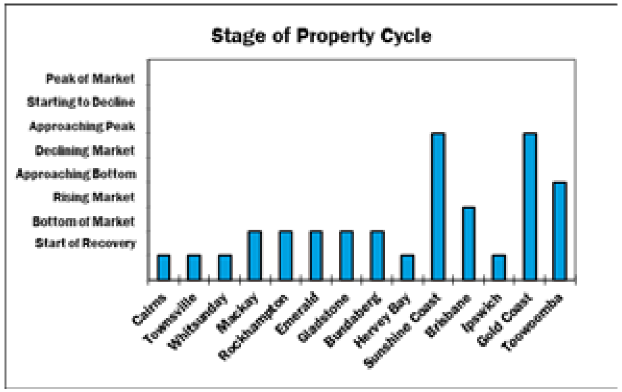

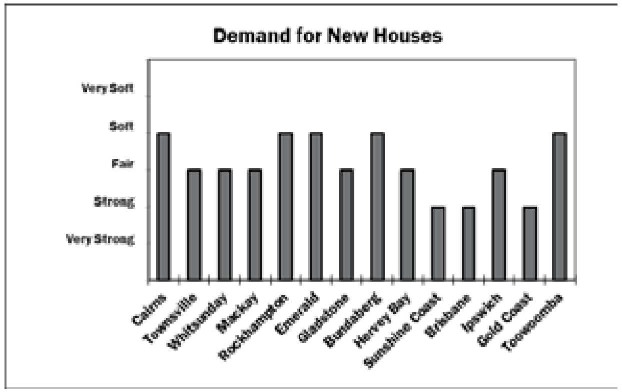

Queensland Property Market Indicators - Units

Factor	Cairns	Townsville	Whit-sunday	Mackay	Rock-hampton	Emerald	Gladstone	Bunda-berg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Too-woomba
Rental Vacancy Situation	Shortage of available property relative to demand	Over-supply 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	Steady	Tightening	Tightening	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Increasing	Increasing	Steady	Steady
Demand for New Units	Very soft	Soft	Very soft	Soft	Soft	Very soft	Soft	Soft	Fair	Fair	Very soft	Fair	Soft	Soft
Trend in New Unit Construction	Increasing	Steady	Declining significantly	Declining	Steady	Declining significantly	Steady	Declining	Steady	Increasing	Declining significantly	Increasing	Increasing	Steady
Volume of Unit Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Declining	Increasing - Steady	Steady	Declining significantly	Steady	Steady	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Rising market	Declining market	Start of recovery	Peak of market	Approaching bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Almost never	Almost never	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion-ally	Very frequently	Frequently	Frequently	Occasion-ally

