

*The month in*  
**review**

FEBRUARY

2010



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Independent Property Advisors



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# Into 2010 - Our Hit Predictions!

Where do we go with a year that already has the perfect score? What do you call the post "noughties" anyway? We are kicking off a decade where both Nadia Comaneci and Torville and Dean trailblazed the path, but the ability to make the landing stick is still dependent on plenty of as yet unknowns.

Going into '09, the population as a whole, bubble wrapped itself in horrified anticipation of the Armageddon which was destined to befall us all. But it seems the four horsemen of the economic apocalypse turned out to be a couple of boy scouts on pool ponies. The dreaded tsunami of bad U.S. debt that was to wash over our shores and leave us floundering caused barely a ripple for many. Our strong national economy, some fortunate resource demands and stimulus from the federal government all seemed to dampen the enthusiasm of the pessimists. There was some pain, sure, but it was more paper cut than pulverisation you must admit.

And so now we enter a year where there is hope of a damp squib thus allowing us to catch our breath, rest our laurels (that sounds uncomfortable) and "smoke 'em if we've got 'em".

Property participants in the main, like some assurance when it comes to their bricks and mortar. Whilst a stonking year of 30% growth makes for a great party, the hangover can be a killer. If we can wake up in our own bed and pry open our eyes to gaze upon a market that gets solid and stays in the conservative positive of the accounts column this year, most will breathe easier.

The big players on the field in the coming twelve months appear to be interest rates and confidence. There is an expectation that holding charges are set to rise regardless of what we do but the key will be to keep them manageable. All this of course goes out the window if a pin wielding spectre lurks fiendishly around the corner and punctures the balloon of healthy optimism that has inflated itself over the past six months.

Fortunately for you dear reader, Herron Todd White is going to give you some good oil to help lubricate the bearings of your property portfolio machine. As an independent observer of the market we have slain self interest and are ready to tell you the truth about how this year will likely pan out.

In times such as these, markets can move independently. True, there are overriding factors that tend to drag us all along on a collective tide but within each patch there are those suburbs and sectors that will outperform the trends...and here in this issue is the place to find them.

For our commercial colleagues, a twelve month view of the office sector is in these pages and the wisdom contained within, lend itself towards restrained optimism in many major markets. Obviously some will perform better than others but plenty in the office sector are banking on us having weathered the worst of the squall

Although the pixels upon these pages contain impressive collective wisdom, it is important to take this month's issue for the grand overview it is and make further enquiries with an expert in the field. Here's a thought! Call us! There is a highly informed and motivated professional at your beck and call in your local Herron Todd White office who will be willing to shine a light on your property needs and guide you steadily on the path to 2011.

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## Residential Overview

All things considered, 2009 turned out to be a relatively impressive year given the circumstances in which it began. With interest rates holding low, a government stimulated economy and high first home owner enthusiasm coming into play, the year was generally less difficult than many expected. A note of confidence has now entered the economic psyche in the new year and, many observers are attempting to predict what will happen over the coming twelve months. If history has taught us anything it is to expect that which is unexpected. A read of this month's issue demonstrates that there is a tempered level of optimism in most market places and it is hoped that 2010 will end the year as a positive for the majority of participants.



## Sydney

Following a turbulent year in 2009, marked by the Global Financial Crisis producing domestic economic uncertainty the Sydney residential property market is in a stage of recovery.

With 2009 being dominated by first home buyers entering the market - due to government stimulus, Herron Todd White predicts a steady increase in activity from other sectors of the market, most notably investors and upgraders, who are expected to enter the market in higher volumes with rental yields predicted to increase due to historically low vacancy levels.

With the Australian economy continuing to improve, the RBA is expected to increase the cash rates to 5% by the end of the calendar year. This is a further increase of 1.25% on the .75% increase in the last months of 2009. This will see rates reaching more traditional levels by the end of the year. This has been accelerated by better than expected jobless figures being released for the month December, with the unemployment rate falling to 5.5%, from 5.6% in November. The jobless rate appears to have peaked last year, and the trend is now heading back down.

In the Parramatta/Holroyd region of Sydney, there has been an increase in duplex construction, therefore density in the area. It has been a trend to build duplexes in these areas and rent the unused side to pay off build costs, before selling both. This market is yet to be fully tested.

Price points in the new 'house and land' packaged areas such as 'The Ponds' and new areas of Schofields in Sydney's North West are expected to ease over the short term with the scaling back of the government stimulus. This is also expected in the 'Golf Estate' style packages, with these developments not achieving the demand in the Western Sydney precinct as once expected.

Entry level acreages in the North West region such as Annangrove, Kenthurst, Galston have seen solid growth (10%+) in recent times, with prices increasing surprisingly for the first time since the peak of 2003/2004, sitting at the \$900,000 to \$1,500,000 price range.

However, looking forward, 2010 has the potential to further divide the East from the West. While prices on both sides of Sydney have seen substantial growth post GFC, it is growth in the East that is tipped to continue albeit at a slower pace, whilst growth in the West is expected to steady. Low supply and an ever present demand have been the driving force behind price growth in both regions and this will continue with demand expected to slow with each rate rise.

The first home owner's bracket has seen substantial growth with low interest rates and Government stimulus helping bolster the market, this coupled with low supply has pushed prices upwards at a speed not seen since 2003. The rapid rise of prices within this price bracket may see a few buyers get burned this year, as people start to extend themselves and pay a premium just to get into the market. It is these people that will start to feel the pinch first with the interest rate rises predicted in 2010.

In the Eastern Suburbs this lower end of the market has seen both first home owners and investors snap feverishly at most property listed for sale. With financial markets stabilizing and government stimulus being wound back,

this price bracket should be stable throughout 2010 as long as supply remains steady.

In the South and Eastern Suburbs it will be a year of tailored growth and consolidation for the mid and upper price brackets, with owners and investors still coming to terms with the new price ranges within their suburbs.

The Sydney rental market sits at distressed levels, with Sydney tenants bracing themselves for rising rents over 2010 after slow rental growth in 2009. With a recovering economy, rising interest rates and land tax increasing, rents are expected to rise over 2010 to at least double the rate of growth of 2.2% seen in 2009.

With vacancy rates in the rental market at a 2 year high of 1.6%, this is still well below desirable levels of between 3% - 5% (considered an acceptable industry average) with the lowest level of approvals for apartments, terraces and townhouses since 1987 there is still no relief anywhere in sight for Sydney renters and rental values.

The residential development market in Sydney has held together during a tough 2009, however there is no clear end to the distressed industry is in sight. With historically low interest rates in 2009 coupled with government stimulus, the development market was somewhat sheltered from the complete impact of the global recession.

To lessen the impact of 2009 and encourage growth within the industry, the NSW State Government has extended the NSW Housing Construction Acceleration Plan (HCAP) for a further 6 months now due to conclude on the 30th of June 2010. Under this scheme purchasers receive a 50% reduction in stamp duty on new homes priced up to \$600,000. Under this policy 1,934 new dwellings worth \$850 million have been constructed and property buyers have saved a total of \$14.8 million in stamp duty.

In terms of Residential development is demand the supply of land in the growth corridor of North West and South West Sydney has seen residential development grow exponentially. While there is a large supply of dwellings in western Sydney, demand does not currently meet supply as the area is serviced by poor infrastructure. Significant state government efforts must be made to rectify this issue.



## Wollongong

After a terrible global financial crisis that saw a slump in property values, 2010 is shaping up to be the year of recovery. The IRIS Research December 2009 report states that all major indicators for the Illawarra local business environment have increased over the December quarter, and are expected to continue to improve in the three months to March. The same report has a positive outlook for employment too.

According to the ABC, the end of the boost to the First Home Owner's Grant has seen a sizable drop in new home loan approvals. However, there seems to have been an increase in the number of investors taking out home loans. 2010 may well be the year of the investor. A combination of high interest rates and the winding down

of the FHOG will force more people to remain in the rental market. So even though high interest rates are a deterrent, the prospect of higher rents should entice investors back into the market. Property monitoring agencies such as Australian Property Monitors and RP Data have forecast a significant rise in rents across the country over the following months. With Wollongong being a stone's throw away from Sydney, the flow-on effects of high rents in Sydney will arrive in Wollongong quickly.



The Wollongong landscape may be changing too. Large residential unit developments of high quality inclusions are usually clustered in and around the city area. However, there have been two noticeable large-scale high quality developments that have occurred in an uncommon area. The coastal environment from Towradgi to Austinmer is favoured for its ocean views and close proximity to the beach. The Pioneer Sands development in Towradgi and The Pavilion development in Thirroul are new and different developments in this coastal corridor. Pioneer Sands is a \$45 million high quality development consisting of 42 serviced apartments, 46 residential units and commercial units on the ground floor. The Pavilion is also a high quality development consisting of eight villas and 30 residential units. Both developments have ocean views and are within walking distance to the beach. It remains to be seen if more of these developments will occur in this coastal corridor in 2010.

*...being a stones throw away from Sydney, the flow-on effects of high rents in Sydney will arrive in Wollongong....*

The Princess Highway infrastructure project is now complete, providing much better access to the southern suburbs. Another project set to start in 2010 is the construction of new train stabling facilities in Wollongong. Environmental planning studies are already underway for the \$45 million project, which will result in more and faster services between Sydney and Wollongong. Although this is good news for train commuters, it may pose a risk to properties close to the railway which may become less desirable due to increased noise pollution or close proximity to a stabling facility.

All in all, 2010 may turn out to be a great year for those who put their money in the right properties.



## Canberra

During 2009 low interest rates, the FHOG and attractive rental yields allowed the residential property market in the ACT to perform solidly amid the Australian economic downturn. Now with the noughties behind us, Canberra has entered the new decade with a steady position in the property lifecycle.

In terms of the local economic situation factors sustaining growth; low unemployment, high disposable incomes and the residential construction industry are all pushing the ACT to a top economic performer nationally. For 2010 the economic growth is expected to continue however contingencies should be made for possible interest rate movements upwards.

From June 2009 to December 2009 median house prices steadily rose to \$460,000 and median unit prices to \$370,000. The number of sales for houses and units remained steady as well.

In the year ahead suburbs found in the inner north and inner south regions should expect minor capital growth as rental yields remain high. Tuggeranong, Woden and Belconnen feature established retail market centres and should see market values and rental yields hold steady over the next 12 months. The newer fringe suburbs such as Bonner, Stromlo and Googong will provide new supply for the market.

The recent planning setbacks of the Tralee development aimed at providing affordable housing just outside of the Canberra region, raised some questions about the level of supply in the housing market. Fortunately the recent approval of Stromlo and Googong developments should keep the market in balance.

The Googong development was approved on Christmas eve and stands to cost the Canberra Investment Corporation \$1.6 billion to fulfil the proposal. Located just 16 kilometres outside Canberra City, this development will provide for approximately 5,500 homes over its 20-year development outline.



Additionally, the profound development of Canberra's northern region, Gungahlin, will continue with suburbs such as Crace and Bonner releasing further stages in the respective developments. The strength of these areas was exemplified in November 2009, when 243 blocks were released in stage 2A of Bonner. All of the available blocks have since sold or had a deposit placed upon.

Opportunities will exist in 2010 across most regions of Canberra for people looking to enter or re-enter the ACT property market. Investors should look for properties close to amenities, whilst owner-occupiers looking for affordable options can choose from established outer suburbs or the abovementioned new developments being constructed with compulsory 5 star green ratings.



## Central, North and West NSW

### DUBBO

The start of 2010 has seen a stabilising in values in the low and mid cost markets which was dominated by first home buyers throughout 2009. The increased First Home Owners Grant had the effect of increasing sales volumes and value levels during 2009, however now that the grant has reduced, prices and sales volumes are beginning to return to normal levels. We would expect value levels to remain stable for the first part of 2010.

Demand for vacant residential land has also slowed after a period of strong demand in 2009 as a result of the increased First Home Owners Grant for new housing construction. However value levels have remained steady due to the volume of residential allotments currently on the market. Dubbo City Council are also planning the release of Stage 5 (50 lots) of Keswick Estate, however a release date has not been set.

Demand for small acreage properties in and around Dubbo has also increased over the last 6 months, with areas such as Richmond and Firgrove Estates seeing an increase in sale volumes and prices. With interest rates predicted to increase throughout 2010, these prices are likely to stabilise in the next 6 months.

The high cost market has not seen the increases experienced by the low and mid cost sectors in 2009. Demand and sale prices have increased slightly in the past 6 months, however most properties are still requiring extended selling periods. Sale volumes and price are expected to remain for the first part of 2010.

With interest rates expected to increase throughout 2010, we are likely to see a softening in the Dubbo market across all sectors toward the end of the year. This could also mean an increase in demand for rental accommodation, with prospective buyers unable to afford mortgage repayments coupled with tightening lending policies. An increase in demand for rental accommodation could see more investors returning to the marketplace. We will have to wait and see what 2010 has in store!

### MUDGEES

2010 has started off very well for the Mudgee area with much needed rain falling over the Christmas/New year break. The country side has turned a beautiful green and things are looking good. The recent rainfall should kick along the large rural residential market in the area, with lifestyle blocks looking very appealing with the recent rain. As usual, properties within the 15 to 20km radius of town, will perform well along with properties to the North which benefit from the close distance to the 3 coal mines located at Ulan.

The lower cost housing (up to \$300,000) may see a small drop off from the highs of 2008, however there should be enough demand for a relatively bright 2010. Middle cost housing will perform well with a general shortage of stock in the standard 3/4 bedroom 2 bathroom brick veneer home market. Builders have been very busy erecting new homes and this should enable the market to continue to improve this year. The high cost market (over \$600,000) is generally thinly traded in Mudgee, however if the location and improvements are right for the market they generally sell relatively well.

Overall 2010 should be a good year for the Mudgee district and let's hope the rain continues to fall.

## BATHURST/ORANGE

We Believe 2010 in the Bathurst/ Orange will be "steady as she goes" with no particular stand out residential market predicted. Volumes are steady with agents reporting good sales numbers, but no significant capital growth.

Rental vacancy levels are low, particularly in Orange which will put some upward pressure on rents. Investors however are not particularly active in the market generally.

The Orange economy has been buoyed in recent days by the announcement of large extension to the Cadia mine which will generate 2000 jobs. This puts further pressure on the Orange market as it comes on line.



## Newcastle

Generally speaking the market at the moment has stabilised with the "heat" of the first home buyer market now cooling. With fewer first home buyers in the market and the current strong rental market we are now seeing investors starting to weigh back into the market, albeit with a more cautious approach than the sometimes overly keen first home buyer.

Sale volumes have softened with the withdrawal of the additional FHOG and consequently we may see market values in the outer suburbs soften somewhat if/as demand lags supply (the prospect of increasing interest rates may see supply in the lower end of the market increase towards the middle of 2010).

The middle market (\$500,000 to \$1,000,000) located within 5 kilometres of the CBD is currently seeing an increase in activity with demand generally outstripping supply. Renovated houses within these inner city suburbs are proving ever popular and the old adage of "location, location, location..." will never disappoint (particularly in the long term).

*..with fewer home buyers in the market and the current strong rental market, we are now seeing investors starting to weigh back in....*

The one inner city property type that is generally in over supply is upmarket apartments; apartments located about the city centre/harbour and priced above \$500,000 are easily found and, as with any market in over supply their prices have weakened. Permanent rental returns on such properties are generally not as strong as other property types (ie lower value units and most types of houses located throughout the city) and such units will appeal to the owner occupier who can purchase at a good price.

All in all we feel that at some stage in 2010 the Newcastle market will again find its feet and purchasers will again have the confidence to enter the market.



## NSW Central Coast

So far as property matters are concerned for the Central Coast, 2009 will most probably be best remembered as the "Year of the First Home Buyer" courtesy of the Federal Government's bonus package. A large slice of the real estate market in the region fitted directly into the right price range for those looking to take advantage of the scheme. Minor growth in values in some of the more affordable areas was noted as a result. But this growth seems to be incongruent with the levels of the bonus scheme.

As for the number of sales, some may be surprised to learn that the older and established suburb of Umina Beach recorded the most number of sales.

The first home buyer market segment has essentially returned to normal levels of activity and in line with normal market cycles, a slight increase in the \$500,000 to \$1m price range was noted in the final months of 2009. This is likely to continue into 2010. There seems to be good buying in this segment at present. Sales of waterfront, beachfront and rural lifestyle properties were subdued through most of 2009, but an increase in activity was noted from November 2009 onwards. Once again, some very good buys were noted and this segment is likely to bounce back during 2010 on the back of positive economic news.

Investor purchases in the residential market have remained quiet on the Central Coast this is likely to continue during 2010, but that said, acceptable returns of 4-5% are common. The keen eyed investor would do well to monitor areas such as Blue Haven, Woongarah and Hamlyn Terrace for rental investment properties. These areas are currently experiencing low growth in values, but this may alter if the promised transport and town centre infrastructure improvements are forthcoming. They are handy to shops and the freeway and populated by easy to maintain modern brick and tile dwellings with good depreciation allowances still available.

As for 2010, the “big” property issues likely to receive attention on the Central Coast this year will be the affect of climate change policy on new development in the region, the Gosford Challenge, the revitalisation of The Entrance and the new home and/or renovation industry.

We are expecting many “headline grabbers” on the issue of climate change and its affect on new development, both large and small, within the beachfront areas and other areas affected by tides.

The unit markets within the Gosford City Centre and The Entrance Town Centre have suffered in more recent years as the effects of an oversupply of stock/lack of demand came to the fore. The respective local council's have developed the “Gosford Challenge” within the Gosford City and the Revitalisation of The Entrance. Both strategies are significant and as they gather support and momentum over the coming years, these 2 centres should see some improvement. The astute investor or developer should monitor these markets closely.

Who do we see as being the big winners on the Central Coast? Well, there doesn't appear to be any indicators of a “Stand Out” segment and at this stage, it might very well be a year of consolidation and stabilisation following the turmoil of the past several years.



### NSW Mid North Coast

With the bottoming out of the market appearing to have passed, we anticipate that in the next phase of the property cycle, the Mid North Coast should involve market stability to most sectors together with some slight increases to others. A more confident market should see steady/increasing sales volumes and shorter selling periods. Rising values should be kept in check by cautious buyers factoring in rising interest rates.

With returning market confidence, there appear few stand out opportunities for a quick capital gain. However with a large portion of property in the region still traditionally more affordable than Sydney for instance, purchasing property should continue to remain attractive to a wide range of first home buyers, families, investors and retirees. At the lower end of the market, Taree continues to offer the best rental yields though future capital growth should be slow. Cashed up buyers seeking a holiday property might do well to lower expectations of prime waterside locations and consider an older style house or unit a few streets away from lakes/beaches whilst prices remain low. Likewise, with the 3 main regional centres continuing their fringe urban sprawl, long term investors should keep in mind the opportunities available for gentrification of dated housing closest to the original town/city centres, prior to any significant upward market movement.

#### Victorian (Metro) Grants/Boosts/Bonuses

Contract Date	Conditions	First Home	New First Home	First Home Bonus	Total
		Owner Grant	Owner Boost		
From 1 July 09 to 30 Sept 09	Established Homes	\$7,000	\$7,000	\$2,000	\$16,000
	Newly Constructed	\$7,000	\$14,000	\$11,000	\$32,000
From 1 Oct 09 to 31 Dec 09	Established Homes	\$7,000	\$3,500	\$2,000	\$12,500
	Newly Constructed	\$7,000	\$7,000	\$11,000	\$25,000
From 1 Jan 2010	Established Homes	\$7,000	\$0	\$2,000	\$9,000
	Newly Constructed	\$7,000	\$0	\$11,000	\$18,000

Our main concerns for 2010 are those sectors with a continued over-supply - modern high-rise coastal units, resort style investment property and large coastal land releases. With possible falling values and lengthy selling

periods, these property types need to be viewed with caution in the year ahead.

Access to the region continues to improve with resultant underpinning of property values. Hastings Council reports over 200,000 passengers passed through Port Macquarie airport during 2009, an increase of 20% from the previous year. Completion of the Kew by-pass occurred in late 2009 and the Pacific Highway upgrade from Cooperook to Herrons Creek is expected complete in mid 2010. This will benefit residents accessing major services, assist regional tourism transiting from areas like Sydney/Newcastle and help achieve the NSW Governments Mid North Coast Strategy target for 91,000 more residents over the next 25 years.



### Melbourne

#### First Home Owners – Sub \$450,000 City Unit Market

During the 2009 period we saw the city unit market recover from the effects from the Global Financial Crisis. Throughout this period units priced sub \$450,000 became high in demand as a large quantity of first home buyers entered the market. This additional demand pushed market growth to new highs leading to September prior to the grant being reduced for the first time in 2009. After this period we saw demand and growth ease significantly.

In Victoria, there have been first home owner grants provided by both the State and Federal Governments.

Due to the significant in demand downturn of first home buyers entering the market, the State Government has been called on to increase the state grant. A recent release of figures, shows a record number of Victorians took advantage of the handouts during the 09 period. Victorian Premier John Brumby has outlined that a record 53,730 Victorians used government grants to help buy their first home last year, breaking the previous record of 43,688 in 2001 and 41,615 in 2007.

Overall, we are expecting if nothing is changed to the first home owners grant this market will continue a steady run into early 2010, however with potential interest rate rises we are of the opinion that buyers should be cautious.

