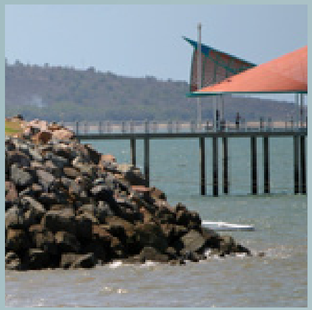
March 2018

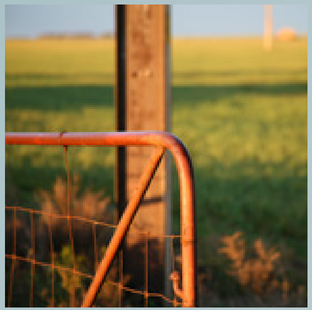
Month in Review

HERRON TODD WHITE

Fifty Years of Property Valuation | 1968 - 2018

Contents





Disclaimer

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

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

Middle market gold

"Clowns to the left of me, jokers to the right..." (Stealers Wheel - 1972)

On the face of it, extremities seem interesting.

There's nothing like publicising the outsider view or looking at the very highest or lowest, fastest or slowest in order to pique the public interest, generate column inches and drive eyes to websites.

Extremities court controversy and can make for frank and open discussion (political speak for a full tilt barney behind closed doors).

Of course, sometimes the edgier outlooks lack substance and exist only for the sake of attention seeking. It's all sizzle, no steak.

Step beyond (or within) the superficial and you may just find that some of the most interesting stuff happens to occur somewhere in the centre.

For example, the statistical middle bulge carries the weight of majority. Most of us operate in the space where the bell curve reaches its apex.

The same can often be said for real estate markets and 2018 may well prove to be the year of the middle ring.

We've seen some pretty interesting happenings in property over the past few years. The runaway success of Sydney's inner circle has filtered affordability driven buyers well beyond a short commute of the CBD.

Melbourne has been heading along the same track too.

Despite another year of below expectation performance, inner ring Brisbane didn't do too badly in 2017, so there are quite a few potential buyers considering their purchasing options beyond near city suburbs.

Tasmanian locals must be wondering what happened to their affordable inner city addresses while Adelaide's rise and Perth's fall will also have implications for their most highly accessible middle ring markets.

In smaller centres, middle ring may mean something entirely different to distant. They can be dictated purely by price or property type, such is the nature of highly traded real estate.

It's with this backdrop that we look to a detailed study of middle ring markets around the nation.

The middle ring also presents its own opportunities for buyers. It's a sector where increased lot sizes might reveal underlying redevelopment potential. There's nothing quite like being one of the clever people who look back years from now and discover they've bought a sizeable chunk of developable dirt within a growing metropolis.

The middle ring often holds extraordinary renovation opportunities for those looking for a pet project too. It's the zone that loves families, schools and facilities and can be full of busy professional parents who are willing to pay a premium for a fully completed project.

For first time buyers, the middle ring might be where you purchase a home that becomes the foundation for a future investment portfolio. A tasty step onto the property ladder with the right fundamentals for long term rental demand and value growth.

We've asked our offices nationwide to define their middle ring, tell us how this sector is playing out and identify where the opportunities lie and what should be avoided.

They've provided solid examples of middle ring properties that illustrate exactly why these markets should be on your radar.

Middle market gold (continued)

For commercial punters this month, it's time to talk industrial and where 2018 will lead us in this sector.

Everything from first time buyers breaking in via solid and affordable sheds through to the big institutional investors. Combine that with an informative outlook on tenant demand and rental levels and you'll see we've created a brilliant back-of-the-pocket guide to what is likely to happen over the coming 12 months.

So, there you have it readers. A middle ring expose and an industrial 2018 lid-lifting guide on great opportunities certain to whet your investor appetite.

While there's plenty to admire among the pages of Month In Review, don't just stay glued to the screen – pick up the phone and call your local Herron Todd White expert. We are at the ready to show you why middle doesn't mean average when it comes to bricks and mortar.

Commercial

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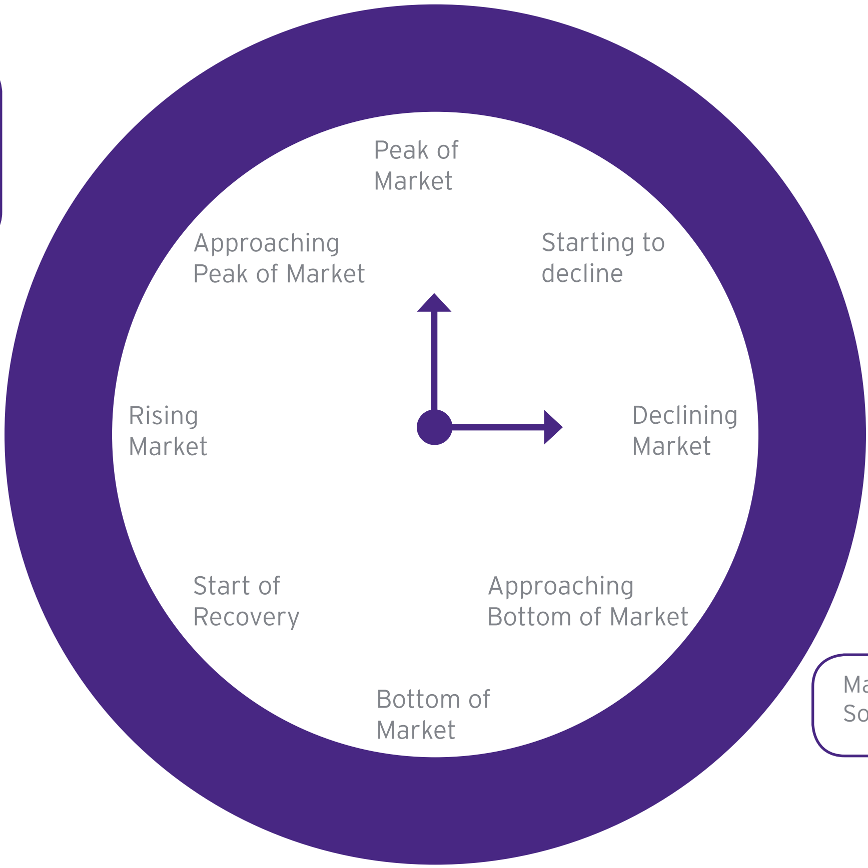
National Property Clock
March 2018
Industrial

Dubbo
Griffith

Albury
Brisbane
Coffs Harbour
Melbourne
Mid North Coast



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

Alice Springs
Canberra
Gippsland
Toowoomba

Cairns
Central Coast
Horsham
Mildura

Mackay
South West WA

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

Entries coloured purple indicate positional change from last month.

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New South Wales

Overview

Industrial markets have always been a go-to for entry level investors looking for a yield driven alternative to their residential portfolios. In addition, big institutional operators love the idea of investing in sheds, with long term, generally secure tenancies helping to lock in returns and keep the balance sheet humming along nicely.

2018 will be a compelling year in industrial investment around the nation. There will be opportunities in some locations, while others may be overheated and inaccessible.

Whatever your area of interest, this month's year ahead view of the industrial sector will prove highly informative.

Sydney

The industrial market in Sydney has been through substantial growth over the past 12 months as a result of increased demand for good investment assets, growth in rental income and increased demand from owner occupiers. The market is anticipated to continue at the strong levels seen in 2017. Increased demand from owner occupiers, self-managed superannuation funds and developers will continue to drive the market.

Most market commentary of late seems to anticipate a continued tightening of yields through 2018 and a continued rising of capital values. Some sales and leasing transactions already completed for 2018 indicate that this is accurate and we consider it likely that the growth in capital values will continue in 2018.

Owner occupiers have been strong in the Sydney market, particularly in the construction, food, retail and technology sectors and primarily driven by record low interest rates. This is creating strong competition for assets which has driven capital values higher and seen yields firm with effective rents across Sydney increasing by an average of 5%. This has driven investors to enter the secondary market in search of higher yields. With prime yields compressing, we anticipate that the spread between prime and secondary industrial assets will tighten over the coming twelve months as investors look for higher performing returns with development upside.

Rental growth remains strong, with no signs that this is likely to slow in 2018.

Owner occupiers continue to remain dominant in the city fringe, North and South Sydney, whilst investors remain active in all areas of the market.

In the strata unit market which is popular with owner occupiers, recent off the plan developments have seen significant increases in their capital values, rising by over 30% in the past 18 months.

Of interest is that local agents on the North Shore are reporting that buyers from the South Sydney area have moved north in search of affordable industrial assets as more and more stock in South Sydney is removed for redevelopment. As a result, recent sales are showing yields as low as 3% and capital value increases of over 50%. We expect this trend to continue in 2018.

In the South West and Western Sydney industrial markets, we anticipate the market to continue to remain strong throughout the year. Liaison with prominent local agents indicates that there is no stock and a long waiting list of buyers keen to get into the market.

Along the south-west corridor we note that Moorebank Intermodal is in full swing, currently in the construction stage, with operation tipped to commence in 2019. Emanating from this is a ripple effect on local properties which are in even higher demand by businesses wanting to be close to this facility.

The greater west continues to grow with areas surrounding the M7/M4 interchange seeing a continuation of warehouse construction by the bigger players in the market all looking to capitalise on the availability of land and proximity to one of Sydney's biggest highway interchanges.

On the smaller scale, industrial strata units all over Western Sydney have gone from strength to strength and the demand for these units continues to grow as land subdivisions produce smaller and smaller allotments and the availability of conventional storage at home diminishes.

These units now don't just feature a typical industrial or manufacturing use or market. In a lot of cases they are used as storage units, business offices and in some instances even small scale wholesaling and retail uses (zoning permitting). This new sector of occupier to the market has ultimately been a large contributing factor to the substantial price increases noted, as many of these properties are purchased on a price point rather than a square metre rate or a net yield.

We also note that in the current economic climate of low interest rates and relatively low term deposit offerings, many first time commercial investors have turned to the relatively safe industrial unit market seeking investments with returns over and above bank offerings. Whilst returns achieved are generally in the 4% to 5.50% range, which is traditionally considered low for this type of asset, investors couple this with the added mindset of steady rental growth and longer term capital appreciation. It appears to be a logical move given the alternative.

Canberra

The Canberra industrial market appears to be struggling compared to the broader economy and transactions for 2017 were down compared to 2016. The industrial market tends to follow on slowly from a strengthening residential market. The ACT Government's Four Year Indicative Industrial Land Release Program is based on the current level of demand for industrial land. The program is intended to achieve a number of objectives, but in essence it is to increase the ACT Government's responsiveness to market changes by developing an inventory of land stock, where serviced industrial sites are available for immediate release. The program aims to release 166,000 square metres over the next four years in Hume, Symonston, Fyshwick, Majura Valley and Pialligo.

As a consequence, land availability has outpaced demand in the marketplace. Industrial sales volumes have outweighed the demand for tenanted properties. The opportunity for tenants to purchase and develop a purpose built site in conjunction with low interest rates has driven the market and the flow on has resulted in less demand for established sites. Consequently, tenant incentives are around 8% to 9% and typically consist of rent free terms and contributions to fit out in order to facilitate moves to newer premises with longer term leases in place.

Rental growth in the marketplace is limited and as it is predicted that interest rates will increase in 2018, this will have an impact on the market in the long term. Some rental growth may be observed when tenant demand levels increase, resulting in softening sales activity.

Lismore

Byron Bay has been an extremely strong market over the past 12 months with record low yields generally in the vicinity of 4.5% to 6%. The rental market has experienced strong demand with significant increases in rents. This has been on the back of a very strong commercial and retail market within the CBD which has had strong demand, limited supply and very strong value and rental rates. Accordingly, the industrial area has become more appealing due to affordability for investors, tenants and owner occupiers. Ultimately, without any significant change in the broader economy, yields are likely to remain relatively strong and growth dependent on rental levels.

Ballina has generally performed well with strengthening yields and more modest increase in rents. Yields are 1% to 2% higher than Byron Bay. The Ballina market tends to fit between Lismore and Byron Bay, however is more cyclical than Lismore. There remains some uncertainty in relation to supply with Ballina Council planning a new access road to the airport which is likely to result in a significant increase in the amount of land available for development along the new road. The new road will also offer an opportunity for companies looking for superior profile on a site that will better suit their needs.

The Alstonville industrial market is relatively small and generally fits neatly between Lismore and

Ballina both physically and in relation to rents and value levels. Generally well held, the market has experienced increased demand over the past twelve months. Ultimately it will be impacted by activity in both Ballina and Lismore. Without any significant change in the broader economy, Alstonville is likely to remain static over the next twelve months.

Lismore is generally a much quieter market dominated by owner occupiers rather than investors with limited growth in rents and stable to slightly lower yields over the past two years of 7% to 9%. We would envisage Lismore to continue to perform at a similar level to this, with no significant sign of change in supply and demand generally modest but stable.

Casino is a relatively stable market of a reasonable size which is similar to Lismore in that it is dominated by owner occupiers. It has been relatively stable over the past twelve months and is likely to remain so unless there is a significant correction.

After the significant growth in 2016 and 2017, we anticipate the industrial market across the Far North Coast to stabilise in 2018 with limited to modest growth. Any changes are more likely to be driven by rents and supply unless there is an adverse change in economic factors (such as interest rates, the international share market, or general economic activity). Those areas which have seen more significant increases in values and rents over the past twelve months would likely be most adversely impacted by any correction.

Coffs Harbour

The industrial market in Coffs Harbour overall could be described as steady. There is sound market interest for reasonably priced property, principally emanating from owner occupiers and self managed superannuation fund activity, particularly in the lower price bracket. The year ahead should remain consistent with steady demand against reasonable supply. Rental levels remain variable, although vacancy levels have decreased slightly with rents generally tracking in line with CPI or 3% increases per annum. There is a looming shortage of industrial land stock. This is particularly relevant for those requiring larger land holdings. Accordingly land prices are expected to edge upwards over the next 12 months. Planning is well advanced for the opening of excess land at the Coffs Harbour airport and this could assist with the land stock supply.

The rental market for smaller to medium sized industrial sheds is variable and demonstrates some market uncertainty. Rental evidence in prime industrial estates displays some variance at $95 to $145 per square metre for modern tilt up design of 200 to 400 square metres. This variance should gradually level as supply reduces, although there remains some available scope for further development in this market space.

Rental in a secondary industrial estate for smaller to medium sized industrial sheds of 200 to 400 square metres is in the range of $70 to $100 per square metre per annum, however there is variation in the market with many established long term tenants holding over on lower rental levels. This classification of secondary industrial property could attract a lift in overall rental levels in the short to medium term, following the expected trends of prime estates. Larger industrial sheds of 1,000 to 1,600 square metres show a rental range of $55 to $90 per square metre per annum.

There remains a slight oversupply of smaller industrial bays available for sale in the lower price bracket and leased property will invariably achieve lower pricing in comparison to owner occupier purchases. Incentives are common in the market with rent free periods of one to two months, often written into leases.

Strata units of 150 to 250 square metres and buildings up to $600,000 remain popular for owner occupation with self managed superannuation fund purchaser activity. Modern smaller strata industrial tilt up units achieve $1,700 to $2,300 per square metre of building area. Older style, secondary located, concrete tilt up industrial units achieve sale prices of $1,400 to $1,700 per square metre of building area.

Larger, older buildings above $1 million are more difficult to sell as they have a more specific and narrower market. All larger new development is pre-leased or has been developed for owner occupation.

Capital value levels for secondary located larger factory and warehouses generally show $600 to $1,300 per square metre of improved building area.

The Grafton industrial market has improved and should experience an overall lift in value levels due to the Clarence River new bridge crossing currently under construction which is set to improve access between Grafton and South Grafton. Industrial property close to the river around Spring, Through and Bent Streets should experience redevelopment activity as they become more attractive to the market. Recent redevelopment of bulky goods, showroom and fast food restaurants in this precinct has been well received.

The Woolgoolga industrial market is fully developed and prices are generally firm to slightly higher than 12 months prior. The market should remain steady.

The Raleigh industrial market has benefited from improved access to Coffs Harbour via the Pacific Highway upgrade, as has Macksville and Nambucca Heads. These markets should remain steady with a slight improvement in value levels.

The outlook for the next 12 months in all markets is reliant, to a large degree, on Government economic policy and the continuation of the low interest rate climate.

Dubbo / Western NSW

We believe the industrial property market will stabilise in 2018 from the elevated levels achieved in 2017. There appears little prospect of tighter cap rates given the prospect of higher interest rates, while rents also appear stable.

The Dubbo and Western New South Wales industrial property market is relatively unaffected by movement in capital city markets and relies on demand factors specific to the region - returns for the investor and competitive occupancy costs for the lessee and owner occupiers.

If there is upward movement in interest rates or cost of borrowing in general, we could see a softening in capital values, however capital value movements are also impacted by the local economy and demand factors. We expect Dubbo in particular to remain relatively stable over the 2018 calendar year.

We expect rents for Dubbo industrial property to remain stable in 2018 with a balanced supply and demand outlook. The expectation is for yields to stabilise at current levels with a possible softening in the event of higher interest rates or a perceptions of higher risk.

The industrial property market has enjoyed strong investor and owner occupier interest across all industrial property sub-sectors in 2017 leaving few, if any, opportunities to capitalise on neglected market segments.

Older, more obsolete warehouse and workshop buildings achieve much lower values due to lack of utility and adaptation to modern work practices. Lease up periods can be extended and at much reduced rates per square metre.

Newcastle

It's go, go, go in the industrial sector throughout the Hunter Region, Newcastle, Lake Macquarie and the Central Coast. The mining industry is busily restocking hardware and local trades and services companies are servicing the unit development booms happening concurrently in the Newcastle and Gosford CBDs.

The Raine and Horne Commercial Industrial Average for the Hunter Region reports overall average vacancy rates of 4.53%, down from an average of 5.32% in 2017 and 7.56% two years ago. The only location showing an increase in vacancy during this time is Wickham-Maryville, with local agent Jason Morris indicating that this can be primarily attributed to the disruption caused by the high levels of unit construction in the area.

We expect a general continuation in the current tight rental market conditions throughout the industrial sector in 2018. The main catalyst for an increase in vacancy will come late in 2018 as the proposed and under construction strata industrial unit developments throughout inner city estates such as Steel River in Mayfield West are completed. Higher levels of stock will ease pressure on the current low vacancy levels.

The second catalyst will be the slow down in residential unit construction activity, with the majority of the current major projects due for completion in late 2018 and early 2019. Out of town builders and contractors working in the city may well leave the market at around this time. While there are still major projects in the pipeline, including the East End development centred around the Hunter Street Mall, many of the projects to the west will be completed.

So all in all, we see a short term continuation of strong industrial market conditions to continue throughout 2018, with the potential for some market weakness to creep in next year. We cannot, however, see the future and activity in the mining sector will play its part too. A continued strengthening in this sector has the potential to buoy industrial markets in the Hunter Valley for longer yet.

South East NSW

The industrial market is arguably the strongest of the three main asset classes at present, coming to life following the past two years of prolonged stagnation post the GFC. We expect this strong market sentiment to continue throughout 2018 although possibly not at the same pace as 2017.

The drivers of this market are low interest rates, extremely strong conditions in the Sydney industrial market, high confidence in the local economy and activity surrounding the port of Port Kembla. The relative affordability compared to Sydney combined with the region's proximity to Australia's largest city is making the Illawarra an attractive option for owner occupiers, while investors continue to chase a yield that this major regional market can offer.

Industrial rental rates are generally stable, fluctuating largely with location, access, quality of the improvements, efficiency, hardstand and size. Rental rates tend to range broadly from $100 to $150 per square metre gross.

Yields have continued to compress as exhibited by the recent sale in December 2017 of the Remondis tenanted facility in Unanderra at $5.6 million, reflecting a yield of 6.5% and a capital rate of $400 per square metre of improved land area. Broadly, yields tend to sit in the 6.5% to 8% range.

Developers are now active again in the small to mid-sized bay strata warehouse complex space with strong off the plan sales seen throughout 2017. Buyers of units in these complexes are driven by price point and when analysed on a rate per square metre tend to range from $2,500 to $3,500, which is a large increase from rates achieved in years gone by although bay sizes are smaller, dropping below 100 square metres in some cases. Additional projects are planned for Port Kembla and Unanderra.

Victoria

Melbourne

The Melbourne industrial market performed strongly in 2017. With interest rates remaining low and a relatively stable economy, new industrial developments are continuing to come onto the market. This can be seen in growth corridor areas where there is an abundance of vacant land prime for development, including suburbs such as Clyde and Pakenham in the south-east, Carrum Downs in the south, Truganina and Derrimut in the west and Epping in the north. The need for small scale industrial units continues to grow, especially for tradies and retirees looking for extra space solutions to store their associated tools or lifestyle equipment.

On the back of this, we expect to see increased demand for large scale warehousing and distribution facilities, particularly in the western suburbs. The proximity and access of the western suburbs to the West Gate Freeway, Princes Freeway and Western Ring Road is a major draw card for transport, logistics and distribution. There have been a number of new major projects throughout Melbourne, including the Woolworths Distribution Centre in Dandenong South, the Merrifield Business Park in Mickleham and the Bund Business Park in Port Melbourne, which are all due for completion in 2018.

Throughout 2017 there was extensive investment in infrastructure with major road widening projects for the City Link Tullamarine Freeway, Western Distributor Project and the Monash Freeway. Industrial areas in the vicinity of these transportation routes are anticipated to have continued demand.

Rental levels are expected to remain reasonably stable for the first quarter of 2018. Prime face rental rates in Melbourne's industrial outer areas have generally ranged between $70 and $90 per square metre of building area per annum net plus GST, with secondary rates around $50 to $70 per square metre of building area per annum net plus GST.

Tenant demand has remained relatively strong over the previous 12 months however we remain cautious of oversupply given the large amount of industrial development occurring, especially in the south, south-east and west.

Incentives are expected to remain reasonably high with larger scale new developments achieving a range of 15% to 35%. Yields have been under increasing downward pressure for prime grade industrial development with yields for secondary development generally steady. This has been underpinned by the current low interest rate environment and investors hunting quality investments and there being limited properties for sale. Vacancy rates are continuing to decrease in comparison with 2016 as tenant demand is increasing to match the supply on offer.

Demand has remained consistent this year in the northern suburb of Epping following the relocation of Melbourne's fruit and vegetable market to Cooper Street in late 2015. This area has seen an influx of speculative development for both standard office and warehouse accommodation and cold storage facilities.

Areas to avoid are markets with over supply, vacant older style properties without any development up side and industrial properties with high rental rates yet short WALEs.

Areas of continued demand include the Melbourne Airport precinct, west of the Essendon Football Club Training Facility in Tullamarine. Demand for larger warehouses, distribution centres and other transport and logistics facilities is expected to continue to grow in the south-east, where developers are listening to and meeting tenant and occupier requirements. Greenfield land available throughout suburbs such as Keysborough, Dandenong South, Lynbrook and Cranbourne West are expected to be sought at strong levels, with rates breaking the $400 per square metre of land area barrier (for sites under 4,000 square metres).

In addition to the above, further opportunities foreseen in the market are those properties with solid cash flows underpinned with medium term re-development potential.

Echuca

With the local market expected to continue to be relatively stable and flat we would expect limited gains in this segment, with ample land available for development keeping a cap on the local industrial market. The importance of the second bridge construction may result in some short term gains for properties in close proximity to the work site or which meet specific demands of non local contractors though it is difficult to see how this might come together. Ongoing renewal of the irrigation district and buoyant conditions in the rural sector may result in some increased demand for space although this is likely to be limited absent a major processing development or additional funding for reconfiguration of the irrigation district.

