

The month in  
*review*

NOVEMBER

2009



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# Infrastructure

## *“My How We’ve Grown”*

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If ever there were a time to find infrastructure at the top of the nation’s “To Do” list, now would be it. The economic hiccups that helped government drive policies over the past twelve months have resulted in an emphasis on build! build! build! to keep the nation on the go. School building programmes, transport links and high end industry centred projects are credited with helping us stay above the line in terms of recession troubles and, despite the arguments regarding federal borrowing etc, all appears to have gone to plan.

Projects have run across the board and the benefits for many are tangible. Historically one easy gauge as to the effectiveness of the big builds has been related property prices. Regardless of the sector, if works have resulted in more renters, faster routes or higher employment prospects, you can be sure that real estate values have followed suit.

With infrastructure a hot button topic around the power centres of the nation at present, we at Herron Todd White thought it timely to take you on a tour of projects in various areas and comment on how they are impacting on property. A read of this month’s issue should help paint an overall picture of those projects that are redefining population centres and even provide some grounding on where the strong prospects lie for investors and owners alike.

Our residential contributors have highlighted plenty of the usual suspects but there are a couple of surprises as well with a RAAF base, jail, a fast food restaurant and even a Buddhist Temple university all helping to drive local economies and stimulate values. As more and more concrete and steel is converted to structures that work, so too do prospects for residents, landlords and their property.

Commercially transport appears to be the numero uno priority for ongoing growth in the office market, as fringe areas are brought “closer” to their high end cousins in the CBD. The view is that if you can make it more convenient for customers and staff, then locales once thought of as “secondary” start to step up a notch.

So don’t just count the cranes on the horizon, take a stroll through the pages of this month’s Month In Review – a ready reckoner on all the big builds about the nation – but don’t stop there, just one call to any of our area specialists should put you straight on to where the money is being spent and how it can benefit you.

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## Residential Overview

The equation is easy for residential property – infrastructure projects add value to almost any area they touch. Improved transport, major education, medical and employment centres or large industrial projects go hand in hand with confidence and optimism in an area’s property market. The role of infrastructure has never seemed so critical. As plenty of nations around the globe recorded recession, our infrastructure led recovery helped trend our fiscal machinery into the land of positive growth. The question for many areas appears to be whether infrastructure is seen as a quick fix or can provide long term benefits for population centres throughout the country.



### Sydney

Infrastructure has been the talk of the town in the last month or so, with the Rees Government under attack for various infrastructure disasters. The Rees Government is currently spruiking a \$62 billion infrastructure package, which is said to create 160,000 jobs. However, there has been intense scrutiny on failed projects dating back to the 1920’s.

Transport has been the major focus of the media; highlighting the dozen or so major projects that have been ‘promised’ by governments throughout the years. These include; the extension of the M4, South West Rail Link, F6 extension Northern Beaches Rail Link and Sydney’s second airport. None of which have been implemented. There are numerous infrastructure projects in the pipeline for the Sydney metropolitan region. However, Sydneysiders have lived through many promises from numerous political parties without a whole lot being achieved.

Some transport projects have been implemented over the years, some with positive effects on the congestion of Sydney’s roads. There is a catch: to utilise these services you must be prepared to pay! There are few modes of transport in the Sydney Metropolitan that are efficient and free.

To worsen Sydney’s problem, the NSW Government is expecting a population growth of 1.1 million people by 2036. The Rees government expects that 640,000 new homes will be needed. This also means that there will be more cars on the road, more people to fill trains and a lot more congestion if the Government does not improve its policies on infrastructure.

What effect does proposed infrastructure projects on property prices? Not a whole lot. Sydneysiders are wary of any proposed projects and will be cautious in buying in a certain area because of proposed benefits from a project. With consideration to current infrastructure, Sydneysiders have had to make a choice between convenience and lifestyle.



### Wollongong

The Illawarra is well placed in terms of infrastructure projects at the present time. These will bolster the local economy at a time of uncertainty and prospects of increasing unemployment.

One of the most significant on-going infrastructure projects in the Illawarra region has been the upgrade of the Princes Highway in the southern Wollongong area. In late October the new road between Oak Flats and Dunmore was officially opened to traffic. The project, costing \$120M, is a 5.5km link from the Oak Flats interchange to the north Kiama by-pass. Its completion now provides a 4 lane highway from Sydney to Kiama, and commenced in June 2007. The upgrade will also provide much better access from the north to south, to the benefit of suburbs in the Shellharbour and Kiama LGAs.

Another significant project has been the extension of the Northern Distributor and the upgrade of the Bulli Pass intersection. Fully funded by the NSW Government, the \$101 million extension project is fast taking shape. The extension will improve motorists’ access to the north of Wollongong and take traffic pressures off the Princes Hwy around Woonona. The extension is scheduled for completion later this year.

The Intersection upgrade of the Princes Highway and Lawrence Hargrave Drive, at the bottom of Bulli Pass is a \$30 million project. Construction commenced in the second half of 2009 and will be completed by mid 2011.

South of Wollongong, the \$151 million South Coast Correctional Centre site at Nowra is well underway. The new jail, despite being initially unwanted by the local council is buoying the Nowra economy in the midst of an economic downturn. At present there are around 180 workers on site, which will grow to over 300 at its peak next year. On completion, the facility is likely to employ more than 200 permanent employees and input \$10 million per annum into the local economy. The original tender was to construct a \$130 million 500-bed centre, but in late 2008 the inmate capacity was increased to 600 beds, increasing the project cost to just over \$150 million.

Still in the Shoalhaven, a new project involves the Manildra Group's ethanol plant in Bomaderry. The plant, which produces ethanol from grain and starch waste, employs 250 people. A \$200 million plus expansion now underway will provide another 25 permanent jobs and 150 construction jobs.

A project that is set to increase the student population in Wollongong is the proposed Nan Tien Institute, a university campus to be built at Nan Tien Temple in Unanderra. The Buddhist university will cater for 3000 students and a development application has been lodged. The project will have a positive effect on the local economy. Set on a 12ha site on the western side of the Princes Highway, the first stage is to cost \$30M, and will cater for up to 300 students. Still on Universities, the University of Wollongong has 2 new projects planned on its Fair Meadow campus; the Illawarra Health and Medical Research Institute and the SMART Infrastructure building – a total of \$70M is to be invested in these projects in the next year.



During the year, a major project was completed at the BlueScope Steel Works in Port Kembla with the re-line of the No. 5 Blast Furnace. At an estimated cost of \$370M, the well-timed project coincided with upgrades to the sinter plant and the ASMS slag and granulation handling facility. The refurbished Furnace will be a world-class iron making plant capable of a further 20 years of continuous operation. No5 Blast Furnace can produce approximately 2.6 million tonnes of hot metal (iron) per year. It was last relined in 1991.

In another plan for the steel works, the Federal Government announced in July that it would fund an 18 month feasibility study into the Maldon-Dumbarton freight rail link, which if completed would connect Port

Kembla with south-western Sydney. This project has been in hold for over a decade, despite being partially built.

Still at Port Kembla, in June the NSW government released a study that has documented a tenfold increase in the value of trade through the port over the past three years. Since the redirection of car trade from Sydney to Wollongong, the value of trade has increased from \$4 billion annually, to \$37 billion.

The expansion of the port is set to continue where new work will add to the thousand or so jobs that have been created over the last three or four years. It has been estimated that every time a ship comes into the port, 3.7 local jobs are created and about \$1 million is contributed to the state economy. New pre-delivery inspection facilities, developed by Australand in late 2009, allows cars to be prepared for sale and then held on site, before delivery to retailers. This will increase the car handling area by 100,000sqm and allow room for 10,000 vehicles to be parked on the berth.

There have not been any major residential developments in Wollongong recently. One of the bigger residential developments yet to eventuate is the planned subdivision of West Dapto, which ran into trouble in 2007 when a rezoning proposal was rejected by the Department of Planning. The initial proposal included up to 700 residential lots, however that proposal has been revised and negotiations are still on-going. Adjoining the residential development is a proposed \$27 million golfing resort to be designed by Greg Norman. Plans for the golfing resort have been lodged with Wollongong City Council.

Overall, in the total stimulus package by the Federal Government, 2800 infrastructure projects in the Illawarra and South Coast will be undertaken at a cost of \$266 million.



## Canberra

The growth of Canberra's population has led to the need to update infrastructure. Currently the two major projects are the development of Canberra Airport and upgrading infrastructure in Gungahlin to cope with the continual growth in the region.

The first stage of Canberra Airport's new \$350 million terminal development began in April this year after being put on hold for four months due to the global financial crisis. The development is to be completed in an independent three stage development plan.

Of these three stages, the first includes construction of a new Southern Terminal Concourse, aircraft parking apron, new entry road systems and multi-deck car park adjoining existing terminal. This stage of the development is expected to be completed and open in July next year. The new road system combined with two new structured car parks will ensure travelers will not need to cross a road to reach the terminal, a major problem with many airports today.

This upgrade of airport infrastructure is expected to create 300 construction jobs onsite, plus additional 950 jobs off-

site over the course of the three stage development. The airport development along with the expected arrival of an airport hotel within the next five years will continue to improve Canberra's infrastructure while creating many jobs over the coming years.

With the 2009/2010 budget injecting \$274 million into Canberra through the Capital Works Program, a significant portion is set aside for works in Gungahlin. Gungahlin is Canberra's newest region with new residential land releases and development occurring. However it does not appear to contain the necessary infrastructure to support its ever-increasing population growth at this point in time. Gungahlin has grown rapidly over the past five years to a current population of 35,000.

Roads and transportation links require significant upgrades, as current systems begin to feel the pressure building. This is a result of a number of compounding factors. Firstly, the infrastructure within Gungahlin has not been able to provide enough jobs for the population base within the locale and secondly, all city-bound traffic is funneled along Northbourne Ave. With a continual growth in population, Gungahlin residents will be faced with increasing travel times between work and home. The recent completion of the Gungahlin Drive Extension has provided some relief, with a duplication of the project recently commissioned.

A \$67 million plan has been approved to construct Gungahlin College, library, a local park and CIT facility in the same precinct. Harrison School also opened in 2008, providing education for pre-school and primary school students, with Harrison High School set to open in 2012. This facility is set to educate in excess of 800 students.

Nearby, the Exhibition Park In Canberra (EPIC) already caters for a large portion of events and a \$20 million dollar pool and leisure centre is planned, accompanying an enclosed oval. The Sustainable Transport Action Plan 2010-2016 has also been initiated in order to review pedestrian and cycling infrastructure across Canberra, inclusive of Gungahlin.

The development works to the Canberra Airport and upgrading infrastructure in the Gungahlin district are two examples of private sector and government funded infrastructure programs occurring in the Canberra region.



## Central, North & West NSW

### DUBBO

Thursday 21st October 2009 saw the opening of Dubbo's second McDonalds Restaurant in spite of protests from some parents in West Dubbo. The store is located on the Newell Highway in West Dubbo and backs onto the West Dubbo Primary School.

Initially the development saw strong opposition from parents with children at the school and resulted in McDonald's Australia boss Catriona Noble offering to help prevent children leaving school during big lunch. "The last thing we want is kids to scramble around the fence (to go to McDonald's) so if any kids in uniform from primary school come in we won't serve them in school hours," she said.