Refer to the table at the bottom of the page for further details on the reduction of the first home owner grant for the Metro Area.

### \$450,000 plus - City Unit Market

The Melbourne economy improved as did confidence during the later part of 2009, with flow on effects seen as market growth was evident during each month leading up to December. The city unit market has, however, always been in high demand due to the perception of low vacancy rates, the low maintenance nature of apartment style investment and the attractive CBD lifestyle Melbourne presents. However, during the latter part of 2009 we saw an increase in demand as an emergence of investors and overseas buyers entered the market. During this period we saw many overseas purchasers paying full asking price with no negotiations which in turn increased the competition between buyers pushing prices and market growth up until the end of the year.



Overall we have seen this market segment increase in value leading up to the end of December and our expectations for the first three months of 2010 is for demand and growth to ease at least until the reserve bank meets in February with speculation that further interest rate rises are on the cards.

#### Areas to watch over the 2010 period.

It has been reported by the Department of Planning, that major initiatives have been fast tracked as Melbourne's population is predicted to hit five million people faster than previously anticipated. These Major initiatives within the Melbourne area include six new Central Activities Districts.

These six new designated Central Activities Districts will be the focus of a substantial proportion of future employment growth and public investment. Central Activities Districts will provide:-

- Significant CBD-type jobs and commercial services
- A strong and diverse retail sector
- Specialised goods and services drawing on a large regional catchment
- Significant opportunities for housing redevelopment in and around these centres
- High levels of accessibility for walking, cycling, public transport or car by being located at junctions in the Principal Public Transport Network
- Vibrant centres of community activity with a range of public facilities. Moving from one Central Business District to a number of CBD like centres will reduce congestion and enable people to spend less time commuting to and from work and more time with their family.

The six new Central Activities Districts will be in Box Hill, Broadmeadows, Dandenong, Footscray, Frankston and Ringwood.

Employment corridors will support the Central Activities Districts by linking activity centres, universities, research and technology precincts, medical precincts, and areas with high employment.

Three employment corridors will be given priority attention by the Government:

Avalon Airport to Werribee, Melton, Melbourne Airport and Donnybrook; Caulfield to Dandenong; and Monash University to Box Hill, the Austin Hospital and Bell Street.

We are of the opinion that these areas will be on our watch list for market growth as the State Government and Councils begin to progress on these projects which will affect each area significantly.



## Southern NSW and Northern Vic

### ALBURY

The Albury-Wodonga residential market appears to have stabilised and house prices will most likely remain steady this year, with possible slight declines in certain secondary and outer lying areas. The winding back of the first home buyers grant at the end of last year, will also have little impact in 2010.

With the average house price in the Albury-Wodonga area generally being between the \$240,000 to \$280,000 price range, the region is still seen as an attractive and affordable location for home owners and investors. It also appears that even though there was an increase in interest rates in the latter part of 2009, interest rates are still at acceptable levels which is not likely to have significant impact on borrowing.

Areas situated within close proximity to central Albury are still in high demand by owner occupiers in the \$260,000 to \$350,000 price range. These properties generally consist of an original or partially renovated period style, circa 1930/40's single level brick dwelling with three bedrooms, one bathroom and situated on land approximately 600 to 650 square metres in size. Developing estates in Thurgoona (Mitchell Park Estate) and Wodonga (White Box Rise) continue to be popular with investors taking advantage of the proximity these areas offer to universities, hospitals and the army barracks. New dwellings comprising four bedrooms, two bathrooms and situated on allotments of 650 square metres are achieving rental returns of approximately \$385 to \$400p/w.

### WAGGA WAGGA

Its been a very hot start weather wise in 2010 in Wagga, although we don't expect that property prices will be quite as sizzling in the year to come!

We would expect that the investment market for units and low to mid range priced houses will remain steady with low vacancy rates and strong demand being experienced.

The first home buyers market seems to have cooled off slightly and is expected to pull back even more in the near future, partly due to the reduction in the FHBG and also due to a lack of available stock.

Land prices may increase slightly over the coming year as there is a lack of available land, and the subdivisions that are in the pipeline are predominantly owned by large building companies.

Steady population growth in Wagga has led to schools expanding, new shopping areas opening up, and good demand being shown in all sectors of the residential market. 2010 should see a general steady rise across the board.

## LEETON

In a region where the economy is heavily reliant on Irrigated Agriculture for both direct employment and to support local business, the market has declined significantly over the past 12 months.

The lack of rain to the region has only been one of the factors that has contributed to the market decline. The deduction of the first home buyers grant from the government, while it did encourage people to buy homes, once the funding was deducted little activity has continued in that market.

There is at the moment a large number of rental properties both in the lower and middle to high markets that are vacant and await tenants especially in the modern subdivision of Collina where the houses are being built for mostly out of town investors with the view of leasing them.

At present we are at the bottom of the market; a market which heavily favours the buyer. In our view we can't see improvement for 12-18 months, unless the shire has the rainfall of the west coast of New Zealand for a couple of months. Also if interest rates keep heading upward the improvement will only take more time.



## Regional Vic

### ECHUCA

Following a year of recovery in 2009, 2010 presents as an interesting proposition for local property markets in the Echuca/Moama Region. The tail end of 2010 saw some solid sales results in the middle to upper segments of the residential property market and a gentle re-entry into the marketplace by investors looking for neutrally geared or even positively geared properties.

The return in the middle segment of the market appears to have come about through the wave of activity in the lower segments following the first home owners boost, which has now permeated into the slightly higher segment of

the market. This segment has also been buoyed by local confidence levels, which appear to have improved slightly with people prepared to re-enter the market at higher levels - and in particular being prepared to pay premiums for quality homes/locations. Properties which appeal to local buyers as much as out of town buyers, are subject to the greatest demand and are selling in relatively short periods at levels of value at least equal to and more often higher than they were in late 2007.

If recovery continues throughout 2010, there may be an increase in levels of confidence for holiday properties/units which have struggled to attract buyers in the past 12-18 months period. There is likely to be ample supply in this segment following minimal sales activity in 2009 and sales of several holiday park development properties in 2009 (particularly in Moama) though the markets appetite is likely to be tempered somewhat by the size and pace of interest rate rises throughout the year.



### MILDURA

The resilience demonstrated by the Mildura community and residential property market in 2009 is expected to continue in 2010. However it is difficult to see significant capital gain occurring until we see sustained population growth. Across the board, gains of around 10% per annum through much of the last decade, coincided with population growth of slightly under 2% per annum, and the reality is, that this growth has tempered.

The upshot though, is that gross yields are now higher (typically 5.5% – 6.5% p.a.) than they were at the market peak in early 2007, and demand for rental accommodation remains strong. This will keep Mildura on the radar for property investors, and should see steady demand for low maintenance dwellings in the up to \$300,000 bracket.

*...gross yields are now higher, and demand for rental accommodation remains strong....*

One of the key contributors to the resilience in our community has been the large number of festivals and events that are staged here, and the tourist dollars that these events bring. Mildura is fortunate to have a wide range of events – ranging from sporting to cultural, and this not only brings in the dollars, but also keeps a sense of vibrancy in our community. The Murray River international music festival, which goes for 11 days is currently being held and the month long Mildura/Wentworth Arts festival runs from late February. Both these festivals attract world class performers and large audiences.



## Adelaide

Toward the end of 2009 there were definite signs of optimism returning to residential property markets. Auction clearance rates were improving and selling agents reported greater levels of enquiry for property across the board. Late in the year the First Home Owners Boost was removed with little apparent effect. Reserve Bank interest rate increases (and the threat of more to follow) however, appear to have exposed some fragility in the market in the post GFC era.

Residential building activity has slowed, although many builders have been able to maintain their work flow by picking up contracts from government driven ventures. Residential building activity is expected to continue in the outer areas, particular south of the city where the railway corridor is being extended.

The Urban Growth Boundary introduced in 2002 has limited the sprawl of residential development in the metropolitan area and will continue to contribute to the increases in medium and high density residential developments. Such development is already occurring, particularly in former public housing strongholds, where vast tracts have been cleared, allotment sizes fractionalized and homes of lightweight construction erected – apparently with good demand.

The quest to maximize underutilised sites has also given rise to a number of inner city high rise apartment buildings, however in the current economic climate, funding is increasingly difficult to secure. As a result, we anticipate fewer cranes on the city skyline in 2010, possibly increasing late in the year if (economic) confidence can be sustained!

The high end residential market was quite severely battered in the months following the peak of the GFC. Various government funded schemes propped the first home owner (and builder) markets which surged, blurring the delineation between low and mid price ranges and increasing activity in both sectors.

This activity however does not appear to have infiltrated the 'upper' range to any degree, causing values to wallow in uncertainty. In 2010 as the dust settles, economic stability and increasing consumer confidence are tipped to work to the advantage of the high end value sector which is expected to take off and make up for lost time.

In summary, increased activity is anticipated in the residential market in 2010. The forecast doom has not eventuated and opportunities are being identified as we emerge from our various hiding places. The high end sector is expected to lead the way in residential markets, with support from the reliable mid range sector. Apartment activity may ramp up in early 2011 and consolidation of inner metropolitan sites is expected to continue unabated – subject of course to continued consumer confidence.....



## Brisbane

Brisbane is proving to be the mythical "push me, pull you" from Dr Dolittle. The fundamentals in the plus column have been a constant feature for some time now. Continued migration to our little corner of paradise coupled with low interest rates and local economic enthusiasm should spell onward and upward growth for our residential sector. In the deep dark minus column however, affordability levels for both purchasers and tenants are now burning off some punters and inadequate infrastructure claims continue to dog the optimists. The lynchpins seem to be confidence and interest rates with some in our midst's speculating on a strong market recovery late in the year if holding charges can remain low.

Those operating in the first home owner sector had a grand'ol time in 2009. That segment proved a particularly buoyant performer with a combination of federal grants, low interest rates and high rents driving plenty of mostly young investors towards getting their feet wet in the home buyer bazaar. After the handout was reduced, some of the gloss went out of the market but it was soon polished back by investors confident the economy was returning to strong form.



Developers continue to try and entice the affordable end buyers and the new year is resulting in some areas trying out new product for the first time. Caboolture, Narangba and Burpengery in our northern suburbs are cases in point. These suburbs have mostly traded in the more traditional size allotment with many areas heading into rural lifestyle blocks but a local government push and keen eye for affordability has convinced developers to try their hand at lots up to 4000sqm. The sector is still to be tried out on the second hand market but the take by investors in Caboolture and Morayfield plus first home owners in Narangba has been encouraging. A word of caution though, do your research as there appears to be a number of house + land packages being sold interstate for well above local market value – a world of pain awaits these buyers.

Also of note is the quickly increasing interest from developers in mid-ring post war suburbs where the entry level into a multi unit site remains reasonably affordable. This sector slowed dramatically in 2009 but confidence is up and a number of banks have freed up their lending so

be prepared for plenty of unit activity in suburbs such as Carina Heights and Alderley.

In the heady heights of prestige property, the \$3.5M to \$5M riverfront sector has been having a slight struggle of late. This is a price point worth watching – enough dough to seriously splash out but not so much as to be in the “pay whatever it takes to secure it” category. If your lucky enough to be buying in this market, now might be the time to try your hand so you can see if your not feeling a little giddy with yourself come the end of the year.

All in all, heading into 2010 we are reasonably confident that the market will react to factors from both ends of the plus and minus column with net result somewhere in the middle. Interest rates will continue to play a large part in purchasing decisions and with rent increases beginning to slow in some parts, affordability for investors can seem shaky. That said, people just keep coming here to live and that can only bode well for those with the holdings. Don't be too surprised if, all things remaining equal, we find a year of modest growth with established inner and near city property showing a 5% to 10% growth rate in the next 12 months. Those further a field can still expect to remain in the black, albeit at less enthusiastic rates.



## Gold Coast and Tweed Coast

### GOLD COAST

Overall there will be a slow recovery with growth of between 2-3% for established housing. Interest rate rises, especially those above RBA base, will negatively impact consumer confidence and hence the residential market.

The main improvement will be in the \$500,000 to \$1,000,000 price range, whilst prices will remain mostly static up to \$500,000 ..... provided interest rate increases are kept to a minimum and flagged in advance. The market for housing and units above \$1M is lagging behind the more affordable housing and some price adjustments still to be made by sellers to meet the market, and buyers expectations. There is concern that recovering global markets. i.e China and India and their resulting demand for minerals/ materials may again cause a steady rise in building costs. This could lead to second hand housing becoming more affordable and subsequently more desirable.



The new unit market across the Coast's will remain soft. There have been limited new projects released and those under construction or recently completed hold extensive balance stock. It is expected balance stock will be 'mopped up' by year end with some developers having to discount to sell.

Rental markets have picking up which will encourage investors back into the market with increased rental yields.

Potential hot spots revolve around the development of the new Gold Coast Hospital and on-going expansion of Griffith University. Suburbs that may benefit from this include Labrador, Parkwood, Molendinar and Southport. Varsity Lakes and Reedy Creek will get some positive impact from the opening of the Varsity Railway Station. Also, the revamped Robina Town Centre will help Robina and surrounding suburbs.

Some positive news on funding and timetable for the light rail should impact on Southport down to Broadbeach, especially for low priced units in close proximity to the rail station whose occupants (eg students, elderly, disadvantaged) will benefit from improved transport infrastructure.

The gap between larger dry blocks and waterfront property in Mermaid Waters and Broadbeach Waters areas has never been so close. Maybe wet blocks are due for an increase. Paradise Waters, for many years the jewel in Gold Coast's prestige waterfront crown, was decimated during 2008 and early 2009 and has potential to see strong gains especially for Nerang River frontage.

Increased activity in beachside housing is showing signs of a recovery in Main Beach, Mermaid Beach and Palm Beach. There have been numerous sales of old cottages which are to be demolished for new housing. A post boom contract of \$2.2m was recently recorded for a knock-down in beachside street of Mermaid Beach. Palm Beach value levels still have room to increase given its proximity to the beach and the new developments which are under construction/have been built. Lowrise units in Palm Beach on the eastern side of the Gold Coast Highway are a good buy under \$300,000 being only 100m from the beach with no major road to cross. Also in Palm Beach, the small beach cottages in the Avenues (western side of Gold Coast Highway) under \$500,000 are still good buys given they are only a 100m to 300m walk from the beach.

### BEAUDESERT VALLEY

With the government decision to proceed with Bromelton as an inland port, there is still speculation about what impact this will have on values in the immediate area. Queensland Racing (Horse) is also looking at taking over the Beaudesert Race Track and improving it. This has seen some renewed interest in equine properties in the area, however, no significant recovery in value terms has yet been realised. The re-alignment of boundaries with Scenic Rim and Logan saw some problems last year as developers were held up with getting plans registered and titles issued. This seems to have been resolved.

Investors are starting to return to the market as rents have increased slightly, there are opportunities for owner

occupiers to pick up some bargains as people gravitate back to more urban areas - affordability driven.

## TWEED HEADS

The holiday coastline south of the Tweed continues to show weak returns on investor/holiday apartment style complexes with recent sales showing significant price reductions over the past 2-3 year period. These units would appear to have found new price levels and vendors prepared to meet the market are selling.

The lower end of the market is performing well with minor increases in pricing and strong levels of enquiry. In the middle to higher end of the local market, ridgetop properties with views in areas such as Terranora, Banora Point and Kingscliff appear to have potential for capital growth as local buyers are returning to these areas; their priority to secure better land content. This trend is indicative of a shift in the market away from beachside estates with more generic sites and limited privacy.

Canal front properties at Tweed Heads and Banora Point continue to perform well and represent possibly the most stable sector of the market, where prices are expected to show positive growth.



## Sunshine Coast

On the Sunshine Coast, just as we thought that the property market was going to kick into gear, we had three interest rate rises in the last three months of 2009. Ouch. Whilst these increases haven't completely killed the market, they certainly have sent some shock waves, leading to a certain amount of caution.

It would appear the removal of the boost to the first homeowner's grant has really put the brakes on the entry level market (Sub \$500,000). Affordability in this sector has been significantly reduced on the back of the aforementioned interest rate increases, therefore some mortgage stress may be felt.

Through the middle market (\$500,000-\$1,500,000), we have seen an increase in activity over the past couple of months. Rising business confidence has certainly helped second and third home buyers to effectively make a decision. Values still remained relatively flat, however the good news is that they have certainly stabilised. We believe this will continue throughout 2010 with purchasers being interested in properties where they are being perceived to get a good deal.

*...values still remain relatively flat however, the good news is that they have certainly stabilised...*

The upper end prestige market continues to be hit and miss. It would appear that the vendors that were pressured to sell have been able to get out. This has left vendors that are more stable, and with confidence returning, activity

could improve even further over the coming months. Values however are expected to remain relatively static.

Units on the Sunshine Coast continue to have substantial levels of supply. Investors are returning to the market, albeit cautiously, but are only interested in good deals. Values also are expected to remain relatively flat.

A real danger on the Sunshine Coast is the lack of land, especially affordable land. The control of land is in the hands of a small number of developers who are effectively controlling the supply and therefore price. There is certainly no doubt that government charges are not helping, nonetheless, the lack of affordable vacant land may have a detrimental effect on the coast's economy given its heavy reliance on the building industry.



## Southern Queensland

### TOOWOOMBA

Toowoomba has been off to a sluggish start this year, with many agents reporting limited interest over the Christmas period, with the biggest drop in sales volumes seen to affect the 1st home buyers being mainly due to the restructuring of the 1st home owners grant. This is in contrast to the last 6 months of 2009 where there was evidence of an improvement in sales volumes between \$350,000 and \$600,000 with some individual agents reporting an improvement in the top end market segment.



The main drivers for 2010 which will affect our market are expected to be;

1. Affordability - Like 2009 our # 1 prediction for growth in the year ahead is the affordability of our housing in comparison with other cities which should attract both owner occupiers and investors to Toowoomba.
2. Employment opportunities - Australia wide unemployment percentages fell again in December for the second consecutive month with the Australian Bureau of Statistics reporting an eight month low of 5.5% down from 5.6% in November showing a continued underlying confidence from employers and probably supporting how resilient our economy is. On the local scene unemployment rates are reported to be around 4.0%.
3. Interest rates - Generally the consensus is for interest rates to increase to 7.55% by June 2010 and 8.05% by December 2010 which could cause mortgage stress

for those property owners with limited equity and job insecurity resulting in over anxious sales and a return to the rental market.

4. Rental availability - The availability of rentals at present is very low and is predicted to firm as University students enter back into the market as well as additional pressure of new employees moving to the region in the 1st quarter of 2010.
5. Vacant land availability - The availability of vacant land has always been limited in Toowoomba and is already undersupplied with developers reporting long delays in approvals. Moving forward it doesn't look like improving as developers continue to find it hard to obtain finance for projects and the rising costs of headwork is reducing the profitability of new projects.
6. Water availability - Water is set to improve with the completion of the \$167 million pipeline linking Wivenhoe Dam to Cress brook Dam, which will secure Toowoomba's water supply network.
7. Fuel prices - The price of fuel is predicted to rise as the world's economy begins to recover which will only have a negative affect here locally due to the distances of freight and produce.

The suburbs which are likely to experience the best growth are those in close proximity to services such as schooling, parks and shopping. This should include the eastern suburbs and those in close proximity to the CBD.

It is predicted that the western suburbs will level off and be not so bullish like last year when they benefited from an influx of 1st home owners. This is mainly due to the distance from services. However this should be softened by the general affordability of housing in these suburbs and the new shopping centre to be constructed on the corner of Glenvale and Greenwattle Streets .

Therefore keeping these issues in mind, plus a renewed confidence from investors and the continued influence from the energy and mining industry, we are predicting a better than average recovery over 2010 in comparison to the general consensus of analysts that; the market will make a slow recovery with slow to mild growth in 2010 and increasing in 2011. Dependant on the availability of finance, low unemployment percentages and consumer confidence. All in all, it is predicted that the Toowoomba market including Highfields should improve. The general prosperity, work availability in our agricultural, mining, energy, construction and commerce sectors will maintain household income.

## KINGARROY

Generally since 2001 Kingaroy has shown good positive growth and is considered to be a strong stable regional centre. Over the past few years the announcement of many proposed energy and mining projects has created hype within the marketplace. This has prompted a number of non local and local developers and investors to speculate the increase of workers to the area and build new residential accommodation, pre-empting the lack of supply.

Initially the announcement by Tarong Energy to construct a coal conveyor belt to carry coal from the nearby Kunioon mine to the Tarong Power station initiated the start of the hype by reporting that up to 750 jobs would

be created during the construction phase. This was then followed later by a number of other mining and energy projects such as; the Coopers Gap Windfarm, which was expected to start construction 2010 and be operational in 2012 and the application for a permit by Volcan Holdings to explore for bauxite on land around Kingaroy. To date these projects are still on hold however Cougar Energy has already constructed an underground gasification plant to the south of Kingaroy which is due for testing and evaluation early this year.



Currently there appears to be a surplus of project homes under construction, listed for sale and listed for rent. Whilst there is limited evidence of reduced values at present with agents reporting relatively low vacancy rates, and a number of investment properties being occupied by employees of the Cougar Energy project, we highlight that 2010 may require a degree of caution as many of these projects are still awaiting development approval. This may increase the risk of reduced values as these projects are delayed/extended or cancelled. In addition the media is reporting that projects such as Coopers Gap Wind Farm may employ 200 people to build the towers, however on completion only 12 to 15 people will be required to operate the farm. This cycle is same for many other projects in the Surat Basin influencing markets such as Dalby, Chinchilla, Wandoan, Taroom and Roma where it has been witnessed that stable markets can become volatile due to the migration of work forces.

