



Month in Review

June 2019

The Month in Review identifies the latest movements and trends for property markets across Australia.

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Disclaimer

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

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Half time! What's the score?



2019 has hit its halfway mark - and hasn't it held a few surprises?

Half time is an interesting pause in the progress of any event. We get to stop and take stock. Were expectations met? What came out of left field? Who amongst us were the champions and which position needs to step up its game?

Coaches, players and commentators get to put in their two cents as well - all with benefit of perfect hindsight of course!

With the calendar now flipping into its sixth month of 2019, we can view property markets in the same fashion as most high-stakes matches.

After all, a year in real estate is a predictably cyclical event in many respects, isn't it? After a Christmas slowdown, we watch as activity begins to ramp up across the first three months. Right around the midway point, we all get a little keener on our financial situation. With the ATO wanting a few details about our numbers, many might be looking over their property portfolio's balance sheet and wondering if it needs a fitness check. Finally, it's a rush of adrenalin towards year's end when we get to prepare for the whole thing once more.

Yes, predictably cyclical... or is it?

Well, 2019 has seen one or two events that played major roles in influencing markets.

The first half of the year saw the continued headwinds of finance for many borrowers. It was said during the week that despite the desire to

purchase, a number of buyers just couldn't get an approval. Of course, as at the time of writing, APRA indicated they were about to relax some banking requirements for borrowers.

In addition, the result of the federal election caught more than a few off guard. Many were factoring in a Labor win on the night. Given their stance on property taxation, there were more than a few industry players battenning down the hatches. But the somewhat surprising Coalition victory brought relief to many, with a boost in confidence following straight after the outcome.

With the calendar now flipping into its sixth month of 2019, we can view property markets in the same fashion as most high-stakes matches.

But how has all of this been interpreted by property markets around Australia?

This month, it's our traditional half time issue of the Month in Review.

We've asked our residential teams around the nation to dissect and analyse their markets. They've pulled out the white board, studied the footage and come back with an enlightened summary of what's gone on.

In the commercial zone, we've taken the same tack with office markets across Oz. Many were reporting

a flight to this field as better yields began attracting money away from residential, but as we all know by now, trying to generalise about property markets is a fool's errand. Different localities reported different outcomes for the six months to June.

Finally, the rural team has also had a look at all the goings on across the rural sector for this first half of 2019.

There it is folks - the whistle has blown for a short break. Grab a beverage, turn to your mates and make your own calls on what's happened, but only after referring to this form guide from the expert tipsters here at Herron Todd White.



Office

June 2019

National Property Clock: Office

Entries coloured purple indicate positional change from last month.



New South Wales



Overview

Commercial real estate had mixed results across the country in the past six months, but among the options for buying in this sector, office holdings are considered one of the safer choices.

That said, not all office markets are the same. This month's submissions paint a picture of varying performance so far this year.

Sydney

With Sydney CBD office vacancy tightening to 4.1% as of January (source: Property Council Australia), CBD office rentals have continued to drastically increase over the past two years and remain at record highs.

It is therefore no surprise that owner-occupiers have remained the dominant market participants when it comes to strata office stock, as they attempt to reduce their occupancy costs and invest in what is anticipated to remain a strong market into the foreseeable future.

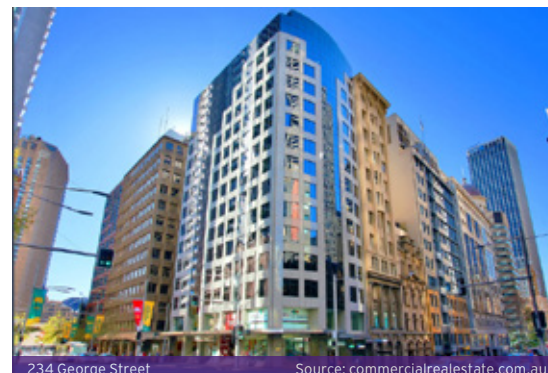
The combination of owner-occupiers looking to secure office assets combined with the lack of available stock on the market has seen capital values for B and C grade strata office stock continue to increase, with building records continuing to be commonplace.

Noonan Property's April 2019 sale of the 95 square metre Suite 202 at 234 George Street for \$1.585 million (reflecting \$16,684 per square metre of lettable area) to an owner-occupier who had already missed out on a number of other suites

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in previous weeks highlights the strength of the market force of owner-occupiers. Prior to this sale, the last suite to sell in this building and a superior overall asset was the 110 square metre Suite 802, which sold in March 2018 for \$1.66 million, reflecting \$15,091 per square metre.

We anticipate owner-occupiers will remain the driving force of values for strata stock throughout the CBD for the foreseeable future, with rents anticipated to remain strong and supply remaining at a minimum in the short term.



With completion of the Wynyard upgrade and Light Rail project along George Street starting to feel like it might be in sight, construction noise beginning to reduce and hoardings starting to be removed, the future of Wynyard and George Street is beginning to take shape. We consider the face lift to both Wynyard and the overall streetscape of George Street (along with the obvious transformation in accessibility through the CBD) will only further increase the appeal of offices in these precincts.

The southern precinct of the CBD is also anticipated to benefit from increased accessibility following the opening of the Light Rail, seeing the precinct become fully integrated into the prime CBD areas. With vacancy at 6.9% as at January 2019 (source: Property Council Australia) and rents significantly lower than those of the city core, the southern precinct shows the most potential for growth over the short term.

Outside of the CBD, Parramatta remains the best performing secondary CBD in the country, with vacancy at 3% as at January 2019 (source: Property Council Australia), primarily driven by low supply additions and the draw of more affordable rentals than the CBD. While 148,000 square metres is currently under construction across four sites and is all due to come online over the next two years, pre-commitment for this space is at 90%, so vacancy is unlikely to soften significantly.

The opening of the Metro North West Line on 26 May provides a significant increase in accessibility to the secondary office precincts of Norwest and Macquarie Park, as well as an additional line of access to Chatswood, increasing the overall appeal of these secondary precincts.

Across Sydney, we are seeing strength in the commercial office market that is encouraging given the softening of the residential market. The strength of the market has been primarily driven by limited stock and infrastructure improvements and is anticipated to remain strong for the time being.

Newcastle

Let's not discuss the Light Rail this month. Seriously, we over-report on this somewhat, so we're going to give the whole Newcastle rejuvenation project a rest for the month of June.

Headline figures from Property Council of Australia (PCA) indicate vacancy rates are in a falling pattern, especially for A grade office property which is showing a total vacancy factor of 2.8%. These are updated annually for Newcastle so we're not expecting a change to the published figure in July's Office Market Report.

Larger scale developers have addressed this long-term A grade stock shortage with a number of new office developments in recent years, although the heat in the residential property market has pushed the end product in a residential direction. With 16,000 square metres of gross floor area over 11 floors, Newcastle's

largest office building has now been approved by the Joint Regional Planning Panel Hunter and Central Coast as of May 2019. This office property is already pre-committed to Property NSW (Government tenant).

Now that selling rates have slowed significantly in the residential market, we anticipate a further move away from residential development towards office accommodation. The office market right now is subdued.

To be frank, property professionals across our region had been waiting for two things to be over and done with. Firstly, uncertainty surrounding the federal election and slated taxation and funding changes around the property market had many buyers and developers in a holding pattern. Now we know the outcome; the status quo remains. Either way, it appears to be uncertainty that was slowing buying and selling decisions recently.

The other is uncertainty around interest rates and the question of when, not if, they will fall. While lending constraints have been lifted somewhat, this is yet to flow through to a lift in selling levels for residential or commercial property. We anticipate office property will remain subdued throughout the rest of 2019 and into 2020.

Lismore/Byron Bay/ Ballina

The majority of the office space within Lismore is located on the first floor above retail shops, but there are a number of larger multi-level office buildings too.

The Lismore office sector has an increasing oversupply situation particularly in the mid to lower end of the market. There is still quite a large amount of office space to lease within the CBD. The market has a mix of owner-occupiers and investors. We have seen a mixed result for first floor office space within Lismore with recent sales showing returns of between 6.73% and 8.71%.


Coastal locations are expected to remain more stable. The Byron Bay office market is traditionally not as strong as the retail market with yields expected to be in the vicinity of one to two per cent higher for office property with traditional retail siting in the vicinity of 4.5% to 6%. There is a continuation of the trend of Byron Bay tenants moving to the industrial estate as it is more affordable, has superior parking and is less congested.

Office space in Ballina is concentrated along Tamar Street with a strong influence from government tenancies, traditionally in the higher quality spaces. There is also a large number of residences that have been converted to office use in this area. This concentration attracts associated private companies and allied health services associated with the ageing population. Supply and demand remain in balance and a resultant stable market is likely, with properties within Ballina tending to be well held.

Rental rates are sitting around \$300 to \$350 per square metre for office space, with yields at 6.5% to 7%.

Coffs Harbour

The office market should remain relatively stable throughout 2019 with limited leasing enquiry and stable rental levels. The slight oversupply of office space is restricting rental increases. This oversupply is gradually being taken up by the market. Good

 *Now that selling rates have slowed significantly in the residential market, we anticipate a further move away from residential development towards office accommodation.*





quality office space is priced at \$350 to \$400 per square metre per annum. Secondary office accommodation has proven difficult to lease with rentals in the vicinity of \$200 to \$300 per square metre depending on size, quality and location.

There continues to be limited demand from the government sector although a recently completed double storey office complex has secured NSW Forestry on a long term lease at \$370 for 910 square metres. There has been increased demand for office accommodation from participants in the National Disability Scheme, with a number of organisations establishing locally, however price sensitive demand is slowing.

The direction of yields is dependent upon fluctuations in interest rates and therefore we anticipate continuation of current firm yield trends for property underpinned by secure medium to long term leases.

Looking forward in the second half of 2019, the market should remain in favour of prospective tenants with an oversupply of space allowing negotiation. This will limit rental increases which should track in line with CPI increases.

Dubbo, Orange & Bathurst

Office space sales and rentals have been stable in these three regional centres to June 2019. In the recognised office precincts, office sales greater than \$600,000 have met with solid demand from both intending owner-occupiers and investors. Analysed yields in this range have typically been in the 5.85% to 6.25% range, however in a less favourable location, a leased office in Dubbo sold at an analysed yield of 9.85%. Contributing factors in this instance included a rent-back scenario, a keen vendor, a secondary location and rent above market levels.

Illawarra

There are positive signs for the commercial property market across Wollongong to start 2019 with the "Gateway on Keira" office building commencing construction (due for completion circa mid 2020) as well as approval being received for a significant office project on the prominent "Langs Corner" site at the corner of Crown Street and Kembla Street.

The "Gateway on Keira" project is being developed largely on speculation without significant leasing commitments and exhibits strong confidence in this sector. In this instance, we largely concur with the developer's view of 'build it and they will come' given the very low vacancy rate for A Grade stock and that the local market is dominated by small to mid sized businesses that find it difficult to pre-commit to leases on unfinished projects, preferring to see the final product before entering into an agreement.

Rumours also continue to swirl about a large corporate tenant close to pre-committing to a significant office tenancy in Wollongong although details have been kept tightly held. If it does proceed, this pre-commitment will justify construction of a new office building and again illustrate the high level of confidence in the office market.

Sales activity has slowed and most agents are reporting of reduced enquiry levels while also acknowledging the shortage of available stock as most owners are preferring to hold at present. Sales activity may increase through the second half of 2019 as uncertainty surrounding the federal election is removed, while talk of an imminent interest rate cut may spur buyers into action and continue to cement yields in their current low range.

Victoria

Melbourne

The Melbourne office market had a stable first half of 2019. Vacancy rates, in particular in the Melbourne CBD, city fringe and inner east, are lower than the long-term average vacancy levels and are anticipated to further decline in the second half of 2019.

The Melbourne CBD's overall office vacancy rate was at 3.2% in January 2019, the lowest of all of Australia's CBDs, according to the Property Council of Australia's Office Market Report. There is limited new supply and available stock in the market until 2020. The robust leasing market is also being fuelled by healthy tenant demand driving strong rental growth in both face and effective levels.

Due to the rise in CBD rentals, the city fringe precinct continues to gain popularity from the creative, technology and professional services sectors. Tenant demand is also strong in the inner east markets, particularly in highly sought-after suburbs such as Richmond, Cremorne and Hawthorn. The inner east has a vacancy rate of 3.58%, the lowest amongst all of the metro precincts in Melbourne. It is expected that rental growth will continue for the remainder of 2019 in these precincts for well-located, good quality stock.

Sales demand is particularly strong for well-located, land-rich investment assets. A circa 1990 double storey office building at 79-83 High Street, Kew sold off-market ahead of the launch of an EOI campaign for \$19 million in April 2019, reflecting a passing yield of approximately 6.2%. The property comprised 19 strata units with a total lettable area

Developers are intending to deliver commercial office projects instead of apartment projects.

of approximately 3,361 square metres situated on a 3,760 square metre Commercial 1 zoned land allotment. The building had 10% vacancy and was sold to fund manager, Terraplex, with intentions to refurbish the building and potentially add extra floor space.

In the outer suburban market, the sale at 347-351 Burwood Highway, Forest Hill represents the largest metropolitan office transaction this year. The property was sold to an adjoining owner, a Melbourne based developer, for \$45.85 million in April 2019. The property is situated opposite the Tally Ho Business Park and comprises a 2.62 hectare Commercial 1 zoned allotment improved with two office buildings with a combined net lettable area of approximately 10,692 square metres. The property is approximately 70% leased to a variety of tenants including NEC, Bolton Clarke and Hamilton Morello. We highlight that the purchaser elected to purchase the property as is without a 30% rental guarantee from the vendor and

without deduction of outstanding incentives. The property has a WALE (by income) of 3.4 years and a reported reversionary yield of approximately 7.32%. The relatively low yield for an asset of this nature with sizeable leasing risk demonstrates the confidence buyers currently have in the Melbourne metropolitan office market.

Due to the slowdown in the residential market and tightening lending criteria, demand for development sites within the inner suburban region has declined somewhat, however we are aware of ongoing, albeit subdued demand from developers seeking to secure well located sites to establish mixed use developments within close proximity of neighbouring retail strips, amenities and public transport. It is uncertain when residential market conditions will begin to recover and purchasers are cautious that any future downturn in economic activity may lead to a reduction in demand and market value, however we note that demand for commercial development sites, particularly sites with holding income, is strong in inner city areas such as Richmond, Cremorne and South Melbourne where developers are intending to deliver commercial office projects instead of apartment projects in the current market to capture the strong office leasing and sales conditions.



Queensland

Brisbane

For many years, the Brisbane commercial market has largely gone under the radar in comparison to its southern counterparts...until now.

Brisbane is on the cusp of a major transformation, albeit that it will be a five-year project on the pathway to transformation into a world class city.

This fact is being increasingly recognised in the commercial markets where there are increasing levels of interest in high quality commercial properties within

Brisbane from Australian and international investors. This has been evidenced by yield compression and strong capital growth over the past three years. Yields which were solidly in the 6.75% to 7.25% range previously are now pressing downward into the 5.5% to 6.5% range, whilst capital growth of up to 30% has been recorded against some prime quality properties.

Against this backdrop however, the market is still plagued by persistently high vacancy rates, particularly in the B grade category and below. This is holding back real rent growth and significant change in rents is not likely until Prime and A grade vacancies push lower into the single digits.

13%

Total vacancies in the CBD have contracted to a five year low as at January 2019.



Brisbane is on the cusp of a major transformation, albeit that it will be a five-year project on the pathway to a transformation into a world class city.

Recent leasing statistics released by Property Council of Australia have indicated that total vacancies in the CBD have contracted to a five year low of 13% as at January 2019. Prime and A grade vacancies however are now at 10.4% and 9.9% respectively, and heading down.

Gross face rents have stabilised with some assets seeing effective rents increase as incentives very slowly start to wind back, however vacancy rates remain high for secondary stock and face rents will continue to be flat as vendors compete to secure tenants. It is likely we will see a further widening in rentals between Prime or A grade and secondary accommodation.

The fringe CBD leasing market is now largely dominated by the prime office precincts of Fortitude Valley (RNA, King Street precinct and Ann Street), Newstead (in and around Gas Works) and South Brisbane. Vacancy rates for fringe markets overall remain stubbornly high at circa 14.8% but the better regarded precincts of South Brisbane and the Urban Renewal area are doing better at 10% and 14.2% respectively. On the whole, fringe markets have been impacted by high vacancies in the CBD, but the Urban Renewal area is likely to continue to dominate the larger leasing and sale transactions.

On the rental side, gross face rents appear to be increasing for premium buildings with some new leases reported at above \$650 per square metre gross face. Incentives are also stabilising for prime assets. Conversely, secondary fringe CBD leasing markets are still oversupplied as tenants seek newer accommodation that is within close proximity of transportation and good retail amenities. Milton and Spring Hill commercial precincts continue to remain out of favour with tenants as vacancy rates continue to be the highest recorded for the fringe (21.5% and 17% respectively). These vacancies may present opportunities for re-purposing of some buildings in these areas.

There have been a significant number of good quality commercial office listings in the first half of this year across the CBD, fringe CBD and inner-city areas. Whilst many transactions are yet to transpire, there is reportedly strong interest being generated for well leased investment assets on both a local and interstate level. We believe some of these assets will likely achieve strong sale prices, as interstate investors priced out of Sydney and Melbourne see exceptional value in Brisbane (broadly speaking, there is a 150 to 250 basis point differential between Sydney or Melbourne versus Brisbane).





At the lower end of the market, there is a real shortage across Brisbane of good quality investment office assets in the \$1 million to \$3 million price category. Commercial assets that offer the right fundamentals (close to transportation and retail amenities, good on-site parking, redevelopment upside or value add opportunities) are in high demand and it's likely that this market will continue to perform strongly.

The owner-occupier segment of the market (sub \$1 million) largely remains buoyant on the back of the low interest rate environment. Capital values appear to have stabilised in the first half of this year and will likely remain stable in the second half of the year. There are sporadically some good buying opportunities in some of the mid-suburban locations.

Leasing markets in most mid and outer suburban markets remain challenging with no rental growth and some extended periods of vacancy in second tier areas.

Gold Coast

In a general sense, the low interest rate environment continues to be the catalyst encouraging investors across all sectors of the commercial property market here on the Gold Coast, but this is commonplace on a national front.

We have felt that sentiment within the Gold Coast commercial marketplace has been in disruptor phase for some time now. Of late, we consider this has expanded due to other national issues such as the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the ramping up of the federal government election campaign. Local agents active in the Gold Coast commercial market somewhat agree, but being generally a positive bunch, tend

We have felt that sentiment within the Gold Coast commercial marketplace has been in 'disruptor' phase for some time now.

not to dwell on such thoughts, although the general consensus is that conditions are tougher now than six or 12 months ago. Certainly, the prospect of buyers getting across the lender finance line is a current talking point. The perception is that post the Royal Commission, there is perceived extra depth to bank scrutiny of any deal placed on the table. Whilst this is a source of frustration, it is a situation that is likely to soften over time.

There have been several sale campaigns for larger (\$7 million plus) Gold Coast office buildings run since late 2018. Our sources indicate that interest has been reasonable, particularly from southern based investors. They appear to be chasing returns or yields, which are certainly higher here on the Gold Coast than in their own back yards. Further, the improving vacancy level (11.6% based on PCA January 2019 data), limited prospect of any new buildings and a positive outlook for rental growth moving forward are attractive motivating factors for any prospective buyer.

Based on these potential sales, our consensus on common ground for analysed yields is in the

7.5% to 8% range. In our view, this points to a possible softening of yields from 12 to 24 months ago, but we also consider it reflects a settling of yields for the market going forward over the medium term, provided no major disruptors or outside influences arise.

A significant office building sale that has concluded is Lakeside 1, Bermuda Point, located at Lot 1101/1 Lake Orr Drive, Varsity Lakes. Initially put to the market under an EOI campaign in mid 2018, public record indicates the property sold in March 2019 for \$25.1 million (source: CoreLogic).

Lakeside 1 comprises a volumetric title, contemporary designed, A grade office building with 6,114 square metres of lettable area and 190 undercover car parks. It has a reported circa 96% occupancy and is returning a net passing income in the order of \$2.285 million. Based on these metrics, passing yield would be in the order of 9% with a lettable floor area rate at circa \$4,105 per square metre, although we consider the passing rental level full.

Whilst the Gold Coast office market may be indicating signs of a slowdown, agents also suggest that owners are reluctant to dispose of assets as there are limited opportunities for reinvestment. As a consequence, the balance between supply and demand is possibly widening as a result of difficulties in securing quality assets for sale.

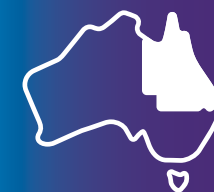
7.5% - 8%

Consensus on
common ground
for analysed yields.



Lakeside 1 - Bermuda Point

Source: CBRE Information Memorandum



We would hope to be able to report further on the office buildings currently under due diligence when we next discuss the office market sector in the Month in Review later in the year.

On the rental front, agents are reporting an uplift in rates, in particular, for A grade space of higher quality or that has been extensively refurbished. Such space would fall between \$475 and \$600 per square metre gross plus car parking for the former and \$400 to \$450 per square metre for the latter. B and C grade buildings are exhibiting less signs of rental rate increases unless they are of higher quality or refurbished. This space would fall between low \$300 to low \$400 per square metre gross plus car parking. As the vacancy level has reduced, so has the level of incentives offered by landlords. The commonplace range is now 8% to 15% of the initial lease term rental, although there are instances where levels up to 20% are still offered.

Overall, we consider conditions will generally remain similar over the second half of 2019.

Toowoomba

Leasing demand for commercial office accommodation in Toowoomba was subdued in early 2019 which continued the trend from the previous couple of years. As a result there has not been a significant growth in rentals and there is evidence that some lease incentives may be required to secure tenants.

Owner-occupier demand has continued to be strong, particularly for premises with floor areas of up to 300 square metres. There has been a reduced supply in this market segment, which has resulted in some sales achieving premium prices.

Following years of limited new office development in Toowoomba, construction has almost been completed on a new building located on the corner

of Campbell and Raff Streets in the northern fringes of Toowoomba's CBD. The building will be multi-level and will contain a food/café tenancy on the ground level. This project appears to be driven by multiple owner-occupiers and will be strata-titled.

Major office buildings in Toowoomba have been tightly held over the past five years with very limited investment sales of note. This drought appears likely to end soon with a number of office investments currently under contract. These potential transactions include the following:

- ▶ **146 Herries Street, Toowoomba City** - This is a two level building with a net lettable area of 1,615 square metres and 60 on-site car parks. The building is fully leased to two government tenants with a reported passing net income of circa \$600,000 and is reportedly under contract with a passing yield of circa 8%.



146 Herries Street, Toowoomba City Source: www.realcommercial.com.au

- ▶ **70 Neil Street, Toowoomba City** - This is a single level building with a net lettable area of 948 square metres and 26 on-site car parks. The building is fully leased to a legal firm and Darling Downs Radiology with a reported passing net income of circa \$335,000 and is reportedly under contract with a passing yield of circa 7%.