The \$1.45 million store is set to employ more than 100 staff and provide weary travellers the opportunity to stop before entering Dubbo's CBD.

A development application for the proposed \$20 million neighbourhood shopping centre in West Dubbo located in Delroy Park Estate was approved at Dubbo City Council in 2009

There is a definite need for the shopping centre to service this rapidly growing area which is set to include a large Woolworth's supermarket, a medical centre and 16 speciality stores and employ 225 staff.

At present the closest available shopping is located on Victoria Street in West Dubbo where the IGA Supermarket, local bakery, chemist, butchers, newsagency and takeaway shops are set in a traditional strip shopping style. There are concerns this area may be negatively impacted with reduction in trade.

Traditionally major developments of this nature have been located in Dubbo's CBD or east of the Macquarie River and in spite of negatives raised, is viewed as a 'win' for West Dubbo residents and Dubbo as a whole.



## MUDGEE

Mudgee is a relatively small town of about 10,000 people. Major projects such as transport are limited because the demand of this style of project is not required.

However some smaller projects have occurred over the last few months which are worth noting. Aldi supermarket has been open for business for the last 6 to 7 seven months and appears to be doing well. Some smaller chain outlets such as Eagle boys pizza have been new additions to the Mudgee CBD in recent months.

The biggest project in the Mudgee area is the new Moolarben coal mine which took its first intake of workers this month. When at full capacity the mine will be employing over 400 workers. This will have a positive impact on the local economy.

With this increase in the local workforce, the residential market should go from strength to strength. I see new homes or renovated homes in the middle price bracket performing the best. The average coal miner in the Mudgee area earns a base salary of about \$80,000 plus overtime which can lead to pay packets of over \$100,000. Because they are shift workers, and would be looking at homes which they can move straight in to and not have to do any upgrades etc.

Overall Mudgee is travelling along nicely.



## BATHURST

The main and notable infrastructure issue of present is the proposed closing down of several large transport depots in the area. This includes a large rail to road depot in Blayney along with a couple of large yards in both Bathurst and Orange. This has the potential to have somewhere between 10 – 50 staff on the unemployment lines depending on how many depots close and how many are able to get away with “scaling down”.

Other than that the Bathurst – Orange region has had in recent years has quite a few large projects carried out, including the extension and renovation of the Bathurst Base Hospital which is still ironing out some serious teething issues after having been opened/completed in 2008. The construction of a significant extension to the Bloomfield public hospital in Orange, approximately 60% complete, upon completion will increase the availability of health services to the general region.

Orange City Council has also in the past year or so designed and installed a storm water harvesting plant to help with water supply problems that they have. This system has received numerous local and national awards from various water authorities for the simplicity and effectiveness of the harvesting process.



## Southern NSW & Northern Vic

### ALBURY

#### Wodonga Bypass

Construction of the Wodonga Rail Bypass to remove the rail line from the centre of the city and build a new, single track, five kilometre bypass of Wodonga;

A major upgrade of the 200-kilometre track between Albury and Seymour, also including upgrades to the standard-gauge line between Melbourne and Seymour;

Three V/Line passenger locomotives and 15 passenger carriages will be refurbished and converted to standard gauge to operate on the newly-converted rail line;

These works will assist in ensuring regional communities are well-equipped to grow and thrive and the Wodonga Rail Bypass project will create new jobs and drive new investment in the region. Removing the rail line from the centre of Wodonga will open it up to major commercial opportunities, rejuvenate the city centre and is central to the urban development of Wodonga as a vibrant regional hub.

*...these works will assist in ensuring regional communities are well equipped to grow and thrive...*

#### Albury-Wodonga Hume Freeway Project

The \$524 million freeway is the largest roads infrastructure project ever completed in regional Australia. The new route caters for through traffic and provides local residents with seven interchanges and a second road crossing of the Murray River.

The Australian Government funded 17.4 kilometre four lane freeway links the Hume Highway at Ettamogah in NSW to the Hume Freeway at Wodonga in Victoria.

In addition to a second crossing of the Murray River between Albury and Wodonga, the freeway includes a 3.7 kilometre road link to Bandiana, connecting the Murray Valley Highway, south east of Wodonga with the Hume Freeway.

Extensive roadside design and landscaping are key features of our new freeway, with Albury residents also benefiting from new parks in East Albury and South Albury.

The AlburyWodonga Hume Freeway project has delivered obvious benefits in reducing traffic congestion and improving road safety on the national highway corridor including a reduction in travel time of at least 15 minutes over the 17.4 kilometre route.

#### New train station for Wodonga

Works on the new train station in Wodonga have started. Some of the features of the new station includes: passenger amenities including toilets, air conditioned waiting room, and seating for 32 passengers.

## WAGGA WAGGA

The City of Wagga Wagga is part of the Murrumbidgee region in the New South Wales Riverina district. Wagga Wagga is a key industry and administration centre for the wider region and provides a wide range of community and cultural services and infrastructure. In recent years, Wagga Wagga has grown to become one of the largest inland cities of regional Australia and has a unique combination of established industry and existing infrastructure which enable future growth. This is also reflected within property values. Wagga Wagga has seen health property growth in recent years and a strong rental market due to an increasing demand for rental properties.

Wagga Wagga has a growing population of over 65,000. Over the past five years, the population of Wagga Wagga has grown at a faster rate than New South Wales and is projected to increase by a further 7,731 persons over the next 15 years. Wagga Wagga has a diverse employment base including strengths in services, defence, manufacturing and agriculture.

Wagga Wagga has a number of infrastructure projects which are supporting ongoing population and industry growth in the area including:

- Expanding of the RAAF base at Wagga Wagga airport, Forest Hill.
- Expanding of the university veterinary school at Charles Sturt University (SCU).
- Ongoing upgrades and bypass to the Hume Highway, joining Sydney and Melbourne.
- Expansions of suburban shopping centers in Glenfield Park and Forest Hill
- A new industrial waste water treatment facility located at the Bomen Business Park to handle additional industry needs.
- Upgrades to internet broadband services to the region with a new major fibre optic cable running directly through Wagga Wagga.

These infrastructure projects are creating job opportunities within the region, coupled with one of the most severe droughts in decades in the region, is attracting more people to take up residence within Wagga Wagga. This is driving an up swing in the lower to middle range property price, particularly attractive to first home buyers. This has also put pressure on the rental market with a growing population and less available stock. Many investment properties have been placed on the market to take advantage of this up swing. The top end of the market has been relatively static, not at all surprising given the global pressures on financial markets.

## LEETON

There are no major infrastructure projects on the horizon which will have any real benefit to our residential property markets in the short term. Infrastructure spending throughout the region has concentrated on smaller projects and maintenance of existing facilities. Parks and sporting and recreation facilities have been given upgrades and schools are set to benefit from a cash splash but spending on these items has not been substantial enough to sustain employment losses from our agriculturally focused economy.

If the government wish to make a contribution to expansion and real recovery rather than survival, I would

suggest the largest contribution to be made would be to sort out the water sharing plan sooner, rather than later.



## Melbourne

“In the next 30 years, Melbourne will grow by one million people and will consolidate its reputation as one of the most liveable, attractive and prosperous areas in the world for residents, business and visitors.” This is the aim for Melbourne 2030 which is a sustainable growth plan to manage the growth and change across Metropolitan Melbourne and surrounding areas.

Whilst in the recent years, suburbs closer to the city centre have been popular amongst buyers due to its established infrastructure, the pressure has now shifted towards the metropolitan areas as Melbourne’s population grows by 90,000 per year. On the positive side, this growth has fuelled the boom of the outer suburbs while on the flip side, it has stressed the existing infrastructure resulting in overcrowding on the roads and public transport.

In conjunction with some private sectors, Victorian government has channelled billions of dollars towards infrastructural development and has several major projects in the pipeline aimed to service the huge population growth.

This paper is presented in two sections providing an insight to: 1) Recently completed projects, 2) Projects nearing completion.

### Recently completed projects

Eastlink is one of the major toll freeways that was completed in June 2008 linking the Eastern. Monash and Frankston Freeways. Other associated projects finished with Eastlink comprised of Dandenong Bypass, providing direct access from Dandenong to Keysborough. Eastlink was launched to ease off the traffic from Monash Freeway and shorten travelling times along the Mitcham -Frankston corridor. One of the main drawbacks of this freeway has been the enforcement of the toll which has plunged the users to some extent.

A number of other smaller projects which included modification to some of the major arterial routes also concluded this year. This was directed towards improving accessibility within the outer suburbs and offering some relief to peak hour congestion. These projects comprised of:

- Duplication of Cranbourne-Frankston Road in Langwarrin and Cranbourne South.
- Thomson Road duplication in Carrum Downs/ Cranbourne.
- Western Port Highway Duplication.

- Ferntree Gully Road Widening.
- Hume Freeway-Donnybrook Road Interchange.
- Deer park bypass.

Another completed project worthy of a mention is the Wellington Road Smartbus which has assisted bus services between Rowville and Caulfield. Rowville does not have its own train station but the properties have continued to trade well with the benefit of upgraded substituted public transport.

**Projects nearing completion.**

One of the major road projects nearing completion include the upgrade of the Monash-City Link-West gate upgrade which holds an estimated bill of \$1.39 billion. This involves addition of new lanes, road widening, new on/off ramps and re-asphalting the carriageway.

The Victorian Transport Plan is set to unfold in the short term by adopting measures such as revising the existing train timetables, employing additional staff and adding new services to better service commuters and reduce delays. In a longer time frame, the plan would include an addition of 70 new trains increasing the carrying capacity by 40% and the construction of a new rail tunnel creating more rail tracks.

Property values have always been determined by location. A good location is normally defined as those which have adequate development to meet the demands of the residents. Factors relating to property purchase include proximity to schools, shopping facilities, parks and public transport. Historically, properties situated within close range to these facilities command higher values than those located further.

The suburb of Dandenong which is located about 30 kilometres of Melbourne CBD is considered the capital city of the south east. In 2007, the State Government pledged \$290 million towards the Revitalisation of Central Dandenong, which involves improving accessibility and streetscape of the main street, upgrading the station, establishment of a new housing estate (Metro Village), re-construction of the goods market, a new bridge connecting Metro Village to the train station and improving road linkages. The plan has commenced unfolding with Metro Village around 50% developed, Dandenong By Pass completed and the goods market nearing completion.

The current population is around 45,000 (Source: Domain) as opposed to around 16,000 (Source 2006 Census) in 2006. The reaction to the Revitalisation Plan is depicted in the graph below as property prices jumped to a massive median price of \$305,000 (Sep 07) from \$235,000 (Mar 07) and is currently in a rising direction. However, we could attribute some increases in 2007 to a strong property market at that time.



In the light of the above discussion, we can confidently assert that Victoria is moving forward and as reflected in the Dandenong case, we may witness premium prices paid for suburbs due to benefit from a proposed infrastructural development. "Perception is strong and sight weak. In strategy it is important to see distant things as if they were close and to take a distanced view of close things."



**Regional Vic**

**MILDURA**

There are currently several large projects either underway, or hopefully not far off commencing, in the Mildura region. These projects have the potential to compensate for the reduced income being generated by the winegrape industry – which for the past 10 years has been one of the main generators of wealth in this district, however due to a combination of oversupply and low prices is now much less profitable.