## THE SOUTHERN DOWNS

The Southern Downs and satellite villages/townships south of Toowoomba have seen stability in values regardless of a fall in sales volumes. In recent times there has been some high value sales showing that even the upper price range properties did not suffer any severe effect as a result of the GFC (with the exception of some panic sales, or sales of properties that had been marketed for extended selling periods at above market prices). There appears to be some increase in demand for rural lifestyle properties within commuting distance of Toowoomba.

Warwick has seen continued development of new homes and new vacant land estates. There remains a large supply of vacant land in Warwick, and we have seen a number of these land estates developed with homes for rental investment purposes - many of these properties have been leased within short periods of time, however we are sceptical as to how long this rental demand can remain. Rural residential properties in Warwick have been thinly traded, with limited evidence of upward movement in values during the year.

Stanthorpe continues its slow but steady plod, with no negative effect in values evident throughout the GFC.

It remains a stable market, typically occupied by owner occupiers with a steady but not oversupplied rental market.

## IPSWICH

The residential property market in Ipswich remained stable throughout the closing months of 2009. Although sales volumes reduced, the median price has remained at approximately \$300,000. The slowing in demand has continued into 2010 and at present the market is stagnant. Local agents have reported a lull in enquiries since December and although the market is experiencing a slow patch at present, the outlook for 2010 remains positive.



For the Ipswich residential property market to recover it will require a shift of investors back into the market. Since first home buyers left the market in mid 2009, we have not seen an upturn in investor activity to make up the shortfall and the latest home finance figures demonstrate this. Australian housing finance commitments for owner-occupied housing fell a further 5.6 per cent in November and total housing finance by value fell by 1.6 per cent. Investor finance commitments for the purchase of dwellings for rent or resale rose by 1.0 per cent.

Reports of decreasing unemployment and increasing consumer confidence are adding to the assurance that we are headed for an improved economy in 2010. But other economic factors such as low interest rates and availability of housing finance will contribute to whether investors move back into the market. If the economy continues in recovery and interest rates are kept at low levels by the RBA, we expect a lot more activity in the market towards the middle of 2010. This will likely generate an increase in prices towards the end of 2010.



## Central Queensland

### ROCKHAMPTON

The market for 2010 is expected to be strongly influenced by our low vacancy rate, interest rates and the strengthening mining activity in the Bowen Basin. The Rockhampton Regional Council is expected to introduce new infrastructure changes in the second half of 2010. These new changes will increase costs of land development and are expected to slow any potential for a housing lead recovery in Rockhampton in 2010.

Our expectations are for a slow market in the first half of 2010 dominated by owner occupiers, although investors will be attracted by the low vacancy rates and potential for rental increases. Overall, prices should hold or slightly improve. As 2010 begins we have noticed an increased interest in residential units at Yeppoon, with a number of developers going through a due diligence process prior to committing funds. Should these projects all commence, investors will have a range of options as this market emerges.

## BUNDABERG

The outlook for 2010 in Bundaberg appears much brighter. Sugar prices are at a 30 year high and the affect of the Global Financial Crisis was mitigated by the First Home Assistance scheme for established houses. The sub \$350,000 market is relatively strong with investors coming back into the market and there is good rental demand. The vacant land market has been more adversely affected and sale volumes declined significantly. Sales through house and land packages has been the most active and this is likely to continue into 2010.

Bundaberg is still one of the cheapest property markets and one of the most affordable places to live.

There is a substantial supply of Coastal units in the \$500,000 to \$1,000,000 range. Sales volumes declined in 2009 however, enquiry appears to have improved. This is a sector that may require caution but may also present opportunities as the oversupply reduces.

## HERVEY BAY

2010 is shaping up to be an optimistic year for the Fraser Coast property industry. Steady population growth will continue to underpin demand for residential dwellings throughout the year. The local residential market appears to be slowly picking up, after a sluggish and cautious 2009. Local agents have reported that sales have increased especially over the last three weeks, with most properties selling within 14 days.

One local builder reported a genuine upturn in contracts for new homes to be built in the next six months. The driving market includes a cross section of owner occupiers to investors across the region. The Master Builders Association has recently received an elevated demand for new contract forms from builders backing up demand claims.

Residential units are currently oversupplied, and this trend looks set to carry on until existing stock is accounted for. Minimal interest from developers will no doubt diminish activity in this sector for some time to come.

The Fraser Coast Regional Council has copped a battering of negative press in the last six months, with developers and prospective business owners reportedly frustrated with an increase in development infrastructure charges and red tape. The new amalgamated Council has defended its performance, and is aiming to improve processes and formulate good working relationships with future business into 2010.

Housing estates which currently offer good value for money are attracting steady interest from buyers.

Augustus is one of these estates, situated on the fringe of Hervey Bay, and presently in Stage 2 of development. House and land packages start from \$299,000, with land selling from \$125,000. It is envisaged this estate will continue to attract first home buyers and investors into the year.

The long awaited extension to the Centro Shopping Centre is still under a cloud, with meetings between developers 'Leda' and the Council continuing. The Council have approved an application to bring forward the potential opening of the renovated shopping complex, however Leda have expressed concerns with regard to additional costs for the project.

The Main Street road upgrade is currently underway, which will allow traffic to flow more efficiently, particularly around the Kawungan and Urraween suburbs.

The new picturesque Hervey Bay Water Education Park 'Wet Side' which opened in December 2009, has been an outstanding success with both locals and tourists enjoying the first class facility throughout the hot summer days. Another new 'renovated' water attraction for the region also opened in December, called Golf'n'Games Waterslide at Torquay. These water attractions will no doubt have a positive effect on tourism, which may in turn generate more enquiry for property.

## GLADSTONE

Selling prices have steadied, and the numbers of listings has slowed, with a number of sales also taking place in the \$400,000 - \$500,000 market range. The sales in this market range may increase in number in 2010, as the vendors in the previously sub \$400,000 range look to buy upwards of \$400,000. The market is expected to steady over the first quarter of 2010, and possibly firm up in the second half of the year. The upward movement may however have a bit of a delay, should the progress of any of the major projects face any delays.

There are a number of new estates in the planning stages or currently under construction which will test the market over the next 12 months. Price levels are stable at the moment but considered to have potential to fall unless demand improves shortly. We expect the market to be subdued and under downward pressure into early 2010, as a consequence of the slowdown in the current economic environment and in particular job losses and reduced capital expenditure. The market is expected to improve after that as new large projects commence and confidence returns to the market. In particular the Gas projects have the potential add significantly to demand with large construction workforces.

Residential vacancies have fell in last weeks of 2009, and early 2010. This trend may continue as the LNG projects gain some momentum into 2010, and may push the rents upwards. There may well be a shortage of accommodation should one of the major projects get a go-ahead this year.

Proposed industrial projects include 5 LNG plants, nickel refinery and large port and rail infrastructure projects. These are still under assessment with possible start dates of 2010 and beyond. Recent reports within the Australian Financial Review (January 2010), indicate at least 3 major

projects, Gladstone LNG (Santos, Petronas partnership), Aust-Pacific LNG (Origin Energy, ConocoPhillips partnership) and Fishermans Landing (Arrow Energy, Golar LNG, LNG Ltd), that have a 30% plus probability of going ahead.

The proposed Wiggins Island Coal terminal at Gladstone will be built and owned by 18 coal companies, at a cost of \$4 billion. Construction is due to start in mid-2010, with operations commencing in 2013. Once up and running, the terminal will have the capacity to double coal exports out of Gladstone to 150 million tonnes a year.



## Cairns

The Cairns economy is still doing it tough, with the slowdown in its two major industries of tourism and construction having caused a large jump in unemployment, but despite the tough economic situation the property market is maintaining a high degree of resilience. Nevertheless, Cairns appears to be lagging the recovery that is now evident in many of the larger markets. In addition there are signs that the economy is starting to mend, and there is extra confidence arising from the announcements of extra domestic and international tourist flights into Cairns commencing from April 2010. Although we are expecting soft economic conditions to prevail this year as the recovery builds, especially in the first half, it should certainly be a lot better than last.



*...of longer term concern is the slowdown in residential development....*

Little change in the market is expected in the first half of 2010 on the expectation that; as the first home buyer impetus that prevailed during 2009 fades out and is progressively replaced by improved buyer confidence as the local economy starts to slowly recover. A continuation of flat to slow growth property prices is expected, at least until the start of the traditional buying season in July this year. Interest rates are the words on many lips, with the latest official interest rate rises being viewed by many locally as too much too soon while the local market is still finding its feet.

Of longer term concern is the slowdown in residential development with new house construction down – at an average of about 60 building approvals for new houses each month compared to a long term average requirement of about 100 per month – and new unit development at an almost standstill. This suggests that once the market starts to move later in 2010, there is the real possibility of supply shortages until such time as construction, especially unit construction, can be switched on again.



## Townsville

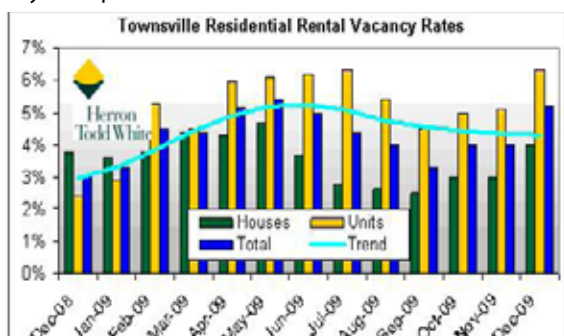
The property market like all markets will experience cycles. If we are home owners or investors we never want to see the upward trend come to an end, if we are first home buyers then we want prices to come down to a more affordable (cheaper) level. During 2009 the residential market moved through the bottom of the market phase and is now deemed to be entering the start of recovery phase.

The year ahead for our local market shows positive signs for continued recovery as confidence returns. Properties listed for sale are selling quicker than they were during the corresponding period last year and the overall market sentiment appears brighter. Over the 2009 year the median sale price of houses increased, particularly towards the later part of the year as a result of increased activity within the higher priced end of the market. Sale volumes picked up throughout 2009, despite dipping at the end of 2009 as a result of the First Home Owners Grant coming to an end and then a couple of consecutive interest rate rises. Despite these setbacks volumes are still trending above those in 2008.



Sales volumes for vacant land have started to claw back in 2009, buoyed in particular by one purchaser scooping up large amounts of land. The new unit market remains subdued however, with most activity occurring within the lower price brackets.

Vacancy rates throughout 2009 have been trending at rates higher than previous years as a result of first home buyers exiting the rental market and the flow on impacts of the GFC forcing tenants into break-lease situations. This vacancy rate is expected to tighten again in 2010 as economic conditions improve and fewer first home buyers depart the rental market.



The outlook for Townsville's residential market in 2010 should see a growing level of confidence and stability. Future interest rate rises as early as February could be a dampener on the rate of recovery, however the outlook for 2010 is a lot brighter than the corresponding time last year.



## Tasmania

### LAUNCESTON

What are the hit picks for 2010?

Well obviously the Kangaroos are a monty for the flag in September and the Aussies to clean up in India!

The tight rental market is expected to continue. While the government is trying to relieve housing stress the rate at which new (affordable) housing is reaching the market has not yet made an indent on demand. Thus we expect rental growth to continue. This should encourage investors to the market especially in those more solid/affordable suburbs such as Summerhill, Newnham and Kings Meadows. The reduction of the first home buyers grant has seen the percentage of the market fall from around 40% at the peak to around 20% by the end of 2009. With the reduction in buyers in this sector, investors may have the opportunity to enter the market in a stable pricing environment with rising rental growth and thus potentially higher returns (assuming a stable/fixed interest rate).

On the flip side a rising interest rate environment may dampen demand especially in the prestige price sector. This may lead to some price softening if the economy were to worsen. Historically the inner city, Newstead and East Launceston suburbs have maintained performance. The higher priced modern homes in Richings, Prospect, Newnham etc may experience a slight readjustment however. This could lead to buying opportunities as the year progresses.

If the pulp mill project were to secure funding and commence substantial construction, the regional township of George Town within the Tamar Valley, would be expected to benefit most. This could reignite this market especially if interstate speculative buyers were to again participate, as was the case a few years ago.



## HOBART

Well, another year is upon us and it looks as if the year will be interesting indeed. So it's time to knuckle down and pull out the crystal ball to look into the year ahead.

It is particularly difficult to assess the residential market in Hobart for the upcoming year of 2010. Hopefully the world economic conditions have settled and the market will stay relatively steady. Predictions overall are that the market will remain somewhat flat due to the current domestic and global conditions and the possible reality that forecast interest rates rises may also restrict volume of sales.

The market has been quite active in the sub \$250,000 category of late due to first home buyers. Throughout 2009, the market crept along slowly but values remained flat and even came off slightly in certain areas. This may be the same for 2010, however predicted unemployment rates, coupled with shifting consumer sentiment, may auger for a very flat market indeed. The reduction of the first home buyers grant has definitely seen the market slow.

One other problem is simple: affordability. This could prove to be the key for the year ahead. It is predicted that unemployment and interest rates will rise in 2010, placing more pressure on household incomes.

The status quo is expected for this year. It appears as if the market has stabilised. However interest rates may be the key to the success of the market.



## Darwin

Darwin has undergone several years of solid growth with the recent global economic turmoil, having had a detrimental effect on many other capital cities, has passed Darwin with relatively little impact. However 2010 offers a new range of challenges and with it new opportunities.

Darwin continues to grow and the recent period of growth resulted in a boom in rural residential living. The NT Government is currently undergoing a \$110 million dollar upgrade of Tiger Brennan Drive, transforming the transport corridor between Darwin, Palmerston and the rural area, making once remote areas far more accessible. This will make Palmerston and the rural areas far more realistic living options for people commuting to the Darwin CBD. We predict that these infrastructure upgrades will have a direct positive effect on land prices within the rural residential areas such as Humpty Doo, Howard springs, Virginia, Herbert and Girraween. We see the continued growth from previous years continuing as many Territorians seek the quieter surrounds away from the city and suburbia.

In addition to the infrastructure developments planned, commercial developments such as the highly publicized Coolalinga Mall, a large retail shopping centre including a 7 storey commercial complex, are planned for the rural residential suburb of Coolalinga (yet to be approved). Although this is unlikely to begin construction until

late 2010 at the earliest, the potential approval of this development is likely to increase confidence in this area to ultimately increase the amenity provided to the surrounding the rural residential areas.

Coming closer to town the new suburb of Bellamack in Palmerston is likely to be the big unknown for 2010. The release of 219 blocks ([www.bellamack.net.au](http://www.bellamack.net.au)) of vacant land will be a great test for a market which has been screaming out for land releases. We predict that it is likely to place initial pressure on surrounding suburbs, but as has been seen in Lyons, if staged correctly, growth will be realised as demand quickly satisfies the level of supply. This suburb has previously received a fair amount of bad publicity regarding the inclusion of a precinct designated by the N.T. Government for use as 'affordable housing'. We expect that as the construction of the subdivision becomes more advanced, purchasers may become more at ease with the amenity that will be provided.

Due to the reduction in 1st home owner grants effective as at 31st December 2009, it is likely that this segment of the market will ease somewhat throughout the beginning of 2010. At this stage we are predicting that investors will pick up some of the slack left behind by 1st home owners, ideally looking to capitalize on the low vacancies and good rental returns. Overall this is likely to create a stabilisation of pricing in the sub \$400k (entry level) market.

We feel that the large supply of prestige units and the timing of several recent large complexes such as One30, Wharf One, Pandanas and Arkaba are likely to oversupply the unit market for units above say \$800,000. Although the number of units selling within this price bracket is far higher than previously expected, there is a lot of stock yet to be absorbed by the market. The next release of Warf One is likely to add to this supply. We feel that this market is likely to remain subdued over the 2010 period.



We have already begun to see a shift in the unit market from 3 bedroom prestige style units to entire complexes of smaller 1 and 2 bedroom units designed for the investor and first home buyer market. This is likely to continue in 2010 as an additional means of satisfying the undersupply of homes. This has been firmly supported with pre-sales at the Avenue being almost 100% complete, with the majority of sold stock in this development being 1 bedroom and 2 bedroom apartments. Although the first home buyer market may be subdued we expect to see a greater amount of this stock becoming available in the next 12 months.

The previous few years have resulted in excellent growth for all residential property sectors within Darwin and the surrounds; this has largely been driven by a lack of existing stock, vacant land and boosts to both 1st home owner

and build start schemes. Stock and available land are still going to be driving forces to the demand throughout 2010, with Bellamack and other land subdivisions hitting the market, there is some potential for this to ease in the outer suburbs. We are predicting further escalation to land prices within inner suburban locations due to a lack of availability.

Rental demand still remains quite strong, given the large Defence sector, and the transient nature of the Darwin demographic we don't see this easing. Coupled with relatively low interest rates, we predict that the investment market is in store for continued solid gains, with demand for blue chip investment stock to remain buoyant.

Overall we predict that Darwin will continue to move forward, proving to be a difficult market to breach at the entry level, with the most solid growth being seen in the middle range, (prices from \$400k-\$700k).



## Perth

We approach 2010 with a level of cautious optimism as the real estate sector has gathered another head of steam on the back of WA's increasingly strong (although jittery) resource industry. Stock levels decreased through 2009, in line with increased first home buyer activity and pent up demand in the second tier markets. There have already been some gains in areas over the previous three months, however 2010 should see many opportunities for astute buyers.

In the northern suburbs, development sites through Innaloo, Scarborough and Doubleview should provide good opportunities as prices have decreased but demand for new strata units remains strong. Established dwellings in Carine, Duncraig and the surrounds appear well valued considering their proximity to the coast and accessibility.



Through the southern suburbs, Bateman, Kardinya, Bull Creek and Leeming should perform well as values appear very competitive with good infrastructure and easy access to the city. The traditionally strong suburb of Victoria Park should also perform well.

The Peel area generally remains oversupplied and buyers should be cautious, however there should be plenty of opportunities as prices are expected to remain low. In particular stock in the Mandurah area priced above \$750,000 has begun to be soaked up, but there are still plenty of opportunities.

## 1st Homebuyers segment

Performance will centre on interest rate decisions. The general consensus is that interest rates will continue to rise hence we expect renewed affordability issues to affect traditional first home buyer areas around the urban fringe. The winding back of FHOG to the flat \$7,000 will see less activity. Applications dragged by 13.5% from the September 2009 quarter to the December 2009 quarter.

## Upgrade Market

Demand in this segment built during the earlier parts of 2009, and then exploded into the market through the latter part of 2009. This depleted listed stock levels has resulted in a return to positive growth in many areas. We anticipate this to continue in the short term, although in a rather controlled manner.

## Prestige (over \$1m)

The market should continue to improve in the prestige market as stock levels are good, and prices remain lower than 2007 levels in many areas. There appears to be a fair few bargains for the brave, but buyers will need to be quick as activity in the \$750,000 to \$1.2m segment is increasing quickly.

Overall 2010 should see a return to a positive real estate market, and there should be plenty of opportunities for cashed up buyers. First home buyers may be squeezed out of the market, however there remains a pent up demand in the second tier and premium property markets which should continue throughout the year. The problem may well be stock levels with record lows of 10,400 in December 2009 off from 16,000 in December 2008.



## South Western WA

The prediction for residential property across South Western Australia is one of steady growth. Currently values have stabilised after the turbulent experiences of 2009 and developers in both Bunbury and Bussiton have indicated that the majority of their available land stock has sold out. Development of new land is lagging and this is likely to have the effect of increasing land value in the short to medium term.

Margaret River would appear to be the exception to this, with significant numbers of lots still available in the subdivisions south of town. Values here are likely to remain steady throughout the year.

The flurry of development from the first home buyer market has ceased however there appears to have been some investors returning to the market prior to the interest rate rises in December.

The activity at present appears to be from existing home owners upgrading, so market activity continues to be steady.

A number of infrastructure projects particularly in the Bunbury region are likely to have an impact on the number of people moving to the area. These projects include the Binningup Desalination Plant, the expansion of Alcoa, Simcoa and Worsley refineries, the expansion of

the Collie coal mine and the establishment of a fertilizer plant in Collie.

The upper end of the market was hit hard during the GFC but has appeared to have recovered albeit not yet to the high levels pre GFC. It is anticipated that these values will continue to rise throughout the year.

The proposed new Town Planning Scheme for Augusta-Margaret River is likely to come into effect sometime this year, which will provide greater security for home owners and developers in the region and could see increases in values particularly in the higher zoned areas close the town of Margaret River.

A smaller high density unit development was tested last year with the completion of a development in Margaret River. The outcome appeared to be very positive as all of good quality affordable units in the development sold. Other presales from other developments under construction in the area are also selling well.

The region however is still affected by seasonal influences as the markets increase in the summer months when tourism is greater and tending to be quieter during the winter months.

Short term tourist accommodation units were affected by very low demand during the GFC and it is anticipated that demand for this style of property will increase gradually during the year back to value experience prior to the GFC.