Townsville

To date in 2019, the office market has followed on from the previous year with interest underpinned by national investors for property offering strong investment returns with long-term leases or national tenants, combined with counter cyclical purchases.

The most recent high-end sale within the Townsville office market settled in December 2018. This was for a nine-level CBD office building constructed in 2013 and leased to blue chip tenant Ergon Energy with National Australia Bank occupying the ground floor. The property sold at a reported \$63.5 million with a passing yield of 7.3% and weighted average lease expiry of 9.6 years. The property was purchased by a property fund and in our opinion, reflects a bullish transaction for a regional market.

Average yields for commercial and industrial property have nudged down over the past four years due to a continuing flight to quality, as investor sales increasingly focus on properties with strong lease covenants, tenant profiles and lease periods. While the majority of sales that take place are now analysing in the 7.5% to 9.5% range, sales are very sensitive to their fundamentals and the yield spread remains wide.

The leasing sector remains soft with better quality A grade stock appearing to be holding value levels, although new tenancies to non-government and multi-national tenants are still seeing high levels of leasing incentives in the 15% to 25% range. Lower quality B grade product is continuing to see downward pressure.

Rental rates for the market as a whole appear stable as a result of the market correction that occurred over the past few years, however market

corrections are very much property specific with downward pressure still occurring in some leases.

Sunshine Coast

It is half time for 2019 and time to reflect briefly on the office market across the Sunshine Coast.

As we discussed at the beginning of the year, there has been significant stock added to the Sunshine Coast market over the past two years and at the start of the year, the Property Council of Australia figures indicated that overall vacancy sat at 15% given the increase of 42,000 square metres of stock in the market over 2017 and 2018. As a result, we indicated that there would be downward pressure on rental rates during 2019 for both the new stock and existing tenants.

This has been the case through the first part of 2019. While the cost of moving office is very high for companies, it is a genuine option in the market currently with high levels of incentives seen for established local and larger companies. Incentives are a mix of fit out contributions and rent-free periods and are typically up to 25% in the current market. This has placed downward pressure on effective rents and is likely to remain the case until overall vacancy levels drop below 10%.

While this has happened in a broad sense, there is still a premium for well-located stock in central Maroochydore with water views. Landlords in these precincts, while still seeing some increased incentives, are generally keeping tenants in place and there appears to be a gap opening up for these properties compared to other good quality offices in other locations.

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The strata market is also active currently with good quality stock seeing activity in the \$4,000 to \$5,000 per square metre range. Stock of good quality buildings in secondary locations is seeing activity more in the \$3,400 to \$4,000 per square metre range. This is of significant interest as the first proposed complex within the Suncentral development is a proposed high quality strata titled complex. Reports indicate that there is circa 40% pre-commitment to date and there is generally a low level of high quality strata stock in the Maroochydore area currently.

While there is still concern around the overall level of stock in the office market, there are increasing levels of business activity generally, as the overall population grows and as a result, the white-collar workforce increases. Coupled with the broadband submarine cable to be connected in 2020, giving the Sunshine Coast the fastest connection speeds to Asia from Australia, this may continue to help fill the current and proposed stock in this market at consumption levels above previously noted levels.

Cairns

The Cairns office market is relatively shallow and experiences limited sales activity. The market has also experienced limited new development, with the last large office building constructed in Cairns being the State Government office tower that was completed in 2010. There are no known major new developments in the pipeline.

Most new office space leasing demand is for smaller areas and for modern, good quality green star rated premises, however there is

only a handful of such buildings in Cairns. These buildings achieve high levels of occupancy and are experiencing stable rent levels, typically of \$350 to \$450 per square metre per annum gross. Demand for lesser quality space remains limited and there is a large oversupply of good quality non-inner CBD and well exposed secondary space in the \$200 to \$300 per square metre per annum rental range. These conditions have placed downward pressure on secondary rents and seen the emergence of incentives.

The Cairns office market overall has experienced little change thus far during 2019 and is expected to maintain little change moving forward in the short term.

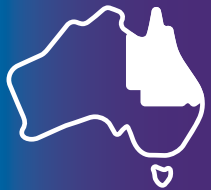
Mackay

There is very little to report on the office sector in Mackay. With the exception of a mixed office and residential flats property on Sydney Street, there have been no sales so far this calendar year. An older, 726 square metre, double storey office requiring refurbishment at 1 Romeo Street was the last office property to be sold in Mackay - that was in December 2018. It was vacant at the date of sale and was purchased for part owner-occupation.



1 Romeo Street, Mackay

Source: blacksrealestate.com.au



Agents report that there was steady rental enquiry before the federal election was called, but this all but ceased while prospective tenants awaited an outcome.

Earlier in the year, the greatest level of enquiry was for offices with net lettable areas of between 150 and 200 square metres. Businesses associated with the National Disability Insurance Scheme had been actively seeking offices to rent, however these tenants have particular requirements for disability access and facilities which many older tenancies in Mackay can not meet.

The local office market still has a fairly high level of vacancy and rental levels are cyclically low. This, combined with ever increasing local authority rates and building insurance premiums are reducing investment returns and consequently limiting value growth



South Australia

Adelaide

The current economic landscape remained volatile throughout the country as the nation headed to the polls for the federal election. Recent interest rate decisions means the cash rate is again on hold at 1.5%, however sentiment amongst economists has shifted after the Reserve Bank of Australia's meeting in May this year, with many now predicting the next direction for interest rates will be down instead of up. An interest rate cut is predicted to occur between June and August as the RBA may attempt to stimulate the economy. Whether this potential rate cut is passed on by the banks however will remain to be seen.

In the current environment, bank lending and residential property values declined over the first half of 2019. In contrast, office vacancy rates in the Adelaide CBD decreased from 14.7% to 14.2%, led by reductions in both the core and fringe sectors of the Adelaide market. Premium and A grade vacancy has been recorded at 2.6% and 14.3% respectively. That 2.6% premium grade vacancy figure seems very low, however there is a limited amount of premium space on offer in the Adelaide CBD so that should be taken into account.

These vacancy figures support the nation-wide push for more efficient and more sustainable office spaces as climate change discussions continue to dominate the political landscape.

As a result of the reducing vacancy rates, office property yields have remained solid, with A grade space in the Adelaide market recording yields of 6% to 8%. In comparison, Sydney and Melbourne

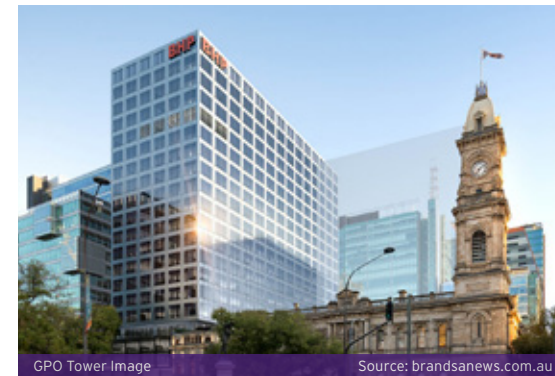
There are some significant developments that will buffer the supply side of the office market throughout the second half of 2019.

A grade office properties are fetching 4.5% to 5.5%, however the eastern states are recording higher levels of rental growth compared to the Adelaide market. Gross face rents for prime space in the Adelaide office market are currently around \$550 per square metre while A grade space is fetching \$370 per square metre.. The latest figures from the PCA have analysts predicting 2% to 2.5% growth for premium space in Adelaide over the next few years. In addition, the current incentive levels for premium and A grade office spaces are expected to decline over the next two years to a level around the 25% to 30% mark.

Recent market transactions have been scarce as sales are down from the record levels set in 2018. There are however some major offerings currently on the market, most notably 25 Grenfell Street, locally known as the black stump, which is currently listed for sale just two years after being purchased by Credit Suisse for \$125 million.

Furthermore, there are some significant developments that will buffer the supply side of the office market throughout the second half of 2019. GPO Tower is currently under development and will add 24,500 square metres of space to the core market, located at 2-10 Franklin Street. Upon the project's completion late this year, major tenant BHP will occupy 40% of the building and the global mining giant's name will illuminate the Adelaide skyline as they have secured the

naming rights of the new office tower as part of the lease agreement. The BHP lease now takes the committed net lettable area of the building to roughly 90%, as the South Australian Attorney General's department has pre-committed to a lease of 50%. The pre-commitment levels mean that although the building is yet to be completed, there will only be roughly 10% or 2,450 square metres of lettable space available when the office building officially opens late this year.



GPO Tower Image

Source: brandsanews.com.au

Further additions by way of new development in the Adelaide market will be scarce. The Festival Plaza development at Station Road, which encompasses over 43,000 square metres of lettable area, is not predicted to reach completion until 2021.

73-85 Pirie Street, the old Planet Nightclub site that has lay dormant since 2004, has now been granted



approval for a 21-storey mixed-use building that will add 30,000 square metres of lettable space and office accommodation to the market. CBUS Property purchased the site in 2018 and is hoping that construction will begin in the second half of this year.

Overall, the outlook for the Adelaide office market remains steady as unemployment figures continue to drop and net absorption levels for office properties rise as a result. The low interest rates and potential rate cuts will likely result in stagnant yields for the second half of 2019 and vacancy rates should continue to fall.

Western Australia

Perth

The start of the 2019 calendar year brought some much-needed positive news to the Perth office market on the back of the Property Council of Australia's Office Market Report which indicated the total vacancy rate for office space in the Perth CBD decreased from 19.4% to 18.5% in the six months to January 2019. The total vacancy rate in West Perth also dropped from 15.8% to 14.8% for the same period.

Whilst these statistics are encouraging with vacancy rates reducing overall, Perth's CBD has the highest vacancy rate of all capital cities in Australia.

The reduction in the overall vacancy rate can be attributed to a flight to quality phenomenon with the level of vacancy in the Premium and A grade buildings being significantly less compared to B, C and D grade space.

Leasing deals in the CBD during the first six months of 2019 have shown annual face net rents in the range of \$300 to \$450 per square metre. Face rents in the West Perth office district tend to be lower in comparison and typically fall between \$250 and \$350 per square metre per annum.

Property owners continue to be proactive in trying to entice existing tenants to recommit and also in order to attract new tenants. Accordingly,

incentives are still being offered in the market (typically between 25 and 50%).

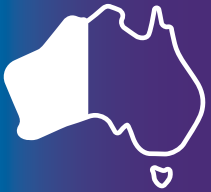
Furthermore, landlords are providing their existing and prospective tenants with bespoke floor plates, flexible work spaces, meeting hubs, refurbished foyers, some featuring concierge services, gymnasiums / wellness centres with some more innovative landlords looking at child care or child minding facilities within their buildings in addition to the obligatory end of trip facilities, bike storage rooms and in some cases, bike repair shops.

To date in 2019, the Perth office leasing market has seen both rental incentives and rental rates stabilise. There are no significant building projects in the pipeline until 2020 and the revitalisation of the CBD landscape with major infrastructure projects such as Elizabeth Quay continues to move ahead. Incentives for quality buildings in Perth's core CBD have even experienced some downward pressure with early signs of growth in the space needs of particular tenants.

In terms of capital transactions, demand for office property in the Perth CBD has been felt predominantly from institutions and foreign (south-east Asian) buyers seeking counter-cyclical acquisitions of secondary assets with good prospects for re-positioning. Recent sales in the CBD have shown yields in the order of 7% to 8.75%.

As for West Perth, there have only been a handful of sales during the past 24 months. The lack of quality office stock with medium to long term WALEs combined with subdued economic conditions have affected transaction activity. We expect these trends to continue in the short term.

The start of the 2019 calendar year brought some much-needed positive news to the Perth office market.



Australian Capital Territory

Canberra

The Canberra office market maintained a steady pace through the first half of 2019 with a stable market benefiting from low unemployment, continued low interest rates and a strong local economy.

The demand for leasing deals has continued to show strength with good levels of enquiry from tenants evolving into leases at Childers Street and Moore Street in the CBD, both tenants securing sub-3,000 square metres. The A grade market continues to reflect strong demand with a vacancy rate of 1.7% reflecting the quality of space sought in the CBD. Due to a lack of new stock in the short term, the market is anticipated to see a further drop in vacancy levels whilst construction of new premises is underway with completion due in 2020. Rents for A grade space are averaging between \$405 and \$475 per square metre.

Secondary B grade stock continues to reflect increased vacancy levels, currently at 13.9%, which will rise as a result of the relocation of both Home Affairs to the airport and the ACT Government to the CBD and Dickson with pre-commitments for the

new space due in 2020. This provides opportunity for the existing sites to re-purposed in the future.

Recent sales volumes have been down on previous years however demand is persisting mostly from institutional and foreign investors with five-year-plus WALEs and national tenants being features sought after by investors. Yields are 6% to 8% for prime buildings and 6.75% to 10.75% for secondary grade. Secondary space rents are around \$300 to \$330 per square metre.

6-8%

Canberra prime office yields.

6.75-10.75%

Canberra secondary grade office yields.





Residential

June 2019

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.



Month in Review
June 2019



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National Property Clock: Units

Entries coloured blue indicate positional change from last month.



Month in Review
June 2019



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New South Wales

Overview

2019 has been a mixed year. Much of the expected softening in larger cities continued, but the resilience of other centres probably surprised more than a few real estate operators.

Federal elections, finance challenges, infrastructure, industry and employment - all have played their part in this month's submissions.

Sydney

As we approach the half way point of 2019, it's interesting to look back at the first half of the year to see how the Sydney market has performed. The first half of 2019 confronted a unique set of circumstances in that both a state and federal election were held. This has provided a further brake on the Sydney property market, particularly in the case of the federal election with property at the forefront of the campaign given the negative gearing and capital gains tax changes proposed.

In general, auction rates have improved on the back of vendor expectations meeting the market, the number of property transactions is down compared to 2018 and price declines have been slowing but are still down 4.3% from the start of the year to mid-May. There has been an 11.2% decline over the past 12 months (source: Corelogic).

There have been mixed results across Sydney however with different areas performing better than others. The tables below show the five best and five worst performing Sydney regions in regard to change in dwelling values. Median prices in

the Blue Mountains and upper northern beaches showed greater resilience over the past 12 months while Epping and southern Sydney appear to have experienced the greatest falls.

Capital city SA2 regions with greatest annual change in dwelling values, 12 months to Apr-19

SA2 Region	Capital city region	Change 12 mths to Apr-19
Blue Mountains - North	Sydney	1.1%
Wentworth Falls	Sydney	0.1%
Bayview - Elanora Heights	Sydney	-1.8%
Lawson - Hazelbrook - Linden	Sydney	-2.1%
Newport - Bilgola	Sydney	-2.6%

Capital city SA2 regions with largest annual fall in dwelling values, 12 months to Apr-19

SA2 Region	Capital city region	Change 12 mths to Apr-19
Bass Hill - Georges Hall	Sydney	-19.4%
Epping - North Epping	Sydney	-19.1%
Panania - Milperra - Picnic Point	Sydney	-18.9%
Revesby	Sydney	-18.5%
Miranda - Yowie Bay	Sydney	-17.8%

Source: Corelogic

House prices still appear to be falling at a faster rate than units, with the Sydney median house price down 3.1% in the March quarter to \$1,027,962. This compares to the Sydney median unit price which is down 2% in the March quarter to \$696,935 (source: Domain).

A likely interest rate cut, an increased appetite for new loans by major lenders and more certainty after the elections are likely to see market conditions continuing to improve in the second half

of the year, with prices beginning to stabilise.

Western Sydney

As the half time whistle sounds for 2019 and the oranges are passed around, it provides an opportunity to see how the market is tracking.

In Western Sydney the overall trend for dwellings is still weakening, after a number of years of positive growth. Negative sentiment in the marketplace and tighter lending requirements have played a part in these falling median prices. We predict this trend will continue for the rest of the year.

Houses in Erskine Park are 4% lower than December 2018 according to their median price statistics. Marsden Park had similar figures with a 3.6% drop, whilst Oran Park has seen only a 1% drop in dwelling median values since December 2018 (Source: realestate.com.au).

Our experience with residential units and off the plan sales has found premiums were paid in stronger markets for the then new product. As the wider market weakens, we are continuing to see settlement valuations not meeting the off the plan purchase price. These valuations require recent

\$1,027,962

Sydney median house price down 3.1% in the March quarter.

\$696,935

Sydney median unit price down 2% in the March quarter.

Month in Review
June 2019



RESIDENTIAL



resales of similar units to support the value and in many areas the evidence is unable to support the strong off the plan prices.

An example includes a recent resale in Parramatta. Selling for \$1.285 million off the plan in May 2015, this three-bedroom unit recently resold for \$990,000 representing a 30% drop in value since purchase. This is not an uncommon occurrence with many units sold for a premium off the plan in a stronger market now unable to meet their initial purchase price up to four years later.

There are signs in the marketplace that buyers for new units are harder to attract and a number of incentives are now being offered. A recent example is the Pelican Estate in Schofields, a 270 unit development selling off the plan in western Sydney. The developers Bathla are giving away \$1.2 million in prizes to lucky purchasers with a \$500,000 first prize, \$200,000 second prize and a further \$500,000 in prizes. Incentives and giveaways such as this are not typically seen during a booming market and are considered a sign of the times.




View from a Parramatta unit which sold 30% below its 2015 price
Source: PriceFinder

Lower North Shore

The Lower North Shore, often a unique market, can fluctuate either way in a hurry. Last year as the general property market started to weaken, this

region was quite resilient and we were still seeing some very positive results. This was especially true in the prestige section of the market with higher value properties outperforming the rest of the market and with a record number of sales. Now almost half way through 2019, we take stock of which direction this market is headed.

The affluent suburb of Mosman, the most well known suburb on the lower north shore, is often the best indicator of where the market currently stands. The most recent statistical data sourced from realestate.com.au, indicates a median house price for April 2019 of \$3,782,500. Comparing this price to the median from December 2018, indicated at \$3.9 million, we see an obvious weakening trend. It would appear that this time around, Mosman is following the trend of the general market cycle.



\$3,782,500
Mosman median house price for April 2019

The prestige sector of Mosman, having experienced a booming few years, also seems to have significantly quietened. Researching the number of transactions that have occurred over \$5 million in Mosman so far in 2019, it appears that there have only been three such transactions in the suburb (source: RP Data) and none over \$10 million. This is in contrast to 2018 where we saw a total of 85 sales over \$5 million for the year, 34 of those between January and May. Local selling agents have indicated that there has certainly

The prestige sector of Mosman, having experienced a booming few years, also seems to have significantly quietened.

been a decline in activity over \$5 million, however quality properties are still attracting plenty of interest from genuine buyers.

The unit sector of Mosman usually performs very well and in line with the dwelling market. With all the talk of over-supply in the form of high-density development, Mosman is partly immune from this issue. There has been limited high density unit development in Mosman, with most new strata properties being targeted at downsizers. This product is more likely to be lower density and higher quality, aimed at those looking for a low maintenance lifestyle. The most recent statistical data sourced from realestate.com.au indicates a median unit price for April 2019 of \$980,000. Comparing this price to the median from December 2018, indicated at \$1.03 million, we again see a weakening trend, generally in line with the dwelling market declines being experienced in Mosman.

The second half of 2019 will be extremely interesting as we see what direction the market on the lower north shore takes.

Inner Sydney

Market activity has generally been subdued within inner Sydney over the past six months. Prices have continued to decline in all but the bluest of blue chip areas.

Within the CBD itself, unit prices have been declining since 2017, largely due to continued supply and decreasing investor demand. Realestate.com.au shows a decline in the median unit sale price for the suburb of Sydney from \$950,000 in January 2019 to \$925,000 in March 2019, after a peak of \$1.1 million in 2017.



The perennially oversupplied Green Square area of Sydney (covering parts of Zetland, Alexandria and Waterloo) has also fared badly with median prices falling from \$900,000 in January 2019 to \$875,000 (according to realestate.com.au) in March 2019 alone, after a 2017 peak of \$955,000. Furthermore the strong supply pipeline is set to continue throughout the next eighteen months, with multiple new developments due for settlement, all at a time when investor demand is decreasing.

Median house prices have also been decreasing since the start of the year with inner suburbs on the western side of the CBD such as Forest Lodge declining from a median of \$1.5 million in January 2019 to \$1.39 million at the end of the first quarter of 2019. Realestate.com.au indicates that the median price there peaked at \$1.78 million in 2017.

On the eastern side of the CBD, the diminutions have been less severe, with Paddington decreasing from an overall market cycle peak of \$2.34 million at the start of 2019 to \$2.27 million in March 2019 according to realestate.com.au.

The inner city has a multitude of property types and price points. The price point seeing the most value retention in the current market appears to be affordable one and two-bedroom units within suburbs along the city's eastern fringe, particularly those more suited to owner-occupiers - those in well finished buildings, boutique or well-regarded complexes, with views and parking being particularly sought after.

According to realestate.com.au, units in Potts Point have remained generally stable in price since the start of 2019, with medians of \$785,000 in January 2019 and \$778,000 in March 2019.

There have been some weaker results for two bedroom units in trendy Surry Hills. For example

507/437 Bourke Street, a two-bedroom warehouse conversion sold for \$1.6 million in April 2019 after being purchased for \$1.655 million in April 2016.

Furthermore, 36/45-49 Holt Street, a semi-modern two-bedroom unit within 500 metres walk of Central Station sold for \$1.002 million in March 2019, previously selling for \$1.1 million in June 2016.



507/437 Bourke St, Surry Hills

Source: realestate.com.au

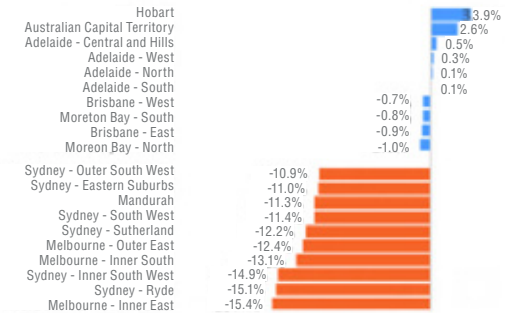
Southern Sydney

According to Corelogic, Sydney has six of the ten sub-regions which have shown the largest decline in dwelling values in the year to April. Two of those are in Sydney's south with the Sutherland and inner south-west (St George and Bankstown) areas showing 12.2% and 14.9% decline in dwelling values in the 12 months to April.

The Bass Hill/Georges Hall (-19.4%), Panania/Milperra/Picnic Point (-18.9%) and Revesby (-18.5%) regions appear to have experienced the biggest declines during this period (source: CoreLogic). These suburbs continued to experience declines in their median house prices during the first quarter of 2019 of between 1.2% (Picnic Point)

and 5.6% (Revesby), with only Milperra bucking the trend with a slight 0.5% increase in its median house price (source: realestate.com.au).