In the nearby town of Robinvale, 80 kilometres to the south east of Mildura, approximately \$48 million has been spent in the past 18 months on modernising the irrigation supply system that services the approximately 2,000 hectares of mostly table grapes in the district.



Source - REIV

Plans are currently being drawn up to do a similar, but staged upgrade in the irrigation districts surrounding Mildura. This would cost up to \$350 million, spread over at least 3 years, and provide considerable opportunity for local contractors. Funding the first stage has been committed, and hopefully work will get underway shortly.

A further significant development, described as “the most ambitious project ever contemplated in North West Victoria and South West New South Wales”, is the proposed \$300 million project to construct a 220 kilometre standard gauge rail line from Menindee (NSW) to Mildura (Victoria).

The main advantage of this project would be the ability to carry double stacked containers straight from Melbourne to Darwin. Currently six small trains get reloaded into one large train at a point to the north of Adelaide for the journey to Darwin, adding considerable time and expense to the journey. The railway would also service the expanding mineral sands industry in the Pooncarie region.

The proposal would also involve the construction of a new intermodal facility just south of Mildura, the removal of 22 railway crossings in the built up area of Mildura and the opening up of the Mildura riverfront, which is currently separated from the city by an infrequently used railway line. This project could transform the local economy and help develop the riverfront as a major tourist destination.

Unfortunately our government seems focussed on short term economic stimulus, rather than long term infrastructure projects, and getting the necessary funding for this project is still not certain.

Our perennial infrastructure project is the much discussed establishment of one or more large solar power generation facilities. There are several international companies doing their sums at present on projects that could involve hundreds of million of dollars, create significant employment and help put Mildura on the map as a centre for renewable energy.

There are positive signs that at least one such solar project will get off the ground, which should see increased demand for housing in the nearby town of Red Cliffs, as well as the wider Mildura region.

There are continuing positive signs that the residential market is improving, and that existing property owners are taking the opportunity to upgrade to higher value homes.

## SALE

Within the Gippsland region of Victoria, the local economy is enjoying the benefits of both the Federal Government’s National Building Program as well as some large national and base industry expansions.

The widening of the Princes Highway between the main regional Gippsland Centres of Traralgon and Sale commences in early 2010. The Princes Highway East - Traralgon to Sale duplication involves widening the Princes Highway between Traralgon and Sale to provide two lanes in each direction. The project will cover road works over approximately 44 kilometres in total. This is a \$175,000,000 project, which will reduce travel times and create a safer and more efficient freight transport system from Melbourne to Sale.

The recent approval of the \$3.1 billion desalination plant near Wonthaggi in south Gippsland is expected to create some 3,180 full time jobs during the construction phase, with 150 full time jobs on going post construction.

The approval for Esso and BHP Billiton to develop the \$1.4 billion Turrum Oil and Gas Project in Bass Strait will have a significant impact on the Gippsland economy, with up to 100 additional jobs created in the construction phase and significant flow-on benefits for supporting industries and local businesses in Gippsland.



The recent relocation of RAAF Officer Training School (OTS) from Point Cook near Melbourne to East Sale RAAF Base has seen \$50 million spent on new training facilities with 70 permanent staff employed and 700 students each year studying at the Base. There is also a current push for the Basic Flight Training School to be relocated from Tamworth to Sale, with the potential for Sale to become a national super Base in the future. The Sale residential market as a result of the Turrum Project and OTS relocation has seen demand exceeding supply of available housing stock. Prices for vacant allotments have also risen and there is now limited choice and a shortage of residential land supply in Sale.

## SWAN HILL

Being basically a rural area there have been no major infrastructure projects undertaken in the last few years apart from land in the township developed for residential and industrial purposes. These projects have not involved any major changes to roads, etc but have had an important impact on the town as there was some demand for additional land, particularly residential allotments. The recent government stimulus packages will result in some funds for upgrading of schools in our area but in most cases the funding is relatively minor in comparison to the school infrastructure that is already in place.

The one major project that has been on the drawing board for many years is a new bridge over the Murray River at Swan Hill, which has finally progressed to the point where the options for the location of the bridge have been narrowed down to three sites. It may still take many years for the process to be completed and the bridge constructed but this would have a major positive impact on the traffic flow between Victoria and New South Wales at this location on the Murray River and would certainly be beneficial to the township as well as this area in general.

In relation to the ResFactor scales in our area the market factors for all classes of property have not altered greatly since the last schedule was completed.

## ECHUCA

Echuca-Moama has two topical planning and infrastructure projects currently under consideration/review including the investigation of the mid west option for a second bridge crossing along with the progression of new Local Environment Plan (LEP) for Moama.

At a recent information session held by Vicroads, further consultation and feedback was sought from the public for the mid west bridge option which will see a second bridge crossing constructed according to the plan provided below. Information provided by Vicroads indicates that this option would reduce north and south traffic volumes to the existing bridge significantly while only marginally increasing volumes South of it's inception at Warren Street and north of it's inception at the Cobb Highway. Several locals have voiced concerns surrounding the impact of the route on the values of existing properties located in Warren and Crofton Streets in relatively close proximity to the proposed route. The effect on Victoria parks and its environs also continues to be of significant concern for many local residents. An outcome of the forum held on Monday 5th October is yet to be determined though the mid west options will marry up well with the expanding residential development south west of the main township.

Meanwhile the Murray Shire remains committed to adopting a new Local Environment Plan (the existing plan was adopted in 1989) in line with the Moama Development Strategy (2003), strategic land use plan (2007), north west master plan (2008) and development control plan (2004). The proposed new LEP (currently at draft stage) has been resubmitted to the Department of Planning for their consideration and will be available to the public pending acceptance by the Department of Planning. It is anticipated that the new LEP will cater for growth in the town over the next 15 years and is likely to see large tracts of land to the north west of the township. The Murray Shire is hoping to have the new LEP in place within an 18 month time frame which will enable more certainty for all involved in the development process.



## Adelaide

The majority of recent government infrastructure announcements in South Australia have centred on transport and water. In particular, transport infrastructure is concentrated on the northern side of town and is designed to increase the efficiency of transporting materials to and from various mining operations presently under way in the far north of the state. The recently completed Port River Expressway re-routes heavy traffic away from the historic Port Adelaide precinct directly to the deepwater port of Outer Harbour. The Northern Expressway provides a link through to Gawler and the north east of the state to Mildura and Broken Hill, and proposed Northern Connector and 'Superway' (an elevated highway through to the Expressway) will reinforce the connection to established industrial areas north of the city. The Grand Plan for Adelaide also involves an upgrade of the major Main South Road corridor through the metropolitan area with associated underpasses and bridges.

Also in the northern metropolitan area, the Defence Housing Authority (DHA) is busy developing housing to accommodate the imminent arrival of troops as part of the Army relocation of a battalion from Queensland. The anticipated boost to the population in this area would be expected to impact on demand for housing in adjacent areas also. The property market in the area is further buoyed by private investment – in particular by General Motors/ Holden which has announced production of a new range of energy efficient vehicles from the Elizabeth

plant. The market for residential property in the northern suburbs is expected to remain stable however, as recent history has shown, global economic conditions can have a rapid and far reaching effect on the confidence of the market.

The State Government is in the process of extending the public transport network with a tramline from the city to the Entertainment Centre, approximately 5km north west of the GPO. The longer term plan will see the tram/light rail integrate with existing transport and ultimately extend to Port Adelaide and north western coastal areas. The State Government has also recently acquired a substantial near city site at Bowden which is earmarked for development as a 'Transport Oriented Development (TOD)'. This will incorporate high density residential accommodation with commercial services and facilities which, in turn would be expected to have a positive effect on the adjacent suburbs also.

*...the property market in the area is further buoyed by private investment...*

Some of the other government infrastructure projects planned or under way include the government desalination plant south of the city and the highly controversial Royal Adelaide Hospital redevelopment which proposes to relocate the hospital from the present inner city site to a relatively underutilized rail yard site on the north western fringe (also on the tramline!).

In conclusion, there are a number of infrastructure projects proposed or under way in the state. In many cases, development is transport oriented and historically, residential development has tended to follow major traffic routes, concentrating on intermodal points. These areas (and adjacent precincts) should benefit from the increased population. Other development such as hospitals and desalination plants will have a less direct effect on property markets being for the 'common good' rather than for localized benefit.



## Brisbane

Did someone say transport? Infrastructure and transport solutions are interchangeable phrases in Brisbane and there are more projects underway than buskers at Southbank. We have never fully come to terms with our growing cosmopolitan status over the past decade as we continue to steal residents away from our more established southern siblings. One old salt in our office was commenting on what a relief it is that Herron Todd White Brisbane Residential had the forethought to decentralise into the suburbs, thus avoiding a 45 minute drive into the CBD from his house... just 5km radius from the city's general post office!

The success of high end infrastructure that helps get us all from point A to point B may only just be beginning. Dutton Park on the southside most definitely felt a kick in capital values, as investors found they were now a short stroll from the University of Queensland courtesy of the Eleanor Schonell Bridge – thank you ready renter market!

... and the theme continues. Tunnels and bridges are definitely the go, as is anything that gets you towards public transport. The Northern Busway has opened the earth and created a seething dustbowl in the northside suburbs, but it has hardly hurt the market. The project will use bus dedicated lanes and tunnels to take commuters across town and connect up with the Airport Link. According to our sage, current owners are choosing not to sell reasoning that once completed, this major piece of work will mean more dollars in their property valuation column on the spreadsheet. On top of that, the property most effected by the current earthworks, happens to be in the affordable end of the market – the very sector that has been dragging in demand due to first home owners etc. Hey presto – strong demand + low supply = a solid market sector that even several hundred tons of noisy earth moving equipment couldn't dampen. Second hand units and bottom end dwellings throughout Windsor, Lutwyche, Woolloowin, Kedron, Gordon Park and Stafford have stayed solid and are likely to remain that way. It would be worthwhile keeping an eye on property 4 or 5 blocks from the main interchange at Lutwyche – these dwellings should see all the benefits and few disadvantages.

Another example is the new tunnel extension taking traffic off the Western Freeway and sucking it underground before popping out onto our ever popular Inner City Bypass (ICB). The Centenary Suburbs and less accessible western suburbs should be cracking the champagne over this one.

A final heads up will be the Hale Street Bridge which will help drag southbound traffic off the ICB, away from the city and straight to West End. Now the cynic in me says: why not just head across the Grey St Bridge, accept a little inconvenience and avoid paying a toll, but I'm sure there will be plenty who disagree.

Overall, Brisbane as a whole should prove to be the winner. At present it is gridlock on a scale never seen in our sunny city. If all goes to plan, the hope is that our clogged automotive arteries may start to flow once more and there will be less grinding halt to grate the nerves.



## Gold Coast & Tweed Coast

### GOLD COAST

The Gold Coast is one of the fastest growing cities in Australia with population growth underpinning the residential property market. The establishment of new transport, health school and shopping centre infrastructure is critical to complement residential development activity. We have seen the ongoing benefits of the Tugun Bypass project and the eight lane Pacific Highway upgrade. Whilst there aren't any infrastructure projects of this size currently proposed for the Gold Coast, there are a number of smaller, but significant proposed or almost completed projects.