## Commercial Overview

When the economies of the world went into freefall in late 2008, it looked as if many in the office sector would have to swallow a very bitter pill indeed. There was without doubt some difficult times, particularly at the start of the year when many tenants were choosing to sit tight and see how it all panned out. Fortunately the latter half of 2009 has seen the beginnings of some upside and there is a picture of restrained optimism coming to bear in many of the markets around the country. This month's 'Month In Review' helps put into perspective where the office market sector is likely to find itself over the next twelve months.



## Sydney

While the economy continues to stabilise after a less than impressive year for commercial real estate, the outlook for the Sydney office market over the next 2 to 3 quarters seems relatively positive thanks to an array of recent positive economic outcomes. These indicators have seen unemployment levels fall, inflation increase to 1.3% and the cash rate skyrocket 0.75% to 3.75%

With the Australian labour market proving to be one of the most resilient in the world, unemployment figures once expected to tip 7.5% have now been re-evaluated as figures trend downward to 5.5%, providing improved prospects for office space demand.

This means a 'reset valuation benchmark' may be achieved in 2010, as what the market initially perceived as a potentially severe recession now appears to have only been a minor tremor. As supply side constraints affect the office market dynamics, price indicators should begin again to trend upward, which should improve investor confidence. These economic indicators, coupled with the flow on effects of higher levels of confidence and market sentiment, have been borne out by increased levels of inquiry and activity throughout the Sydney office market in recent months.

Sales activity is more than likely to trend upward for the next 6 to 9 months from a very low base. With regards to the upper reaches of the market (\$50 million +), interest has mainly come from private and overseas investors. However institutions, that have been net sellers since mid 2008, may soon re-enter the market in a bid to purchase the limited distressed stock in an attempt to capitalise on depreciated asset values.

The prime grade sector has been difficult from a sales perspective, as investor sentiment remained wary of further value level reductions, while vendors were reluctant to dispose of prime assets at knock down prices. Herron Todd White research indicates that investors believe that there has been a bottoming of the market and upswings are predicted towards the second half of 2010. The disparity between vendor and purchaser expectations has kept transactions of prime assets to very low levels. However there has been one prime asset sale which could prove to be a market setter, with the South Korea Pension Fund's purchase of the Aurora Place office building for A\$685m on a reported core yield of 6.70%. The building to date remains Australia's largest property purchase since December 2007.

Tougher credit conditions in the wake of the GFC have limited the office supply pipeline which is supportive of a 2010 upswing. Of the 9 projects currently under construction in the Sydney CBD (approx 225,000 sqm) that are to be completed over the next two years, 120,000 sqm is not pre-committed. Assuming no supply is added, supply averages will remain below historical figures. This raises the possibility that Sydney could have a supply constrained period ahead. Based on these figures, we believe CBD office vacancy to peak at 9.5% in 2010, less than half the level reached in the early 1990's recession. We expect rents to continue to stabilise throughout the year, while yields should tighten toward the end of the year. These conditions are expected to sow the seeds for the next construction cycle expected in 2012.

Based upon these trends it would appear that signs of stabilisation are occurring. Though nothing is certain and the market may still have a tough extended period of high rental incentives to endure, the argument could be made that the worst may now be behind us.



## Canberra

The ACT office market during 2009 showed resilience when compared to the remainder of the nation. Sales of institutional grade property within Canberra showed the strength of Government tenure of large 'A' grade, green star rated assets. Yields have remained steady with the most recent sale of 82 Northbourne Avenue, Braddon selling for \$44m and showing an initial yield of 6.94%. The property is tenanted by the Commonwealth of Australia on a 15 year term with fixed rental increases. This sale was another example of the taste that investors have for buying property with long term leases. Other highlights of 2009 included the sale of 64 Allara Street, City to a private company for \$18.5m showing a 7.00% initial yield. The property was leased to a local development firm on a seven year term with fixed increases. The largest sale within the 2009 market was the sale of building 'b' of the Australian Taxation Office. The property was sold for \$205m on a yield of 7.1%. The turnover within the ACT was market leading during 2008 with particular interest from international investors.



The outlook for yields is to remain stable and turnover is predicted to be lower than 2009 as the pool of long term lease office properties dries up. It is possible a number of distressed sales will occur as some funds with high levels of debt exposure or short term lease tails attempt to divest their assets.

*...if these spaces are absorbed by the market face, rentals should hold...*

The emergence of a two tier market is expected to continue with yields driven by the strength of cashflows from tenancies and compliance with new green star and NABERS ratings as the largest influencing factors. Secondary stock is expected to continue to remain in the 8.00% - 11.00% range.

The leasing market for 2010 is looking stable, with a number of newer developments nearing completion, vacancy of existing stock will increase in 2010. Most recently 1,400m<sup>2</sup> of a new development forming part of the Uni Exchange has been leased to a private sector tenant for a rental in excess of \$430m<sup>2</sup> with 20 car bays at \$4,000 per bay. Other leasing activity is nearing completion in the development with details yet to be confirmed.

Currently a number of Government Department expansions are being explored with a requirement for Centrelink to expand by 26,000m<sup>2</sup> and DEWR to expand by some 48,000m<sup>2</sup>, Department of Climate Change 15,000m<sup>2</sup>, and Human Resources 12,000m<sup>2</sup>. If these spaces are absorbed by the market face rentals should hold. It is envisaged that rental incentive will continue to increase into the 8% - 10% region keeping price tension within the market.

With a Federal election looming, the office market in the ACT will be cooling with Government spending generally being reduced or put on hold if allocation has not been granted and Departments less willing to commit to new leases or new space.



## Central, North & West NSW

### DUBBO

The Dubbo commercial market remains flat however has improved in recent months. Recent sales suggest a softening of around half a percentage point since its peak in mid 2008. The city's largest employer (Abattoir) has recently laid off its casual workforce and reduced productivity by about 50% due to limited export demand and shortening supply. The impact of this is yet to filter through the economy, but we would expect values and activity to remain subdued.

### BATHURST

The Bathurst commercial market remains stagnant with limited sales and leasing activity. We anticipate this trend to continue with no major infrastructure proposals mooted for the area.

### ORANGE

There has been significant commercial development in Orange over the last 12-18 months. Developers have speculated upon increasing economic activity within Orange due to the construction of a new regional hospital and continued expansion of the Cadia Gold Mine. Consequently there is an over supply of office accommodation with slow take up rates. The slow take up is in part, price related, with developers requiring gross rents of \$300 per sqm to make their developments feasible. Locals appear reluctant to commit to these price levels, although some Government Departments have committed at these levels. As a result we predict rental levels to be very flat over the next 12 months.

Commercial sales activity has increased in recent months and as confidence returns to the market we envisage this will continue. A rising interest rate environment may entice investors back into the property market looking for increasing returns on capital investment.



## Southern NSW & Northern Vic

### ALBURY

In the Albury-Wodonga region, most office space is in secondary locations being on the fringe of the CBD, second floors within the CBD and secondary business districts. The office market is expected to remain fairly steady, although there is talk that the ATO is considering relocating to a purpose built building which will leave a large (in area and proportion) office space vacant on the Albury CBD fringe. Depending on the details and timing, this may increase supply to a point that rental rates overall must fall to compensate - but no date for this has yet been set. Overall the office segment is no more or less affected by the GFC than any other segment of the market. Generally the market is expected to remain steady over the next 12 months.

### WAGGA WAGGA

The office market in Wagga Wagga is expected to generally carry on for the next twelve months as it has over the past twelve months. There has been few sales of office buildings and rents have remained stable over this period, with the same expected for the next year. There are no new large office developments on the horizon and we are not aware of any large companies looking to move to Wagga Wagga which could take up a large amount of office space causing a supply shortage.



## Melbourne

The Reserve Bank of Australia's monetary policy decision to increase interest rates three times since October 2009 is a good sign that Australia is well and truly through the worst of the global recession. However, the recovery within the Melbourne CBD office market is likely to be somewhat measured as the market adjusts to the newly stabilising economy. However, aided by a sharp increase in population growth, Victoria overall has performed well during the downturn when compared to other states.

According to Access Economics, CBD white collar employment is projected to increase by 0.6% in 2009/10, followed by further growth of 0.5% in 2010/11, and 2.4% in 2011/12. This should lead to an increase in demand for CBD office space. With no new construction forecast to commence beyond July 2010 and amplified by growing business confidence; an undersupply of office stock could potentially occur in Melbourne's CBD.

2009 has seen some big tenancy moves to the CBD (ANZ, Australia Post & BP) and this is likely to cause an increase in net absorption in the near future. Despite the relocation of tenants to the CBD, there is expected to be a gradual increase in vacancy rates until July 2010. However, reports show that vacancy is forecast to still remain below 10% in the short term.

Over recent years, the Docklands has emerged as an admirable office location and is the main core of construction activity in the Melbourne CBD. Six of seven current office developments in Melbourne CBD are located in the Docklands. Industry sources report that developments within this precinct will account for approximately 80% of all new stock that will become available by the end of 2010.

As institutional purchases have been limited by portfolio weighting and leverage issues, private investors have swooped on the opportunity to invest in a buyer's market during 2009. Many of the transactions have occurred in the popular Docklands precinct. Sales have however been limited and CBD transactions are at extremely low levels in comparison to previous years. Reports indicate that only eight significant CBD office sales have been completed since March 2009. The largest of which, was the sale of 15 William Street which was purchased by German fund manager Deka Immobilien Investment for \$166,650,000 on an initial yield of 8.91%.

This minimal amount of transactional activity is not forecast to remain at historical lows. We can expect that sales will increase throughout 2010 as the market has reached its bottom. As the economy and business confidence improves the outlook for the Melbourne CBD office market remains positive.



## Regional Vic

### ECHUCA

Throughout the 2009 year there was a relatively steady level of activity in this segment of the market with the most notable development being Centrelink taking up their purpose built premises in Anstruther Street behind McDonald's. There have been several new lettings in various stand alone buildings in the township but generally the absorption levels of stock has been slow and consequently there has been limited movement in the rental market with levels of rent appreciating only slightly above CPI.

Looking forward into the 2010 year there are few indicators to suggest any notable change in the marketplace, with several development sites failing to attract buyers throughout 2009 and several developments advertising for tenants prior to commencing to undertaking any works. With steady rentals and rising costs of construction, it appears that there are likely to be only limited opportunities for profitable development of commercial office premises into the coming year.

## MILDURA

The office market in Mildura has proven relatively stable over the past few years. There has been a trend for established small to medium businesses to own their premises, more often than not via a self managed super fund, and this has seen few properties come on the market. The relatively few larger premises, which tend to be occupied by banks and government departments, are mostly tightly held by local investors.

Rental rates for office buildings are typically between \$140 to \$180 per square metre plus GST and usual outgoings, and gross capitalisation rates have generally been in the range 7.75% and 8.5%.



Vacancy rates in the prime, inner city office precincts for small (less than 200m<sup>2</sup>) premises have been low. There are several larger buildings, with dated appearances, which have been harder to let. Two storey premises in particular are difficult to let in Mildura.

A 900m<sup>2</sup> office building, set on a slightly under 4,000m<sup>2</sup> site adjoining the Sturt Highway is currently being advertised for sale with an asking price which equates to a 7.7% gross yield. The approximately 10 year old building has been occupied since new by the NSW Department of Water and Energy and one of our local Catchment Management Authorities, and any sale will prove a good test of market sentiment.



## Adelaide

The office market in Adelaide is emerging from the Christmas hiatus and, at this early stage, appears to be gearing up for a positive year. At present the belief is that the market is in favour of lessees however this is expected to swing back toward property owners in the first quarter of 2010.

A number of city office developments are nearing completion and plans for at least one other have been dusted off to possibly start late in the year or early 2011. The subsequent increase in stock will see the usual shuffling around as tenants take up better quality space, leaving owners of lesser grade accommodation to review their options with respect to renovation or redeveloping.

The question being asked is whether confidence has returned to the market too quickly. This time last year we were scurrying for shelter as banks collapsed and the sub-prime fiasco hit its heights - now there is a cautiously

positive feel to the market. Certainly the effect of the GFC was felt in the local market but, as history has proved, Adelaide (and South Australia by extension) does not experience anywhere near the degree of fluctuation of our eastern seaboard neighbours.

Anecdotally, demand for office space in the northern areas and in mid north towns dipped significantly in direct correlation with the fortunes of the resource sector. As plans for exploration or extension of operations were deferred, so too was demand for office accommodation. The anticipated recovery of the sector, however should see demand for offices improve.

In conclusion, the office market is expected to rally in 2010. There is confidence in the market place at present, however the shadow of the GFC is ever present.



## Brisbane

The first half of 2009 saw demand for commercial property across the board fall dramatically as companies felt the pinch of the global financial crisis, decreasing staff numbers and tightening expenditure in anticipation of a significant recession. Towards the end of 2009 and in particular the final quarter, the Brisbane commercial office market witnessed an increase in activity including stronger leasing enquiry. With much of the turbulence of 2009 now behind us, Brisbane's commercial property is anticipated to start to stabilise somewhat throughout 2010, with South East Queensland's ever growing population, a reduced supply pipeline and signs of a revival in consumer and business confidence expected to assist this cause. The outlook for the commercial property market remains unclear, however, it would seem that most of the economic shocks have permeated the economy and investors are returning to the investment markets. Whilst it may be too early to declare that the economic recovery is in full swing, the early signs are positive.

On the other hand, after a record year of new and refurbished stock flowing onto the market around the city, the vacancy rate will no doubt continue to rise. This will have a flow on effect to the level of rents being achieved with landlords continuing to scale back their expectations after the dizzying heights of 2007 and early 2008. This adjustment is expected to be greatest in the CBD itself, with rents on the fringe beginning to approach a more sustainable level. As mentioned, supply is expected to decrease throughout 2010, with the only projects currently under construction in the CBD being the 38,000 square metre, six star green rated 123 Albert Street, which has a pre-commitment to Rio Tinto for approximately 25,000 square metres and the 63,000 square metre 111 Eagle Street, which has no finalised pre-commitments to date. Major fringe city projects in the pipeline for 2010 include "HQ" at 512 Wickham Street in Fortitude Valley, "Energex Building" at 33 Breakfast Creek Road in Newstead and "Waterloo" on the corner of Ann Street and Commercial Road also in Newstead.



GPT's 111 Eagle Street, Brisbane

After an 18 month period in which many investors exited the market, yields appear to have reached their peak, particularly in the CBD. As institutional investors begin to slowly re-enter the market, we expect yields to remain fairly stable over the next 12 months. Given all of the early positive signs of recovery, it would appear that the majority of institutions under pressure from financiers and debtors to liquidate portfolios, would most likely have done so already, with the general consensus around Brisbane being that bulk of the CBD "fire sale" priced assets have already transacted and as more investors begin to creep back into the market there will be even less opportunity to purchase stock at below replacement cost prices. As always investors looking for strongly performing stock in the fringe should look to areas with major planned infrastructure such as Bowen Hills, South Brisbane, West End and Woolloongabba. Locations which are set to wane in popularity appear to be Milton and Spring Hill, which have experienced the highest increase in vacancy rates over the past 18 months. As 2010 progresses we expect to finally see a greater disparity between the newer and older assets, as secondary and tertiary properties experience higher vacancy levels, lower rents and comparatively softer yields.



## Gold Coast & Tweed Coast

### GOLD COAST

Back in pre-GFC 2007 the Gold Coast office market was characterised by historically high values, historically high rents, modest lease incentives, and an extremely low vacancy rate. However, the storm which started brewing in early 2008 has since battered this market and now, in early 2010, the landscape we are negotiating is a vastly different one. So where exactly are we now, have we seen out the storm, and what is in store for the year ahead?

As mentioned in the November 2009 edition, the biggest issue impacting the Gold Coast office market is the oversupply of floor space. According to the July 2009 PCA statistics, the vacancy rate across the market sat at around 20%, a massive increase on the July 2007 rate of 5%. We consider it unlikely that the vacancy rate will decrease through 2010, and it may in fact increase as some new projects are completed.

The combination of the oversupply of stock and the impacts of the GFC, have resulted in an overall softening in demand, a softening in value levels and rents and an increase in lease incentives. However, through 2010 we expect levels to stabilise.

At present, landlords are being forced to be much more negotiable than in the past. Landlords unwilling to negotiate may find sitting tenants relocate or that vacant space will remain empty. Rents have softened across all grades of buildings and gross rental rates for good quality modern buildings would now generally range between \$350 and \$400 per square metre per annum, plus rental for carparks. This is a decrease of around \$50 per square metre from the peak, however, as incentives have also increased, the effective decrease would be even greater.

On the positive side, due to the current soft conditions there will be some good leasing opportunities, and some good buys around (particularly in the second hand market). Also, as we are now starting from a lower base, capital growth prospects over the medium term are improved.

A recent example of a good buy is the sale of the City Pacific buildings at Broadbeach Waters. These comprise two contemporary style buildings with a total lettable area of 3,017 square metres. They sold "mortgagee in possession" in late 2009 for \$9,500,000, and were 23% leased and 77% vacant. We have analysed the sale price to reflect a floor area rate of \$3,148 per square metre, and a yield of 9.21%. These rates are quite soft for the Gold Coast market.

There has been a lot of hype about Green Star rated buildings over the past few years, and it is certain that over years to come more and more green features will be incorporated into both new and older buildings. However, in the current tough economic climate, the reality is that tenants are not yet prepared to pay premium rents to occupy Green buildings and, consequently, Green developments are not overly viable for developers.

In terms of the office development market, there will be limited activity due to poor fundamentals, i.e. fairly high cost of sites, difficulty in securing finance, high infrastructure charges, fairly high building costs and soft demand from end users.

In summary, through 2010, we expect values and rents to stabilize at current soft levels, and incentives will remain high. The vacancy rate will remain high which will hold back any upward growth. Due to strong competition and high levels of stock there may be some good buys around, and some good rental deals to be struck. There will be fairly soft demand from end users and investors, however, properties with strong lease covenants (i.e. long leases to good quality tenants) will attract good interest from investors.





## Sunshine Coast

2010 appears as though it may be a difficult year for the office market on the Sunshine Coast. We presently have a large level of supply on the market in the Kawana Business Precinct, with limited demand and a slowing local economy, which is limiting demand across the sector.

However, that does not mean it is all doom and gloom. This type of market presents a number of opportunities for savvy investors. We have recently noted a contract on a \$5million plus holding of stratas, with ocean views, good exposure, national tenants and recently constructed complex at a passing yield of 10.5% or a reversionary yield of about 9.5%. This type of property if offered in 2007 would have noted a yield in the 7% - 8% range and is indicative of the quality of property available.

We also noted a sale of a new stand alone property in late 2009, leased to the State Government at a yield of approximately 7.5% with a purchase price in excess of \$10 million with a 15 year initial lease term.

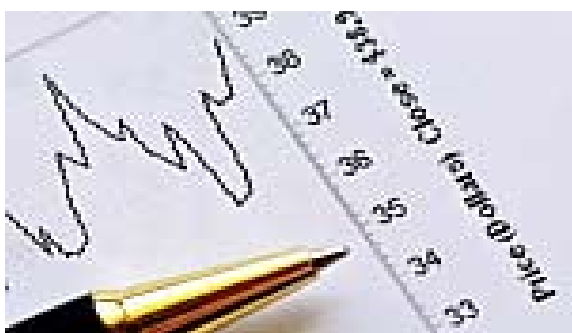
These types of properties offer strong passive returns even if capital growth is limited over the next 3 – 5 years.

Owner occupier demand, which was previously driving this office market, particularly for strata titled product, has basically dried up in the area. Therefore, developers and investors alike are looking for strong tenants, with a preference for national type companies, when developing or purchasing office property in the area.

There has been some drop in effective rentals over the past 6 months with the market definitely turning to be a tenant's market. We have noted an increase in incentives including rent free periods and fit outs offered as ways to maintain 'face' rentals and attract tenants. While the market remains oversupplied this is likely to continue.

We would recommend that anyone looking to purchase office accommodation in the area, as an investor, should place emphasis on the quality of the tenant and lease covenant, rather than purchasing space with a view to finding a tenant in the current market.

If you are an owner occupier looking to purchase space, you definitely have more choice than 2 years ago and you are likely to drive more 'bang for your buck' as a result.



## Southern Queensland

### TOOWOOMBA

In 2009 there was reduced activity in both leasing and sales in the Toowoomba office market. Here's a look ahead to what could be in store for 2010:

**Leasing & Rentals** – Similar to 2009 the leasing market is likely to remain slow with less activity than the peak of the market in 2006-2007. Vacancy rates will likely continue at similar levels with above average lease-up periods for smaller to medium sized tenancies. No increases in rentals are expected in this sector and the introduction of lease incentives could result in slightly reduced effective rentals. There does appear to be a limited supply of larger sized tenancies (500+ square metres) available for lease which could result in higher rentals if new accommodation is to be constructed.

**Sales & Yields** – There were very few commercial investment property sales in 2009 with vendors holding properties rather than selling at higher yields. The number of transactions will likely increase in 2010 as vendors adjust their expectations to meet the market. The Toowoomba office market has a strong owner occupier quotient with good demand expected for quality smaller buildings with good car-parking.

**Development** – Commercial office development is expected to be slow in 2010 due to the below average leasing market. There will be less speculative development as developers seek a high proportion of lease pre-commitment before commencing. The softening of yields also means that developers need to seek higher rentals to make projects feasible which could be difficult unless a larger sized tenancy is required.