Latrobe

The industrial market throughout the Latrobe Valley and Wellington took a significant hit in 2017 with the closure of Hazelwood Power Station and the Carter Holt Harvey timber processing plant in Morwell, together with the significant job losses at Australian Sustainable Hardwoods in Heyfield. Whilst the initial downturn has steadied somewhat, the outlook for 2018 is for continued slow market conditions, softer yields and generally protracted letting up periods.

Agents are reporting a slight increase in tenant enquiry this month, however certainly not at levels seen prior to the Hazelwood announcement. The uncertainty surrounding the future of the power generation industry in the Latrobe Valley has left investors taking a cautious 'wait and see' approach, which is expected to continue in 2018.

Riverina and North East Victoria

The economy may slow down but its impact will be negligible this year. It may lead to more volatility in the future but it appears this year will be a period of wait and see.

Regional markets are often owner occupier driven. Whilst low yields appear to be the norm in capital cities, any increase is not considered to impact significantly due in part to the buyer market and the relatively low value, more often than not below $750,000.

There do not appear to be any signs yet that the market will move one way or the other. It appears quite steady.

We expect rents for the Riverina and North East Victorian industrial property to remain stable in 2018. Global economic uncertainty and possible interest rate rises might lower growth expectations and earning. This may lead to less demand and yields softening.

There appears to be a reasonable supply of vacant land. Building your own purpose built industrial premises offers both a modern and aesthetic look to your workplace or warehouse and allows for full depreciation and tax benefits.

When buying property with a leaseback option, an inflated rental figure would lead to an inflated sale price and an incorrect capitalisation analysis.

South Australia

Adelaide

The industrial market has been flat for several years and the effect has been sporadic performance of the entry level market, at best.

The decision by GMH and the Federal Government's policy shift in supporting the industry, exemplifies the problems facing almost all forms of general manufacturing in South Australia across the last 12 months.

Melbourne-based developer, Pelligra Group, was announced as preferred purchaser for the GMH Site in October 2017. The 122 hectare site is to become a Business Park with uses including employment industries, defence, resources, food, construction and logistics; there have also been recent media reports of Electronic Car manufactures investigating the site. However, nothing is expected in the short term with the decommissioning process expected to continue into 2019 before the land is transferred to Pelligra.

Another positive has been the securing of Defence construction contracts. After the completion of the Air Warfare Destroyer (AWD) construction contract, the Future Frigates programme will commence in 2020 with an estimated spend of circa $35 billion. Following this in 2022 is the Future Submarine project, comprising 12 submarines at a spend of circa $50 billion. The projects are expected to provide over 2,000 jobs.

Managing the transition from the Automotive Manufacturing to Ship Building has seen the South Australia Government increase infrastructure spending to $9.5 billion over four years.

Whilst this infrastructure spending has helped drive up advertised job numbers and increase the slow economic turnaround, we don't anticipate significant shifts in demand in the next 12 months. Speculative development and pre-committed development has been subdued over the last 18 months and this is not expected to change in the next 12 months.

Yields continue to be higher throughout South Australia than for the eastern states. The lack of investment opportunities may firm yields in the next 12 months, but it would be unrealistic to think that there would be any major movement.

Similar to yields, the lack of demand and poor economic conditions as well as the high supply of available space, particularly through the lower grades of industrial space, has resulted in limited rental growth over the last few years. This is not expected to change significantly over the next 12 months but there may some upward pressure within premium assets, with some agency based firms reporting a number of firms looking to expand into South Australia.

As is often the case with this kind of market, fortune favours the brave. Yields are significantly higher than the eastern states and whilst the demand fundamental are transitioning, yields over 10% for leased industrial space should accommodate the reduced rental growth and ultimately provide reasonable incentive for the brave investor.

Queensland

Brisbane

We envisage that the industrial market in Brisbane will remain steady as it has done for the past three years where other markets have enjoyed a buying frenzy. Stronger areas such as the TradeCoast and Logan Motorway corridor will continue to prove attractive for investors and owner occupiers.

We think selling and leasing markets will be supported by several key infrastructure projects in the greater Brisbane region, including:

- Duplication of the international runway at Brisbane airport
- Upgrades to Kingsford Smith Drive, Bruce Highway, M1 Pacific Motorway and Mt Lindesay Highway

Suburbs in close proximity to these projects may experience an uplift in rental values, tenant demand and capital values.

We agree with other commentators that prime stock will continue to be stronger than secondary stock, which will continue to struggle. We also agree with market forecasters that industrial is the property sector benefiting most from technological change.

The market is steady, investment appetite is strong for well leased and located assets and those with locational, letting up or obsolescence risks will have these risks factored into their values.

In terms of investment yields, prime properties range from 6% to 7.5% while secondary properties are in the vicinity of 7.5% to 9%.

Prime rents range from $100 to $140 per square metre of GLA per annum, while secondary rents range from $70 to $95 per square metre of GLA per annum.

There is a limited amount of investment stock coming onto the market at present. With pent up demand for prime investment assets in key locations, buyers will experience strong competition in attempting to acquire long term, income producing properties. However, despite elevated levels of competition for tenanted buildings, a good yield spread remains compared to other investment assets, property or otherwise.

We believe there are also opportunities emerging with the rise of online retailing. The types of industrial properties that will meet this opportunity range from small warehouses for last-mile deliveries to full scale distribution centres in and around Brisbane's ports and major arterials.

Secondary assets in poor locations will carry significant leasing risk. 91 Spine Street, Sumner just sold fully leased at a passing yield of 8% to a private investor, who originally baulked at the property 18 months ago due to the level of vacancy in the property at the time. This demonstrates investors' caution surrounding secondary property vacancies. On the flip side, if the investor successfully took on the risk of finding tenants to fill the vacancies 18 months ago, their return on investment would have been greater. Overall, there are opportunities in some secondary markets to add value via letting up vacant buildings or refurbishing older accommodation.

Gold Coast

The year 2017 ended with a low to moderate level of market activity for the industrial sector across the Gold Coast. On average, traditional industrial areas such as Nerang, Arundel and Molendinar recorded four to five sales in the last three months of the year, mainly involving industrial units sold between $220,000 and $560,000. There were a few stand alone factories sold for between $1.4 million and $1.75 million in these industrial pockets.

There were more properties sold in the Burleigh Heads/Varsity Lakes/Currumbin and Yatala/Ormeau/Stapylton industrial regions, with each region recording 10 to 15 sales in the same period. However, these regions cover a much wider geographical area and thus, more transactions are expected in these districts compared to the traditional areas.

Sales in Burleigh Heads were for mostly industrial units priced between $250,000 and $665,000. The most significant sale was a modern cold storage facility for $2.225 million. The value of industrial sites has continued to increase as supply is still very limited. There have been sales of small sites showing around $500 per square metre for vacant land values. Yields are low for the industrial sales, especially for strata units, where analysed yields as low as 5.75% are being recorded. Similarly, there have been some factories being transacted at low yields, although most would be within the 6% to 6.25% bracket. There have not been many investment sales, with the market still dominated by owner occupiers. Strata industrial units are now selling for above $2,500 per square metre regularly for small sizes, or above $2,200 for medium units, although older style units continue to sell for lower prices. Rental rates are around $170 to $180 per square metre gross for small units, $150 for medium and $140 to $150 for small to medium freestanding properties.

The Yatala Enterprise Area recorded the highest capital sales value in the overall Gold Coast industrial market at about $20.5 million, with the sale of a large 5,640 square metre industrial complex on Darlington Drive for $8.7 million, two factories on Lahrs Road for $3.5 million and $6.25 million and an old cold storage facility for $2.1 million. The rest were sales of strata units ranging in price from $200,000 to $539,000 with the exception of a large unit with specialised fitout for $1.35 million. Unlike Burleigh Heads, analysed market yields for industrial strata units are firm at between 6% and 7%.

Last year, various large englobo industrial sites in Yatala and Arundel were sold. We believe these sites are intended to be reconfigured for release as new industrial estates or subdivisions, bolstered by the decreasing stock of serviced industrial sites for sale, particularly in the central and southern regions. Successful sales at $280 per square metre in Yatala and up to $450 per square metre in Arundel and Burleigh Heads are attracting more developers to this sector of the market. They could potentially flood the market in 2018 with an oversupply if the sellers choose to release their products during the year. Pricing is crucial for these new industrial subdivisions, noting that there are still a significant number of unsold sites priced at more than $350 per square metre in the market. However, affordable small sites of less than 1,500 square metres are the exception, with a few sales netting $500 to $700 per square metre where there was no competition from other sellers.

So far in 2018, Tweed Heads has had four sales of strata units in January for a total value of $1.81 million whilst other parts of the Gold Coast seem to have had a relatively slow start. We expect sales activity to pick up soon as there are a few sales that are pending completion.

Overall, a similar market trend to last year is expected for the months ahead, based on the current outlook that interest rates will not increase until 2019. However, the growth in value levels may soon start to taper off should building activity and market demand decrease after the Commonwealth Games coupled with the likelihood of interest rate rise.

Sunshine Coast

The industrial market on the Sunshine Coast has noted a year of consolidation during 2017. A number of vacant lots across estates in Noosaville, Coolum Beach and Bells Creek were sold to a range of buyers including end users and developers.

The most active part of the market remains the sub $500,000 owner occupier strata market, with values rising over the past 12 months and generally ranging from circa $1,800 per square metre to $3,000 per square metre, depending on location and overall size.

This market is likely to continue improving during 2018 with the construction market still strong on the Sunshine Coast and generally driving these types of buyers.

The larger investment grade market has also improved and is likely to continue to firm with investors seeking higher returns in the industrial market compared to the retail market.

Overall, levels of vacant land stock has diminished, though still will constrain values moving forward.

Toowoomba

Leasing demand for industrial properties in Toowoomba is currently moderate and has resulted in an increase in vacancies. Although face rentals have been relatively static, lease incentives may need to be introduced to secure tenants.

Demand from owner occupiers for vacant industrial properties is also considered moderate with values likely to remain relatively static over the coming year.

Whilst interest rates are low, strong demand from investors is likely to continue. Yields between 8% and 9% are often achieved for fully leased properties in good locations. There have also been a few instances where properties with a strong tenant on long term lease have achieved a sub 8% net yield.

Demand and supply for smaller industrial strata units in Toowoomba is limited. This market is predominantly owner occupied with capital values also likely to remain static in the short to mid term. The lower price bracket often makes these industrial units attractive to entry level investors.

As construction of the Toowoomba Bypass Road continues (construction commenced in 2016) and the proposed Melbourne to Brisbane Inland Railroad project progresses ($8.4 billion in federal funding announced last year) it will be interesting to see whether demand increases for industrial land in the Charlton-Wellcamp Enterprise Area (located to the west of Toowoomba and positioned close to both projects).

Rockhampton

Movement in the industrial market in Rockhampton in 2016 and 2017 saw reductions in rentals but also a slight tightening of yields for well tenanted properties. For 2018, we expect an increase in activity in the industrial sector on the basis of sustained commodity prices (mainly coal). Also, if major infrastructure projects such as the Rockhampton Ring Road and Rookwood Weir come to fruition we anticipate stronger demand for industrial property both in Rockhampton and Gracemere. With increased activity we would expect rental levels to slowly increase, however prior to this there will need to be a take up of vacant space in the market which could take some time. Yields will be driven by the wider investment markets and sensitive to any movement in interest rates, but unlikely to be driven by local factors. While interest rates remain low, we anticipate continued activity in the owner occupier market. There continues to be good opportunities for owner occupier buyers, however there are few industrial offerings for investors that offer quality improvements and attractive cash flow and tenant profile.

Gladstone

We anticipate that the industrial sector in Gladstone will continue at much the same pace as seen in 2017, with limited activity and continued stabilisation of rentals and values. Most leases struck during peak market conditions have since been subjected to market review, with many rentals now negotiated to more affordable levels. There is still a high level of vacant industrial property and until such time as this stock is absorbed, tenants will continue to have bargaining power in new lease negotiations. We consider that good opportunities remain for the owner occupier market given continued low interest rates and relatively affordable value levels. Vacant properties will continue to appeal to the owner occupier market only, with no interest in this sector of the market from investors. In the later part of 2017 we saw some renewed investor activity for leased properties, albeit at high yields that reflect market sentiment. We anticipate that investors will remain opportunistic in 2018, seeking counter cyclical investment opportunities.

Mackay

The industrial market in Mackay has probably hit the bottom of the market cycle. It is always easier to say exactly when that was with the benefit of hindsight. Agents reported strong leasing activity in the later stages of 2017 however this has moderated in recent weeks. Rents appear to have settled at a new lower level. There has been particular interest in industrial properties with large hard stand areas suitable for heavy vehicles and equipment. This is not surprising given the extent of major infrastructure projects around the city including the $500 million Mackay Ring Road.

Throughout 2018 we expect that there will still be keen interest for quality investment grade assets with strong lease covenants at any price level. This sector was not badly impacted by the local coal mining downturn and is traded within the national market.

The market for standard owner occupier industrial properties in the price range of $750,000 to $2 million experienced a price correction through the coal mining downturn. We do not expect the value of these assets to fall any further, neither do we expect any appreciable value growth through the course of 2018.

Vacancy rates for older, standard sized sheds with minimal hard stand area remain fairly high. Extensive take up is required before any increase in rental rates can be anticipated in this asset class.

Industrial units experienced good levels of rental take up throughout 2017 albeit at very affordable rental levels. There was a particularly cheap sale in the Harbour City Central complex late last year which suggests that this sub sector may not have reached the bottom just yet. It is possible that there could be some industrial unit stock taken to the market by receivers in 2018. This looms as a threat to value levels.

We believe that properties with extensive hardstand areas will remain in high demand throughout 2018. We expect that there may be some growth in rentals and sale prices in this asset class. Local infrastructure works are likely to be a key driver in the Mackay market for many years to come.

Wide Bay

Bundaberg's industrial property markets are likely to remain stable throughout 2018 with some targeted infrastructure projects offering benefits to some properties such as the extension of Kay McDuff Drive and Johanna Boulevard, the Rubyanna Wastewater Treatment Plant and developments at the Bundaberg Port. The market for industrial premises in Bundaberg predominantly transacts under $1 million. There have been some positive signs for the higher priced industrial assets with a handful of industrial premises selling in the top end price brackets in the Wide Bay markets. Industrial investment grade stock has been very low with owner occupiers the more likely buyers at present.

Emerald

A recovery of the coal price in early 2017 saw the beginnings of renewed confidence in the industrial market in Emerald. We anticipate that 2018 will continue to show steady signs of a market recovery with increased activity in both the sales and leasing markets. Two recent sales showing signs of renewed confidence in the sector are the Flexihire building at $750,000 and a large industrial premises on Wills Road recently transacting at $1.4 million. The Flexihire building was sold on a lease back arrangement with a new five plus five year lease, showing an analysed market yield of about 9%. There were multiple other sales recorded during 2017 in the sub $550,000 market mostly to owner occupiers and we anticipate this activity to continue throughout 2018 while interest rates remain low. Whilst there is still a high number of vacant industrial sheds, we acknowledge that most of this is generally older quality stock and there are limited rental opportunities for quality, well presented industrial premises. There may be opportunities throughout 2018 for landlords to upgrade their properties as part of lease agreements for new tenants, or the potential for new development if demand for modern premises increases. We consider the overall outlook for 2018 to be more positive than this time 12 months ago.

Townsville

The year ahead for the industrial sector is likely to remain at status quo with improvement in the mining sector and sentiment in the market remaining positive.

We are currently seeing positive economic conditions and sentiment in Townsville on the back of major projects already underway including the Townsville Stadium, Ross River Solar Farm and Haughton pipeline duplication. However, there remains some hesitation in the market around Adani's $22 billion Carmichael Mine, with ongoing media coverage currently keeping this issue at front of mind. Our general feel is that although there is positive sentiment surrounding the market, this is currently not translating to any real increase in activity.

We are likely to see continued interest from southern investors in the industrial sector given the attractive yield spread in regional areas relative to their home locations. This drive will continue to be towards quality property offering strong investment returns with long term leases or national tenants.

There remains an oversupply of stock available relative to current demand in the leasing sector and incentives are likely to continue throughout the year as a requirement to entice prospective tenants.

Northern Territory

Darwin

It's probably fair to say that the industrial sector has been the hardest hit of any of Darwin's property markets in the slowdown of the past three years. This can be attributed to a number of factors including the limited involvement of local industries with Inpex and the larger supply of new industrial land in estates which have been developed over the past few years.

Business confidence and therefore property confidence is a very fickle thing. There is an oversupply of doom and gloom at present and there is no doubt that the next 12 months will be challenging for many industrial businesses and property owners. There will be seismic changes this year as the Inpex project adjusts from its construction phase, employing a peak workforce of about 9,000, to the operational phase which will employ about 300.

On the more positive side, the NT Government has just announced a $1.75 billion capital expenditure program across the Territory and there are also significant Commonwealth (mainly Defence) and private sector projects emerging in 2018. It is to be hoped that when these projects come to fruition it will cause a multiplier effect on demand across all Darwin's property markets. Industrial type property should be at the forefront of many of these projects.

Rents have certainly been under downward pressure for the past two years which has been a factor in reduced industrial property values. Yields generally have increased reflecting the perceived increase in risk of industrial property as an investment. Tenants and buyers are in stronger negotiating positions as a result. There is no short term change to this equation in sight until these upcoming projects can reverse the negative employment growth across the Northern Territory, especially in Darwin.

In this environment, a severe discount is being applied to vacant possession properties. This represents an opportunity for owner occupiers to buy their own premises or possibly expand (although few are looking at expansion in the current market). For investors with the foresight and cash to withstand the possibility of an extended period of vacancy, some of these properties are available at a price well below replacement cost.

Western Australia

Perth

There are still signs that a two-tiered market exists between prime and secondary industrial space, however we consider that the market has reached the bottom and looking forward, we hope to see some recovery in the industrial sector as mining projects once again come on stream.

On average, the 12 months to December 2017 saw leasing activity fall just below the five year average. Once again, the main takers of industrial space in the Perth industrial market were the transport and logistics and the manufacturing and engineering sectors, followed by the construction, mining and agricultural sectors. Most of the leasing activity centred around the core and east industrial markets (Kewdale, Welshpool, Perth and Jandakot Airports and Canning Vale) accounting for the majority of industrial stock reported leased in the 12 months to December 2017, covering close to half of total leasing volumes through the year.

In regard to rentals, prime industrial net face rents typically range from $70 to $100 per square metre per annum in the core and north (Malaga, Wangara), $60 to $95 per square metre per annum in the south (Bibra Lake, Henderson, Yangebup, Kwinana, Rockingham, O'Connor) and $70 to $90 per square metre per annum in the east. While both average prime and secondary grade rents declined between 10% and 15% between 2013 and early 2016, the past 12 months have shown some signs that rents are close to stabilising. The trend suggests that the first signs of recovery have emerged in the market and while this is yet to translate into higher leasing volumes over the past 12 months, there are indications that tenant demand is gaining some momentum on the back of improved business sentiment and jobs growth.

According to research with Landgate, HTW noted approximately $500 million worth of industrial property transactions in the 12 months to December 2017. This is below the below the five year average of $640 million.

Half of the sales exchanged in the 12 months to December were for assets of $20 million or above. This has led to a change in vendor composition with more private investors offloading assets than the previous period. Growthpoint Properties acquisition of the Desmar Portfolio at Perth Airport for $46 million was one of the largest for 2017 but included four separate yet adjoining properties.

Looking to the year ahead, leasing enquiry is expected to trend upwards for opportunities in the traditional, more established precincts, with a steady increase in transactional activity likely as a result. It is anticipated that this demand will be mostly in the sub 10,000 square metre segment for existing supply. Activity in the pre-lease sector has lifted recently with a number of firms currently undertaking or looking to scope out market options for upcoming requirements. We may see further improvement in leasing volumes as 2018 plays out. Speculative development has been limited, largely in the less established regions, and this trend is unlikely to change in the short term. We may begin to see an increase in the refurbishment or repositioning of older style facilities due to the shortage of prime quality facilities in the core and east as owners look to reposition assets on the back of a brighter outlook for jobs growth and business climate.

Yield compression has begun to slow in some of the precincts for prime investment assets, however there is at least a 50 basis point spread between the prime eastern seaboard markets and Perth, potentially indicating that there is still some compression to come. We do note that there are examples of prime assets with strong lease covenants trading on market yields closer to 6%, below the average prime yield range.

Flight to quality may compound this divergence between prime and secondary in 2018, most likely in the traditional precincts first.

Residential

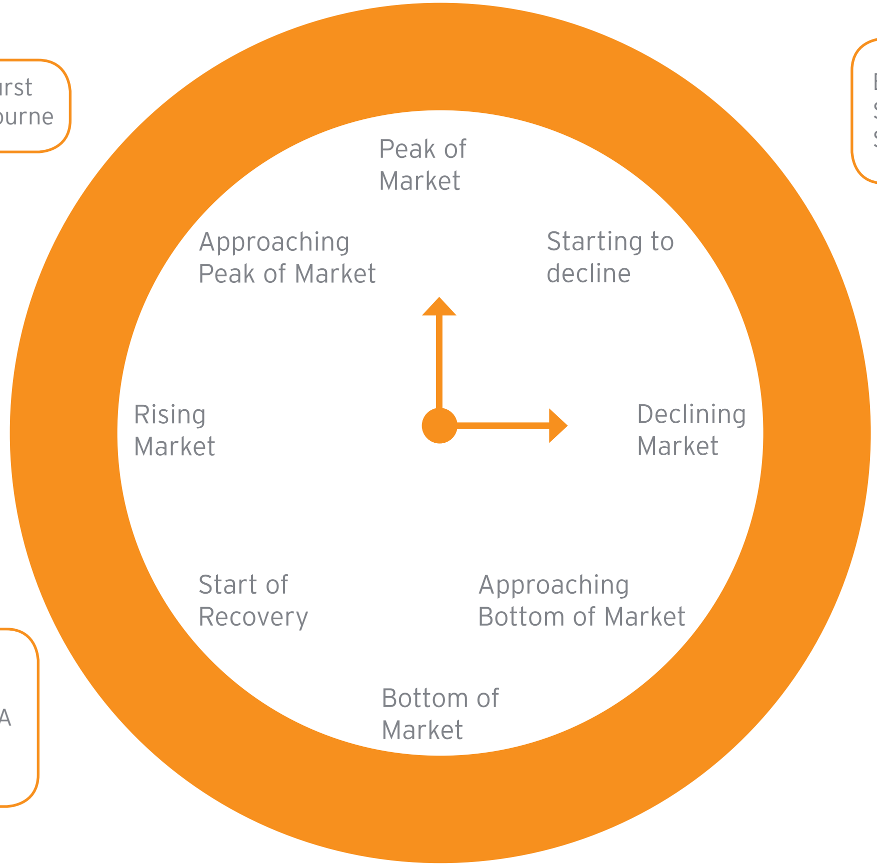
HERRON TODD WHITE RESIDENTIAL

National Property Clock
March 2018
Houses

Central Coast
Coffs Harbour
Mid North Coast
Newcastle

Bathurst
Melbourne

Bendigo
South East NSW
Sydney



Adelaide
Adelaide Hills
Albury
Ballarat
Barossa Valley
Brisbane
Burnie-Devenport
Canberra
Echuca
Gippsland
Hobart
Iron Triangle
Launceston
Lismore
Mount Gambier
Tamworth

Cairns
Emerald
Gladstone
Hervey Bay
Ipswich
Mackay
Mildura
South West WA
Townsville

Alice Springs
Bundaberg
Darwin
Perth
Rockhampton
Toowoomba

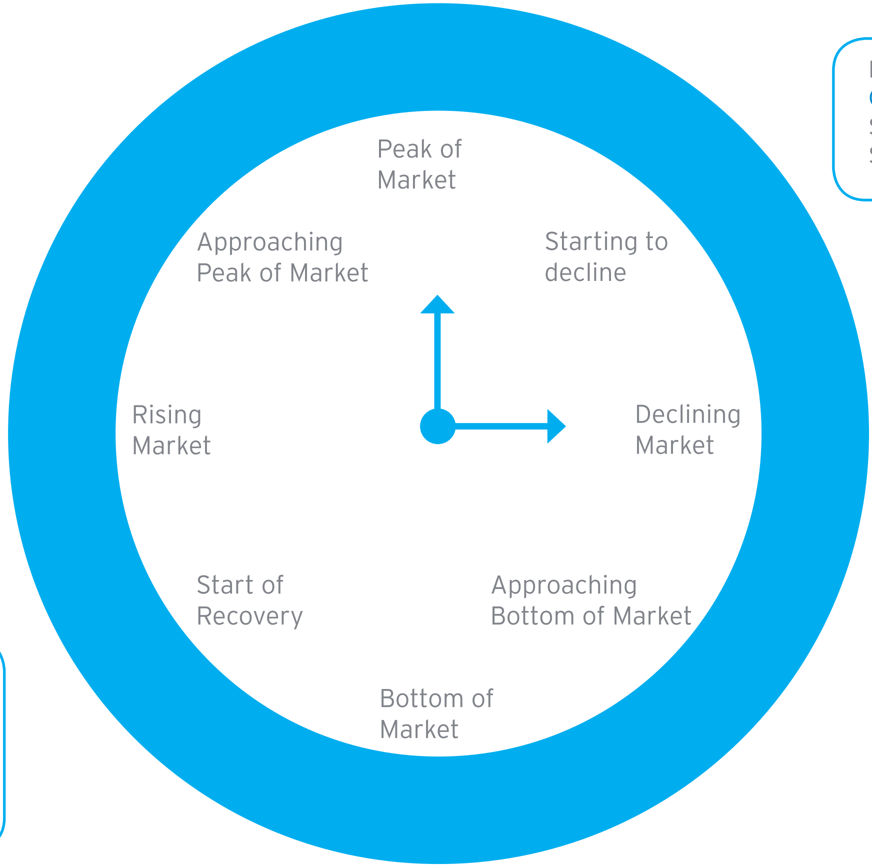
Entries coloured orange indicate positional change from last month.

