The month in *review*

MAY 2009




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Herron Todd White

Independent Property Advisors

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Construction costs in a GEC

Feeling a bit giddy? A little unsteady on your feet? Looking for something (or someone) to cling to? You ain't Robinson Crusoe there my friend. Let's get hip and start calling it a GEC for the sake of style and word count. Just when you had started donning a slightly disheveled demeanor while wearing a constant frown and casting your eyes towards the footpath in our financial districts, some pundits began claiming the worst may be over and that the stock market is a promising vehicle for wealth. So you look up, affix a slight grin and begin wondering where you hung your technicolour dream coat only to read that there's plenty more bad news to come… so stop getting so uppity Mr and Mrs Goodtimes!!

If there are lessons to be learnt from this GEC it will be resilience and stability. Keeping a cool head, thinking long term and holding steady – feel free to insert your own cliché here - should hold us in good stead during this long winter.

One area of our industry hearing the melody of the borrower's lament is construction. Forget about the Macquarie Bank being the millionaire's factory, during our recent gold market run there appeared to be plenty of tradies sizing up a new V8 while some head contractors and developers wondered if 20ft was really too big for a weekend fishing boat – I mean, you need room for the helipad don't you?!?

OK, so I may exaggerate, but there is no doubting that new home construction has been one of the boom areas in recent good times and competition for labour and materials became tougher and tougher. Since the recent economic rogue wave unsettled the ship towards the end of 2008, we have been trying to regain our sea legs and construction has been amongst those areas dealing with a swirling stomach.

The market has, in general, seen terrific impetus from first home buyers. Flush with grant cash and full of youthful enthusiasm untainted by life's hard injustices, these buyers have been driving the market like a freshly paid off credit card. Some of our more savvy developers rose to the opportunity with small lot house and land product made available at sub $400,000. But these young upstarts are mostly unable to afford some of the higher end construction prices that will be needed to sustain the industry in general. Naturally, activity has slowed but no-one is launching the lifeboats just yet.

This Month In Review takes a look at what it costs to build in spots around the nation. We asked our offices to dwell on how construction costs are gauging our uncertain monetary environment. To give a little perspective, we employed some distance by asking our sages to look back at our July 2007 issue where we covered the same subject and compare what's happened over the past two very "interesting" years.

Our commercial section took a stab at the office market this month and drew their own conclusions on how construction costs have stood up against the economy's uncertainty. The commercial girls and boys have come up with some engaging perspectives on the hows, whys and wherefores of their own sectors. The reasons behind some of the difficulties in the construction of new offices provide for some highly important insights.

This month's issue is a particularly handy one to keep in the glovebox and pull out before dinner parties. Not only is it a ready-reckoner on how much to spend come your next monolith, it provides plenty of historic insight on just how we got to where we are and, in some cases, where we might be headed. Just the fodder to have you labeled behind your back as an engaging and entertaining dining companion – but remember to keep hush hush on where you got the good oil and don't forget to call you nearest Herron Todd White office to find out the latest lowdown before you affix your bowtie and cummerbund.

Chin, chin all.

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Residential Overview

Construction costs had seen mostly upward movement in recent times as competition for labour and materials got fierce. Anybody good with their hand and holding a ticket could ply their trades around the country and earn a very decent income. Demand for skills wasn't just high within the industry itself with plenty of able bodies trying their hand in the mining sector. In addition, the industry was dealing with sourcing reasonably priced materials all of which put upward pressure on construction contract prices.

Things appear to have changed somewhat and the building industry is beginning to take account. Results in response to the GEC are at times mixed, but most agree there has been a change in the wind. As well as the historical musings, this month's issue highlights the importance of the First Home Owners Grant on most markets as well as the wide variations in costs that can occur based on geography. Now also appears to be a time when those building a home need to take a conservative outlook and avoid overcapitalisation.

Sydney & Wollongong

BUDGET

Predominately, the budget end of the Sydney residential building market is located in western/north western suburbs, obviously where there are larger tracts of land suitable for subdivision.

The majority of new dwellings are of brick veneer construction, some rendered and limited cavity brick. Dwelling sizes range from 125 to 400 sqm, with additional areas for garaging (generally 33-45sqm) and entertaining areas. The most popular 'model' is the age old 4 bedroom, 2 bathroom, 2 car single or double storey dwelling, with the garage thrust to the front of a generally 300-500sqm block. Rows and rows of these project homes give rise to the 'McMansion' tag.

Building costs have risen compared to 2007 due to inflation.

Our research of contracts show that current costs per square metre range from $750/m2 to $1,300 m2, excluding garaging. And if you want it tricked up (better appliances, higher ceilings, upmarket inclusions), be prepared to pay per square metre.

Within the last 18 months, building activity has slowed down, which has seen a few building companies in trouble. This reduces the choice and competition and it is making it harder to find available builders. Consumer confidence is also down and wary due to these failures.

Lately, due to the increase of the First Home Buyers Grant, vacant land sales have had a boost, auguring well for increased building activity in the next 6 to 12 months. We are already seeing that, miraculously, building prices have risen to meet the increased funds available to new buyers.

MID MARKET

These houses are typically of cavity brick construction (compared with brick veneer) with a superior standard of internal finish to the budget end, including stone benchtops, European stainless steel appliances, timber or stone flooring and ducted airconditioning. This type of construction is more common in well established suburbs closer to the city or coast, including parts of the eastern suburbs, inner west and northern beaches.

The mid range of the market building rates, between $1,500 and $2,750/sqm, has remained steady over the past few years.

Notwithstanding the stability of building prices in this sector, since the beginning of the economic downturn in mid 2008 there has been a fall in the number of properties being built.

The increased government incentives for first home buyers in the new home market has not impacted this section of the housing market and the sector is likely to continue to struggle for at least the next 12 months. This is predicted to keep building rates static in the short to medium future.

UPPER END (PRESTIGE)

Whist the impact of the Global Economic Crises has seen a drop in both demand and transacted sales throughout the Sydney and Illawarra residential prestige market, we are still witnessing a reasonable amount of both ongoing new construction, and renovation and extension projects.

Building rates for premium homes continues to range from around $2,500 per sqm, and can easily rise to $8000 per sqm and higher, dependent only upon the imagination and funds of the owner, and skills of the tradesmen, builders, and architects.

Many new construction jobs continue to require the demolition or complete strip and renovation of existing homes, though a large proportion of prestige building activity continues to be for substantial reconfiguration and/or renovation of existing homes, simply due to the mature nature of the Sydney prestige market.

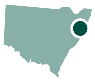
Since our July 2007 Month in Review, one prominent mortgage broker has completed his Point Piper bachelor pad. With an estimated construction cost of around $11 Million, it is one of the most expensive harbourside estates ever constructed in Australia, with a value estimated at around $50 Million. The home includes such luxuries as a 10 car garage, 2200 sqm of total floor space, 6 bedrooms each with an ensuite, internal lift access to all floors, and a landscaping bill of around $1 Million.

More common features in the "everyday" style of executive prestige home include home automation systems, internal lift access, 2 to 4 car basement style garages, high end finishes including marble, travertine's, granites, limestone's, with natural stones being the new flavour. Other features such as fully ducted air-conditioning, underfloor heating, extensive cable and internet wiring, extensive custom finishes, top end bathroom and kitchen fitment and appliances are a must.

Few examples exist in the Illawarra area of this high-end construction, being mainly limited to the northern suburbs, and around Kiama and Berry in the south. The money is generally Sydney based and tend to be either the grand retirement mansion or in some cases a second 'holiday' house. Any of these grand mansions in the Illawarra proper are generally those built by builders for their own home. Notional savings area available to this sector in both labour and materials.

Given Australia's insatiable hunger for the newest and most technologically advanced, combined with the demand for luxury, it is no wonder top end homes continue to morph and expand in budget and specification even with such depressed market conditions.

...we are still witnessing a reasonable amount of both ongoing new construction, and renovation and extension projects.....



Newcastle

Generally speaking, building costs about Newcastle and the Central Coast have firmed over the last 5 years and, while recent building activity has slowed somewhat ,the first home buyers grant of $21,000 + $3,000 from the State Government together with the fact that some builders are no longer operating means that reputable builders are in demand.

Typical onground, brick, 3/4 bedroom + 1 bathroom houses with tile roof and builtin 2 car garage are generally costing from $1,300 (110 sqm living area) to $1,400/sqm (95 sqm living area) to build exclusive outdoor entertaining areas. Such houses generally have laminate kitchen benchtops, standard kitchen PC items and double panel lift garage door.

Mid priced onground, brick, 4 bedroom + 2 bathroom houses with tile roof and builtin 2 to 3 car garage are generally costing around $950 (260 sqm living area) to $1,375/sqm (140 sqm living area) to build exclusive of outdoor entertaining areas. Such houses generally have 2700mm high ceilings, stone kitchen benchtops, stainless steel kitchen PC items and double panel lift garage door with remote control.

High end, architectural style houses can take many forms and can cost from $1,500 to $2,000 per sqm to build exclusive outdoor entertaining areas. Such houses generally have high quality finishes and ducted air conditioning. Floor areas would generally range from 200 sqm (living area) upwards.

Outdoor entertaining areas range from basic spanline covered pergola's with plain concrete floor - $300/sqm through to ceiled verandahs under the main roofline with patterned concrete or tiled floor - $600 to $650/sqm.

All costs include an allowance for site costs providing for the connection of all typical town services.

Southern NSW & Northern Vic

ALBURY

Construction costs Albury/Wodonga :
Basic 3 bedroom 1 bathroom homes \$1000 to \$1150/m^2;
Mid range 3/4 bedroom 2 bathroom \$1150 to \$1300/m^2;
Prestige \$1300 to \$1800+/m^2.

Following the 2007 indicators we have seen a drop in construction costs. This is mainly due to the increase in competition between rival building companies and new players joining the construction market.

As far as construction costs are concerned, labour takes a considerable amount of the pie and fluctuations in the cost and availability of labour can have a considerable impact on total construction costs.

As with previous months' market indicators, most commentary will point toward the downward global trend as a cause of most property headaches. However all the global doom and gloom may be good news for people wishing to construct a new home as labour costs are decreasing due to the increasing availability of workers, coupled with the first-home buyers grant, has seen an increase in the number of budget home constructions

Construction of budget homes appears to be increasing in the Albury suburb of Lavington and Wodonga near the Kendall Industrial park. Mid range and prestige constructions in the local area remain relatively stable.

In the Albury/Wodonga patch it is a relatively easy process to source a builder. With a large number of recognized building companies such as GJ Lewis, Dennis Family, Southern Vale and B & H Homes, finding a construction team is a relatively simple procedure. However, if the large companies don't suffice, a local building team can be assembled from the plentiful range of local trades people.

Construction costs in the local area are predicted to stabilize over 2009, however, with all the uncertainty surrounding the next couple of years. Demand for new home constructions may decrease meaning construction companies may juggle with the idea of decreasing prices to become more competitive.

WAGGA

Current construction costs in all three sectors (budget, medium and prestige) have risen slightly over the past few years with the bulk of construction activity occurring in the budget and medium housing sectors.
Construction cost are currently running at the following levels: Budget: \$1000 to \$1,200/sqm

Medium: \$1,200 to \$1,500/sqm
Prestige: \$1,500 to \$1,700/sqm

Construction activity has slowed slightly over recent months with local builders reporting that increased land prices is making it unviable for them to build/sell house and land packages. However, the construction industry has also had a boost in the less expensive first home buyers market (sub \$300k) with the extra money on offer from the Federal Government. This may change over coming months if the First Home Buyers Grant is not extended. The construction industry in Wagga is underpinned by large national building companies (with the addition of a few large local firms) aiming their products at the budget spec home and medium range markets. We expect that construction costs will continue to increase in the foreseeable future due to the rise in cost of materials and the increase in land prices.

Finding a builder has become easier over recent months which makes a pleasant change from the last few years when builders have been in extremely high demand!

LEETON

The cost of building has continued to climb despite a slowdown in construction activity. Rates for a basic brick veneer four bedroom two bathroom home generally range from \$1,100 to \$1,300, mid range with a few little extras \$1,350-\$1,550 and for those prestige properties \$1,600-\$1,800. Costs keep rising as building materials continue to become more expensive and most builders are reluctant to give themselves a pay cut, despite the slowdown. It is likely that building costs have peaked, established homes are offering stiff competition and the market for new homes in excess of \$350,000 has some very good stock as spec builders are keen to give substantial discounts. The slowdown in new home construction has meant the number of builders doing renovations and extensions on established homes has increased significantly. It is nice for people undertaking renovations and extensions to have choice and this is being reflected in more competitive pricing for smaller jobs.

Regional Vic

ECHUCA

The overall residential property market has stabilised in recent times with confidence boosted by historic low interest rates and the implementation of the FHOG. This has been evidenced by a recovery in the sales volumes for 2009 relative to the low volumes in 2008 and has resulted in some increase in prices and levels of value in the low (<$200K) and medium (<$325K) sectors of the market. Interestingly the lower segment of the market appears to be again attracting investors due to the low interest rates and a relatively strong local rental market, while many first home buyers appear to be targeting the $250,000-$300,000 price bracket. The volume of vacant lot sales has remained relatively static (increase on 2008 levels) while there has been some renewed interest in house and land packages - mostly in the $270,000-$300,000 price bracket consistent with the first home buyer threshold for established dwellings described above.

Near term conditions are likely to remain challenging in view of the economic slowdown and forecast increases in unemployment rates, whilst local economies continue to be hampered by the ongoing drought. Despite the GEC, many retailers are reporting strong trading results from the Christmas period onwards. Interestingly this is a 'spin off' of the economic downturn whereby more holiday makers and visitors are being attracted to Echuca/Moama (closest Murray River destination from Melbourne) as opposed to interstate and overseas holidays. The industrial and commercial segments of the market have remained relatively static with few sales, whilst a small number of new developments are about to commence (Aldi & Centrelink)

MILDURA

The trend of previous months continues with good volumes of vacant land sales mainly to the first home buyer sector.

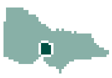
There have been no major changes or significant sales of note for the past month in the general housing market.

Canberra

Throughout Canberra and its outlying regions there is a wide range of housing styles that are available to new home builders and owners who wish to knock down and rebuild. Rates per square metre range from a low point of $1200/m^2 to larger prestige homes built at rates of $3000+/m^2. Building rates across all housing types are steadily rising due to an overall shortage of builders within the capital, and a rising demand for new homes in the first home buyer market. When land is released by the LDA the builders have the ability to keep rates down due to the high volume of work for builders, whilst the knock down rebuild crowd continue to pay more of a premium due to the specialised work and popular inclusions.

At the lower end in the capital, the price per square metre starts from a minimum of $1200/m^2 to a maximum of $1300/m^2, this rate secures a level of construction that includes car accommodation as well as ducted gas heating. Houses of this type are commonly built by high volume builders currently focusing on the north of Canberra where sizes range between 120-130m^2 for a small 3 bedroom house. Along with basic housing a number of high volume builders also specialise in providing a higher quality of construction. A rate between $1250-$1500/m^2 will secure a standard quality house; commonly rendered brick veneer with concrete tile roofing. The additional expense of these houses can be attributed to a higher level of inclusions, including ceaser stone kitchens and evaporative cooling. These types of construction are commonly found in new estates such as Forde and Macgregor, with sizes ranging between 160 and 260m^2.

At the top end of the market home builders can be expected to pay anywhere between $1500 and $3000+/m^2. The areas that generally see these rates are the knock downs in the inner north and south suburbs and other areas such as parts of Jerrabomberra in Queanbeyan. This range in price is reflective of the great difference between the cost of the builder, architect and level of inclusions. Within the capital a higher price can be commonly attributed to owners wanting to knock down and rebuild current properties as the builders are unable to pass on the savings like the new development sites, where they are building a lot of jobs at the same time. Also a higher level of inclusions featuring high ceilings, extra ensuites, games rooms, wine cellars secondary wet areas, and a higher quality of finishes such as porcelain tiles are commonly sought after additions. Sizes within prestige properties range from 250-500m^2.



Melbourne

Melbourne's basic level of home construction exists in the outer growth regions of Melbourne. Examples of these suburbs include Craigieburn, Doreen, Tarneit and Cranbourne.

The average new homes in these areas have a building area of between 150 – 200 square metres. The dwellings are predominately constructed with brick walls and tile roofs. The dwellings generally feature 3 to 4 bedrooms with two bathrooms and double car garage.

The construction costs are currently ranging between $1,000 - $1,100 per square metre of living area. We have seen an increase in building costs in Melbourne since July 2007 with building costs rising from $850 – $950 per square metre of living area.

Increasingly in the current market we are seeing a rise in promotional specials from builders with discounts in the form of cash rebates, free televisions, and upgrades to fixtures. For example granite bench tops rather than the standard laminate bench top.

The mid range market of home construction can be found in the eastern suburbs of Glen Waverly, Mount Waverly, Forest Hill, and Nunawading located approximately 20 kilometres from the CBD. The construction costs are currently between $ 1,100 to $1,200 which is an increase on 2007 costs being $1,000 per square metre of building area.

The high end of construction can be found in the inner city region of Melbourne. The current construction costs range between $2,500 to $4,000 per square metre. This has seen an increase in costs since 2007 when the cost range was between $2,250 to $3,000 per square metre.

There is pressure on constructions costs of dwellings to continue to rise as stated in The Australian Financial Review 16 April 2009 "The cost of key construction materials has risen in the past year despite the downturn – but contractors are absorbing the rise to maintain competitive pricing. Listing prices for concrete, fibre cement, plasterboard and insulation have all increased in the past 12 months."