## Central Queensland

### ROCKHAMPTON

This time last year, we reported on the doom and gloom that looked certain to hit the Central Queensland region as the reality of the GFC and a decrease in demand for coal in China began to take its toll on the surrounding coalfields. Approximately 2,000 jobs were lost from Moura to Moranbah and many were anxious that they were set to join the unemployment lines as projects were placed under review and or on hold.

The latter part of 2009 and now 2010 presents a brighter outlook for the coalfields. Waratah Coal has announced intentions to establish a new coal mine, railway and coal stockyards along with supporting infrastructure to export

high volatile, low sulphur, thermal coal to international markets. The project provides much needed new rail and port infrastructure in Central Queensland to ease existing congestion and facilitate expanded coal export to the growing world market.

Additional employment is created with up to 6,000 employees during construction and 1,500 permanent employees for the long term operation of the project. The project will generate additional expenditure in the regional economy as local suppliers, service providers and contractors participate in the project. The project's estimated total development cost is AU\$7.5 Billion. (Source: Waratah Coal Pty Ltd).

Sale volumes across the entire commercial sector decreased throughout 2009 and it remains to be seen whether projects of this nature will instil confidence in the market once again.

The office market in Rockhampton is a compact local market not directly reliant on the coal industry. It is supported by a broad range of industries such as government, education and local professional traders. The market has remained relatively unchanged.

*...additional employment is created with up to 6,000 employees during construction....*

The completion of the refurbishment of both the Headrick's Building at 189 East Street and the ex-Post Office at 80 East Street has delivered quality office space to the market. Rents begin at \$200 per square metre net and agents report that there is good enquiry but they are yet to secure leases. There are also various refurbishment projects underway for owner occupied property in the office sector.

Rental rates throughout the city are steady and reflect rates of \$150 – 250 gross per square metre. Vacancy rates are relatively low. The market has not set any records and there have been few sales. However, it has not shown any signs of decline.

2010 is a difficult year to predict as confidence levels remain seemingly low and interest rates are likely to have an impact on overall sentiment. We suspect that the market will remain relatively unchanged.

Little has changed in the office sector in the past twelve months and new buildings have been generally developed for owner occupation with users taking advantage of relatively low interest rates. Often the cost of financing has been less than previous rental commitments. There is also evidence of consolidation in the professional services area. Opportunities would still exist to refurbish older style buildings but the opportunities are diminishing as several larger spaces have recently been occupied by medical tenants. Building new premises may be compromised by the exodus of builders into the education regime to satisfy the recent federally funded school building programs. There have also been few recent sales with some activity in late 2008 including 189 Musgrave St for \$1,235,000 at a yield of 8.4% and 190 Bolsover St for \$1,495,000 for partial owner occupation. Other commercial activity revolves around further development options in the fast food precinct in George St. While the sector is relatively stable

and safe there are probably better options in the Central Queensland market.

## BUNDABERG

2010 is expected to be a stronger year in Bundaberg and this includes the office market. Confidence is returning and the anticipated improvement in the sugar industry should supply some fuel to the improving confidence. Enquiry levels for office leasing is up from the prior low levels with agents reporting that many existing tenants are looking to upsize or downsize from their current premises or relocate to somewhere with higher exposure.

A number of recently completed office projects have started to fill. The increased activity should provide viability for more projects to proceed. Rental levels that had stabilised or reduced and should start to increase again as vacancies decline. Yield rates have stabilised in the 8.5% to 9.25% range.

Investors and their lenders will be seeking the security of income and properties with stronger lease terms will be favoured.



## HERVEY BAY

The next 12 months will see the completion of three commercial office developments within the Hervey bay CBD and fringe area. 'Devenio' along Main St is nearing completion, 'Signature' along Torquay Rd has cleared the site and 'Lakeside 2' along Liuzzi St is seeking pre-sales. Oversupply is still a concern however to date, rental rates appear to be remaining relatively steady for prime locations. Secondary location could however see an increase in available space and falls in rental rates as tenants relocate into newer premises either upsizing or downsizing to a more highly exposed location.

Leasing up periods remain slow to steady and incentives are still prominent in any negotiations.

Investors seem to be more active with yield rates above 8% as a starting point and strong lease terms securing income are necessary to attract a buyer.

## MACKAY

Little new office space development has occurred in Mackay since the late 1990's and over the period since, most space has become occupied; in fact there is no vacancy of good quality space in the city.

The State Government (and its agencies) is by far the largest occupier of office space in Mackay. State

Government departments and agencies occupy only four (4) state owned office complexes. This ratio of state owned office accommodation to rented accommodation in Mackay is one of the lowest in regional Queensland cities.

The State Government has recently issued a 'Request for Expression of Interest' for the provision of 3,500 to 5,000 square metres of fitted out A grade, 5 Green Star rated office accommodation with availability for occupancy by 31 July 2011.

Four (4) sites have been short listed. If the proposal proceeds it will need to set new rental benchmarks, but will also leave a trail of well located and reasonable quality space for the market to absorb.

We are aware of development approvals for at least a further 22,494 square metres of office/commercial space in the city, but at a rental ceiling in the mid to upper \$300 per square metre gross range, there is a huge gap between project cost and project feasibility.

If the State Government proposal sets new rental benchmarks, this could be the trigger for other office space development. The risk here is that the market could quickly move from under-supply to over supply, particularly when, except for Government tenants, there is little depth in the demand for premium space.

Recent sales of commercial properties indicate around \$2,700 to \$3,900 per square metre and investment yields in the mid to late 8% range.



## Cairns

The Cairns office market underwent considerable expansion through 2007/2008 and the fruits of this expansion have been seen with the completion of several new office buildings over the past 24 months. In addition construction of the new \$79.5 million State Government office tower is now well underway and due for completion later this year. These new developments have averted the undersupply situation that previously existed and we are not aware of any major new office developments planned for the near future.

The strong pressures on office rents, which saw rents for quality tenancies typically rise from \$275 per m2 per annum in 2007 to \$360 per m2 per annum in 2008, has also been relieved and while these rents have been sustained during 2009 and into 2010, our view is that

rents have stabilised. No upward further movement in rent is anticipated in the short term.

The new developments have now been mostly fully let and have sedated the present spate of office demand. However once the new State Government office building is completed in 2010 we expect some fragmentation of the market to emerge with a two level scenario likely to eventuate. Modern good quality office buildings will remain in high demand and sustain rent levels, but we expect an oversupply of older and/or lesser quality stock to eventuate which is likely to put downward pressure on rent levels for this standard of product, at least in the short term.

Yields for commercial properties in general in Cairns have eased back by about 10% from the record low levels observed at the start of 2008.



## Townsville

The office market in Townsville's CBD experienced an increase in vacancy rates within the early part of 2009 rising to just under 18% according to our July Herron Todd White Office Survey. This increase in vacancy could be attributed to a number of factors including the flow on effect of the GFC with businesses downsizing and rationalising floor space as a means of saving, the centralising of offices and new stock entering the market.

The year ahead for the office rental market is expected to remain patchy as business confidence and the overall economic conditions continue to improve. Preliminary indications from our January 2010 office survey reveal that A grade office space has seen a decrease in vacancy rates however, there has been little change to the vacancy rate of B grade space. There are a number of new office buildings proposed within Townsville's CBD, having a combined NLA of over 23,000 square metres. The development of any of these new buildings could threaten the level of supply and would require significant commitments to make them viable in the current market. Rental rates for office space in the CBD will most likely remain stable during 2010 as vacant spaces are absorbed.

The Flinders Mall redevelopment, which is due to commence construction work in March of this year will see traffic again opened up through Flinders Mall for the first time since the 1980's. This is expected to generate renewed interest in general in the City Centre.

The office market is currently at the bottom of the market cycle with supply and demand remaining low. For the year ahead the office market is likely to remain patchy in vacancy rates, and static in terms of market activity.

*...“A” grade office space has seen a decrease in vacancy rates...*



## Darwin

A great new initiative by the Property Council of Australia! At last, Darwin is a part of its national Office Market Report. The launch this month will provide up to date information on vacancy rates and other matters; these have been sorely missed by the property investment industry and prospective tenants here. Developers have been stumbling around in the dark on this and other fronts.

It will be important to note the cut-off date for its compilation, as it arrives after a time of rapidly rising rentals. While we do not make predictions, in the late 2007 we observed that conditions in the Darwin market matched those referred to by DB RREEF as preceding rapid rental rises.

That forecast turned out to be correct. It could not have been applied to Darwin without possessing the knowledge which will become more generally available thanks to the PCA. At the time, almost all upper floor rentals were under \$300 per square metre. Now, the latest new leasing agreement is for over 1,700 sqm at \$470 psqm. That was for top flight accommodation, but similar areas are being leased in A Grade accommodation in the mid \$300's.

With rentals at this level, the vacancy levels with quality offices remaining very tight, and several major CBD office developments in architect's in-trays but with none in immediate prospect, it has become viable to build office towers in the CBD again. Some relief is being provided by Toga's Waterfront Development. With 11 of the 14 strata office developments now having been sold in its Stage One, about 4,500 sqm of office space could come on stream in Stage Two. Construction is to commence later this year.

New height and setback regulations in the CBD will make it difficult for some sites to be developed to the potential they possessed before these regulations. The full effects of these regulations are yet to be tested by the market. Some developers are considering on-selling their sites; others are converting some of the floors at first intended for residential development into offices, resulting in mixed use developments (office development also has certain potential parking advantages over residential), and others are still planning to go ahead as time and resources permit.

Outside the CBD there is good office space available, and more under construction, at Parap. There is also a three storey plus basement development of office/showrooms planned for Coonawarra Road Winnellie, and space available at Cascom and nearby, which adjoins Darwin's retail hub of Casuarina Square. The Osborne family's "The Avenue" precinct behind their successful "Hastings over Mindil" development will also provide good new commercial space. A major retail development recently approved at Coolalinga will have a large office tower.

All of the above is happening in an atmosphere of continued optimism in Darwin. The November 2009 Sensis Business Index reported that, at 69%, the Northern Territory recorded the highest level of confidence among SMEs. Tasmania (at 66%) and the NT are the only ones over 60%. The ANZ Job Series confirmed Sensis's general trend observations but with figures even more favourable to the NT. In the Newspaper Job Ad series, the ANZ reported the NT having a percentage change over the year of almost 29%, with again Tasmania being the next best, at nearly 10%. Third was the ACT at 3.5%: all the other states were negative.



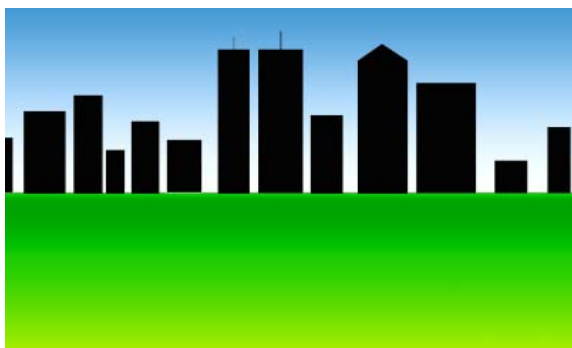
## Perth

The 2009 calendar year experienced high volatility in the asset markets, significantly reducing values in the Perth office market and although conditions appear to have stabilised from the last quarter of last year, the year ahead is most likely to mimic the volatilities seen across the other asset classes. The previous year proved just how sensitive commercial office property values are to external economic factors, especially the global financial market following the collapse of Lehman Brothers. Despite Australia and more specifically Western Australia experiencing relatively mild corrections from the pressures brought about by the Global Financial Crisis (GFC), office vacancies in the Perth CBD grew from effectively zero to approximately 8% by year's end, yields increased and prices fell.

Both occupancy and value declines stabilised by the last quarter of 2009, with improved business and consumer confidence, buoyed on by the positive news of continuing high demand for our resources and the expansion of the mining sector, particularly the LNG sector.

Our focus in this discussion will be on critical factors which we predict will remain constant in contrast to the more common transitional aspects of the office property market. Most property analyst forecasts focus on the stage of the property cycle and describe the current office property market in terms of stabilisation, recovery and some further describing the shape of the recovery with a lot of attention to primarily on the premium end of the Perth Office market. However, the corrections to the office property sector has been varied with the most dramatic value falls being experienced in the outer metropolitan markets such as the south eastern corridor

with sale rates dipping around 30% from the peaks in late 2008. Clearly Perth's Office market was impacted by global economic and financial circumstances. Despite the losses incurred in these markets following the onset of the GFC, soon after a lot of commentary centred on the resilience of our market and claimed this resilience was due to the 'decoupling' of our economy from the rest of the developed world. Moreover, analysts of and participants in, the asset markets, typically focus on 'cycle' characteristics. Recent years have been characterised by all asset market pricing set increasingly by sentiment, particularly in the stock market, with many transactions merely speculative. Interestingly some analysts are beginning to consider more traditional approaches suggesting that pricing is becoming increasingly out of step with likely returns and more importantly risk. Focusing on cycles necessarily lends itself to fluctuation as it encourages investor participation based on what stage of the cycle a particular asset class is situated, rather than of the individual economic and financial characteristics of the asset being purchased. Compounding this general market instability is also a lack of proper understanding, or indeed proper information, on other relevant variables which currently impact or are likely to impact Perth's office market, such as high government spending, central bank control, climate change (in terms of both global warming and proposed government policies to prevent further warming) and reduced competition in the banking sector. All asset classes are becoming increasingly sensitive to more extraneous variables which often impact the markets in opposing ways. These behaviours will therefore increase the volatility of Perth office market values.



High Government spending will remain and acquisition costs will remain high. Government spending dramatically increased following the onset of the GFC and will undoubtedly place pressure on inflation and currency values thereby increasing the cost of lending. In combination with the lack of competition in the banking sector it is anticipated that further rises in interest rates will continue this year. The greatest impact of higher interest rates will be on the development side of the property market; hence we anticipate little new development over the course of 2010. The obvious impact of restricted supply is an upward pressure on pricing. However, the property asset class is lumbered with high acquisition costs due almost entirely to Stamp Duty.

Buyer profiles will most likely remain the same. While the Perth CBD, West Perth and inner city office markets at the premium end has seen relatively little investor activity (mostly private, aside from the notable \$95M sale of the ATO Northbridge purchased by the German property fund Deka Australia Two, at an approximate passing yield of 10.2%). National institutional buyers have all but disappeared from Perth's office market, and with

a limited buyer pool turnovers and values are tipped to remain relatively subdued. The outer suburban markets have been even less active, with owner-occupiers being the only significant group of buyers purchasing and low demand for rental space in these markets will not see the return of investors. Therefore it is likely that participant buyer characteristics will remain similar over the course of 2010. National institutional investors are still predominantly in stabilisation or early recovery phases and tight lending conditions are likely to remain, as many lenders are still avoiding further exposure in this market. The lack of institutional investors in the premium end and smaller private investors in the suburban office markets will undoubtedly exert a continuing downward pressure on pricing.

Western Australia will remain dependent on a single economic base. A lot has been made of the strength of the Chinese economy and its high demand on our resources, which will continue over the course of 2010. On the other hand clearly the Chinese export markets of the US and Europe are debt ridden and will struggle with their recoveries. It is for that reason difficult to ignore the threat of a significant contraction in demand for our resources which directly impacts the demand for office space in the Perth CBD and inner city markets, which inevitably flows on to the suburban office markets. On the other hand increasing demand inevitably increases demand for office space which results in rising rents and higher values.

This discussion has looked at factors affecting the property market which is predicted to remain relatively constant over 2010. The factors exert different pressures on Perth's office market with some exerting upward pressure, other downwards and others adding volatility. The points discussed do not attempt to cover all the variables which impact on Perth's office property market, merely a sample to perhaps elucidate on the risks associated with acquisitions in this market. Overall the factors discussed suggest that Perth's office property market will not move significantly this year. In Perth's premium CBD and inner city markets, investor activity will remain subdued with purchasers looking for high yields with strong and reliable cash flows. The outer suburban office market will most likely continue to be dominated by owner-occupiers.



## South Western WA

Here we are at the start of February and it feels like Christmas was yesterday.

2009 was a quiet year for the Bunbury commercial sector in all areas from office to retail to industrial. The question is, will 2010 be better or much of the same. For the optimists the large number of infrastructure projects set to go, can only spell a positive boost to the local economy and with the ongoing migration to the area from both national and international origins, I would tend to agree in the residential sector.

We are however not so bullish about the commercial sector as most of these projects are run out of big city offices and consequently the demand for office space

in the south-west is not likely to be greatly affected. Currently there are several development sites in the centre of Bunbury that have had various proposals for commercial/residential highrises but none have been able to make the numbers add up at this stage.

There is a surplus of industrial land available in the area at present with extra supply in Australind coming on stream to exacerbate the issue, all of which doesn't bode well for the short term value of that market.

The retail market seems to be the only area which is bubbling along as evidenced from a large vacant building being leased after some time on the market and other sales of smaller spaces being seen. The increase in population mentioned previously can only help the sector and make the purchase or leasing of space more viable.

So in summary it looks much like more of the same for at least the first half of the year. The potential bright spot is the investors who are at least expressing some interest in being involved and with the gradually improving world economy they may find ways to make projects work that were dead and buried only 6 months ago.

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## Rural – Market Directions

2009 was a tough year for most rural producers and markets throughout Australia. We had ongoing drought for most of the year in many regions and the ongoing effects of the Global Financial Crisis / Credit Crisis, to name a few challenges, all resulting in a lacklustre year for sales activity and rural property values. The GFC was the catalyst for a tightening of the banks lending criteria and increased scrutiny of debt serviceability and was a major factor in subduing market activity.

As the saying goes, tomorrow is another day, and I would think that everyone would be happy to leave the past year behind and look forward to bigger and better things in 2010.

The general feel on the ground is that maybe we have seen the bottom of the market in many sectors. Confidence levels are up with widespread rainfall received during the Christmas/New Year period a welcome relief for many dry catchments, and hopefully should result in a substantial increase in feed and a relaxation of irrigation restrictions, at least in the short term.

Other factors generating confidence in the year ahead include the world sugar price, which continues to surge and is currently at a 30 year of 28 Us c/lb for the March 2010 contract. Also, sheep meat prices continue at record levels, and it is likely that in some markets, property investment may shift from beef domination to properties that have the ability to fatten a premium lamb.

Challenges and uncertainty for the year ahead include monetary policy, with an upward trend in rates likely. The current high Australian Dollar is dampening confidence, particularly in the beef industry. Unfortunately drought and fires persist in some southern areas and recent rainfall was not enough to seriously raise water storage levels. One of the major concerns is the wine grape industry. Our offices in Leeton and Mildura report poor wine prices for the 2010 vintage, which is further stressing an already depressed industry.

The above challenges are nothing new to rural producers. We all know that the rural industry is the most resilient of all sectors in the Australian economy and producers will meet these challenges head on as they always have. Herron Todd White looks forward to working with the industry in 2010 and contributing to a positive future for all concerned.

Danny Glasson Ph: (07) 4057 0200

1 February 2010



## NORTHERN CENTRAL AND WEST NSW

General underlying confidence levels have risen in January which is a direct reflection of the heavy widespread rains that fell over the Christmas/ New Year period. Falls were generally in the 75mm to 125mm range however some areas in the north around Coonamble and Brewarrina encountered falls of 400mm in short periods leading to reasonably serious local flooding. Land holders along the Lower Birrie, Bokhara and Castlereagh Rivers received some beneficial flooding. Whilst irrigators along the Barwon/Darling system have had further opportunities to harvest flood waters with the necessary pumping trigger levels being reached. This will auger well for cash flows in the Bourke and Brewarrina areas.

Available feed levels in the Brewarrina, Goodooga and Walgett areas are substantial and we would expect to see an increase in the numbers of agisted stock as landholders look to increase cash flows in the short term. Current rates have softened a little with dry cows at \$4 per week and cow and calf at around \$5-\$6 per week.

In keeping with our January routine we like to outline our predictions for the coming year:

- Irrigation water values will plateau and soften from the current levels in the Macquarie and Lachlan River systems as the purchasing of allocations by the Government begin to reach levels which will allow the desired environmental outcomes to be achieved and

which will see value levels set by other irrigators and investors.

- We will see continued strengthening of the northern NSW market with new benchmark levels being set for dry land cultivation in the Walgett area.
- Continued difficulty in selling irrigation holdings in central NSW with price levels being maintained at the current levels a best case scenario.

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## CENTRAL TABLELANDS

On the central tablelands, central slopes and ranges, sales activity remains low with limited demand. Demand from high income urban based investors continues to be very low as the economy is still adjusting to the fall out from the global financial crisis and the dry conditions experienced over the majority of 2009.

Value levels remains under minor downward pressure for tableland grazing country as vendors are now considering accepting lower purchaser bids. The suppressed beef market and the expectations that the \$A will remain strong is dampening beef producers confidence levels and their desire to expand. Sheep meat prices are continuing at record levels and it is likely that the focus of property purchases may shift from beef domination to properties that have the ability to fatten a premium lamb.

Whilst the heavy rain in December and January was extremely welcome, the overall impact on irrigation water storages was relatively minor and additional rain will be required in the autumn for dryland croppers to become excited. Irrigation water & land values will continue to be under pressure until allocations increase to traditional average levels.

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## SOUTHERN NSW

### ALBURY

A new year and new challenges face us.

