Residential

February 2020

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

Albury
Bathurst
Canberra
Dubbo
Sunshine Coast
Tamworth

Central Coast
Wodonga

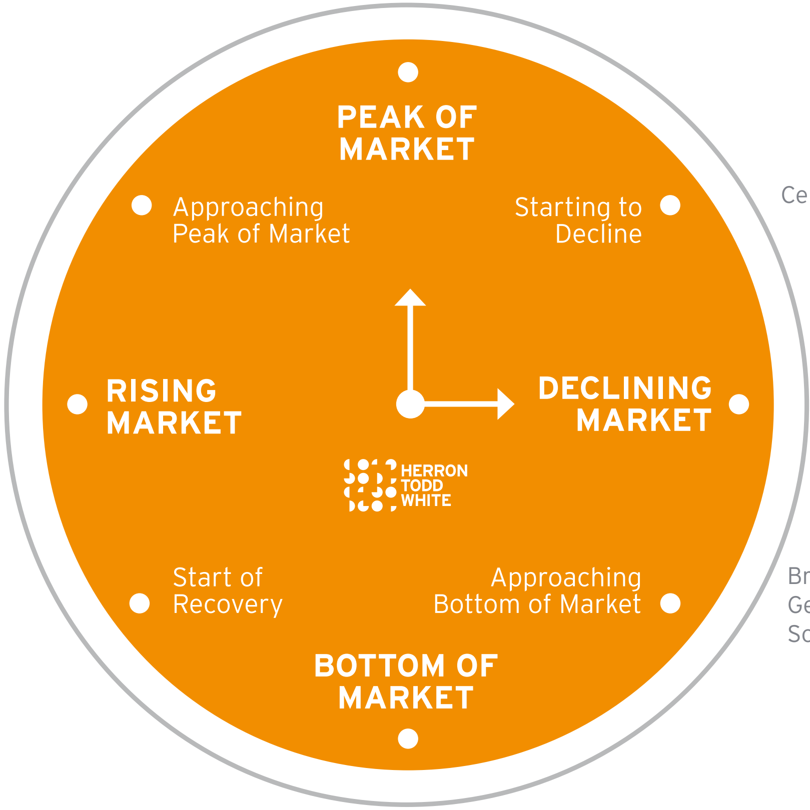
Kalgoorlie

Broome
Geraldton
South West WA

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

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

Burnie/Devenport
Emerald
Hervey Bay
Hobart
Karratha
Launceston
Launceston
Mildura
Mount Gampier
Shepparton



RESIDENTIAL

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National Property Clock: Units

Entries coloured blue indicate positional change from last month.