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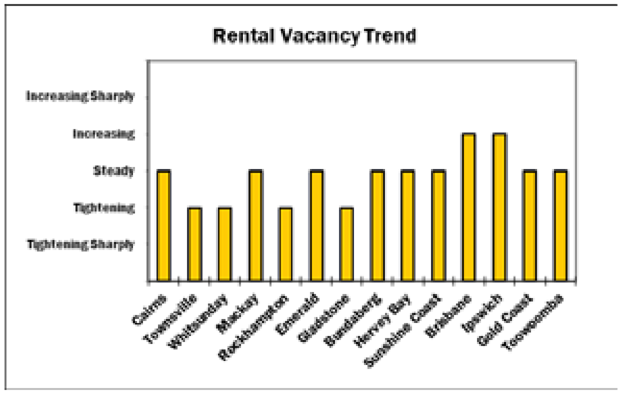
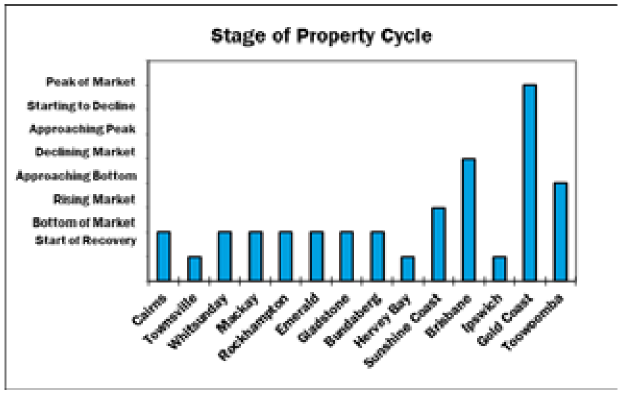
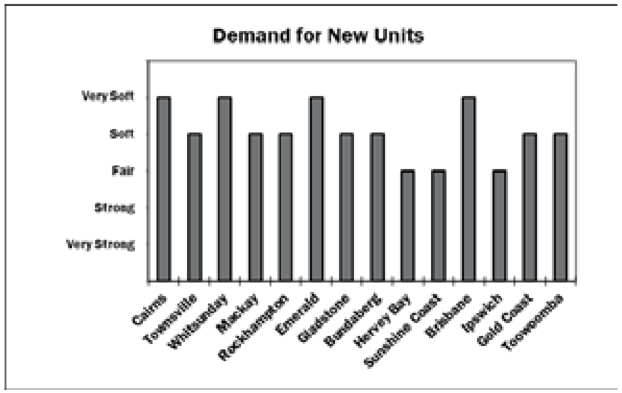






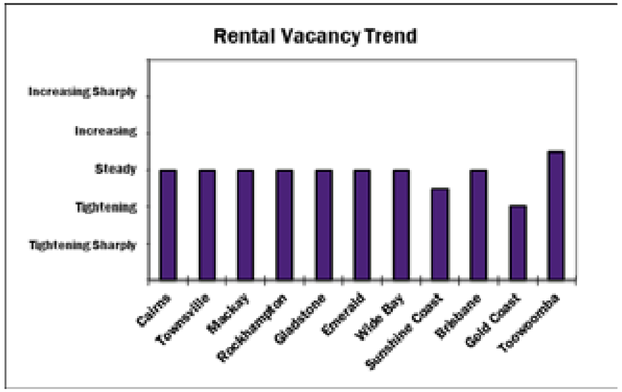
Market Indicators

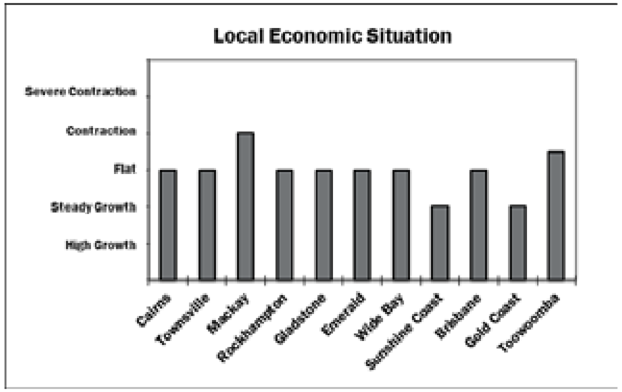
Queensland Property Market Indicators - Retail

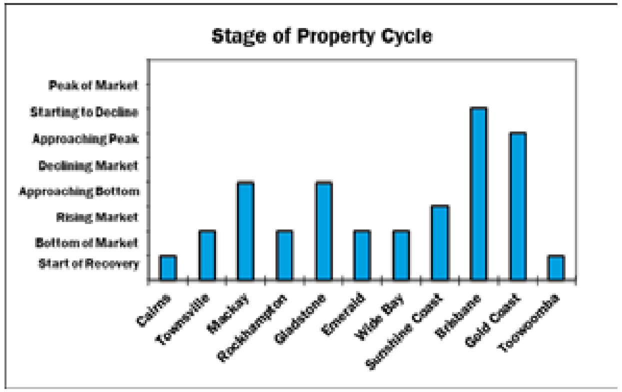
Factor	Cairns	Townsville	Mackay	Rock-hampton	Emerald	Gladstone	Wide Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Large over-supply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