Top ten and bottom ten sub-regions for annual change in dwelling values, Capital city SA4 regions



Source: Corelogic

In the Sutherland Shire, Miranda/Yowie Bay has been listed as one of the poorer performing regions in Sydney with a median drop of 17.8% in the 12 months to April (source: Corelogic).

Miranda has had a recent increase of units flooding the market with a few large unit developments reaching completion this quarter. Real estate agents have noted that this has also affected the rental market with a larger number of units all available for rent at the same time.

Not all suburbs and property types are seeing a decline however. The Cronulla housing market has remained stable for the March quarter at \$2.25 million. The unit market however has dropped from a median price of \$900,000 in December 2019 to \$875,000 in March 2019 (source: realestate.com.au).

According to Corelogic, Sydney has six of the ten sub-regions which have shown the largest decline in dwelling values in the year to April.



Eastern Suburbs

The eastern suburbs peaked a little later than the general Sydney market, however declines have now caught up with the greater Sydney market, with an 11% fall in the 12 months to April (source: Corelogic).

At the lower end of the housing market, a recent sale in Botany of a 1900s, three-bedroom, one-bathroom semi-detached dwelling for \$900,000 was more than 30% lower than when it sold for \$1.3 million in August 2017. The median house price in Botany was down 3.5% in the March quarter to \$1.45 million, while the median unit price was down 2.4% over this time to \$810,000 (source: realestate.com.au).



A semi in Botany which recently sold

Source: Corelogic

The eastern suburbs prestige residential market was more resilient than the wider market in 2018 although there are definite signs that market has peaked as well. The prestige suburb of Rose Bay experienced a 3.4% decline in its median house price in the March quarter to \$3,646,500. Units fell even quicker with the median price down to \$1,155,000, a drop of 7.6% over the quarter (source: realestate.com.au).

This doesn't appear to be uniform across all suburbs though, with Bellevue Hill (0.8%) and

Vaucluse (7.2%) showing increases in their median house prices during the March quarter. Despite this, activity in these suburbs has definitely eased with only 13 sales above \$5 million in Bellevue Hill as at mid-May compared to 64 for all of 2018. Vaucluse has had ten sales compared to 65 for all of 2018 (source: PriceFinder).

With some economic concerns both at home and abroad, the prestige market may be a little more volatile as we head into the second half of the year.

Ballina /Byron Bay

The coastal region spanning Ballina to Ocean Shores is tracking well. As Sydney and Melbourne markets have significantly cooled off, this market has steadied given the lack of interstate buyers entering the market (which has been the case for the past few years). Whilst this market has steadied there is no evidence to suggest that it has fallen. It is evident however that longer time periods are being spent on the market in the current conditions.

Price sectors for entry to mid-level buyers seem to be faring well, as new home buyers enter the market and local purchasers trade up. The prestige market and rural residential market however appear to be slowing with a lack of transactions given interstate money has predominantly exited this price point.

Houses and more importantly houses that include a dual occupancy, appear to be faring better than most given the rental potential of a secondary dwelling and its ability to help service the loan. As land has rolled out in the past 12 months in these areas, it is apparent that a large percentage of new builds are including a secondary dwelling (dual occupancy) for this reason.

Some extra special information to share in this particular region is that Byron Bay is faring better

than anywhere else in Australia. People have continued to migrate from capital cities into these coastal resort towns for work and lifestyle balance.

Clarence Valley

Across the Clarence Valley, median prices remain strong. Most localities are still recording median price increases across all property types, however some are beginning to show early signs of stabilising. For instance, Grafton has shown a 6.2% rise in median house price from 2018 to 2019, while Maclean and Yamba remain steady.

Recently, the rate of sales has slowed with some speculation surrounding the election. Rural residential properties have remained popular with considerable interest being recorded, particularly those with multiple dwellings and the possibility for additional income. Similarly, the prestige housing market has proved resilient with market leading sales being recorded in sought after positions in Yamba.

As predicted, the significant majority of sales recorded recently remain in the \$300,000 to \$500,000 price point and it is likely the second half of 2019 will mirror the first two quarters.

Coffs Harbour

The Coffs Coast saw a fairly subdued start to 2019 with definite buyer negativity creeping into the market. This negativity is a result of a combination of factors including the fallout from the Royal Commission into banking practices and the impact this has had on lending policies and available finance, plus the reduced interest from capital city markets, increased APRA lending restrictions for broader investment loans and continuing media reports of declining market conditions in the capital cities (Sydney and Melbourne). The recent state and federal elections which have seen extensive



campaigning with regard to property affordability (first home buyers), potential changes to negative gearing and superannuation tax laws, have all combined to put a very negative or uncertain picture in a potential buyer's mind.

Notwithstanding this, the local market remains generally firm although sale volumes and general activity has softened. Current anecdotal evidence indicates that although most good quality property types are holding value, there is noticeable buyer resistance for property that is either overpriced, lacking in key features or in a secondary location. There is still reasonable demand and some continuing increases in value being experienced for entry-level residential product or blue chip areas where supply is low and demand high. The rural residential market is continuing to remain strong with a noticeable increase in activity with short selling periods. The market most affected by the general softening is the prestige sector (\$1 million plus) which is predominantly driven by out of town purchasers.

There are no real surprises in the market to report so far in 2019.

Lismore/Casino/Kyogle

Since the beginning of 2019, it was expected that the residential and rural residential market in Lismore, Casino and Kyogle would soften with reduced sales activity and weakening demand. From a general view point, this has occurred, albeit with some pockets of the market kicking this statement into touch.

Firstly, following on from the ravages of floodwaters inundating parts of North and South Lismore and parts of Lismore Central during April 2017, the volume of sales activity

Casino and Kyogle have seen a general slowdown in activity with only well-presented properties that have special features garnering more interest.

and demand came to a virtual halt, however over the past six months, we began to see some positive movement. With the stringent banking regulations now in place, flood affected areas with an estimated habitable floor height level below the estimated one in 100 year flood event height level will experience a lot of difficulty securing mortgage finance. Nevertheless, those dwellings with a floor height above the estimated one in 100 year flood event height level have fared better and it is not uncommon now to see prices above \$300,000 for part renovated dwellings in South Lismore and North Lismore.

The modern residential estates in the suburb of Goonellabah have continued to improve over the past six months with well improved, four-bedroom, two- bathroom dwellings sometimes breaching the \$600,000 mark.

Casino and Kyogle on the other hand have seen a general slowdown in activity with only well-presented properties that have special features garnering more interest. Being close to the town centre and providing modern appointments help improve the overall appeal. We note a recent construction of four good quality two-bedroom attached units within close proximity of the Kyogle CBD having no trouble securing tenants at the \$350 per week price point.

Central Coast

The half year mark has been reached and a quick review of the year thus far has been ordered.

Contrary to what some foresaw at the beginning

of the year, the NSW Central Coast real estate market hasn't stopped functioning - some adjustments have been made, but overall the transition to a slower market has gone well. As with any region with a diverse property range, some suburbs have felt the pressure of price adjustment more than others.

The data coming through is suggesting that the suburbs at the southern end of the region have seen price falls more than others. This includes the suburbs of Umina Beach and Woy Woy where values seem to have fallen by around 10 to 15 per cent. This however, is on the back end of higher than average value increases compared to most other parts of the region.

As we near the half way point of 2019, units within the Gosford CBD are also the subject of conversation. We are hearing (and seeing) a loss in confidence in this market and as settlements on new developments are being called, the evidence suggests a close eye and extra caution needs to be observed by buyers before committing. We are stopping short (just) of saying we are in an oversupply situation right now as we believe that the plans for the expansion of both the public and private hospitals in Gosford will ease this situation.

Towards the northern end of the region, the market has definitely slowed with some price corrections noted in newer and older suburbs. There hasn't been much of a drop in values overall, but the evidence suggests that it is happening.



The northern end of the region is generally more price dependent with a higher reliance on continuity of employment and stabilisation of home owners.

Vendor expectations have been a little slower to adapt to the changing market with real estate agents indicating that more time is being spent on the current values. This is then affecting those buyers out there and the meeting of minds. Buyers and their ability to deal are further impacted by changes in lending policies which in a nutshell is making borrowing harder. But that said, the property market appears to have swung in favour of buyers with more choices available.

We are certainly in for an interesting second half of 2019 and if the signs are being read correctly, then we should expect the market to slow further. These signs include a higher level of valuation assessments being queried by lenders and mortgage brokers, slightly higher levels of owners opting for renovations and extensions rather than selling and real estate agents having to work harder to get their deals across the line. The property market work cycle is in the correction phase after solid increases in property prices throughout the past few years.

The higher end of the market range seems to be tracking reasonably well at this stage and we are seeing little change to volumes of transactions and values seem to be less affected.

Newcastle

Can you believe we are half way through 2019? Seems like only yesterday it was January and we were attempting to predict what the year would be for property. Since the start of the year there has been much speculation regarding the real estate market: will prices fall more? Will it stabilise or will the market start to recover? What changes to the

industry will arise following the election result? We can only wait and see at this stage.

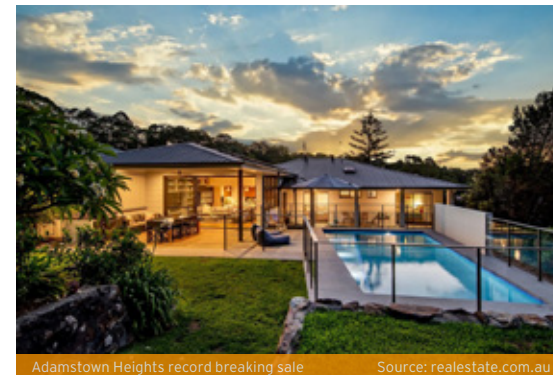
So, what's been happening within the Newcastle and Hunter Region so far? Interestingly, prices haven't taken a huge tumble as many were initially wary about at the start of the year. The Newcastle property market hasn't seen huge falls in prices as some capital cities have. Typically, the property market works in cycles and via our Herron Todd White property clock, we have indicated that our region is now in decline, but this is off the back of solid increases in property prices throughout the past few years. This type of growth cannot be economically sustained and thus the real estate market can be seen as correcting itself.

We have also noted that many buyers in our local area are finding themselves with more choice and much less pressure to make an offer. There are no longer three people in line ready to make an offer on the same property. You will find the well-priced and quality properties in preferable locations are still selling well despite all the talk of declining prices. These quality properties become the standout in these conditions and the gap widens between primary and secondary properties.

We've also identified that suburbs which were previously out of the budget of buyers are now becoming more attainable. Previously some buyers who were looking at outer suburbs such as Highfields and Kahibah can now expand their search areas without expanding their price bracket much to include suburbs closer to town such as Adamstown, Kotara and some areas of New Lambton. The typical blue-collar suburbs including Merewether, Cooks Hill and Bar Beach are just as popular as ever (that's a given), but prices are

softening in these suburbs. The more affordable first home buyer suburbs such as Mayfield, Hamilton North, Waratah and some properties in Tighes Hill are also softening, but here the quality properties are constantly selling quicker than others on the market.

Interestingly, there are still many record-breaking sales happening across Newcastle. Take a look at a recent sale in Adamstown Heights. Renovated with the help of a local architectural firm, this large family home sold for \$2.15 million in March 2019. The property has five-bedrooms, three-bathrooms and two car spaces with a large backyard and swimming pool.



Adamstown Heights record breaking sale Source: realestate.com.au

There has been another sale of a renovated Federation home in the much sought after suburb of Hamilton South. The auction sale has become the suburb's second highest recorded sale at \$2.25 million. The agents originally stated a price guide of \$2 million to \$2.2 million. This property is well-known in the area for its beautifully restored Federation features and large corner block location, with four bedrooms, three bathrooms, two car spaces and a large swimming pool and outdoor entertaining area.



Hamilton South property sold for \$2.25 mil Source: RP Data

So where will the property market head from here to the end of 2019? Dare we say it could be similar to our beloved Newcastle Knights who at time of writing this piece have come away with three back-to-back wins after a slow start to the year? Could Newcastle be ready to re-enter the fight and confidently stride forward from current conditions? Only time will tell for our real estate market (especially following the federal election), but it's looking encouraging for Nathan Brown and our Knights.

Southern Highlands

We are six months into 2019 and the Southern Highlands region exhibiting a weakening trend across the residential market albeit with a feeling that the market is now stabilizing (particularly after the recent Federal Election). Prices in the main townships of Bowral, Mittagong and Moss Vale appear to have been more resilient than some of the perimeter locations. Properties above the \$1.5 million mark are experiencing longer selling periods than more recent times due to a combination of decreased buyer demand and vendors yet to adjust to the current market.

It is a tale of two markets in some locations, with Burradoo holding up well overall during the downturn. Properties are still fetching good money and continuing to appeal to the Sydney buyers with relatively quick selling periods when

priced correctly. That being said, some properties in the \$2-million-plus market have demonstrated volatility in the last 12 months. An example of this sensitivity is an architect designed new executive style residence on the western side of Moss Vale Road which recently sold for \$2 million after initially being listed for \$2.5 million In July 2018 with two separate agencies.

Mittagong's market activity has definitely showed signs of weakening in the tougher period with the number of recorded sales down approximately 35 per cent on the median of the last three years as per PriceFinder, with the peak selling period being April to May.

Braemar as a fringe location has also felt the effects of the downturn with prices falling approximately five to 10 per cent over the last six months. We are also observing market adjustments and the definition of market value, willing buyer, willing seller coming into play, with a few unrealistic vendors coming to terms with the current market conditions. An example of this is a circa 2017 dwelling within the Nattai Ponds Estate recently sold for \$640,000 after initially being listed between \$770,000 and \$750,000 in October 2018.

The vacant land market is still in oversupply for the major subdivisions across the three major townships with vendors forced to drop their prices in order to be competitive with other listings or an extended selling period is to be expected.

Illawarra

Almost half way through the year and 2019 is delivering a declining residential market.

We note that residential sales activity is below where it was during the peaking 2013 to 2017 years, but has not ground to a complete halt. Transactions

are still happening, especially where vendor pricing is realistic in the current market.

Selling periods of three to six weeks are still common when the property is priced correctly, but there are many cases of long listings or multiple agents being used when vendor's hold onto a belief their property can still command a peak price.

Corelogic has reported that over the three months to April 2019, 75.6 per cent of properties across the country sold for less than their original list price and this phenomenon of discounting is clearly evident in the Illawarra. A property in Armagh Parade Thirroul has recently sold for \$755,000 after initially being listed for \$880,000 to \$930,000. Another on Brunderee Road in Flinders sold for \$679,000 after initially being listed for \$829,000.

A big surprise for 2019 is that rents have remained relatively stable. With recent huge supply of new housing in growth corridors and units in the Wollongong CBD it was expected that rental demand and subsequently prices could drop. This doesn't appear to be the case with property managers reporting decent demand for stock and overall rent prices holding. While this is not great news for tenants hoping for some rent relief, it is encouraging to investors. A decline in selling prices means investors are able to get higher returns than were available at the peak period.

Gross yields as low as 4.25 per cent were being experienced for investment properties at the back end of 2017. A block of five x two bedroom units in West Wollongong sold for \$1.1 million recently which shows a gross passing return to the investor of 6.15 per cent with scope for increases in the future. With interest rates still low and rents stable these returns are slowly drawing some investors back to the market.



Victoria

Melbourne

We are already at the halfway point of 2019 and gee hasn't the time flown?

Overall, the market has been weathering a downturn but it hasn't been all doom and gloom as first predicted. Statistics have revealed that fewer auctions are being conducted, there are longer days on market and there is an increase in supply to some suburbs.

This is expected within a softening market thanks to tighter lending criteria and the negativity portrayed in the media about the burst of the property bubble. So now that we are six months into 2019, let's give a wrap up of what's happened so far against our predictions and see how the market is tracking.

North

In our February edition of the Month in Review, we stated that inner northern suburbs would be the hardest hit with declining property prices whereas the outer north would plateau. Economists agreed, stating that property prices for the north-east and north-west were set to decline (as shown below). Six months into the year, it is clear that prices have declined for both the inner and outer north.

HOUSES	2017	2018	2019	2020
Melbourne - North East	17.3%	2.9%	-4%	5.2%
Melbourne - North West	16.3%	5.6%	-4.2%	-0.7%

Source: S. Wright, 2019

Overall, the market has been weathering a downturn but it hasn't been all doom and gloom as first predicted.

The outer northern suburbs of Craigieburn, Mickleham and Kalkallo reached their peak property prices in early to mid-2018 and have slowly been declining ever since. Craigieburn's urban sprawl previously known as providing a good return on investment for off the plan purchase of land is now being reversed. A 448 square metre block of land back in early 2018 would be sold for \$400,000 however now in mid-2019 the same product would sell for \$340,000 to \$350,000.

Purchasing this land off the plan in 2016 and selling in 2018 would provide a solid \$70,000 to \$100,000 capital gain, whereas purchasing more recently in late 2017 to early 2018, the land would be lucky to break even and is expected to sell at a loss. The oversupply of land releases alongside the lack of land purchases due to tightened lending criteria has been the main charge behind the drop in land value.

Melbourne's inner northern suburbs, for example Carlton, Collingwood, Brunswick and Northcote, have also been hit hard by declining property prices. Median prices have fallen \$30,000 to \$50,000 for these suburbs since the start of 2019 and are projected to decline further (source: REIV, 2019). Properties holding their prices are A grade, sizeable family oriented homes that have a prime position, superior floor plans and are in prime or renovated condition. Secondary properties that do

not have these qualities are struggling to sell and are seeing extended time on the market compared to 2018.

There is an evident stock decrease for these suburbs which is contributing to the price decline. In the week of 23 March 2019, there were 674 auctions listed compared to 1,783 for the same week in 2018 (source: Digital Finance Analytics, 2019). With stock levels being low and bank lending criteria tightened, home owners are choosing to stay in their current dwellings and choosing to renovate rather than risk attempting to upgrade to a superior property for which they may not get their finance approved by the bank.

Pascoe Vale has had the most surprising turn since the start of 2019. For a market that has been developer driven for the past two years, it now has completely reversed. Multiple permits granted for three-to-six townhouse developments are unable to proceed as developers struggle for finance.

A prime example is 40 Austin Crescent, Pascoe Vale. Comprising a four-townhouse development with approved permits, it has been on the market for 203 days with little interest due to the inherent risk of finance availability. Pascoe Vale has been development shy this year and if lenders do not reduce their strict criteria, townhouse developments in Pascoe Vale may be very limited going forward.





40 Austin Crescent, Pascoe Vale Source: domain.com.au

South East

Over the past six months, there has been a continuing slow decline in the south-eastern property market. Values have continued to drop and it is likely the market is yet to bottom.

For the inner suburbs such as Bentleigh East and Hampton, there are still a vast amount of townhouse developments popping up despite the large fall in prices over the past year. These higher value suburbs are often hardest hit in declining markets.

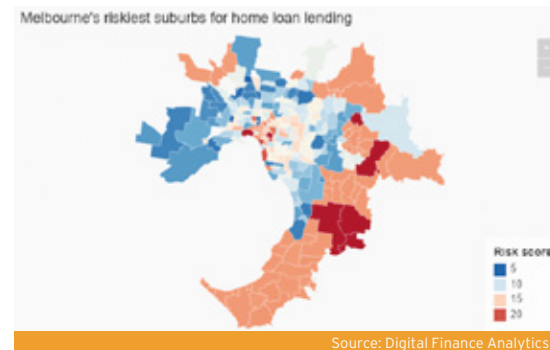
On the peninsula, estate agents are getting creative with their sales tactics. This was evident in a sale via auction on 4 May 2019 at 16 Jetty Road, Dromana. The real estate agent employed an unusual tactic to ensure the best result. He announced the owner's reserve price prior to the auction, which resulted in the auction lasting only 60 seconds, with the winning bid being the \$1.25 million reserve (source: realestate.com.au). The purchaser was from the eastern suburbs, suggesting a sea-change or perhaps an intention to use the property as a holiday home.

Vacant land has not fared well over the past twelve months as there is an oversupply and purchasers are struggling to obtain finance. Many developers are offering incentives such as offering to pay building deposits. In contrast, the unit market has

remained resilient in the outer south-east and the peninsula. This is largely due to units being at the lower end of the market and appealing to investors and first home buyers.

On the peninsula, there are a few properties which are managing to buck the trend. 8 Mills Beach Close, Mornington sold for \$200,000 more than its 2017 purchase price and sold within two weeks of being placed on the market for \$1.575 million. The purchaser resided in Shepparton and purchased the property for a sea-change (source: www.realestate.com.au).

A recent report named the suburbs that banks consider to be the riskiest in terms of lending (based on unsuccessful loan applications). The majority of high risk suburbs were located in the outer south-east being: Clyde North, Clyde, Cranbourne, Botanic Ridge, Tooradin, Blind Bight and Warneet. This can potentially lead to the banks selling up the properties or vendors being forced to accept a lower offer to avoid becoming bankrupt.



Source: Digital Finance Analytics

East

While the property market started 2019 on a positive note with more interest from buyers, auction clearance rates rising and banks chasing more business, another hurdle has been put in our way.

While the current slump in property values resembles those in 2008 during the global financial crisis, this time around, our economy is sound with interest rates at an all-time low.

In terms of the best growth suburbs to invest in Melbourne, real estate agent John Costanzo believes there is still plenty of value to be had in Ringwood and Croydon.

Another pick is Wantirna. While Wantirna South's median entered the \$1 million club in 2018, its sister suburb Wantirna is inevitably next in line. With a median house price of \$960,600, it offers excellent transport links, schools and proximity to Westfield Knox Shopping Centre, which will undergo a long-awaited major redevelopment from November 2019.

	WANTIRNA	RINGWOOD	CROYDON
House	▶ 4 Bedroom 2 Bath 2 car garage	▶ 4 Bedroom 2 Bath 2 car garage	▶ 4 Bedroom 2 Bath 2 car garage
	▶ Land size 717 m ²	▶ Land size 733 m ²	▶ Land size: 886 m ²
	▶ Approx \$850,000	▶ \$795,000 - \$874,500	▶ \$690,000 - \$750,000
Unit	▶ 2 Bedroom 1 Bath 1 car garage	▶ 2 Bedroom 1 Bath 1 car garage	▶ 2 Bedroom 1 Bath 1 car garage
	▶ Land Size 188 m ²	▶ Land Size 272 m ²	▶ Land size:171 m ²
	▶ \$440,000 - \$484,000	▶ \$500,000 - \$550,000	▶ \$400,000 - \$440,000
Apartment	▶ 1 Bedroom 1 Bath 1 carspace	▶ 1 Bedroom 1 Bath 1 carspace	▶ 1 Bedroom + study 1 bath 1 carspace
	▶ Size: 75 m ²	▶ Size: 70 m ²	▶ Size: 61 m ²
	▶ \$385,000	▶ \$400,000	▶ \$380,000

Source: Realestate.com.au, May 2019



Investors should start thinking about suburbs where infrastructure upgrades, particularly with links to transport, could put them at the top of the next boom.