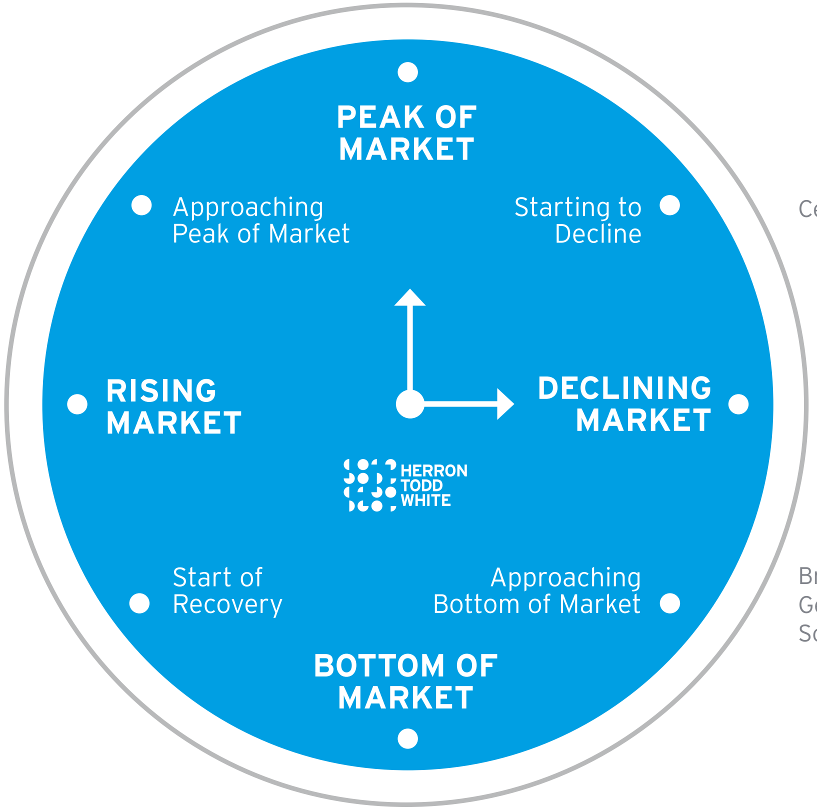
Albury
Bathurst
Sunshine Coast

Tamworth
Wodonga

Central Coast

Burnie/Devenport
Dubbo
Hervey Bay
Hobart

Karratha
Launceston
Mildura
Mount Gambier



Canberra
Kalgoorlie

Perth
Southern Tablelands

Ballina/Byron Bay
Bundaberg
Cairns
Emerald
Geelong
Gladstone
Illawarra

Lismore
Mackay
Melbourne
Newcastle
Port Hedland
Shepparton
Townsville

Broome
Geraldton
South West WA

Adelaide
Adelaide Hills
Alice Springs
Barossa Valley
Brisbane

Coffs Harbour
Darwin
Gold Coast
Ipswich
Rockhampton

Southern Highlands
Sydney
Toowoomba
Whitsunday

RESIDENTIAL

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New South Wales

Overview

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

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

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

Sydney

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

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

Index results as at December 31, 2019

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

Source: CoreLogic

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

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

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

Source: CoreLogic

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

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

CAPITAL GAIN 2019

Houses: **6.1%**

Units: **3.4%**

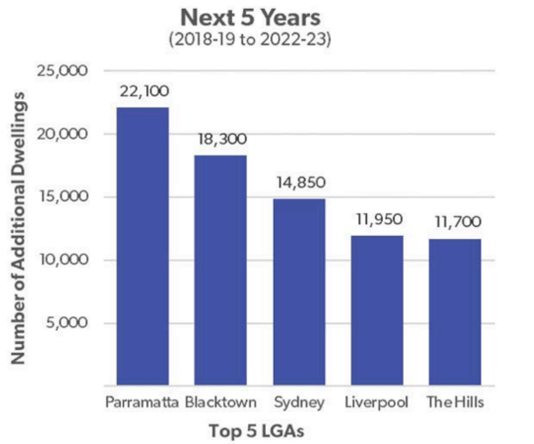
Source: CoreLogic

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

Western Sydney

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

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



Top 5 LGAs for New Dwellings Source: Planning NSW

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

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

Northern Sydney

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

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

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

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

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

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

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

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

Inner Sydney/Eastern Suburbs

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

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

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

MEDIAN HOUSE PRICES

Kingsford
$1.98 million

Randwick
$2.35 million

Kensington
$2.572

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

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

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

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

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

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

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

Emblem Development Source: jqz.com.au

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

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

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

Southern Suburbs

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

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

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

21 Charles Place, Jannali Source: CoreLogic

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

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

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

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

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

Prestige

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

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

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

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

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

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

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

4 Townson Street, Blakehurst Source: CoreLogic

Lismore/Casino/Kyogle

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

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

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

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

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

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

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

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

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

Ballina

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

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

Clarence Valley

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

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

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

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

Coffs Harbour

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

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

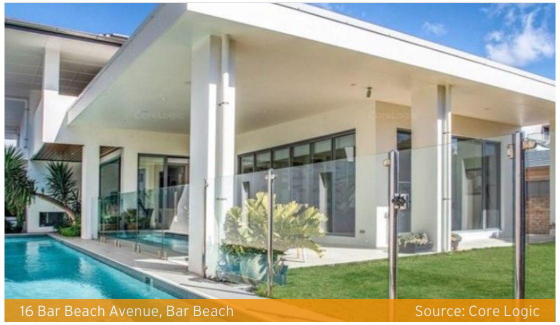
Against the backdrop of all of this devastation, the region is underpinned by its endless lifestyle opportunities and major infrastructure projects in the works especially anticipating the start of the Pacific Highway bypass of Coffs Harbour.

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

Newcastle

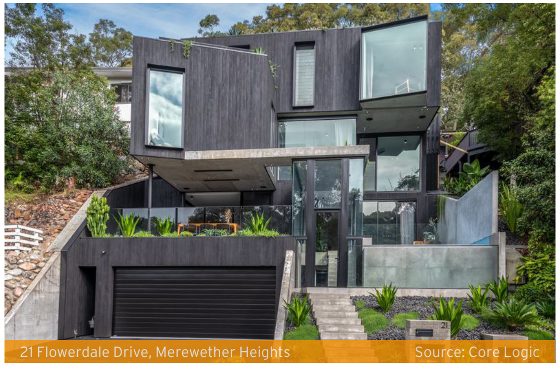
2019 started in the doldrums and finished on a high with record sales across a number of suburbs. Records sales tend not to happen in a falling or subdued market.