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

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





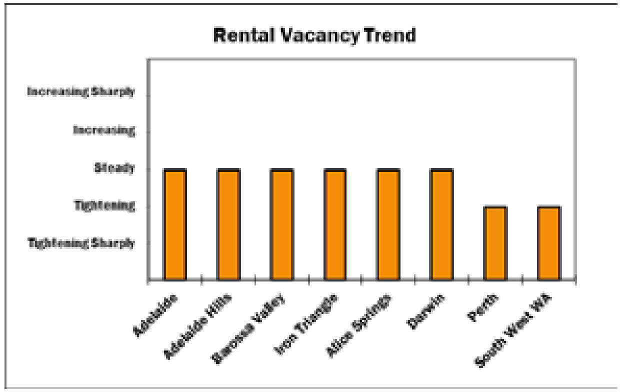


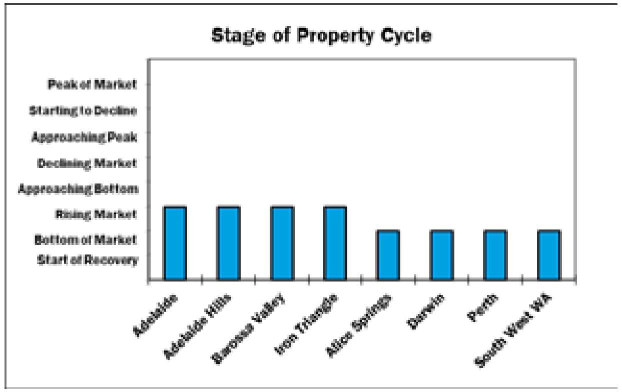
Northern Territory, South Australia & Western Australia Property Market Indicators - Houses

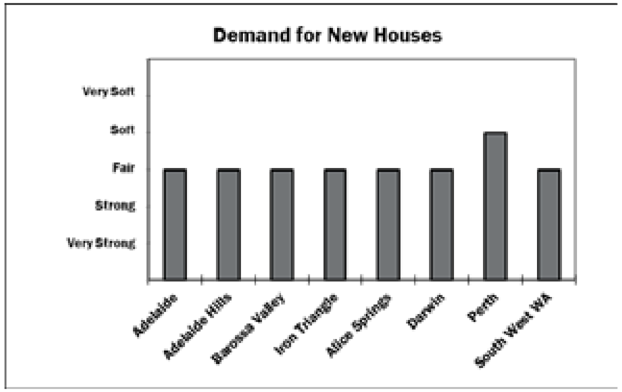
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property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

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

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





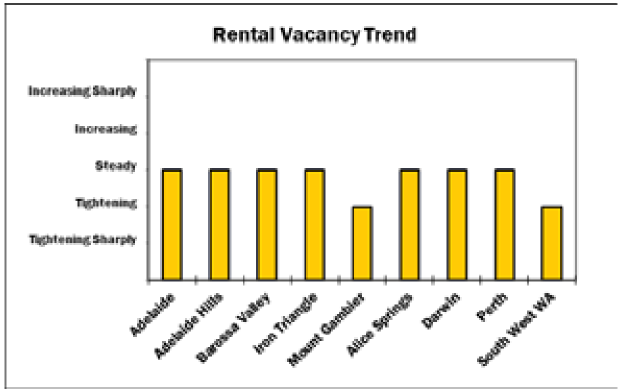


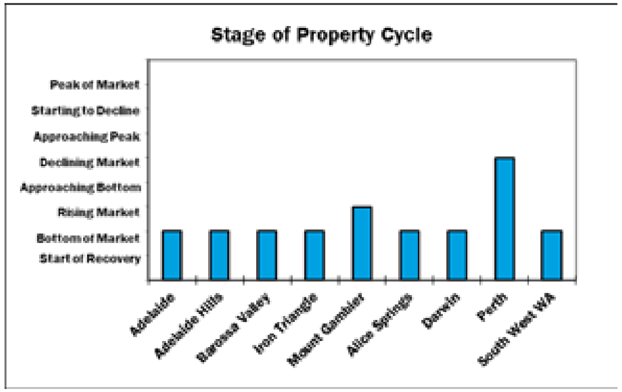
Northern Territory, South Australia & Western Australia Property Market Indicators - Units