A relatively small area of southern NSW and a large area of north eastern Victoria has been experiencing a great season which petered out late in the season, resulting in generally low crop yields. Many areas did not receive spring rain to fill grain, and a week long spell of around 40 degrees in November generally halved anticipated crop yields - a disappointing end to what was a great season up to that stage. However, it was a great season for pasture and many properties running stock had bulk feed which resulted in a huge amount of hay being pressed. It also saw an escalated fire risk, and this area suffered two large fires. One was to the north of Albury in a generally rural residential area and around 7,000 hectares was burnt, and the second was in the Upper Murray area around Tooma.

This fire burnt around 10,000 hectares. Large numbers of stock were lost, many unharvested crops were burnt, 10 or 12 houses were burnt and many sheds were burnt. Luckily there were no deaths and only one fairly serious injury.

Unfortunately (or fortunately - depending on how you view it) most of the area to the west and north of the small area experiencing a good season is still in the grip of drought, and there is little to burn. Crop yields were also well down, with many crops turned over to stock or cut for hay.

The spring selling season has finished on a high note in this area, with close to 100% clearance of rural properties that were offered for genuine sale to the market at realistic asking prices. Like many areas there are properties on the market at unobtainable prices and I have no doubt that many of these properties will remain on the market until potential vendors become realistic with their asking prices. Most properties that sold were transacted at strong prices that show little, if any, decrease in price.

Good news on the irrigation water front - due to the heavy rainfalls in central and northern NSW, water allocations have just been increased in most of the irrigation areas down this way. Allocations on the Lower Darling have increased from 25% to 100%, Murrumbidgee General Security water has increased from 15% to 18%, and Murray General Security has increased from 10% to 13%. At least some irrigators will have water to kick pasture off in autumn or pre or post water cereal crops.

There is still a fair bit of summer to go, and we are all looking forward to a good autumn break and some cooler weather.



### WAGGA WAGGA

Harvest is over for another year and as we move into the start of a new year hopes are high that this year we will see an improvement in the conditions in the Wagga Wagga region. Good rain over the Christmas and New Year period has helped increase water supply for grazing properties, but came too late for last years harvest. After these good falls temperatures have at times been very high with hot dry winds drying out the land. The rainfall did little to major water supply dams, with Blowering Dam in the Tumut area dropping below the 30% mark.

On the rural property market front things have been reasonably quiet with few properties changing hands as most people take a wait and see approach to how the next twelve months will go. A number of properties have been on the market for some time and the outlook is that

this will remain whilst there are few people looking to get into the market with conditions the way they currently are. The next twelve months are not expected to see an increase in property values with the outlook that values will remain generally static with some values coming off a bit.

## LEETON

Well I guess if this was a newspaper, the headline would be:

“IF YOU HAVE THE CASH ITS TIME TO SPLASH!”

Following on the back of a winter season ranging from mediocre to poor, low grain prices, and poor general security water allocations for the summer season, the for sale boards are going up left right and centre throughout the region on broad-acre dry land and irrigated(rice) properties. Sellers have either had enough or are now under pressure from lenders to depart gracefully before the gloves really come off.

It is interesting to note many of the irrigated offerings come with little or no water entitlements as many sellers have taken advantage of the federal government paying well above market value for irrigation entitlements and sold in an attempt to boost cash-flow over the past year or so. While this strategy may have seemed like a good idea at the time, potential purchasers of these water-less properties have indicated that they are much less willing to pay for the added value of irrigation improvements on these properties as they are basically “dry-land”. This has been reflected in the Coleambally irrigation area over the past two years, where water-less holdings have been traded. Over the past year alone, in the Griffith region, traditional broad acre rice farm values have taken a hit of 30%, reflected by sales. Dryland values in some areas have also dropped by 10% over the same period.

Another industry feeling the pain in our region at present is viticulture. If you have a secure supply contract with a winery you may be keen to have a dabble in the market. I have lost count of the number of vineyards being listed for sale. With wineries canceling long term supply contracts early, many growers are facing the real possibility of having no market for their grapes. With harvest on our doorstep it will be interesting to watch the turn of events over next few months.

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## Regional Vic

### ECHUCA

With the 2009 harvest all but complete most farmers are now turning their eyes to what 2010 holds with some reservations, given the spate of very challenging seasons recently, while irrigated farms are also waiting with baited breath to see where allocations will finish up this season and what storage levels and forecasts might be for the 2010/11 irrigation season.

Dryland farmers have seen declining returns over the past 12 months with the markets for most grains and fodder coming some way off where they were last year. This is on account of reduced demand from local dairy farmers who are struggling under the weight of the dry season and low milk prices along with falling grains market. It is likely the prices for lamb growers will be firm into the coming season, though beef prices are likely to remain under pressure given the strength of the Aussie dollar and the impact it is having on the export market.

From the irrigation perspective the water market continues to beat the drums of the federal and state governments following the federal announcement of a further three short water tenders and Northern Victorian Irrigation Renewal Projects (NVIRP) publication of zones which are to be exempted from the 4% trade limit under the State-Commonwealth Water for the Environment Agreement (8 Jan 2010). The first of the new federal tenders is currently open and will run to the 29th Jan 2010 while the second and third will be run in early March and April while the new exemptions for parts of the Victorian system is likely to enable further water to be traded into the federal buyback. Designation of the exempt zones must be heeded as a flag for industry participants as non preferred irrigation areas according to NVIRP and its advisors.

Sales activity for 2010 is likely to be driven by consolidation of the irrigation district, with close consideration of the reconfiguration works, while dryland activity is likely to continue to roll along at levels similar to those in years gone and will hinge largely on confidence levels, the autumn break and expectation for rainfall across the growing season.

Contact:

David Leeds Ph (03) 5480 2601

### MILDURA

As a new decade commences we can only wish that the next ten years are much more favourable for all in the rural / horticulture sector and that we can report in our January 2020 MIR that we are coming off one of the best decades on record. Here's hoping anyway.

Back in the present, the cereal crop harvest across the area has concluded and whilst reported yields generally were considered average, the quality of grain was down in most areas.

There has been significant rainfall in the central and northern parts of New South Wales over the past month, which has boosted confidence particularly in regard to the livestock/grazing sector. Many selling agents have reported strong activity in Victorian livestock markets fuelled by graziers in those northern regions looking to restock. This has resulted in a firming of values for both sheep and cattle in recent weeks.

Picking of early season table grapes has begun, with yields appearing to be slightly below average with fruit quality being generally good. However, the industry locally in Mildura has been thrown into turmoil with the discovery of Fruit Fly in the past week. This detection limits access to some markets and whilst only a single female fly has been found, the Department of Primary Industry has enforced a 15 kilometre exclusion, Growers within this zone are required to put their fruit through cold disinfestations, a process that can take up to 18 days prior to sending to market.

As is the norm at this time of year a large proportion of table grape plantings have plastic covers in place to protect the vines and fruit against rain and storms that occur at this time of year (see photo).

There remains little joy in the wine grape industry with recently reported wine prices for the 2010 vintage being further depressed from previous years escalating the problem/distress that growers have in trying to make a living in this industry. Constellation Wines has reported the following levels to apply: Columbard \$120/tonne; Chardonnay - \$130/t; Sultana - \$155/t; Sauvignon Blanc and Gordo at \$180/t; Viognier \$150/t; Semillon \$210/t; Riesling \$250/t; whilst Cabernet Sauvignon, Shiraz, Pinot Nior and Merlot are set at \$250/t. At these levels it is likely that many growers will be forced to exit the industry.

A recent example of the depressed nature in this industry was the sale of a very good wine grape property at Ellerslie (60kms north of Mildura) adjacent to the Darling River for a touch over \$2 million. The property comprises a well improved wine grape vineyard of 124 hectares, which is planted to 116 hectares of Chardonnay, Shiraz, Merlot and Cabernet Sauvignon. Included in the sale is a 620 Mgl High Security Water Access License – equivalent to only 5.3 Mgl per planted hectare, with the plantings irrigated using a sophisticated drip irrigation system. Overall the sale shows around \$16,000 per hectare inclusive of water. Without the water entitlement the land, plantings and improvements show around \$2,700/ha.

Another 'corporate' style vineyard has recently been sold at Nangiloc (40kms south of Mildura) at a price we are not at liberty to disclose yet. The property comprises 163 hectares, planted to 10 year old wine grapes, which are now "out of contract" and had been abandoned over winter/early spring 2009. There was no irrigation entitlement included in the sale. The sale, after deduction for structural improvements and other allowances will show rates of below \$3,000 per hectare for the land, plantings and irrigation system.

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## SOUTHERN QLD

In relative terms, 2009 was quite a tough year. Whilst we started the year with good soaking of rain including floods in the north, the return of extremely dry conditions in the second half of the year coupled with ongoing uncertainty as a result of the Global Financial Crisis, impacted heavily on the rural industry in general.

Sales volume was down considerably and the market in general was searching for much needed direction that didn't really eventuate. The industry as a whole knew that there had been a gradual downward adjustment in land values since the peaks of late 2007/ early 2008, however finding the evidence to support those conclusions was extremely difficult.

Over the last four to six months we have begun to feel that a change is or has begun to occur. Whilst hard evidence that the market has 'bottomed' is still not readily available, there is an 'air' of expectation that 2010 should be a better year. Although it is early days, good rains have been recorded through much of the state, despite some areas having missed out to date.

The benefits of the rains have initially been felt in the saleyards as restockers come back into the market. Whilst this will not automatically lead to any sustainable land price growth, for growth to occur, activity must commence, which then must lead to improved and sustainable 'farmgate' returns. This is not expected to occur in the short term. Those potential purchasers, who to date, have kept their hands in their pockets, must be convinced that there is the potential for a longer term sustainable change.

February/March is usually the traditional period when properties first come onto the market. We are expecting to see this occur again this year with a general improvement in activity. However with two underlying provisos - the first being that good follow up rains must occur over the next four to six weeks, or the good start to the year will be wasted. The second major proviso to improved and sustainable market activity, will be the attitude of the banks. As a result of the Global Financial Crisis, their lending criteria tightened up quite considerably with limited credit been available throughout 2009. In one way the effects the Global Financial Crisis will have on the rural industry in general and the banks in



particular should indirectly be a good thing. We should see the introduction of a better, more comprehensive set of 'checks and balances' implemented by the banks to ensure that we continue to see 'good money follows good money' only. We need to see the 'recommencement' of activity for all the right reasons. The next two months in our opinion will be critical. We have already seen three consecutive rate rises occur in late 2009 and more are expected in the coming months. How all this will play out over the next 12 months is yet to be determined.

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## FAR NORTH QLD

2009 was a very slow year in terms of rural sales activity in all rural localities throughout Far North Queensland. It is hoped that 2010 will bring improved confidence and activity on the back of higher commodity prices and less market disruptions and uncertainty.

The Cassowary Coast Region, which encompasses coastal areas from Innisfail to Cardwell, was particularly quiet in 2009 with less than 30 sales recorded. This is in comparison with nearly 40 sales in 2008 and 2007 generating nearly 100 sales. 2007 was the highest recorded number of sales in a single year on record, with the high coinciding and being driven by the boom in forestry managed investment scheme activity (MIS). The forestry MIS sector in Far North Queensland is now totally absent from the market due to a lack of investors, schemes failing and legal challenges from local authorities as to the legitimacy of plantation forestry as an 'as of right' rural land use.



The sugar industry had an interesting year with the Mulgrave Mill selling out to Maryborough Sugar Factory, who also made an offer for Tully Sugar which, up to this point, has been rejected. In the mean time, sugar marketer Queensland Sugar has recently purchased a 10% share in Tully Sugar, which some say will be used to block Maryborough Sugar Factory from taking control of the Tully mill and threaten QSL's monopoly export arrangements for Queensland bulk raw sugar exports.

The end of 2009 saw a 30 year high in world sugar

prices, and prices continue to hold into 2010. The high prices were due to the failure of the Brazilian crop and unfavourable growing conditions in India, which dried up the world supply. The continued high price has not yet resulted in higher farm values, however has been used by growers to pay off debt and repair and upgrade machinery. Growers remain cynical of the ability of the high price to hold in the long term, and are therefore not yet willing to pay more for farm lands. However this has not stopped many existing farmers expanding their planting by leasing additional lands or converting land previously used for grazing or banana production.

The recently announced moratorium on water licences in the Wet Tropics area is not the start to 2010 that the banana industry needed. The State Government announced in January that the moratorium, which could last for up to three years, has been necessary to protect wetlands that provide nursery grounds for marine life and habitat for the endangered animals found only in the Wet Tropics. The Department of Environment and Resource Management claim the introduction of the ban will allow the State Government to compile a water resource plan, and also give security to existing farmers and water-drinking populations from Cairns to Ingham. The moratorium applies to groundwater, watercourses, lakes and springs. Possible negative impacts include stopping existing farmers from diversifying and expanding into irrigated bananas and tropical fruits. Farmers have not accepted the decision with public action meetings planned.

Contact:

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## NORTHERN QLD

Christmas has come and gone along with another year. Goodbye to the troubles of 2009 and welcome to a brighter outlook for 2010.

Things Rural – North Region:

**Cane:** 2010 is looking to be another year of good returns to the grower. Hinchinbrook crops were looking a little stressed until rains began in November/December 2009 while the Burdekin with its vast water supply always looks good.

The improvement in returns to cane growers has not been translated into major increases in the sale price of cane farms. Caution is still being exercised in farm transactions as growers are aware that their healthy financial returns do have a limited life span.

Robert Carey and his associates continue to appear positive about the prospect of having their new mill and co-gen plant in place near Ingham and ready to crush their share of the 2012 Hinchinbrook crop.

**Small Crops:** Bowen and other small crop centres are having a little break after Christmas and during the wet. Tomatoes were a disappointment for 2009 with abnormal competition from other centres resulting in poor prices

and an early end to the season. These centres are resilient and will recover and prepare for 2010. Sale prices for irrigated small crop farming land remain very high and would appear to have plateaued late 2009.

**Grazing:** The wet has begun with properties from Cape York to the lower end of our region receiving reasonable falls and signalling the commencement of the wet season for 2010. Some graziers in Cape York prior to the commencement of the wet, experienced bush fires resulting in significant stock losses to several properties and the following rain provided a welcome relief to all.

Property sales continue to be limited in numbers. There is some concern that property values could experience a downward adjustment during 2010 as more properties are tested on the open market. Many of the banks have adjusted their applicable LVR's with little adverse affect to the majority of property owners. Some property owners carrying too much debt will be expected to address the issue and this could force some properties onto the open market.

Sale periods are expected to be extended in 2010 and it may take a full 12 months or longer to dispose of a property. At present it would appear that sellers are not prepared to suffer any major reduction in established grazing values and are prepared to take a longer time period to dispose of a property than take a reduced selling price.

All indications at present for 2010 are not all doom and gloom.

- Live exports continue to grow out of Townsville and Darwin with some smaller shipments also to leave Karumba in 2010.
- Live exporters are saying they are prepared to pay around the \$1.60 to fill proposed early 2010 requirements.
- The property sales that have occurred to date do not reflect a "sell at any cost" mentality

We look forwards to working with the industry towards a positive future and a great 2010.

Contact:

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## CENTRAL QLD

Prior to Christmas most of the Central Queensland areas was experiencing particularly dry seasonal conditions following a wet 2009 January, with no significant rains received since. Grass reserves were very low coming into December however Christmas / New Year falls have freshened up the area and returned moisture profiles for summer plantings.

The Clermont district property "Albinia" is reported to have sold to a local grazing family. The property comprises 19,230 hectares of mixed forest and gidyea scrub with a frontage to the Belyando River. It is expected the sale will reflect a best area value under \$3,000/AE.

The adjoining "Linda Downs" (QLD) and "Tobermorey" (NT) aggregation west of Boulia has reportedly been sold to a Central Queensland grazing family. Details of the contract are still confidential, however value rates are expected to be below \$1,000/AE for the two holdings which comprise a total area of about 800,000 hectares (1.970M acres).

The central west district has had some sales activity running into the later months of 2009. "Elphin", located six kilometres south east of Alpha sold in August for \$8.385M W.I.W.O (\$6.85M bare). The property comprises 8,903 hectares of mostly cleared mixed forest and brigalow scrub. The sale indicates about \$770/ha (\$312/ac) or just over \$3,000/AE.

"Eastmere" located 100km north east of Aramac sold at auction in September for \$10.55M W.I.W.O. On a bare basis this resale is back on the mid 2008 purchase of \$8.5M (bare) by about 5%.

"Crewkerne" located north east of Aramac and part of the "Bowen Downs" aggregation settled in September for \$2.5M bare. This 10,437 hectare (inc. 2,181ha permit to occupy) predominantly mitchell grass downs block shows values at the sale price of around \$302/ha (\$122/ac) or \$3,150/AE for the GHPL area alone. Alternatively the sale shows \$259/ha (\$105/ac) or \$2,693/AE inclusive of the PTO area. The most recent sale is in line with the 2006 sale at \$2.5M and back on the 2008 resale of \$2.7. Both these purchases were for grass.

Western downs blocks in the Longreach and Barcardine area appear to be holding values well over the \$100 per acre mark. We are aware of a number of blocks currently under contract for over \$120 per acre and it seems that there is still money around from adjoining or nearby property owners.

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## NORTHERN TERRITORY

Predicting the path of the rural land markets over the next six months is not an easy task. The overriding theme may be that vendors in most rural land markets will have to be price realistic in order to achieve a sale in reasonable time. And it is our experience that vendors are gradually beginning to convert to this mind set. The rural land market across all sectors experienced unprecedented growth between 2003 to early/mid 2008, rising at somewhere around 25 per cent per annum (compound).



During this period, the financing of buyers into cattle stations or farming properties was hinged, to a large degree, on rising equity levels in rocketing asset values, and a little less on debt serviceability. The majority of banks are now being forced to look a lot closer at a rural property's ability to generate enough income to service debt. Judging by the lack of sales activity across the range of rural properties in the NT last year, this credit squeeze has reduced a large proportion of the buyer market that was so active for the seven year bull run. In January 2010, about eighteen pastoral properties (about 9% of all pastoral properties in the NT) and a higher than average number of freehold farming properties, are still officially on the market from 2009. We are aware of another three cattle stations to be added to that list in this quarter.

The majority are small to medium scale operations (say 5,000 to 15,000 head capacity) that traditionally attracted the non corporate buyer. The rural land agent has a fair job ahead of him to convert some sales given this high supply and pretty slack demand. However, our recent discussions with several local agents indicate that interest was definitely back on the increase before Christmas, with better prospects of sales than at any time over the past twelve months. We suspect that interest for some of these properties may come from private owners of existing cattle properties elsewhere in Australia (most likely Queensland) where the two properties would complement each other. An example of this was pretty close to being the first station sale for the year, when Tobermorey (NT) and Linda Downs (QLD) which straddle the border on the Plenty Highway, sold to Queensland cattlemen for \$17.5M WIWO. The buyers had recently purchased Tarlton Downs (2009) and will reportedly compliment their Queensland country with the style of cattle best bred on the Centralian land they acquired.

In the coming six months we should see how a combination of the end of the land clearing moratorium in the Douglas Daly, combined with the likely marketing of two Great Southern properties by their administrators,

will impact on land values in that district (particularly for land already cleared). Timber plantation companies such as Willmott Forests, GMO and Great Southern (since failed) dramatically boosted land prices in the Katherine/Daly basin. But the impact of the GEC has seen many investors in MIS schemes quit that market, and it would appear therefore that with reduced funding, the plantation companies may prove less willing to compete with dryland farmers, irrigators and cattlemen.

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Frank Peacocke Ph: (08) 8941 4833



## South Western WA

Meat and Livestock Australia (MLA) believes the Western Australian beef industry has weathered the worst of the uncertain trading conditions arising from the global economic and financial crises with early signals showing a comeback in beef demand. There are a number of factors which hinder any recovery including the value of the Australian dollar, the timing of turnaround in global economies and whether the southern drought recedes. Domestic and global beef demand was impacted by the financial crises in the first half of 2009 however, global economies appear to be staging a recovery arresting the slide in consumer demand for beef.

Western Australia has approx. 8% of Australia's total cattle herd. Cattle numbers peaked in 2006 at 2.39m head and have fallen to around 2.20m head in 2008. Numbers fell as a result of herd liquidation due to an un-favorable short term outlook. This fall occurred mainly in agricultural areas as against the pastoral areas where there was a more favorable short term outlook.

Beef production peaked in 2005 at 131,700 t cw and declined in 2006 as a result of the closure of Greens Abattoirs. This recovered to 121,700 t cw in 2008 with a 9% increase in slaughter numbers over the previous year. Recovery in slaughtering followed an increased export focus by beef processors and a reduction in live exports due to difficult seasonal conditions.

Beef exports are predominately to the Asian region with Japan, South Korea and Indonesia making up 66% of the market. Japan is the most important taking 26% of beef exports followed by Korea with a 22% share. There has been a substantial increase in exports to Indonesia which now takes a 22% of beef exports. The Russia market is expanding albeit from a low base while traditional markets such as the United States, Canada and Taiwan for manufacturing beef are declining.

The live export trade is dependent on two markets, Indonesia with a 58% share and Israel with a 22% share. There is a small market for high value dairy/beef breeding cattle to China, Mexico and Kuwait. Russia is also seen as a potential future market for dairy/beef breeding cattle.

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## Comparative Property Market Indicators - February 2010

The following pages present a generalised overview of the state of property markets in Capital City, New South Wales/ACT, Victoria/Tasmania, Queensland, South Australia/Northern Territory/Western Australia & MENA locations using financing risk-rating scales. They are not a guide to individual property assessments.