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



16 Bar Beach Avenue, Bar Beach Source: Core Logic

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



21 Flowerdale Drive, Merewether Heights Source: Core Logic

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

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

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

Port Macquarie

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

60%
Non-local purchasers

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

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

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

Central Coast

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Illawarra

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

Something to keep an eye on is Wollongong CBD units.

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

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

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

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

Southern Highlands

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

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

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

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

Southern Tablelands

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

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

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

Albury/Wodonga

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

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

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

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

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

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

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

Tamworth

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

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

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

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

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

Victoria

Melbourne

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

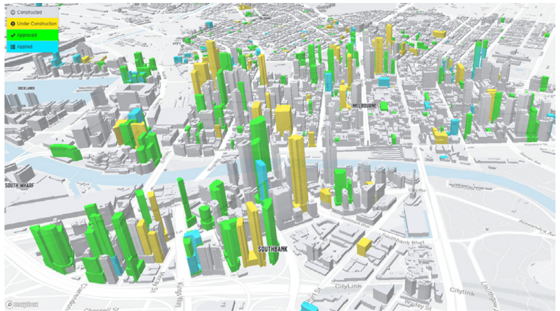
- Interest rates at a historic low of 0.75 percent after three rate cuts in 2019;
- Easing lending serviceability boosting borrowing capacity;
- Increased stock levels due to seller confidence;
- House prices on the rise due to increased buyer sentiment;
- More first home buyers entering the market due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

Melbourne CBD

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

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

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



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

Outer South East

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

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

OFFICER

Median house price
$549,000

Gross rental yield
3.8%

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

Inner and Outer North

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

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

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

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

Inner and Outer East

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

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

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

Inner and Outer West

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

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

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

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

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

MELTON

Median house price
$385,000

Gross rental yield
4.3%

Median unit price
$315,000

Gross rental yield
4.8%

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

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

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

Geelong

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

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

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

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

Mildura

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

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

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

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

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

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

Shepparton

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

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

▲17%
5-year change in house price

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

These properties are renting for $320 to 350 per week, with some achieving up to $375 for fully renovated accommodation in a good location. This represents a gross yield of around 5.8 percent, but higher yields can be achieved, especially with newer properties.

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

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

Queensland

Brisbane

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

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

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

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

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

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

So, what's the downside for our town.

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

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

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

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

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

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

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

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

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

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

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

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

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

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

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

Gold Coast

Central West and Scenic Rim

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

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

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

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

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

North West Region

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

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

Southern Gold Coast / Northern NSW

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

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

Coolangatta Source: @crawlstu via Twenty20

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

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

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

Isle of Capri Source: realestate.com.au

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

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

Sunshine Coast

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

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

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

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

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

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

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

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

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

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

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

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

Rockhampton

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

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

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

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

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

Gladstone

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

1.8%
Gladstone
vacancy rate

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

Bundaberg

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

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

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

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

Hervey Bay

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

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

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

Mackay

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

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

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

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

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

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

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

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

Emerald

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

A steady firming of values off the back of strong employment in the resource sector has caused rents to increase and the vacancy rate to drop below two percent for most of the Central Highlands' major towns over the past 12 months.

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

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

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

Whitsunday

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

Cairns

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

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

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

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

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

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Townsville

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

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

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

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

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

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

Toowoomba/Darling Downs

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

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

5 Chainey Court, Glenvale — Source: RP Data

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

33 Carlin Street, Glenvale — Source: RP Data

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

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

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

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

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

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

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

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

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

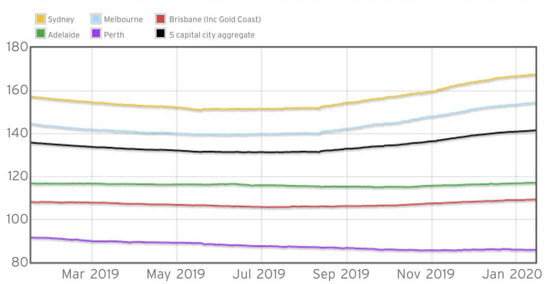
Towns within the Surat Basin west of Toowoomba have experienced significant declines in values and transaction levels following the sudden decline in the construction phase of the major coal seam gas projects in the area. These towns have largely reverted to levels more aligned with their predominantly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