Even though we have seen inflationary pressures ease in Melbourne over the past year as economic conditions deteriorate internationally and locally it is expected that further price increases are likely in relation to concrete and other building materials.

Building activity is currently being supported by the stimulus package by the Government and with the possible reduction or removal of the grants at the end of June and the current predictions of worsening economic conditions in the next 6 – 12 months it is expected that future construction levels of new dwellings may decline.

The affect of the current stimulus package on housing in Melbourne has seen property values rise for dwellings with a market value of below $500,000 which is in contrast to the properties above $750,000 which generally are seeing market values continue to soften. The stimulus package is therefore providing an artificial market and the true state of the market and levels of building activity will not be known until the government grants are possibly removed at the end of June.

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Adelaide

Since 2007 there have been many factors that have contributed to the rising cost of construction. These include:

-rising material costs

-the tight market for skilled labour

- demand for better quality finishes and fit-outs in response to changing consumer expectations

- rising fuel costs and,

- increased environmental requirements, including housing design, rainwater tanks etc.

Unfortunately although some of these costs have eased in recent times the savings are not always passed on to the consumer.

In South Australia the majority of new house construction occurs in land releases to the outer northern and outer southern areas of Adelaide, both areas being dominated by budget construction/ project builders building on a large scale and aimed at the first home owners and the lower income demographic. Higher density development is also occurring in the areas around larger regional centres including Westfield Marion, Westfield Tea Tree Plaza, and Centro Arndale due to the concentration of government offices and services and transport infrastructure being focused in these areas. Much of this development is taking place as a result of large areas of older public housing having been cleared in a process of gentrification. At present, construction cost for a budget home is approximately $900 - $1,100/m2.

Most mid-range construction occurs as a result of redevelopment of an existing property within a 15km radius of the CBD. Construction of mid-range and prestige homes can be found in land releases such as Mawson Lakes, Golden Grove and Northgate to the north of the city, or Blackwood Park and Flagstaff Pines south east of the city in the foothills. Higher priced land divisions which target a middle (or higher) income demographic will differentiate along the lines of proximity to the city, community or village-like atmosphere, available services and facilities, open spaces and/ or commitment to green living. The current construction costs for a mid-range home is approximately $1,200 - $1,500/m2.

The majority of high priced homes that are constructed in Adelaide are located along the coastal strip, eastern suburbs, or inner northern and southern areas within 4km of the CBD. Often development is the result of demolition of the existing home or substantial renovation. The major factors considered when building prestige homes are the quality of the finish and automation of facilities with close attention often paid to high quality brand name products, not the actual costs. The current construction costs for a prestige home is approximately $2,000 - $2,500/m2 but can go higher.

The volume of construction in both the mid-range and prestige home markets has slowed during 2008 due to a lack of consumer confidence in the shadow of the Global Financial Crisis. Costs in both sectors have stabilized or even reduced slightly over the second half of 2008. This trend is expected to continue through 2009.

Towards the end of 2008 the Federal Government introduced a 'boost' to the existing First Home Owners Grant to stimulate the housing market with further incentive offered to the first time builder. As a result, activity in the budget construction sector has increased. Driven by demand from first home owners, market costs have also continued to increase in this sector. The cynics among us may conclude that builders are taking advantage of the situation by increasing costs as building costs in other sectors have remained relatively stable, however another possibility is that this end of the market is being supported by the current low interest rates which allows consumers to borrow more and, in theory, spend more on housing.

This theory will be tested as the government has now suggested that the First Home Owners Grant Boost will end on June 30 this year (subject to the outcry since the announcement!). Many are predicting that the result will be a decrease in construction activity at the lower end and that costs will now come back into line with the rest of the market, stabilize or possibly even reduce slightly in the second half of 2009.

Brisbane

Home construction has been a standard bearing industry for the great South East over the past decade. With plenty of land and plenty of people, Brisbane has forged ahead to the point where now some investment bankers look on with envy at how cool the tradie's new cars are.

In our brave new economic ecosystem, construction has continued but the activity has softened. The number one driver of our local market has undoubtedly been first home buyers. While they have been more than willing to part with their grants for brand new bricks and mortar, most do not have the financial wherewithal to engage in the mid-upper and prestige home construction market and stimulation of this sector will be integral to sustaining the local industry.

In terms of pure living area (i.e. excluding car accommodation and covered outdoor paces), budget construction for a finished home is still possible in the $750 to $800 per square metre but this is real Spartan stuff so some basic survival skills might be required to keep your sanity.

Most buyers will be happier in their $850 to $950 per square metre home where the standard of finish will keep you sated. Neutral colours, carpet and tile, nice fresh laminates are the order of the day. This is up a little from our number back in 2007, but not much.

For stone bench tops, airconditioning and some increased ceiling height, expect a $1,100 to $1,300 per square metre price point. This sort of dosh will take you well beyond the Jonses in most outer lying estates with turn key inclusions of well above average quality – display home stuff and possibly a bit more.

Of course if you've got the readies and the motivation, the sky is, in fact, the limit but most contracts that cross our desk in the contemporary architectural field are falling around the $2,200 to $3,300 mark. This will keep you in a manner to which you have absolutely no right and make you the envy of most of the other high six-figure annual income residents in your street.

All in all it would be fair to say costs have seen a rise of up to around 5% in the past year with an across the board increase of about 10% since 2007. Not really surprising given the rise in most materials and the (until recent) shortage of labour. Out of interest, our sages are reporting that steel prices keep heading up but timber's been reasonably flat.

Probably the most difficult thing to communicate in the new construction market is that cost does not equal value. We valuers appear to bang on about it but recent contracts in some entry level estates at $1,100 to $1,300 per square metre are having a tough time getting through the finance stage. While a builder may rightly argue that all your extras are taking you into the realm of upper end abodes, there is a point of over capitalisation and potential buyers in many locales do not care that you chose the imported gold leaf bathroom frieze tile over the near identical local ceramics available at your neighbourhood supplier. A great example of this effect is site works where a 4 bedroom, 2 bathroom home on a sloping block with pier retaining can cost extraordinarily more than the same accommodation in a lowest brick and tile on a flat block. Buyers have their own agenda and are generally disinterested in compensating sellers for their grief.

Gold Coast & Tweed Coast

GOLD COAST & TWEED HEADS

Surprisingly the cost to build a basic project home which you are likely to see in Northern NSW (Murwillumbah, Lismore or Ballina) and Gold Coast (Ormeau, Coomera, Pacific Pines, Reedy Creek) can now cost between \$900/m² to \$1000/m² which is a slight increase on levels seen in 2007. A house of this type will comprise three to four bedrooms with two bathrooms and a double lock up garage of brick and tile construction with living areas of up to 180m². Fitout will generally comprise laminated benchtops to the kitchen, stainless steel kitchen appliances, ceiling heights of 2.55m, ceiling fans to the bedrooms and possibly split cycle air conditioning.

The building industry had reported a drop in demand for the construction of new homes in mid 2008, however the Government announcement in October 2008 has kept the cost of a project home at or in excess of levels experienced in 2007. Demand for the project homes since late 2008, early 2009 has been fuelled almost exclusively by the increase in first home buyer interest. Project homes are popular with first home buyers where decisions on design and fitout are generally made for the client, with the flexibility of choice of colours and general standard of finish.

Project builders are busy and house selection to hand over is sometimes taking as long as 18 months depending on what/how many changes you make to their design. Be careful with making changes to floor plans as these changes can increase the building cost to a level you may not be comfortable with.

Architect Designed Houses

The next step up in construction is for architect designed homes seen in the new estates at The Observatory (Reedy Creek), Coomera Waters, Riverlink (Oxenford), Hope Island Resort, Calypso Bay, Pottsville, Casuarina, Salt (Kingscliff) and some in Banora Point. The construction of an architect designed dwelling will range from \$1000/m² to \$1750/m².

For this sector of the building market there has been a shift in building decisions (by owners) affected by both decreases in land sizes in some estates, and a social shift in peoples living decisions. Rather than building a 50 square home of good quality, people are now building a 40 square home of excellent quality. Economies of scale will therefore mean a shift upwards in the cost per square metre of constructing the smaller home.

Typically a house at \$1000/m² will give the client flexibility in design however fitout will be similar to those experienced in the basic project dwelling. Mid range at \$1500/m² will again give the client flexibility in design with the added features of ducted air conditioning, granite/stone benchtops to the kitchen, 2.7m ceiling heights to the ground level and possibly porcelain tiles as opposed to ceramic tiles. At the top end of the range a house will feature all of the above with added features such as granite/stone benchtops to custom made vanities in bathrooms, good quality tapware, quality window coverings, square set cornicing, 2 pac kitchen cabinetry and soft closing kitchen drawer systems.

The demand for the construction of houses in this sector of the building industry has softened in the last 12 months. Builders must be competitive to secure a tender. Labour costs and some material costs have dropped. Some of the better quality builders (those who have a good name and backlog of work) would not necessarily be passing on these savings. Should economic conditions not improve a further reduction in building costs in this sector would be justified to secure tenders.

Prestige Houses

Once owners decide that they want to design and construct a specialised building, prices can vary anywhere from \$1,500 to \$5,000/m² on the Gold and Tweed Coasts. It is not size but quality that counts for many of these houses. The \$1,750 to \$2,500/m² construction cost range would get you a high quality home of architectural merit with intricate roof lines, Apolic or similar cladding, terracotta roof tiles and extensive use of feature glass. Internally, standard inclusions would be considered to be wool carpets, vitrified or marble tiling, tongue & groove polished timber flooring, high range or thicker (40mm rather than 20mm) stone to benchtops throughout including laundry, quality soft touch closing cabinetry, imported European appliances, shadow line cornices to ceilings and zoned ducted air conditioning.

The houses being constructed in the \$2,500 to \$4,000 range will have 3 metre ceilings generally to both levels, fully zoned ducted air conditioning run by up to 4 separate units, ornate cornices with built in pelmets for automatic blinds/drapes, home automation systems, home theatre rooms to rival Hoyts, and top of the range appliances which will include built-in cappuccino machines, steamers, plate warmers, and often climate controlled wine cellars.

The cost to construct a prestige house on the Gold and Tweed Coasts has softened in the past 6-12 months, primarily due to the cheapened cost of materials. Some of the "in demand" luxury builders may not be passing this on in full, however builders seeking work are. For example a recent building contract at Hope Island was executed at \$1.9 million after initial quotes in early 2008 were closer to \$2.2 million.

Overall the construction industry on the Gold and Tweed Coasts is under pressure. Further bad news on the economic front (ie. unemployment) will reduce demand for the construction of new houses. This will in turn decrease the cost of materials and labour. There is uncertainty about the first home owners grant extension post 30 June. Should this increase in the grant come to an end, demand for project housing will soften.

Here is an important point to consider when building a new house. The cost of a valuation is minor in determining the feasibility of the housing project. For example, what is the best size and quality of house that should be constructed in a particular estate or more specifically on my (the owners) parcel of land so that the completed product is not considered an overcapitalisation. An overcapitalisation could mean an inability to recoup your costs upon resale, pending the prevailing property market conditions at the time.

Sunshine Coast

It would appear that construction costs in general for residential dwellings has stabilised over recent times. Builders are indicating that costs for materials have stabilised. Labour costs are where the main changes are occurring on the back of the recent softening in the employment market. It would appear that the skilled workforce/trades people have become more available and subsequently hourly rates reducing. We have also noted that the government legislation for the installation of water tanks and energy saving designs have become more competitive as more suppliers have entered the market.

We have looked at three sectors of housing and how costs have been tracking. The project style dwellings which generally consist of slab on ground houses of brick and tile construction providing 3 – 4 bedrooms have basically remained relatively flat from the increases that were experienced towards the end of 2007. Construction costs range generally between $750/sqm to $850/sqm based on the total of living area and garage.

The middle range of housing generally comprises of either a larger slab on ground dwelling (250sqm) or mid/highset dwelling. These properties have a more contemporary style of design and generally provide 4 bedrooms plus study with high quality fixtures and fittings including high ceilings, stone benchtops, airconditioning etc. Rates per square metre for these dwellings have continued to range between $1,100/sqm to $1,600/sqm.

The higher end, architecturally designed, dwellings have been the sector of the construction market that has continued to show some slight increases in construction costs. These dwellings usually comprise various styles between slab on ground, suspended slab end even light weight construction properties. Sizes vary in the vicinity of 400sqm+ with high quality fixtures and fittings throughout including smart wiring, home automation systems, extensive timber joinery and stone features. Costs for these dwellings can range from $2,000/sqm up to however deep your pockets are.

An interesting factor that we are experiencing in the current property market is the ability to buy properties at below replacement costs. Subsequently we believe that it may be difficult for any significant increase in construction costs over the next little period. It would be a very difficult decision to spend money to build a new house when you can buy an existing property for substantially less. This is a pretty easy decision to make in the current economic climate.

Southern Queensland

TOOWOOMBA

Budget building costs in Toowoomba and surrounding areas range between $750 - $900 per square meter (psm). Generally they can be found in all suburbs but are more frequent in the western suburbs or outlying suburbs such as Glenvale, Rockville, Newtown, Harristown, Wilsonton and areas of Highfields. It is considered that this type of construction would be brick with concrete tile roof, standard 2400mm ceilings, basic standard PC items, laminated surfaces and would include paintwork and a rain water tank. Floor coverings, driveway, fencing, turf and landscaping would all be optional and of basic standard quality.

Prestige House

Generally since 2007 costs have increased where the majority of homes have been built by the larger construction companies and have kept costings more competitive than the midrange or prestige sectors. Building activity has increased more recently due to the First Home Buyers Grant, low interest rates and low rental vacancies. Finding builders in this sector is still considered reasonable.

Mid Range House

Midrange building costs range between $900 - $1200 per square meter (psm). Generally they can be found in all suburbs but are more frequent in suburbs such as Kearney Springs, Middle Ridge, and areas of Highfields. It is considered that this type of construction would be brick with concrete tile or metal roof, 2400mm ceilings or higher, standard PC items, laminated cabinets with optional stone tops and should include paintwork, floor coverings, air-conditioning, driveway, fencing, turf, landscaping and rain water tank.

Generally since 2007 have increased where the majority of homes have been built by the larger local building businesses that have been affected by rising product costs and wages. Finding builders in this sector is becoming easier.

Budget House

Building activity in this sector has increased more recently by the First Home Buyers Grant, low interest rates, low rental vacancies and better regional job security.

Prestige building costs range between $1400 - $3000 psm (and up). Generally they can be found in all suburbs but are more frequent in the eastern suburbs such as East Toowoomba, Middle Ridge, Mount Lofty, Prince Henry Heights and areas of Highfields. It is considered that this type of construction would be rendered brick with metal or slate roof, at least 2700mm ceilings, above average PC items, 2 pack cabinets with stone tops and should include paintwork, floor coverings, ducted air-conditioning, driveway, fencing, turf, landscaping and rain water tank.
Generally since 2007 costs have increased where the majority of homes have been built by the smaller local building businesses that have been affected by rising product costs and wages. Finding builders in this sector is becoming easier.

Building activity in this sector has decreased more recently due to a number of factors influenced by the 'Credit Crisis'.

Overall building costs are possibly decreasing. This is due to a number of factors including;

- The competition being developed between builders as activity decreases,
- And the added value of the works not being recouped in the market which is causing financiers to tighten up the reigns.

IPSWICH

There has been no significant change in construction costs for residential dwellings in the Ipswich region over the past twelve months. For an average sized 200 to 250 square metre dwelling with an average quality fitout, the rates for the living areas remain at around $900 to $1,000 per square metre. The garage is approximately $700 to $900 a square metre and outdoor areas under main roof are between $600 and $700 a square metre. Insulated pergolas with concrete base on average cost between $300 and $400 per square metre.

The majority of builders have been offering "extra inclusions", sometimes up to $30,000 worth, however these extra items have not reduced the overall cost and it appears that they are factored into the final build price. We have seen a reduction in investor type, house and land packages being sold over the past twelve months. The build prices for this product have not reduced though, and often a premium of between $20,000 and $30,000 is factored into the building contract.

If demand for new dwelling continues to decline in the future, it may bring a slight reduction in building costs as the residential construction sector becomes more competitive.

...if demand for new dwelling continues to decline in the future, it may bring a slight reduction in building costs as the residential construction sector becomes more competitive....

Central Queensland

ROCKHAMPTON

Within Rockhampton, building costs are typified by:

Basic Level
Colorbond roof, brick onground, four bedrooms, two bathrooms, double lock up garage, level lot
Gracemere
Living of 130 m2, patio of 15 m2, garage of 38 m2
Cost to build ranging from $1,000/m2 to $1,100/m2 across entire dwelling

Medium Level
Concrete tile roof, brick onground, four bedrooms, two bathrooms, study, double lock up garage, level lot
Norman Gardens
Living of 200 m2, patio of 30 m2, garage of 40 m2
Cost to build ranging from $1,100/m2 to $1,300/m2 across entire dwelling

Higher Level
Concrete tile roof, two level rendered block, four bedrooms, three bathrooms, study, double lock up garage, level to sloping block
Norman Gardens/Frenchville
Living of 250 m2, patio of 105 m2, garage of 40 m2
Cost to build ranging from $1,300/m2 to $1,500/m2 across entire dwelling

Eco friendly dwellings located on the Capricorn Coast can cost up to $2,000/m2.

Building costs have been holding at or close to 2007 levels.