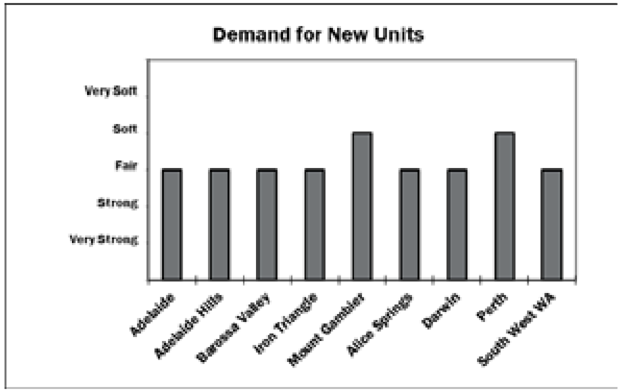
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property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

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

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





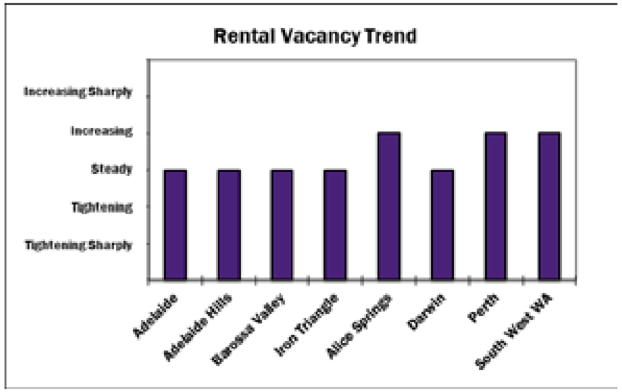


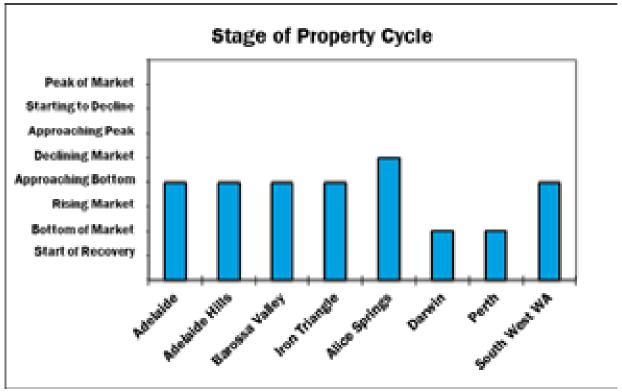
Market Indicators

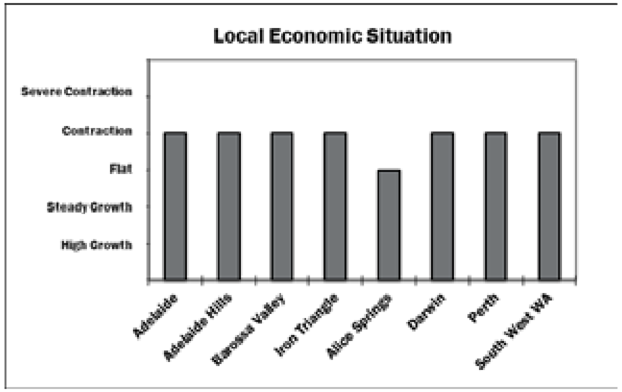
Northern Territory, South Australia & Western Australia Property Market Indicators - Retail

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

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







Market Indicators

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