Buyers are still being cautious and with tighter lending conditions still in place, it's likely the eastern Melbourne market will tread water in the latter half of 2019, although this will vary depending on local market conditions and demand. Only time will tell.

Geelong

Looking back over our future predictions for 2019, it's fair to say that Geelong's property market has followed our initial thoughts in comparison to 2017 and 2018.

Geelong has seen some significant growth over recent years and although the growth cycle in most parts has come to an end, we are still not anticipating a significant decline in property prices compared to that seen in Melbourne and Sydney.

Properties initially thought would be snapped up by investors are taking longer to sell, often with vendors having to meet market expectations. The resulting effect is that days on market are now increasing with greater stock available.

It is not all doom and gloom however with a good number of sales occurring throughout the region. Latest CoreLogic data reveals that Geelong had recorded the highest regional clearance rates with 45.5% of properties sold at auction, despite declining auction volumes. Properties that represented good value for money either through affordability, location or recent renovation works and presented in prime condition appear to be

selling above vendor expectations with multiple bidders.

One of the key surprises so far for 2019 has been at the top end of the market. A number of high-end properties have been transacting throughout the Geelong region, both on and off the market.

Initially, we predicted that this price point would stabilise and become stagnant due to tightening lending conditions as well as the cooler months slowing buyer enquiry, especially along the Surf Coast. However it appears that the top end is resilient and buyers are purchasing with confidence. Selling agents are reporting strong interest in properties north of one million dollars.

Examples of these include:



91 Orton Street, Ocean Grove - Sold March 2019 for \$6,3 million Source: RPData

45.5%

Geelong has recorded the highest regional clearance rates of properties sold at auction.



188 Noble Street, Newtown - Sold February 2019 - \$3.8 million Source: RPData

Mildura

As the half time siren sounds on 2019, we can report that buyers are still active, with recent sales showing some value growth continuing throughout the first half of 2019.

A search of RPData records indicates the number of sales of houses in the Mildura postcode is running at around 50 to 55 per month, a slight reduction on the average 65 per month during the first part of 2018. Values still appear to be increasing slightly - we think at somewhere around 3% to 4% per annum - and selling periods are generally less than 45 days. Demand remains strongest for modern homes, with buyers showing a preference for homes that are less than 20 years old, although there are still a good number of sales of older homes occurring.

Finding evidence of recent re-sales is always a challenge, however one example is 6 Felix Court, which has just sold for \$351,500, after previously selling in late 2017 for \$305,500. Presentation was slightly better this time around, however the improvements were largely unchanged. There is also some evidence suggesting re-sales of houses in the \$450,000 to \$550,000 bracket have recorded lower growth rates over the past

A number of high-end properties have been transacting throughout the Geelong region, both on and off the market.

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RESIDENTIAL



6 Felix Court, Mildura

Source: realestate.com.au

six months, suggesting that while buyers are still active, the market is evenly balanced at this level.

There have been noticeably fewer sales of prestige homes during 2019. It is not yet clear whether this is due to fewer properties in the \$800,000 to \$1.5 million bracket being put to the market, or whether buyers are being more cautious at this upper end of the market. Probably both factors are at work.



Queensland

Brisbane

We proud south-east Queenslanders are keen sports addicts who know a thing or two about half time scores - and one is that the game isn't over yet (particularly when it comes to the maroons versus the blues!)

As far as property markets go in 2019, it's fair to say we've been less dramatic than our southern cousins - but in a good way.

Brisbane is the due-for-a-rise capital city that may yet have its time in the spotlight, but the first half of this year has been more conservative than progressive.

The general consensus among our valuers is that Brisbane has been a steady performer across the board. There was some minor price softening in our markets, but not enough to give owners the jitters.

In addition, when compared to some of the country's larger markets, we were probably considered a stellar performer by some.

While many of our metrics have looked promising for growth at the start of this year, forces pulled in the other direction too. We are affordable in comparison to southern capitals -so the draw for borderless investors and lifestyle nomads is strong. You only need to check out Queensland's rising net interstate migration numbers to appreciate what's going on.

As far as property markets go in 2019, it's fair to say we've been less dramatic than our southern cousins - but in a good way.

Another plus is infrastructure projects, both underway and planned, that are set to boost our employment prospects while also improving lifestyle for residents.

That said, the tough lending environment played its part. Top this with a good dose of federal election market paralysis, and you might see why Brisbane - even with all its positives - still couldn't break free and run hard.

Of course, with the election over and APRA starting to relax borrowing guidelines, it could be brighter times in the months to year's end.

So, let's drill down a little.

Our team noticed the credit crunch of tighter lending hit the sub-\$2 million market the hardest. While there were still enough buyers with the desire to purchase in this bracket, their aspirations were slowed by loan rejections.

The result has seen properties sitting on the market for longer than in previous years and, in some instances, asking prices are being reduced slightly to achieve a sale.

Another interesting occurrence which reflected on tough finance has been changes to sale conditions. This manifested in the rise of finance clauses that were regularly running at 21 to 30 days. This is fairly lengthy when compared to

previous years where seven to 14 days finance was all that was needed.

One of the bright sparks in our market was property priced above \$3 million. It seems that many of these purchasers were immune to finance, politics and other economic bad news - sales are still performing well across many suburbs.

Looking at property types and our market continued to tread cautiously in relation to high-rise units - particularly investor stock. It's true that the oversupply fears have eased somewhat. Prescient developers who, a few years back, could see problems looming, decided to mothball projects, sell off sites or reconfigure stock.

That said, there is still a good supply of available apartments in Brisbane and there's also limited to no demand from foreign, local or interstate investors for this stuff. As such, the value softening continued.

Owner-occupier boutique product completed to a high standard was, on the other hand, holding up pretty well, although development sale rates would be considered historically low. If you were purchasing a unit at the start of 2019, hopefully it was one that would appeal as much to owners as it would to investors.

The first half of this year has also seen rentals start to bounce back and increase slightly and gradually. This will be a relief for landlords who were trying to sit tight and stay calm during tougher lending times.





Finally, the past six months in new house and land, particularly in large outer suburban estates, slowed in terms of sale rates.

So, what surprised us the most in this first six months of the year? Well, the election result seems to have caught many off guard. We know a few in the industry were resigned to the idea that a new government would bring tax changes to the property sphere, but that turned on a dime the Monday after election weekend. In fact, the feeling is pent up demand for investing in real estate will be released as we travel through to the end of the year. This may well result in improved values too, but let's report on that when December rolls around.

Gold Coast

It seems to be a mixed market at the half way score within the Gold Coast, northern New South Wales, Scenic Rim and Southern Logan regions. The feedback from agents and volume of sales paints different pictures depending on the locality and looking at the various regions, it is evident that each locality offers something different. Overall, the underlying theme is that the market was cooling its heels in the lead up to the election and will more than likely continue to do so in the coming months.

Central Gold Coast

Most agents are reporting a softening in buyer enquiry and demand across the board throughout this locality, with all reporting some softening in value levels and longer sale periods often required to achieve a sale. It is definitely a buyer's market and they are more discerning with their choices and in no rush to sign up to buy.

One leading agent has just this week reported a general drop of circa 10% for Bundall and Sorrento from the generally accepted top of the

The foreign investor market slowed as Chinese investors now seem to have disappeared from the market.

market in late 2017. This was evidenced in a top end sale where the purchasers had submitted an offer at \$4.5 million less than eight months ago and have just gone to contract at \$4.1 million on the same property.

The local market is well aware of the downward trend in the southern cousins of Melbourne and Sydney, however there appears to be a general consensus that local value levels here didn't sky rocket like our southern counterparts and as such any market correction here is likely to be much more gradual and gentle in nature.

The unit investment market in the beach side suburbs of Surfers, Broadbeach, Mermaid Beach and, to a lesser extent, Main Beach was negatively impacted by tighter bank lending restrictions, including the reduction of interest only loans and the banks' requirements to convert to a principal and interest loan upon expiry of the interest only loan term. This resulted in serviceability issues for a number of investors and we saw this translate to vendors accepting contracts below previous sales within the building.

The foreign investor market slowed as Chinese investors now seem to have disappeared from the market.

The prestige residential market up to circa \$2 million was still ticking over albeit at a slower pace compared to standard residential housing within the central precincts.

Dry block or non-waterfront houses transacted steadily with some softening in price levels. This market sector was mainly driven by local buyers.

Moving slightly out of the central locality, a recent sale of a proposed vacant lot in Tallai (to be subdivided off an existing larger site) and comprising 4,238 square metres of near level vacant rural residential land sold to a local buyer for the asking price of \$600,000. The agent reported the buyer had been looking for circa 12 months and this fitted their needs. Other vacant sites available for sale all had issues either with sloping contour, flood or in close proximity to high voltage power lines. This sale indicates that the market for good quality, well located vacant land is generating good buyer enquiry and strong prices. This sale is one of many occurring on the Gold Coast where local purchasers are seeking specific properties and are willing to pay more for a property that satisfies their requirements.

Southern Gold Coast and Tweed Coast

The southern Gold Coast and Tweed Coast localities held up quite well in the easing or falling market.

As with the central Gold Coast, there is a lack of urgency from buyers and properties must be competitively priced in the current market. Selling agents are reporting that there are a number of unrealistic vendors and that they are considering not taking on listings for these properties.

Properties located close to the coastline and priced under \$1.5 million have been less impacted by the current easing market along with duplex units and townhouse and villa units with low body corporate fees. Properties priced above \$1.5 million generated significantly less activity with agents who reported decreased interest and less sales compared to 12 months ago.



On the opposite side of the coin, there was very limited demand from investors in the market, predominantly due to uncertainty around the election. Accordingly, units in complexes where buyers are mainly investors were difficult to sell and there has been a significant drop in value levels.

There was a recent sale of a 1-bedroom unit at Varsity Lakes for \$252,000. Comparable sales in the previous six months generally ranged between \$260,000 and \$280,000 and the selling agent advised that there was very limited enquiry. This unit previously sold in June 2015 for \$255,000 and the original developer sale was in March 2007 for \$349,500.

Gold Coast West

Recent months have seen some uncertainty creep into the market for residential property in the western suburbs of the Gold Coast such as Nerang, Oxenford, Pacific Pines and Gilston. While talk of the market downturn in the southern capitals increased anxiety amongst some buyers and sellers, it was somewhat surprising that value levels and selling periods, whilst softening in these areas, were relatively resilient in spite of the media hype.

The market in these outer urbanized areas is somewhat split between investors and owner-occupiers. In line with the broader market, investor activity has slowed in some of the townhouse and unit developments which has opened the door for first home buyers, however high body corporate costs are a restricting factor for some buyers.

Property values for detached housing across most price points remained stable in the first half of the year. Some vendors' price expectations appear a little unrealistic leading to lengthy selling periods, however a vendor with a reasonable asking price and a properly presented house should be assured

Resales of houses in these estates are lower than the cost of the new house and land package.

of good interest and quick sale. Research is the key and this sentiment is echoed amongst all regions.

Gold Coast Hinterland and Scenic Rim

New house and land packages on suburban lots in developing estates around Beaudesert have been dominated by investors in recent years and this sector of the market on the Scenic Rim has slowed in contrast to the owner-occupier market. Resales of houses in these estates are lower than the cost of the new house and land package indicating a price difference between new and second hand in these localities and a difference between what investors and owner-occupiers are prepared to pay for the same product.

In contrast, locations in the Scenic Rim and Gold Coast hinterland that are dominated by owner-occupiers are proving very resilient in the face of negative media reports about the property market. Rural residential housing and housing in some village locations such as Canungra and Tamborine Mountain remain in good demand from buyers. Selling periods are relatively short and many properties are still selling at or around asking price. Some of these areas are commuting distance from Brisbane and Gold Coast and buyers get more bang for their buck in these areas compared to their city neighbours as well as offering certain lifestyle features.

Overall, buyers, sellers and agents appear to be keeping a cool head and while now is not the time to panic, it would be prudent to fully research the market in these localities prior to committing to a property. Unlike the heated market of previous years, there are no time pressures about making

a decision to buy, no fear of missing out eating away at people's thoughts, so as we move toward a buyer's market, purchasers are able to take the time to thoroughly inspect properties, do the research and shop around.

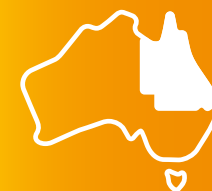
Sunshine Coast

As anticipated, we have seen a general slowing in the market in 2019. A significant number of agents have indicated that general enquiry has fallen which has effectively led to a lack of urgency in the market. On the back of this, stock levels have increased in some areas as well as the number of days on market.

Whilst there has been a general softening in the market, there are still sales being made. Property that is well located with a good offering and is priced at the right level are selling. It's just that instead of selling in the first week or two, it's more like six to ten weeks - what would appear to be more like a normal market.

In our The Year Ahead issue in February, we talked about the negatives and positive for the coast. To be honest, they haven't changed great deal. The continued slowing of the Sydney and Melbourne markets hasn't helped confidence. A big hurdle has been a federal election campaign that dragged on and the uncertainty that created was challenging.

The positives continue to be the massive infrastructure projects underway. The Maroochydore CBD, Sunshine Coast Airport expansion and the Sunshine Coast International Broadband Submarine Cable project are all under construction and all massive for the area.



As always, the beachside areas have been performing well relative to areas further inland. The coast lifestyle is the major driving factor and this is expected to continue albeit at a slower pace. The coastal strip in the sub \$800,000 price range is expected to continue to be in demand.

The larger estates of Aura at Caloundra South and Harmony Estate at Palmview are still generating some good interest but it does appear that stock levels are increasing with spec homes hitting the market. These estates still offer the most affordable new homes on the coast with land size being forgone.

This is being mirrored in the hinterland subdivisions in the railway townships, such as Habitat in Palmwoods. Larger land sizes are the big driver in this market with upgraders being active.

The prestige market in the Noosa area as in other areas on the coast has slowed a little. The influence of the Sydney and Melbourne markets you would think is having an impact. However, in discussions with various agents dealing in the prestige markets, there are still people around with plenty in their pockets to spend, its just that they are discerning with personal preferences, presentation and motivation which impacts heavily on the ultimate sale price. The weak Aussie dollar has been good with ex-pat and international buyers helping to fill the void.

There are a number of unit complexes under construction or proposed which see an increase supply particularly within the Maroochydore area. There are good levels of interest in owner-occupier style units within smaller complexes with low body corporates. This swing to permanent living units has been reflected in the popularity of a number of new unit complexes that directly

target this market with investment grade product being more challenging.

One thing that is certain is there are a lot more people around the coast. It used to be in holiday periods but now it seems to be all the time. This can't be a bad thing to help support the market.

Darling Downs/Toowoomba

The Toowoomba residential property market remained steady throughout the first half of 2019 following a general decline since the peak of activity at the end of 2013. Although sales activity has been steady across the board, the market has continued to be multispeed and property specific. There has been little consistency with variations in sale prices and buyer interest across the established suburbs. The prestige market however, has been performing strongly, particularly in the eastern suburbs as has the upper end of the rural residential lifestyle market.

The median sale price for houses across the Toowoomba Regional Council LGA has displayed little growth over the past four years, sitting at approximately \$380,000 at the end of 2018, up from \$375,000 in June 2015. Another key indicator of the steady property market is the volume of property sales. In the six months ending December 2018, there were approximately 1,320 transactions across the Toowoomba Regional Council LGA. This is slightly less than the same period one year earlier, when approximately 1,375 sales were recorded and further highlights the steady residential property market.

The unit market has followed a declining trend, with low sales volumes following the oversupply of unit products that became apparent throughout 2016. Land sale volumes have continued to decline since a peak in mid 2015.

Toowoomba has seen an explosion of retirement village developments in recent years, ranging from medium density multi-level projects to low density detached dwellings. These projects are spread right across the city, from Glenvale in the west to Highfields in the north, with more projects being planned. This retirement living boom could be a driving factor in the low volume of land sales and sluggish level of housing transactions.



Middle Ridge Golf Club Proposed Retirement Village Source: Toowoomba Chronicle



Seachange Retirement Village - Glenvale Source: SeachangeLifestyleResorts.com.au

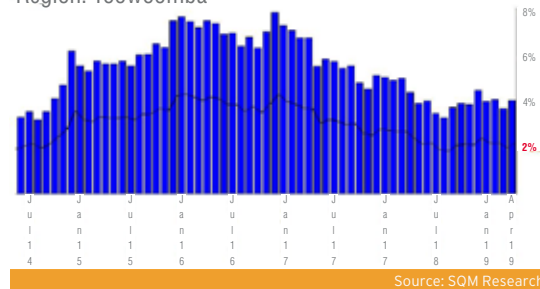
The surprising factor is that residential vacancy rates continue to decline. In postcode 4350, the vacancy rate was just 2% as at April 2019. This is considered tight and well below the balanced market level of 3%. Should this low level be

sustained or continue to decline further, rental rates are likely to come under pressure.

The steady market conditions currently being experienced in the residential property market across Toowoomba are expected to continue throughout the remainder of 2019.

Residential Vacancy Rates

Region: Toowoomba



Townsville

The unprecedented monsoonal event of February 2019 and subsequent floods have led to an upheaval in the market as it undergoes a period of adjustment, with some property transactions being driven as much by emotional factors as market fundamentals.

The rental market has tightened significantly following this event, with a reported 3,300 properties suffering water inundation of varying levels. This displacement of home owners and renters along with the arrival of assessors and builders has resulted in huge demand for rental stock, with vacancy rates falling to a very tight overall trend vacancy of 1% as at April 2019.

Overall, local agents are reporting good levels of interest and sales over the past few months, with anecdotal evidence suggesting some tenants are entering the home owner market following

the floods after receiving a payout on contents insurance which provides them the deposit required.

To date the suburbs hardest hit by the flooding have seen limited activity as the rebuilding process continues and therefore the impact on value levels remains undetermined.

Cairns

The Cairns residential property market has continued along a fairly steady path for the first half of the year with no noticeable changes. Values are fairly steady, volumes remain flat and there is no obvious oversupply in any residential market sector. Vacancy rates remain tight with limited quality stock available and little new supply coming online.

The GA Group projects are progressing well and it is starting to look like there won't be any follow up projects such as Nova City ready to go, so we may see a dip in construction activity once they are complete.

The announcement from Cathy Pacific that they will pull out of Cairns after flying in for 25 years is an unwelcome dent on confidence and adds further to the feeling that the gains in tourism in recent years might be levelling off.

Overall it is difficult to be particularly optimistic about the next six months and a continuation of existing conditions may be considered a good result by the time we get to December.

Also of note is that new housing construction seems to have been somewhat buoyant in the first half of 2019.

Rockhampton

It feels like Christmas was only last week however we are now only a few weeks away from the end of the financial year.

This month we take a look at the half time score and reflect on how the year is progressing. 2019 to date has seen some improvement across the Rockhampton and surrounding residential markets. Of note, the rental market has improved with a significant decline in vacancy rates resulting in a slight increase in median rents across most sectors.

In terms of sales activity the top end of the market (\$700,000 and above) has been on fire in recent months with a new record price for a residential house coming in at a touch under \$1.8 million. In addition to this there has also been a larger than average number of sales occur between \$900,000 and \$1.3 million which is well above average for the number of sales in this sector, having only averaged about two to three sales per annum in recent years.

The mid-range sector of the market (\$250,000 to \$400,000) is tracking reasonably well, especially owner-occupier homes which have been well maintained and well presented. Rental properties on the other hand are often much more difficult to sell as they generally take longer and are often sold at a higher discount.

The lower end of the market (sub-\$200,000) still appears to be under duress, with a high number of listings of inferior quality stock. This has continued to keep prices down and recovery in this sector still seems to be some way off however



on a brighter note it does appear as though the number of bank re-possession sales is on the decline.

Also of note is that new housing construction seems to have been somewhat buoyant in the first half of 2019, with Norman Gardens in particular seeing an increase in new homes compared to the same periods in 2017 and 2018.

In summary, we feel the local property market has hit the bottom and is in the process of recovery. In terms of performance, we think the first half of 2019 would rate as a six out of ten and hopefully this continues to improve throughout the back half of 2019.

Gladstone

Over the first half of 2019, we have continued to see positive signs for the Gladstone residential property market. We have seen minor capital growth of 5% to 10% in some market sectors and some locations in the region. This growth is certainly not across the entire market however it definitely continues the momentum from 2018 in a positive way. The market is still being driven by its affordability with limited new employment opportunities in the region. We expect affordability to be the driving factor of our market for the foreseeable future. Rental levels have continued to rise across 2019. In most cases rents are jumping 10% per week each time a six-month lease is renewed or commences. Vacancy rates are hovering around the 3% mark and have remained relatively stable so far this year.

Mackay

So far, so good is the phrase that comes to mind when looking at the half time score for the Mackay market. The momentum generated throughout 2018 continued in 2019, with most agents reporting good demand, shorter selling periods and increasing sale volumes. This trend has been evident across almost all market sectors except for units which are continuing to struggle. There is a general optimism in the Mackay economy and the resource sector. Large infrastructure projects (such as the Mackay Ring Road) are well underway, increased employment opportunities in the resource sector and servicing industries in Mackay, as well as a building industry that is slowly bouncing back, are some of the factors underpinning this momentum.

The vacancy rate has fallen to lows not seen in half a decade and sit well below 2%, which has resulted in some significant increases in rental values, between \$20 and \$50 per week for standard dwellings. This tightening of the rental market and increased rental value pressure has had a flow on effect in the owner-occupier and investment housing sale market and contributed to increased demand. However, on the back of this momentum, we have not seen any significant rises in median house prices yet, with small gains of around 3% to 5% only in some areas.

One issue reported by local agents is the effect of the uncertainty prior to the election and possible changes to taxation around property. They report that there has definitely been a wait

and see attitude, especially from investors, which resulted in a drop in enquiry and sales volumes over the past month.

Hervey Bay

The Hervey Bay market is still improving with continued activity across most asset classes.

House and land packages in the estates generally priced below \$450,000 are appealing to a mix of owner-occupiers and investors. The relativity of prices within some estates is becoming a concern with a broad range of cost for a similar product.

Vacant land prices appear to have improved, especially along the Esplanade with a number of sales now over \$500,000 for quarter acre lots with views.

The rental vacancy rate remains tight which is appealing to investors in the mid-range asset class. Gross returns in the order of 5% are achievable.

Dundowran Beach and Craginsh continue to be the most active for property priced above \$700,000. These areas appeal to buyers due to the larger lots, good size homes and generally extensive ancillary improvements. Since November 2018, there have been seven sales of property over \$700,000 in these areas.

There have also been two sales at \$1.1 million and \$1.2 million along the Esplanade following three earlier sales from January 2018 including a penthouse unit for \$1.29 million. These sales are encouraging for the area, indicating that buyers are willing to spend the money if property is priced right, no matter what the price level. Looking forward to the next six months and hopefully continued growth in all asset classes.



The momentum generated throughout 2018 has continued in 2019, with most agents reporting good demand.

Emerald

At the halfway point of the year, the market is still trending upwards but buyers do appear to be showing caution with sale volumes below what we had expected.