BUNDABERG

The average cost of building a new house in Bundaberg has increased since 2007 at around 15% to 20% in total. A standard quality 3 bedroom brick dwelling starts at $950 to $1050/m2. Medium quality 4 bedroom 2 bathroom dwellings with double lock up garage including good quality laminated kitchens start at around $1100/m2 to $1150/m2. These dwellings are usually in the 180 to 220m2 total floor area range and represent the majority of dwellings built across Bundaberg and the Coral Coast since 2007. A number of good quality residential estates have been established in Bundaberg and the coastal town of Bargara in the last 18 months. Dwellings in these estates comprise larger executive style dwellings, with granite/Caesar stone benchtop type finishes, ducted air conditioning, high ceilings and quality appliances. Construction costs for the dwellings range between $1250 and $1350/m2 and are generally well in excess of 200m2 of total floor area.

The top end building costs in the Bundaberg region are reserved for the coastal townships of Agnes Waters and Town of 1770. Here, eco style, architectural designed, multi level homes in gated residential oceanfront estates are being constructed at a cost of between $3,500 to $4,500/m2. Total construction costs of these dwellings are regularly in excess of $1M and up to $2M.

Anecdotal evidence seems to suggest that building prices in the Bundaberg district have been steady for the last 6 months, and may well have peaked. The volume of building has slowed, and may lead to reduced building costs in the future. This will of course depend on whether the Government extends the First Home Owners Grant.

HERVEY BAY

The cost of building a new home in the Fraser Coast region is relatively unchanged since the global financial crisis. Some local builders have reported reduced demand and have subsequently downsized their operations at this time to ride out the downturn. Some employees who were supervisors are now sub contractors on the job.

Within the Fraser Coast region, Dundowran Beach features as a prestige suburb with larger acreage properties improved with modern well presented homes. A recent beachside home yet to be built measuring 587 m2 under roof was valued at $1,300/m2 overall. Surprisingly, demand in the prestige market is still reasonably stable at this time with rates generally between $1200-$1500/m2 for main living area, with the highest rates for dwelling inclusions such as stone benches, ducted a/c, internal features such as home theatre, porcelain tiles, built in cabinets, etc.

New homes in the mid-range bracket can be located in suburbs like Kawungan, Point Vernon and Torquay. These properties are standard size residential lots 600-800 m2, with onground contemporary brick or rendered concrete dwellings with 3/4 bedrooms, 2 bathrooms, standard level construction starting from $1,000-$1,100/m2 for main living area.

Budget homes can be found in pockets of Urangan, Point Vernon and Toogoom. Costs /m2 range from $900-$1,000. Agents have recently reported selling eleven house and land packages within the last four weeks in Toogoom, following an aggressive marketing campaign. The agent also noted that they were encountering significant resistance from banking groups to approve finance for these homes until they were within six weeks from completion. This location appears to be the most difficult to market at present and therefore builders are now reducing costs to complete dwellings.

Generally, construction costs should remain stable in the prestige and mid range sectors and we might see a slight reduction for the budget sector due to an increase in the volume of completed homes ready for occupation.

MACKAY

Residential building construction costs in Mackay have eased since late 2008 by around 2%, principally because of a fall in steel prices. Timber and hardware prices are also showing early signs of easing. The costs of concrete and subcontractor rates are steady for the time being. It is anticipated that costs could fall further.

Not surprisingly, main activity has been in the first home buyer sector for building contracts in the range of $250,000 - $300,000. Geographically, construction activity has occurred mainly in more affordable outlying subdivisions such as Blacks Beach Cove, Mountain View Estate (Bucasia) and at Marian. The average cost of construction is around $250,000 - $300,000. The cost of a standard 3 bedroom home with 2 bathrooms and double lock up garage with total building area 218 m2 is approximately $1,300/m2 overall.

GLADSTONE

Within Gladstone, building costs are typified by:

Market range - $350,000 to $500,000
Colorbond roof, brick veneer, 4 bedroom, 2 bathroom, double garage, patio
Living of 150 m2, patio of 20 m2, garage of 40 m2
Cost to build ranging from $1150/m2 to $1,300/m2

The rates /m2 have fallen by approximately $50 - $100/m2 in the last 6 months. As at 7 April 2009, Rio Tinto announced that the current construction at the Yarwun Refinery will slow to reduce the rate of capital expenditure, with a revised completion date in the second half of

2012. This is to result in the loss of 500 contractor roles at the Yarwun site, with approximately 15 permanent roles at the Refinery, and 20 permanent roles at the Boyne Smelter also to be lost. Additionally a change to the maintenance arrangement at the Yarwun Refinery has recently resulted in a reduction of approximately 70 operational maintenance contract roles.

The effect that this will have on building work going forward is uncertain, as there are rental properties to be vacated in the short term, which may cause a further slowdown in investors building new rental properties.

Cairns

Within Cairns current building costs start with the basic level dwelling of a project style lowset home on a level lot, rendered masonry block, Colorbond roof, 3-4 bedrooms, two bathrooms, garage, driveway and turf. This home would have a living area of 120m^2, a total building area including patio and garage of 180m^2 and a typical building cost of around \$1,000/m^2 to \$1,200/m^2 across the entire dwelling. With land prices for a standard residential lot starting at about \$100,000 to \$120,000 depending on location, new entry level housing in Cairns typically comes in aournd the \$330,000 to \$350,000 mark.

A mid-level house in Cairns would be larger (180m^2 of living plus patio and garage to give a total area of 240m^2), potentially split level, better finished and with some choice provided on fitout. It would have a cost to build typically of around \$300,000, or \$1,200/m^2 to \$1,400/m^2 across the entire dwelling. Coupled with an allotment price in the mid-quality areas of about \$175,000 this places the total cost of a new mid-market style house at about the \$475,000 mark.

High end architectural homes in Cairns would have costs to build ranging from \$1,500/m^2 to \$2,000/m^2 under roof.

The general feeling is that bottom line building costs have not changed greatly over the last two years. Input costs are higher than what they were two years ago, but competition is a lot tougher in the current market environment and margins are much tighter.

Townsville

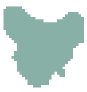
Townsville's residential construction costs have become more competitive over the past 12 months following the softening of demand within the residential market. Builders are more readily available to commence/quote on new construction then they were some 12-18 months ago, with a large number of builders putting spec home constructions on hold.

The current cost to build starts with a basic level project built masonry block dwelling, offering 3-4 bedrooms, 1-2 bathrooms, garage, driveway and turfing. These homes typically have a main living area of 110-125 square metres with patios and car accommodation. These homes have a cost to build typically of \$200,000, equating to \$1,300/square metre across the entire dwelling. This makes a budget new home package of approximately \$320,000.

A mid level house in Townsville is generally larger in size (150-200 square metres) of main living area plus patios and car accommodation. These homes generally have a higher level of finish and have a typical build cost of \$260,000 - \$280,000, equating to \$1,300/square metres across the entire dwelling. This provides a mid level package of \$420,000 - \$470,000.

Higher end architectural homes typically have a cost to build equating to \$1,400/square metre - \$1,700/square metre over the entire dwelling. These homes are typically found in higher order residential locations, normally afforded views of some kind. These packages will generally be in the order of \$800,000 to \$1,500,000, depending on its location.

In summary, the cost of construction in the residential market has become more competitive however, the cost of new land still remains steady bringing the overall cost of a new house and land package in at around the same level as it was 12-18 months ago.



Tasmania

The cost of building in Hobart and indeed Tasmania remains somewhat higher than that of the populated mainland. This could possibly be due to a cultural attitude whereby many builders don't 'advertise' and pick up their work by word of mouth. People are often suspicious of a new firm that offers something cheaper than what they are used to paying. There is an old saying in Tasmania that if you have to advertise you'll go broke; the implication being that you need to trade on your name and reputation more than glossy advertisements.

Then there is the climate influence. Tasmania has shorter and colder days in winter than the rest of the country. The cold and rain can stop work on building sites.

..several of the builders in Hobart still have a waiting list however these waiting times have decreased in the past six months...

Approximate costs for a basic single level brick dwelling in Hobart calculate out at $1200-$1300 per sqm, approximately $1400 to $1500 per sqm for average to good quality and about $1800 per sqm and greater for high quality. These rates are for living areas only and do not include external areas such as verandahs and pergolas, nor garage areas.

Several of the builders in Hobart still have a waiting list however these waiting times have decreased in the past six months. It is interesting to note however, that some local builders and trades people have indicated there may be significant volumes of work up in Victoria re-establishing the townships decimated by the recent bush fires. These mainland projects sometimes offer better paid conditions than what can be offered in Tasmania and hence we might see a shortage of builders and trades people in the short term. This may keep building prices where they are now, even if the actual volume of building decreases with the economic recession.

Darwin

Little has changed since we last reported on construction costs in the Top End in our July 2007 Month in Review. Demand for builders is still strong and construction costs have continued to rise, however, there is some evidence emerging that construction costs have reached a plateau in recent months. We are seeing construction rates today that are very similar to rates that we were seeing 6-12 months ago.

In July 2007 we reported that the typical construction rate for a ground level dwelling in the Palmerston region was in the order of $1,550/m2 to $1,650/m2. As time passed, we saw construction rates continue to rise to between $1,750/m2 and $1,950/m2 toward the middle of last year. Since then, construction costs have steadied around the average price of $1,900/m2 for a typical ground level dwelling in the Palmerston region. This slow down in the rise of construction costs has mainly been attributed to a slowing of demand in the market place in the middle of last year and falling commodity prices as a result of the Global Economic Crisis. In particular, the cost of steel and the cost of energy have fallen considerably in the last twelve months.

Of more concern at the moment is the drastic shortage of land in Darwin/Palmerston which is available to purchase and build upon. There is currently only one major residential subdivision in Darwin that has land available for purchase. This subdivision is located in the northern suburbs of Darwin, which is an older area. This new suburb is Lyons and it has offered lifestyle qualities in an older area of Darwin, and has helped to revitalise the neighbourhood. Fortunately, land values have remained stable in this suburb with small rises noted in recent months. This has occurred because the cost to build in Lyons is quite high due to the restrictive building covenants that the developers have imposed. These covenants have helped to maintain the quality of the development.

But the main area of growth in Darwin is in the outer satellite city of Palmerston where land values have increased by approximately a staggering 35% in the past six months. It is very likely that this has occurred because there has been no new land releases to cater for the high demand for new housing. Palmerston has always been a cheaper alternative to the northern suburbs when purchasing land, however, we are now seeing land values approaching levels equal to the northern suburbs of Darwin. This is surprising, considering that Palmerston is about twice the distance from the Darwin CBD in comparison to the northern suburbs.

Relief is on the way, with the NT Government announcing a number of new suburbs to be developed in the area, the first of these being Bellamack. Bellamack is reported to have around 100 lots available by the end of the year, however construction on the suburb is yet to begin and we are concerned that this target will not be met this year. It is important that these lots are constructed quickly and released to the market in a timely manner as Palmerston is long overdue for a new suburb and the demand out there is insatiable at present.

Unfortunately, the established housing markets in Palmerston and Darwin have not seen the rapid rises in value compared to vacant land. We are now seeing many people buying land at these new higher price levels and trying to build new homes, but the summation of land price and building contract price are almost always falling short of the achievable market value of the property as if the property were already built and available for sale today.

This may present a big problem in the future for a number of reasons. Firstly, if all the new parcels of land that are to be released end up flooding the Palmerston market, then this may force land values down and undermine the value of existing property owner's investments. Secondly, if the market were to soften dramatically for any reason (such as the cessation of the First Home Owners' Boost or Build Start), then this too could undermine the value of people's residential assets. And thirdly, these rapid rises are causing a severe affordability problem in Darwin overall. It has been reported that Darwin is the most expensive city in Australia to live at present (both to rent and buy). This has presented a huge problem to businesses who wish to recruit new workers, as they cannot afford to live here. Housing affordability is the major constraint to economic growth in Darwin.

Perth

The increased First Home Buyers Grant has kept the lower end of the real estate market alive, during a time when almost all other price sectors in the residential market have remained static or declined.

Building approvals declined by 18% through the December quarter and were almost 25% down from December 07. The Housing Industry of Australia is forecasting that the number of housing starts in WA will drop by 16% to the end of financial year 2008-09. Combined with an increasing unemployment rate, we would have expected to see labour charges decline and a general decreasing in construction costs, however this has not been the case for all builders.

Average construction costs at the lower end of the market are traditionally in the order of $850 - $1,150 per square metre of living area, with the lower part of the range tending to exclude finishing items such as floor coverings, window treatments and internal wall painting. Despite the downturn in the economy and the talk of unemployment, the construction demand has remained relatively buoyant. As a result the Perth Metropolitan area has not experienced any meaningful drop in construction costs to date. It is not expected that this will be the case in the near future either as a result of the demand brought forward by the First Home Buyers Grant.

Several builders appear to have altered their target market as demand has decreased. One prominent example is Ross North, usually a middle tier builder who is now offering 'turn key' building contracts aimed at First Home Buyers, at very competitive prices, below many of the traditional builders for this sector. Savvy builders have recognised the need to provide different options for customers by designing new cost effective smaller dwellings that will enable first home buyers into the market at a lower price point.

The premium construction market appears to be static, with very limited demand in comparison to 2006/2007. Construction costs for premium multi level dwellings start at $3000 per square meter which is on par with costs through 2007. We would anticipate that costs in this sector of the market should begin to decrease in line with reduced demand as builders tighten their belts and reduce profit margins and/or source cheaper labour from an increasing supply.

Many builders will be anxiously awaiting a formal announcement as to whether the First Home Buyers Grant will be extended, or whether it will be reduced to normal amounts. First Home Buyers are currently forming around 40% of the market and are driving demand within new estates. The Quattro development in Queens Park saw a surge in increase for the last release, with a reported 23 people camping over night to secure a vacant lot, with 21 of these being first home buyers. Builders that are competitive in the lower price categories should expect to see continued demand for many estates containing building covenants with a maximum building timeline of 18 to 24 months. However, their profit margins may diminish as more middle tier builders chase the market downwards to satisfy the First Home Buyer demand.

South Western WA

This month in the South West appears to have been continuing the trends of the last couple of months. The first home buyers continue to underpin the market and there also has been greater activity in the second home buyers range of $400,000 to $600,000 but little above this level. All in all there seems to be a bit more confidence in the market with the continued sentiment that it is a buyers market and they want a good deal. As long as the seller is prepared to meet the market, sales are happening which is a considerable improvement on 6 months ago.

Having said this, there still appears to be a fragility to the recovery with the continuation (or lack there of) of the first home buyers boost and the uncertainty around jobs suggesting it wouldn't take too much of an event to put the brakes on again. Value levels appear to have returned to those of late 2005 to early 2006 with valuations done at that time fairly closely mirroring today's figures.

Construction costs seem to be a barometer of the market, and as 2005 and 2006 rolled along with values rocketing up, the cost of construction also moved rapidly upwards reaching levels of $1200 per metre for project homes of only modest quality as compared with as low as $600 - $700 per metre not long before. There were very few discounts to be had in the market at that time and it was a take it or leave it approach from the builders as they had more buyers than they could build houses for, so were capping the starts per month to levels they could cope with.

Today is a very different story and you only have to open the paper to see building companies offering incentives from air conditioners to dishwashers and many other items in between. Rates have come down again with $800 to $900 per metre again common and better homes still not much above $1100. Times to build have also reduced and 8 month build times are not uncommon. (As an aside the writer built a 3 storey, 300 square metre plus dwelling in New Zealand using timber frame construction in 7 months from sign up to moving in and this was considered to have taken too long, oh the joys of double brick construction). The builders are still doing steady business but not at the frantic pace of the peak and this is probably resulting in better quality houses with less third choice sub contractors employed. Once the first home buyers situation is clarified this may all change again as well.

As a general note, we as a business are very concerned with building costs right now as a large chunk of our office burnt down last week, so the costs of repair appear quite relevant (fortunately far more so to the insurance company). We have relocated temporarily to our Busselton office but have rented new premises and will be back in Bunbury from the 28th April. It is an interesting way of gathering first hand knowledge of building costs to say the least!

Commercial Overview

Office construction is real bottom-line stuff. The emotional component is well and truly removed in commercial projects and developers must keenly manage outlays so as to avoid tipping into the debt abyss. What is most evident from this month's issue is the influence on costs from areas beyond the more obvious labour and materials components. These additional elements are driving profitability in the sector with borrowing costs and legislation adding to considerations.

Costs for similar types of construction can also vary widely between not just regions, but between different locations within that region. Our valuers have taken a considered view of the tough job facing office project developers and how the GEC and other elements are affecting their outcomes.

Sydney & Wollongong

The Sydney/Wollongong office market has not fared too well of late given the global economic downturn. Like most other Australian capital cities, vacancies are increasing, rents are retreating and incentives are on the rise. This is not encouraging news for developers, particularly those with speculative developments under construction.

The development process for office buildings is a lengthy one involving different stages including feasibility, planning, design, approval, costing, contracting, constructing and marketing. Development costs are subject to movement over this period from the initial planning stage to practical completion. A cost escalation allowance is usually factored into the initial feasibility to allow for cost movements over this time.

Although commodity prices experienced a significant drop in the later half of 2008, building costs, including materials and labour, experienced a less significant drop of 0.8% in the December 2008 quarter. A stable forecast for the first quarter of 2009 is also expected according to the AIQS Building Cost Index March 2009.

Obvious time lag allowances for statistics to flow through must be given, however developers entering into construction contracts in the current market would find they would pay less than they would have 12 months ago. Developers with speculative projects coming on line now are facing reduced rental and capital values for end products which were developed at the peak of the construction cost cycle.

Current construction costs for office buildings across Sydney/Wollongong does vary depending on many factors including size, style, quality of finishes as well as the site location and accessibility.