The extension of the Brisbane to Gold Coast railway line to Varsity Lakes will be complete in late 2009. This transport hub, which will cost an estimated \$123 million, will feature the Varsity Lakes Railway Station and the Varsity Station Village. The Varsity Station Village will feature a bus interchange, retail shops, commercial offices, new housing, parks and open spaces.



*Varsity Lakes Station is almost complete*

The extension of the train line to Varsity Lakes is the first step to the future connection with Coolangatta (by 2026). Varsity Lakes is an integrated urban and business area, which features both primary and secondary schools, Bond University and numerous Council parks, together with Varsity Central, which is the primary business precinct of the locality. Varsity Central is located in the north-eastern precincts of the estate and is developed with a mixture of office buildings, professional suites, home occupation offices, commercial facilities, medium density residential development and educational establishments. The combination of what Varsity Lakes currently has to offer and the completion of the Varsity Lakes Train Station will further popularise this suburb and surrounding suburbs. Some of these surrounding suburbs which may see the benefits would be Burleigh Waters and Reedy Creek.

We consistently mention the Coomera Town Centre in our Month in Reviews as the future hub for a large community comprising, retail, commercial, transport, educational and residential components. This project has been talked about for some time, and is still mentioned in the local papers on a regular basis. The Coomera Town Centre has been identified as a Major Development Area in accordance with the SEQ Regional Plan 2005-2026. A Coomera Town Centre Structure Plan was endorsed by Gold Coast City Council in February 2009 which will guide planning intent for the area and ultimately determine land use and infrastructure considerations. This town centre is seen as a long term project and the benefits of it are not likely to be seen in the short term. Investors should be looking to hold for in excess of 5 years experience the benefits of what this Centre will offer on completion.

Southport is slowly being transitioned from a tired, dated suburb to a vibrant commercial, retail and residential hub. Over the past 5 years the development of a number of high rise projects (Nexus, Pivotal Point, Brighton on Broadwater and Southport Central) in conjunction with a new retail and commercial identity, has contributed a slow but effective (albeit ongoing) urban renewal outcome. The most prominent infrastructure project in this area is the \$42 million redevelopment of the Broadwater Parklands. This project has converted a carpark and surrounding grounds into a parkland project similar to the likes of Southbank in Brisbane. The Parkland is likely to be the venue for cultural and sporting events. Also residents and day trippers will have a suitable venue for family picnics or recreational activities. The benefits of the new parkland are evident. Southport will now

have the benefit of offering a pleasant integration with the Broadwater which will rival the hustle and bustle of Surfers Paradise.



*Aerial View of Broadwater Parkland Redevelopment – Stage 1 now complete*

Whilst more of a long term project, The Gold Coast Rapid Transport System will initially have benefits for those areas between Griffith University and Broadbeach. The transport corridor has been agreed upon, with resumptions to take place in the next 12 months. Following the appeals process, construction is likely to commence some time in 2010. Construction is expected to be complete with the system up and running by 2013. A new transport corridor for these areas is likely to potentially increase the density of the development near the corridor which will in turn increase the number of people moving closer to the corridor. Those developments or housing estates which are currently close to the corridor are likely to see the better future capital growth in the next few years.

In 2012, Parklands on the Gold Coast at Parkwood will be home to a new 750 bed tertiary facility to create the Gold Coast University Hospital. The Hospital will be constructed on a site just north of the Griffith University at Parkwood. The \$1.55 billion health facility will provide complex care, research and teaching opportunities on the Gold Coast and will play a key role in training the clinical leaders of the future. The co-location of Griffith University and the Hospital will create an environment where the teaching of health professionals will become a natural part of hospital life. Griffith University will then further be regarded as a high quality medical teaching facility which will attract a greater number of students. Inevitably they will need somewhere to live, which will underpin rental returns, which in turn, will drive property prices.

The completion of the Gold Coast Airport runway extension has allowed the Gold Coast to accept long haul flights from China, the Middle East, India, Japan, Singapore, Taiwan, Malaysia and Korea. The Gold Coast Airport is also undergoing a \$100 million terminal redevelopment bringing the Airport into the 21st century. Whilst the Gold Coast has not chosen to use covered access from aircraft to the airport (because we know the weather will always be sunny and warm) the terminal will feature new domestic departure lounges, and new retail facilities. The potential now to attract long haul visitors will further improve the integrity of our local tourism industry. Tourism does play a role in the Gold Coast residential property market. Holiday returns dictate the quality of a local residential holiday investment property.

## TWEED HEADS

The most important infrastructure project which has benefited residents in the Tweed Coast area in recent years is the completion of the long awaited Tugun Bypass.

Completion of the bypass in mid 2008 saw travelling times cut significantly between the Tweed Coast regions and the Gold Coast. Although market conditions have been tough over the past 18 months, areas such as Banora Point and Tweed Heads (moreso detached housing) have not lost much in the way of market value. These areas are underpinned by good established infrastructure such as the Tweed City Shopping Centre and numerous primary and secondary schools.

The Tweed Shire Council has developed a Tweed Heads Town Centre Master Plan which will guide development in Tweed Heads to 2015. The vision incorporates a mixture of residential high density living, recreation, retail therapy, and educational pursuits. This master plan in conjunction with the rejuvenation of the Coolangatta CBD will further enhance the appeal of living in Tweed Heads and Coolangatta. Works are reportedly to begin in September which will involve the \$14 million makeover of the Jack Evans Boat Harbour to establish a community facility/parkland which will mimic the likes of Southbank in Brisbane and the new Broadwater Parklands at Southport.



*Existing + Proposed + Permissible Development under the present Tweed Heads LEP/DCP*

Kingscliff has long been a sleepy beach side village with only a small shopping centre, one hotel/pub and a scatter of retail tenancies. "Salt" which is located south of the Kingscliff CBD is now home to exclusive beachside residences and two branded resorts. Kingscliff does lack the proximity to a sub-regional shopping facility. There have been a number of proposals suggested to accommodate this type of facility, however to date no detailed plans have arisen. Long term, property at Kingscliff is likely to see good capital growth, especially those properties located on the hill looking north towards Cook Island. Should the area accommodate a good shopping facility at some point in time, residents will flock to enjoy the beauty of the natural surroundings and the convenience of good quality local infrastructure. It is worth mentioning also that following the completion of the Tugun Bypass, Kingscliff is only twenty minutes from the Coolangatta Airport and one hour and twenty minutes from the Brisbane CBD.



## Sunshine Coast

Being one of the major growth centres in Queensland, infrastructure projects and the planning for them is paramount for the Sunshine Coast. Shortsightedness through a lack of planning and inaction will have a major impact on the growth rate for the coast, and in the end, be extremely harmful to our local economy.

As previously mentioned in various Month in Reviews, there has been a large number of main road projects completed or nearing completion on the Sunshine Coast. Three important ones are the duplication of the Maroochy River Bridge and the completion of the Caloundra and Maroochy Road upgrades. These and other roads have greatly improved the traffic flows on the Sunshine Coast.

Planning for the Coast Connect busway project is progressing and completion of this project will be an important first step for rapid public transport to reduce road congestion.

As with many other areas in Queensland, education and health facilities are of a major importance. When it comes to education facilities, the Sunshine Coast is well catered for, however health is another story.

The new Sunshine Coast University Hospital, set down for Kawana, has been delayed for two years and is now due for completion in 2016. This incredible decision will place even further strain on the current hospitals that are already full to the brim. Press reports have stated that 'the current capacity of acute public hospital beds on the Sunshine Coast is less than half the Australian average.'

The delay will not only have an impact on jobs on the coast, but will also have a major impact on people's decisions to move to the Sunshine Coast. If they are not confident about health services, especially given our ageing population, then they may choose elsewhere to live. Given that a number of industries are heavily reliant on population growth, namely the property and housing markets with growth underpinning values, the impacts may be huge.



## Southern Queensland

### TOOWOOMBA

The major infrastructure projects for the Toowoomba region include the Toowoomba Highway Bypass, Airport runway extension, Wivenhoe dam water pipeline and Melbourne to Gladstone rail link. The region is well positioned to capitalise on such projects and will have a profound economic and infrastructure benefit.

- To date funding by the Federal Government's Building Australia Fund was not granted for the Toowoomba Highway Bypass. The mayor indicated that the 'project would provide up to 3,800 direct jobs on the Darling Downs and as many as 16,000 jobs for South-East Queensland during construction. It would add more than \$300 million to the Darling Downs economy and almost \$1.3 billion to the Gross State Product of Queensland in direct and flow-on effects.'
- The Council is currently examining a runway extension to 1,470 metres which could accommodate larger aircraft.
- The Australian Transport and Energy Corridor Ltd (ATEC) have control of some 200 ha at Charlton for development of a major freight hub. In April 2008, the Federal Government requested the Australian Rail and Track Corporation (ARTC) undertake a \$15 million

scoping study of the Melbourne to Brisbane Inland Rail Link to determine the preferred route. The study is to be completed by August 2009.

- The pipeline from Wivenhoe to Cressbrook Dam was reported to be 60% complete and due for completion in January 2010. To date the local dam levels was reported to be 9%.

Other projects having profound economic and infrastructure benefits in our local region include;

- Gatton Gaol,
- Local university and school infrastructure expansion and refurbishments,
- As part of the Force Disposition Program (FDP), the Government was considering whether to remediate existing and/or construct new facilities at the current location or relocate the functions of the Borneo Barracks to Edinburgh Defence Precinct in South Australia in 2013. Local Council made representation to the Defence Minister seeking to ensure the continuing operations of Borneo Barracks as 'the regional economy would lose 845 jobs; \$105.3 million per annum; and a serious short-term downturn in the property market may result.'

### IPSWICH

Ipswich is the fastest growing region in Queensland. It has to be to accommodate the high influx of migrants populating the South East corner. But with increased growth comes responsibility to provide substantial infrastructure to meet the requirements of an expanding community.

*..Ipswich is the fastest growing region in Queensland..*

Ipswich City Council made clear that they will meet these requirements when they acquired the depleted Ipswich City Mall in March this year. They plan to redevelop the complex into a vibrant CBD hub that will accommodate commercial, retail and residential development. For too long now Ipswich has lacked a serviceable CBD and for Ipswich to become a key regional centre in South East Queensland this is a huge step in the right direction.

Another key infrastructure project for Ipswich is the upgrade of the Ipswich Motorway. This has been long awaited and will improve the connection to Brisbane for Ipswich residents. Stage one of the construction is expected to be completed by 2010 and the whole project by 2012.





## Central Queensland

### ROCKHAMPTON

Over the past few weeks Rockhampton has been on high alert due to unfavorably dry weather conditions and bush fires threatening both rural residential properties and residential homes located on the north and northeastern fringes of the city. News reports state that the fires have been brought under control with no fatalities and only one dwelling being lost. Developing residential estates which are located adjoining the Mount Archer National Park were in the front line of the fire threat, however hard work by fire crews and property owners have helped to reduce property damage and loss.