The bottom end of the market has lifted to around \$200,000 for houses. For the right product, we have seen values come back to within around 10% to 15% of the peak experienced in 2011 and 2012. The space to watch currently is vacant land sales with the top end reaching new highs in recent times.

The wow factor this year to date has been the top end and two sales over the \$1 million mark. One of the sales is a resale from \$890,000 only six months prior. This same property sold at the bottom of the market for \$635,000.

So you can see that for the right product - modern, good location, good ancillary improvements, multiple buyers - values are pushing up. The market appears slow to steady across the region at present with no increase in sales volumes which is typical before an election and end of a financial year. If some of the new proposed coal mines in the area start physical construction or production then we will surely see demand higher than supply.

Month in Review
June 2019



RESIDENTIAL

South Australia

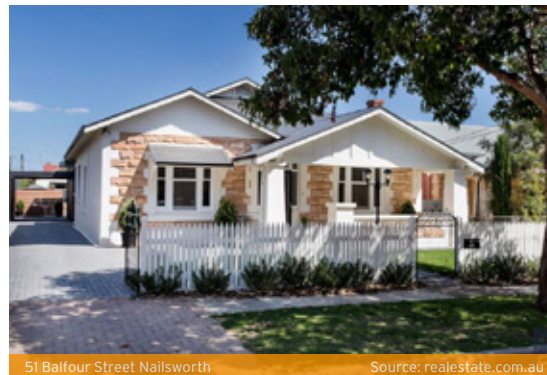
Adelaide

In February, we discussed the prospects of the South Australian metropolitan housing market for 2019. In the shadows of the banking royal commission and the downward spiralling east coast markets, the claim was made that the Adelaide housing market would buck the trend with sustained growth. Positive market sentiment is being driven within the media with a constant flow of articles spruiking the Adelaide market. Watching from the bleachers, things appear positive... but those with front row seats are seeing things a little differently.

The inner and middle-rings are growing weary of carrying the median house price to its lofty heights. These market segments were the best performing over the first six months of 2019 as the outer ring remained stable. Focusing on some of Adelaide metropolitan's smaller suburbs, Nailsworth, Evandale, Black Forest and Allenby Gardens have all been high achievers over 2019's first half. Each of these suburbs comprise an area of less than one square kilometre and are characterised by turn of the century dwellings on modest allotments and considered the next best thing in regard to location.

Nailsworth is an inner northern suburb located approximately 5.2 kilometres from the CBD. Nailsworth has had a number of transactions

in the first half of the year with a median of \$655,000. At the top end of the pile is the suburb's record sale of 51 Balfour Street which achieved a sale price \$1.21 million in January. This sale eclipsed the previous record of \$1.07 million set in 2017. This property comprises a fully renovated and extended bungalow disposed as four bedrooms and two bathrooms on a 698 square metre allotment.



In the second half of 2018, the small north-eastern suburb of Evandale located some 5.5 kilometres from the CBD had eight dwelling sales settle with a median of \$690,000. In the six months post, Evandale has had five transactions at a median of \$880,000 showing an increase of approximately 27%.

Recent sales include 44 Elizabeth Street (\$844,000), a four-bedroom, two-bathroom blue stone villa on a 534 square metre allotment and 10 Leslie Street (\$885,000), a four-bedroom, two-bathroom circa 1990s reproduction dwelling on a 552 square metre allotment.



Black Forest is situated 4.7 kilometres south west of the CBD and is serviced by both the Brighton train line and Glenelg tram line. Fifteen transactions have been recorded within the past 12 months with prices ranging between \$430,000 and \$1 million.

The first half of 2019 has seen a 7% increase in dwelling values with Black Forest having a current median dwelling price of \$745,000. Purchased at the median in April was 4 Forest Avenue for \$755,000. This is a circa 1930s, four-bedroom, two-bathroom Tudor style dwelling on an allotment of approximately 603 square metres.

Watching from the bleachers, things appears positive... but those with front row seats are seeing things a little differently.





4 Forest Avenue Black Forest

Source: realestate.com.au

Allenby Gardens is located 6.1 kilometres north-west of the CBD and six kilometres east of Grange Beach. The suburb comprises a mixture of early and mid 1900s dwellings with a significant amount of 1990s and 2000s infill development. The first half of 2019 saw a 24% increase in the median dwelling price from the back end of 2018 to currently sit at \$685,000. Of the 2019 sales, 27B Barham Street for \$470,000 represents the entry price point for the suburb. This property comprises a circa 2018 community titled brick veneer dwelling disposed as three bedrooms and two bathrooms on an allotment of 266 square metres.

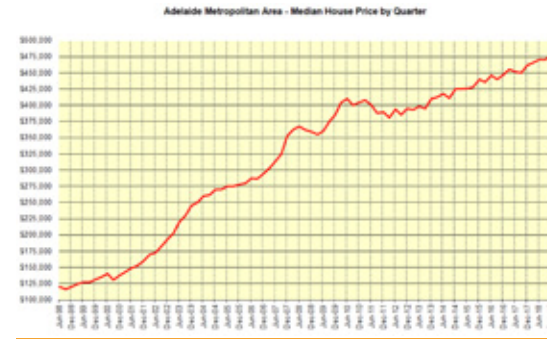


27B Barham Street Allenby Gardens

Source: realestate.com.au

The outer ring remained relatively flat over the first six months of 2019. Good reference points for this market segment are Golden Grove north-east, Morphett Vale south and Paralowie north of the city. Each of these suburbs is geographically large and has a high turnover of stock with the two latter each constantly achieving 200-plus transactions annually. Sales data shows both Paralowie and Morphett Vale have remained stable with median prices hovering between \$300,000 and \$315,000 since late 2016. Golden Grove saw a reduction in the median dwelling price from \$475,000 in the second half of 2018 to \$435,000 in the first half of 2019. The outer ring is considered more susceptible to slowing market conditions. These suburbs will be important reference points over the next 12 months to provide an indication of how the broader outer ring is tracking.

Taking a broader look at the market, the March quarter is one of the most active and provides an important insight into how the market tracked over the busy summer months. The median house price grew in the March quarter by 0.625% to be at a record high of \$480,000. This sparked significant media and deservedly so on face value. When you dig a little deeper, the 2018 and 2017 March quarters each had growth of 1.1% and 1.7% respectively. So, we had growth in the March quarter but at the slowest rate since 2016 which saw a reduction in the median house price. On the auction front, for the four weeks post Easter, clearance rates faded to below 50%. For the same four-week period in 2018, clearance rates varied between 59% and 70%. These numbers are backed up by agents in the field who are reporting a slowing in buyer activity with an increased amount of stock on the market. The numbers are suggesting that the market is slowing.



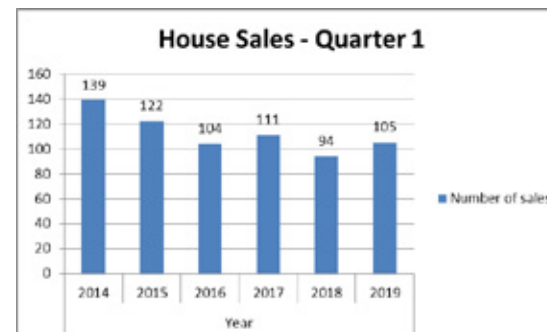
Source: sa.gov.au

Things have been looking rosy for 12 to 24 months. The expectation is that property prices will remain stable over the second half of 2019.

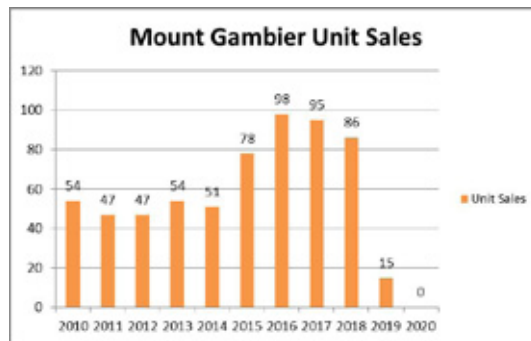
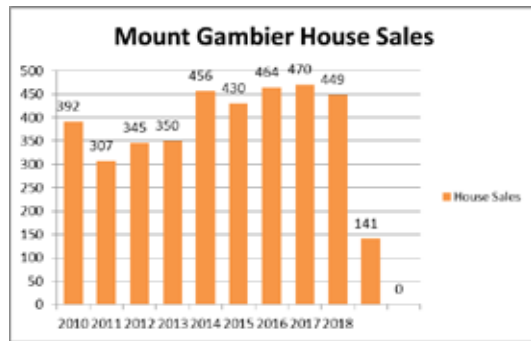
The hope is that those who stop to smell the roses don't start detecting a stench.

Mount Gambier

The property market within Mount Gambier was relatively stable for the first quarter. As shown in the graph below, for the past six years the number of house sales occurring in the first quarter has been steady. In 2014 house sales were slightly higher, however there has not been a significant drop in sales numbers and sales numbers are still much higher than in 2011 when the market dropped back.



The most purchased dwelling price range within the last twelve months is \$200,000 to \$250,000. There are few dwellings purchased over \$500,000 or under \$150,000. The \$200,000 to \$250,000 price range is affordable for people entering the market and for investors looking at a property which provides a stable rental return. Dwellings over \$500,000 are at the top end of the market and have limited market activity. Dwellings under \$150,000 are generally in less sought-after locations and have limited market activity.



Detached housing and unit sales throughout the region are on track with previous years and are expected to remain stable throughout the remainder of the year. Detached housing is the most popular amongst buyers, with 141 house sales

for the first quarter of this year, compared to 15 unit sales and 28 land sales.

Properties located within the Lakes location and centrally around the town centre have shorter listing times than most other areas, as they are tightly held locations. The median house sale price has been slightly increasing over the past five years and property prices have remained stable.

The overall feel of the market at the moment is that it will remain relatively steady throughout the remainder of the year.



Western Australia



Perth

The residential market in Perth has tracked closely in line with our February predictions for the year (so far). Our assumptions were that the rental market would continue to be a strong point for Western Australia and that sales volumes and house price growth would remain subdued until 2020. There has been a lot of speculation about when the Perth market will finally turn and it doesn't seem like we are much closer to knowing, mostly due to our split property cycles and diminishing sales volumes.

Thankfully, the wider Perth area has seen some stability in its median price. The median house price settled at \$500,000 for the March quarter, 0.6% higher than the previous quarter. The unit median price also remained steady, holding at \$380,000. REIWA data shows that there were 6,636 properties sold in the March quarter, proving Perth's state of subdued activity. REIWA reports

Listings have increased 6% since the December 2018 quarter to 16,957 which isn't helping selling periods.

that "although overall sales are down, 10% of suburbs experienced stable or increased volumes". This is a positive sign as there are improvements in some sub markets, and it shows the differences between Perth's inner and outer suburbs.

Figure 1 shows the distribution of wider Perth area house sales by price bracket. In the December 2018 quarter, 64% of homes sold below \$600,000. This figure jumped to 70% in the recent March quarter, indicating that affordability is continually improving, but it is also a symptom of a decline in prestige activity. President of REIWA Damian Collins states that this affordability "presents excellent opportunities for first home buyers, trade-up buyers, downsizers and investors to secure a good deal".

Listings have increased 6% since the December 2018 quarter to 16,957 which isn't helping selling periods. It took an average of 78 days for vendors to sell their properties last quarter. This is a significant jump from the 68 days to sell in the December 2018 quarter. It can be attributed to new land releases as well as a softening in demand across the board. Mr Collins recently said "it's also worth noting that a significant portion (43%) of Perth sellers are achieving sales prices at or above their original asking price, which suggests that many vendors are heeding the advice of their real estate agent and pricing their properties in line with market expectations". This is key to avoid the extended selling periods that we have been seeing far too often. Our valuers are seeing frequent evidence of properties becoming stale in the market place due to the initial asking price being out of kilter with the market and the eventual sale price of these properties is often below what market evidence suggests they should achieve.

The rental sphere was once again increasingly active in the March 2019 quarter, favouring investors and shortening the Perth vacancy rate to 2.5%. The median rental price remained stable at \$350 per week for a ninth consecutive quarter. REIWA data shows that 29% of suburbs in Perth had an increase in rents during the quarter, and 36% of suburbs increased over the past year. If the

HOUSES SALES BY PRICE RANGE

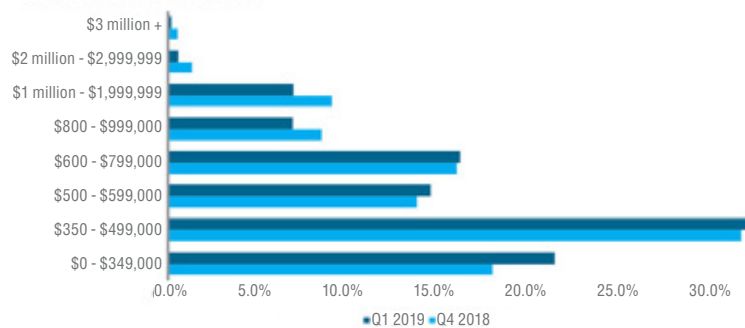


Figure 1 - House Sales by Price Range

Source: REIWA

78 DAYS

It took an average for vendors to sell their properties last quarter.



House Price Growth +/-			
Quarter on Quarter		Year on Year	
Burswood	18.3%	Kensington	19.6%
Peppermint Grove	10.3%	Peppermint Grove	16.7%
Greenmount	9.0%	Mount Pleasant	15.0%
North Lake	8.5%	Glen Forrest	15.0%
Serpentine	8.5%	South Guildford	14.9%
Midland	-10%	North Beach	-19.1%
Madora Bay	-12.1%	North Yunderup	-19.1%
Jane Brook	-14.0%	Leda	-19.3%
North Yunderup	-14.6%	Serpentine	-20.0%
Boddington	-16.0%	North Beach	-23.8%

Figure 2 - Median House Price Growth Source: REIWA

rental market continues in this direction we should inevitably see an increase in Perth's median rent over the coming seasons.

In terms of activity, 14,003 properties were leased during the March 2019 quarter, almost 9% more than the December 2018 quarter. There were 6,738 properties listed for rent at the end of the March quarter 2019, which was 2% lower than the December quarter figure and 25% lower than the same time last year, showing that competition amongst tenants is ramping up. It took two days less to find a tenant during the March quarter, decreasing to 42 days. This figure has crept downwards since the peak of 57 days in June 2017 and shows that tenants need to be decisive and act fast to secure their preferred property.

The suburbs that recorded the best and worst median price growth over the March 2019 quarter are in Figure 2. Note that both Burswood and South Guildford are benefiting from the sale of properties in new developments. The Peninsula development by Mirvac would be significantly affecting Burswood's median as some of the properties are selling for over \$1.7 million. A few lifestyle living areas have been active over the past six months including Mundaring, Glen Forrest, and Serpentine. Suburban North Lake has

Unit Price Growth +/-			
Quarter on Quarter		Year on Year	
St James	26.7%	Shoalwater	37.3%
Mosman Park	16.9%	Crawley	34.5%
Shoalwater	11.7%	Rockingham	34.1%
Nedlands	9.3%	Nedlands	31.2%
Glendalough	8.3%	Shenton Park	31.0%
Wembley	-14.7%	Morley	-27.8%
Halls Head	-15.1%	Mandurah	-28.7%
Dudley Park	-16.0%	Mount Pleasant	-33.3%
Baldivis	-25.8%	Erskine	-37.7%
Erskine	-37.7%	Baldivis	-37.7%

Figure 3 - Median Unit Price Growth Source: REIWA

tracked well, jumping 8.5% quarter-on-quarter. This was surprising to see as North Lake's surroundings have been disrupted lately by the development of the Murdoch Drive Connection - adding extensions from the Kwinana Freeway and Roe Highway to the Murdoch Activity Centre and Health Precinct.

Peppermint Grove has surged over the past quarter taking its median house price from \$3.45 million up to \$4.025 million. There has been a fair amount of activity in this region which is nice to see, as the prestige market (previously helping to stabilise the Perth median) faltered over the March 2019 quarter, showing signs of volatility.

Cottesloe, Swanbourne, Mosman Park, North Fremantle, Attadale, Bicton and Dalkeith all experienced decreases in their annual median house prices. This is understandable however, as the March quarter usually experiences an increase in listings. On top of this, consumer confidence has been low; the fallout from the Banking Royal Commission has created a challenging financial market, and with the distraction of a federal election, homeowners and investors would be hesitant to make any big moves. There has been a lot of media coverage around the declining Australian property market (mainly surrounding

Sydney and Melbourne) and this isn't helping confidence in the Western Australian market even though our property market is in a different stage of the cycle to the eastern states. All of this has forced sales volumes to drop, selling periods to extend and top-end prices have fallen as a result.

In the upgrader market, our valuers are still seeing a fair amount of activity, however home buyers are generally seeking to purchase at a discounted rate. This is pushing out selling periods and it seems that prices may continue to soften as a result, further improving affordability.

Perth's fringe is still being suffocated by chronic oversupply. Baldivis is continuing its decline due to consistent land releases putting downward pressure on established dwelling sale prices. As an example, a property on Avoca Chase had a summated cost of \$285,000 in April 2018, being one of the cheapest we had seen at the time. It was sold in March 2019 on completion for \$225,000, declining 21% throughout its construction period. This sales figure is actually considered to be fairly cheap, however it's part of the unfortunate truth in the current market.

Properties in oversupplied regions need to be priced very keenly in order to achieve a quick selling period and avoid them going stale on the market, so listen to the advice of agents about what is realistic and appropriate. Developing suburbs in the south-east are in a similar

Peppermint Grove has surged over the last quarter taking its median house price from **\$3.45 million** up to **\$4.025 million**

situation. Whitby and Byford have softened over the past six months and it is expected that these areas will stay flat for the remainder of 2019.

Our predictions for the rest of the year are fairly simple for Perth's outer regions. We expect to see no rebound in 2019 and assume that medians in these areas will continue their slow descent to wherever the median price floor holds, but we expect the overall median house price to remain relatively steady for the wider Perth area as upgraders take advantage of the buying opportunities that are available in many sought after areas.

South West WA

After a period of declining values, the residential property market around Australind and Eaton received a potential boost with the commencement of construction of the new \$1 billion lithium processing plant at Kemerton, with in excess of 600 new jobs to be created and the doubling of production at the Greenbushes lithium mine which has already seen 200 new employees.

The respective companies behind these significant regional enterprises are specifying that the workforce must live within 50 kilometres. Where previously property values in this catchment have been steadily falling over a number of years, there is now cautious optimism, with new sub-divisions emerging in Donnybrook, Eaton and Glen Iris. Real estate agents are seeking new stock to sell as investors begin to purchase the properties that have been on the market for a noticeable period of time. It is realistic to say that the region remains a buyer's market for the time being, however it

is anticipated that stability will be introduced in coming months.

One related observation has been the recent sale of a number of executive dwellings in Bridgetown and Manjimup with prices over \$700,000 being achieved for three properties which is setting a new upper price bracket for these quality houses as mining executives are looking to re-locate to the South West.

The overall review of the South West land division residential property market, however, is best described as weakening with downward pressure on values particularly in the outlying localities such as Dalyellup in Bunbury, Provenance and Kealy in Busselton, and Brookfield in Margaret River.

 *It is realistic to say that the region remains a buyer's market for the time being.*

Month in Review
June 2019



RESIDENTIAL

Northern Territory

Darwin

Darwin has experienced a few tough years and the weakening trend continued into 2019. The peak of the market (2013-2014) which was mainly inflated by the Ichthys gas project was going to end at some point and we are now experiencing the aftermath.

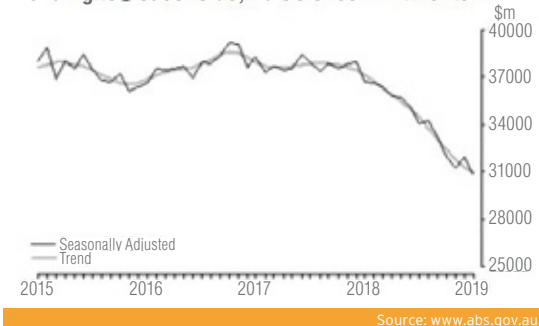
Since the start of the year, we have seen declines in both sales and median price for all suburbs across Darwin (REINT). All markets have been hit, from residential to commercial, dwellings to units and the suburbs of Parap to Darwin River. The weak market has been foreseen for some time now and it is now believed that home owners are coming to the realisation that their homes are not worth what they perceive. This has been a difficult process and caused stress throughout the market and wider economy.

We have seen some big reductions, especially in the Darwin CBD. There has been a 40% fall in the median unit and townhouse price from \$565,500 in March 2015 to \$330,000 in March 2019 (REINT). Also looking Palmerston way, the suburb Moulden has experienced some big reductions; recent analysed sales of dwellings show a drop in the order of 30% or more from 2013/2014.

Be that as it may, we should not be discouraged by the current state of the market. Unfortunately, it is a reality that we are seeing some heavy reductions

All markets have been hit, from residential to commercial, dwellings to units and the suburbs of Parap to Darwin River.

Lending to Households, Value of commitments



Source: www.abs.gov.au

but to put things into perspective, we need to take a look at Australia as a whole.

According to the Australian Bureau of Statistics (ABS), the latest release shows new lending for investment dwelling in Australia is at its lowest since 2011. Additionally, lending for purchase or construction of a new home in Australia has fallen to its lowest level since 2013. Lending to households has decreased year on year by 17.8% in the Northern Territory (ABS). This is a heavy drop but again, we need to look at it comparatively to other states. Victoria and New South Wales have also both dropped year on year, 15.4% and 18.9% respectively. There has been a downturn in all states with the only exception being Tasmania.

We are not alone up here. The silver lining is that we are now in a period of market affordability; the

dream of owning a home or unit is now realistic for Territorians.

As mentioned earlier, we are seeing home owners slowly accepting the very weak property market. This is reinforced by looking at the recent statistics for the northern suburbs. Although sales are decreasing, we are seeing prices stabilising to only minimal decreases (REINT, March 2019). It is only our opinion and we can only speculate that it means people will only sell if it is their last option, if not, they are holding onto their properties for a better market and thus price. The rental market has steadied in recent times and popular locations are still easily rented.

We need to remember during these tough times the old saying "you only lose if you sell". However if you must sell, we are seeing well-presented properties still high in demand, so be sure to present your home in good condition, have neat and tidy landscaping and make sure there are no small works required by the potential buyer.

Since the start of 2019, there have been plenty of things done to pave the way to a more positive market. The government has introduced new inventive schemes (Territory Home Owner Bonus) and construction of new buildings in Darwin (new four-level below ground car Park) and Palmerston (police station). We also note the interstate relocation schemes (Welcome to the Territory incentives) introduced in August 2018 will also make a positive impact in 2019.

To end things off, we have seen land prices increase





in the Palmerston suburb of Zuccoli (specifically the Aspire development). This increase came as a surprise to us but it is showing that the supply of land is not meeting demand and ultimately this can be seen as evidence that the government incentive program is playing its role. There is a lot happening to kick start the economy and our office remains positive that there will be a brighter market; it will just take time for the government schemes to take full effect.