National Property Clock
March 2018
Units

Central Coast
Coffs Harbour
Gold Coast
Melbourne
Mid-North Coast
Newcastle

Bendigo
Canberra
South East NSW
Sydney

Brisbane
Perth



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

Emerald
Hervey Bay
Ipswich
Mildura
South West WA
Townsville

Burnie-Devenport
Echuca
Gippsland
Hobart
Launceston
Lismore
Mount Gambier
Sunshine Coast

Entries coloured blue indicate positional change from last month.

HERRON TODD WHITE RESIDENTIAL

New South Wales

Overview

Middle markets across Australia are a diverse, patchwork quilt of options, but they are, in general, where most of the action is happening.

Middle ring localities, particularly in some of the centres that have seen hot inner city markets over the past few years, may be the opportunity many buyers are crying out for - as long as you can spot the prime purchasing options among the raft of available listings.

This month, our team has defined and distilled their middle ring markets and come up with the most comprehensive national report on the opportunities and pitfalls that present themselves in the country's middle rings.

Sydney

In Sydney, the middle ring is traditionally considered to be the area that falls within a radius of more than ten kilometres and less than 20 to 25 kilometres from the central business district. At around ten kilometres from the CBD are suburbs such as Rockdale, Strathfield, Matraville, Ryde and Manly. Moving out to around 20 kilometres you find Parramatta, Revesby, Sylvania, Hornsby and Warriewood.

The middle ring of Sydney has a diverse range of property types and price points, usually dependent on access to jobs, transport links and other services and amenities. Historically this was an area popular with first home buyers and young families looking for detached housing with a big back yard, however recent price movements have meant these buyers have largely been priced out of these areas. They now must look further afield or consider higher density housing options which are becoming more readily available throughout many middle ring suburbs.

Northern Suburbs

The suburb of Ryde is approximately 15 kilometres from the Sydney CBD with access to local amenities including the recently refurbished Top Ryde Shopping Centre, Macquarie Shopping Centre and close proximity to major industrial and business precincts. Dwelling types range from older style 1950s homes through to modern built homes.

The area has a median house price of $1.758 million and performed strongly in 2017 with 17.2% capital growth. The area has a relatively modest median unit price of $725,000 and a smaller 6.4% capital growth in 2017 (source: PriceFinder).

Rental demand remains steady in the housing market, with most houses available being typical older style homes with a modest level of accommodation and fit-out. The average median rent is $690 per week (source: realestate.com.au) and appeals predominantly to younger families.

The unit market has become saturated with stock of late, which has seen a slight reduction in listing prices and longer than average days on market. The median 1-bedroom unit rental is $490 per week (source: realestate.com.au) reflecting a 4.1% yield and appeals mainly to singles and childless couples.

Older units in established locations where supply levels remain steady have performed well over the period, however the area faces over supply challenges of new stock, particularly on the fringes of Meadowbank/Ryde where a significant amount of supply has come onto the market over the past 12 to 18 months. There are currently 52 1-bedroom units and 90 2-bedroom units on the market (source: realestate.com.au). Over recent months, the market has remained relatively stable or shown slight levels of decline in value levels. Original off the plan sales from 2014 and 2015 have seen limited price growth. Examples of this include 132/21-31 Porter Street, Ryde which sold off the plan in November 2014 for $588,000 and recently resold in December 2017 for $570,000.

Whilst the suburb lacks a railway line, it has frequent bus services available and the area is relatively affordable in comparison to some of its neighbouring suburbs including Gladesville ($2.1 million median house price), Eastwood ($1.86 million median house price) and Putney ($2.37 million median house price) (source: PriceFinder).

The suburbs of Narrabeen and Collaroy are both considered middle ring suburbs of the northern beaches. Whilst centrally located between Palm Beach and Manly geographically, they are also a middle point in terms of value levels. With median house prices of $2.1 million and $2.3 million respectively, they sit well between the median house values of Manly ($3.26 million) and Mona Vale at $1.75 million (source: PriceFinder).

15 Cumberland Avenue, Collaroy sold for $2,055,000.

(Source: Realestate.com.au)

The housing marking in Narrabeen performed strongly with 13.2% capital growth (source: PriceFinder) for the 2017 period. Demand in the northern beaches is very much owner occupier driven which results in a limited amount of rental stock available. Narrabeen provides a rental yield of 2.1% (source: realestate.com.au) with housing generally comprising of a modest level of accommodation and fit-out, appealing primarily to younger families looking to remain on the northern beaches at an affordable level.

The biggest challenge to the northern beaches market, particularly in the middle ring, has been road and public transport links, particularly to the CBD.

The B-Line bus service has been recently introduced to help provide a more reliable journey between Mona Vale and the Sydney CBD. The NSW Government has introduced a new fleet of double decker buses and is in the process of upgrading infrastructure along Pittwater Road, as well as providing six new commuter car parks to Mona Vale, Warriewood, Narrabeen, Dee Why, Brookvale and Manly Vale. In addition the new $600 million Northern Beaches Hospital which is due to open in October 2018 should provide positive impact to value levels in the area. The proposed future Beaches Link tunnel would also make this area more accessible and place upward pressure on house prices.

Overall the long term prospects are positive for this sector of the market due to the strong owner occupier appeal for middle ring beachside localities along with future infrastructure.

Central West

Strathfield and Burwood are located approximately 13 kilometres west of the Sydney CBD and approximately 12 kilometres east of the Parramatta CBD. Dwellings in both areas come in a wide variety of styles, including older Victorian terraces on 150 square metre lots, Californian bungalows on 1,000 square metre lots and large Federation homes on 2,000 plus square metre lots. These suburbs are in very strong demand from owner occupiers, resulting in strong median prices and attracting professionals with young families. The suburbs have access to main roads such as the M4 motorway, Parramatta Road and future M4 East tunnel, as well as major railway stations on the main central line. Access to prestigious schools such as MLC, Santa Sabina, Meriden, Trinity College and St Patrick's College adds to the high demand for dwellings in both suburbs.

The start of 2017 was strong but began to slowly taper off towards the middle and end of the year in parallel with the Sydney market as a whole. The median house price for Strathfield in 2017 was $2.56 million, a slight increase of 0.4% over 2016, while for Burwood it was $2.11 million, up 5.5% from the previous year (source: PriceFinder). Despite slowing price increases overall, unique character style dwellings continued to perform well, along with modern dwellings on larger lots.

86 Nicholson Street, Strathfield sold for $6.6 million in October.

(Source: Realestate.com.au)

Opportunities to enter this market are limited because of the price point. As a result potential purchasers are pushed to suburbs such as Strathfield South, Concord, Enfield and Croydon.

We expect that 2018 will see the market overall in both suburbs continue to level off with results to remain steady. However unique and brand new dwellings will continue to be in strong demand.

The Strathfield and Burwood unit market has seen strong growth in recent years with an increase in medium rise unit complexes around both stations. The median price for Strathfield units in 2017 was $730,000, an increase of 2.1% over 2016, while the Burwood median unit price increased by 1.1% to $830,000 over the same period (source: PriceFinder).

Rentals have remained strong throughout this construction boom with a strong amount of supply absorbed by investor demand both locally and internationally. A modern 2-bedroom, 2-bathroom unit with one car space situated opposite Burwood Station can achieve $700 to $750 per week rent, with a yield of around 3.5%.

The majority of buyers are investors and young couples. Overseas buyers, who previously dominated the market, are becoming less prevalent. However there are now significant traffic issues around both Strathfield and Burwood centres, especially around Burwood Road, Burwood and Raw Square, Strathfield.

Opportunities to enter the market are reasonably affordable with proximity to large shopping centres, local shops, cafes, stations, parks and schools again seen as a major reason for the recent strong demand. With the increase in the number of developments in Burwood, especially along Burwood Road, it may become more affordable to enter the market in 2018 if prices continue to ease.

Southern Suburbs

Sandringham and Kyeemagh are two small residential suburbs located at either end of the main foreshore along Botany Bay. These are smaller suburbs which neighbour the more well-known Kogarah, Brighton Le Sands and Sans Souci. Property types in this area generally include freestanding houses, villas, townhouses and low rise units with a movement towards duplexes and larger unit complexes surrounding facilities.

The area is well known for its restaurants and cafes, foreshore parklands and of course long stretches of sand fronting Botany Bay.

The locality is well serviced by buses and provides quick access by train from the nearby suburbs of Kogarah and Rockdale to Sydney Airport and Sydney CBD. Rocky Point Road and The Grand Parade provide vehicular access to the eastern suburbs and the CBD to the north and to the Sutherland Shire in the south. The M5 Motorway is also accessible from nearby Arncliffe.

Due to these factors, there is demand from young professionals and families. Opportunities to purchase for this demographic exist with freestanding homes along with modern medium to high density developments. An example of this is Ramsgate Park, a planned community currently under construction to comprise over 500 apartments sitting on 3.3 hectares and offering extensive green space areas.

A recent sale in the area was 43 Riverside Drive, Sandringham which sold for $2.925 million in September. The property was an original circa 1960s 3-bedroom home with a north to rear aspect and expansive Georges River views from the front of the home.

Another noteworthy sale was 38 Alfred Street, Ramsgate Beach in December for $2.175 million. The property was a dated single level home located on a level 898 square metre block, one street back from The Grand Parade and was marketed as having potential for dual occupancy development.

38 Alfred Street, Ramsgate Beach

(Source: Realestate.com.au)

A typical property in the area is generally a 2- or 3-bedroom villa or townhouse which ranges in value from the mid $800,000s to the early $1 million, or a basic 3-bedroom bungalow from $1.3 million upwards.

5/14 Evans Street, Sans Souci sold in December for $861,000

(Source: Realestate.com.au)

Properties classed as units on realestate.com.au which also include villas and townhouses, recorded an annual growth of 10% in 2017 and a rental yield of 3.1%. Houses recorded an annual growth of 12% and a rental yield of 2.3% (source: realestate.com.au).

Demand in the area is for the most part driven by owner occupiers and this is expected to continue throughout 2018.

Planned infrastructure improvements include upgrades to the nearby Princes Highway. Another proposal is a light rail system along the foreshore and up Rocky Point Road to join the existing rail network at Wolli Creek, both of which would ease traffic congestion significantly.

Stage 1 of The F6 Extension between the WestConnex at Arncliffe and President Avenue in Kogarah has been approved with construction planned to begin in 2019. Stage 2 through to Taren Point and Stage 3 to Loftus, if approved, are planned to be completed by 2025. This will take pressure off existing local roads and will have flow on effects to the area, including property prices.

Eastern Suburbs

The eastern suburbs middle ring generally refers to its most southern suburbs such as Little Bay, Philip Bay, Chifley, Malabar, Matraville, Hillsdale, Botany, Pagewood and Maroubra. These suburbs are approximately between eight and 13 kilometres to the south-east of the Sydney CBD being surrounded by Botany Bay to the south and the South Pacific Ocean to the east.

The property types within these locations generally comprise of a mix of older style detached and semi-detached housing, older style to modern style low rise units, modern duplex units and higher density medium rise unit developments.

23A Finucane Crescent, Matraville.

(Source: Realestate.com.au)

Duplex properties have become popular in these areas as a more affordable alternative to traditional detached housing. Typical duplexes sell between $1.5 million and $2 million, however larger, high quality duplexes have achieved into the mid $2 million range. An example of this is 23A Finucane Crescent, Matraville, a 4-bedroom, 2-bathroom company title duplex with single garage and in ground pool, which sold in December for $2.27 million.

These areas have generally seen strong growth over the past few years with 2017 seeing a more stable growth rate. The rental market has seen demand remain steady with slight increases in some property types. Proximity to transport has always been a major factor in these areas with only bus services available. The new Sydney Light Rail which is currently under construction is planned to open in early 2019. Currently its final stop along the Anzac Parade route will be at Kingsford however there is potential for this light rail to continue further south in years to come.

A project currently under construction in the Pagewood area (approximately eight kilometres south-east of the Sydney CBD) is the Meriton development known as Pagewood Greens. It will be the largest new residential project in the eastern suburbs and a face changing one for Pagewood. This will be developer and Meriton group founder Harry Triguboff's biggest project. The 16.5 hectare site adjacent to Westfield Eastgardens will comprise a $3 billion community developed over several stages, with a mix of medium rise towers of up to 20 levels, over 3,000 apartments, two hectares of parkland, tree-lined boulevards and a civic square for alfresco dining.

The current prices (according to the Meriton website) for the available stock range from $700,000 to $933,000 for 1-bedroom units, $945,000 to $1.237 million for 2-bedroom units and $1.255 million to $1.625 million for 3-bedroom units. Retirees and downsizers are expected to be the predominant demographic groups for this project with some young families and professionals. The first stages are due to be completed between March and May 2018. Price growth will be dependent on the quality of future road and public transport infrastructure upgrades to the area.

The long term prospects of these areas of the eastern suburbs is looking bright. With many priced out of the northern harbourside and beachside locations, these areas are set to continue to entice more people to these areas.

(Source: urbis.com.au/projects/meriton-pagewood)

Canberra

The Canberra residential market has continued to see strong capital growth for residential dwellings, with historically low interest rates and strong employment viewed as key factors. Inner suburbs have experienced considerable capital growth, while outer suburbs have experienced steady growth.

The Mr Fluffy Asbestos Removal Scheme is continuing with some of the strongest land sales being located in the inner north, inner south and Woden Valley regions. The strength of the land sales has been in part due to the change in the Territory Plan to allow dual occupancy and unit titling on many of these blocks.

The market has already seen completion of many of the unit titled properties, with strong demand for the much anticipated new houses in established suburbs which up until recently have been quite limited. Many of the inner suburb unit titled houses appear to be catering for professionals and investors, with a higher level of building inclusions.

Gunghalin offers a range of affordable housing options for young families and first home buyers, with commuting distances to the CBD being less than 20 kilometres. There is a mixture of modern detached 3- and 4-bedroom dwellings with 2-car garages on your typical 450 square metre lot, selling at below Canberra's median house price. Young families make up the majority in the Gunghalin region and subsequently the local schools are running at a higher capacity. There is a new primary school in the developing suburb of Taylor, located on the fringe of Gunghalin.

Canberra's light rail currently under construction is viewed as a strong attraction for buyers to Canberra's inner north suburbs and the Gungahlin district. This has also contributed to the strength of the civil works employment market.

The residential apartment market is expanding with a number of developments newly completed and many still under construction. Notable areas include the rejuvenation of Northbourne Avenue, Kingston foreshore precinct, Flemington Road corridor in Gungahlin and the Belconnen Town Centre. There has also been significant apartment growth in Molongolo Valley and Tuggeranong Town Centre.

The unit market has been more volatile with some value reduction, generally in the outer locations. Unit market growth is expected to be minimal, with long term demand shifting towards new and established detached houses.

Nevertheless, the Canberra unit market continues to offer investors strong rental demand, high yields and low vacancy rates, which contribute to the growing market segment.

The Canberra residential housing market is expected to experience steady to strong capital growth during 2018.

Lismore / Casino / Kyogle

The middle ring of the residential property market within Lismore City and the surrounding rural towns of Casino and Kyogle is primarily defined by price point and property type (i.e. detached houses).

This is usually identified within Lismore City by affordability to the market place for first home owners and investors. Typically, this includes the bulk of the action in the suburbs of Goonellabah, East Lismore, Lismore Heights and Lismore Central where the middle ring price is around $300,000 to $400,000 for detached houses. Girards Hill is a bit more exclusive due to the heritage flavour of the suburb which can see price levels reach $400,000 plus. Both South Lismore and North Lismore are somewhat lower in price level due to obvious flood issues, however well presented and renovated highset homes are now breaching the $350,000 plus ceiling.

Both Casino and Kyogle have a middle ring price range in the region of $250,000 to $350,000 for detached houses.

This sector performed admirably (particularly within Lismore City) throughout 2017 with strong interest showed by first home buyers and investors. Rental demand also improved which drove rental levels upward (much to the unabashed glee of investors).

Heading into 2018, the middle ring sector is likely to continue to benefit from the low interest rate environment with demand to remain relatively steady and rental demand positive. However, it will be interesting to review this once the much touted interest rate increases (which various real estate commentators have been postulating) towards the end of the year.

Opportunities for middle ring will typically be houses that require some form of renovation which, if done well and within budget, can push the price level into the next bracket. These opportunities are not restricted necessarily to certain suburbs as long as they are acquired at the current market level in their as is condition, i.e. don't pay over the odds.

As with any sector and as well publicised by local real estate agents, the challenge is the current limited listing stock. As Lismore City grows outwards into the recently created residential estates, we are likely to see new build development which may encourage owner occupiers to upgrade and thereby release their hold on their existing homes to the other players in the real estate market such as first home buyers and investors for the more moderately priced middle ring stock. However, there could be some lag before this happens as most builders are run off their feet to meet new build demand.

Finally, the prospects for this sector over the next ten years appear to be relatively positive.

Ballina/Byron

The middle ring is not specifically defined by proximity to a CBD on the North Coast, as lifestyle factors such as proximity to beaches, views and location play just as much influence as proximity to a town or regional hub. The middle ring performed strongly throughout 2017 as a lack of stock created an upward trend in value levels. Early indications in 2018 is that this trend is expected to continue. The middle ring throughout the coastal areas remains owner occupier driven. Again the lack of supply has meant that rental demand remains strong. Long term prospects for the middle ring within Ballina Shire may be influenced by an over supply of land in Ballina Heights and Lennox Head and the ability of Ballina Shire Council to keep up with strong population increases by providing services.

In the Byron Shire Local Government Area, the middle ring for this particular market would include suburbs such as Ballina, Lennox Head and even Tintenbar in the rural residential market. As the central CBD of Byron Bay continues to be the apple of everyone's eye, price points continue to rise, forcing purchasers in the northern regions of New South Wales to look at surrounding suburbs for price point reasons.

The middle ring sector of the market throughout 2017 and start of 2018 was strong and continues to be strong with significant rises in value. This price rise is mainly due to a lack of overall stock in the market place in these localities. Properties within this middle ring are spending less than seven days on the market and in some cases are not even making it on to the market (being sold prior to the marketing campaign).

The prospects for 2018 are considered to be strong as market forces such as low interest rates and high employment rate continue to be a strong influence.

The rental demand in the middle ring sector of the market is also very strong, as younger families are choosing these particular areas over Byron Bay as the central CBD rental rates continue to soar.

The suburb of Ballina still creates an excellent buy in opportunity in the middle ring sector of the market as it has a relatively lower price point and is close to many services including two large shopping centres and many coastal beaches. Price points are so much more appealing than those of Byron Bay, Lennox Head and other coastal resort towns.

The prospects for the middle ring sector of the Byron Shire market appear to be very positive over the next ten years.

Clarence Valley

The median price in Grafton, Maclean and Yamba has increased over the past 12 months with sales prices remaining relatively affordable compared to nearby cities and larger regional hubs. We have seen the majority of sales occur in this middle ring, while the prestige or higher end market has shown a slightly slower increase in capital value over the same term. The popularity of this segment of the market continues to maintain momentum with the highway upgrade increasing rental returns and sparking investor interest. Consequently, investors and owner occupiers alike continue to be active players in the market with the only noticeable difference in requisites being the likelihood and cost of maintenance. For instance, larger rural residential lots are less desirable for investors and rental returns are not as strong due to the required upkeep of the lots and distance to centres.

Properties that comprise the middle market are usually standard dwellings on residential lots and vary from circa 1930s colonial dwellings to modern brick homes.

In the long term, it is considered likely that this market may stabilise when construction of the new Pacific Highway concludes and economic activity also decreases. However, with the market remaining affordable, rental returns being historically steady and proximity to desirable beach localities, it is unlikely that we would see a dramatic downturn in the market.

Coffs Harbour

Being a regional coastal location, Coffs Harbour does not share the same land characteristics as major populated locations with defined inner and outer rings, but rather town and country which is only separated by a five to ten minute drive in most cases. The middle ring may be defined as the suburban strips between the beachfront and rural residential suburbs. These areas are where we see high volumes of activity appealing to first home buyers trying to get a foot in the market, investors and upgraders seeking a larger family home. Not surprisingly it is this market where we see the mid value ranges being achieved. House values on average range from $450,000 to $650,000 with units in the $250,000 to $450,000 bracket.

Buyers in this bracket can expect to purchase good quality five to 20 year old 3- or 4-bedroom, 2- or 3-bathroom homes on varying size sites within one to three kilometres of the Coffs Harbour CBD and local beaches. Standard new project style 4-bedroom, 2-bathroom homes range between $500,000 and $600,000 in the smaller central Coffs estates and southern suburbs of Bonville and Boambee East. Homes in the more modern upmarket estate known as The Lakes at North Boambee Valley (two kilometres from the CBD) start at around $600,000 for new 4-bedroom, 2-bathroom homes.