Low rise office buildings up to three stories with ducted air conditioning, lift service and a standard quality of finishes in suburban Sydney/Wollongong costs approximately $1,580 per square metre of gross building area to construct. The same type of building built in the respective CBD's would cost approximately $1,990 per square metre of gross building area to construct. The premium of approximately $400 per square metre can be attributed to accessibility as CBD sites in general are usually more difficult to access. Note that these construction figures do not allow for parking.

Developers need to also consider incorporating greenhouse performance into new and refurbished buildings. The National Australian Built Environment Rating System (NABERS), formerly known as Australian Building Greenhouse Rating (ABGR), is a greenhouse performance based rating system for existing buildings. NABERS rates a building on the basis of its measured operational impacts on the environment, and provides a simple indication of how well its environmental impact is managed compared with other similar buildings.

Consideration of energy efficiency from the design stage is required for new developments. Although this may increase the initial design/construction costs involved, it has the benefits of reducing base building energy costs over the life of the building, enhancing capital values and the ability to attract and retain tenants who value good environmental performance.

Given the prevailing economic conditions, an increasing number of mooted commercial developments across Sydney and Wollongong have been postponed and the supply of new commercial space is likely to remain limited over the near term.

...given the prevailing economic conditions, an increasing number of mooted commercial developments across Sydney and Wollongong have been postponed....

Southern NSW & Northern Vic

ALBURY

There has been few new office buildings constructed over the past several years and as such it is not possible to gauge if building costs are significantly changing. However, the industry cost guides appear to be an accurate indication of building costs in our locale. The reason for the limited new construction would seemingly be a balanced market with normal increased demand as the local economy grows.

WAGGA

In Wagga Wagga there has been no new construction of office buildings in the last few years. The main construction has been in industrial areas. The costs to build a industrial building have risen over the past few years and as a comparison there is no reason that the cost to construct an office building would not have increased as well. A few buildings have been refurbished over the past years and refurbishing buildings instead of building new buildings seems to be the way the market is heading in the office sector in Wagga Wagga.

LEETON

Construction of new office space has been non existent over the past few years. There has been no new space constructed due to an over supply of office space relative to demand. Business, developers and the government are choosing to refurbish older premises in prime locations rather then purchase vacant sites in secondary locations and construct new offices.

Regional Vic

MILDURA

Activity in this sector has been relatively quiet, although a recent sale of note which sold at auction was for a prime located commercial property at 51 Deakin Avenue. The sale price was $1.1 million.

Erected on the land is a 'dated' 1978 built two storey commercial building (720 m^2 in total) that presently has 5 separate tenants whilst one of the upstairs section remains vacant.

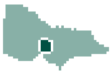
The property is located in a prime position of the Mildura Banking sector and adjoins the National Australia Bank and the ANZ Bank. (See photos attached)

The majority of tenants are on a month by month arrangement which at the time of sale shows a passing rent of $68,198 per annum, noting that one section is unoccupied at the upper level. This shows a strong 6.2% on the actual passing rent; however if fully let at fair market levels this would involve a capitalisation rate of around 7.65%.

A new development further along Deakin Avenue has been partially completed with new businesses commencing operation in the past month including a "Hogs Breath" café (great steaks) enjoying good initial custom.

The new office building recently completed on the corner of Lime Avenue and Tenth Street, Mildura has been officially opened and contains a gross building area of approximately 603m^2; and is divided into three fully let premises containing approximately 262.7m^2 (BankWest), 173.5m^2 (Jetset) and 166.8m^2(Focus Consulting) respectively. The building was constructed for approximately $1,350/m2 and has been fully let at around $180/m2 to each of the three tenancies.

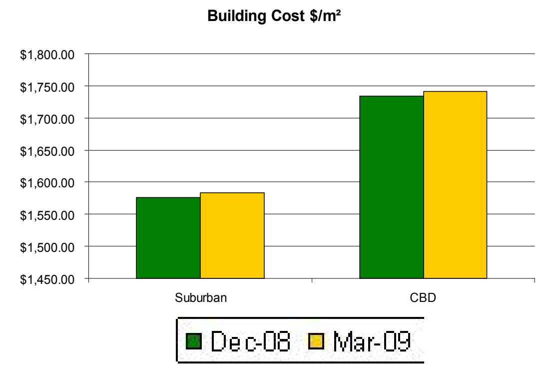
It is noted that extensions to existing property in the commercial sector are being constructed from between $1,050/m2 and $1,200/m2 for areas up to 400 square metres.



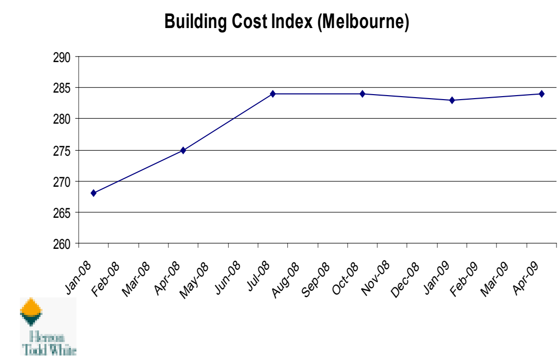
Melbourne

Construction costs for an office building often varies depending on the location of the development. An office in the central business district will cost more to construct compared to an office in the suburbs. Common factors that increases costs for CBD constructions are often associated with obtaining planning permits, permits for road closure/diversion, difficulty in transporting construction materials, etc.

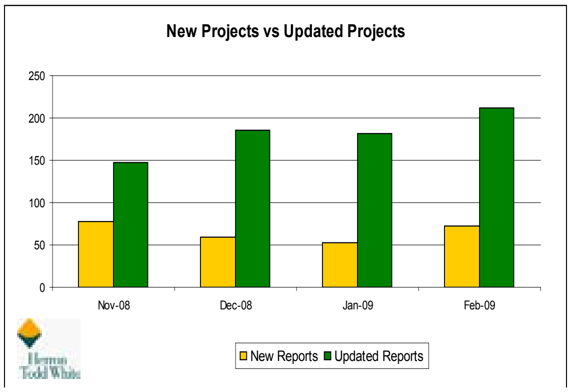
Our research in office building construction costs shows that the current rate per square metre for suburban offices up to three stories with standard finish costs approximately $1,583/m^2 whereas CBD offices up to three stories with standard finish costs approximately $1,741/m^2. Both regions have shown marginal increases in construction cost over December 2008.



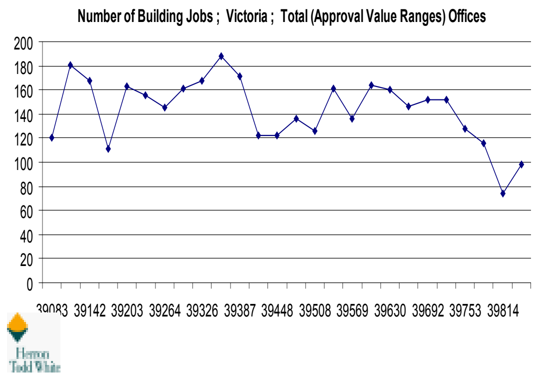
Drivers of building costs in the construction industry often consists of commodity prices, fuel prices, level of construction activity, global economic condition, exchange rate, unemployment rates. Commercial construction costs for office buildings in Melbourne rose by less than 1% with the previous quarter, however it rose by 6% compared to same time last year. One of the major attributes to the rise in construction cost is the increased material costs. The main trades contributing to increase in costs were concrete work, structural steel and blockwork.



According to our research results shown in the following graph, we noticed the number of new commercial projects have declined over the past six months and had a slight increase in February 2009. Updated projects on the other hand had experienced constant growth. Such result implies that developers tend to lean toward refurbishments than new constructions.



Due to current global economic down turns and low exchange rates keeping the prices of imported building materials up, the outlook for the cost of construction In Melbourne is expected to be flat in 2009. However, volatility in commodity prices makes predictions for movements in construction costs a difficult exercise.



Adelaide

In similar vein to the residential market, commercial construction costs have also increased in line with the rising price of fuel, reduced availability of skilled labor and the rising cost of materials (especially steel) which is used in multi-storey construction.

Increasingly, environmental considerations are impacting on total building costs in an effort to create 'green' buildings. There appears to be a growing demand for energy efficient buildings, especially from larger users, the result being an increase in the initial outlay required for solar panels, double glazing, rainwater catchment and the like. The location of developments has had less impact on construction costs except where site access (often limited in the CBD) becomes a factor.

As for residential building, the current trend is toward a higher than average level of finish for commercial buildings, which is reflected in the building cost. Provision for large common areas, extra lifts and façade treatments are examples of this.

The current cost of construction for an inner city office building ranges from around $1,600/m2 to $2,500/m2, excluding parking and fitout. In overall terms, construction costs are expected to increase gradually as they have done over recent years. Also looming in the future is the Carbon Pollution Reduction Scheme which is likely to have a very noticeable effect on construction cost.

The Adelaide CBD still has a number of under utilised sites which are more often redeveloped (usually the more economic option) than refurbished, the exception being heritage listed buildings and facades. In recent years there has been a shift towards mixed use high rise buildings in the CBD with retail premises on the ground floor and a combination of offices and residential accommodation on upper levels. Examples of this are the' Wave' on Gilles Street and 25 Market Street.

...in overall terms, construction costs are expected to increase gradually as they have done over recent years....

Brisbane

Construction costs across all sectors continue to fall in line with the further deterioration of most property markets and the economy as a whole. As the slowdown further dampens demand for new projects, the past few months have seen the industry enter a more traditional and competitive pricing phase.

Over recent years, many new sub-contractors and suppliers to the industry had become accustomed to a seemingly endless supply of orders and price rises, underpinned by strong local demand driven from overseas - in particular, China. This demand, together with rising property values, ensured that new projects remained financially viable despite the pressures caused by a lack of skilled labour and some dramatic price spikes in raw materials such as steel, and the flow-on effect to other related supply chains.

More recently, the uncertainty of global financial markets and its impact on business confidence, investment sales and leasing demand has placed considerable downward pressure on construction activity and therefore costs. It is our view that this trend is likely to continue in order for projects to again become feasible, and as the current pipeline of 'under-construction' work comes to an end. This, and the fact that most contractors are keen to secure forward cash flow, will result in further cost reductions.
At this stage of the cycle, construction prices are down an average of some 10 per cent over the past 12 months, bringing us back to the levels of around 2007-08. Over the next 12 months, whilst the pace of this downward trend will slow, construction prices are still likely to soften a further 5 per cent and then plateau for some time thereafter – at least until the economic landscape becomes more certain.

Caution needs to be exercised as many builders and larger sub-contractors still find themselves carrying relatively high overheads. There is evidence suggesting contractors that were slow to adjust to the current downturn had built considerable infrastructure to support what they believed to be sustainable local and overseas demand for new projects. With these projects being postponed or even now withdrawn, and the consequential falls in cash flow, many of these contractors have been forced to 'rob Peter to pay Paul' - running dangerously close to shutting their doors.

As with most historical construction price corrections, margins (profit and risk), on-site preliminaries and off-site overheads have been the first to realign themselves – with margins falling to between 2 and 5 percent for large projects, and to between 5 and 8 percent for small projects. As builders scramble to secure new work, so too is the pressure on sub-contractors and suppliers to reign in margins in line with more realistic and historic levels.

Interestingly, prices of raw materials have fallen across selected trades only, and whilst many have halted their upward trend, some continue to increase above the rate of inflation. Labour rates have also fallen, albeit slowly, as this component is usually the last to adjust.

Fortunately for the Queensland building and construction industries, the State Government had embarked on a number of large infrastructure projects that has helped off-set the fall in private sector activity. This, together with the impact of the recently announced Government Stimulus Plan and its the various Affordability and Social Housing programs, will help reinvigorate the Queensland building and construction industries from further declines in activity and price falls.

In recent years the office market, like many others, has enjoyed tremendous growth in value and new construction activity with costs also reflecting those increases. More recently however, construction prices have fallen in line with drop off in activity in this sector – as previously mentioned, some 10 percent over the past 12 months. We expect reductions in building activity over the foreseeable future, resulting in further downward pressure on cost prices of office building construction.

Currently, the prices for a standard suburban three or four level office building ranges between $1,850 and $2,200 per square meter (excluding GST), inclusive of a Builder's Margin and External Works, but exclusive of Tenant Fit-out costs. A word of caution however - the construction 'cost per square metre' of a building is influenced by many variables and therefore must be considered carefully whenever adopted.

For example, the construction of an office building is influenced by numerous design factors, the most significant being its wall-to-floor ratio, or simply put, its design efficiency – that is , the length of wall required to be constructed to the amount of floor area that it yields. For example, a poorly designed office building with a high component of external wall (or façade) to its floor area would be relatively more expensive when compared to an 'efficient' design which would require less external wall (length and area) to enclose the same office space.

Similarly, a high floor-to-ceiling height will add further cost to the building, however, in this instance, it is likely that the higher floor-to-ceiling height would contribute a higher rent, resulting in an increase in value to the project. In such a scenario, a Value-Management or Cost-Benefit analysis should be undertaken. In our earlier comment, a high wall-to-floor ratio would unlikely yield any increase in rental value – the importance of an efficient design is obvious.

Office buildings are also directly impacted by basement car parking requirements and whether or not such car spaces are to be excavated, retained and therefore fully 'enclosed in-ground' (typically in a central city location) or, at the other extreme, can be designed as an 'open on-ground' covered car park - as would typically occur in an outer city location.

The construction cost of an office building is also influenced by the relative size of the building's footprint; the span between its internal columns; the façade system; construction access to and from the site; the number of levels; the level of finish and inclusion; the requirements for specialist services, namely lifts and fire services, the extent of external works – some of which directly impact on rental values.

As with all markets, office values and construction costs are expected to 'self-adjust' over the following months, with one of the likely scenarios being a re-emergence of refurbishment and renovation opportunities. This is likely to occur as many tenants and landlords will 'play it safe' given the current economic climate. The benefits to all parties will include shorter approval and construction durations as well as reduced overall development and building costs.

I recall a time (just a few short years ago), when the question was posed '…why do you Quantity Surveyors refer to Building Cost Escalation as 'Rise and Fall ?' … at the time, it was difficult to explain that construction costs don't just rise - but they also fall.

Gold Coast & Tweed Coast

GOLD COAST & TWEED HEADS

An immediate reaction is that the cost of constructing an office building on the Gold Coast should have or should be heading down, what with an 18% vacancy rate, several high profile corporate failures, a recession, etc.

However, a recent article in the Australian Financial Review reports that the cost of key construction materials has risen in the past year despite the downturn – but contractors are absorbing the rises to maintain competitive pricing.

Listing prices for concrete, fibre cement, plasterboard and insulation have all increased in the past 12 months.

In the case of cement, a 40 kilogram bag costs 33% more than it did a year ago. The value of kitchen sinks, laundry tubs and plastic piping have all fallen.

However, some commentators say that there have been price falls across the board as a result of the margin control of contractors and sub-contractors.

There could be pressure on the cost of base materials over the next 6-12 months as the economy continues to slow and unemployment rises.

On the Gold Coast specifically, we are noticing the higher use of undercroft or semi open basement parking. This is obviously a cheaper option than building very expensive basement parking levels.

The new "Premion Place" building in Southport has incorporated some of its parking on levels 2, 3, and 4 above ground level commercial tenancies but below the main upper office levels that rise to 7 or 8. This allows then to take advantage of higher office levels for better views when a site has a high height limit (15 storeys there) but not viable to build that size building in the market.

Even in a low interest rate environment, time is money and the RAPTIS Group is paving the way for future developments after implementing an innovative top-down construction method to build the $700 million Hilton Surfers Paradise Hotel and Residences.

The project's basement will be the deepest on the Gold Coast at 18m and its foundations will sit at 41m. The technique was last used in Surfers Paradise with the construction of the transit centre in 1993 and 50 Cavil Avenue office tower in 1991.

Raptis Group construction manager, Neilson Batchelor, says the top-down technique was chosen to achieve a full water tight basement and to create better quality foundations for the towers.

...even in a low interest rate environment, time is money....

"We've got to dig down to a fair depth for the foundations and basement and top-down construction is the best quality method most appropriate for the job," says Batchelor.

"The other significant advantage of this method is that substructure and superstructure work can be carried out at the same time decreasing the construction time of each of the towers by almost six months."

Sunshine Coast

Construction costs have continued to increase for office complexes over the past 12 months on the Sunshine Coast. This increase has slowed, though, in comparison to 2005, 2006 and 2007 with increases in those years typically around 10% to 20% locally.

These increases are not based on localities, such as Kawana or Maroochydore, though have generally been noted across the region as a whole.

The main component to these increases has generally been in wage cost increases, which have slowed in recent times with the slowing of the construction industry in the area. The raw material elements of construction have been open for widespread debate with the cost of steel in particular increasing on a monthly basis. However, we noted that these increases were often not as large as wage costs, which exploded as employers had to battle with the higher wages being offered in the mining areas to keep quality trained staff.

With the slowing of the construction industry and also the mining sector we have seen wage costs stagnate. This is likely to remain the case over the short to medium term, and any further increases in overall construction costs are likely to result from raw material cost increases and builders looking for greater margin.

The increasing building costs and dropping of values for end product in this sector has seen a drop in demand for vacant development sites in the area. There have been few recent sales to indicate the effect this has had on value levels, however common sense dictates that these value levels will drop as a consequence.

Southern Queensland

TOOWOOMBA

The cost of commercial construction appears to have levelled off after significant increases have been experienced over the past five to ten years. The increases in costs have been driven primarily by increases in the cost of steel and concrete as well as the cost of skilled labour and sub-contractors. The recent downturn in building activity however has seen sub-contractor costs reduced and more competitive tendering from construction companies.