Australian Capital Territory

Canberra

The ACT housing market has not changed much over the past six months.

The value of houses and land has likely seen little growth, owing to an overall lower demand for property arising from various external factors such as the difficulty in obtaining finance. Demand is still reasonably strong for entry level houses in the \$450,000 to \$600,000 range and we would consider this property type to be performing the best. Demand has remained steady for the mid-point priced houses in the \$600,000 to \$1 million range. The prestige market (\$2 million plus) remains steady. Prestige dwellings are changing hands, but not at an extraordinary rate.

The supply of units remains high and demand remains steady. Unit and apartment values have retracted or remained steady over the past six months due to the quantity being offered to the market, especially in the outer suburban areas where demand is generally lower. Supply is highest for the one-bedroom product that is being offered at a very high rate in new complexes, while the market for two, three and four-bedroom units is more steady and secure.

The price point for most one-bedroom units is between \$275,000 and \$400,000 depending on location, size and quality of inclusions. Most two-bedroom units are selling for between \$300,000

and \$550,000, again depending on location size and quality of inclusions. Units with more than three bedrooms are often sold for above \$550,000, with some units selling over the \$1 million mark in well located, reputable complexes.

Demand is still reasonably strong for entry level houses in the \$450,000 to \$600,000 range.

Month in Review
June 2019



RESIDENTIAL

HERRON
TODD
WHITE
RESIDENTIAL

Tasmania

Hobart

Where has the year gone? Here we are approaching the half way point already... next thing we know Santa will be back clogging the chimney up again.

So, what has happened in the Apple Isle this year?

The Hobart market is starting to show signs it is approaching or has reached its current cycle price peak. Corelogic suggests that the median price actually slipped a touch in March.

On the ground, we are seeing a flattening of prices in the inner ring, however demand for prestige remains historically firm. In the middle to outer ring however we continue to see positive pricing and competition for housing. This is true for the 50-kilometre commuter radius.

Vacancy rates remain tight with little evidence of the housing shortage easing.

Launceston

Launceston is continuing to record positive price movement, albeit at a more subdued rate than 2018. We would suggest it is unlikely double-digit growth will be recorded this year, however it may not be far under.

Interestingly, the activities of a Queensland based buying advocate firm acquiring residential property on behalf of SMSFs have resulted in a number of rentals being available. The vacancy rate has

lifted a few points as a result and we are seeing a stabilisation of rental growth.

Regional

The north-west coast is a bit steady as you go. Devonport, Ulverstone and Penguin have some confidence. Burnie is steady to slightly positive but still could use a few more people.

Holiday townships such as Bridport, St Helens and Orford are continuing their strong march from 2018 as people continue to seek that beach side holiday home.

The town to be careful of is George Town as Temco has just announced a review of the ongoing operations of their smelter at Bell Bay. The result of the review won't be released until October. There are 300 jobs on the line and it is one of two industrial plants the town has been historically dependent upon.

The Hobart market is starting to show signs it is approaching, or has reached, its current cycle price peak.

Month in Review
June 2019



RESIDENTIAL



Rural

June 2019

Overview

The election is run and won and it has rained in a few places - but more is generally needed. In addition, in large parts of NSW and Southern Queensland a lot of rain is still needed to see a real shift in forward. Therefore, buyer activity has settled down from the fervour of six to eight months ago.

The current conditions have also seen buyers of grass from the south purchase northern sheep and cattle blocks at near, or new, records land rates per hectare.

So, what happens when more general and widespread rain does occur?

We saw demand reduce from Central Queensland buyers looking north as soon as cyclone Trevor rolled past and provided good relieving rain in many areas, but the Southern buyers are still coming - but who are they?

This month, Roger Hill in the North (where most of the rain has fallen) has investigated this question is a great summary of the action. I am also aware of some recent transactions broadly centred around Longreach region which were grass buyers from NSW being Wagyu cattle, sheep operators from the New England and Sheep operators from North West NSW. Many may be surprised at the sheep buyers, however the development of fencing to manage predation has provided a great opportunity now for sheep in this traditional sheep country and a growing presence in the coming years will not surprise too many people. On two of these acquisitions, I'm led to believe the purchasers did not look at any infrastructure - just the grass and water - and made offers pretty well on the spot and for either early settlement or at least access rights to get hungry mouths onto good grass.

Good luck to the vendors of such property, however a return to normal seasonal conditions and general rain will take out this buyer bias in some of these areas which will, in all likelihood, see values on forward transactions below some of the current rates being paid. The value of engaging an independent valuer in a transaction assists parties to understand long-term value. This helps set aside the motivation of a buyer or seller in a sale and can be a valuable insight for future value movements.

Tim Lane
National Director - Rural

North and South Coast NSW

Oysters: The NSW Oyster Aquaculture industry has experienced a significant change over the past 12 to 18 months with capital investment from the NSW government and co-investment funding from First State Super into Australia's Oyster Coast (AOC), a collective of oyster farmers along the NSW coast. In addition to the funding into AOC, there has been increased investor interest that appears to be targeting operations that are well managed, have relatively modern oyster lease development and are of a larger scale.

The industry was once dominated by somewhat relatively small-scale ad hoc approaches to the overall oyster operations, which is still evident in some estuaries, however the introduction of the NSW Oyster Industry Sustainable Aquaculture Strategy and development of Environmental Management Systems covering specific waterways has led to these operations having to become responsive and develop into coordinated, efficiency-oriented businesses that operate toward best practice standards.

It may be viewed by some of the smaller operators that this increasing set of operating requirements

may act as a constraint, however for others it will provide a clearer pathway for implementing appropriate practices that in the longer term should provide an improved return on investment.

The industry has also seen more investment into improved production techniques such as new production materials and oyster culture technology. Operations that have upgraded to the more modern production techniques are proving to be more sought after by the competing larger operators looking to expand.

Mildura

We have seen a lower volume of rural sales during the first half of 2019, which is not surprising given the extremely dry start to the year. However there is evidently still demand for better standard rural assets, and the sales which we have seen suggest values are holding at similar levels to 2018.

A well managed 131-hectare wine grape vineyard located to the north of Mildura has recently sold at levels which show an average \$32,250 per hectare for the area planted to vines. The vineyard has a history of good yields and relatively low costs, but also contains a high percentage of Chardonnay, which currently offers lower returns per hectare than most other varieties. The lower Australian dollar is helping maintain stronger prices for wine grapes and there is a feeling of optimism that returns will continue to improve.

The table grape industry has enjoyed another successful harvest, with fruit quality mostly good and strong export prices. We expect to see growers continue to plant new varieties, which will see ongoing demand for the remaining vacant land parcels in the irrigation districts. A corporate buyer recently acquired an 85-hectare aggregation in the Red Cliffs district, planted mostly to table grapes

Month in Review
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RURAL



but also with some wine grapes, at a price which equates to around \$80,000 per hectare for the better table grape varieties and between \$27,000 and \$36,000 per hectare for the area planted to wine grapes.

The much higher cost of leasing irrigation water compared to levels applying up until mid-2018, is expected to see buyers remain cautious about committing to large scale, greenfield developments. This position could change if we see a wetter than average winter and spring in the Murray River catchment, however there is increasing commentary around whether the Murray Darling basin can supply additional permanent tree crops. It is likely that we will see much less greenfield development over the next few years.

Nearly all of the Mallee has been dry sown to cereal crops this season, many of which are just starting to emerge following some rain in early May. We would expect to see few sales in the Mallee between now and November, with confidence levels (and bank balances) heavily dependent on how the coming season unfolds.

Darling Downs

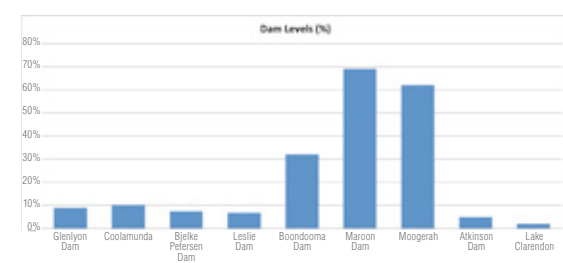
The market continues to tick along with a number of transactions occurring for both traditional family scale grazing or mixed farming assets. There has also been some corporate activity in the broadacre farming space, albeit low. The market is however considered to be influenced by the lack of supply which in part is underpinning land values.

It is a common theme where those purchasers of country have previously attempted to acquire land either by auction terms or private treaty but missed out due to strong buyer competition or more favourable contract terms such as a cash offer. As a consequence, many of the sales over the past 12

As a consequence, many of the sales over the past 12 months have been acquired by anxious purchasers.

months have been acquired by anxious purchasers with the sole objective of securing country and moving forward with their business plans and objectives. We note that in recent times, it has been the clients asking us as valuers what the market is doing given there are some mixed signals that may be suggesting we are at or near the peak.

The dry seasonal conditions are definitely on the minds of many cattle and broadacre producers. Despite some reprieve in seasonal conditions in late March, there isn't a solid body of feed now leading into drier winter months. Some areas particularly on the southern Downs and around Westmar haven't received enough rain to create run-off to fill low dam storages. Therefore, the prospect of a difficult winter ahead is a concern for many. To highlight the lack of run-off generally in the south-eastern part of the State, the graph identifies the various dam storage levels as of late May which support irrigators, graziers and various town communities.



On the transaction side, we have seen strong interest for quality farming country south of Toowoomba with the sale of Willow Springs, a 110.4 hectare holding, developed to irrigated farming with sound structural improvements

and well-presented. The holding has both ground water and an allocation entitlement from Kings Creek of combined 174 megalitres. The property sold for circa \$24,900 per hectare to a local small cropping enterprise seeking additional land. The much-speculated sale of Pony Plains to the west of Wandoan sold under action terms on 29 March for \$13.3 million or \$3,322 per hectare (\$1,344 per acre). This is a 4003.59 hectare mostly Brigalow scrub that had significant coal seam gas development including a worker's camp. The marketing agent for the property indicated that compensation payments received over a five year average were circa \$1 million per year. The sale did include an attractive income stream which appears to reflect a premium. Broadly in the market as the gas industry has transitioned from development to operation, landholders who have negotiated strong annual compensation payments have the potential to achieve increased values. A compensation payment normally accounts for the initial disturbance head of claim, which is considered to have the greatest impact



Source: HTW



at the development stage as wells are drilled and connected to gathering lines etc. Once the infrastructure is in place and the grazing business is back to a similar operation, the impact is considered much less intrusive.

It is very difficult to achieve the same level of return per hectare under a grazing operation compared to the compensation received for the land developed to wells or other infrastructure. Hence why similar compensate payments to landholders can be considered a benefit due to providing a secondary income stream which is not subjected to seasonal conditions or commodity market prices.

North and North West Queensland

Grazing property market dynamics are evolving rapidly in the wake of the shock of the monsoonal events earlier this year.

At this stage of 2019, 13 cattle stations have sold and at least three more will be sold while this article goes to press.

In 2018, 26 cattle stations sold across north and north-west Queensland.

The year on year north and north-west Queensland grazing property market score card is as follows (table right).

Downs - Winton, Hughenden, Julia Creek, Kynuna

Busiest market area in the year to date. Vendors have taken the opportunity to exit while there was good demand post the monsoonal event in the first week of February.

There was a narrow gap before it rained down towards Longreach, then towards Springsure and then Cunnamulla. In that gap, this district was riding the crest of opportunity for sales activity.

LANDFORM	YEAR	NUMBER OF SALES	BOTTOM \$/HA	TOP \$/HA
Downs - Winton, Hughenden, Julia Creek, Kynuna	2019 (year to date)	9	\$308	\$432
	2018	11	\$239	\$358
	Year on year change:		129%	121%
Downs - North of Hughenden (not basalt) to Julia Creek	2019 (year to date)	Nil		
	2018	2	474	492
Mixed sweet channels/downs/breakaways over the Diamantina River (Middleton/Boulia/Dajarra)	2019 (year to date)	2	46	83
	2018	2	88	148
	Year on year change:		Unreliable (too much land type variation)	
Cloncurry and Gulf of Carpentaria	2019 (year to date)	Nil		
	2018	Nil		
	Year on year change:		Tightly held. Strong local demand.	
Desert Uplands	2019 (year to date)	1		\$186
	2018	2	\$96	\$389
	Year on year change:		Unreliable (too much land type variation)	
South of Charters Towers to Belyando River	2019 (year to date)	1	Nil	\$738
	2018	1	Nil	\$641
Change			Nil	115%
North of Charters Towers and Hughenden (inc basalt) to Mt Garnet, Georgetown, Einasleigh	2019 (year to date)	5 (not including Defence acquisitions)	\$34	\$327
	2018	8	\$57	\$583
	Year on year change:		60%	56%
Croydon, Normanton forest	2019 (year to date)	Nil		
	2018	1	\$30	

Interest and enquiry came from central Queenslanders, southern Queenslanders and Northern Territorians.

As it turns out, only one-third of these sales in this region were local buyers, one buyer is from the Northern Territory and the rest (almost two-thirds) are central Queensland operators.

Now that it has rained to some extent in these other areas, the spotlight will dim somewhat in this region and the spike will be over.

Grass growth was not as prolific as first expected.

Initially the broader cattle industry sought to agist in this area. When the cattle market dropped further at Roma, New South Wales and in the Northern Territory, local graziers saw the opportunity to acquire drought priced stock and do a trade.

Some local graziers did not take agistment on or do a trade. They calculated that with the grass that actually grew, the grass budget matched the post flood cattle numbers and chose to play the sit card.

Going forward, due diligence will need to be prudent for both vendors and buyers. The price ranges have risen strongly by 21% to 29% year-on-year. Given that a portion of the market sales last year were already driven by grass demand, then both the buyers and the vendors should be prudent in the forthcoming price negotiations.

From here, the market has a choice:

1. Take a breath – no sales get over the line for the rest of the year;
2. Rationalise – vendors recognise that this was a rare event and lower their pricing to last year's levels (or lower); or
3. Given the broader regional perception that this market area is so much cheaper than that black



It is interesting to note that the forest country hectare rates in recent years have risen to those similar to downs country.

soil stuff in central and southern Queensland, trot ahead and grow from here!

Now that the election is over, may the free market decide!

Both buyers and sellers need to be seriously prudent in this next market phase.

North of Charters Towers and Hughenden (including basalt) to Mt Garnet, Georgetown, Einasleigh

This market area sold well last year. For years, there had been a limited number of transactions, particularly in the basalt areas.

Last year did see some grass buying from out of district buyers (drought affected central Queenslanders), however mostly the buyers were locals taking the opportunity to acquire more good country.

This has happened again this year with most buyers being local districts and just a couple of southern buyers. There has been interstate enquiry. Only one of these has gone to contract at this stage.

Demand is moderate (for second grade country) to strong (for blue ribbon country) for breeding stations in this area. Given the dry conditions in the south, the higher and more reliable rainfall in the north is attractive.

Defence has acquired cattle stations in the Greenvale area for the purpose of establishing the Singapore Training Area. The vendors may well enter the market over the next two to three years.

It is interesting to note that the forest country

hectare rates in recent years have risen to those similar to downs country. The quality of forest country and apparent seasonal safety of the region have been contributors.

Forest country hectare rates vary so much with land classification, land condition and infrastructure. This makes the score card look like the lower end value rate has softened. This is only because there is a contract on some lighter granite country at present, yet there wasn't a similar type sale last year.

The top of range hectare rate from last year has yet to be surpassed this year.

Given the interest in Baronta Park (Prairie), Rocky Springs (Mount Surprise) and Reedybrook (Greenvale), the top of the range hectare rate parameter is likely to be set very shortly.

It is likely that there will be another six sales in the area too as the year progresses.

Once these sales occur (three named, three are quiet at this stage) then the parameters for the score card will certainly confirm last year's value rates and perhaps a steady value rate rise at year end.

Overall

Across the north and north-west, the year did get off to a wild start. However, the property market has been busy to say the least.

As the year progresses, there are another nine cattle stations that are likely to sell this year.

No doubt there will be a couple of quiet sales that fly under the radar.



In all, this will result in a similar number of cattle station sales for this year as last year.

The variance will be in the pricing:

- A. There is a risk of some price rationalising in the downs;
- B. It appears that once the expected sales in the forest country to the north of Charters Towers and Mount Garnet, Mount Surprise, Georgetown and Einasleigh settle, then existing value rates from last year will be upheld and perhaps reveal a steady growth rate.

Central West Queensland

Severe drought conditions over much of Queensland has seen attention focused on properties which have some grass reserves, particularly in central western and north-western Queensland.

Very strong demand saw a rush for grass for properties selling with adequate pasture reserves. 13 properties in the central western Queensland region have sold in the past three months, compared to 19 sales for the whole of 2018. Values are well above previous levels by up to 25% or more for the odd isolated sales.

We are of the opinion that values are at or near a market peak and we caution that this possibly brief period of strong demand could be a short-lived price spike.

However, given the widespread drought conditions that have been and still are being experienced over much of the region for the past five to seven years, maybe the region's values are just playing catch-up to other areas of the state. Lack of grass has certainly prevented some producers from listing their properties for sale, but reasonable rainfall in some areas of the central west has given those

producers wishing to sell an opportunity to get out.

Initial demand was from drought-stricken producers in the Northern Territory and Queensland, with some New South Welshmen now heading north. Some properties have sold to sheep producers for the first time in nearly 30 years.

Some of the recent sales have been to producers who have had expansion plans in mind, but drought conditions have brought matters to a head earlier than expected. Therefore, once seasons return to widespread favourable conditions, a lot of these recent sales may not hit the market again in the short-term.





Property Market Indicators

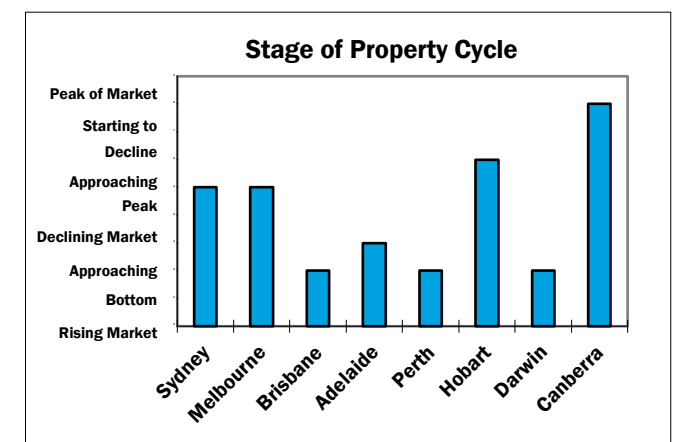
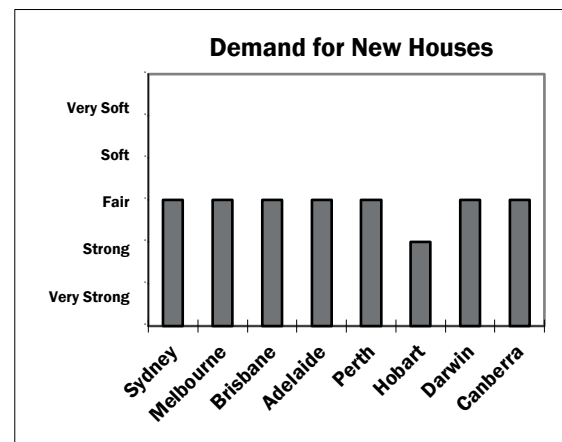
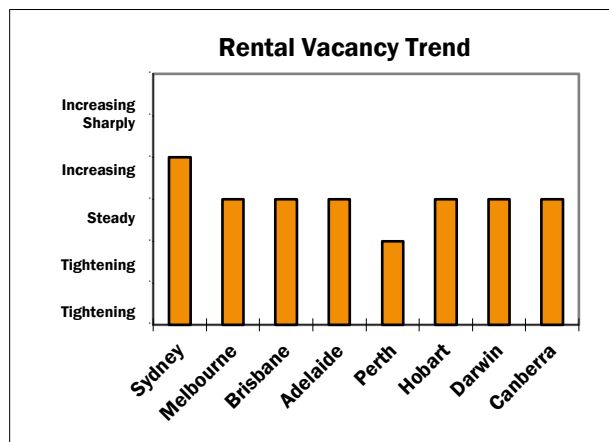
June 2019

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	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Tightening	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Strong	Fair	Fair
Trend in New House Construction	Declining	Steady	Increasing	Steady	Increasing	Steady	Steady	Declining
Volume of House Sales	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Declining market	Bottom of market	Rising market	Bottom of market	Approaching peak of market	Bottom of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Frequently	Frequently	Occasionally	Occasionally	Occasionally	Occasionally

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

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

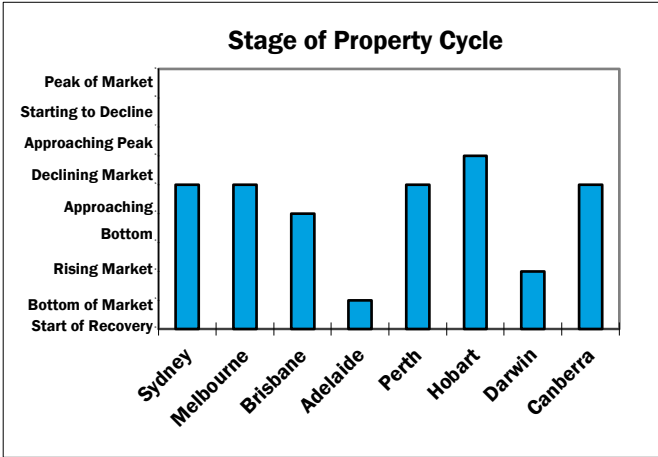
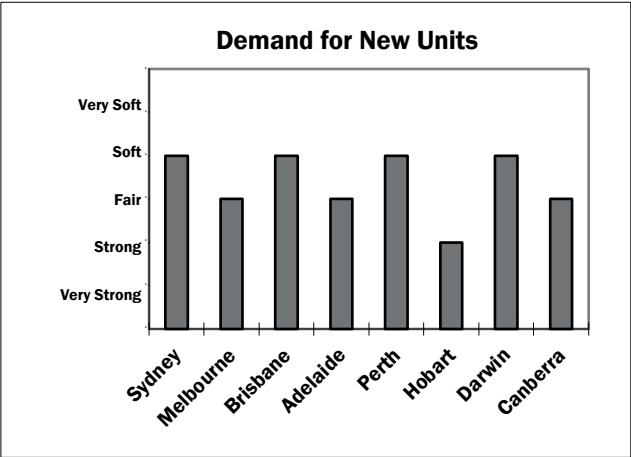
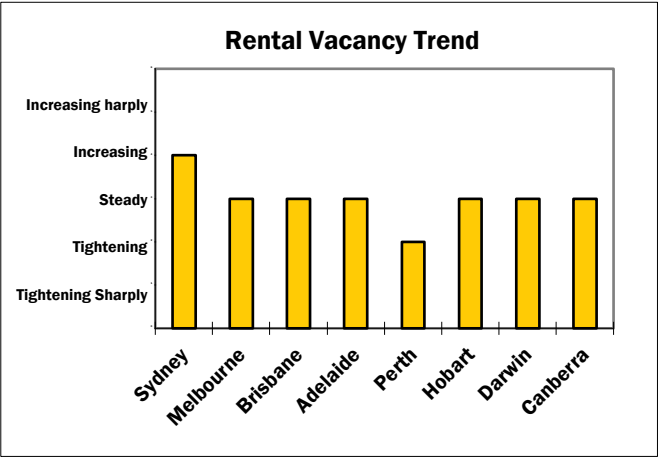