Future confidence in the Rockhampton residential market may have been given a lift recently after reports of better than expected growth in both China and India. The experts are predicting that good demand for coal from Australia will continue into the foreseeable future. The mining activities in the nearby Bowen Basin have a major influence on the Rockhampton Region Residential Market, and history indicates that confidence by both owner/occupier and investors may increase as a result of the upward demand for commodities. However, beware there may still be some smoke on the horizon with the reduction in the first home owner boost and higher interest rates. Housing affordability for those entering the market for the first time will become a major concern early to mid 2010.

To help cope with the current population and any future increase in the region, the Queensland Department of Health is in the process of improving hospital facilities in the region. In Rockhampton, major works to the existing public hospital are currently underway. Also the coastal town of Yeppoon has a new hospital to be opened before Christmas. The improved facilities can only have a positive influence on the region. The balance of infrastructure in the region appears to be adequate with the majority of current road works being the maintenance of existing corridors.



### BUNDABERG

A number of major infrastructure projects are currently underway or recently completed in Bundaberg that will enhance the City. The Bundaberg Ring Road, a heavy vehicle bypass around the city, has recently completed. This has had the effect of removing trucks and other heavy vehicles from built up suburban areas when travelling to the Bundaberg Port and East Bundaberg industrial areas from the main highways. A benefit to the Ring Road is that residents living in the west of Bundaberg or western

outskirts have an easy and direct path to the coastal communities.

The Bundaberg Regional Council is also currently extending the main Airport runway and terminal areas, to allow for possible introduction of jet flights from the major cities. This will give greater direct access for tourists from southern metropolitan areas.

The Bundaberg Base Hospital, after some pretty negative comments over the last few years, is currently undergoing major expansion and renovation, allowing greater health care facilities for the ever increasing population.

As part of the Governments school initiative, many of the local schools are undergoing major refurbishment and extensions.

All of the above initiatives will help Bundaberg's future expansion needs, particularly in terms of population growth and employment, all of which will have a positive impact of the real estate market in the short term future.

### HERVEY BAY

The Fraser Coast has several large projects on hold at this time, with no definite start date scheduled. The Hervey Bay Marina redevelopment is yet to get underway with both The Seymour and Watpac Groups confirming in late August 2009 their continuing commitment to the development. The intended timeline for completion is planned within the next five years, however no start date is known at this time. The project comprises of more than 10 hectares of wharves, car parks, marina berths, tourist terminal and caravan parks at a cost of approximately \$800 million.

The new-look Centro extensions in the heart of Hervey Bay are also yet to confirm a commencement date. The anticipated upgrade will include an additional 22,000 square metres to the existing shopping centre. The Fraser Coast Regional Council approved the additions in April 2009.

A tourist attraction which is set to be a hit with families in the region comes in the form of the Hervey Bay Water Education Park in Pialba on the beachfront. The Park offers a modern zero-depth water play attraction and outdoor science museum featuring the properties and nature of water. The principal message is water conservation and how to intelligently re-use the resource. Main attractions include sophisticated jets, spouts and fountains, life-size whale and dolphin sculptures and night time fountain light shows complete with a 15 metre water screen. Admission to the Water Park is free, and is scheduled to open in Spring 2009 to celebrate Queensland's 150th birthday.

The upgrade of the Maryborough-Hervey Bay Road was completed earlier this year, stretching from the north of the Dundowran Road intersection to Pialba-Burrum Heads Road at a cost of \$11.5 million. The project included widening and strengthening the 6.9 km section to a 10 metre width, which allowed for turning lanes at intersections and private accesses. This upgrade will undoubtedly assist with the ever increasing daily traffic flow between Maryborough and Hervey Bay.

The Nikenbah Wastewater Treatment Plant was recently constructed this year at a cost of \$35.6 million. The Plant consists of a modern bioreactor treatment system with a capacity for 10,000 equivalent dwellings to meet the growing population of the region. Treatment of this wastewater is utilised for unrestricted irrigation use.

As part of the recent council amalgamations in the Fraser Coast region, the town plans of the Tiaro, Woocoo, Hervey Bay and Maryborough areas will be merged together to form The Land Use Strategy. This document is due for completion in September 2011, and plans to provide direction in development for the whole region. Areas covered will include four planning schemes incorporating urban footprints, infrastructure, industrial land, rural pursuits and road networks.

The Federal Government is yet to confirm funding for a planned Hervey Bay Community Centre to be located in Pialba. The land was donated by Council, along with \$1 million, while the State Government has promised \$1.5 million. Works on the centre began 10 years ago, and is considered overdue in terms of somewhere people can go to seek counseling, childcare support and information.

Generally these infrastructure improvements will help the Fraser Coast region as a whole for continued population growth and improving the area for all local residents.

### MACKAY

In terms of the provision of infrastructure, Mackay is still trying to keep up with massive expansion in population which occurred during the last coal mining boom which peaked in 2006/07.

The duplication of the Mackay - Bucasia Road from Mount Pleasant to the Habana Road is the most significant project to be completed this year. It has eliminated a major peak hour bottle neck and has generally improved access to and from the Northern Beaches of Mackay. The Northern Beaches suburbs of Rural View, Blacks Beach and Bucasia are rapidly expanding with residential land developments and this is a key piece of infrastructure to maintain the attractiveness of these areas to new buyers. The recent completion of the new Hospital Bridge across the Pioneer River now provides an improved city bypass to the Northern Beaches from the southern and western approaches to the city including traffic from the Paget industrial area.



The duplication of the Bruce Highway near Farellys Lane and Schmitdkes Road is currently under construction and will significantly enhance access to new residential land development in the suburb of Ooralea. In conjunction with the provision of adjacent drainage works through Paget and the proposed relocation of the TAFE college, we believe that the focus of future urban expansion will turn to this south western area of the city. The redevelopment of the Base Hospital in West Mackay will also provide a boost local employment in this area.

The New Forgan Bridge across the Pioneer River adjacent to the city is now well advanced and some potential upside through improved access to the city is likely for residents of North Mackay upon its completion.

The above works, in addition to the recently completed civic projects of the Bluewater Quays and the Mackay

Entertainment and Convention Centre, have contributed to strong employment in the city through a period of employment rationalisation in the local coal mining industry, and have generally insulated residential property values from any substantial correction.



### Cairns

As a high population increases, the level of infrastructure provision to support future growth has always been a vexed issue in Cairns. However now with the Cairns economy doing it tough as a result of a slowdowns in the tourism and construction industries and with the unemployment rate in the Cairns Region now the highest in Australia at a trend level of 14.4% during September, many are also looking to an expansion of infrastructure development to keep softening the current economic blows as well as create a platform for future population and business growth once the economic recovery begins.

The Cairns region has benefited from increased infrastructure spending allocations this year by the Federal Government, the main big ticket items of which are to build 218 new social housing dwellings in Cairns, Cooktown and Port Douglas; spend \$150 million on new school facilities in Cairns and regional locations; and build a \$33 million dental school at James Cook University.

However State Government infrastructure spending actually in Cairns this year in our view is relatively light. Although the biggest 'big ticket' development in Cairns is the \$446.3 million Cairns Base Hospital redevelopment, the Budget allocation for works to be carried out this year was only \$21.8 million. In addition, although the State Government has allocated \$181 million for roads in the Cairns region this year (compared to the billions of dollars being spent in South East Queensland), most of this will be spent on roads outside of Cairns. Only \$16.7 million will be spent this year on road projects actually in Cairns. The main State Government spending item this year is the \$79.5 million Government Office building underway in the CBD.

With residential and commercial construction values having fallen to \$416 million in 2008-09, from \$821 million in 2007-08, infrastructure spending, whilst welcome, is not filling the void in activity created by the slowdown in residential and commercial building. Nevertheless by supporting economic activity at a higher level than it would otherwise have been, infrastructure spending is also providing an indirect level of support to the residential property market in Cairns.



### Townsville

Townsville City is projected to have the largest growth outside South East Queensland in the 25 years to 2031, according to the Queensland Government Department of Infrastructure and Planning.

Over recent years, the northern beaches corridor has expanded very rapidly with traffic congestion causing major concerns to residents and visitors alike. The new 'Ring Road' opened in April 2009 allowing a more direct access North/South for travellers and heavy vehicles alike. This aided northern beaches residents, allowing them easier access to some parts of the city and drastically cutting down travel times. In addition, the Mount Low by pass, which opened mid 2009, has had a major affect in alleviating congestion particularly during peak hours.

There are currently a number of major infrastructure projects underway in Townsville including:

The \$42M link of Mount Low Parkway to North Shore Boulevard. This area is continuing to expand rapidly and this new alternative road link is vital to the transport network. This project will have a positive impact on the northern beaches corridor, which has over recent years been plagued by negative traffic congestion issues.

Expansion of the Townsville Hospital, which since opening in 2001 has been experiencing an increasing problem with bed numbers and appears to have now reached a crisis point. With the population expected to continue to increase, this may prove a major infrastructure problem for Townsville.

A new \$118M waste water treatment facility. The new waste water treatment plant is a state of the art facility, replacing some existing facilities and is designed to meet the future growth of the city.

Overall Townsville's infrastructure appears to be growing with the population, albeit lagging in some instances.

*...the Townsville Hospital, which since opening in 2001 has been experiencing an increasing problem with bed numbers....*



## Tasmania

The big infrastructure topic in the north are the state of the roads. While the Midland Highway is shaping as a major election issue for the state poll in March, the condition of many of our main roads has attracted a lot of publicity recently. Readers on the "big" island (mainland) might have forgotten what rain is but we down south have started building arks! The very wet winter/early spring has caused damage to many of the roads; the ongoing rain has meant they have not been able to dry and thus be repaired.

Talking about the Midland Highway.... The liberals want 4 lanes, labour (state government) "say me too" (where needed....) but no one is actually saying when it will happen. Life in the apple isle is laid back.

Launceston is the home of university and maritime tertiary campuses. The students these facilities attract (many overseas students to the maritime college) under pins pricing for investment units and residential housing within the sub \$300,000 price bracket through the Mowbray (especially) and Newnham, Alanvale, Invermay and Mayfield suburbs.

Just to the south of the CBD is the regions public general hospital. Its work force ensures the surrounding suburb of South Launceston similarly has little problem

attracting tenants. While its upgrading announced by the government will result in short term employment, it is doubtful whether any relief will be felt within the stretched public sector.



## Darwin

As highlighted in our discussion of the commercial focus on infrastructure, the issue of scale also needs to anchor any discussion to enable us to understand the impact of infrastructure on the Darwin and Palmerston residential markets.

Currently the "big ticket" infrastructure item in the Darwin region is the major extension of Tiger Brennan Drive between Palmerston and Darwin which is currently dominating the transport infrastructure scene. This much needed extension will address several transport bottlenecks currently affecting heavy road transport, rail and everyday commuter traffic. Once complete the extension will facilitate improved commuter traffic flows and reduce drive time between the Darwin rural area, Palmerston and the city.

The positive flow on effects of this major infrastructure upgrade will be numerous; Palmerston is currently expanding and will have four new suburbs within the next five years - Bellamack, Johnston, Zuccoli and Mitchell. Fast tracking by the NT Government to address chronic land release shortfalls will see an average of 600 land allotments being released within these suburbs over the next three to four years. Tiger Brennan Drive will be integral to accommodate the increased commuter traffic that will result.