Construction costs in Toowoomba have historically been 3%-5% higher than Brisbane and 10%-15% higher than Sydney. The cost to construct an office building in Toowoomba will range from $1,400 per square metre to over $2,000 per square metre, with the variance depending on quality and design. A design that incorporates a high environmental rating (often required by new government buildings) for example, will significantly increase construction costs. The construction cost in regional areas will generally increase the further the site is located from a major city. For example the cost to construct in Roma or St George will be 15%-20% higher than Brisbane.

The increases in both construction and land prices in Toowoomba over the past couple of years have seen some office developments become unfeasible at current market rentals and yields. This has lead to developers re-examining building designs to maximise lettable areas and site coverage, but has also resulted in some developments deferred until a new benchmark rental can be achieved.

Central Queensland

ROCKHAMPTON

The Rockhampton office market leaves little opportunity to develop new product. Current rent levels would need to increase significantly to allow investors an acceptable return on their establishment costs.

We are noticing evidence of established professionals renovating older buildings in less profiled fringe localities largely for their owner occupation. Examples would include renovation and redevelopment of the prior Swan Hotel for office accommodation and the imminent move of a professional firm from a shopping centre site to a well located suburban office.

Generally the market is stable with no great demand to establish new product.

BUNDABERG

There is very limited construction of office projects in Bundaberg. While it could be expected that construction costs have declined, anecdotal evidence suggests that this has not yet happened. Labour is more freely available, however material costs are impacting on total construction costs.

The cost to create commercial office accommodation in Bundaberg is currently greater than the 'as if complete' value, unless a strong tenant such as a Government Department can be secured.

Rental levels had been increasing in 2007 to 2008, however these are now considered to have stabilised.

HERVEY BAY

There has been very little development of new office building in Hervey Bay since 2007 with only one completed and one currently under construction. The current trend is for 2 storey units suitable for strata with internal stairwells and amenities. Construction is generally concrete tilt panel or masonry block with clad second levels, extensive hardstand and landscaping. The development currently under construction is to comprise 8 office units and a café with a total enclosed area of 1,330 m2. The construction cost for this project is in the vicinity of $1,200/m2 including buildings, driveway and landscaping. The total project costing is in the vicinity of $1,400/m2. Other historical costings have generally been in the vicinity of $1,500/m2 which is a reflection of costs being lowered to meet the market conditions.

Currently, supply of office space is meeting demand however the construction of more buildings could see owners and tenants in older secondary areas relocating. With interest rates at a low level, owner occupation may become more attractive as mortgage repayments may be cheaper than monthly rental payments. There are a number of recently approved office buildings yet to commence construction and if all of these proceed, supply is likely to outweigh demand, placing pressure on rents and values.

Council has recently announced that Infrastructure Contributions are to be increased. Indications reveal that these increases will have a significant impact on the viability of some projects with contributions generally doubling. An increase of this proportion is likely to place pressure on site values and end product rates to recoup costs.

MACKAY

Anecdotal evidence indicates construction costs for commercial buildings in Mackay should be falling but the hard evidence indicates this is not necessarily the case. Whilst the economy is now reported to be in recession, there is in excess of $600M public infrastructure happening in Mackay and this is continuing to pressure civil and building trades.

While we may see some future pressure on trades labour costs as contractors jockey for future work, material cost increases are still impacting on project development costs.

At present the cost to create new commercial office accommodation is greater than the 'on completion' value. Our analysis of some of the projects proposed for Mackay indicate a rental hurdle of approximately $100/m2 above the prevailing rental rates to justify the economic development of new good quality space complying with Government standard and current parking requirements.

Demand through 2008 started to lead rental rates in the right direction to support further development, but the pressure in rental demand has all but dissipated in 2009. Not withstanding this, vacancy rates for good quality space are still very low.

Cairns

The most recent examples of office building construction costs are in the order of $2,900 per square metre of net leaseable area for a 4½ star green rated building located within the central business district of Cairns. Construction costs are falling but not to any great degree with the savings being some materials and a reduction in labour costs.

The reduction in building costs is of course being driven by supply and demand in that labour is not in as much demand as it was one year ago, therefore contractors are tending to sharpen their pen a little more than they were in recent times. What might be termed new secondary properties are showing construction costs in the order of $2,500 per square metre of net leaseable area. These would be similar quality buildings without the 4 star green ratings, which add considerably to construction costs due to ventilation, recycling, cooling and lighting systems.

The outlook for construction costs is likely to see more decreases but probably slight, once again based primarily on what can be saved in labour margins and materials. At the present time there are two buildings within the central business district being completely refurbished, one is near completion and the other mid way through a total refurbishment. The developers of these properties we do not believe were driven by the fact of cost savings because the buildings were in existence, but more by the fact that they are located in prime areas where vacant sites are simply not available, therefore to take advantage of the location, refurbishment of the existing buildings was the only course of action.

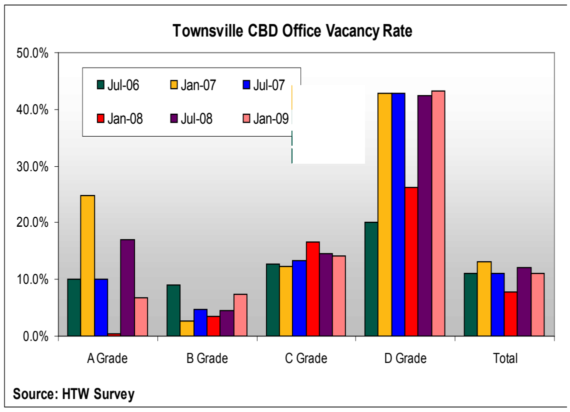
Townsville

Construction costs within the commercial office sector are becoming more competitive as larger scale construction groups compete to win work. The major cost reduction is coming in the way of labor savings, with builders becoming more willing to accept lower profit margins coupled with less competitive labor hire.

The market is showing large variations between prime and secondary property construction, with the prime construction focusing on green ratings and therefore higher construction costs associated with this style of development. The secondary properties are generally smaller scale suburban developments, which are not built for green rating.

Construction costs are expected to remain competitive, although higher hurdle rates are also proving fundamental in any new office development. Recent indications reveal a gross rate of $400/square metre necessary to make a construction project viable. This is challenging to achieve in the market based on the current demand.

There are a number of new CBD office buildings in the pipeline. The collapse of Storm Financial earlier this year, however, will provide the auction of a near new 2,500 square metre office building on 30 April 2009 to the market. This additional space, coupled with the completion of two other office buildings in the CBD during 2009 will provide over 12 months supply of 'A' grade space.



During 2008 our CBD office survey revealed an overall absorption of 3,590 square metres of 'A' grade office space with an overall vacancy rate in the CBD as at January 2009 of 11.2%.

...the outlook for construction costs is likely to see more decreases but probably slight, once again based primarily on what can be saved in labour margins and materials...

Darwin

Darwin's office construction costs are a relatively tricky call because of the small base of information. Apart from five near-complete developments - Gwelo's green Jacana House in Woods Street, the Winston Group's green building in Parap, the Waterfront Development's office component, the combined office and residential complex called Civitas in the CBD, and another combined one going up in Casuarina, there is not a lot about.

Another complicating factor is that green buildings are in, and any other colour is out. That is particularly so here because of the high proportion of government or government-related tenancies in Darwin's CBD. Both the Federal and the Territory governments require strong green credentials now for a building, and even if one was to build with a private sector client in the bag, why would you compromise your chances for a government tenant in the future?

One answer: cost. While a shell and core office type may set you back only $1,400-$1,500 per square metre, green requirements can run well beyond that, doubling or even tripling construction costs.

As long as the market is prepared to pay rentals that reward such additional costs, then that will be OK. An example of this is that thousands of square metres of government tenancies are moving from still quite serviceable offices in the northern suburbs into the abovementioned green Jacana House in the CBD. But what happens if the market stops covering those costs? For instance, what happens if horror budget style belt tightening due to the GFC makes green buildings uncompetitive? That vacated space in Casuarina could become highly enticing to belt-tighteners. Who is to benefit and who is to suffer, if developers act on government policies that are then not implemented?

Cost is also impacting on the refurbished versus new dilemma. Fact is, refurbishment costs are right up there, but construction costs have steadied, and may have even been falling slightly lately. Builders no longer have to compete as strongly as before with the mining industry for staff, and steel and concrete costs are down. Development site values in the office sector are steady. Even the trades are starting to get competitive again.

The costs going down and rentals going up equation is one to watch here. There are many as yet unannounced plans, and the time is getting ripe for a pre-emptive strike from one of them. Darwin's belt-tightening time is predicted to be much shorter than elsewhere, and with the wisdom of hindsight, new constructions may prove to have been well-timed. The problem is, the wisdom of hindsight is a cheap wisdom; the wisdom of foresight is the valuable one, and if recent history teaches us anything, it is not only valuable, but extremely scarce.

Perth

Throughout 2008 Western Australia held the mantle for having the highest construction costs and increases in Australia. Labour costs increased due to the mining boom from 2000, which led to unprecedented low unemployment. Despite Western Australia also having the largest migration growth nationally, the growth failed to keep up with demand for skilled labour which resulted in Western Australia holding the mantle for highest wage growth in the country. Material costs associated with office construction also climbed dramatically due to the global economic boom, however this ended just as dramatically following the US Credit Crisis. Figure 1 below depicts annual construction cost increases from 2000 to the peak increase in 2007 as well as forecasted increases anticipated by the Australian Institute of Quantity Surveyors (AIQS). Two salient features appear in the recorded and anticipated construction cost increases data. To begin with, Western Australia experienced the highest construction cost increases from 2004 to 2007 following the mining boom. Secondly the anticipated growths remain positive from 2009 to 2014 which deserves some further explanation.

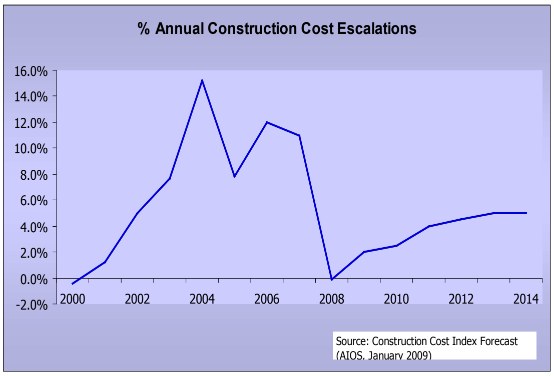


Figure 1: Overall historical and forecasted construction cost increases anticipated by the AIQS (WA).

As overseas economies, particularly China, were going through high growth phases, demand for commodities such as steel increased. Most of the construction cost increases were due to higher material input costs. Definitely high fuel and steel costs contributed the most. Fuel costs have declined significantly from the peak in late 2008 however this has not really had a significant effect. Not only were increases in iron ore prices contributing to higher steel prices, steel production constraints have also contributed to cost pressures. A recent AIQS "BRIX Survey" (February 2009), indicated that trade cost movements from October to December 2008 were negative for all except metalwork (0.8%), structural steel (6.3%) and reinforcement (7.5%). Therefore falling international commodity prices have not as yet translated to reductions in steel input costs of construction.

Although unemployment in Western Australia is still relatively low, at a seasonally adjusted figure of 4.9%, Perth CBD construction is characteristically strong in union representation. Despite most economic forecasters predicting further increases in the unemployment rate, it is unlikely that this will result in lower labour costs because of the protection union representation offers workers on these sites.

The mining boom in Western Australia resulted in higher demand for office space in the Perth CBD and West Perth, which in turn led to record low vacancy rates across the Perth office market. Obviously with a buoyant economy and subsequent increases in office rental rates, many investors and developers were drawn into constructing new space, and as previously mentioned, many of which are still being built. Westpac recently estimated that almost 290,000m2 of office space is currently under construction, with the majority of this due for completion in 2010. Vacancy levels in the Perth CBD are forecast to increase from below the 1% reported in the last quarter of 2008 to approximately 11% by the end of 2009 finally peaking at approximately 17% in 2010. Not only has the economic downturn and new office supply added substantial space; sub-lease space has also increased significantly, although current figures seem understated. With most of the developed world economies now in a recession, limited available global credit, low investor and business confidence and Western Australia's worsening terms of trade the Perth CBD Office construction is limited to existing developments with no real likelihood of new projects commencing in the near future. Furthermore, sales volumes have plummeted with associated increases in market yields and recent declining effective rents have seen Perth CBD property values decline significantly.

Figure 2 depicts Data from the ABS representing Western Australia's quarterly "Office Completion Value Commenced". The data clearly shows the cyclical nature of the Perth Office Market, with peak activities occurring roughly at ten year intervals. Furthermore the data suggests that Perth is currently in the downward phase of the cycle. Taken into context with the factors discussed above

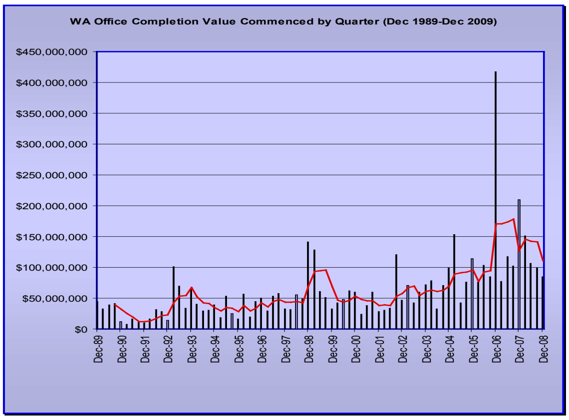


Figure 2: Completion value commenced by quarter, with the red trend line showing previous four quarter moving average.

Given the local and international economic circumstances and the phase of Perth's office construction market it seems pertinent to focus on how long it will be before new office projects resume. Certainly given the circumstances described and the likelihood of high construction costs remaining simply makes any notion of future developments extremely unfeasible.

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Tralagon, VIC	03 5176 4300	admin.tralagon@htw.com.au
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Wagga Wagga, NSW	02 6921 9303	admin.wagga@htw.com.au
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Rural – Market Directions

There are three main themes running through this months contributions. Everyone is talking about the effect of the large investors such as Timbercorp and AACo, as well as the imposition of the moratorium on regrowth control imposed by the Queensland government is having on the market.

Each of these three themes are discussed in light of the positive and negative impacts they will have on rural property values. The voluntary administration of Timbercorp has a number of commentators wondering at the downward effect the 'forced sale' of large scale orchards will have on local property values, both in the NT and in Victoria. Let alone the effect the demise of these type if Managed Investment Schemes (MIS) will have on the local economies in those regions affected.

Similarly, the moratorium on regrowth control appears to be having an effect on some potential sales of properties in the Central and Southern Queensland districts with potential buyers adopting a wait and see approach until the impact of this latest 'initiative' is understood more fully.

All in all, it remains as always an interesting time to be in the rural valuation game with a myriad of seemingly opposing forces at work in the market place, which has a limited number of transactions with which to assist in their interpretation.

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1 May 2009

NORTHERN NSW

The marketplace will be watching with interest to see how the rationalization of the MIS timber industry plays out. With several timber properties on the market, the question remains, will the MIS sector, or others, be investing in new timber plantation land in the short to medium term? In recent years, the timber plantation sector has been a significant buyer of land in the 800mm plus rainfall zone. In the event that they cease/reduce significantly their buying activity and at the same time place significant numbers of properties onto the market, it is likely to have a dampening impact on property values in some areas.

Despite the doom and gloom of the "GFC" and Australia's recession, a couple of recent sales of cattle properties in the Barraba district indicate strength in the market for better quality cattle property in a 700mm plus rainfall. The sale of "Eulourie" (1,788ha) and "Ulumbarella"(1,324ha), both for around $6,000 per cow area were strong results.

Local agents report some recent increased enquiry from southern NSW purchasers, facing their sixth or seventh year of drought, who are looking at investing in northern NSW, either to purchase "grass" or to relocate permanently. Whilst the purchase of properties for "grass" has traditionally been quite common in Queensland during drought periods, it has not been a common occurrence in NSW.

Some good falls of 40mm or more over Easter in inland northern NSW was very timely for both the cropping and grazing sectors and seasonal conditions generally remain good in most districts.

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SOUTHERN NSW

ALBURY

The rural property market across the southern NSW and northern Victorian areas remains very slow, with very few properties selling. These areas are still in the vice like grip of drought, with only some areas receiving a few heavy falls of rain. Most of the heavy falls have come in short sharp storms which have generally done more damage than good, with much of the rain running off, filling dams with trash, causing erosion to bare hills and knocking fences over. The hoped for autumn break has not eventuated so far and most farmers are looking skyward for the break to occur before they start sowing. Some farmers have taken the gamble and started dry sowing in the hope of rain.

Due to the prolonged drought conditions and the current economic climate, most primary producers in southern NSW and northern Victoria are reluctant to offer their properties for sale until after the hoped for autumn break. Properties will then start to present a bit better, and provide potential purchasers with confidence that we will actually get a season in 2009 and they will have a crop to harvest. With low interest rates, major banks with plenty of money to lend on sound assets, the current level of the $Aud, and fairly strong commodity prices, it may be the opportune time to step into the rural property market to secure land before prices start to move upwards again.

Value levels for rural property in Southern NSW and northern Victoria seem to be holding, however, with so few properties being offered for sale, there is little evidence available to indicate any trends in value. Certainly values in higher rainfall country (700 mm or 28 inches plus) are holding as indicated by several sales to the east of Holbrook. Two properties sold in that area show higher prices than most anticipated, and certainly at levels equivalent or higher than 2007 prices. Due to the current economic crises there is virtually no money being invested in the pine plantation industry, and in the last few years tax driven investment in pine plantations has provided strong buyers for properties suitable for such development. There have been two major players in this space and with them dropping out of the market, it will be interesting to see if the void left by them is picked up by other potential buyers.