Traditionally the established areas south of Coffs Harbour at Boambee East and Toormina were the more affordable localities offering accommodation ranging from modest 3-bedroom, 1-bathroom homes to the larger 4- or 5-bedroom family dwellings of five to 30 years of age. These localities were seen in the past as less desirable compared with Coffs Harbour (eight kilometres north), however recent market evidence has shown these areas have increased in popularity and value with median house prices catching Coffs Harbour. This is primarily due to the location factors such as being close to the Pacific Highway for access north and south and within two to three kilometres of the popular Sawtell Beach and shopping precinct. The major shopping centre at Centro Tormina is underpinned by K-Mart, Woolworths and Coles. Schools include primary and public high schools plus nearby St Joseph's College and Southern Cross University.

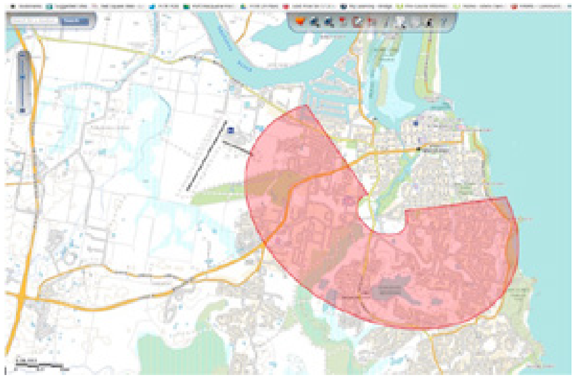
This market sector was a strong performer in 2017 with average increases in the order of 5% to 30% in some cases. It is the more affordable end of the market where we see the most pressure. Rental values have also increased with strong levels of demand and balanced supply. It is interesting to note that based on median statistics from realestate.com.au, since 2011 the median house price in Coffs Harbour has risen from $350,000 to $477,000 whilst rental yield has declined over this period from 5.2% to 4.4%. Increased prices have eroded returns and coupled with the low interest rate climate, is seeing investors prepared to accept lower returns.

The Coffs Coast area has a geography which allows the middle ring a far better lifestyle than the city dweller, generally located within five kilometres of the beach and easy access to services, schools and shopping. It is these lifestyle factors which appeal to a range of buyers from first home owners, investors and upgraders. This market will only continue to grow over the coming years due to population migration and improved road infrastructure including the long awaited Coffs Highway bypasses which hopefully will get the green light in the coming years.

NSW Mid North Coast

This month we will look at properties that sit between the inner and the outer areas of the main Mid North Coast town of Port Macquarie.

Properties within this circle are tightly held and sought after due to their proximity to amenities including local beaches, shopping centres and public facilities.



eastern localities along the beaches as always have proved popular and areas such as Shelley and Nobby's Beach have seen good price growth, with many local residents opting to renovate existing dwellings rather than purchase elsewhere or build.

Dwellings within these areas are primarily 3- or 4-bedroom brick and tile dwellings with a single or double garage and range in age from the 1960s through to the late 1990s. Prices range from $500,000 through to $900,000 if renovated and well located or have ocean views.

While Port Macquarie as a whole has seen price growth, these beachside suburbs have shown greater capital appreciation than other Port Macquarie localities. Investors have also been active in these areas as they chase good yields with greater potential for capital growth than the outer fringes.

Whilst on the outer fringes we are seeing more of a stabilising market due to further subdivision development and new builds, allowing the purchaser more options. The additional works to Charles Sturt University and increasing student numbers to follow should see a tightening of the rental market in these areas.

In other Mid North Coast areas the trend seems to be similar, depending on the market forces for that particular area. Middle ring residences seem to be a positive purchase or a good option for investors and home owners alike on the Mid North Coast, however we caution any potential purchasers to conduct their due diligence prior to purchase.

Newcastle

Stockland Green Hills shopping centre is currently going through a major expansion to cater for the growing population of residents surrounding it. This region in between Maitland and Newcastle appeals to buyers looking for a lower to middle of the range price point in the Hunter region in a convenient location.

To the east are the metropolitan areas of Newcastle and Lake Macquarie and the waterways and beaches of Port Stephens. To the west are the big country towns of Maitland and Singleton as well as the region's mines and wineries. All these areas are less than an hour's drive. Added to this is the area's close proximity to the M1 and A1 motorways allowing for a simple fast exit for those road trips north or south. The area is geographically in the middle of the Hunter region.

The larger residential suburbs in this area are Metford, Thornton, East Maitland, Ashtonfield and Chisholm. With an entry level of around $350,000 for a 3-bedroom home and an upper limit of just over $1 million for a large modern family home with all the bells and whistles, the area offers a wide range of houses for a prospective buyer's needs and wants.

As the shopping centre is developing, so are the residential suburbs around it, with the region being one of the Hunter's hot spots for new homes. With families being priced out of the market in Newcastle, the opportunity for a new home within a commutable distance is becoming more attractive.

Like the rest of the Hunter Valley, the region has seen record growth over the past few years, but with the Sydney market on a downturn, there is caution in the current local market. With what seems to be a gradual recovery in the mining sector occurring, a strong demand for affordable family homes, the area's central location and the soon to be state of the art shopping centre, the growth may continue.

Illawarra

Due to geography and attributes such as beaches and proximity to Sydney, there is no middle ring based on distance to the CBD. In fact, to the north of Wollongong there are certain cases where being further from the CBD (Thirroul, Austinmer, Coledale) is more desirable. Therefore we will describe the middle ring based on price point.

After strong growth in recent years, the middle price bracket in the area is between $600,000 and $700,000 and the following residential suburbs have a median sale price within this bracket: Farmborough Heights, Port Kembla, Unanderra, Kanahooka, Horsley, Albion Park, Oak Flats, Shoalhaven Heads and Vincentia (source: RPData). These suburbs predominantly comprise single residential dwellings, some with smaller villa or townhouse developments.

Recent cooling off in the residential market is shifting advantage from vendors to buyers, so there are opportunities appearing in this price bracket. That said, the biggest challenge is further declining sales and the possibility of median sale prices moving backwards. However if conditions continue to decline, we expect this to be across the whole residential market and not just this $600,000 to $700,000 price bracket.

Southern Highlands

As mentioned in previous editions of the Month in Review, the market up to $1.5 million generally remains liquid across the Southern Highlands. The middle ring is defined more by price point up to $1 million than proximity to the townships and villages of the region and includes Bowral, Moss Vale, Mittagong and Renwick. Typically at this price point, dwelling types are 3- or 4-bedrooms on land size from 500 to 1000 square metres. The rental market remains strong in the area, with stock shortage across the townships being common. At this price point, the majority of purchasers are owner occupiers, either Sydney or locally based. The outlook for 2018 is to see more housing stock coming on line with the ongoing development at Renwick and newly released precincts such as Retford Park (Bowral), Throsby Views and Moss Vale, which will add much needed capacity to the rental market.

According to Corelogic, the Southern Highlands and Shoalhaven region ranked second in the top ten national regional markets for capital growth for the 12 months to December 2017(http://datawrapper.dwcdn.net/EXj2P/1/?abcnewsembedheight=350).

The outlook for the Southern Highlands with respect to sustained growth looks strong with the New South Wales Department of Planning having slated priority land release precincts (Wilton Junction) and civil infrastructure (Badgerys Creek) in reasonable proximity to the region.

Bathurst/Orange

The vast majority of home sales in the central west are between $300,000 and $600,000. First home buyers may typically look around the $300,000 mark which could keep repayments with a 20% deposit below $1,400 a month at current interest rates over 30 years. Broken down further, the total sales for the past six months for postcode 2795 (Bathurst and surrounding suburbs) are as follows:

$300,000 - $350,000:	51
$351,000 - $400,000:	66
$401,000 - $450,000:	58
$451,000 - $500,000:	52
$501,000 - $550,000:	31
$551,000 - $600,000:	17

(source: RPData)

Few sales under $400,000 are of new dwellings with the majority being established dwellings of various ages. Any new dwellings in this price bracket are typically a compact 3-bedroom home on a land area of less than 500 square metres. New 4-bedroom dwellings with around 700 to 1,000 square metres of land can now be typically found in the $450,000 to $550,000 price bracket. Most units go for under $400,000.

In regional areas, the geographical distance from the CBD, otherwise known as the shops, has an impact, but it's not as strong an influence on property prices as for say Sydney or Melbourne with their density of employment and available services. What matters more is the quality of development surrounding a particular property and the market demand for locations based on other factors such as the aesthetic appeal or social considerations. No property is an island (unless it is an island) which is the basis for positive covenants in new developments to maintain a certain price standard. Similar surrounding property prices can be attractive to purchasers seeking an area with other people of similar means. Modern floor plans and building techniques are also attractive. Whilst there are developments where house and land packages exceed $600,000 with larger land areas and minimum size build covenants, they are a minority of the market due to the median incomes in the area, or may not necessarily be everyone's cup of tea even if money isn't a factor. A lot can be said for:

- a renovated older style house ten minutes walk from the shops such as 216 Rocket Street, Bathurst for $545,000;
- a modern 2013 house on a quarter acre at 7 Parer Road, Abercrombie for $480,000; or
- a circa 1960s house with original features on seven hectares of light bushland 15 minutes from the middle of Orange at 1,000 metres above sea level, with a good chance of snow, such as 50 Mount Lofty Road, Nashdale for $505,000.

Tamworth

The middle ring in the Tamworth area refers to the small outer lying suburbs of Kootingal, Attunga, Moonbi and Duri, as well as the middle price bracket of $300,000 to $500,000.

In relation to the suburbs, in particular Kootingal, there has been a noticeable increase in new subdivisions as well as an increase in prices for larger family homes. This is driven primarily by cost, with a near new 4-bedroom, 2-bathroom home setting you back less than $400,000, saving up to $50,000 when compared to similar homes in the inner suburbs. For example 3 Lily Close, Kootingal, a four year old dwelling sold for $356,000. This sector is driven by both investors and owner occupiers with investors chasing yields of 5% to 6% and owners (primarily first home owners) looking to get a foot in the door at a reasonable price.

When looking at the middle ring within the inner suburbs you are typically looking at older 3-bedroom, 1-bathroom dwellings (lower end) and 4-bedroom, 2-bathroom dwellings (higher end) that have been renovated. This market is typically driven by the owner occupier who is looking to get within a certain area, however investors are certainly active in the lower price bracket. Rentals in this market have remained stable over the past 12 months, with lower yields than those of the outer suburbs.

Over the course of 2018 we expect the outer suburbs to continue to increase in popularity as the market continues to rise in the inner suburbs. We believe that first home owners and investors will be the most active within this price bracket, with the low prices and good rental yields being the main driver.

Albury

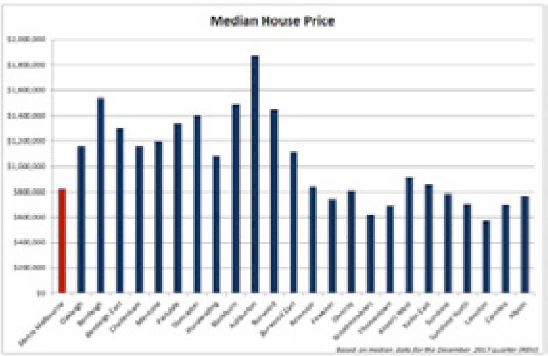
The middle ring in terms of the Albury property market can be viewed as the middle price bracket of $350,000 to $480,000 and geographically spans every direction from the city centre, but is concentrated most heavily in Thurgoona, Glenroy, some parts of Lavington and North Albury, West Albury and the newer parts of East Albury. In Albury there is a great deal of choice in the middle ring in regard to type of housing stock with the predominant demographic being families. First home owners can choose an established home, even a character dwelling (from $300,000 to $400,000) or opt to build a new home with little change from $400,000 with increased land and build costs in the past 12 months. In pockets, such as near the hospital in East Albury or Charles Sturt University in Thurgoona, there might be higher investor interest in the middle ring price and location, although the middle ring in Albury tends to be higher priced than many potential residential development sites in less sought after locales.

Demand is driven by families starting out or possibly doing a modest upgrade or for new homes, demand from the same purchasers with the addition of some investors. The increased land and building costs in suburbs such as Thurgoona makes some of the daggier established homes good value with established landscaping and other ancillary improvements such as a pool or shed already in situ. There is renewed interest in Norris Park in Glenroy, Eastern View Estate in East Albury and the older, more upmarket areas of Hamilton Valley. These properties represent good value. Many of the solid 1980s homes could not be rebuilt for the purchase price and often are immaculate but dated, which is not hard to change. The 1990s are aesthetically more challenging but established gardens and an update can eradicate the pastel palette overload and with the tree lined streets of Central Albury and parts of North Albury now well and truly out of the middle ring price bracket, not everyone has the risk appetite for the renovator's delight, with character and location more often priced into the asking prices. The middle ring still represents good value in our regional city and it will be interesting to observe the effect of continued new home growth and development in Thurgoona and how the remainder of the mid range areas perform. It's all about trees in Albury, the bigger the better, so the middle ring has some in the established areas but the mid range price point also takes in greenfield estates. It takes a long time to grow trees. Young families have that time; the older families and retirees not so much. Given the patience and general awareness levels of the market, heading for the trees might just trump the shiny new houses in the long run. Might.

Victoria

Melbourne

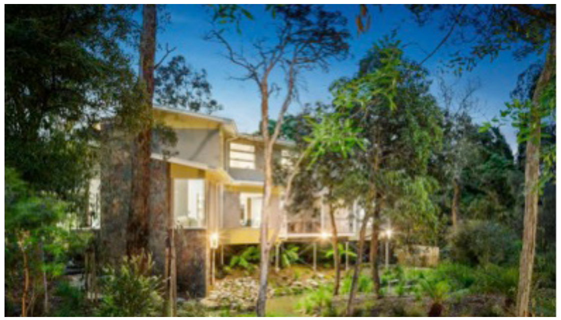
The middle ring suburbs of Melbourne are generally considered to be within 10 to 25 kilometres of the Melbourne Central Business District (CBD). These suburbs are filled with a mixture of single residential and multi-dwelling developments, amenities and educational facilities and are serviced by public transport with a combination of trains, trams and buses. As the median house price rose for the fifth consecutive quarter to $821,000 (REIV) many prospective homeowners and investors are looking to the middle ring suburbs for properties that represent good value for money with location, amenities and proximity to education facilities also being prime factors. Owner occupier and rental demand are both relatively strong in Melbourne's middle ring suburbs.



While the proximity to the CBD is a defining factor for the prices in the middle ring suburbs, price is not necessarily middle of the market with many of the suburbs, predominantly those in the east, having substantially higher medians than the city-wide median.

Within the middle ring to the east are suburbs such as Doncaster, Nunawading, Blackburn and Ashburton. These suburbs are primarily comprised of stand alone dwellings in excess of $1 million due to their land values and development potential, as well as townhouses from said developments being purchased for a minimum of $850,000 on average. Notable sales include 38 Karnak Road, Ashburton, a 4-bedroom, 2-bathroom stand alone dwelling sold by Marshall White on 28 November 2017 for $2.35 million and 25 Jeffery Street, Blackburn, a 4-bedroom, 2-bathroom stand alone dwelling sold by Ray White on 15 September 2017 for $2.38 million.

25 Jeffery Street Blackburn



(Source: Realestate.com.au)

South-east Melbourne suburbs such as Mentone and Parkdale fall within the middle ring and have a median house price in excess of $1.2 million, demonstrating strong demand and buyer interest. Comparing these to neighbouring suburbs Bentleigh and Highett, with median house prices of $1.54 million and $1.4 million respectively, highlights how demand for particular suburbs is driving the market.

In comparison, Melbourne's northern middle ring suburbs are considered to be a more affordable option. Demand here is driven by owner occupiers, especially first home buyers and young families, who are looking for more spacious accommodation options but have been priced out of the eastern suburbs markets. Overall, the northern suburbs experienced a steady growth throughout 2017 and vacant land prices have enjoyed significant growth in the past 18 months.

In established suburbs such as Broadmeadows and Thomastown, older style detached houses remain the most popular option, with a median house price of $620,000 and $688,000 respectively in December 2017 quarter, according to REIV. This equates to 32% and 20% lower than the metropolitan Melbourne median respectively. These established suburbs offer residents access to developed infrastructure and public transport, whilst also providing opportunities for development.

Demand for townhouses and apartments in the northern suburbs remains subdued due to relative availability and affordability of vacant land, but is becoming more popular due to population growth, especially with first home buyers. Rental demand is mostly driven by proximity to public transport and educational facilities, particularly around university precincts such as the RMIT University and La Trobe University campuses in Bundoora. With a median unit price of $427,000 some 39% lower than metro Melbourne median, Bundoora has a rental median of 4.2% compared to 3.6% for metro Melbourne.

The western suburbs middle ring suburbs, along with the northern suburbs, are considered the affordable suburbs. A number of these fall below the city-wide median house price of $821,000, including Sunshine North, Laverton, Cairnlea and Albion, with median house prices of $704,000, $565,000, $698,000 and $768,000 respectively. These suburbs offer good infrastructure, amenities and proximity to the city and are in demand from owner occupiers, investors and developers. Two suburbs undergoing heavy redevelopment in the west are Footscray with a median house price of $935,000 and a median unit price of $443,000 and Airport West with a median house price of $912,000 and a median unit price of $641,000. Both are continuing to perform well on the market with clearance rates of 73.3% and 76.2% respectively, driven predominantly by owner occupiers and developers looking for their next project. Some notable sales in the west include 3 Rippon Street, Footscray, a 4-bedroom, 2-bathroom stand alone dwelling sold by Village Real Estate on 25 November for $1.56 million and 52 El Reno Crescent, Airport West, a 4-bedroom, 2-bathroom stand alone dwelling sold by Barry Plant for $1.415 million on 4 December 2017.

52 El Reno Crescent, Airport West

(Source: Realestate.com.au)

Overall, last year's selling season was energised by low interest rates which was a key driver of demand and overall, the middle ring suburban markets were very strong. Auction rates remained high, only losing a few points over the Christmas period.

We expect the western and northern middle ring suburbs to continue a moderate growth throughout 2018 with strong rental results particularly around university campuses. Infrastructure development, such as Mernda rail line extensions, will also continue to push median prices up and continued redevelopment of underutilised, older style dwellings on large allotments will bring new life to these suburbs. The eastern suburbs are expected to remain relatively stable with some slower growth due to their generally higher median house prices.

In 2018 we will be watching the so called bridesmaid suburbs. These suburbs, which have not traditionally been seen as appealing as the more well known suburbs or suburbs located closer to the CBD, have seen rising property prices as purchasers are pushed out from their preferred suburbs and are looking for the next best option within close proximity. For instance, Mill Park located just north of Bundoora has a median house price of $682,000, compared to $830,000 in Bundoora. Closer to the CBD, Reservoir has recorded median house and unit prices of $840,000 and $585,000, while more established Preston, located just three kilometres away, has medians of $1.05 million and $615,000.

Ballarat

In Ballarat, the middle ring is formed from a price point rather than geography. It comprises properties ranging from Victorians built in the 1880s to brand new dwellings. The price point is a band from around $350,000 to 450,000. We would consider that it is within this price range that the lion's share of transactions in the Ballarat residential market takes place primarily due to the fact there is a deep pool of buyers with this amount of money to spend on real estate. The purchaser demographic in the area includes young couples, investors, families new to Ballarat, families relocating within Ballarat and downsizers.

Suburbs considered in the middle ring include Lucas, Alfredton, Brown Hill, Canadian, Mt Pleasant, Ballarat East, Mt Clear, Mount Helen and Golden Point. These suburbs have endured mixed fortunes over the past 12 months.

Areas which have recently been developed and still have significant land for sale have seen limited growth due to a continuing supply of new dwellings coming onto the market. These areas include Lucas, Alfredton, Canadian, Mt Clear, Mt Helen and Mt Pleasant. Areas with a fixed supply such as Golden Point and Ballarat East have seen strong growth in the past 12 month, so much so we would not be surprised if by this time next year they would no longer be considered as being within the middle ring.

Agents report rental demand within these areas has increased in the past 12 months. Through 2015 and 2016, a boom in the supply of townhouses and services lots onto the market increased supply to such an extent that rental prices began to suffer. However the supply of property onto this market eased in 2017 which combined with further population increases in the area saw the over supply soaked up and some modest increases in rental rates.

The opportunities within this sector almost certainly lie within the established sections of Alfredton, Ballarat East and Golden Point. Their proximity to the CBD and infrastructure in addition to the generally fixed supply of land dictate that with current demand levels, values should appreciate in these areas. Other opportunities in the area include the development of units which are again attracting good demand.

The ongoing challenge to the sector is to ensure that any new supply of land is brought on line in a manner which does not flood the market. Additionally developers and governing bodies need to ensure they fulfil their obligations to provide services to the new areas to ensure these estates develop in a manner which adds to the overall appeal of the area.

Bendigo

The middle ring in Bendigo is based on distance to the CBD. The middle ring suburbs include Flora Hill, Golden Square, Strathdale, North Bendigo, Kennington, Ironbark, East Bendigo and Long Gully.

The majority of properties within this middle ring are standard residential properties with a large variance in median price due to proximity to the CBD and buyer demand.

Suburb	Median Price
Flora Hill	$322,500
Golden Square	$301,000
Strathdale	$393,500
Ironbark	$346,250
East Bendigo	$340,000
Long Gully	$260,000

Flora Hill has only seen two sales in recent months that have exceeded the $600,000 price point, both of which were larger allotments with large established homes. Flora Hill is a rental dominated market with a high level of unit and apartment style accommodation to house students who attend the nearby La Trobe University.

Golden Square and Kennington have a mixture of older established residential and new developments with a varied size of allotments. They are currently very popular with families. Many homes in these areas are being renovated or removed for unit development.

Strathdale is a more tightly held suburb of Bendigo with many larger properties selling in excess of $500,000. The highest sale seen in Strathdale recently was $770,000 for a 4-bedroom contemporary, double storey home on a 960 square metre allotment.

North Bendigo has a younger demographic and comprises mostly older, established homes however does have some small new residential developments. The strongest sales in this suburb have been new constructions or older homes that have been renovated or have notable period features.

East Bendigo households are primarily couples with children in an owner occupier dominated market.

The Long Gully median price is $260,000 and is considered the entry level suburb for this middle ring category. Long Gully is dominated by ex-commission style basic dwellings and is considered to be a less desirable market than the other middle ring suburbs.

Most properties within the middle ring market are single occupancy dwellings or units. Vacant land closer to the CBD is rare, so we have seen many older dwellings demolished to make way for unit developments or a new single dwelling construction. Land values continued to strengthen throughout 2017, especially land closer to the CBD.

The middle ring sector in 2017 remained quite steady in Flora Hill whilst North Bendigo and Golden Square saw slight increases in their median sale prices and Strathdale saw a small decline in median sale price. Flora Hill has always been an area driven by the rental market with good returns on properties whilst the other areas have primarily been driven by the owner occupier and renovator markets. Generally the market in Bendigo as a whole remained steady in 2017 and we would expect this to continue in 2018.

Rental demand in the middle ring suburbs is high with limited stock available for rent. The development of unit and townhouse properties in the subject suburbs have the potential to demand high rentals due to their proximity to the CBD.

The predominant demographic in the middle ring are younger families and professionals looking to buy closer to the CBD. The first home market is still the strongest in Epsom and Huntly which are both considered to be outer suburbs.

Currently there are many properties on the market with varied price points, ranging from units available in the low $200,000s to new or renovated single family homes in the $800,000s. Within the true inner middle ring suburbs the most active market ranges between $300,000 and $450,000.

The middle ring suburbs are well equipped with public transport and other public facilities. Public Open Spaces has been identified in the Greater Bendigo Community Plan 2017-2021 as an area requiring improvement, however this is to ensure equal amenities for all areas and isn't specific to central Bendigo.