For further information contact Rick Carr, Research Director, Herron Todd White, on (07) 4057 0200, or by email on [rick.carr@htw.com.au](mailto:rick.carr@htw.com.au)

## Comparative Analysis of Capital City Property Markets



To discuss the applicability of the Capital City indicators to individual properties or situations, contact your local Herron Todd White office:

Sydney	(02) 9221 8911
Melbourne	(03) 9642 2000
Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Adelaide	(08) 8231 6818
Perth	(08) 9388 9288
Hobart	(03) 6244 6795
Darwin	(08) 8941 4833
Canberra	(02) 6273 9888

## Comparative Analysis of New South Wales/ACT Property Markets



To discuss the applicability of the NSW/ACT indicators to individual properties or situations, contact your local Herron Todd White office:

Albury	(02) 6041 1333
Bathurst	(02) 6334 4650
Canberra/Queanbeyan	(02) 6273 9888
Dubbo	(02) 6884 2999
Gosford	1300 489 825
Griffith	(02) 6964 4222
Leeton	(02) 6953 8007
Mudgee	(02) 6372 7733
Newcastle/Central Coast	(02) 4929 3800
Norwest	(02) 8882 7100
Sydney	(02) 9221 8911
Port Macquarie	1300 489 825
Tamworth	(02) 6766 9898
Tweed Coast	(02) 5523 2211
Wagga Wagga	(02) 6921 9303
Wollongong	(02) 4221 0205
Young	(02) 6382 5921

## Comparative Analysis of Victorian/Tasmanian Markets



To discuss the applicability of the Victorian/Tasmanian indicators to individual properties or situations, contact your local Herron Todd White office:

Gippsland (Sale/Traralgon/Bairnsdale)	(03) 5143 1880/ 03 5176 4300/ (03) 5152 6909
Horsham	(03) 5382 6541
Melbourne	(03) 9642 2000
Murray Mallee (Swan Hill)	(03) 5032 1620
Murray Outback (Mildura)	(03) 5021 0455
Murray Riverina (Echuca/Deniliquin)	(03) 5480 2601/ (03) 5881 4947
Wodonga	(02) 6041 1333
Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

## Comparative Property Market Indicators - February 2010

The following pages present a generalised overview of the state of property markets in Capital City, New South Wales/ACT, Victoria/Tasmania, Queensland, South Australia/Northern Territory/Western Australia & MENA locations using financing risk-rating scales. They are not a guide to individual property assessments.

For further information contact Rick Carr, Research Director, Herron Todd White, on (07) 4057 0200, or by email on rick.carr@htw.com.au

## Comparative Analysis of Queensland Property Markets



To discuss the applicability of the Queensland indicators to individual properties or situations, contact your local Herron Todd White office:

Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Bundaberg/Wide Bay	(07) 4154 3355
Cairns	(07) 4057 0200
Emerald	(07) 4980 7738
Gladstone	(07) 4972 3833
Gold Coast	(07) 5584 1600
Hervey Bay	(07) 4124 0047
Ipswich	(07) 3282 9522
Mackay	(07) 4957 7348
Rockhampton	(07) 4927 4655
Sunshine Coast (Mooloolaba)	(07) 5444 7277
Toowoomba	(07) 4639 7600
Townsville	(07) 4724 2000
Whitsunday	(07) 4948 2157

## Comparative Analysis of South Australia/Northern Territory/Western Australian Property Markets



To discuss the applicability of the South Australian/Northern Territory and Western Australian indicators to individual properties or situations, contact your local Herron Todd White office:

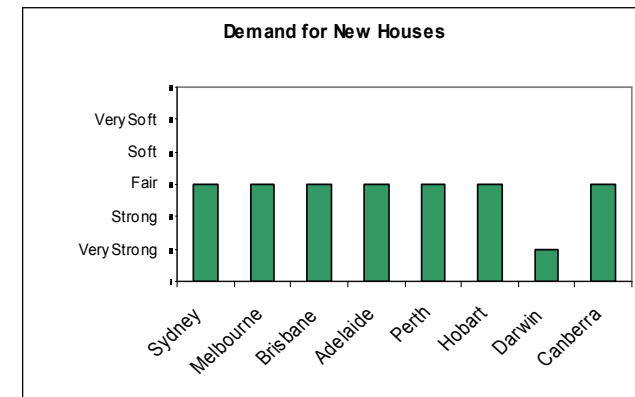
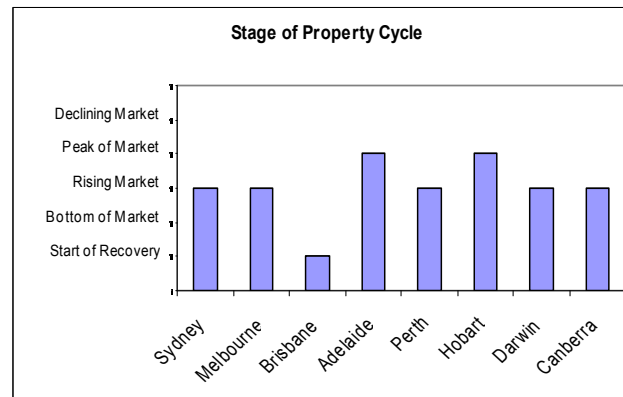
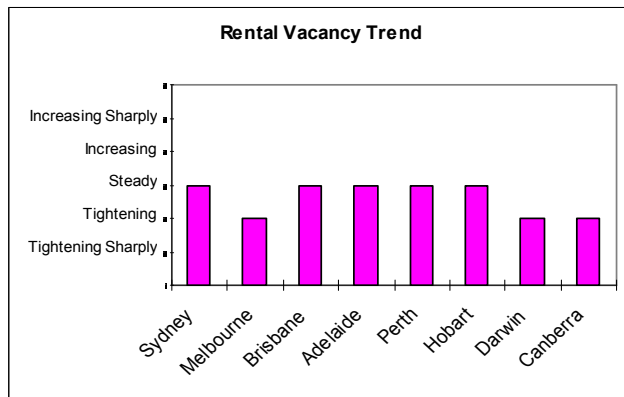
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

## Capital City Property Market Indicators as at January 2010 – Houses

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

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

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

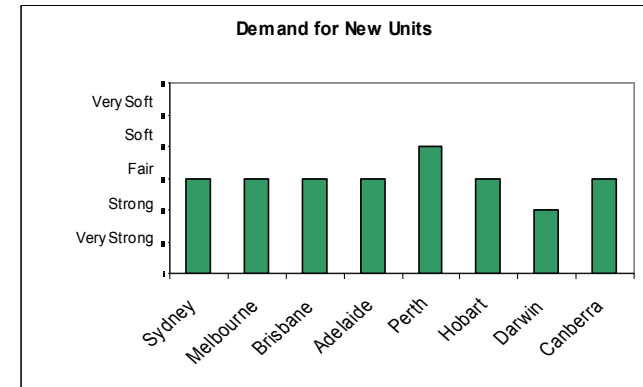
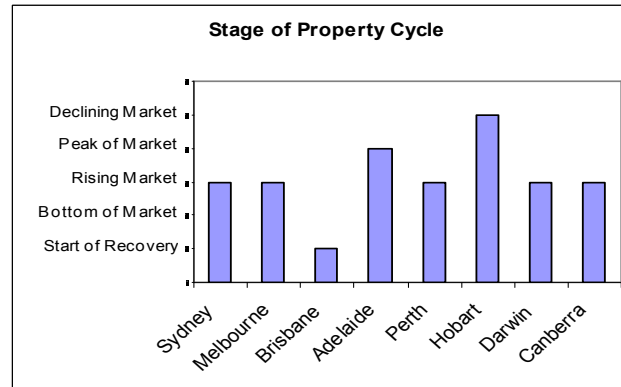
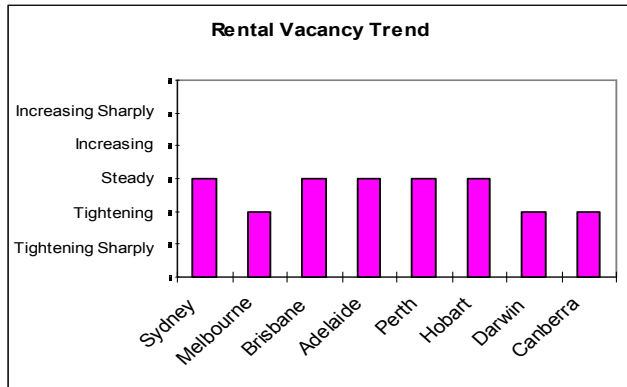


## Capital City Property Market Indicators as at January 2010 – Units

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

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

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

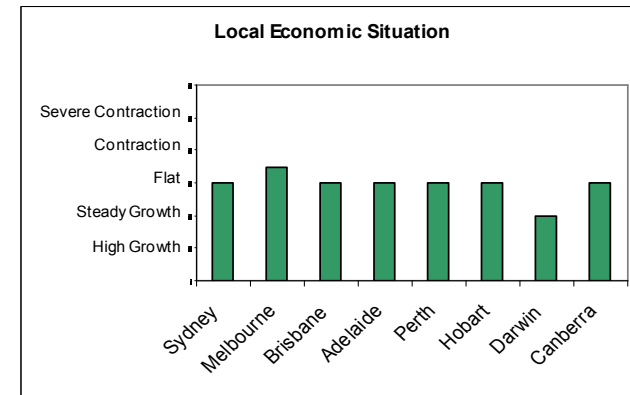
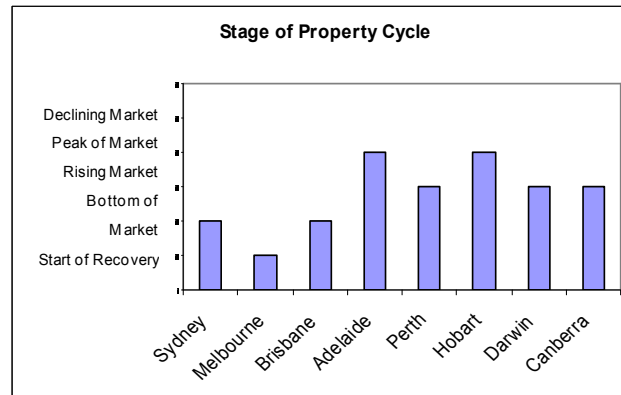
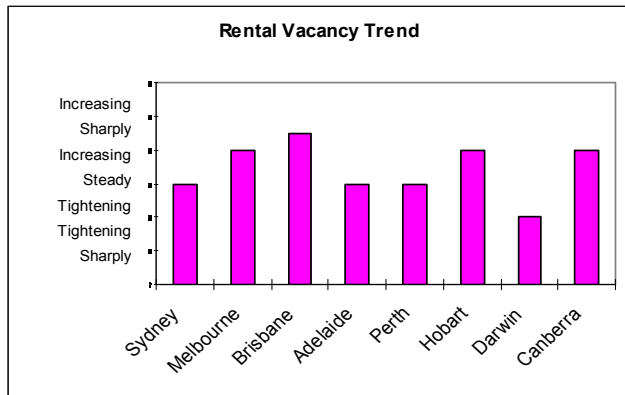


## Capital City Property Market Indicators as at January 2010 - Office

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

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

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

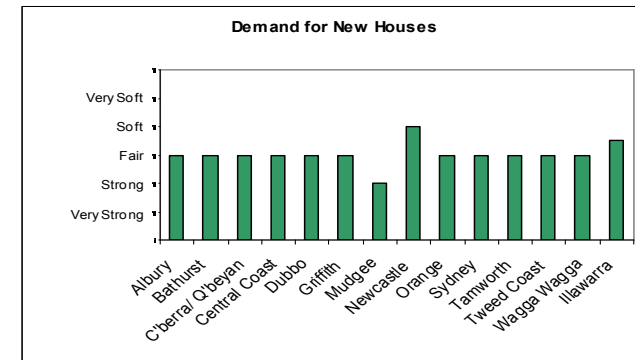
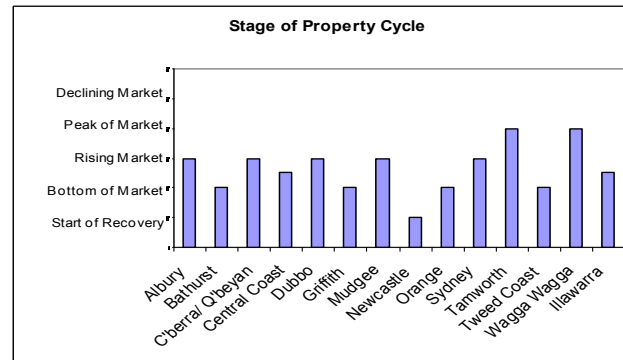
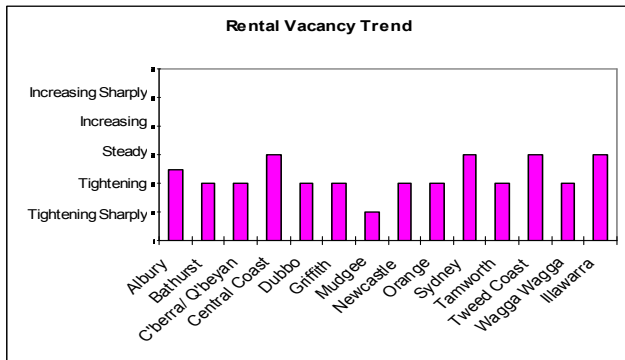


## New South Wales Property Market Indicators as at January 2010 – Houses

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Over-supply of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening - Steady	Tightening	Tightening	Steady	Tightening	Tightening	Tightening sharply	Tightening	Tightening	Steady	Tightening	Steady	Tightening	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Strong	Soft	Fair	Fair	Fair	Fair	Fair	Soft - Fair
Trend in New House Construction	Declining - Steady	Increasing	Increasing	Steady	Declining	Steady	Steady	Declining - Steady	Increasing	Steady	Steady	Increasing	Steady	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady - Declining	Steady	Steady	Increasing
Stage of Property Cycle	Rising market	Bottom of market	Rising market	Bottom of market - Rising market	Rising market	Bottom of market	Rising market	Start of recovery	Bottom of market	Rising market	Peak of market	Bottom of market	Peak of market	Bottom of market - Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never - Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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

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

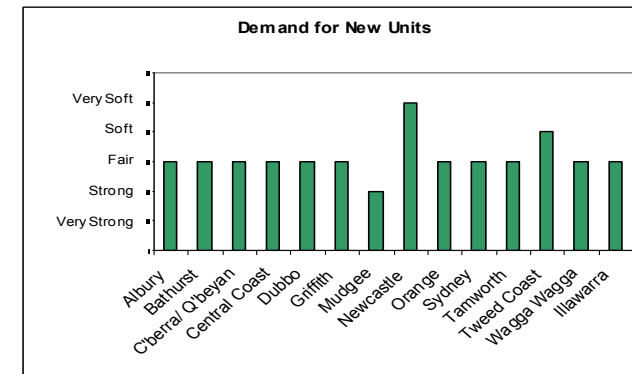
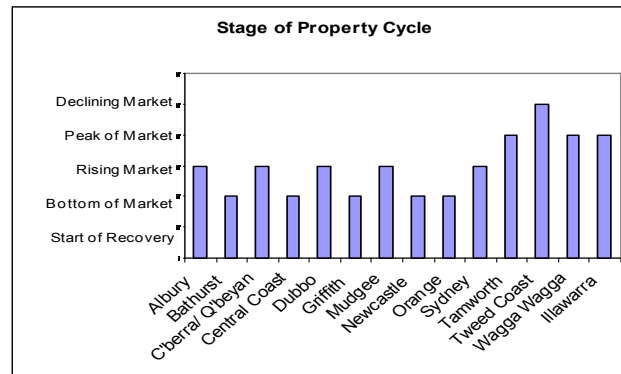
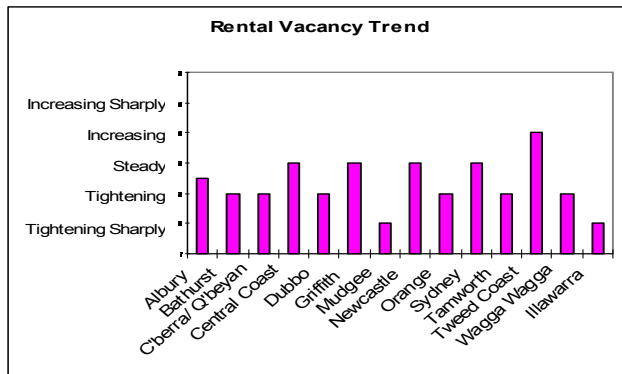


## New South Wales Property Market Indicators as at January 2010 – Units

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Tightening - Steady	Tightening	Tightening	Steady	Tightening	Steady	Tightening sharply	Steady	Tightening	Steady	Tightening	Increasing	Tightening	Tightening sharply
Demand for New Units	Fair	Fair	Fair	Fair	Fair	Fair	Strong	Very soft	Fair	Fair	Fair	Soft	Fair	Fair
Trend in New Unit Construction	Declining - Steady	Steady	Increasing	Declining	Declining	Declining	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Increasing	Steady - Declining	Declining	Increasing	Declining
Stage of Property Cycle	Rising market	Bottom of market	Rising market	Bottom of market	Rising market	Bottom of market	Rising market	Bottom of market	Bottom of market	Rising market	Peak of market	Declining market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never - Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Almost never	Frequently	Occasionally	Frequently	Occasionally	Occasionally

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

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

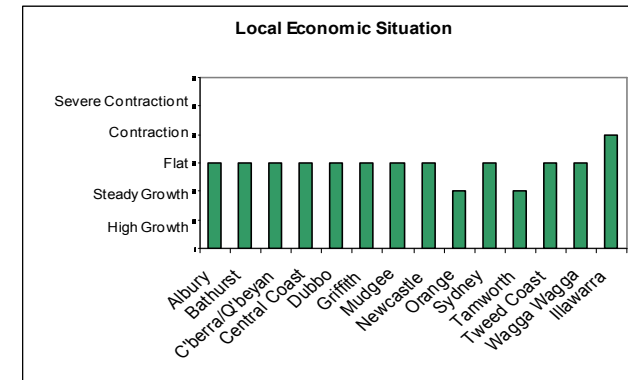
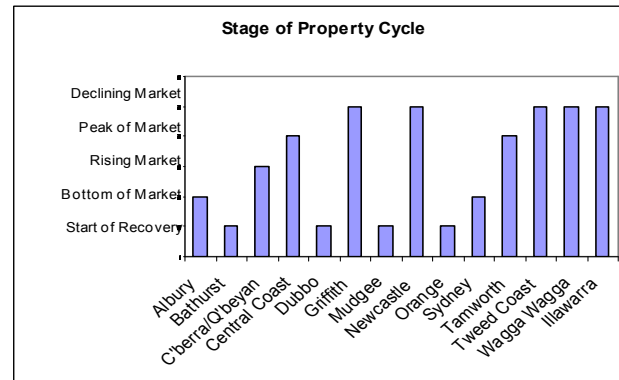
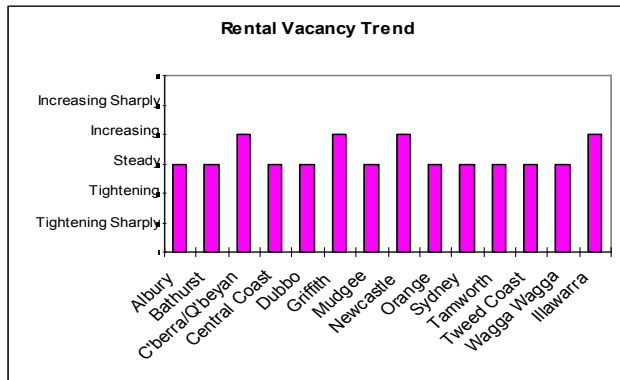


## New South Wales Property Market Indicators as at January 2010 – Office

Factor	Albury	Bathurst	Canberra/Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Increasing	Steady	Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Declining
Volume of Property Sales	Steady	Declining	Increasing	Steady - Declining	Steady	Steady	Steady	Declining	Increasing	Steady	Declining	Declining	Declining	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Rising market	Peak of market	Start of recovery	Declining market	Start of recovery	Declining market	Start of recovery	Bottom of market	Peak of market	Declining market	Declining market	Declining market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Steady growth	Flat	Flat	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Large	Small	Significant	Large	Significant	Large	Small - Significant	Small	Significant	Significant	Significant	Significant