There is not much joy with water storages and water allocations in southern NSW and northern Victoria. Dartmouth is about 20% of capacity (16% at the same time in 2008); Hume is at around 3.2% of capacity (about 11% at the same time in 2008); Blowering is at 30% (about 28% at the same time last year); Burrinjuck is at 40% of capacity (about the same as the same time in 2008). At present water allocations for general security water are 0% in the Murray, Murrumbidgee and Lachlan valleys. Not a pretty picture at present - all we need is some of the rain that has been falling in northern NSW and Queensland.

The largest private irrigation company in Australia, Murray Irrigation Limited (MIL), which is based around Deniliquin, Finley, Berrigan, Tocumwal and Moulamein have put together the largest water parcel to go up for sale on the Australian market - 42,000 megalitres, muted to be worth around $70 million. MIL are hoping to sell the water to an investment entity who may retain the water in the MIL area and sell the water back to irrigators on an annual basis so that the water is retained in the area for productive use. If the water is purchased by the Government under the current water buy-back scheme it is likely that the water would be removed from productive farming, returned to the environment (at a 17% reduction) and would be lost to the MIL area for ever. The loss of significant amounts of water from irrigation areas will most likely have negative flow on effects to the local towns and villages. It will be interesting to see what develops in this space.

Most areas of southern NSW and northern Victoria are now waiting on the autumn break to occur. If we all keep our fingers crossed we may receive a break and claw our way out of the drought that has gripped these areas since the year 2000.

WAGGA WAGGA

The rural market surrounding Wagga Wagga is still quiet in terms of property transactions. Properties that have sold in some areas over the past few months have shown that the market may be contracting slightly but more sales are needed to confirm that this is the direction the market is heading. The area has seen a number of storms pass through over the past few weeks which have been patchy with the amount of rain areas are receiving. Some areas have received over two inches in the past few weeks while other areas have not received a drop. The tractors are starting to come out with sowing having started in some areas, with other areas about to kick off. Fingers are crossed that good rain is received across the board to start the season off on a good note.

LEETON

With drought conditions persisting in most of our region there has been an increase in the number of dryland properties listed for sale across our region. As one would suspect, there is little buyer interest. With most of the regions, dryland farmers are sitting watching the sky for some sort of autumn break and surviving mostly on government interest subsidies and the goodwill of lending institutions.

This goodwill looks as if it is starting to wear thin with reports in the local media of “a Dutch bank” officially starting to close the door on some struggling clients and putting up the for sale signs. In the same media report it was mentioned machinery company Case IH, was also in the process of repossessing equipment from local farmers.

The demand for irrigated holdings has steadied with the end of the summer crop season and cooler weather approaching. Accordingly irrigation water prices have eased significantly.

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Regional Vic

ECHUCA

Most rural producers are anxiously awaiting an autumn break following a year of low allocations (Murray – 35%, Goulburn – 33%) with the major storages at historically low levels (Lake Hume – 3%, Lake Dartmouth – 21.4% & Lake Eildon – 12.8%). Declining terms of trade for mixed croppers, grain and dairy producers have resulted in minimal, if any, expansion in recent times and consequently there have been few sales of properties as "going concerns" with most vendors choosing to sell water and land separately in order to maximise returns. There is likely to be limited activity until the autumn break and given the series of failed recent seasons there appears to be larger numbers on the verge of this being the 'make or break' season.

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MILDURA

It has continued to remain dry in the Sunraysia area with no rain recorded in April up until 22nd April, however rain is forecast for the last week in April and it would be a pleasant change if rain does arrive. Towns in the area have struggled for the past three years with significant restrictions on water availability and the outlook for growers/producers remains bleak. Forecasts and recent press reports that the Murray River could stop running in the autumn of 2010 if significant rainfall does not arrive further impacts on confidence in the area.

The announcement in late April of Timbercorp being placed into voluntary administration has further rocked the local communities, particularly Robinvale where it is estimated 400 locals are either employed or work under contract for the company. The effect from the collapse will also have an impact in Swan Hill, Boort, Boundary Bend, Euston and Mildura. The main Timbercorp office for the region is located in Mildura and there are many contractors and suppliers located in Mildura, Swan Hill and Robinvale that will be directly impacted. It is noted that in this area Timbercorp owns/manages/controls 4,000 ha of olives at Boundary Bend; 11,852 ha of almonds at Robinvale; 412ha of table grapes at Euston; and 1,345ha of citrus at Renmark in the SA Riverland.

The wine grape harvest has virtually been completed with reduced yields reported and low prices across the board. Properties in this sector continue to have low demand when presented to the market, unless prospective purchasers are seeking water allocations.

The fresh fruit table grape industry has been clearly the best performing sector with good yields and reasonably good prices being achieved for the fruit, particularly the Crimson Seedless variety

The citrus crop is gearing up for the new season with picking of early navel varieties to commence in May. Crops appear promising, but export markets remain volatile, although exchange rates will be more favourable than recent seasons.

In the dryland cereal cropping sector many farmers have been busy 'dry' sowing with anticipation of rainfall forecast for late April. A number of dryland sales to occur in late March and April show strong value levels being maintained with sales in the Kulwin (eastern Mallee), Turriff (southern Mallee) and Murrayville (western Mallee). Value levels generally ranged from $940/ha up to $1,500/ha.

Agents report that there has been some activity on the larger Pastoral/grazing holdings in the south west grazing sector of NSW, with sales at the negotiation stage for property in the Wentworth, Pooncarie, Menindee and Broken Hill regions.

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SOUTHERN QLD

The local rural property market is considered to be relatively stable. Their have been only a few sales and they would indicate a slight softening on values from their peak. Outside of issues associated with global financial crisis, we consider that the current fundamentals of low interest rates, sound commodity prices and fair to good seasonal dry land cropping and grazing conditions, are about as good as it gets for investing or buying agricultural property.

Auctions and sales volumes are down with many properties being withdrawn from the market. Recent sales, including "Moolan" (Inglestone) are confirming what we anticipated as being the side affects of the broader down turn, with a slight softening in values.

Discussions with various agents and bankers indicate that there are a lot interested in buying, however prospective purchasers are not sure when the down turn will bottom out and playing the 'wait and see' game.

As with other regions, the moratorium on regrowth control is a cause for concern. It has put the breaks on some negotiations in the short term, however longer term, what is to stop the government from expanding the "Blue" area to include existing developed land on which regrowth establishes itself in the future?

There should be some benefit paid to the property owners for the loss in the productivity as a consequence of the loss in right to manage regrowth. Regrowth is often less productive than the original natural vegetation as it returns in a thicker but lower stand. One sector of the community may end up paying for the "benefit" for all.

The assumption of government policy in these instances

are that farmers and graziers are irresponsible and cannot be good custodians of our rural lands and therefore the government in their wisdom have to impose these uninformed and restrictive land management legislative requirements on affected land owners. All farmers I have met love the bush, the native animals and vegetation. They are striving to make it better for the next generation and therefore they cannot afford to degrade the land. It is recognized that many mistakes have been made, however look at the ingenuity of these people in how they try to readdress these mistakes. You have Landcare and various Catchment Management Groups who are striving to improve the understanding of land and resource management.

The issue for the world is – can agriculture supply all the food for a growing world population? If farmers are paid enough for their produce they will respond by increasing inputs and better land management that will increase yield. However, if prices are kept low, and this is generally the preferred option for most governments as low affordability can create significant civil unrest, it is hard to maximize production and maintain the highest standard of land management.

We are also now moving to an Emissions Trading Scheme (ETS), and whether it commences next year or later, it should be given some consideration. Under the present Kyoto agreement, regrowth is not eligible for the "European" based carbon accounting methods. Should this change, and if this moratorium is to go ahead as indicated, there should be some provision for these affected lands to be accounted for under any possible changes to the Kyoto agreement that would make them eligible in the future.

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FAR NORTH QLD

Grazing

The Environmental Protection Agency has recently purchased "Crosbie Station" on the Peninsula for conversion to national park. The purchase price was $3.6M which equated to $32 per hectare improved. "Crosbie" was lightly improved and was utilised for breeding purposes in conjunction with "Dixie Station". The Queensland Government through the EPA has been steadily acquiring pastoral properties on Cape York Peninsula in recent years and is currently negotiating with a number of lessees regarding future purchases.

"Koolburra Station" via Laura on the Peninsula is for sale for $7.5M on a going concern basis. "Koolburra" is a breeding property of 160,000 hectares and is currently carrying 7,000 head of mixed cattle. The asking price less cattle and plant equates to approximately $30 per hectare.

Aquaculture

An aquaculture farm near Cardwell is currently under contract for $900,000. The farm comprises approximately 15 hectares of production ponds and is improved with basic infrastructure such as a hatchery and processing shed, old residence and storage shed. The farm was run down at the date of sale and previously produced prawns, however the intending purchaser will convert to saltwater Barramundi production. The contract price equates to around $60,000 per ponded hectare.

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CENTRAL QLD

The recently introduced regrowth moratorium has thrown some confusion across the region which largely relies on sustainable regrowth management as an important tool in maximising the productive capacity of the areas fertile lands. Although it's too early to properly determine the affect this will have on property values, we are aware of a number of potential sales which have been suspended until the matter is further clarified. Those properties with a PMAV in place are expected to proceed as normal in the market.

In other market news around the region it seems that the premium has not left the Dawson Valley for smaller well improved blocks. A 750 hectare highway located scrub and forest block recently passed hands for over $2,700/ha ($1,100/ac), supporting an apparent continuing in demand and value for better blocks.

The sales of "Innisfree" and "Highlands" maintain solid consistency in values established in 2007 and continuing through 2008 for highway located blocks handy to Emerald, both reaching rates above $2,400 improved. The sale of "Inderi" east of Springsure counters this trend, selling post auction last month for $4.3M after its former purchase for $5.9M late in 2006. Each sale however needs to be considered on its individual circumstances and generally we consider that the CQ rural market has held remarkably well relative to other property based markets.

Seasonally, the Central Queensland area continues its good run of conditions, however further rain will be required in coming weeks, particularly in the areas south and west of Emerald.

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NORTHERN TERRITORY

As we approach the end of the first quarter, the picture regarding market direction in the pastoral and farming sectors is becoming a little bit clearer. AAco has just announced (to the ASX) that they have exchanged contracts to sell the well regarded Barkly Tablelands cattle station "Rockhampton Downs" (5,085sqkm) to a well known northern pastoral family for $35.7 million (bare of livestock). The deal is subject to conditions, but was reportedly for cash, with a re-stocking cost reportedly in the vicinity of $20 million. The fact that pastoralists on the Barkly will face a huge challenge in trying to find suitable cattle to restock the 300,000 head that were trucked off the Tablelands during the 2008 drought is well publicised, and this makes the sale of "Rockhampton Downs" look pretty strong. We are well aware of the carrying capacity and full level of development of this property, and the commitment needed to buy a property of this scale indicates a high level of confidence in the property's end cattle markets which is both live export to the north and restocking market to the east. This sale supports our view to date that the limited number of large, tightly held corporate properties with desirable location and climatic features should remain in good demand.

We are also aware of another deal underway for a large scale breeder block fringing on a corporate stronghold that is reportedly coming close to a sale. Details remain confidential, but the news is encouraging, and the negotiation (if it culminates in a settled sale) will provide more evidence that value levels for large scale blocks with good economies of scale have been maintained at value levels that were established some 12 to 18 months ago (they may have even increased a little).

Meanwhile, and as mentioned in our last Month In Review, the subdued activity in the pastoral sector for smaller scale family type properties, is not giving us anything to gauge market demand by, other than to suggest that potential buyers are still sitting tight for now. There is an ever increasing list of these small to medium sized cattle stations coming onto the market, and surprisingly, they are still attracting a fair bit of interest (we have been involved in several recent scoping exercises for potential purchaser due diligence). We suspect that this slowly mounting interest may culminate in some sales activity over the next two months or so. Having said that, as the supply grows, so does the choice and whether the motivation for vendors to try and sell has been to get out at the perceived top of the market, or more to do with being pressured to sell, it would appear that confidence in this sector will have to improve significantly before a good portion of these properties move. Perhaps recent reports that Indonesia's economy may not be as robust as previously thought, with the result that demand for live export beef (more of a luxury than a staple food) will fall, is having an impact on potential buyers' confidence to acquire a live export cattle producing property. It certainly isn't having the same impact on the larger players who appear to be in the game for the long haul.

As for freehold farming/grazing land, significant news this week is the announcement that Timbercorp's Katherine and Mataranka based mango farms are likely to come onto the market in the near future as the company goes into voluntary administration. Timbercorp are a major player in the NT mango industry, reportedly accountable for around over a third of the Top End supply of mangos. The sale of either of these properties will certainly be of interest to the mango industry, as Timbercorp were well known for pioneering the large scale production of the Calypso mango. The Calypso had been planted in the tens of thousands by Timbercorp, and were reportedly gaining popularity by the supermarket chains for their shelf appeal and hardiness. If adequately marketed, the sale of these orchards will be the first market evidence of these high yielding plantations in Australia.

We also note that Great Southern have gone to the market with two large freehold blocks in the Douglas Daly region (200km south west of Darwin). Both properties (6,148 ha and 4,933 ha) were bought around 18 months ago by Great Southern for growing timber for tax driven managed investment schemes. It appears that none of the African Mahogany trees have been planted on the large areas of cleared country to date. This is probably a good thing, as demand for cleared country is again on the rise as the tree clearing moratorium in the Douglas Daly has been extended and supply remains tight. It will be interesting to note whether any other MIS timber growers are still in the market after buying up nearly half of the available land in the Douglas Daly over the last three years.

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Comparative Property Market Indicators - April 2009

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

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

Comparative Analysis of Capital City Property Markets

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

Sydney	(02) 9221 8911
Melbourne	(03) 9642 2000
Brisbane Commercial	(07) 3002 0900
Brisbane Residential	(07) 3353 7500
Adelaide	(08) 8231 6818
Perth	(08) 9388 9288
Hobart	(03) 6244 6795
Darwin	(08) 8941 4833
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Gosford	1300 489 825
Griffith	(02) 6964 4222
Leeton	(02) 6953 8007
Mudgee	(02) 6372 7733
Newcastle/Central Coast	(02) 4929 3800
Norwest	(02) 8882 7100
Sydney	(02) 9221 8911
Port Macquarie	1300 489 825
Tamworth	(02) 6766 9898
Tweed Coast	(02) 5523 2211
Wagga Wagga	(02) 6921 9303
Wollongong	(02) 4221 0205
Young	(02) 6382 5921

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Horsham	(03) 5382 6541
Melbourne	(03) 9642 2000
Murray Mallee (Swan Hill)	(03) 5032 1620
Murray Outback (Mildura)	(03) 5021 0455
Murray Riverina (Echuca/Deniliquin)	(03) 5480 2601/ (03) 5881 4947
Wodonga	(02) 6041 1333
Hobart	(03) 6244 6795
Launceston	(03) 6334 4997

Comparative Property Market Indicators - April 2009

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Comparative Analysis of Queensland Property Markets

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

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

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

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

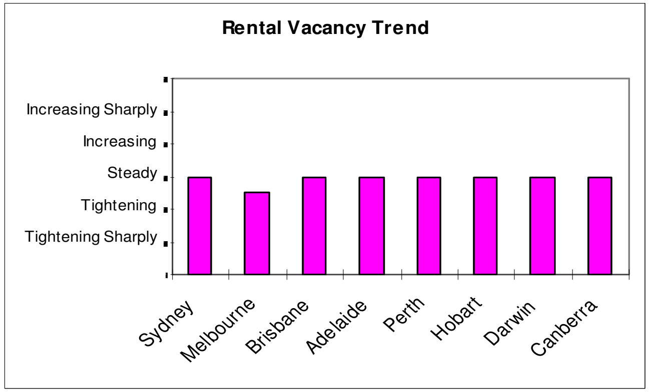
Herron Todd White acknowledges the assistance of Countrywide Valuers (Bendigo), Roger Cussen Property Specialist (Warrnambool) and ValWest (Geraldton) in compiling these pages.