The Bendigo Mosque is now endorsed to be developed in East Bendigo and includes a large prayer hall, sports hall, and common facilities which despite being located within an industrial estate has the potential to attract more families to the area in a residential capacity.

Major projects currently underway are the Bendigo Stadium expansion, Bendigo Tennis Centre redevelopment, Bendigo Botanic Gardens extension, Gurri Wanyarra Wellbeing Centre project (indoor aquatic, leisure and wellness facility) and the RSL Soldiers Memorial Institute revitalisation project.

Long term prospects for the middle ring market in Bendigo are nothing but positive. As the CBD market strengthens, this will flow on to the middle ring market. Families will continue to desire to be closer to the CBD to utilise the great facilities and schools nearby and we will see a continued growth in the renovation market as well.

Baw Baw Region

The Baw Baw region and its two major cities of Warragul and Drouin have seen strong price growth across all residential property types and all markets. The pressure is predominantly being caused by a shortage of land and an increased demand from home buyers leaving the eastern suburbs of Melbourne of Dandenong, Cranbourne and Berwick. A majority of the new land development is on the fringe of these cities and land prices have been increasing significantly. A 700 square metre vacant lot, which in 2015 would have cost approximately $140,000 to $150,000 is now selling in the region of $220,000 to $230,000. As a result the demographics of Warragul appear to be changing with both young families and retirees moving to the area to take advantage of the relatively cheap property prices in comparison to the Melbourne market.

A prime example is a vacant lot in Amelia Court of 4,000 square metres which sold in August 2016 for $258,000 and was resold in October 2017 for $343,000 or approximately a 30% increase in value in 14 months.

There are plans for a commercial development, including a K Mart and large Bunnings store to be constructed near the town site which will increase interest in the area as there is no significant commercial shopping centre development in either Warragul or Drouin. Increased train services to Melbourne in recent months may also increase interest in the area for those willing to commute to the Melbourne CBD on a daily basis.

The prospects for 2018 are strong with numerous real estate agents reporting that there is limited stock listed for sale due to the speed at which properties are selling, typically within a month, and demand is high. The future growth of Warragul and Drouin is dependent on continued high value and price growth in the Melbourne metropolitan area and thus a ten year outlook is uncertain. Only a few years ago, this development boom was unforeseeable and price growth of this nature has not been experienced in recent memory. As more land is developed through the Urban Growth Zone of both cities prices may ease back to a more sustainable long term growth trend.

Unfortunately with rapid expansion the town centres are becoming congested during peak periods such as school pick up and drop off times. The construction of bypasses, new schools and potentially a new hospital to be constructed between Warragul and Drouin would ease the pressure on current infrastructure.

Overall, the Warragul and Drouin markets are buoyant with strong confidence in the residential market and impressive price growth.

Wellington/Latrobe

After what was considered a tough 2017 for the Latrobe Valley region, the past three months has seen increased activity and consumer confidence. Discussions with local real estate agents indicate more Melbourne and peninsula buyers are entering the market. Middle ring properties for Traralgon would be 1980s to 1990s brick in the west end in the $250,000 to $350,000 price range.

The Sale market remains stable with generally good interest at all price points. The middle ring would be the well regarded East Sale area with popular first home buyer homes including 1980s to 1990s brick which always hold value well.

The future of the power generation industry in the Latrobe Valley left investors taking a cautious wait and see approach, which is expected to continue in 2018.

East Gippsland

The East Gippsland middle ring has recently showed increased prices due to reduced supply and increased demand. Local agents are reporting increased asking prices over the previous couple of months, for example from $240,000 to $260,000, for basic 3-bedroom older dwellings in the middle ring in Bairnsdale. We anticipate settled sales over the next two to three months will show the increases in value accordingly.

Wodonga

The Wodonga property market has experienced strong growth over the past five years with median dwelling prices rising from $250,000 in January 2013 to $330,000 in October 2017 (source: Corelogic). Sales volumes in Wodonga have generally remained steady at around 360 to 390 sales annually over the past five years. The vast majority of dwelling sales (280) occurred within the $200,000 to $400,000 price bracket, followed by around 60 sales within the $400,000 to $600,000 price bracket.

Wodonga unit sales have experienced a slight softening of sale prices of around 4.5% over the past year, falling from $200,000 in November 2016 to $193,000 in October 2017.

Wodonga land sales have experienced around 6% growth in the past 12 months rising from a median sales price of $136,000 in November 2016 to $144,500 in October 2017. Sales volumes have fluctuated significantly over the past five years peaking in 2014 at 219 sales to 98 in 2017. This is anticipated to rise due to increases in the first home owner's grant.

The Wodonga West property market has also experienced strong growth over the past five years with median dwelling prices rising from $265,000 in January 2013 to $315,000 in October 2017 (source: Corelogic). Sales volumes in Wodonga West have generally remained steady at around 220 to 230 sales annually over the past five years. The vast majority of dwelling sales (183) occurred within the $200,000 to $400,000 price bracket, followed by around 38 sales within the $400,000 to $600,000 price bracket.

Wodonga West unit sales have experienced a slight softening of sale prices of around 1.9% over the past year falling from $206,250 in November 2016 to $202,500 in October 2017.

Wodonga West land sales have experienced a 5.4% decline in the past 12 months falling from a median sale price of $135,000 in November 2016 to $127,750 in October 2017. Sales volumes have generally increased over the past five years from 34 in 2014 to 60 in 2017.

Generally, building costs have increased from around $1,150 to $1,250 per square metre in early 2016 to around $1,350 to $1,550 per square metre for standard project style dwellings.

Anecdotally, agents have reported a decrease in absentee investor activity, however these investors are still predominantly active in the Whitebox Rise Estate.

The middle ring in the Wodonga market is characterised by the satellite suburbs of Killara and Baranduda. Increasing land and dwellings in the Whitebox Estate over the past 18 months have pushed new home builders to new developing estates within these satellite suburbs. Killara has become particularly popular over the past two years as new allotments set back from the Riverina Highway have become available. The estate is located approximately seven kilometres from the Wodonga CBD. Standard 500 to 650 square metre allotments are selling at around $130,000 to $145,000 and larger lots are achieving as high as $160,000. Improved 4-bedroom, 2-bathroom dwellings are generally achieving $400,000 to $450,000 which is comparable to Whitebox Estate however the estate enjoys a quieter lifestyle with views of the surrounding hills.

In terms of price point, there are a couple of new estates within Baranduda which are offering the quieter lifestyle at a significantly lower price bracket. Generally 500 to 800 square metre allotments are achieving around $105,000 to $125,000 and larger lots in excess of 1,000 square metres are selling for around $140,000. Improved 4-bedroom properties are also selling around the mid $300,000 mark, despite being only ten to twelve kilometres from the Wodonga CBD. Baranduda also features St. Francis and Baranduda public schools and access to Wodonga is via the 100 kilometre per hour Baranduda Boulevard. In our opinion, this suburb is likely to see significant growth in the next five to ten years.

Echuca

Tightening supply has lead to strong gains across most market segments particularly for mortgage belt properties in newer estates with sales in excess of $500,000 now common, particularly in the Highlands estate of Moama. There has been insufficient activity in central Echuca and Moama to determine any genuine market movement, though results for properties which have been offered to market tend to have struggled to meet vendor expectations in most instances, notwithstanding some isolated strong results in the past 12 months.

It seems likely that demand for new or modern dwellings will continue to be in undersupply in the short term and consequently, some firming is likely to continue in the marketplace until demand has caught up with supply. The tight supply appears to have precipitated increased demand for rural residential holdings, with buyers seemingly prepared to entertain properties which are on the fringe or further out of town at a sub $500,000 price point. The traditional seasonal influx of professionals for new school years and employment is largely over, though rental demand is likely to remain relatively strong on account of contractors associated with the second bridge crossing.

Queensland

Brisbane

Brisbane is a classic example of a pebble-in-the-pond capital city. Price growth generally follows layout and we have fairly definitive inner, middle and outer rings when it comes to residential real estate. In short, that helps make buying bricks and mortar a bit of a breeze in our river city.

So, middle ring in Brissie is delineated by distance from the CBD.

The inner circle is within the five kilometre radius while the outer reaches extend beyond 20 kilometres. It's within this fuzzy 15 kilometre band that you'll find a heap of activity for traditional Brisbane property traders.

A fair example of a middle ring suburb in our northern suburbs would be Wavell Heights.

It's 13 kilometres by road (8.5 kilometres as the crow flies) from the big smoke and offers mostly those post-war timber homes we've come to love here in Brisbane.

In Wavell Heights, $750,000 will see you buying a modern 4-bed, 2-bath abode on a reasonable size allotment with access to decent schools and shops. For the more budget conscious, you can land yourself one of those post-war properties with a bit of a contemporary update at around $600,000 to $700,000, while homes below this bracket will definitely need some love from the renovator's paint brush.

Unit buyers will score the lowest priced accommodation with $450,000 sure to land you attached housing with plenty of space. Expect to see 1970s style unit blocks of three-story walk-up design.

On the south side, the same could be said for a suburb such as Mount Gravatt which is positioned nine kilometres in a straight line from the CBD. Price points and property types are similar although there are probably a larger number of very tidy brick builds in Mount Gravatt that appeal to family buyers. Units similarly offer an affordable option for budget conscious owners and investors, with three-story walk ups again featuring in the area.

Our mid-ring locations always contain a broad demographic base. There are retirement age homeowners, many considering their next move towards low maintenance accommodation. Some will stay in the area and opt for smaller homes or villa style units while others may head to the coast.

Mid ring is also fairly active for families because mum and dad want to ensure the offspring have plenty of yard space to romp in – and our city's relative affordability makes that possible within a commutable distance of town.

For all these reasons, there's great demand from tenants as well with rental yields set to be a touch better than those achieved in suburbs closer to the CBD.

So where do the mid ring opportunities lie in Brisbane?

We think middle ring real estate is the very definition of buying the fundamentals. Great sized blocks with appealing homes – many with renovation potential – and in areas with good links to transport, services and other facilities.

Our pick would be to seek out detached homes priced between $500,000 and $600,000 in suburbs such as Stafford, Stafford Heights and Chermside West. These properties could probably do with a bit of an update, but that's where you can make some equity gains. A coat of paint and basic upgrade to the fit out will pay dividends. And there's plenty of buyer demand for attractive homes in these addresses.

The long term outlook remains strong for mid ring too. As the inner circle becomes less and less price accessible, the popularity of middle ring homes will rise. While we aren't yet predicting runaway boom time price growth, all the signs are that owners can expect to see steady, ongoing value gains throughout the market cycle.

Moreton Region

The Moreton Region wouldn't be considered middle ring under the definition of Brisbane property, however an avid Month In Review reader asked us to please give an update on how real estate is playing out in this band between Brisbane and the Sunshine Coast. They were so polite, we couldn't say no.

Mango Hill and North Lakes are approximately 26 kilometres north of the Brisbane CBD and are well serviced locations with schools, business and industrial precincts, Westfield shopping complex, Ikea, Costco and a golf course. They're also well connected with two train stations in Mango Hill, bus interchange at North Lakes and multiple highway entrance points.

Typical property in these locations provides good quality low density housing, interspersed with higher density units and townhouses closer to retail amenities.

2017 saw a slight increase in prices for the existing housing market. Development in North Lakes construction has eased and Capestone at Mango Hill (an Urbex development) has approximately two to three years (or 400 to 500 lots) until completion. Construction of the lake has recently commenced and construction of the retail precinct and child care facilities is due to commence mid-2018.

While these areas are becoming popular with investors due to their easy access to amenities, the market has been predominantly driven by owner occupiers, particularly younger families and a mix of first home buyers and trade up market.

There is opportunity in this location to buy second hand homes (approximately ten years old) of investor quality below $500,000 with strong rental demand.

Ipswich

While some may simply consider Ipswich to be the outer reaches of Brisbane's west, we're here to confirm it's a city in its own right with a formidable property market.

The middle ring of Ipswich is less defined than Brisbane, with pricing across the council area fairly tight in a fairly tight band. That said, there are important considerations for middle ring Ipswich buyers looking to profit.

Raceview to the south is typical middle ring, comprising mainly post-war style homes with semi-modern estates scattered throughout. Prices sit around $300,000 to $320,000 for homes in these projects.

Woodend, Sadliers Crossing and Coalfalls to the north west of the CBD are also examples of the city's older style middle ring. Most homes are pre-war and prices range from $350,000 to $500,000. Above this mark, expect to get plenty of home for your dollar, but the available buyer base is a bit limited and you're unlikely to achieve a quick sale when listing your holding.

Booval to the east is a mix of post and pre-war homes with pricing around $280,000 to $320,000.

Ipswich has been garnering plenty of interest of late. The city has seen an upswing in infrastructure activity and housing is relatively affordable compared to Brisbane – these are both major selling points for investors.

Those looking to enter the market will find decent yields and can expect long term growth to be steady and consistent. It's a fairly forgiving market in that Ipswich doesn't tend to see huge price fluctuations through the cycle. Activity will slow in a downturn, but most sellers seem able to hold out until demand is on an upswing.

Gold Coast

Central West/West

The central west and western areas are typically outside the central inner circle and more so considered to be the outskirts of the Gold Coast locality. Carrara is the closest to a middle ring suburb where prices have slowly increased (with a range of dwelling quality and price points ranging from $470,000 to $900,000 for dry products and typically $1 million plus for waterfront holdings).

The suburbs bordering the western side of the M1 (e.g. Pacific Pines, Nerang, Gaven and Oxenford) and being the middle to outer ring have dwellings around $400,000 for original mid 1990 built homes typically with 4-bedrooms, 2-bathrooms and 2-car garages on between 400 and 700 square metre lots. Prices rise up to $900,000 for more modern dwellings in larger allotments. These suburbs are in close proximity to the M1 and appeal to commuters and are also less than 20 minutes from the beach and large regional shopping centres.

Given the vast variety of property in the central west and western areas, the middle markets aren't necessarily price point indicators, more so, it varies suburb to suburb depending on the characteristics of the properties and recent sales. This being said, Pacific Pines has seen a recent increase. This is believed to be a result of the construction of the hospital at Parkwood which has made access to medical services more accessible and thus earning Pacific Pines a more inner circle status and is a good indicator of a middle market for the serviced area.

Although sales volumes slowed within this middle ring area, value levels remained the same, if not, slightly increased. Investors seem to be less prevalent in this market as owner occupiers, families, and young couples and first home buyers realise the value for money and affordability factor, opposed to other price points and sale prices for higher quality or better locations within the inner circle.

We envisage that prospects remain steady in the short term as the area remains affordable for families at the price point. However, as the market begins to slow, the activity level and in turn prices will decrease and as economic factors begin to affect borrowing and confidence, this is an area that will be more volatile.

Rental and owner occupier demand is up in the middle ring as a result of a strong market to date. Vacancy rates are declining as this product is purchased by young families or those downsizing.

The middle rings in the central west and western regions are typically well established with facilities and services. This area is well serviced with regard to infrastructure and shopping facilities with easy access to the M1 for commuting, albeit at peak travel times this does negatively impact the appeal of these localities. New stock within developing estates will also be competing with established product and the price gap differential makes the second hand product more appealing from an owner occupier perspective.

The current middle ring sectors of the north-west and western Gold Coast should remain steady over the coming years. This market is currently the highest growth area on the Gold Coast and is primarily driven by migration, both intra- and interstate. Newer product will be affected by any further changes to APRA policy and investment lending practices by major financiers.

Central North

The middle ring heading north would contain Parkwood which is approximately five kilometres from the Southport CBD. This is a large suburb with two distinct estate areas, the first surrounding the golf course and the second in the western part of the suburb. The Parkwood Golf Course area mainly comprises 1990s built, conventional styled, 3- to 5-bedroom dwellings on parcels typically ranging between 600 and 800 square metres. Average price points range between $525,000 and $675,000, with the higher price points achieved on golf course front properties. The western part of Parkwood contains slightly newer development with a more modest standard of dwelling, typically 3- to 4-bedroom project style homes on a more typical lot size of 450 to 650 square metres. Average price points range between $450,000 and $625,000.

Demand for Parkwood is mostly driven by the family demographic. It is seen as a more affordable area compared to suburbs closer to the broadwater, canals or ocean.

This locality performed strongly throughout 2017. The well presented properties sold quickly and sale prices achieved indicated an uplift in values from 2016. This is a strong rental area fuelled by proximity to the Gold Coast Hospital and Griffith University campus.

Whilst this market has performed well, it is predicted that during 2018 there will be a period of slow down and stabilisation with the possibility of reduction in values in the short term.

Rental demand is good due to the proximity to the hospital, university and the extended light rail. Appealing and driven by families, the area is also sought after with regard to student accommodation. This strong demand is predicted to continue.

In recent years, Parkwood has benefited from the recent opening of the second stage Gold Coast Light Rail project with two new stations in Parkwood linking the suburb to the Gold Coast tourist strip and the Helensvale retail and commercial precinct. Parkwood has good arterial road links with easy access to the M1 motorway, is built around a golf course development, is home to the Titans (national rugby league team) training and sports facility and is in proximity to the Gold Coast Hospital and Griffith University campus.

This area has good longer term prospects and as the Gold Coast continues to spread to the west and north, demand to be that bit closer to the CBD will underpin this market for years to come.

Gold Coast South

Currumbin Waters can be described as a middle ring suburb between the beachside suburb of Currumbin and acreage suburb of Currumbin Valley. It is well serviced by most facilities, has good access to transport links and is still close to the beach. Average property types include semi modern style brick and tile dwellings on dry blocks between $550,000 and $700,000. Average units range between $350,000 and $500,000. Canal front properties range between $750,000 and $1 million.

Currumbin Waters is primarily a family and owner occupied demographic generally being more affordable than coastal suburbs such as Currumbin and Palm Beach.

Typical properties include 1990 to 2010 built dwellings comprising 3- to 4-bedrooms, 2-bathrooms and double garage situated on standard size allotments of between 600 and 800 square metres, ranging between $550,000 and $700,000.

The overall Gold Coast residential market performed strongly in 2017 and Currumbin Waters was one of the middle ring star performers. Rental demand remains solid and is anticipated to remain solid throughout 2018.

The start of 2018 has been a continuance from 2017 performance, which is anticipated to continue into mid 2018, albeit at a slower pace than 2017. The second half of 2018 could see a slowing of sales activity and price growth.

Given the location, facilities and access to transport, there should be good long term prospects for Currumbin Waters.

Sunshine Coast

Sunshine Coast is one of the more unique areas in that it covers a larger geographical location than the Gold Coast with around half the population. As such, the coast historically was made up of three shire councils which provided four main service centres. When looking at middle ring properties, it is around these service centres and linking suburbs that we have defined as our middle ring.

Firstly if we look at the old Caloundra Shire situated towards the southern end of the Sunshine Coast, the coastal suburbs of Battery Hill, Currimundi and Golden Beach continue to remain popular. Older houses at $500,000 or under are in high demand, that is if you can find one. The suburbs provide good connectivity to Caloundra, with Battery Hill and Currimundi also in proximity to the new Kawana University Hospital.

Moving to the old Maroochy Shire, Nambour was once viewed as the capital of the Sunshine Coast especially given that the old sugar mill and main hospital were located there to service to the region. Surrounding small suburbs such as Burnside, Coes Creek and some railway towns such as Landsborough, Beerwah and Yandina provide the middle ring properties. To this day they remain relatively affordable with entry points at circa $350,000 to $400,000.

Maroochydore is now regarded as the capital of the Sunshine Coast which is no surprise given that the new town centre is to be located there. Small surrounding suburbs such as Mt Creek and Kuluin to the south and coastal suburbs to the north of the Maroochy River such as Pacific Paradise, Marcoola and Mudjimba have continued to remain popular with price points similar to those in the Caloundra Shire and maybe even a touch higher.

Looking north to the Noosa Shire, areas such as Tewantin, Sunrise and Castaways Beaches provide that middle ring market but the price points change. Tewantin would be in the order of $550,000 but Sunrise and Castaways Beaches jump to $700,000. This is the nature of the Noosa market as it is historically driven by a high percentage of interstate purchasers and investors.

Properties in each of these middle rings tend to be the ten to 30 year old homes usually sitting on 500 to 700 square metres. At an entry price of circa $500,000 to $550,000, the middle rings directly compete with the new estates being generally newer smaller homes on smaller allotments.

As an example, you can get a new 4-bedroom, 2-bathroom dwelling with a double garage of around 150 square metres of living on a 400 square metre lot in one of the new estates at Palmview or Caloundra South (Baringa) at a similar value level as a new 4-bedroom, 2-bathroom dwelling with double garage of around 180 square metres of living on a 650 square metre lot in the new estates at Nambour or the other railway townships.

Overall, this sector of the market performed well throughout 2017 with rentals in these areas also in high demand which is a good sign that the market is healthy. Looking ahead demand for beachside property will always be there. The hinterland towns will also see a benefit as highway upgrades are completed.

Toowoomba

The Toowoomba residential market appears to remain location and property specific with some suburbs continuing to perform better than others. There was a continued trend of low levels of sales activity and value stabilisation throughout 2017, however there appears to be a small rise in sales activity for the start of 2018.

The middle ring market, comprising properties in the $350,000 to $600,000 price bracket which encompasses the median price of approximately $380,000, remains significantly more active than higher price points due to affordability. The prestige market for $1 million plus properties continues to show signs of strong interest and sales results in recent times, but is limited in supply. The middle ring price point encompasses a wide variety of household types, ranging from first home buyers through to retirees.

At the middle range price point there is a very broad range of properties available. Properties include colonials in East Toowoomba, South Toowoomba and Mount Lofty, 1970s brick in Centenary Heights, Kearneys Spring, Middle Ridge and Rangeville, and near new homes in surrounding areas such as Westbrook and Highfields. It is expected that values in this segment will remain relatively stable on the whole throughout 2018.

The majority of this market segment is owner occupied however there is a substantial amount of rental properties that also fall inside this price point. The rental market is in a balanced situation with vacancy rates of around 2.6% as at January 2018, keeping investors interested in the region, albeit at a lower level than in recent years. The current infrastructure projects are believed to have assisted in holding vacancy rates low with many employees living in the Toowoomba area during the construction phases.

Overall, despite the soft market conditions experienced throughout 2017 there is likely to be continued demand across the board for properties around the $350,000 to $600,000 price point and it is predicted that the owner occupier dominated suburbs such as East Toowoomba, Middle Ridge, Kearneys Spring, South Toowoomba, Mount Lofty and Rangeville will continue to record a more stable growth pattern than investor driven suburbs across Toowoomba's western suburbs.

Rockhampton

For Rockhampton, the middle ring market sector applies to price point, rather than distance from the facilities of the CBD. Being a regional area, we have the luxury of all suburbs being located within approximately ten kilometres of our evolving CBD.

Under current market conditions, the mid-point of our local market is considered to be rather broad in terms of value range, but generally speaking, $250,000 to $450,000 is considered reflective of our local mid-point bracket.

Typical styles of property available in this middle market sector vary depending on locality. South of the river typically provides a neat Queenslander in areas of Wandal or Allenstown, providing 2- to 3-bedroom accommodation up to around $350,000. Northside is more diverse, where a renovated highset 1970s 3-bedroom home can be purchased up to around $320,000, or a semi modern, onground brick 4-bedroom, 2-bathroom home becomes obtainable around $400,000 to $450,000 predominantly in Frenchville or Norman Gardens. Berserker provides a mix of accommodation styles centrally located to all facilities in the mid to high $200,000s.

Over the past 12 months, this sector remained mostly stable, with selling periods for well-presented properties starting to shorten to a number of weeks, rather than months, when realistically priced.