South Australia

Adelaide

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

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



Hedonic Price Index Source: Corelogic

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

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

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

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

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

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

11 Pearce Avenue Felixstow Source: realestate.com.au

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

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

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

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

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

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

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

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

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

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

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

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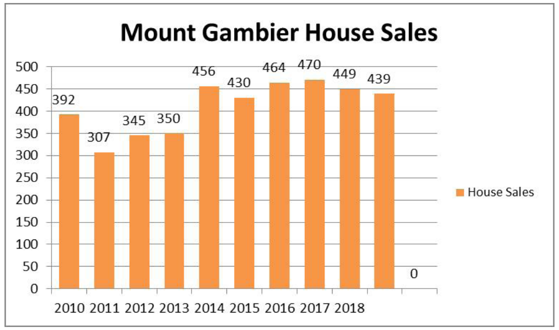
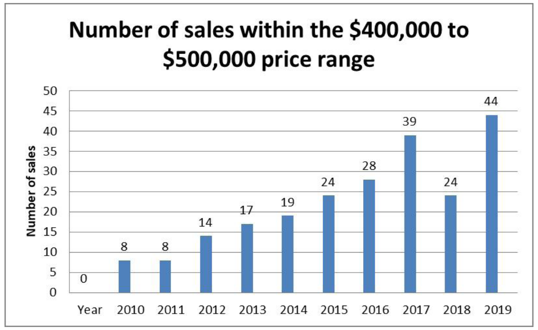
2019 and positive feedback from agents, the metropolitan market is in a position to enter the new decade on a positive note. Whether this trend continues can only be answered by the clairvoyants among us.

Mount Gambier

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



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



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

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

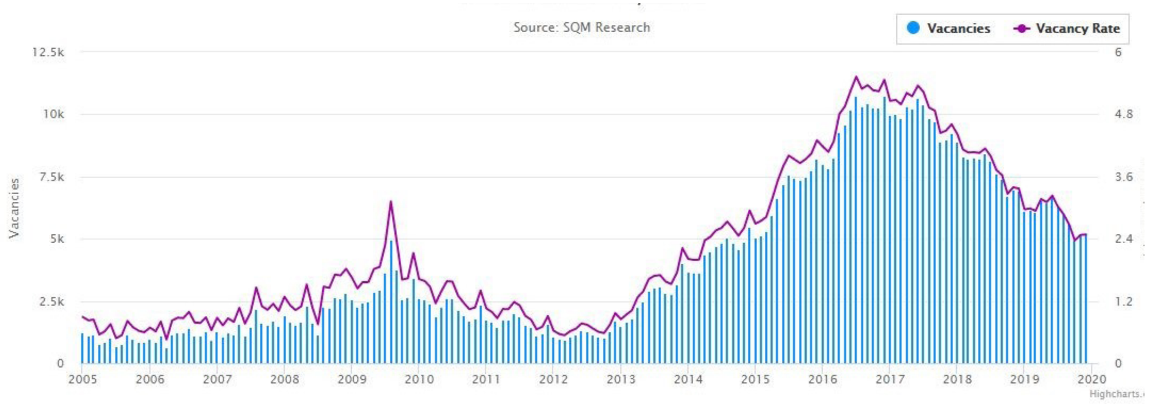
Overall, we are expecting this year to be similar to last year with no major fluctuations in the local market.

Western Australia

Perth

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

A big driver this year is expected to be the resources industry. 2019 was a relatively positive year in the industry. After a long period of routine maintenance, a construction phase has commenced, albeit not to the same extent as what occurred between 2006 and 2013. Increased activity throughout Karratha in particular, but also Port and South Hedland, are lead indicators of demand. Values in Karratha surged by double digits in 2019, with several suburbs in the town experiencing growth in excess of 20 percent for the year and the rental market being stripped of stock. Construction projects in the inland Pilbara are expected to have further flow on effects to Port Hedland, Newman and Tom Price, and the manpower required for these projects will positively affect net migration statistics. The big question this cycle is what will happen to wages? With extensive reconstruction projects occurring throughout many areas in the eastern states, will Western Australia attract enough skilled tradespeople to fill the order books? If so, what will that do to vacancy rates both in the Pilbara, but also in the fly in fly out base of Perth? What flow on effect will this create if and when investors return to the Perth housing market? By the end of the year, we should have a decent indication of the scale this cycle will be.



Vacancy rate — Source: SQM Research

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

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

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

Boyagarring Gardens Source: RP Data

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

Walpole Place Source: RP Data

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

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

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

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

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

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

South West WA

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

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

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

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

Northern Territory

Darwin

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

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

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

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

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

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

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

Proposed Darwin Ship Lift Facility Source: Northern Territory Government

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

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

Alice Springs

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

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

Alice Springs No. of Sales

2019: 283

2018: 321

2017: 496

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

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

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

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

Australian Capital Territory

Canberra

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

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

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

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

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

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

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

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

MEDIAN HOUSE PRICES

Belconnen
$375,000

Charnwood
$458,000

Banks
$488,500

Phillip
$490,000

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

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

Tasmania

Hobart/Launceston

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

So what of 2020?

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

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

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

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

The areas to watch for this year?

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

Wishing all our readers the best for 2020.

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