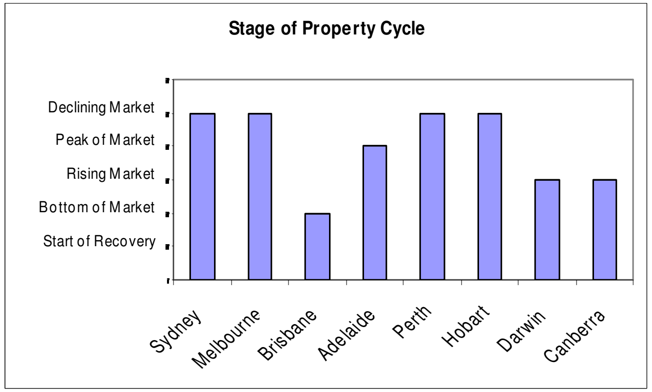
Capital City Property Market Indicators as at April 2009 – Houses

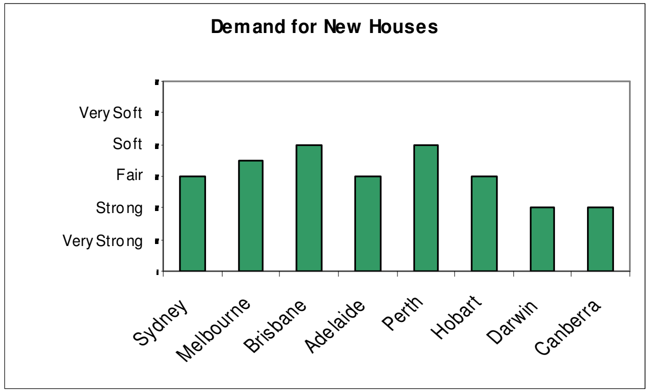
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative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

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

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





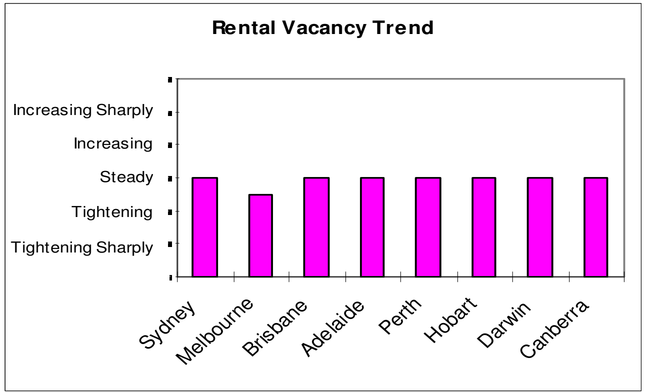


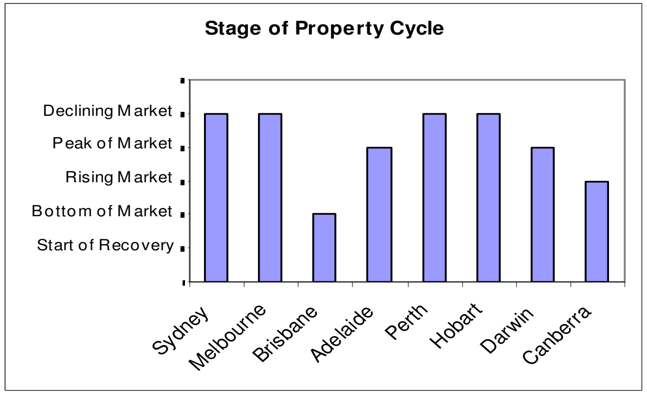
Herron Todd White

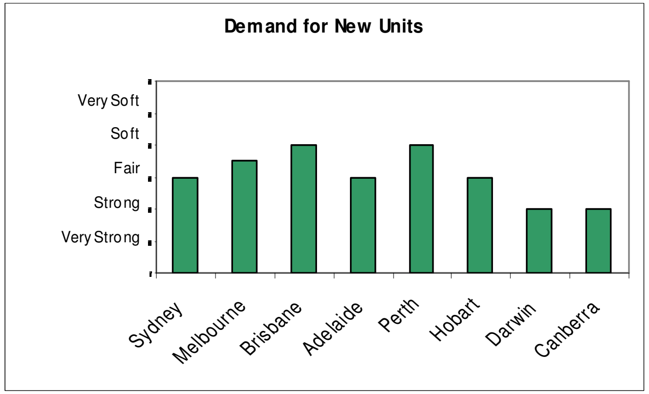
Capital City Property Market Indicators as at April 2009 – Units

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

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







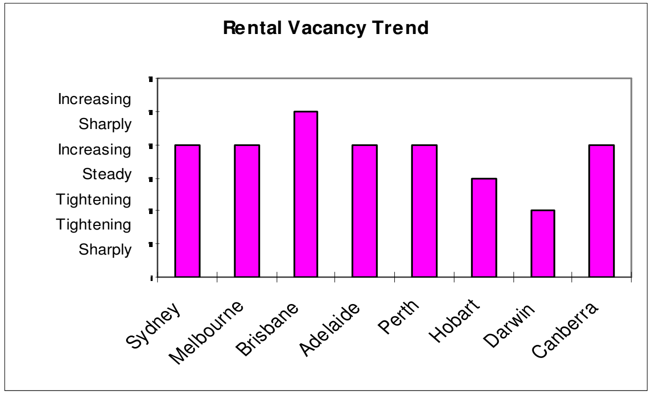
Herron Todd White

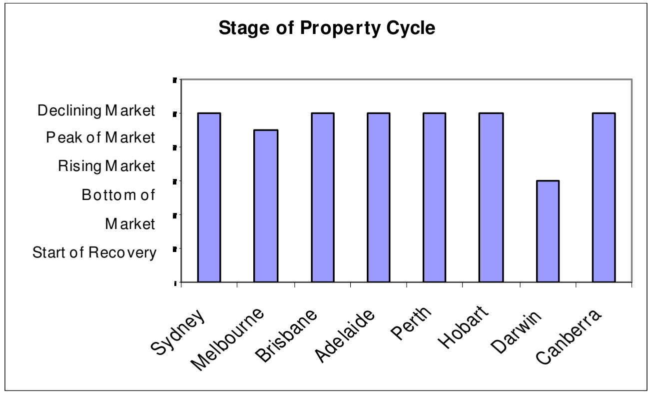
Capital City Property Market Indicators as at April 2009 – Office

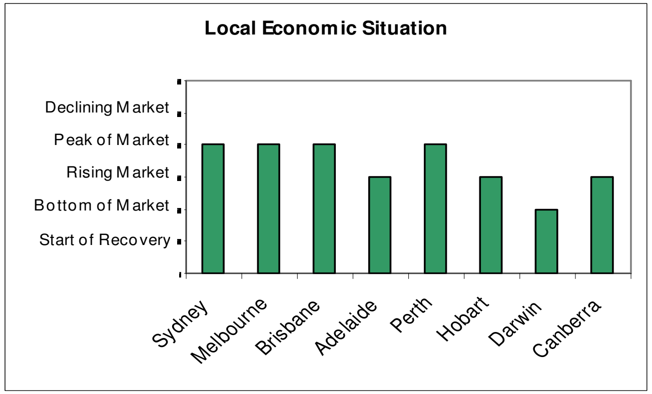
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market - Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply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

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

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







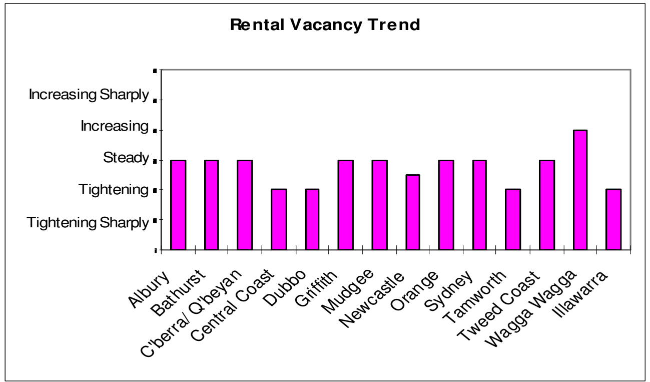
Herron Todd White

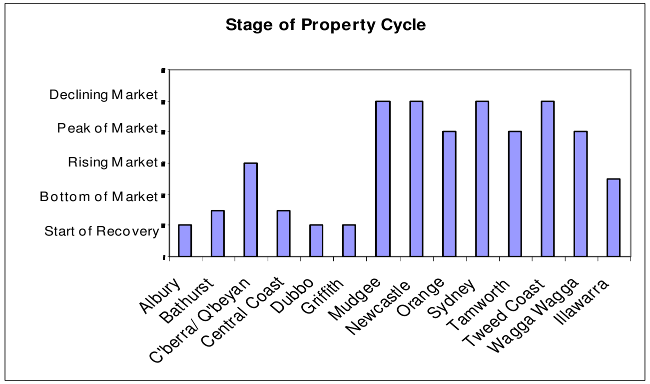
New South Wales Property Market Indicators as at April 2009 – Houses

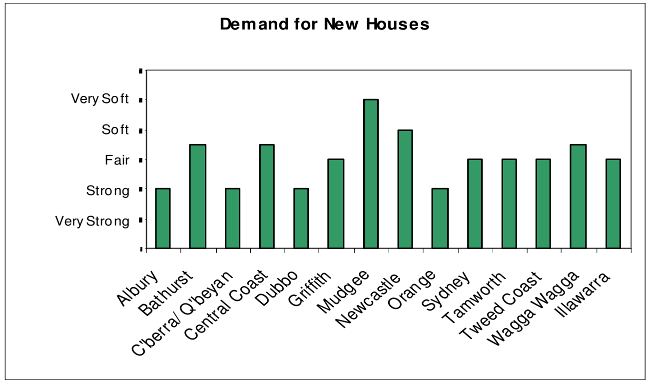
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available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

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

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







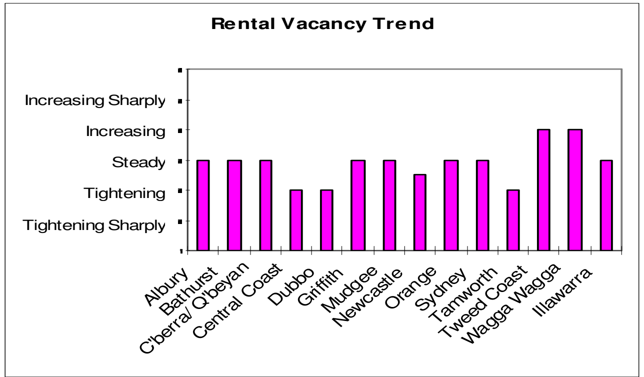
Herron Todd White

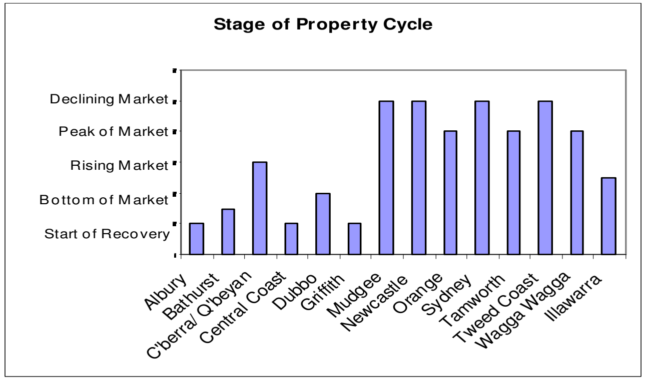
New South Wales Property Market Indicators as at April 2009 – Units

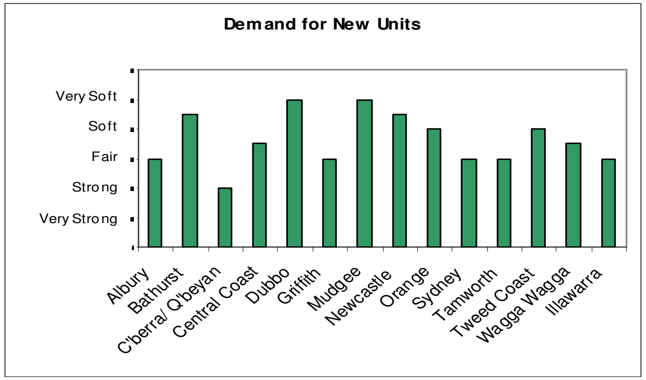
Factor	Albury	Bathurst	Canberra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	Newcastle	Orange	Sydney	Tamworth	Tweed Coast	Wagga Wagga	Wollongong
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available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





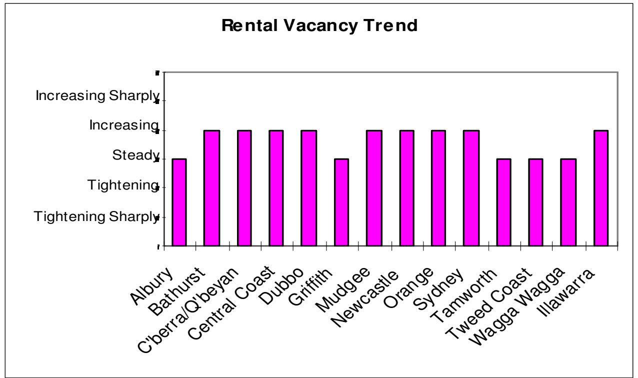


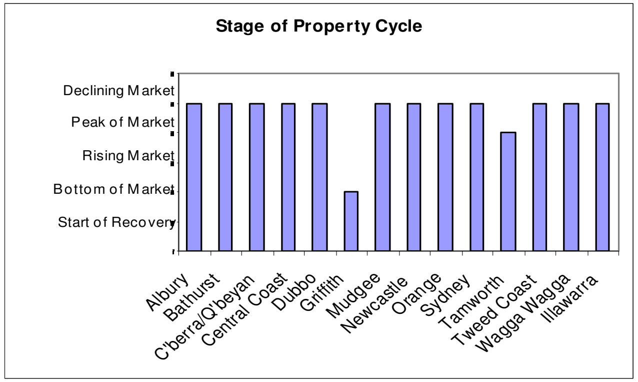
Herron Todd White

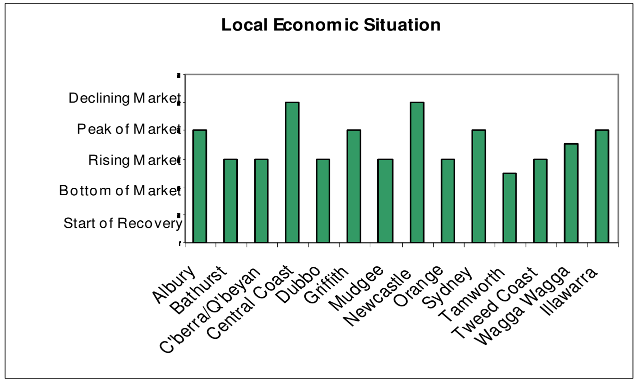
New South Wales Property Market Indicators as at April 2009 – Office

Factor	Albury	Bathurst	Can-berra/ Q'beyan	Central Coast	Dubbo	Griffith	Mudgee	New-castle	Orange	Sydney	Tam-worth	Tweed Coast	Wagga Wagga	Wollon-gong
Rental Vacancy Situation	Balanced market	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	Balanced market	Large 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	Shortage of available property relative to demand - Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Increasing	Increasing	Increasing	Increasing	Steady	Increasin g	Increasing	Increasing	Increasing	Steady	Steady	Steady	Increasin g
Rental Rate Trend	Stable	Declining	Declining - Stable	Declining significant-ly	Stable	Stable	Stable	Declining	Declining	Declining	25.5	Stable	Stable	Declining
Volume of Property Sales	Declining	Declining	Steady	Declining significant-ly	Declining	Declining	Declining	Declining significantly	Declining	Steady	Declining	Declining significantly	Declining	Declining
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Declining market	Bottom of market	Declining market	Declining market	Declining market	Declining market	Peak of market	Declining market	Declining market	Declining market
Local Economic Situation	Contraction	Flat	Flat	Severe contraction	Flat	Contrac-tion	Flat	Severe contraction	Flat	Contraction	Steady growth - Flat	Flat	Flat - Contraction	Contrac-tion
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Large	Significant	Large	Significan t	Large	Significant	Significant	Significant	Significant	Significant	Small

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







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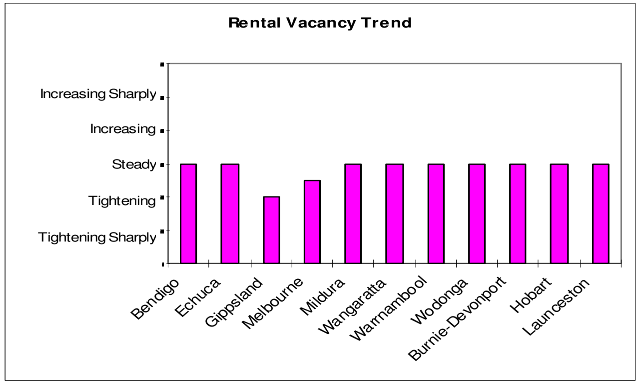
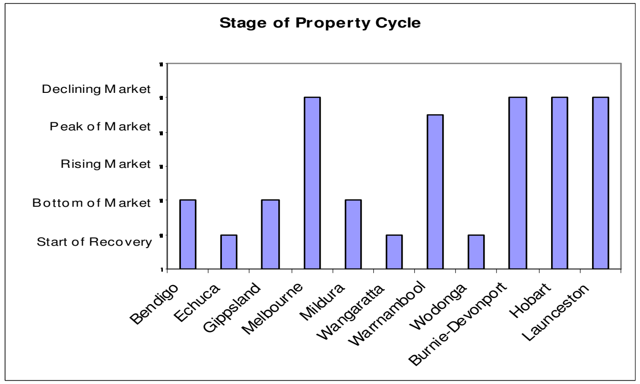
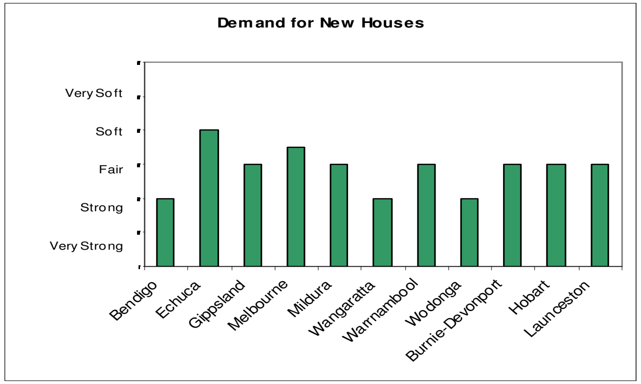
Victoria/Tasmania Property Market Indicators as at April 2009 – Houses