With the potential for improved commuter time between Palmerston and Darwin, the adjoining rural residential locations of Virginia, Bees Creek, Howard Springs, Girraween, Humpty Doo and Herbert should also benefit. In recent years these rural locations have experienced strong capital growth due to factors including lifestyle, relative close proximity of most major services and improving road infrastructure. When oil prices shot through the roof in 2007/08, these locations experienced a softening of demand. One may expect that with the completion of Tiger Brennan Drive, these areas may see stronger interest.





## Perth

The recent opening of the Kwinana Freeway extension and the new Forest Highway is set to save 30 minutes from the Perth to Bunbury journey, according to Main Roads WA. The freeway extension provides an alternative route to the Peel area from Baldivis. It should assist in relieving some of the congestion experienced during peak hours and reduce the volume of traffic travelling along Ennis Avenue, Mandurah Road and the Old Coast Road.

One of the key benefits closer to home will be the reduced travelling times from the Perth CBD into Mandurah and the more affordable suburbs around the Peel district are set to benefit. Many of the suburbs that witnessed an increase in demand after the Perth to Mandurah rail line opened are even more attractive, thanks to the improved road access, although these benefits were factored in to land values when the new estates came on line in 2007 and 2008, and the area remains oversupplied.



Construction of the new Fiona Stanley Hospital is nearing commencement in the southern suburb of Murdoch, adjacent to the existing St John of God hospital. With an estimated cost of \$1.8 billion, the 640 bed hospital is expected to be completed by 2014. Neighbouring suburbs are set to benefit as related facilities will be attracted to nearby commercial and industrial developments which are currently experiencing relatively high vacancy rates.

The 'Latitude 32' development will comprise some 1,400 hectares of land proposed for various industrial and commercial uses. The proposed development is considered to be one of the largest industrial redevelopments ever undertaken in Australia and will be positioned in the southern suburbs, to the north of Rockingham. The project is expected to cater for 10,000 jobs and has an anticipated development timeline of 30 years. Once underway, Latitude 32 will boost employment opportunities through the southern suburbs and bolster the developing residential estates which have emerged along the Kwinana Freeway.

Whilst the State Government has not stated that the northern train line extension through to Butler has been cancelled, there has been little visible progress on the extension since it was placed under review last year. The extension was a selling point for many of the developing suburbs along the northern coastal fringe and would assist relieving some of the congestion experienced north of the end of the Mitchell Freeway. The freeway has been extended through to Burns Beach,

with the suburbs further north directed onto smaller inter-suburban thoroughfares. Whilst the northern fringe suburbs continue to expand and with works commenced on the coastal suburb of Alkimos, traffic flow and public transport facilities will need to be expanded over the coming years.

Inner city apartment living remains oversupplied, with the demand waning over the previous 12 – 18 months. The Perth CBD severely lacks the inner city entertainment and dining opportunities of our cousins in the eastern states, with no real drawcard to bring people into the city after traditional work hours, and no incentive for people to swap suburbia for an apartment whilst there are few facilities nearby. A focal point is required to revitalise the CBD and the river foreshore. Several suggestions for the redevelopment of the foreshore have been seen as either too dramatic or not dramatic enough. Construction of the new Perth Arena entertainment complex is under way on the north western fringe of the CBD, which is a good first step, albeit well overdue. Leadership is required by the State Government to finalise and commit to a redevelopment of the foreshore that will be the drawcard the CBD requires to be seen as a social destination, not simply a place of work. It is important that Perth maintains its identity and doesn't simply copy a Melbourne or Brisbane model, although a blend of the two may fit the bill.

Whilst it is not an infrastructure change, the state government is currently reviewing the planning approval process. It currently takes approximately three years to create a residential lot, from purchase of the englobo parcel of land to release of the lot. This difficult and involved planning process was the root cause of the under supply of lots in the boom time of the market. The big question is whether a review and any resultant outcomes can be implemented in time for the next spike in demand.



## South Western WA

The residential market in the South West of WA appears to have steadied. Agents across the board are experiencing an increase in the number of transactions and the general interest in the market has moved from first home buyers to an increasing number of investors entering the market.

There are increasing sales in the middle value range \$600,000 to \$900,000 and activity in the rural residential market also appears to have increased.

Gone are the days where properties would need to be drastically discounted to achieve a sale, with values now considered to be more stable. Land values in the residential subdivisions appear to have bottomed and there continues to be activity in the construction of new homes, the majority of which are now not first home buyers.

The high end properties are also seeing increased activity with several prestigious properties in Eagle Bay and Ocean front properties still selling for significant value ranging from \$2,300,000 to \$5,800,000. It is too early however to say if there has been any significant increase in values across the board.

The recent increase in interest rates and the talk of significant further rate increases to come is likely to put a hold on any likelihood of a quick recovery in terms of increased house prices. It will be interesting to see if this will have any negative affect on the number of transactions.



# Herron Todd White

Independent Property Advisors

## South East Queensland Property Overview.

You are cordially invited to the annual Herron Todd White breakfast presentation of the South East Queensland Property Overview.

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**Cost:** \$60 per head, \$540 for table of 10, \$480 for table of 9  
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**RSVP:** 6th November 2009 (or until sold out)

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Chief Executive Officer  
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## Commercial Overview

The primary link for the office market to infrastructure projects is transport. Many of our office properties have seen a dive in values as oversupply problems rear up and even primary sites become a bit of a bother. Markets always turn at some point, however infrastructure projects, particularly enhanced transport options, can take secondary stock and raise it up a level. As your office property becomes more accessible, so too options increase for prospective tenants wanting to keep their admin staff happy and customers close at hand.



## Sydney and Wollongong

At present Sydney and Wollongong are in desperate need of key infrastructure upgrades, however over recent years many plans have been talked about but relatively few projects have actually gone ahead. Infrastructure is the key moving forward if the government plans to curb the growing delays and bottlenecks on our roads and railways. Below will detail some of the government's major infrastructure projects that aim to reduce congestion and provide much needed aid to the ever expanding office markets of Sydney and Wollongong.

It is evident within Sydney that the North Ryde and Chatswood office markets are currently, and stand to in the future, benefiting from the inception of the 'Epping to Chatswood Rail Link'. With the Western and Northern Lines currently operating at capacity, the new link provides an alternative path to the city via Epping rather than Strathfield. By diverting four city bound trains per hour on the Northern Line, the available capacity of the North Shore Line between Chatswood and the CBD is effectively utilised, freeing up capacity between Strathfield and the City for an additional 18,000 people. Since its inception in 2009, the 'Epping to Chatswood Rail Link' has worked to improve the prospects of office space within these previously slow/underperforming markets by improving accessibility through infrastructure. A noticeable example of this was the relocation of 'Optus' who vacated its North Sydney tenancy to move to an 84,000 sqm purpose built facility at Macquarie Park.

As a result of this improved infrastructure to these fringe markets, the North Sydney office market has been adversely affected. North Sydney office vacancy rates are currently sitting at 11%, their highest since July 2005 according to the Property Council of Australia 'Office Market Report July 2009'. With negative net absorption of - 8,719 sqm within the last 6 months to July 2009 the North Sydney market has not only been slowed as a result of the global financial crisis and subsequent recessionary conditions, but also because of new infrastructure leading to a renewed confidence in these fringe markets.

According to the July Office Market Report the Sydney CBD office market is forecast to have over 97,000 sqm of office stock come onto the market in 2010 and over 185,000 sqm anticipated for 2011 and beyond. To maximise and support this amount of growth, Sydney needs a comprehensive transport solution for the future. The Sydney Metro Rail is a critical part of the Government's targeted investment plan to improve Sydney's transport network. They aim to do this by providing a third means of transport in the form of metro rail which they believe will compliment and ease congestion of bus and train services. The metro rail service is a driverless train controlled from an operations centre which will be capable of carrying up to 40,000 passengers per hour.

It is envisaged the Sydney Metro network will link Sydney's key economic corridors, improve access to jobs, reduce travel times and emissions and relieve congestion on road and rail networks. At this stage however the metro will only service CBD stations to Rozelle.

It is estimated some 20,000 commuters each day make the journey from the south coast up to Wollongong and Sydney for work. The July Office market Report shows that there is currently a record 136,000 sqm of office space already in use throughout the Wollongong CBD, and it's anticipated another 30,000 sqm is in the pipeline. These figures coupled with the 150,000 sqm due to come online in Sydney by the end of 2010 leads one to believe that the current Illawarra infrastructure may not withstand such expansion. In recognition of this, the 'Oak Flats to Dunmore extension' will complete the Government's commitment to provide a four lane highway from Sydney to Kiama by 2010. With completion scheduled for late 2009, its main aim will be to provide commuters with a quicker, more reliable and less congested means of travel

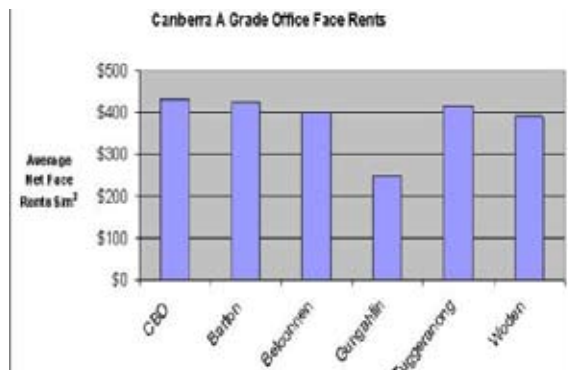
when commuting into the Wollongong and Sydney CBD Office markets.



## Canberra

Recent figures released by the property council of Australia indicate that vacancy for the ACT has increased from January 2009 (7.0%) to July 2009 (9.2%). The largest change in office vacancy has been an increase in the Civic area from 3.1% to 8.5% according to the PCA statistics.

The change in vacancy rates has generally been attributed to the increase in 'A' Grade office stock to the market and the increasing subleasing space as Government Departments contract and look to reduce spending.



Recent leasing deals are still showing the relative strength of rental rates with various new leases within new 'A' Grade office spaces indicating rentals in the \$400m<sup>2</sup> - \$450m<sup>2</sup> and incentives between 5%-10%.

### Office Yields

Sales remain healthy in the ACT, with the strong lease covenants provided by long term government leases proving to remain popular with investors, especially overseas funds.

- Yields have softened following the 'global financial crisis'.
- Property financing remains the biggest challenge to investors
- Yields range between 7.00% and 9.00% for primary grade and 10.00% to 11.00% for secondary grade stock.
- Office yields are stabilising at present.