Capital City Property Market Indicators – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Tightening	Steady	Steady	Steady
Demand for New Units	Soft	Fair	Soft	Fair	Soft	Strong	Soft	Fair
Trend in New Unit Construction	Declining	Declining	Steady	Steady	Increasing	Steady	Declining	Declining
Volume of Unit Sales	Declining	Steady	Steady	Steady	Declining	Steady	Declining	Declining
Stage of Property Cycle	Declining market	Declining market	Approaching bottom of market	Start of recovery	Declining market	Approaching peak of market	Bottom of market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Very frequently	Frequently	Frequently	Occasionally	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

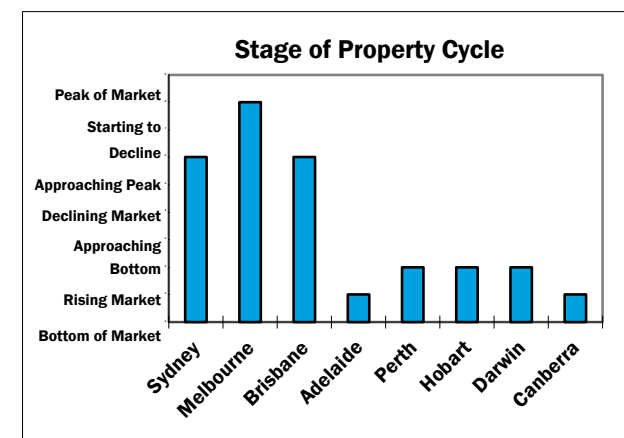
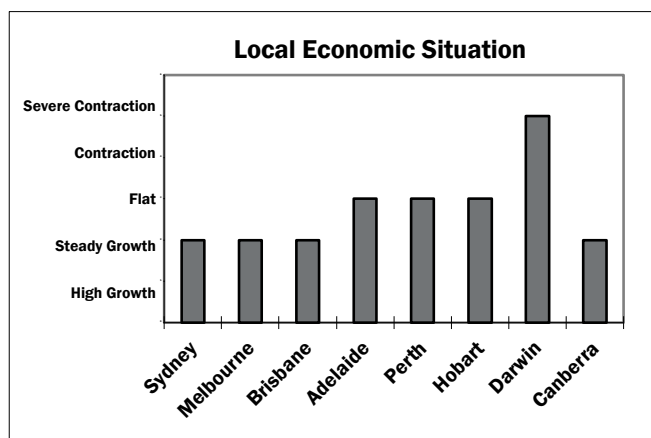
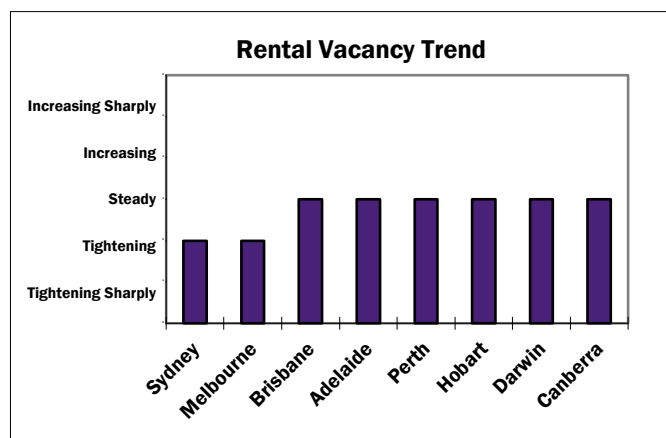


Capital City Property Market Indicators – Offices

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

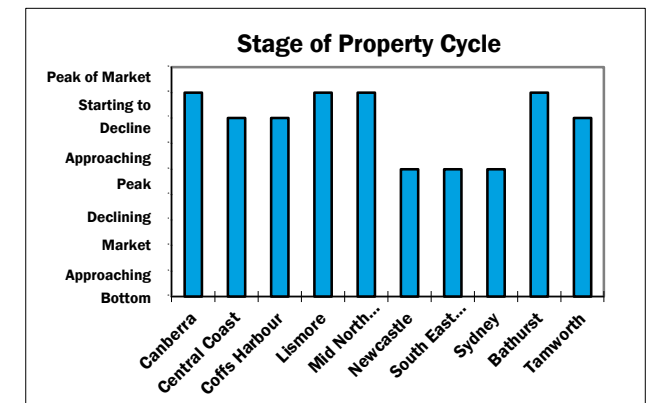
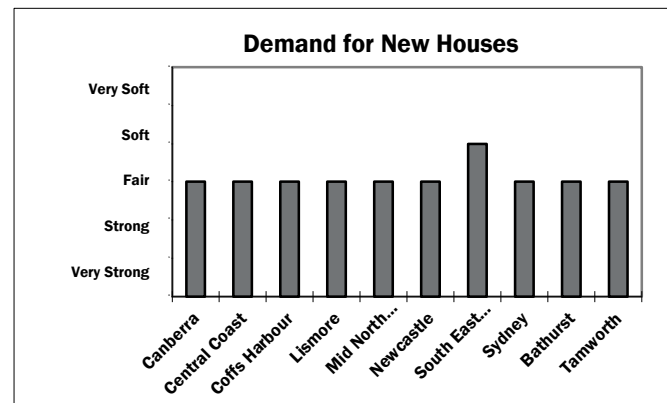
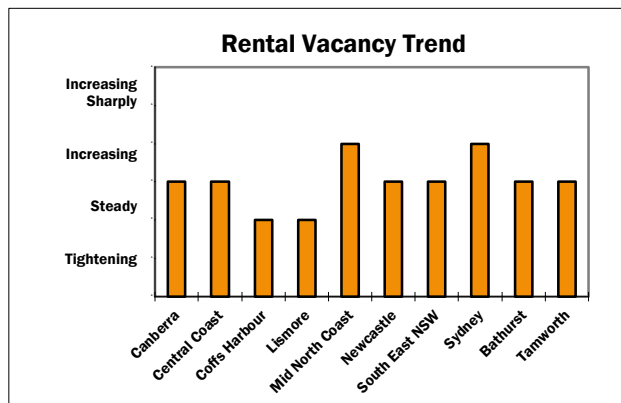


East Coast New South Wales Property Market Indicators – Houses

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

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

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

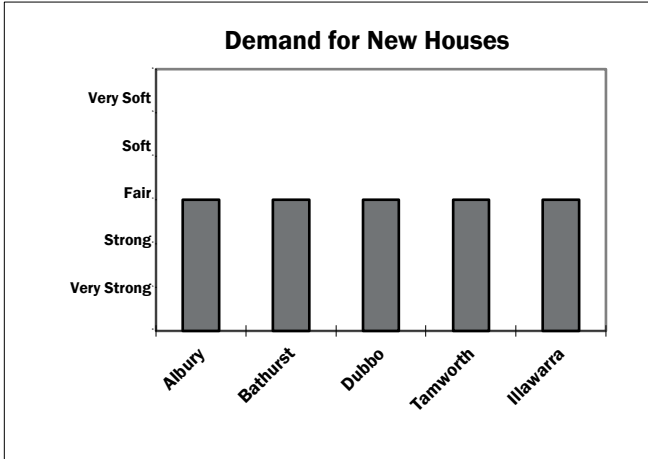
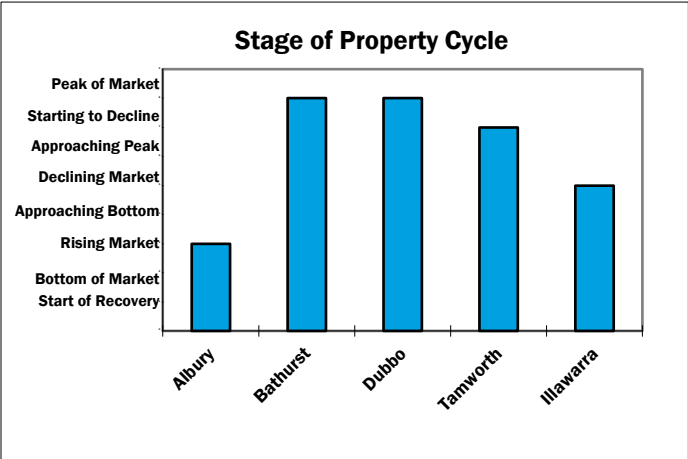
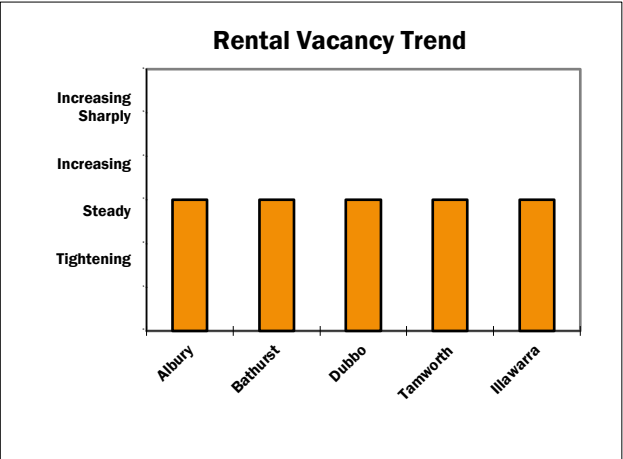


Country New South Wales Property Market Indicators – Houses

Factor	Albury	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Strong	Fair	Fair	Fair	Soft
Trend in New House Construction	Steady	Declining	Steady	Declining	Declining
Volume of House Sales	Steady	Steady	Increasing	Steady	Steady
Stage of Property Cycle	Rising market	Peak of market	Peak of market	Starting to decline	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Very frequently	Occasionally	Frequently

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

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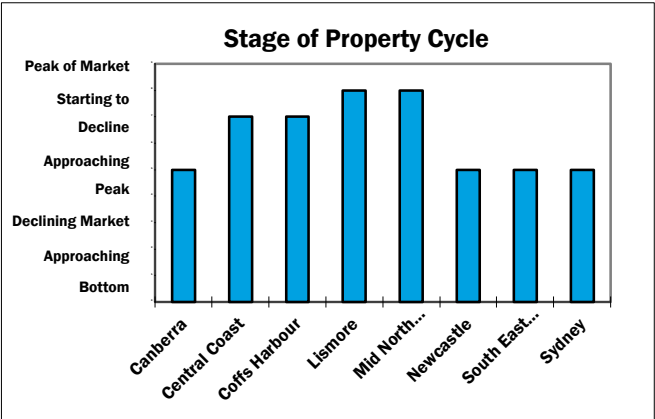
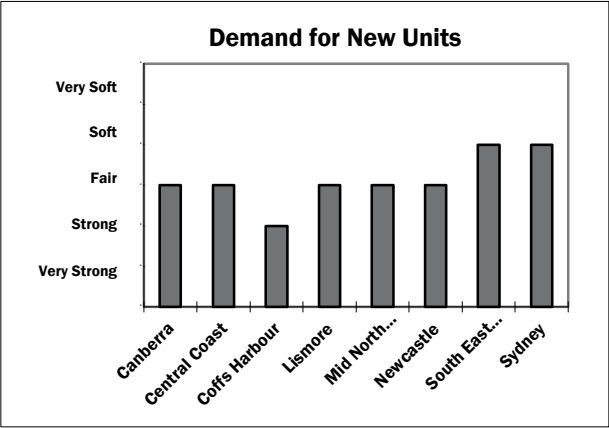
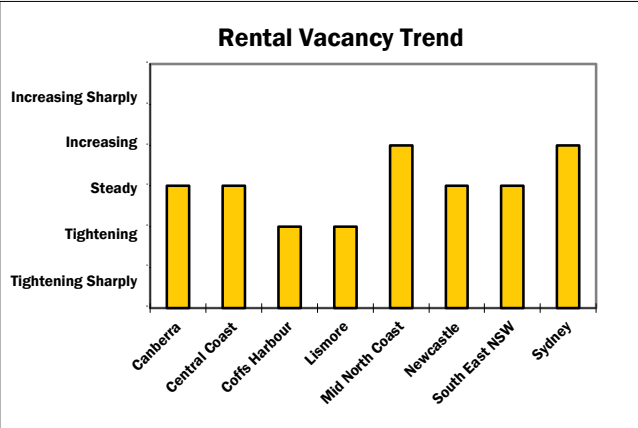


East Coast New South Wales Property Market Indicators - Units

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

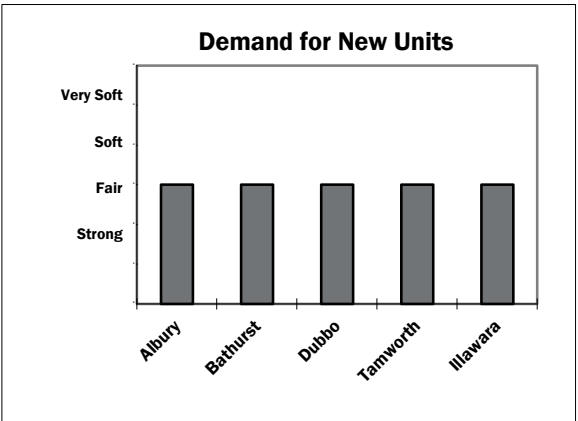
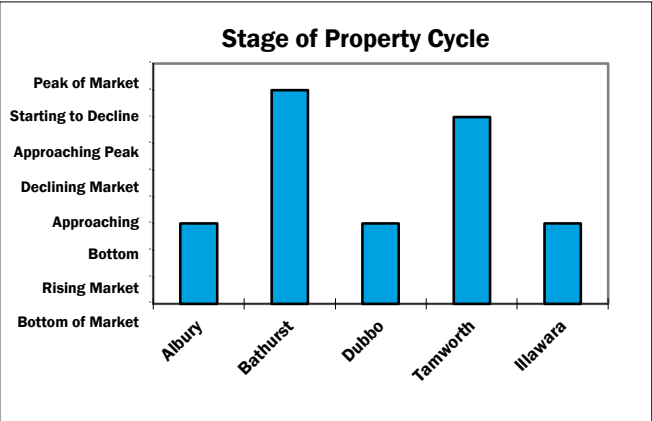
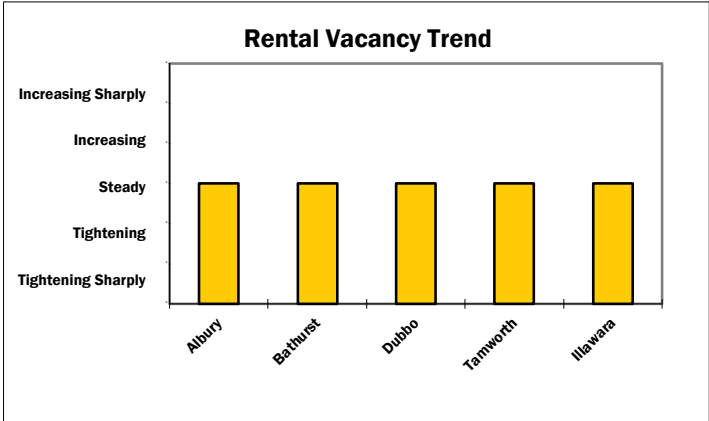


Country New South Wales Property Market Indicators - Units

Factor	Albury	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Soft
Trend in New Unit Construction	Steady	Increasing	Declining	Declining	Declining
Volume of Unit Sales	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Rising market	Peak of market	Rising market	Starting to decline	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	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

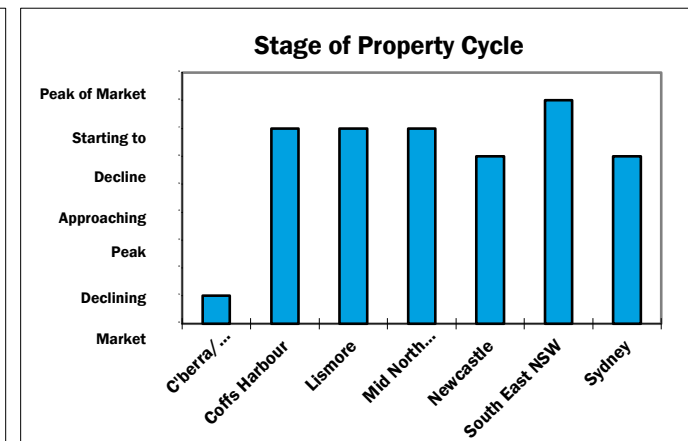
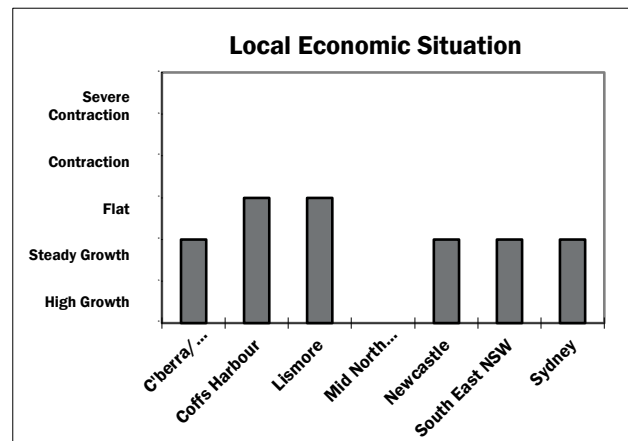
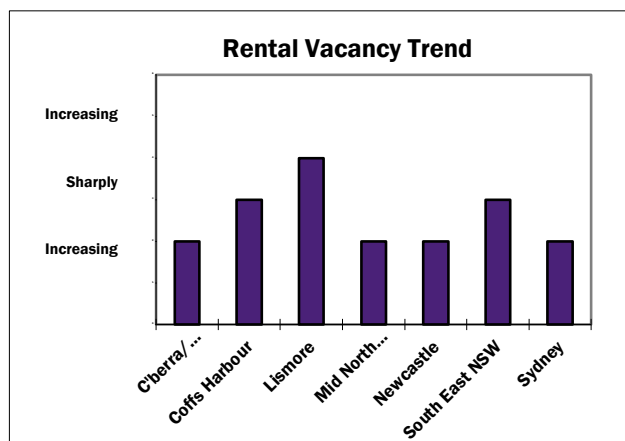


East Coast & Country New South Wales Property Market Indicators – Offices

Factor	Canberra	Coffs Harbour	Lismore	Mid North Coast	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Steady	Increasing	Tightening	Tightening	Steady
Rental Rate Trend	Increasing	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Increasing	Steady	Steady	Declining	Declining	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Starting to decline	Starting to decline	Starting to decline	Approaching peak of market	Peak of market
Local Economic Situation	Steady growth	Steady growth	Flat	Flat	0	Steady growth	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Large	Large	Significant

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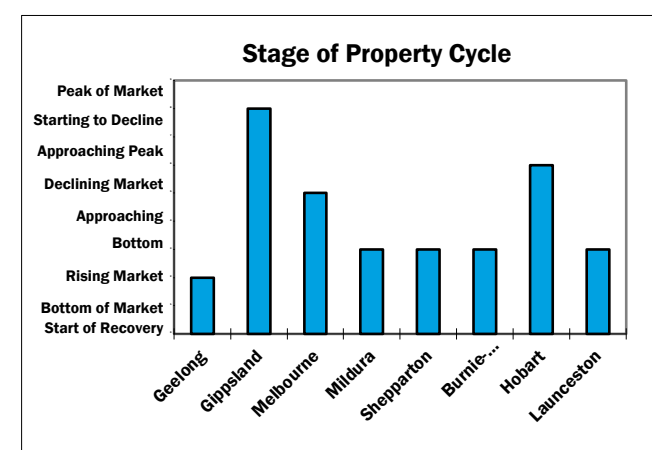
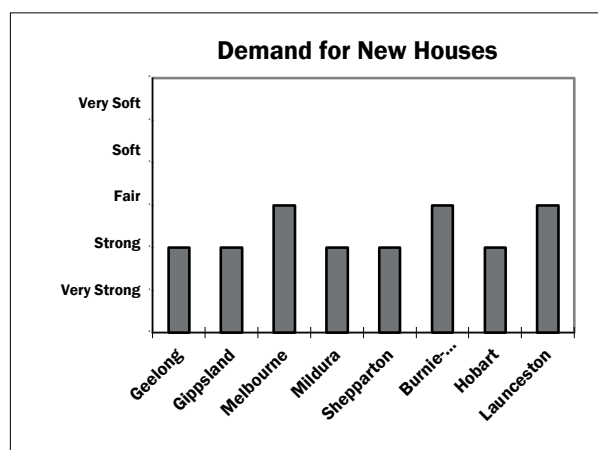
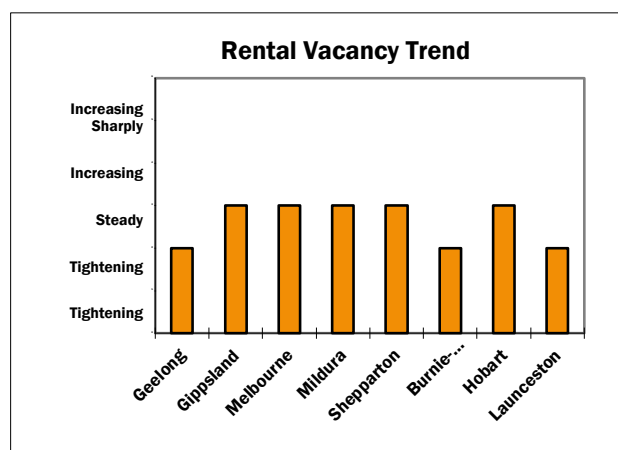