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

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





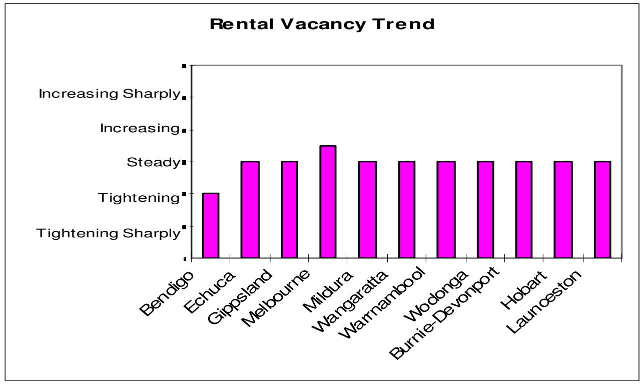


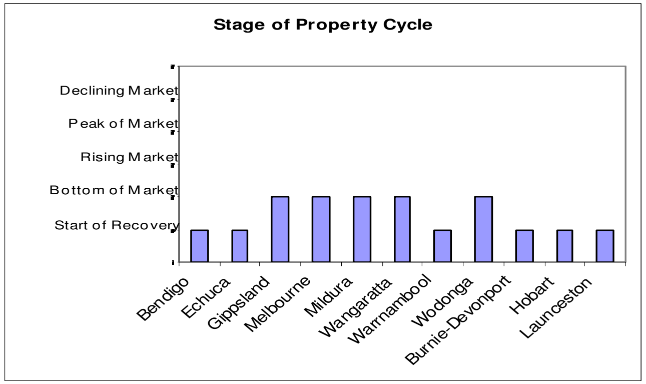
Victoria/Tasmania Property Market Indicators as at April 2009 – Units

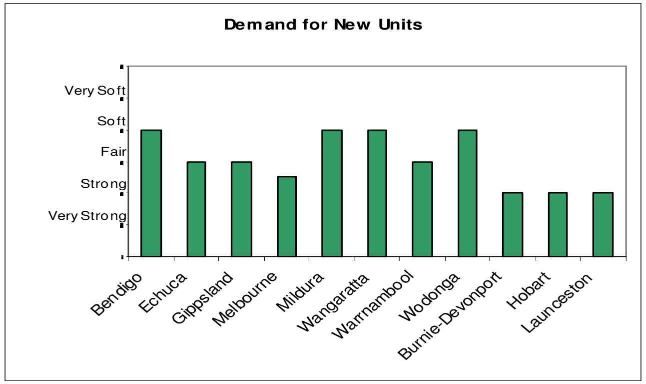
Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnam-bool	Wodonga	Burnie - Devon-port	Hobart	Laun-ceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced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

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

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







Victoria/Tasmania Property Market Indicators as at April 2009 – Office

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

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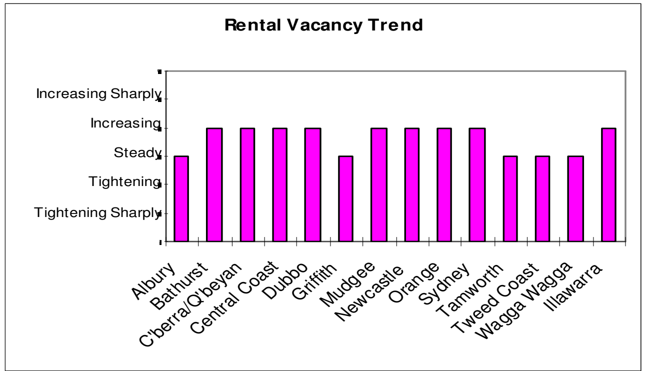
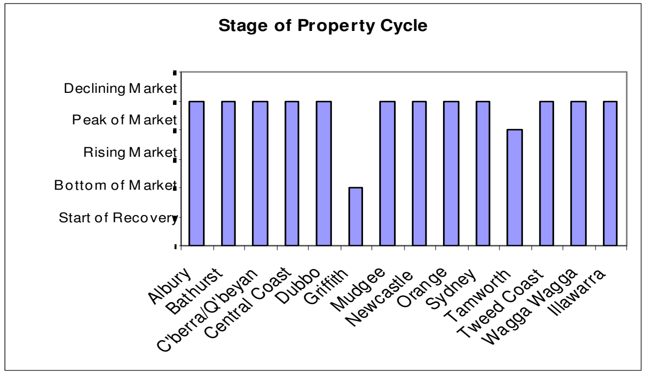
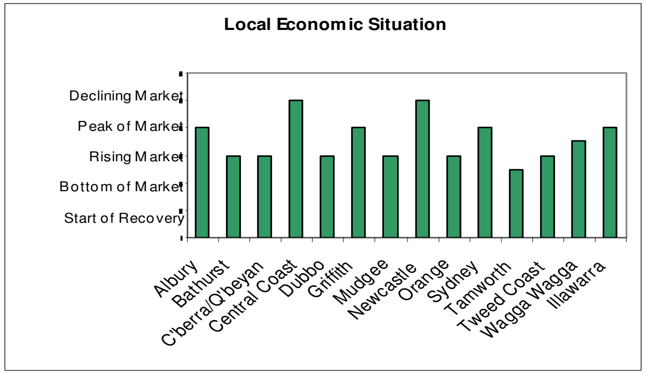
Blue entries indicate change from 3 months ago to a lower risk-rating







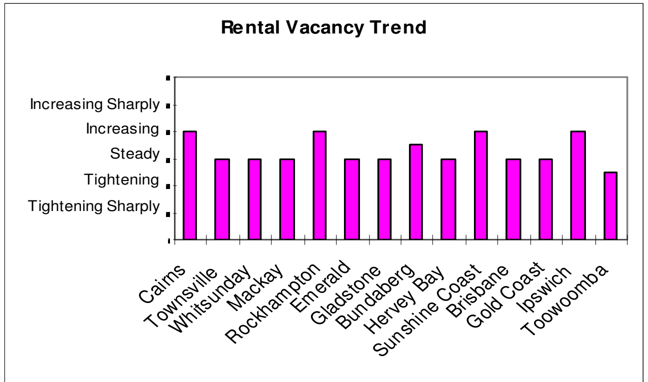
Herron Todd White

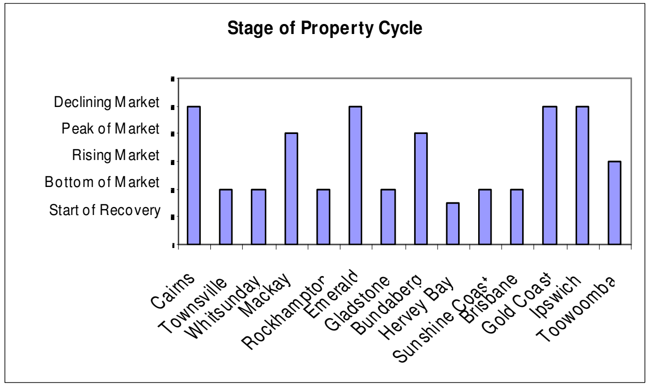
Queensland Property Market Indicators as at April 2009 – Houses

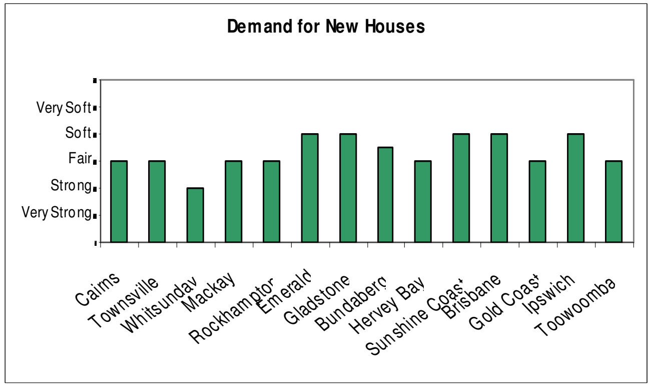
Factor	Cairns	Towns-ville	Whit-sunday	Mackay	Rock-hampton	Emerald	Glad–stone	Bunda-berg	Hervey Bay	Sun-shine Coast	Brisbane	Gold Coast	Ipswich	Too-woomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand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

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

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



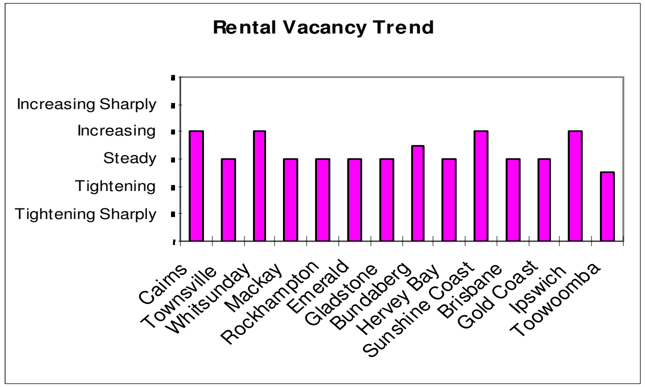


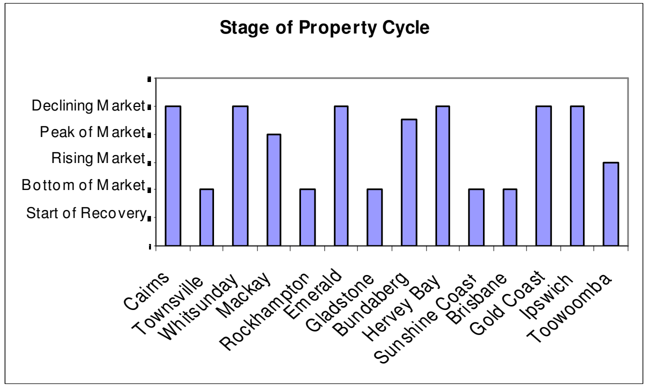


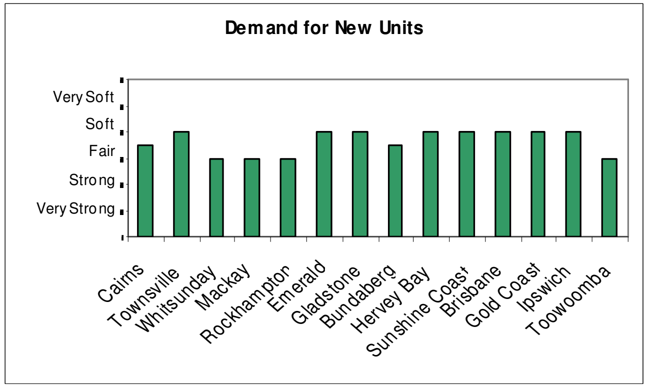
Queensland Property Market Indicators as at April 2009 – Units

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

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







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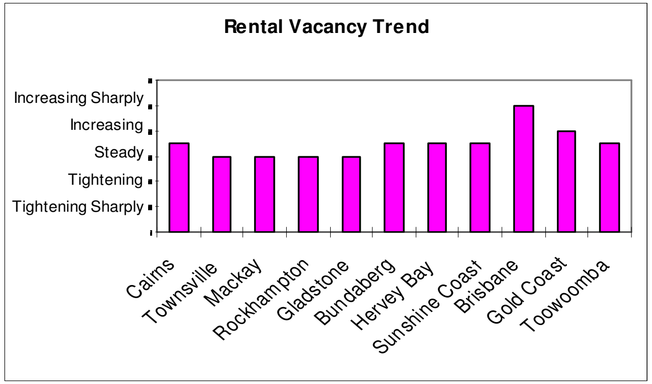
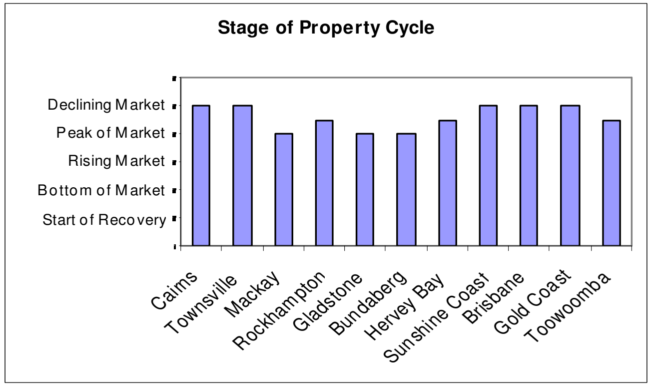
Queensland Property Market Indicators as at April 2009 – Office

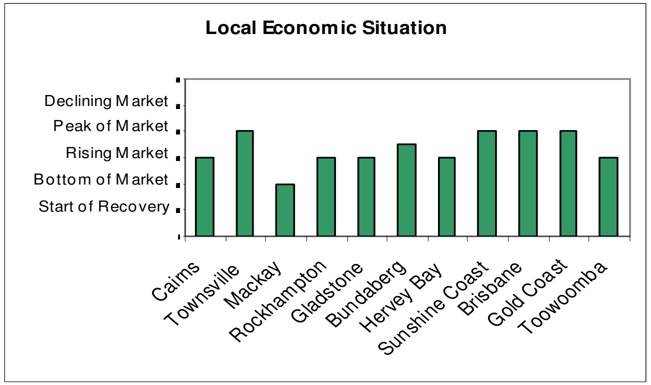
Factor	Cairns	Townsville	Mackay	Rock-hampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Too-woomba
Rental Vacancy Situation	Balanced market - Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market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







Herron Todd White

Northern Territory, South Australia & Western Australia Property Market Indicators as at April 2009 – Houses

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

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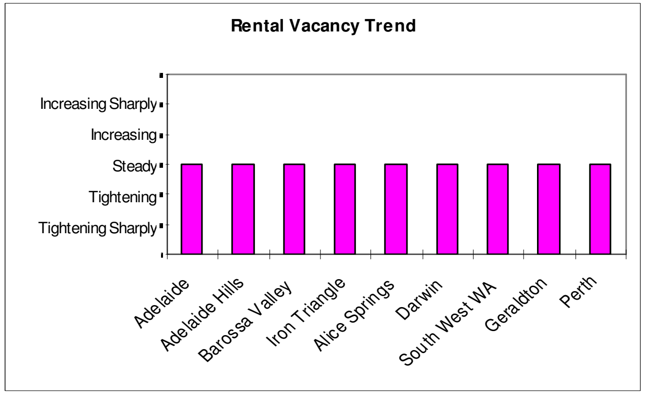
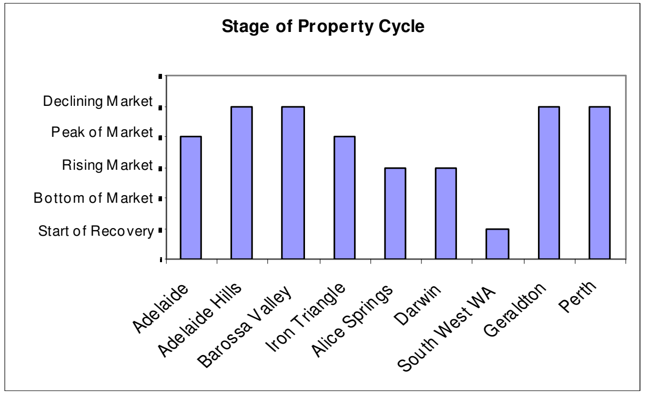




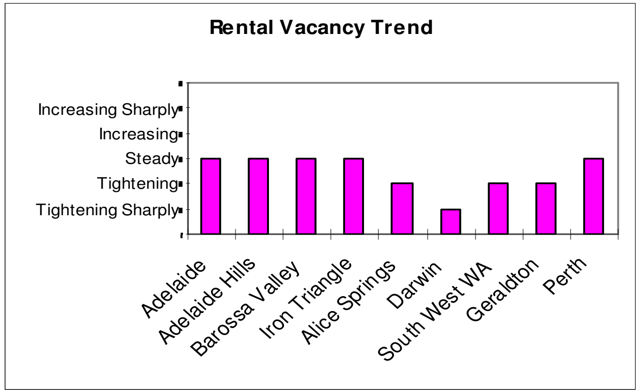
Herron Todd White

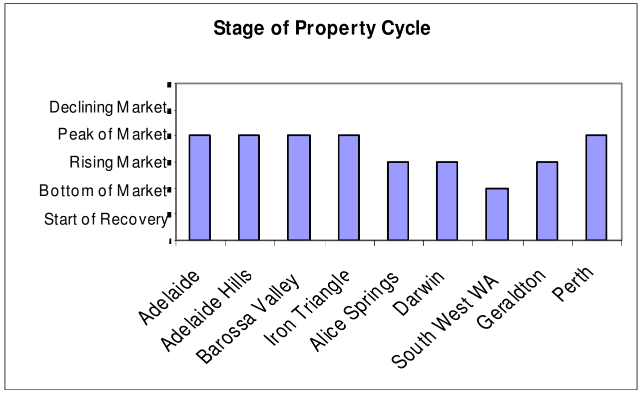
Northern Territory, South Australia & Western Australia Property Market Indicators as at April 2009 – Units

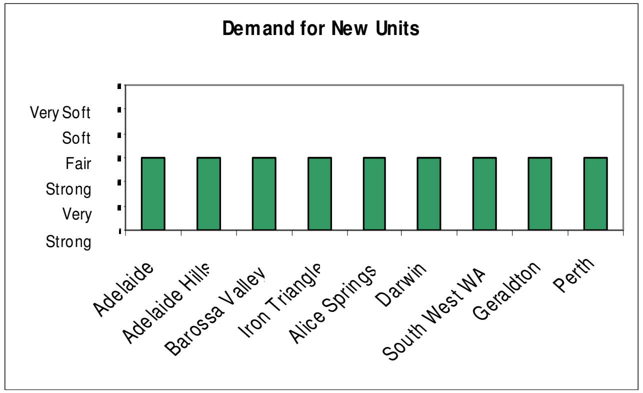
Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	South West WA	Geraldton	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand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

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

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







Herron Todd White

Northern Territory, South Australia & Western Australia Property Market Indicators as at April 2009 - Office

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

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