Buyer profile in this mid sector is mixed, however has been more reliant on owner occupiers in recent years (many first and second home buyers). It is worth noting that in recent months we have seen rental vacancy rates stabilising around 3.7% to 4.5% (down from around 6%), which may lead to more activity from investors in this mid-section moving forward.

Challenges to be overcome in this market sector are certainly not exclusive to the middle ring. The market as a whole is starting to show some very early signs of stabilisation which continues to rely on positive outcomes of our diverse local economy, good cattle and coal prices and overall improved perception of job security in the short to medium term, together with affordable interest rates.

There are a number of infrastructure projects in the pipeline for the region, most notably Rockwood Weir and upgrades to the Base Hospital car park. Rockhampton Regional Council has also heavily invested in upgrading our riverfront which is now nearing completion and there are further plans to integrate this area with our existing CBD. Another large scale infrastructure project on the horizon is the Rockhampton Ring Road, however this remains in the early planning stage at this point in time. Again, these projects are not specifically going to boost the mid-point of our market, but rather our local economy as a whole.

Given the local area has been going through a sustained period of consolidation, the long term prospects of this market sector over the next ten years or so is hopefully going to be a time for stabilisation, followed by slow and steady growth. Rockhampton is known for being a less volatile market than some of our regional neighbours, therefore it is difficult to comprehend the highs of 2008 occurring again, however steady growth is a real possibility now with signs of stabilisation starting.

Gladstone

As with most regional Queensland locations, Gladstone is too small to have different markets (or rings) depending on the distance to the CBD as almost all residential suburbs are within ten kilometres of the Gladstone CBD. We do however have a middle ring from a price point of view and it is definitely the most active sector of the market given that it ranges roughly between $250,000 and $500,000. There has been a marked increase in demand over the past six months or so for properties in this price bracket, especially for well established family homes typically providing 4-bedrooms, 2-bathrooms plus a pool or shed. The buyer profile in this mid sector is mixed, however is more reliant on owner occupiers.

Emerald

Emerald is too small a town to have separate markets for inner and outer rings from the town centre. The mid price point range is $250,000 to $350,000. This market segment is starting to firm. In this price bracket you can get a neat, good quality older home or basic modern home in some of the less sought after localities. Most buyers can't afford the higher quality executive homes in a good location above $400,000 but are entering the market at the next best thing which has seen values rise 10% to 15% over the past nine months for properties now selling between $250,000 and $350,000. Only twelve months ago there were very few sales between $300,000 and $400,000 but as values continue to firm off the back of a more buoyant resource sector we are seeing sales in this middle price bracket now.

Whitsunday

In the Whitsundays, it is the price point rather than location that comprises the middle ring. The Whitsunday middle ring market is considered to be $380,000 to 460,000 across the suburbs of Jubilee Pocket, Cannonvale and Cannon Valley. This will get you a circa 1990 onground style dwelling, a circa 2000 highset or a 2015 modern slab on ground rendered dwelling.

The Whitsundays is a work in progress after Tropical Cyclone Debbie. We are slowing getting back into full stride. The rental market is considered false in nature as we have people displaced since March 2017 whose rents are being paid by insurance companies at a higher rate and also an influx of tradies to the area who share houses and are happy to pay the higher prices.

We still have lots of scaffolding all around the area. There are still so many businesses yet to start trading again. For example, the Airlie Beach Hotel still has no accommodation as this has yet to be completed by the insurance builders. It will be one year on 28 March. The Airlie Beach Hotel only has one bar and one restaurant open while the others remain closed. The Proserpine Golf Club is still under renovation and many homes and shops have been demolished in the Proserpine area.

Insurance claims and building works to homes is the most common talk at any lunch, dinner or party. I expect that the latter half of the year will see some of this start to diminish.

Mackay

In Mackay, the middle ring would refer to price point rather than any geographical location. Currently the middle market is considered to be around the $350,000 to $500,000 price mark across all suburbs. For this amount you are looking at a real mixed bag of property types. In the well established inner suburbs, this price will get you a renovated good quality Queenslander or 1970s style highset dwelling. In the more modern areas, this ranges from 1990s style 3- and 4-bedroom dwellings in suburbs such as Andergrove and Beaconsfield (lower end of the range), ten to 15 year old modern dwellings in Glenella and Mount Pleasant and larger and new dwellings in estates such as Kerrisdale and Mira Flores.

The Mackay market is starting to show signs of recovery. During the back end of 2017, the market stabilised on the back of increased sales volumes. This trend has continued into 2018, with most agents reporting increased demand and shortening time on the market. Rental demand over the past 12 months has also increased significantly, with vacancy rates for Mackay now sitting under 3% and rental values slowly starting to creep back up.

There is a real sense of optimism in town that the worst is behind us. Economically speaking, there is renewed confidence in the resource sector on the back of improved coal prices and employment opportunities. Large infrastructure projects are starting to ramp up, such as the $500 million Mackay Ring Road project, Eton Range Bypass and the Vines Creek bridge projects. We think this year will see some moderate growth in values based on this renewed confidence.

Hervey Bay

Due to Hervey Bay's geographical layout, there are no defined inner or outer circle areas. It does however have a middle market price range which generally ranges from $400,000 to $600,000. Since July 2017, there have been approximately 173 sales of property within this price range across the Hervey Bay post code. These sales can be broken up as: six units all with esplanade frontage; 97 sales of property on land less than 2,000 square metres; 56 sales of property on land from 2,001 square metres up to two hectares; and 14 sales of property over two hectares. As seen from this evidence, the most active asset class is for low density property on typical residential lots. Within this price range, these properties are generally improved with 4-bedrooms and 2-bathrooms with the higher end of the range having extensive ancillary improvements. It is a positive sign that activity is strong in this price bracket which hopefully leads to more activity in the price range above $600,000 which has also seen an increase over the past six months.

Townsville

The middle ring of Townsville is typically suburbs located in a three to eight kilometre radius of the city and includes suburbs such as Currajong, Gulliver, Railway Estate and Hermit Park.

These suburbs typically comprise older style timber framed dwellings ranging from original condition through to fully renovated. There are also some suburbs in this radius that offer multi unit developments ranging in age, style and design.

Throughout 2017 the most active participants in the market were owner occupiers. This middle ring provides good entry level buying for first home buyers and renovators with entry from the low $200,000s for houses and from as low as $100,000 for units.

The rental vacancy rate in Townsville tightened substantially during 2017, which anecdotally appears to be enticing investors back to the market.

Recent evidence suggests that savvy buyers are already realising the potential for growth in this middle ring radius and once new infrastructure projects in the inner city come out of the ground, this is likely to strengthen interest in the area.

South Australia

Adelaide

Daw Park is situated approximately seven kilometres south of the Adelaide CBD. This area has seen increasing activity from potential purchasers seeking a more affordable alternative to suburbs such as Clarence Park and neighbouring Colonel Light Gardens. Values in this area have increased over the past few years with buyers seeking dwellings (both character and conventional style) on larger allotments. Whilst this area does not offer the same character appeal as Colonel Light Gardens, it incorporates dwellings of a variety of eras in a well serviced location. Detached unrenovated dwellings typically range between $450,000 and $600,000 whilst renovated character dwellings typically command $700,000 and upwards. Home units also provide another option for buyers entering the market with units typically selling within a range of $250,000 to $400,000.

A recent sale of note in this area achieved a record price for Daw Park. 60 Aver Avenue sold in October 2017 for $1.098 million and comprises an extended and extensively renovated Tudor style dwelling.

(Source: Realestate.com.au)

(Source: Realestate.com.au)

(Source: Realestate.com.au)

Athelstone

Athelstone is a north-eastern suburb situated approximately 13 kilometres from the CBD. It offers a mix of properties but predominantly detached housing built between the 1960s and 1980s with increasing in-fill development underway. There are some dress circle areas situated to the east of the suburb in a foothills location offering district and city views. Dwellings in these areas typically command higher values than dwellings in other sections of the suburb. This area provides a good entry level for first home buyers with older courtyard style dwellings selling in the high $300,000 range and detached housing on larger blocks selling for upwards of $400,000.

11 Kildare Avenue, Athelstone recently sold for $430,000. This property incorporates 3-bedrooms and 1-bathroom and indicates entry price level for first home buyers seeking a detached dwelling on a larger allotment.

(Source: Realestate.com.au)

(Source: Realestate.com.au)

Blair Athol

Blair Athol is situated approximately ten kilometres north of the CBD. This area typically comprises detached older style dwellings on larger allotments. This area has been undergoing increased in-fill development with recent zoning changes increasing appeal for potential purchasers.

The recent sale of 3 Hazel Street for $565,000 indicates the new price levels that developers are prepared to pay to enter this market and take advantage of the new zoning changes (subject to council consent).

(Source: Realestate.com.au)

(Source: Realestate.com.au)

The Real Estate Institute of South Australia recently announced that Adelaide has a brand new record median price of $465,000. These areas provide affordable alternatives to surrounding areas and importantly, opportunities below the current median price.

These areas predominantly comprise detached housing with less home units and attached dwellings.

According to realestate.com.au, annual growth for these areas is:

- Daw Park: 5.5%
- Athelstone: 2.1%
- Blair Athol: 6.6%

Rental yields are 3.6%, 4% and 4.4% respectively. These areas are typically attractive to owner occupiers and investors.

Prospects for middle ring suburbs in 2018 remain positive as these areas generally provide an alternative to more expensive or more highly sought after locations.

Rental demand remains steady. A recent realestate.com.au article noted that Edwardstown (adjoining Daw Park) is the second most in demand suburb for rentals based on their research. These areas are generally attractive to young families as properties typically comprise detached dwellings on larger allotments.

There are opportunities for buying within middle ring suburbs in 2018. Suburbs such as Reynella, Old Reynella and Reynella East are situated approximately 20 kilometres from the CBD. They will have improved access to the Adelaide CBD upon completion of the Darlington upgrade project currently underway. Reynella was recently the fifth most in demand suburb for rentals (source: realestate.com.au).

The challenge in this sector is typically public transport as whilst middle ring suburbs can provide a good entry point for purchasers, many of these suburbs may not have the same access to public transport. Whilst Adelaide's bus system covers a large geographical area, service levels vary across the city and suburbs. Residents within the middle ring tend to rely on transportation by car.

The completion of the Darlington upgrade at the end of the South Expressway will enhance access to the city for properties in the southern suburbs. This is likely to boost middle ring addresses.

Prospects in this market sector are likely to be positive if market conditions remain stable and as long as these areas remain at affordable price levels.

Tasmania

Hobart

Hobart's middle ring has certainly out performed the Australian Winter Olympic rings this year, taking gold for the nation's capital growth!

Many suburbs such as Berriedale, Rosetta, Montrose on the western shore; and Rokeby and Oakdowns on the eastern shore, have achieved over ten percent growth. Housing is still available sub $400,000 in all these locations.

Those western shore suburbs mentioned above are all well serviced by the Glenorchy CBD, while the eastern shore has the Eastlands and surrounding precinct. That said, the daily commute is very much on the agenda with the morning drive to the CBD from both areas a somewhat slow process (by Tassie standards).

Rental vacancy rates remain below two percent, which in effect is near full. Recently in Kingston, a rental open home for a typical three bedroom, one bathroom dwelling with an asking rent of $350 per attracted 28 applications! Further, gross yields around 5.5% would be typical.

Moving ahead, we expect the rental market to remain tight (thanks Airbnb) with upward pressure on rental levels. The housing price boom is also not yet expected to slow, subject to external factors.

Launceston

In the north, the middle ring is typically those suburbs such as Summerhill, Kings Meadows, Mowbray, not withstanding the ring is somewhat smaller in Launceston. In the first two of these suburbs good solid housing is still readily available sub $300,000, while in the latter, sub $250,000.

Typical yields for a stand alone house would gross six percent. For both Kings Meadows and Summerhill capital growth around 10 percent has been achieved over the last 12 months. There is a word of caution for Mowbray however, as the impending relocation of the Tasmania University Campus is likely to drag many tenants from the suburb to the CBD and Invermay.

Northern Territory

Darwin

The rural residential area is now starting to present as an affordable option for potential purchasers. Of particular interest is the outer rural residential market in areas such as Acacia Hills and Berry Springs. These areas are an attractive option for young families or first home owners as they provide lifestyle features while still being in close proximity to major services. Over the past 12 months these areas have started to tick over in regard to sales volumes. Up to the end of 2016, there were eight settled, genuine arm's length sales in Acacia Hills. At the end of 2017, there were 17. In comparison, Berry Springs had six settled genuine arm's length sales by the end of 2016 and 11 at the end of 2017, with at least three more sales now under contract in Berry Springs since the start of 2018.

Although these sales do reflect a drop in the market from the peak periods of 2013 and 2014, they also reflect that there is good buying for purchasers who are willing to live in a rural area. A key sale that is a reflection of the current market is a sale in Berry Springs. The sale property was a low set, 3-bedroom, 2-bathroom, circa 2012 built dwelling with powered machinery shed, in ground spa located on a two hectare block in the Mala Plain estate. The property settled for $690,000 and given the quality and level of improvement reflected good buying. The property was marketed on and off since 2016 and the marketing period is not uncommon in these areas. What we are seeing is that if properties are not priced realistically, they will sit on the market for an extended period of time, however effective pricing is well received in the market and as the above sale numbers indicate, there is interest in this sector of the market.

Increased services are likely to continue the desire to live in the outer rural area. The extension of Tiger Brennan Drive is well and truly established now, providing access to the city and northern suburbs. The completion of Coolalinga Shopping Centre and the Gateway Shopping Centre are large draw cards for the rural market, taking pressure away from Casuarina Shopping Centre in the northern suburbs as an entertainment precinct. The Palmerston Hospital is nearing completion which will provide further and much needed medical services to the rural area.

Moving our way north along the Stuart Highway (back towards Darwin), the Palmerston suburb of Gunn continues to provide affordable options for potential purchasers. Entry level, 3-bedroom, 2-bathroom dwellings centre on the $400,000 to $450,000 mark. We are now starting to see sales evidence that reflect 2008 and 2009 value levels. Examples include a recent sale of a 3-bedroom, 2-bathroom dwelling on a 400 square metre lot in Gunn that settled for $420,000 in February 2018 and had previously sold for $412,000 in November 2008. Moving into the next price bracket, 4-bedroom, 2-bathroom dwellings are showing similar relativities with a recent sale for $587,000 in February 2018 of a home that previously sold for $580,000 in December 2009. Given that both sales were tested in the market and sold through local agents, we would consider the sales to be the best reflection of the current market.

Although we have experienced some tough times in the Darwin market recently, we believe that now is as good a time as any to invest in this market.

Alice Springs

When we talk of the middle market in Alice Springs, it generally centres around the median price. In the year to December 2017 the Alice Springs house market had a median price of $470,000. The median price has been supported in recent months with the release of ex base houses which have generally been selling for between $460,000 and $470,000 and provide 3-bedrooms plus a study and 2-bathrooms. These houses are typically found in Gillen, with some in new East Side or for an increase in price, in Araluen.

It is worth noting that this sector of the market was generally flat year on year as well as over the past five years with a compound growth in the median price of only 1.56%. This is due to the high growth rates experienced throughout 2009 and 2010 which were not sustainable and we are still filtering through the impacts of this rapid growth.

While we are now more than six years down the track from those strong market conditions we are still expecting generally flat conditions in the middle market throughout 2018 while confidence slowly returns. Rental demand on the other hand has strengthened in the past six to eight months and will help to underpin a stable market going forward if stronger conditions continue.

Western Australia

Perth

Whilst recent activity in the Perth residential market has been led by premium localities, secondary middle ring suburbs are catching up quickly, with selling agents reporting higher attendance rates at home opens, multiple offers and days on market falling rapidly in some areas.

The beginning of what we anticipate will be a good year for middle ring suburbs is evident by looking at the Real Estate Institute of Western Australia's most recent analysis. Innaloo, Morley, Scarborough and Clarkson are the top selling suburbs in the northern suburbs while Canning Vale, Como, Gosnells, Willetton and Carlisle are the top selling areas south of the river. These are all within a reasonably affordable price range and located within a reasonably close radius of the CBD. Entry level homes start at just $300,000 in Gosnells whilst the more popular suburbs offer a home starting at just $500,000 and extending to well over $1 million.

Most suburbs within the 20 minute radius of the CBD are typically well established, with many undergoing gentrification and urban renewal and families are taking advantage of the larger land offerings in these areas as opposed to the more commonly found far smaller lots in outlying, newer estates. In comparison to other capital cities, Perth's average land size is significantly larger. The government has however implemented strategies to increase density in order to accommodate for future generations which means that the larger lot sizes on offer in the middle ring are very attractive on a number of fronts. Speculative developers foresee subdivision opportunities in many localities at prices that remain below historical levels.

Carlisle is definitely a suburb to keep an eye on, given its sub par performance over the previous few years, yet it offers a wide variety of housing options, large lot sizes and development opportunities, all within just eight kilometres of the Perth CBD.

Other examples of suburbs offering similarly attractive traits include Melville and Balcatta. Multi unit development opportunities have arisen in these once single dwelling dominated suburbs, but investors are advised to use caution as history shows that oversupply can occur in a reasonably short period of time. For example, in Belmont over the previous five years, a high proportion of developments provided only 1- or 2-bedroom apartments in otherwise traditional suburban streets and as the market slowed, prices for such products tanked.

Bassendean and Bayswater are also examples of affordable suburbs where subdivision opportunities are likely to arise, although their location and lot size offerings are sufficient to attract owner occupiers regardless. The poor market performance over the past few years has served as a huge barrier to potential developments - it has simply not been feasible to develop or more to the point, have the confidence to begin a development. We are seeing signs in the market that this confidence is increasing quite rapidly at present.

Much of the purchase activity in the second ring is being driven by upgraders, either seeking a better property within the area they already live or moving into areas to which they have aspired – to the detriment of the performance of the outer ring suburbs. Hence there are multiple buyer profiles starting to hone in on the same property types and agents are reporting rapidly declining stock levels which is always a very good indicator of market performance.

However, there is another purchaser profile gaining momentum in the secondary ring of Perth – downsizers. In areas such as Applecross, Mount Pleasant and Booragoon, there has long been a lack of choice when it comes to downsizing out of the family home. Often this meant leaving the area that had been your locality of choice for many, many years. New apartment developments in the Canning Bridge Precinct and Riesly Street Precinct offer new alternatives to this often forgotten market segment, although supply rates will control the performance of such assets. We foresee strong demand in the initial projects with a focus on quality and owner occupier facilities whilst second tier developments could experience oversupply quite rapidly.

All in all, the short and medium term prospects of the secondary ring appear to be very strong. Performance over the past five years has been hampered by a lack of confidence and lending restrictions to first home buyers, along with over supply in the outer ring halting the march of the upgrade market into more desirable areas. We anticipate that market confidence will continue to improve through 2018 and stock levels throughout the secondary ring will tighten throughout the year.

South West WA

The middle ring in the south-west could be described as the locality north of Bussell Highway in the Busselton region which includes the suburbs of West Busselton, Broadwater and Abbey. A similar locality in the Bunbury region would be South Bunbury. The reason they are considered desirable is that they are close to the ocean as well as being within a reasonable distance of the CBD. Primary and high schools are plentiful in these localities and there are good sized blocks with a mix of older style homes, many of which have been renovated, and newer homes. Supply however is limited.

These areas are generally considered to be attractive for home owners particularly those wishing to upgrade. The demographic is skewed towards young families and families with high school age kids.

The price points range from $600,000 to $900,000 in the Busselton area and $450,000 to $750,000 in South Bunbury. The houses are general 1990s homes which have been upgraded on approximately 800 square metre lots in the Busselton area and a mix of older style Californian bungalows and more modern homes in South Bunbury. Higher prices would be expected for properties with ocean views.

Prices in these areas were steady in 2017 however there was an increase in the number of sales in the Busselton area in the later part of the year. These areas are expected to firm in 2018 however due to supply constraints they are likely to be the first to see any lift in value.

Long term prospects for these localities are expected to be good due to their limited supply and accessibility to both the beach and CBD. There will continue to be strong demand for these localities going forward.

Rural

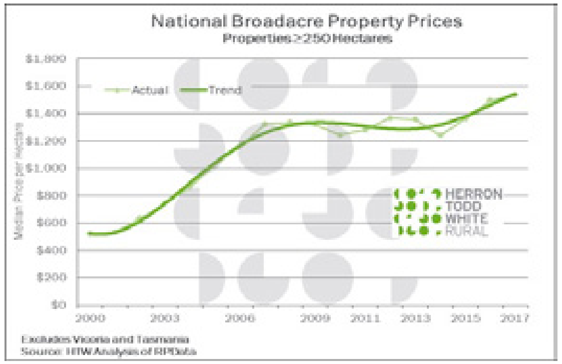
HERRON
TODD
WHITE
RURAL

Overview

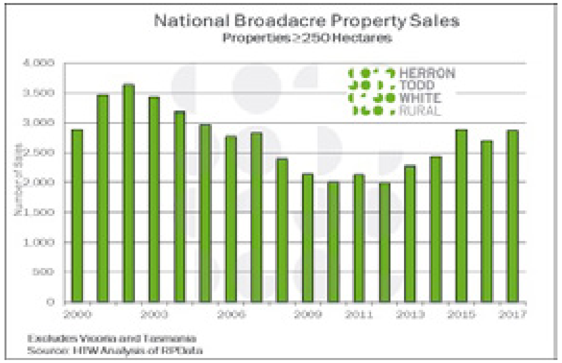
By the time this Month in Review is out, we will have delivered our national overview of the market for the 2017 year, and what a year it was. The trend line for value over the medium to long term with growth rates by state is as follows:

2000-2017	NSW	7.0%
National 6.6%	QLD	8.0%
	WA	3.2%
	SA	6.4%
	NT	5.3%

Nationally the picture is reflected in graph 1 below.



The other side of the story is transaction volumes and area as reflected in graph 2



Sales volumes are back to 2005 to 2007 levels, just before the last cycle peak:

Year	No	Hectares Sold
2015	2,886	13,532,397
2016	2,699	21,322,561
2017	2,868	10,255,971

So do higher values, tightening supply and market enthusiasm in the sector mean we will see history repeat? Some of the current economic fundamentals are different to 2007/2008 but will they be maintained? Many clients I speak with are certainly scratching their heads about how to reconcile some of the asking prices in the market. For those attending our Melbourne or Brisbane events, we will endeavour to help interpret the market place.

A summary of the national market will be posted to our website following the presentations.

The FIRB announcement on 1 February adds another layer of intrigue to the market and many have already commented on the possible impact. Just another factor for buyers and sellers to consider moving forward.

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Toowoomba

2017 was an exceptionally positive year for the rural market in general which increased significantly over the year. Despite ongoing political issues, mostly at a federal level, (which may begin to sap confidence if these linger well into 2018) and a very dry second half of 2017 through southern Queensland and northern New South Wales, we saw property sales occur at what can only be classed as strong levels. These sales were not confined to one sector but were occurring across multiple sectors. Broadly I think it would go unchallenged to suggest that the overall market in southern Queensland and northern New South Wales increased by 10% to 20% during 2017.

We also saw evidence that suggested that over the course of 2017, the market in some of the more highly regarded regions (i.e. the plains country around Moree and on the inner downs west of Toowoomba) went to new levels, with multiple sales in recent times of smaller non-viable holdings. The majority of these sales reflected the emergence of quite a substantial level of adjoining or near neighbour premiums in the order of 15% to 25% above the market value (or is this now becoming the new market value?).