Victorian and Tasmanian Property Market Indicators – Houses

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

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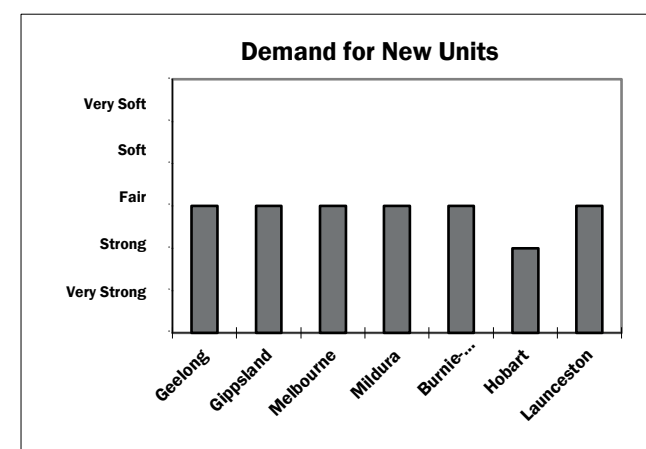
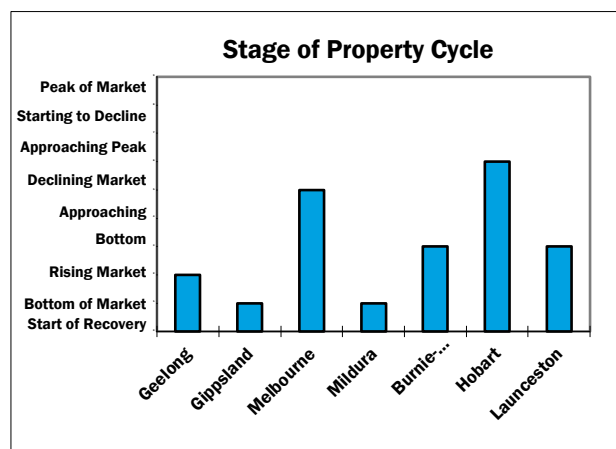
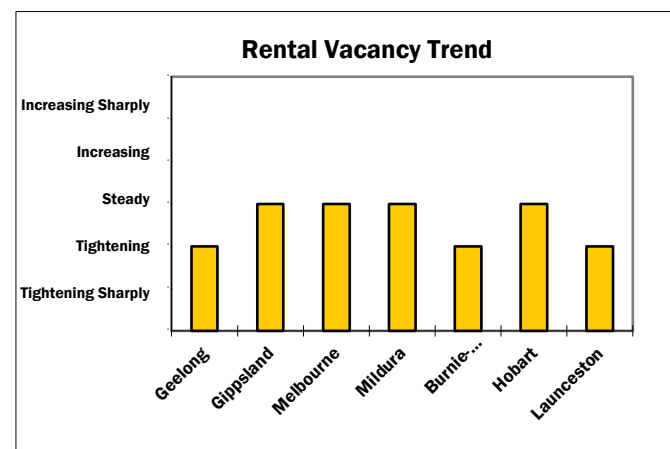


Victorian and Tasmanian Property Market Indicators – Units

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

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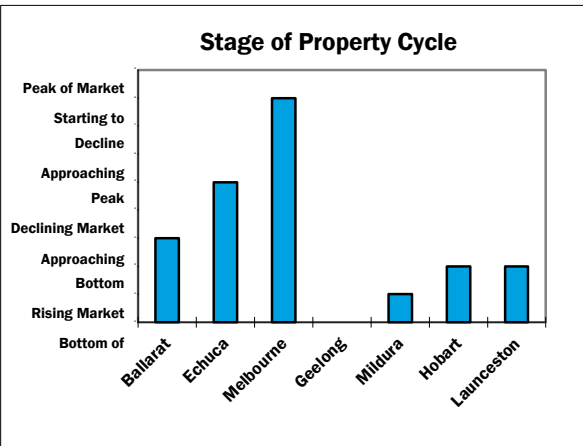
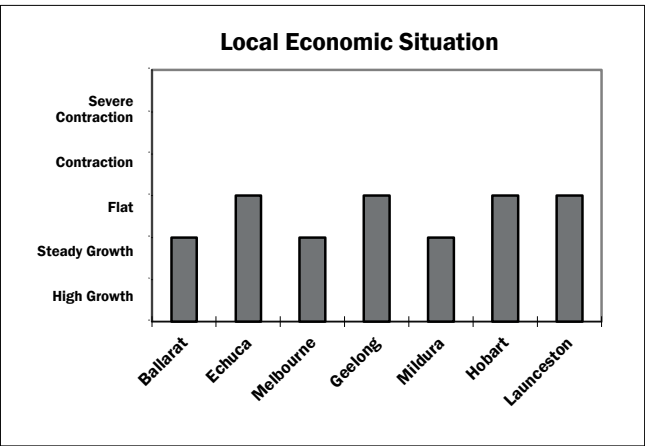
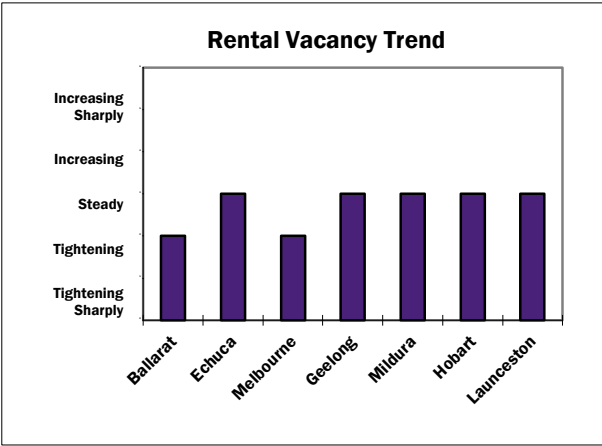


Victorian and Tasmanian Property Market Indicators – Offices

Factor	Ballarat	Echuca	Melbourne	Geelong	Mildura	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	Over-supply of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Tightening	Steady	Steady	Steady	Steady
Demand for New Houses	Increasing	Declining	Increasing	Stable	Stable	Declining	Declining
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady	Steady	Steady
Volume of House Sales	Rising market	Declining market	Peak of market	Approaching peak of market	Start of recovery	Bottom of market	Bottom of market
Stage of Property Cycle	Steady growth	Flat	Steady growth	Steady growth	Steady growth	Flat	Flat
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Small	Small	Small	Significant	Significant	Significant	Significant

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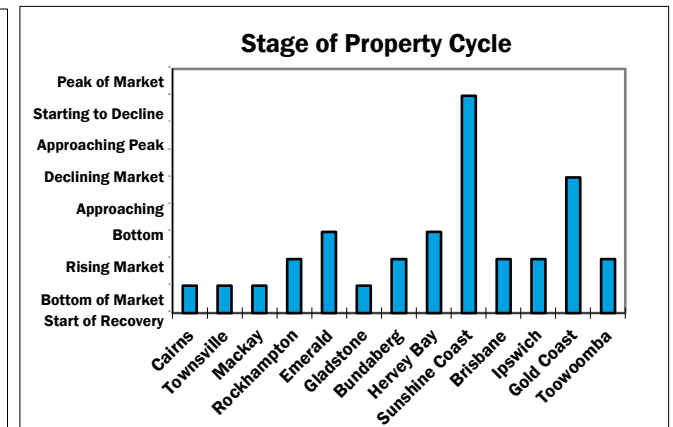
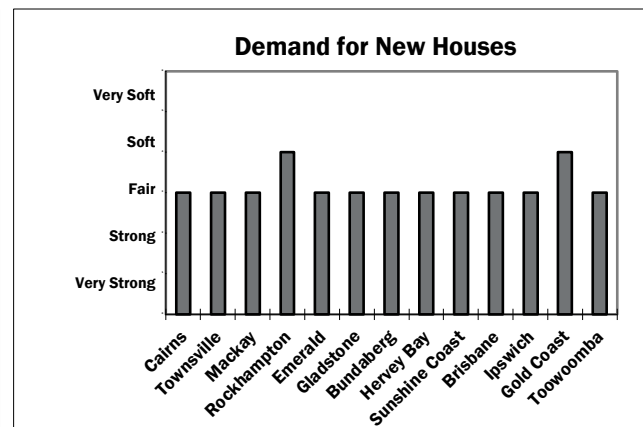
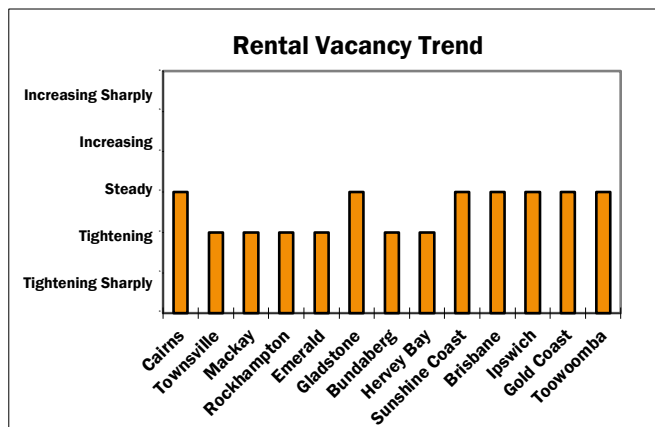


Queensland Property Market Indicators – Houses

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

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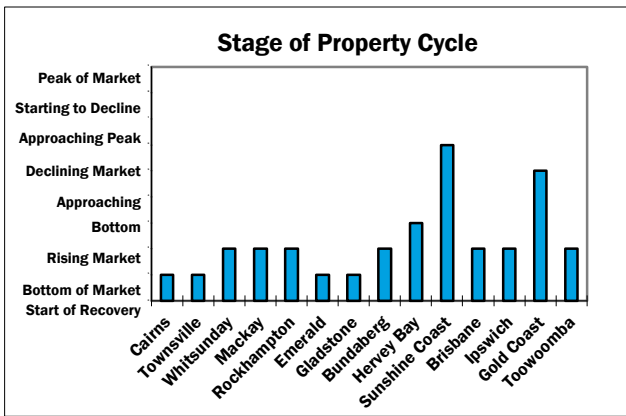
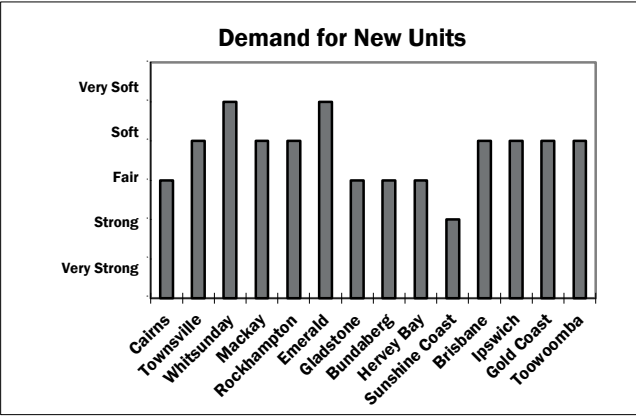
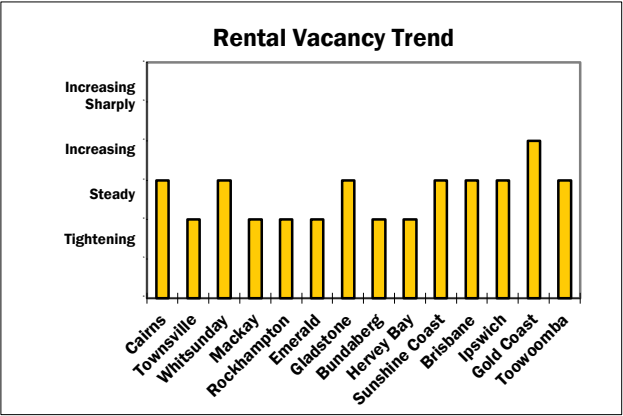


Queensland Property Market Indicators – Units

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

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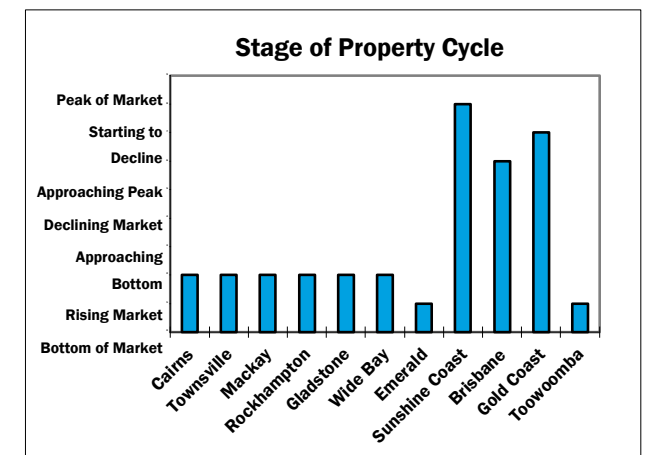
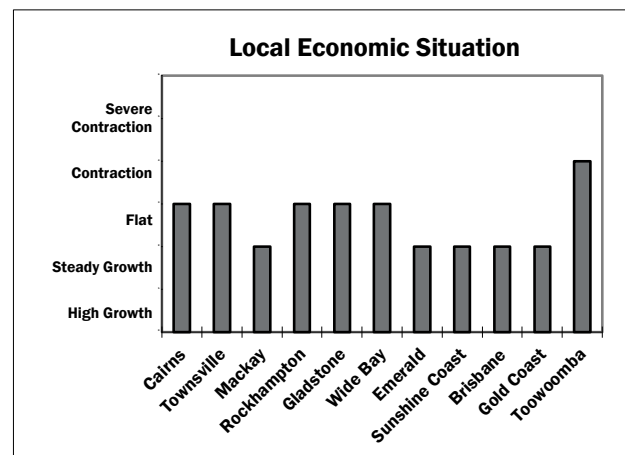
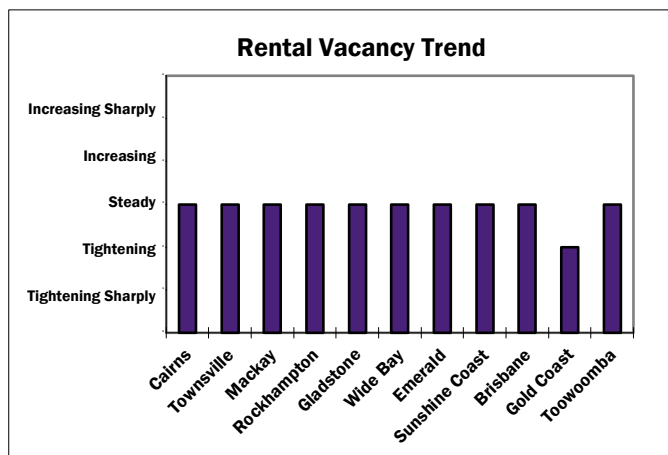


Queensland Property Market Indicators – Offices

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Emerald	Wide Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
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	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Tightening	Steady
Demand for New Units	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Stable	Stable
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady
Volume of Unit Sales	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Start of recovery	Peak of market	Approaching peak of market	Starting to decline	Start of recovery
Stage of Property Cycle	Flat	Flat	Steady growth	Flat	Flat	Flat	Steady growth	Steady growth	Steady growth	Steady growth	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Small	Significant	Significant	Significant	Small	Significant	Small	Small	Significant	Small	Significant

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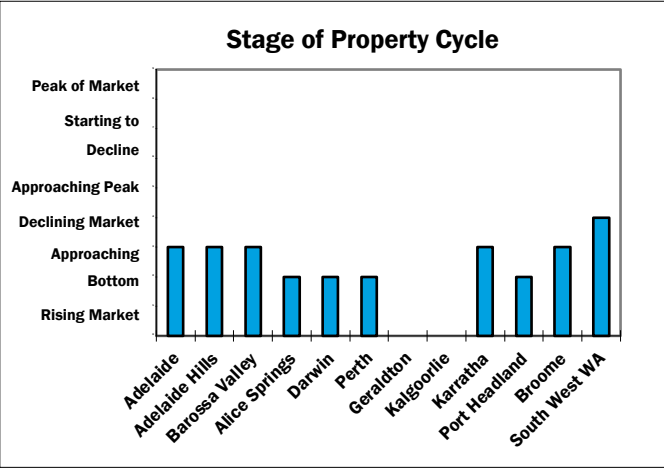
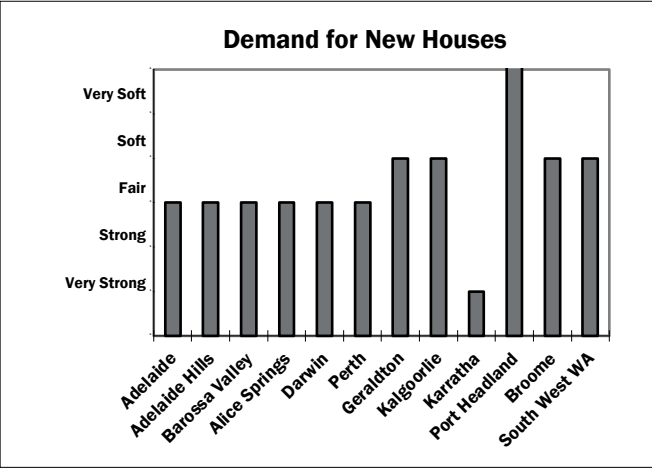
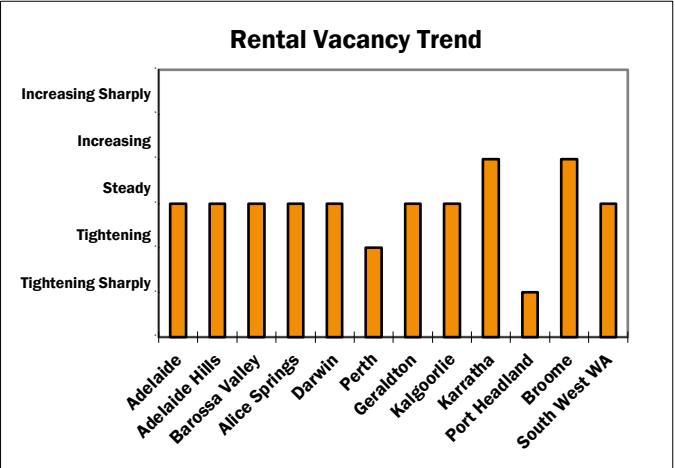


SA, NT and WA Property Market Indicators - Houses

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

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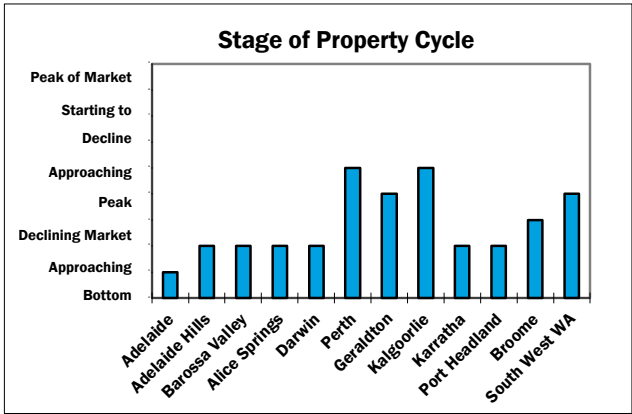
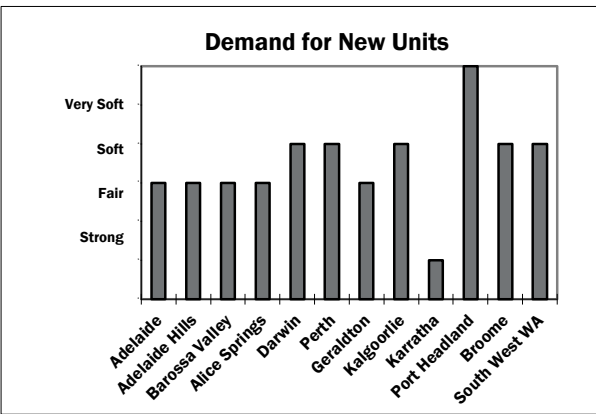
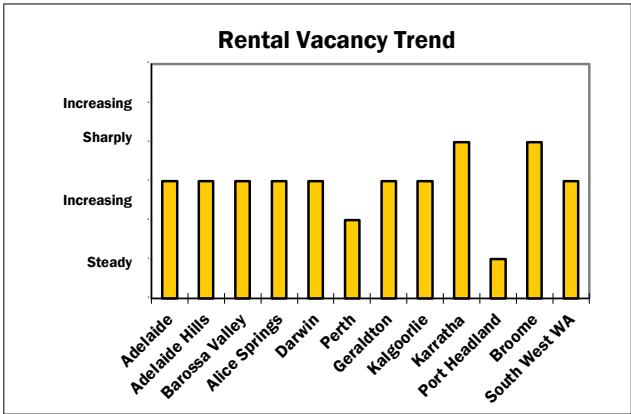


SA, NT and WA Property Market Indicators – Units

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

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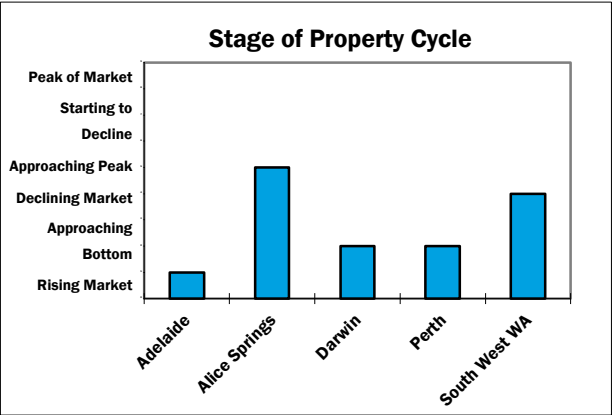
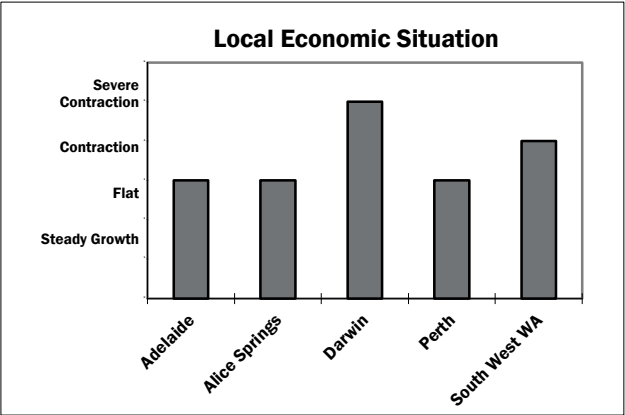
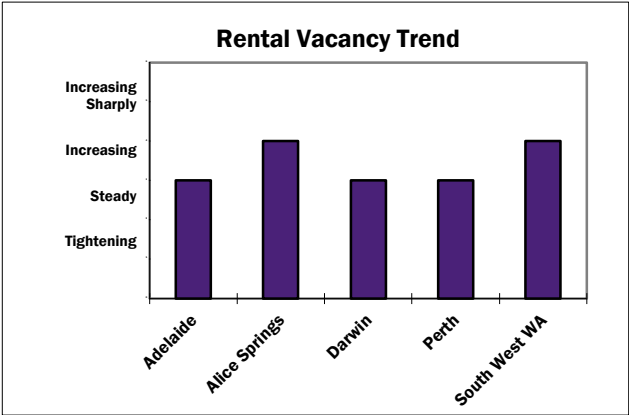


SA, NT and WA Property Market Indicators – Offices

Factor	Adelaide	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
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Increasing
Demand for New Units	Stable	Declining	Stable	Stable	Declining
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Declining
Volume of Unit Sales	Start of recovery	Declining market	Bottom of market	Bottom of market	Approaching bottom of market
Stage of Property Cycle	Flat	Flat	Severe contraction	Flat	Contraction
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Large	Small	Large	Large	Small

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