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

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

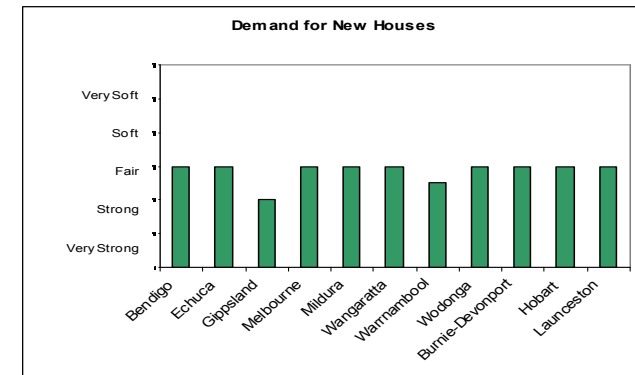
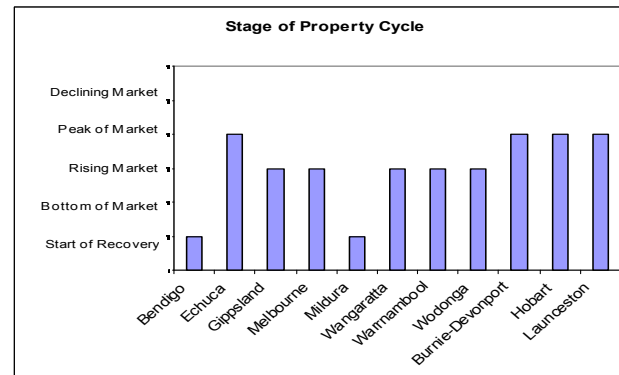
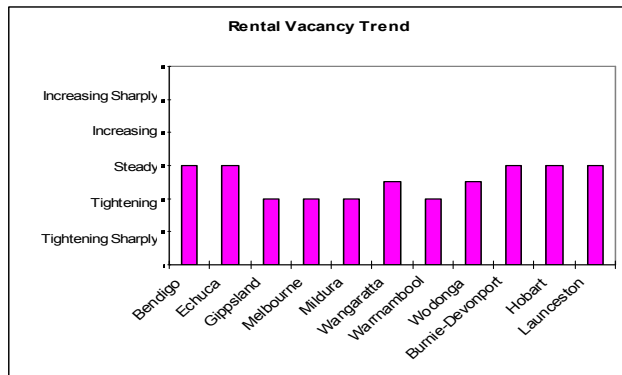


## Victoria/Tasmania Property Market Indicators as at January 2010 – Houses

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

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

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

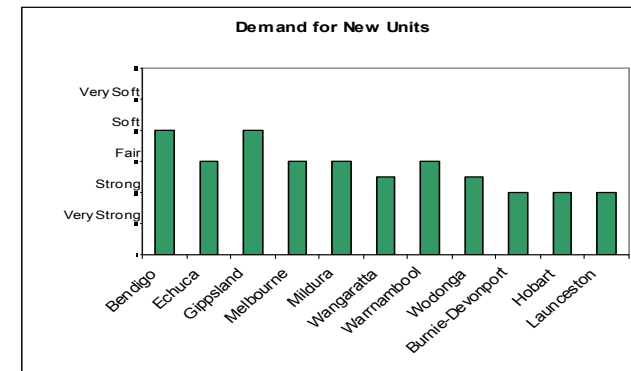
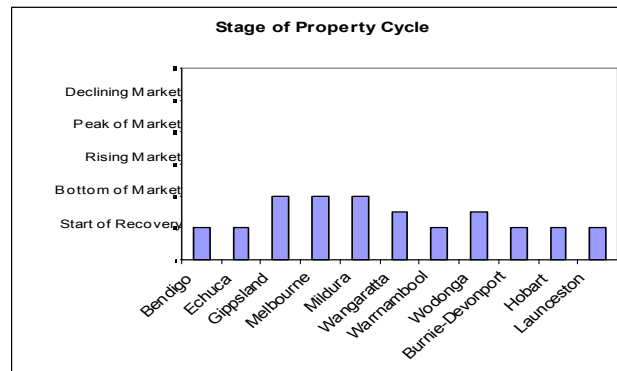
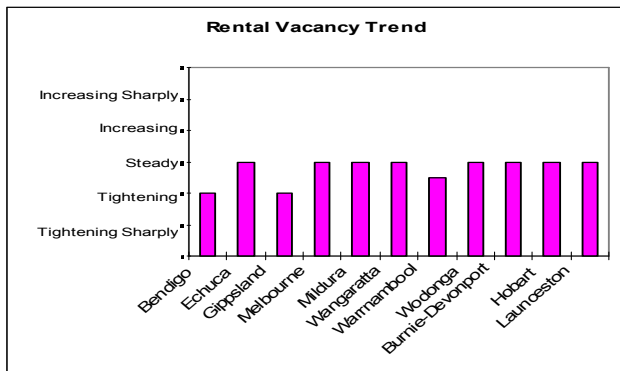


## Victoria/Tasmania Property Market Indicators as at January 2010 – Units

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devon-port	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand - Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening	Tightening	Tightening	Tightening - Steady	Tightening	Tightening - Steady	Steady	Steady	Steady
Demand for New Units	Strong	Fair	Strong	Fair	Fair	Fair	Fair - Strong	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Increasing	Steady	Steady	Declining - Steady	Steady	Declining - Steady	Declining	Declining	Declining
Volume of Unit Sales	Steady	Steady	Increasing	Steady - Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Start of recovery	Peak of market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Rising market	Declining market	Declining market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Almost never - Occasionally	Almost never	Almost never - Occasionally	Almost never	Almost never	Almost never

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

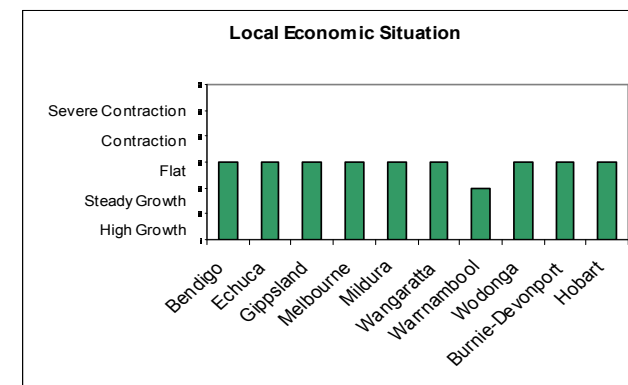
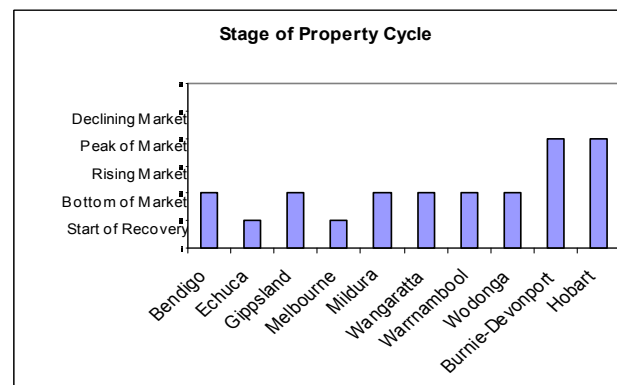
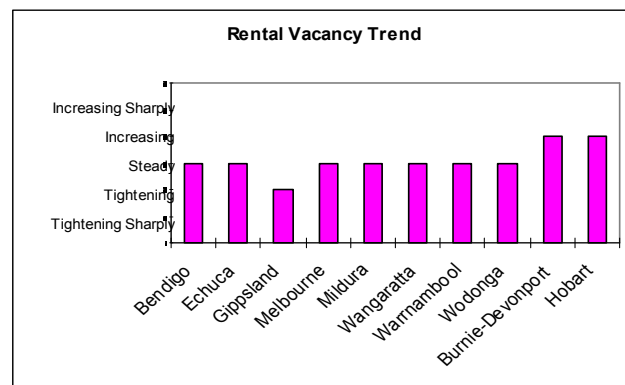


## Victoria/Tasmania Property Market Indicators as at January 2010 – Office

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devon-port	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Increasing	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Steady	Declining	Steady	Steady	Steady	Steady - Declining	Steady	Steady	Steady	Steady
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Start of recovery	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Peak of market	Peak of market	Peak of market
Local Economic Situation	Flat	Flat	Flat	Flat	Flat	Flat	Steady growth	Flat	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small	Small	Small	Small	Significant	Small	Significant	Small	Small	Small

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

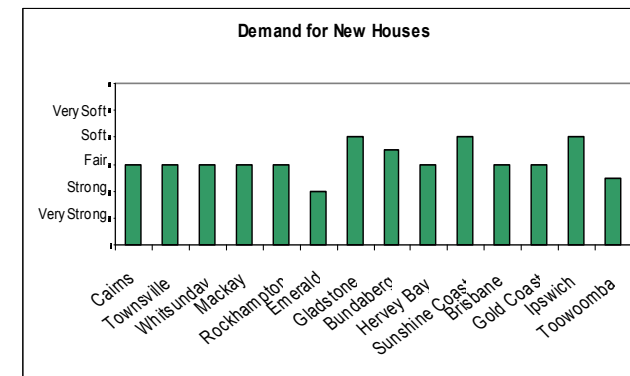
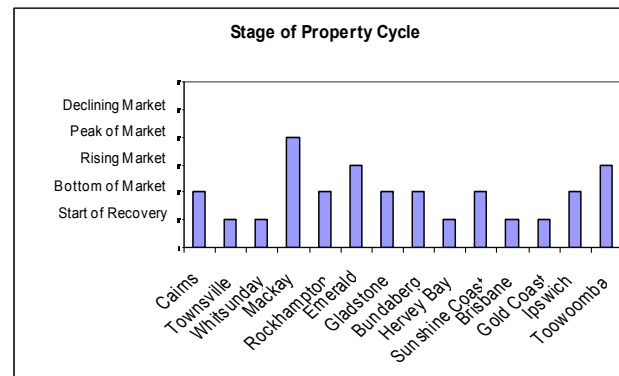
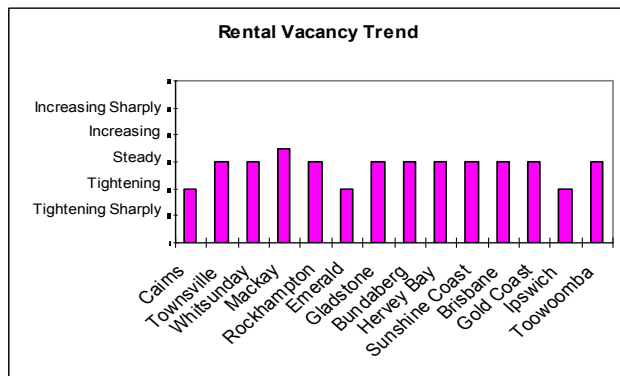


## Queensland Property Market Indicators as at January 2010 – Houses

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

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

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

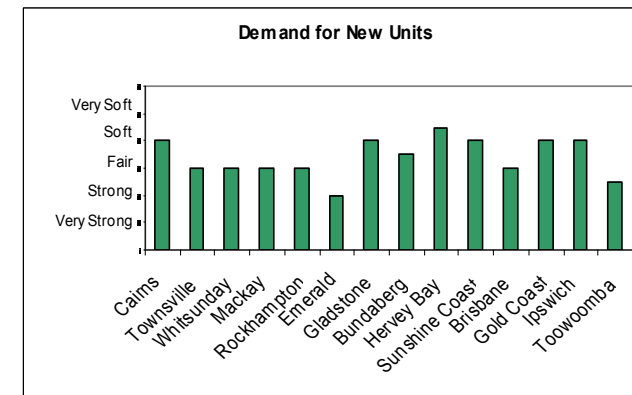
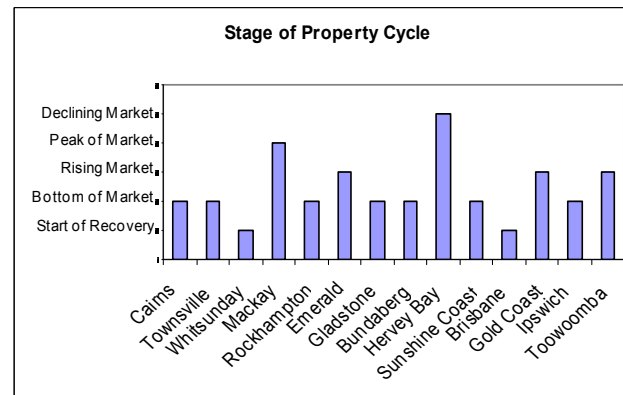
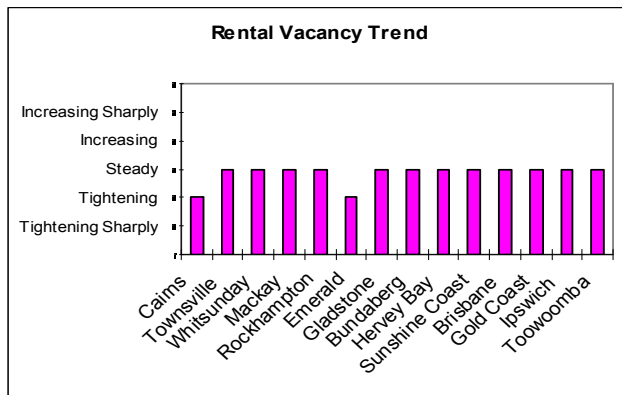


## Queensland Property Market Indicators as at January 2010 – Units

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

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

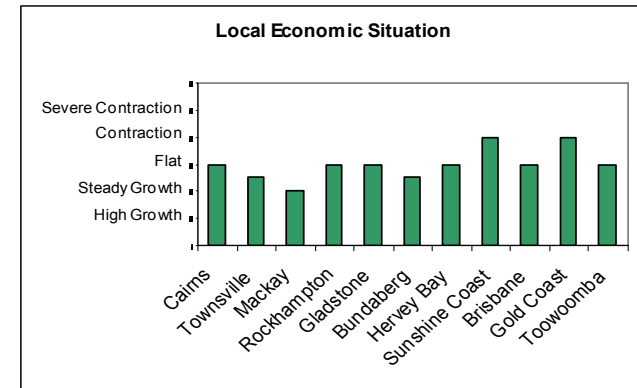
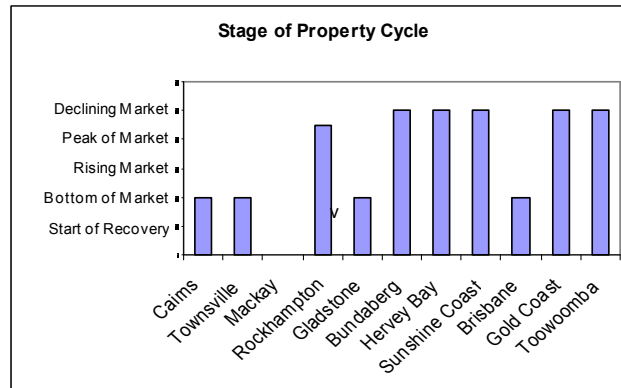
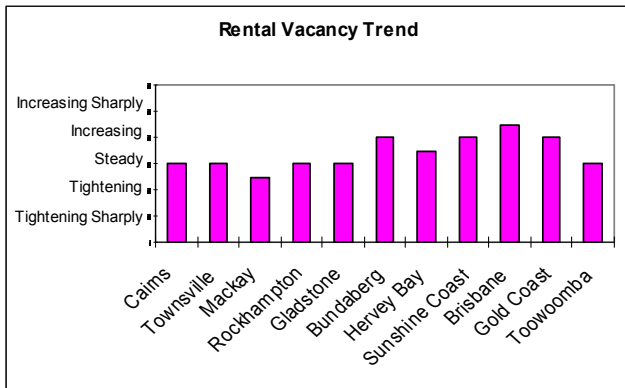


## Queensland Property Market Indicators as at January 2010 – Office

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening - Steady	Steady	Steady	Increasing	Steady - Increasing	Increasing	Increasing - Increasing sharply	Increasing	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Declining - Stable	Declining - Stable	Declining	Declining	Declining - Stable	Declining - Stable
Volume of Property Sales	Declining	Increasing	Steady	Steady	Steady	Declining	Steady	Declining	Steady	Declining - Declining significantly	Steady - Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Stable	Peak of market - Declining market	Bottom of market	Declining market	Declining market	Declining market	Bottom of market	Declining market	Declining market
Local Economic Situation	Flat	Steady growth - Flat	Steady growth	Flat	Flat	Steady growth - Flat	Flat	Contraction	Flat	Contraction	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Small	Small - Significant	Significant	Small - Significant	Small - Significant	Small - Significant	Significant	Significant - Large	Significant

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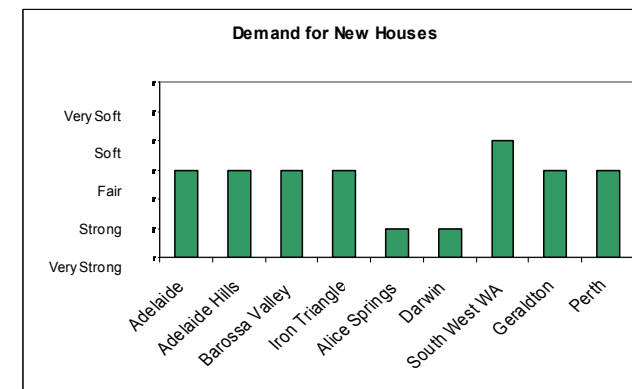
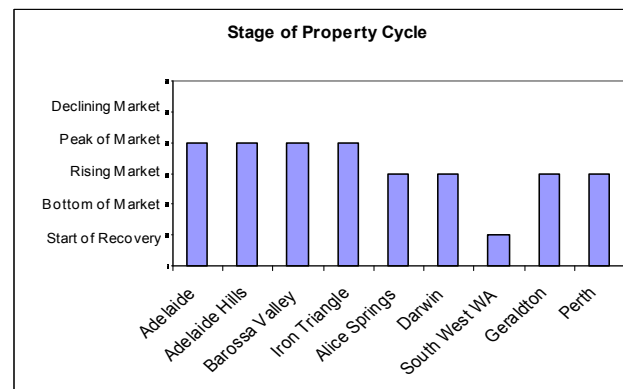
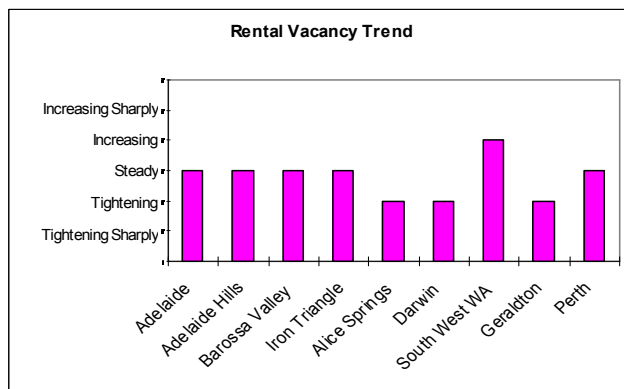


## Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2010 – Houses

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

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

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

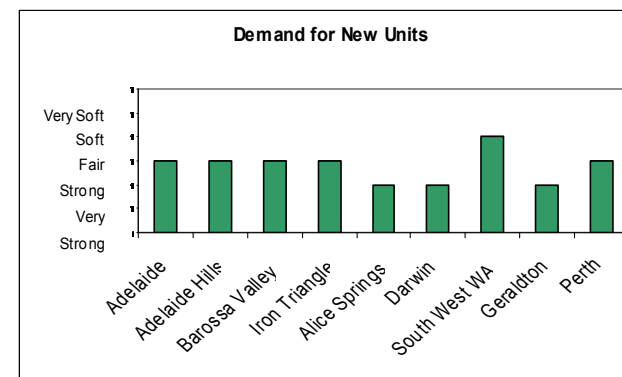
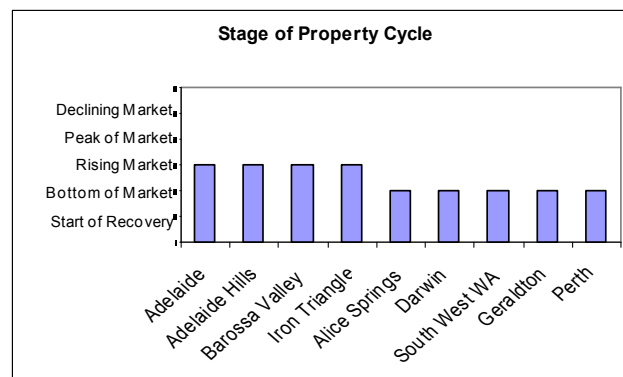
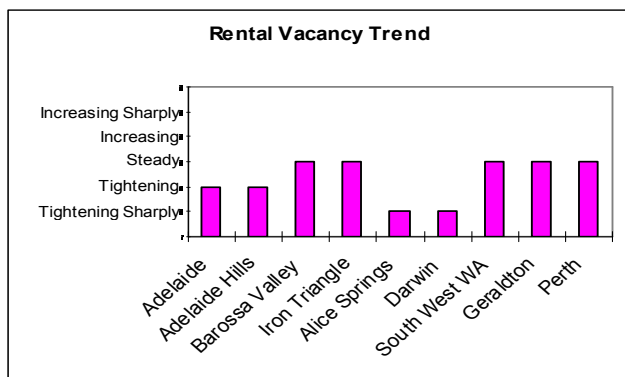


## Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2010 – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Bunbury	Busselton	Dunsborough	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Increasing	Tightening	Steady	Steady	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Strong	Strong	Soft	Fair	Soft	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Declining	Declining	Steady	Steady	Steady	Steady	Declining	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally

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

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



## Northern Territory, South Australia & Western Australia Property Market Indicators as at January 2010 – Office

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Tightening	Steady	Tightening	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Increasing	Increasing	Stable	Increasing	Stable
Volume of Property Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Peak of market	Peak of market	Peak of market	Peak of market	Rising market	Rising market	Start of recovery	Declining market	Rising market
Local Economic Situation	Flat	Flat	Flat	Flat	Steady growth	Steady growth	Steady growth	Steady growth	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Small	Small	Small	Nil	Significant

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

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