### Recent Sales

#### 64 Allara Street, City

- Grade A office building
- Sale date: July 2009
- Price: \$18,500,000
- Initial Yield: 7.75%
- Rate / m<sup>2</sup> NLA: \$5,845



#### 7-11 Barry Drive, Turner

- A two level commercial building with an NLA of 375m<sup>2</sup> and 74 car spaces
- Sale date: July 2009
- Price: \$8,585,000
- Initial Yield: 9.40%
- Rate / m<sup>2</sup> NLA: \$3,615



Both sales were sold by institutions and purchased by private investors

#### 10 Rudd Street, City

- Grade A office building with NLA of 4,736m<sup>2</sup> and 41 car spaces
- Sale date: August 2009
- Price: \$18,700,000
- Initial Yield: 9.9%
- Rate / m<sup>2</sup> NLA: \$3,948



#### ATO Building

- A mixed use building with 1,584m<sup>2</sup> retail space and 41,096m<sup>2</sup> office space
- Sale date: July 2009
- Price: \$205,000,000
- Initial Yield: 7.1%
- Adjusted Yield 7.44%
- IRR 9.84%
- Rate / m<sup>2</sup> NLA: \$4,803



- The Canberra office market has experienced an overall increase in vacancy rates from 7.0% to 9.2% in the 6 months to July 2009. The majority of this space is in the Canberra Airport precinct.
- Large volume of new and near complete office stock to push total stock to over 2 million square metres, compounding vacancy levels. Vacancies are at their

highest since the late 90's and forecast to reach 13.5% in 2010 according to the PCA.

- Yields range between 7.00% and 9.00% for prime grade and 10.00% to 11.00% for secondary grade properties.
- For longer term government leases, yields of between 7.00% and 8.00% are common, but for smaller multi-tenanted assets with short leases yields of 8.00% to 9.50% are more appropriate.

### Infrastructure Spending

The ACT to a large degree has not been largely influenced by the continuing infrastructure spending being undertaken by the Government. Largely Territory based initiatives have lead the way and include the duplication of the Gungahlin Drive Extension which connects the district of Belconnen to the district of Woden. Other developments including the new Harrison High and Primary School will draw further people to the Gungahlin region. As the largest growth centre for the ACT, the area will also have further development, hopefully encouraging some office commitment to the region as sites sold in the past two years remain vacant and undeveloped.



## Central, North & West NSW

### DUBBO

Infrastructure is critical in the future development of regional inland centres in NSW which are competing against much larger metropolitan and coastal centres in attracting new business and industry to maintain and develop their population bases. Often due to the relatively lower population figures it is difficult to justify the cost of providing government and private infrastructure investment. The tyranny of distance adds to the expense of the provision of many services such as roads and power supplies. The development of communication systems in relation to affordable high speed internet access is a major consideration for the development of office sectors in inland centres.

Significant infrastructure development in Dubbo in recent years includes the construction of a new theatre complex which will assist in developing the culture sector of the city which is perceived as being behind centres of similar size such as Orange and Bathurst. The upgrading of the airport and competitive air fares has improved the appeal of doing business in Dubbo. The development of the Blue Ridge business park on the edge of the city will ensure there is an adequate supply of land to meet future office requirements. Given Dubbo's transport-hub location, the importance of the highways to the city is paramount.

### TAMWORTH

Tamworth has seen an increase in infrastructure development in recent years with the most recent major project being the Australian Equine Livestock Events Centre (AELEC). The \$30 million project was developed by National Buildplan Group. Another major development, completed in December 2008, was the new CBD development known as the Centrepoin Shopping Centre. The project cost \$35 million and features Franklins, 5 cinemas, a performing arts/theatre, 6 restaurants, a

food court and 40 specialty shops. Other infrastructure developments include a new shopping centre in Calala, which opened in 2007 and has 10 specialty stores and an IGA supermarket; the redevelopment of the Northgate Shopping Center, which has Coles as its anchor tenant; the construction of a medical centre complex in North Tamworth, off Peel Street; the recent re-development of the Riverside sporting grounds, off Plain street; and restoration of some of the older CBD commercial buildings.

*...other infrastructure developments include a new shopping centre in Calala ....*



## Southern NSW & Northern Vic

### ALBURY

The Albury-Wodonga office markets situated within and in close proximity to the central business districts, are already fully developed with regard to infrastructure and as such no further improvement in the office sector, is likely from any possible future infrastructure projects in the area.

### WAGGA

The office sector in Wagga Wagga is mostly located in the CBD with any office areas outside the CBD usually attached to a industrial building/complex. As such the CBD is generally fully developed and with no new infrastructure projects on the horizon there is currently no demand for any new office complex's to be built.

### LEETON

Health and aged care facilities are set to be the big winners throughout the MIA over the next few years. Narrandera has recently been awarded a government grant to convert the existing medical practice into a super centre and plans have commenced for the construction of a new retirement village. Leeton is nearing completion of a new aged care facility and Griffith is progressing towards a new private hospital. These improvements are required because our population is aging and our infrastructure needs to respond to the change in the nature of the population. Its unlikely these projects will improve office accommodation prospects as most specialists prefer to be located on site or within close proximity, and existing space is located throughout our main retail strip centres.





## Melbourne

In recent years, a number of toll roads/freeway upgrades have been completed. A major change in infrastructure to Melbourne was the completion of the East Link Tollway in 2008, linking Ringwood in the outer East, to Frankston in the South. This has reduced travel times within the outer suburbs, particularly where it links with the Eastern Freeway or the Monash Freeway.

The Deer Park Bypass completed 2009 on the other hand links the Western Ring Road at Sunshine West to the Western Freeway at Caroline Springs providing a more direct access to the city for those around the expansive Caroline Springs residential estates.

The State Government has announced that it will inject almost \$1 billion to improve Victoria's road network. Major planned road improvement includes the \$1.39 billion M1-CityLink-West Gate upgrade, the \$2.25 billion Western Road upgrade and \$200 million Western Highway realignment from Melton to Bacchus Marsh.

Past road networks such as CityLink have expanded the city's employment catchment area by bringing in regions on the fringe. EastLink on the other hand benefits suburbs such as Dandenong, Box Hill, Mulgrave/Mt Waverley by increasing their employment catchment areas.

Generally speaking, Government policy such as decentralisation and rezonings are the more critical factors influencing the office market with infrastructure upgrades complementing proposed new commercial precincts.



For example, the Victorian Government has reclassified Box Hill as a Central Activities District under Melbourne 2030 reinforcing high density commercial development in the area. Manningham Councils Planning Department indicate that a Ministerial Amendment creating a new Activity Centre zone for the Doncaster Hill region was recently submitted to the State Government for gazettal, indicating that a re-zoning is imminent. The redevelopment potential within this zone is currently not clear and subject to completion of council's structure plan, however, it suggests potential for intensive commercial development.

Over recent years the Docklands has emerged as a very desirable office location. A number of major tenants such as ANZ, Ericsson, AXA and Lend Lease have chosen to re-locate to the Docklands, as recently completed infrastructure becomes more appreciated (ie. Collins Street Bridge Overpass with tram, Southern Cross Station redevelopment etc). It is expected that around 30% of all development within the Docklands will be that of an office nature by its completion, due by 2020. This increased

development within Docklands, along with continued redevelopment along Spencer Street, has also lead to the western end of the CBD becoming more desirable among commercial tenants.

In general terms, infrastructure upgrades tend to benefit mainly industry rather than the office markets. However, industrial precincts with large administrative segments have benefited from growing of expanded employment catchment area. Nevertheless, it is believed that better transport infrastructure (ie. extending railway lines) would reduce commuter's travel time and hence, increase employment catchment areas more efficiently than new road networks.



## Regional Vic

### ECHUCA

For those with a long term view, the proposed second Murray River bridge between the two towns will certainly (if the current proposal is accepted) provide commercial opportunities, particularly in Moama. The second bridge will not only improve access to Moama but also by positioning the interchange between the connector road and the Cobb Highway close to the Cobb Highway/Perricoota Road intersection will enhance the Murray Shire's plan for a commercial precinct in this location. In this area there is some 7.5 hectares of land tagged for future commercial development. A site of 2.02 hectares adjoining Safeway to the west is zoned for commercial development at present and has recently sold for just over \$1 million at tender by the Commonwealth Bank as mortgagee. A further 5.54 hectares opposite on the north west corner of Cobb Highway/Perricoota Road is planned to be rezoned for commercial use when the new Local Environmental Plan is adopted (no later than mid 2011). This land also recently sold under mortgagee instructions for \$2.2 million. The site is currently occupied by Sportslander Motel, however given its location and size will eventually be redeveloped for commercial purposes. Whilst the immediate potential for these large tracts is limited, should the bridge proceed on the current planned route this area over the next ten years will be a major activity centre.

In the long term the commercial hub of Moama will therefore shift away from the current Meninya Street strip centre to an area surrounding the new Safeway development on the corner of Perricoota Road and Cobb Highway. Meninya Street therefore faces an uncertain future but will likely adapt and transform into a more boutique style strip.

It must be stated however that none of these changes to the commercial landscape of Moama are conditional on the bridge being located in this position. Murray Shires Strategic Land Use Plan designates the area described above for these use whether the second bridge is built or not. The bridge only enhances the potential.

What effect on Echuca? The main commercial centre is well established and some businesses may drift across to Moama but we consider these will be few in number. Opportunities for service commercial style development will spring up on the Northern Highway to the north of the Ogilvie Avenue intersection, however this potential always existed, the bridge proposal is only likely to bring this potential forward.



## Adelaide

Much of the commentary relating to infrastructure and its effect on the office market is similar to that for residential development.

*...the impact of infrastructure on a market segment is provided by anecdotal evidence...*

While the emphasis of the major northern projects in particular is to improve the flow of traffic (fewer stops), development incorporates a number of 'intermodal' points which is expected to draw commercial land uses in the form of offices, depot/ holding facilities and warehousing. Similarly, where residential development is focused for a period of time, commercial development (shops and offices) will follow.

The impact of infrastructure on a market segment is provided by anecdotal evidence when enquiry for office space in the northern industrial areas apparently doubled after the announcement of expansion plans for mining operations at Roxby Downs. Enquiry levels subsequently abated as the global economic scenario unfolded.

Perhaps in recognition of this, the Federal Government is attempting to stimulate economic activity via an infrastructure flavoured spending programme, including much publicized improvements to schools. In many ways, the benefit of infrastructure spending is indirect as it is a visible sign of progress which provides a confidence boost.



## Brisbane

The Brisbane Commercial Office market has continued its steady decline from 2008 with the latest Property Council of Australia report revealing that the vacancy rate has risen from around 4.2 percent in January 2009 to sit presently at around 11 percent or an additional 135,000 square metres of vacant space. The Brisbane Central Business District now has reportedly over 210,000 square metres of vacant office space with some industry experts predicting a peak of approximately 16 percent within two years. As a result incentives have increased significantly with A and B grade stock typically leasing with an incentive of 15-25%, however we are aware of recent deals done at as much as 35%. Of recent times the Brisbane CBD has seen the demise of the mooted office tower "Vision" and more recently "Matisse" which saw every single purchaser withdrawing from their respective contracts to purchase the strata titled offices due to a technical loophole.

Overall as a direct flow on effect from the deterioration of the CBD office conditions, the fringe office market has also suffered. Whilst fringe city commercial office properties have certainly undergone somewhat of a correction from the lofty rates being received at the peak of the market when stock was scarce and demand

was high, it is important to realise that locations such as Milton and Spring Hill will continue to struggle in the short to medium term, with the momentum shifting rapidly towards a tenant's market, rather than a landlord's market.

One of the suburbs in the Brisbane City Fringe, which is worth considering investment in is Bowen Hills.