What a difference a short break over Christmas makes. Contrast those comments with the position we find ourselves in now. 2018 has opened up very quietly with few new listings coming onto the market. However from a Queensland perspective, the storm clouds are beginning to gather metaphorically speaking with a great deal of angst anticipated over the course of the next few months.

The big dry is continuing with no sign of a general break on the horizon. Much of the state is now being impacted and the recent run of hot weather will burn any feed that may have developed through recent storm events. The one saving grace is that historically a large percentage of dry spells have broken in the autumn so we still have some time up our sleeves yet. Fingers crossed.

The storm clouds I refer to are completely man made and come in the form of proposed changes to the current vegetation management laws. Whilst we are not yet privy to what the government is proposing, the money is on that it will mirror what parliament attempted to introduce in 2016. Whilst it was ultimately defeated then, this time it would appear that the government has numbers on its side.

Identified as the *Vegetation Management (Reinstatement) and other Legislation Amendment Bill 2016*, in a nutshell, it centred on the following:

"The Bill prohibits clearing for high value agriculture and irrigated high value agriculture, reinstates protections for high value regrowth to freehold and indigenous land, extends the existing protections for regrowth vegetation in watercourses to the Burnett-Mary, Eastern Cape York and Fitzroy Great Barrier Reef catchments, reinstates parts of the riverine protection framework under the Water Act 2000 and reinstates the reverse onus of proof and removes the mistake of fact defence for vegetation clearing offences. The Bill also makes amendments to the Environmental Offsets Act 2014. "

Source:www.cabinet.qld.gov.au/documents/2016/Aug/ResVegBill/Attachments/Report.PDF

If the legislation is reintroduced in the above format and is proclaimed into law, any portion of freehold land identified as Proposed Category C will be reclassified as Category C – either High Value Regrowth Vegetation or Least Concern Regional Ecosystem and will be unable to be cleared without approval. The resultant direct impact on the market value of that portion of land could therefore be considerable.

Added to the uncertainty, the previous proposed legislation attempted to reverse the onus of proof to effectively require landowners to prove their innocence. It also attempted to eliminate the defence of mistake i.e. clearing undertaken in good faith but ultimately on the reliance of incorrect mapping that may have been provided to the landowner.

Constantly amending or changing legislation (especially if it is highly controversial) because of the political whims of the government of the day naturally creates uncertainty. Uncertainty has the potential to impact on development which in turn will lead to a stifling of investment that may ultimately impact on the value of any property or business caught by any resultant change to legislation.

This proposed vegetation management legislation has the potential to impact across many geographical locations and multiple industry sectors including the grazing, broadacre farming and irrigation communities as expansion will be curtailed. We believe this legislation will be regressive in nature and therefore any landholder caught will be greatly impacted. This has the potential to create a two or multi-tier market through no fault of the landowner.

A multi-tier market leads to a whole lot of other issues, not the least of which is the inability of land owners to further invest in their properties because they are unable to access sufficient capital to reinvest. This has the potential to have a snowballing effect on land values generally and specifically on those properties caught by this legislation.

The one weapon a land owner has at their disposal is a Property Map of Assessable Vegetation (PMAV). PMAVs are a great management tool and greatly assist to insulate properties (and by association the long term viability of entire business enterprises) against any adverse impacts expected to arise through the introduction of this legislation if it is in a form identical or similar to the 2016 proposal.

The market in general has historically looked favourably on the existence of PMAVs on rural properties and I believe that barring a change to the way PMAVs work, they will really come into their own in the future.

We wait with bated breath and hope that the government does take seriously the bush's concerns. The bush just wants certainty going forward.

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North Queensland
Necessity is the mother of invention. Maybe northern agribusiness capitalism is proving this philosophy right now.

Perhaps the evolution of agribusiness capital is here. Yes, the best thing that can come out of this drought is the changing of focus towards positive mindsets and evolution of collaborative business and regenerative methods. The interactions between natural land systems, resources, business activity and property investment have some serious dynamics. Stakeholders are living in challenging and changing times.

Much of this evolution has been brought about by a mix of a generational changing of the guard with a lack of regular rainfall, sprinkled with an ever changing regulatory framework.

For years there has been discussion about the ageing demographic of farmers and graziers. In the past ten or fifteen years, the agricultural sector has seen a return of the younger generation.

For many reasons, the 1980s and 1990s was an era in the agricultural economy when there was a lack of young people seeking the rural lifestyle, its spills and to enjoy its fruits. The human capital equation is not the same anymore. This is not to say that the rural sector is overrun with job applicants and all the family wanting to return. There is simply a healthier demographic now than there was.

The collaborative families are enjoying this change. There are older heads of businesses working with the younger generation to pass on the baton. In these cases, the pride is eminent. Poking out from under the shade of a drought resistant hat bash is a squint of satisfaction in the direction of the inter-generational business relationships. The drought has been a catalyst to this next phase in both the farming and grazing sectors.

If you take a look at how the drought has affected some grazing properties, the use of fiscal grants has repositioned those assets so that they are now better watered for the long run. When this drought kicked in, there were so many issues that arose. In particular, dams dried out, grants were snapped up, pipelines laid and tanks installed.

Yes, at that point in time, it was hard to see past the issue of getting water to drought stock and any grass that may offer substance for survival. Now, those pastoral areas have lower risk watering systems and better water point distribution.

Drought is not a good thing - it is devastating - but it certainly has been the catalyst for change and evolution of these assets. It's been a tough start for the new business owners and managers. They certainly will not forget the lessons learnt either. Perhaps, that too is where a silver lining is.

It would seem that the next generation does respect the lessons learnt and taught by the older generation, however are keen to implement changes in technology to achieve operating cost efficiencies and yet embrace regenerative practices to improve their land condition and animal health. A win-win situation. Couple this with a low interest rate environment, good industry stewardship and things are looking pretty good for the future of agribusinesses in the north.

Evolution for the better is not just arising in the grazing sector. Take a look at the Burdekin sugar cane farming practices and farm designs. No matter whether the claims of affect on the Great Barrier Reef by farming practices are true or not, the pressure on farmers along with the high cost of electricity has bought about substantial changes in farm designs and practices.

Change is not easy; the catalyst may not be pretty and may not even be tangible, however there are benefits to business production costs as well as the environment, which are complementary.

What these changes mean for the respective property markets will be interesting. Awareness arises when facilitating change. Be it an awareness of farm drill and watering system design on a sugar cane farm or the interrelationship of rangeland land system utilisation and infrastructure on grazing properties; if the market has been naïve to these factors in days of old, perhaps the new wave will price in the spread of these factors in their due diligence.

An analogy that may be helpful to potential buyers is taken from buyers of motels:

"If you cannot achieve a good occupancy and room tariff rate due to the condition of the motel rooms that you are looking to buy, then why pay full price to buy the motel in the first place? The economics have to stack up and be reflected in the purchase price."

Given the tough agribusiness conditions experienced in recent years, the catalyst of change has certainly arrived and is influencing buyer due diligence, industry direction and appears to be giving rise to a changing property market environment.

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Bundaberg
High demand for land suitable for macadamia trees in the areas close to Bundaberg has now been absorbed and there has been a rapid increase in the volume of sales of cane land beyond a 20 kilometre radius of the city centre. Properties in these secondary locations are now being acquired by macadamia growers with values commonly exceeding $20,000 per hectare, well above the level recognised for equivalent property by the cane land buyer.

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Echuca
Graziers and croppers continue to be active in the market with limited demand for dairy. Interestingly from a water position, results from the Victorian Water Register are at odds with local brokers' experience with February trade results seeing a decline in values, particularly for Goulburn 1A and Murray Zone 6 water, while brokers are generally reporting strengthening demand. It will be interesting to see how this plays out with the result likely to be significantly impacted by trading rules and trade through the Barmah Choke. In all other systems, demand has continued to push to record levels with NSW General Security Water close to $1,400/ML and some trades recorded for high security water in excess of $4,000/ML.

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Mildura
Last month we highlighted the high confidence levels currently evident throughout most of our local horticultural industries. One of the positive outcomes from this is the renewed demand for small to medium parcels of land within Sunraysia's irrigation districts.

The downturn in the wine grape industry coincided with drought conditions during the mid 2000s, with the result that many properties in the irrigation districts were either dried off or cleared during the past decade. The area planted to wine grapes in the Sunraysia and Swan Hill region peaked in 2006, however is estimated to have declined by 25% (equivalent to around 6,000 hectares) between 2009 and 2015. The area planted to dried vine crops reduced by around 2,500 hectares during the same period (source: SunRise Mapping and Research report).

The result was a patchwork of dried off and under-maintained vineyards, which was not only unsightly but also meant a lot less economic activity and revenue for bodies such as Lower Murray Water, who deliver water throughout the irrigation districts.

Source (RPData.com)

Buyers have mainly been locally based table grape growing families, however we have also seen buyers move from the Robinvale district, 85 kilometres to the south-east of Mildura, who were finding themselves priced out of that market. From 2008 to 2012, many of the dried off vineyards in the Mildura region were almost unsaleable, however recent sales have shown levels of around $17,000 to $20,000 per hectare during 2016 and 2017 and closer to $25,000 per hectare now. Robinvale growers who are faced with a market prepared to pay over $45,000 per hectare for equivalent land see the Mildura region as affordable.

This recent activity will provide opportunities for many local businesses supplying items such as machinery, sheds, coolrooms, trellis materials etc.

A number of high value horticultural sales were finalised in late 2017. A large scale property at Colignan, primarily planted to citrus but also including areas of wine grapes and table grapes, sold on a walk in - walk out basis, including a modern citrus packing shed. This property had been developed over a 40 year period and was one of the district's larger holdings, with a planted area of around 400 hectares. The sale price reflects levels in excess of those indicated by other recent sales of smaller properties, confirming the strong interest currently evident from corporate buyers.

Meanwhile, a 430 hectare almond orchard at Lake Powell was purchased by a UK based private equity firm. The sale price was at the upper end of the range of other sales over the past three years, notwithstanding the fact that the price of almonds has reduced over the past three years from over $10 per kilogram to around $7 per kilogram, which is in line with the longer term average price. The vendor purchased this property, which was in a somewhat under maintained state, in 2012 for approximately $3.8 million. At the time of this earlier sale, almond prices and confidence in the industry were very low.

The wine grape harvest is currently in full swing, with reports that yields for white varieties are slightly down on average levels. Prices for contracted growers are expected to be up for most varieties by around 10% over 2017 levels, although it is interesting to note reports that some wineries are offering higher prices to uncontracted growers, as they seek to ensure they obtain their required intake of grapes this season.

Contact:
Graeme Whyte - ph: 03 5021 0455

Southern & Western New South Wales

The general market in southern and western New South Wales continues to show strengthening signs. Generally we have seen the level of sales activity drop slightly, however this is a reflection of a lack of stock rather than a softening of market interest overall. In far western New South Wales we are seeing new benchmark levels set in dollar per DSE rates achieved. For example, the sale of Berta Station which is a 43,500 hectare holding with a carrying capacity of 10,000 DSE located 120 kilometres south-west of Broken Hill on the South Australian border recently sold for $5.38 million which equates to $124 per hectare overall. From a productive capacity basis this equates to $527 per DSE. These rates are generally seen in tablelands country in far higher rainfall areas. Like all market activity there are always outlying sales and it appears that this sale is one of those, however it does indicate the willingness of buyers in the current market to stretch the normal excepted boundaries in terms of a value perspective.

Two examples of the level of strengthening within the current market are some revaluations we are now undertaking. We have recently visited a large mostly arable grazing property in the Cootamundra area which we last valued in June 2016. Our current assessed value for the same property has risen by 26.7% over the 19 month period, with a number of solid large-scale sales to support this assessment. This equates to 1.4% per month over 19 months which is quite phenomenal. We have also revisited some larger grazing properties to the north-east of Broken Hill which were last valued in late 2014. Our current assessment indicated a 28.8% rise in overall value which equates to 9% per annum - still a strong result.

We are often asked about the market, where we are in terms of the property cycle and whether buyers should be active in the heated market that currently exists. Generally our view is that as long as buyers are informed, knowledgeable about current market activity and aware of the most likely movements in value levels over the next five years (which when we peek this year will be reasonably flat), then participating in the current market can be justified. When building a business plan for a rural purchase at present, it would be prudent not to allow for any capital growth in the short to medium term as this same situation occurred back in 2008. Our experience then indicated that generally the market in New South Wales peaked in late 2008 and general value levels softened slightly and then were steady for a number of years. There were a number of corporate purchases made at this time and our relationship with these assets over the ensuing years showed that the original value levels were not reached again for approximately six to seven years. While we are not saying that the market will perform exactly the same, it does have a history of repeating and our expectations are that a similar scenario will result over the coming 12 to 18 months. The difference in 2018 is that our interest rates are at record lows and are still encouraging investment from within the industry, so we may just see the golden period continue for a bit longer yet!

Contact:
Scott Fuller - ph:0427 077 566

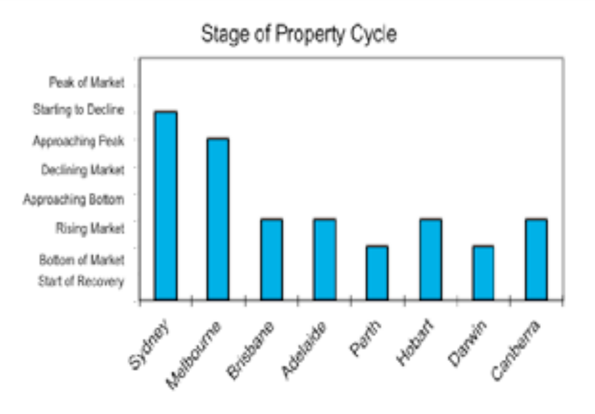
Property Market Indicators

Capital City Property Market Indicators – Houses

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

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

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



Capital City Property Market Indicators – Units

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

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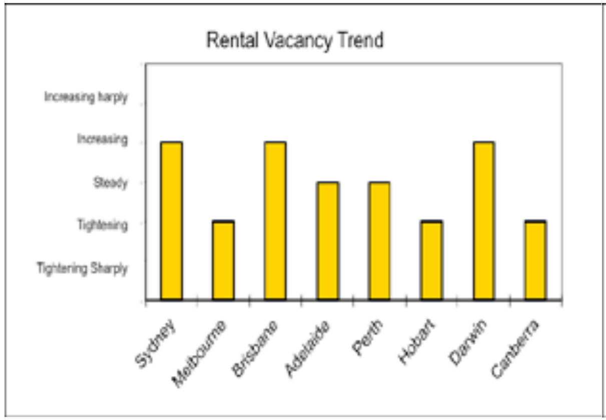

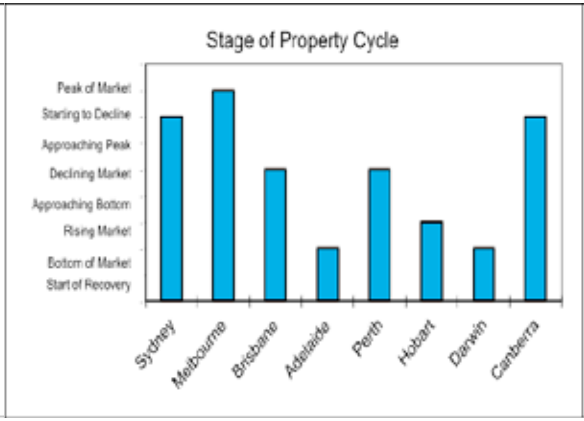

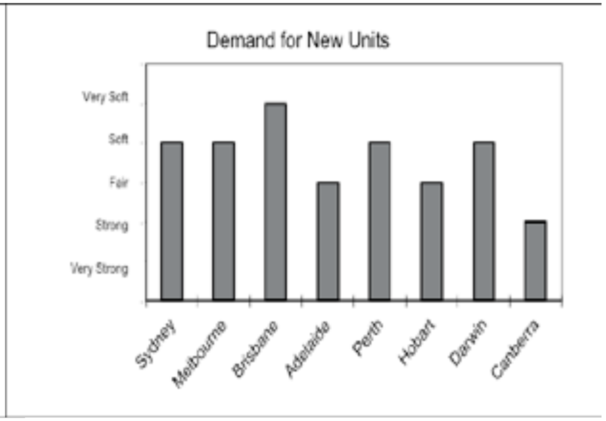

Capital City Property Market Indicators – Industrial

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

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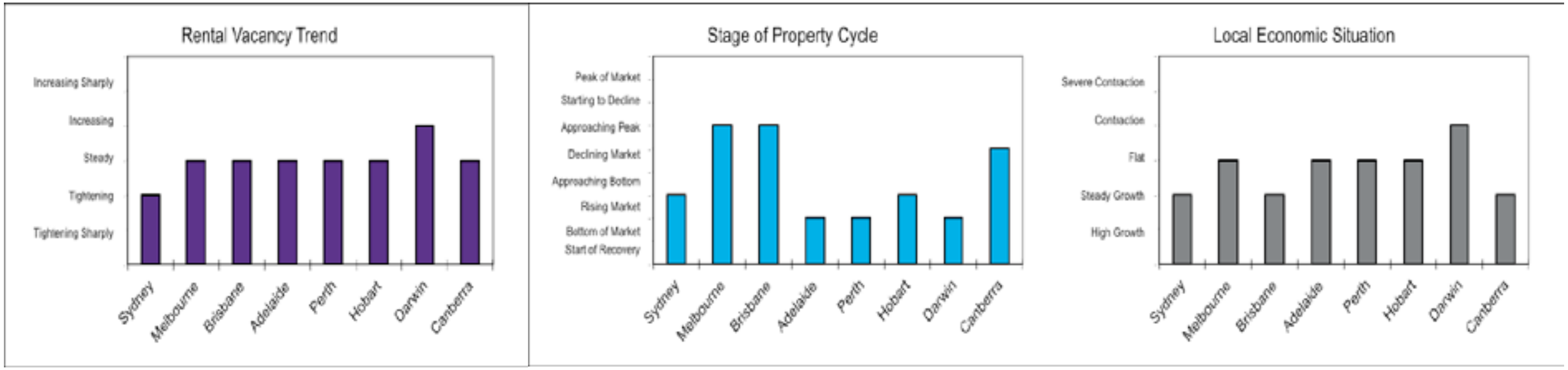

Market Indicators

New South Wales Property Market Indicators – Houses

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

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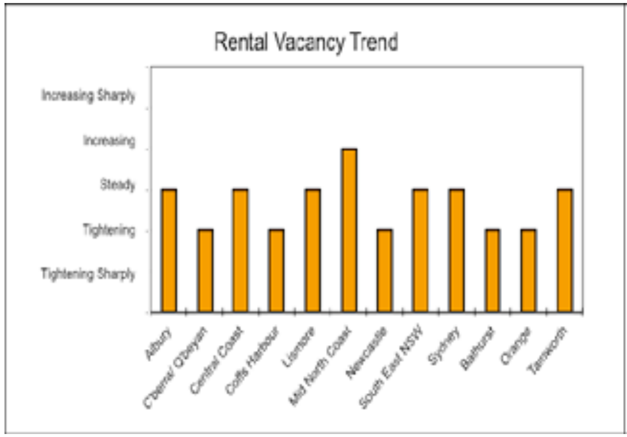

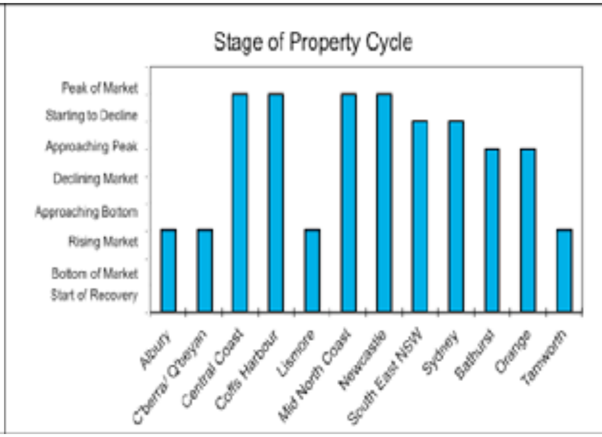

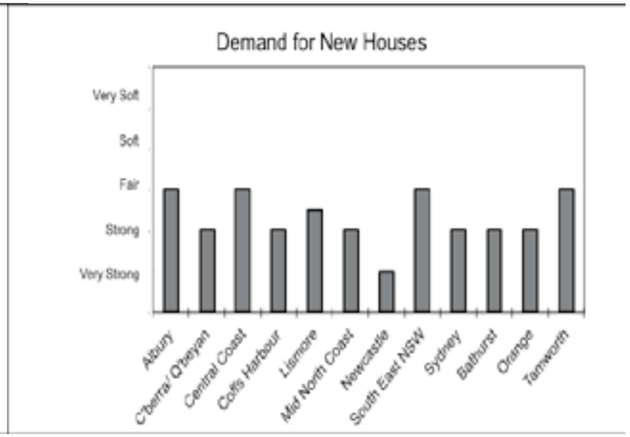

Market Indicators

New South Wales Property Market Indicators – Units

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

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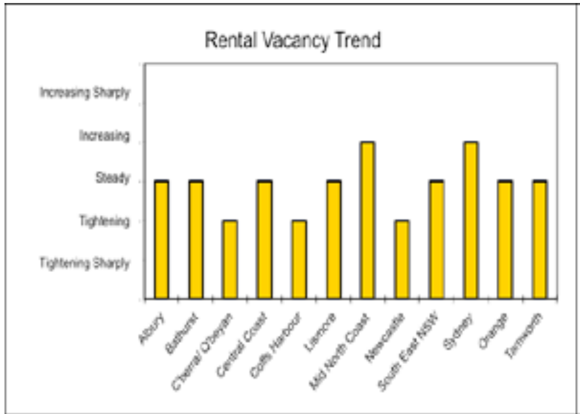

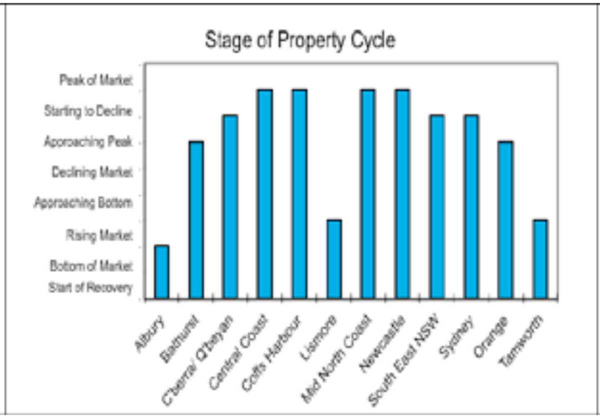

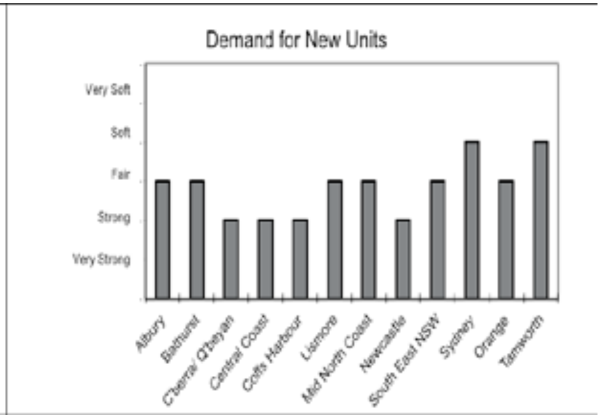

Market Indicators

New South Wales Property Market Indicators – Industrial

Factor	Albury	Canberra	Central Coast	Coffs Harbour	Dubbo	Griffith	Lismore	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	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	Balanced market	Balanced market	Over-supply of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Steady	Tightening - Steady	Tightening
Rental Rate Trend	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Increasing	Stable - Increasing	Increasing
Volume of Property Sales	Steady	Declining	Increasing	Steady	Increasing	Steady	Declining	Steady	Steady	Increasing - Steady	Steady
Stage of Property Cycle	Approaching peak of market	Declining market	Start of recovery	Approaching peak of market	Peak of market	Peak of market	Rising market	Approaching peak of market	Rising market	Rising market	Rising market
Local Economic Situation	Steady growth	Steady growth	Steady growth	Flat	Steady growth	Flat	Steady growth - Flat	Steady growth	Steady growth	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Significant	Significant	Significant	Significant	Significant	Small	Significant	Significant	Significant	Small

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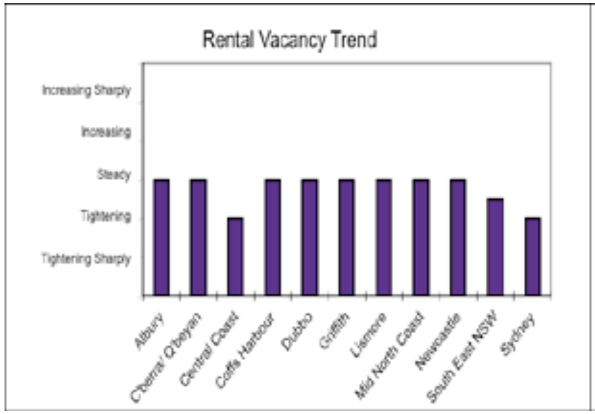

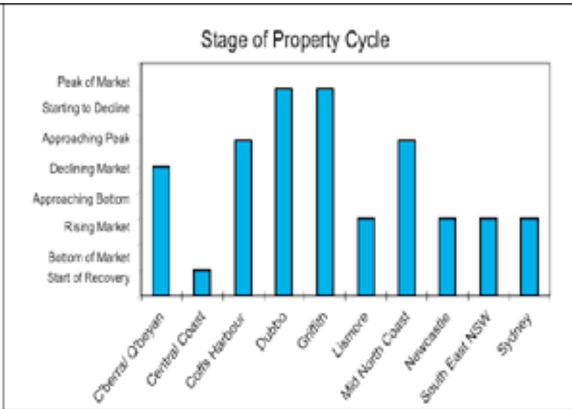

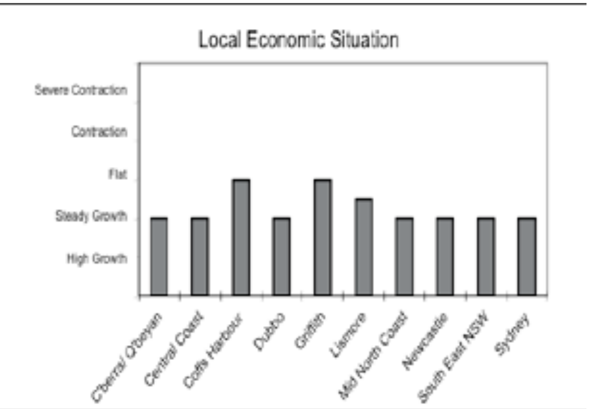

Market Indicators

Victorian and Tasmanian Property Market Indicators – Houses

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

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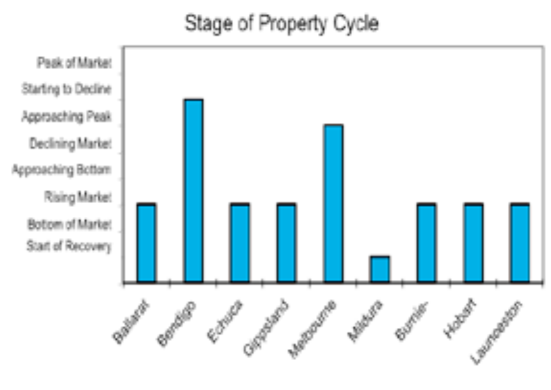

Market Indicators

Victorian and Tasmanian Property Market Indicators – Units

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

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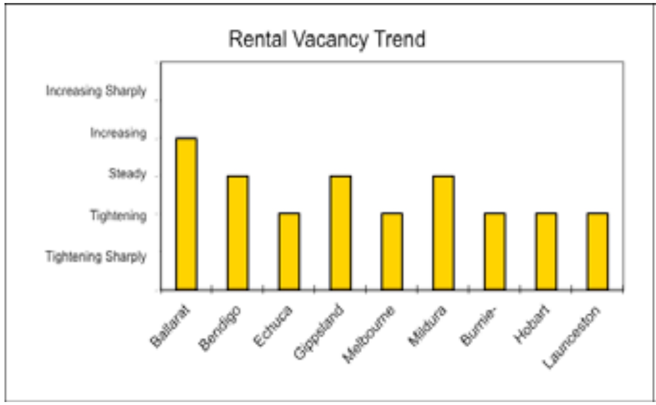

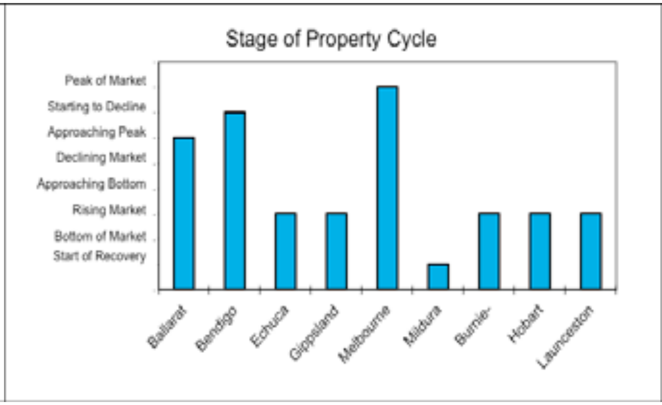

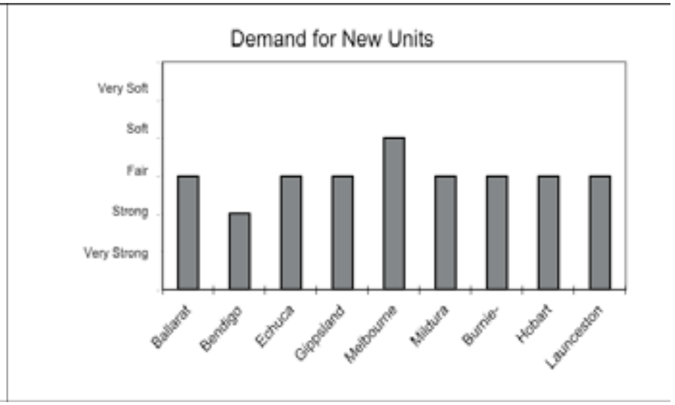

Victorian and Tasmanian Property Market Indicators – Industrial

Factor	Ballarat	Bendigo	Echuca	Gippsland	Horsham	Melbourne	Mildura	Warrnambool	Burnie-Devonport	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Declining	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Declining	Declining	Declining
Stage of Property Cycle	Rising market	Rising market	Rising market	Declining market	Start of recovery	Approaching peak of market	Start of recovery	Bottom of market	Rising market	Rising market	Rising market
Local Economic Situation	Steady growth	Flat	Steady growth	Contraction	Flat	Flat	Flat	Flat	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Large	Significant	Significant	Significant	Significant	Small	Large	Significant	Significant	Significant

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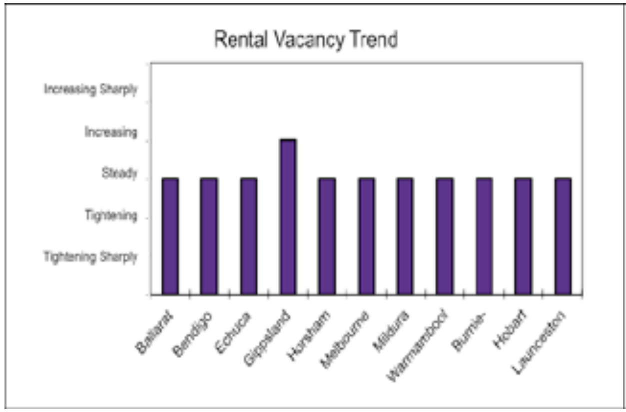

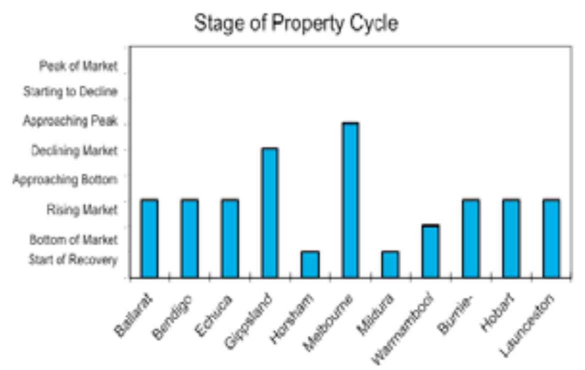

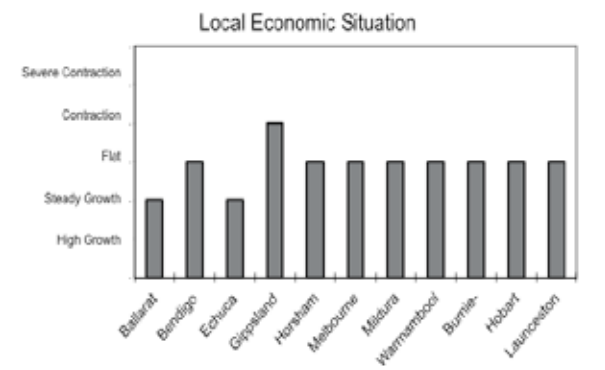

Queensland Property Market Indicators – Houses

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

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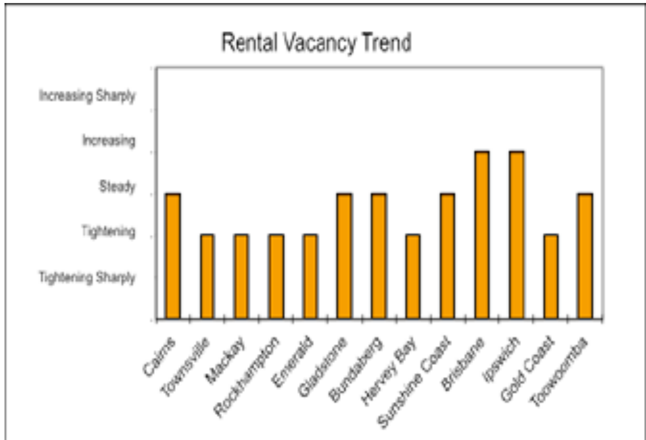
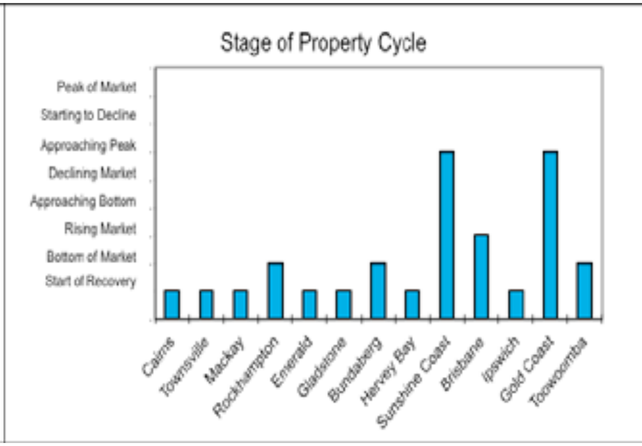


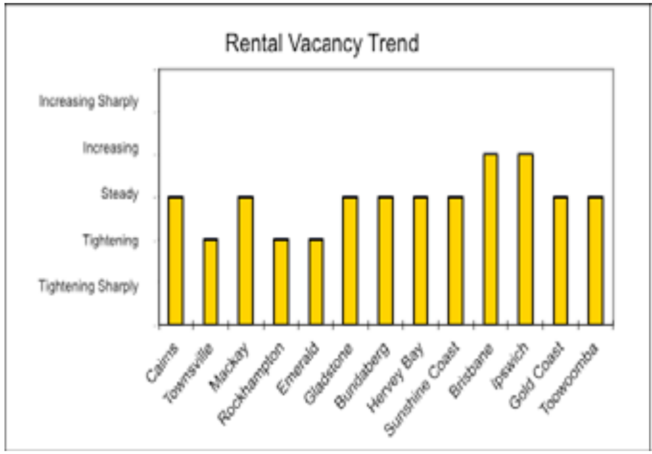


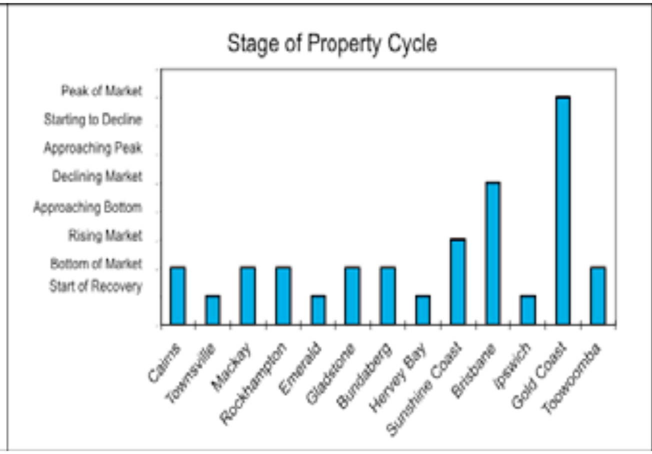
Market Indicators

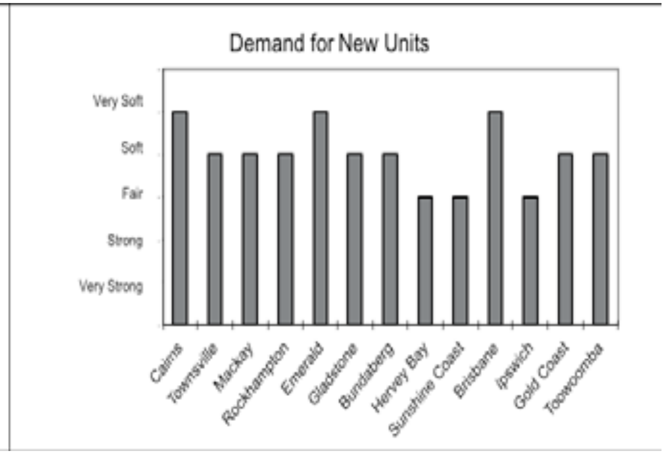
Queensland Property Market Indicators – Units

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



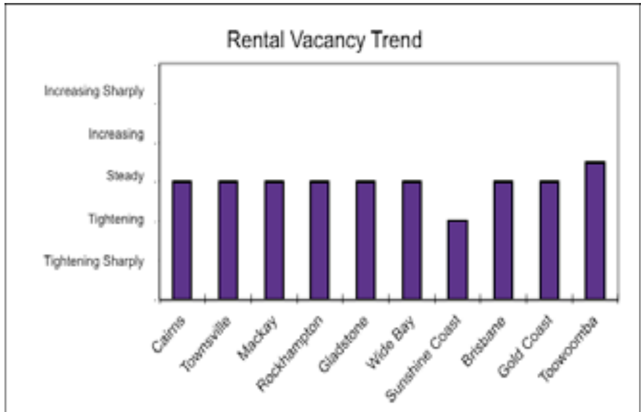


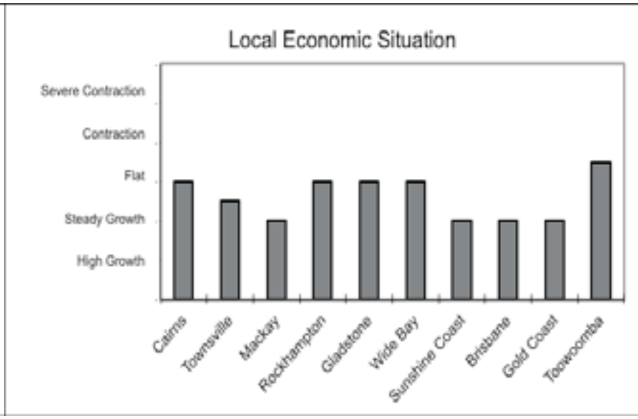


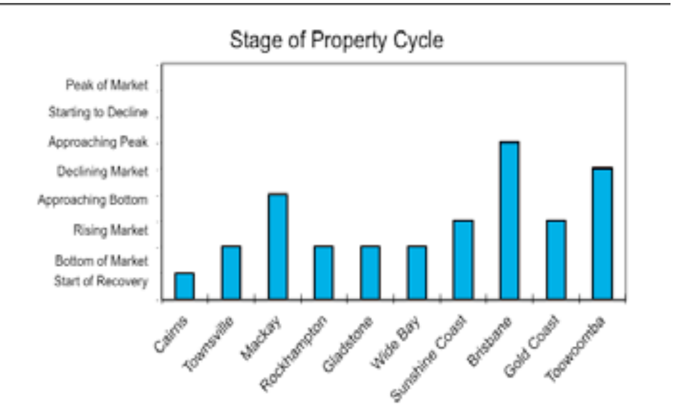
Queensland Property Market Indicators – Industrial

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

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





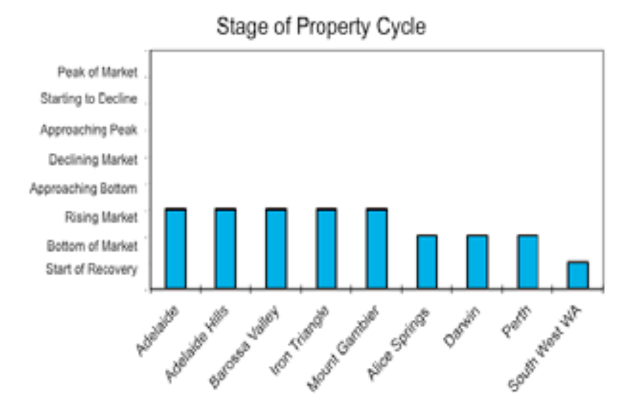


SA, NT and WA Property Market Indicators – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New House Construction	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Increasing
Volume of House Sales	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	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



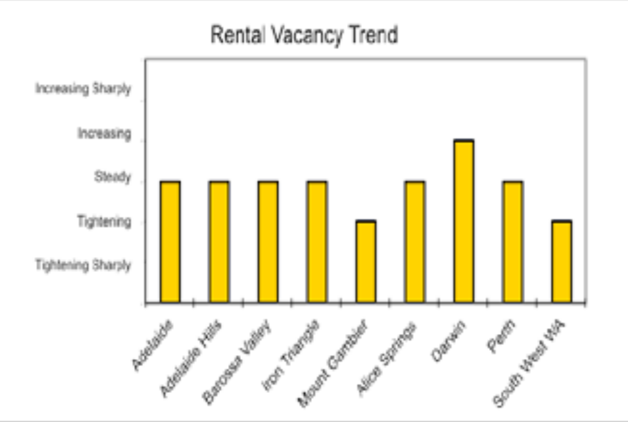
Market Indicators

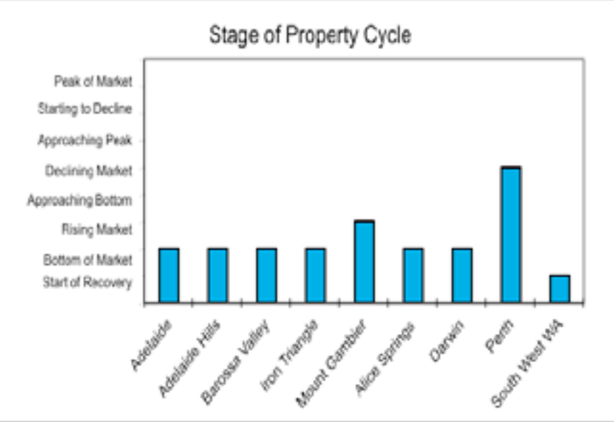
SA, NT and WA Property Market Indicators – Units

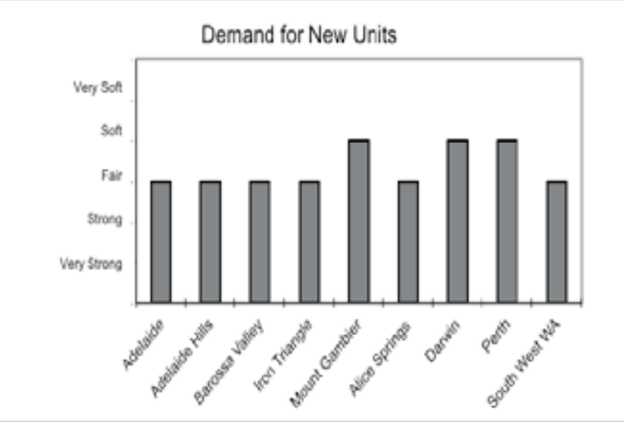
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Mount Gambier	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market	Over-supply of available property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

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

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







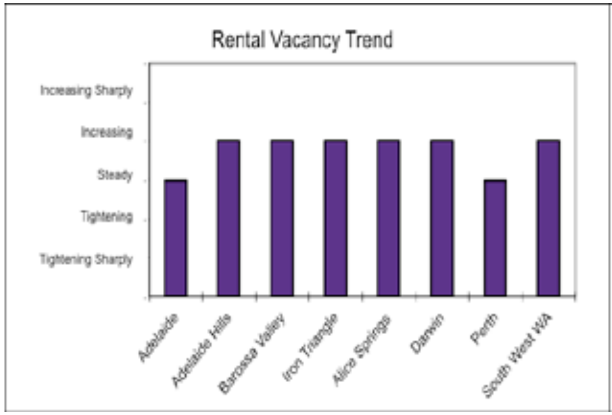
Market Indicators

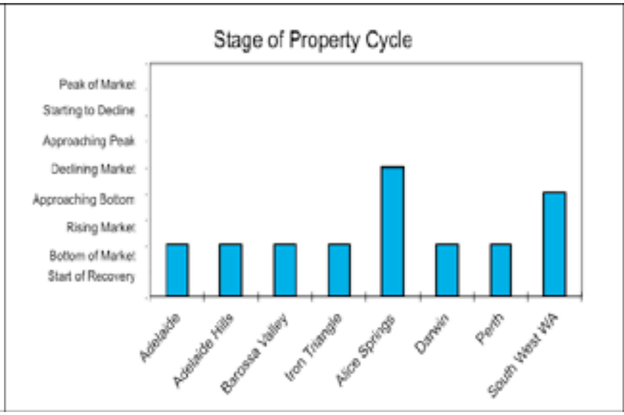
SA, NT and WA Property Market Indicators – Industrial

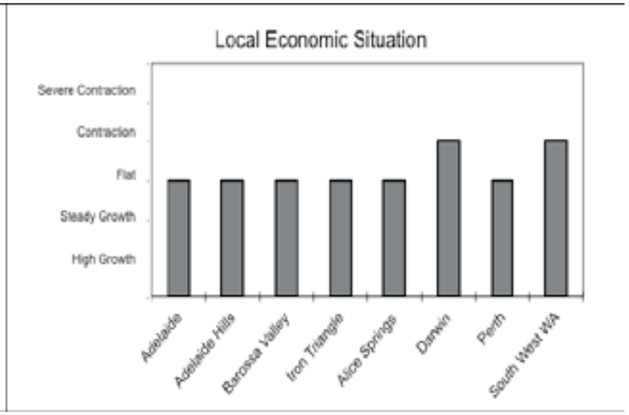
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available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







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