The area is due to undergo major urban renewal with planned Transit-Oriented Developments (TOD's) being the main focus. Bowen Hills is also a site for an inner-city TOD demonstration project. TOD involves building high quality, medium-to-high density residential and commercial developments within walking distance of public transport. Once looked upon as merely an industrial precinct, the suburb will undergo a transition similar to that of Milton many years ago. Located three kilometres from the Brisbane CBD, the Bowen Hills Urban Development Area (UDA) covers 108-hectares of land.

The Bowen Hills UDA is located east of the Royal Brisbane and Women's Hospital, south of the inner city bypass and Enoggera Creek and north of Brunswick Street. Landmark places within the UDA include the RNA Showgrounds, the Old Museum, Perry Park and the Bowen Hills Railway Station.



Another suburb in the Brisbane City Fringe, which is set to increase in popularity in the coming months, is Woolloongabba. With the release of the new Local Plan, Woolloongabba is a suburb to watch with interest as the area undergoes a transition from a light industrial precinct to a high density employment and residential node. Once implemented next year the plan aims to inject life into Woolloongabba, transforming it into a vibrant, city fringe destination – based around the character of the antiques precinct. The Council is looking to replicate its efforts in suburbs such as Teneriffe and the Fortitude Valley. The plan proposes an increase in heights, densities and a mix of uses across residential, commercial and retail in Woolloongabba – with a core area allowing 20 storeys for building towers. The core of the area will be bounded by Ipswich Road, Stanley Street, Wellington Road and Balaclava Street. Only buildings of 2,000 square metres with best sustainability practice will be permitted the maximum height of 20 storeys.

With the release of the new South Brisbane Riverside Renewal Strategy next year the West End and South Brisbane area could also be a good place to invest. For a number of years, the pressure for redevelopment of the area has been growing, mainly due to its proximity to the Brisbane CBD and surrounding assets including the Brisbane River, South Bank, the Cultural Precinct, parklands, and Boundary Street. The strategy aims to implement and maximize sustainable transport choices, providing housing options, improving existing and identifying opportunities for new public spaces and facilities, creating sustainable employment opportunities,

integrating the built environment with landscaping to maximize greenery and managing the use of limited resources such as water.

On the back of the Kurilpa Bridge which links the city to South Bank, other mooted catalyst projects include an upgrade of Russell Street linking Boundary Street to South Bank, a City Glider Service, a new City Cat Stop for Victoria Street and vibrant laneways and small spaces initiatives. The tightly held precinct is also set to benefit from increased density and height limits, which have received extensive lobbying from land owners of recent times.



Overall, whilst there are certainly many opportunities starting to crop up in the market for investors able to finance deals, the major fundamentals of property investment still apply. Properties that are well located, with good cash flows, which are close to major infrastructure, will generally hold their value.



## Gold Coast

Before we look at developing/proposed infrastructure and how it may impact our office market, it is probably opportune to see what is influencing this sector at the moment.

The biggest issue still impacting our office market is the oversupply of office floor space. PCA data released as at July 2009 indicated the vacancy level across the total market had increased again, up 2% to 20.1%. There is now anecdotal evidence of reduced rental rates and increased incentives. Further, there have been sales, more particularly of strata office suites, that do show softened yields and reduced values. Demand for vacant tenancies, for lease or purchase, is very subdued. Although if leased, investors are still active, with demand reasonable, but at marked down value levels.

Back to major infrastructure projects. There are several under way on the Gold Coast that may offer astute investors an insight into future locations where demand for office floor space could increase.

We have touched on the Gold Coast Rapid Transit system in previous reviews. This is a \$1 billion public transport light rail project to extend from Griffith University and the new Gold Coast Hospital down to the Southport business precinct, then through Surfers Paradise and down the Gold Coast Highway to Broadbeach. Construction is scheduled to commence in 2011 with the first trams carrying passengers in 2014.

Commercial nodes positioned along the route are likely to benefit from this project, in terms of improved

accessibility, increased pedestrian movements and reduction in car movement and corresponding demand for car parking.

Southport will be a major benefactor of the light rail project in terms of accessibility for its workforce and easing of traffic congestion issues. However Southport will reap further benefit in terms of aesthetic and facility enhancements through completion of the \$42 million Broadwater Parklands project, a community and recreational initiative of the state government and local council. Stage one was completed earlier this year, and Council have now committed to stage two.

The Gold Coast University Hospital is currently being developed on a 20 hectare site at Parklands opposite Griffith University. This \$1.2 billion project comprises 13 structures and will provide 750 beds and is expected to be completed by 2012. Parklands Drive will become a low-traffic boulevard of commercial shops, cafes and restaurants, serving this large, new medical precinct.

Similarly, Robina Hospital is undergoing a \$287 million second and third stages of expansion also due for completion in 2012. The hospital adjoins the Robina railway station to the west, whilst to the east of the station is the Skilled Park sporting venue. This infrastructure is a forerunner to significant planned future commercial development for this general precinct, with the Titans rugby league administration complex under construction already.

The extension of the Gold Coast railway line from Robina south to Varsity Lakes is yet another infrastructure initiative that will create commercial development opportunities in the medium term. Varsity Village is a master planned project on a 14 hectare holding adjoining the under construction Varsity railway station. It will comprise a mix of residential, commercial and retail opportunities. The railway extension and station are planned to be operational by 2010.

In essence, infrastructure such as these public projects, coupled with private ventures such as the Coomera Town Centre, auger well for commercial development and opportunities on the Gold Coast into the future.



## Sunshine Coast

When looking at where to invest or occupy in the Sunshine Coast office market, infrastructure has become a more critical component of a purchaser's or a lessee's decision making process under the current economic environment.

The Sunshine Coast has benefited from some major infrastructure projects in recent years, which have upgraded some long overdue road networks. This has allowed a higher level of connectivity between the local centres and from those centres to the Bruce Highway.

Delays in major urban infrastructure and planned upgrades such as the regional hospital have had a profound affect on the local office market especially those properties in close proximity to the proposed site. The Kawana Business Village, which adjoins the proposed site, is currently experiencing a glut of office space both

for lease and sale. The majority of these buildings were marketed under superior conditions and on the back of the governments announcement and advised time frames. We are aware of one large building hoping to obtain approval to change their use to medical on the back of the planned hospital. Without certainty around a major anchor for the area such as the regional hospital and the associated infrastructure that follows development of this nature, the area will continue to struggle.

Proximity to convenience related infrastructure, especially in an area like the Sunshine Coast, adds significant value and marketability to a building especially in a scenario where supply is greater than demand. A buildings proximity to shopping facilities, coffee shops, the beach/water, and other uses such as the post office, public parking and bus stops have become important considerations and premiums usually paid for these assets. New emerging areas will always struggle against established centers for these reasons.

On this basis, Maroochydore continues to be the stronger office precinct on the Sunshine Coast. The Kawana Business Park is well placed to eventually benefit from planned infrastructure upgrades however construction would need to commence to give investors certainty. A high tech office park is also proposed adjoining the University, with this anchor and further residential and commercial development, this area will likely become another emergent commerce employment node for the region.



## Southern Queensland

### TOOWOOMBA

*...over the past ten years the Toowoomba Council has made a concerted effort to revitalise the CBD...*

The biggest impact that infrastructure has on Toowoomba's office market is the provision of public car-parking.

Over the past ten years Toowoomba Council has made a concerted effort to revitalise the CBD by encouraging firms to relocate commercial offices into the CBD centre. This strategy has been supported by town planning policy prohibiting office development outside specific areas within the CBD and CBD fringes.

These policies have had limited success, mostly due to insufficient public car-parking facilities located within the CBD centre. Most existing buildings in the CBD were constructed in an era before a premium was placed on car-parking and has resulted in many properties with very limited car-parking. This means that any firm looking to relocate an office into the CBD will want some form of public car-parking in close proximity to accommodate staff.

The existing parking facilities provided by Council appear to be running at capacity with limited long term parking available to potential new office staff. This problem will

continue until more car-parking is provided, with the construction of a new multi-level parking facility the most likely solution.



This issue also affects new development within the CBD with town planning having strict requirements for new projects to supply a high level of parking. Due to site constrictions within the inner CBD, this usually results in the necessity to include basement car-parking within the development. When factoring in the increases in construction costs this causes and the somewhat fixed income derived from the project (rental), the economic viability of projects are limited.



## Central Queensland

### ROCKHAMPTON

Significant development at the Rockhampton airport provides an additional impetus to the corporate and leisure market within the region. Expenditure of over \$3 million provided expansion to 555 car spaces to service the annual throughput of 730,000 patrons.

This will shortly be augmented by 7000 international charter passengers involved in Singaporean military exercises at Shoalwater Bay.

The city now has direct links to Melbourne, Sydney, Brisbane, Townsville, Mackay and Gladstone. The Townsville service is Virgin's first regional to regional route in Australia.

So far this month visitors have been surprised by a QANTAS jumbo diverted while on route from Los Angeles to Brisbane due to fog and a Russian AN-124 unloading 4 helicopters.

The strategic location sees us as a diversion site for the new A380 airbus and once again shortlisted for the airport of the year.

The Department of Main Roads is in the process of appointing consultants to consider options for an additional bridge across the Fitzroy River or a flood free bypass to the west of the city.

The Rockhampton Regional Council has recently acquired the prior Rocky's Tavern site with an area of 2957 square metres adjacent to City Hall for potential future expansion.

While the office market has been quiet it will shortly be tested by quality refurbishments within the heritage listed "Headricks Building" and "Post Office" both offering high grade office and retail lease space handy to city centre.

## BUNDABERG

The major infrastructure project for Bundaberg was the Ring Road which has been recently completed. While not directly impacting on the office market, it will have an impact on the industrial market. Apart from the obvious traffic benefits, industrial estates which were not as well located on the southern and eastern fringe of the city will benefit from improved accessibility.

*...this should eventually be a driver of economic growth in Bundaberg..*

The Bundaberg Airport is being upgraded. The runway is being extended and the terminal is being extended and renovated. This should eventually be a driver of economic growth in Bundaberg allowing for increased tourism numbers and better facilities for business.

The office market in Bundaberg appears reasonably balanced but with a rising vacancy rate and limited demand for new premises.

## HERVEY BAY

The next two years could see a significant increase in office space if all proposed projects proceed. This is a concern, as there is an increasing vacancy rate as tenants struggle to meet repayments. Rental rates are considered to have peaked and with the increase in supply, may experience a fall to attract tenants.

2009 has seen the completion of 2 office complexes 'Lakeside' and the expansion of the 'Linx' on the corner of Neils and Torquay Road. Currently under construction is a 9 unit, 2 level complex known as 'Devenio' along Main St. This development is currently 65% pre-sold to investors and owner occupiers and indicates that buyers are active if the product is suitable. There are 2 other proposed projects, a 6 storey tower along the Esplanade and a 4 storey building along Torquay Road. If these 2 projects proceed, the market may not be able to support the increase in supply which could see downward pressure on values and rates. The recent implementation of the new Infrastructure Charges by Council could however have a significant impact on the viability of these projects.

## MACKAY

An unprecedented public infrastructure program in Mackay since 2008 will see the progressive roll out of three new bridges, 4 lanes to the Northern Beaches, a new public hospital, convention centre and Bluewater Quay and duplication of the Bruce Highway into Mackay from the south.

The majority of these public infrastructure works will offer little direct stimulus to the commercial office sector. The exception to this is the possibility of the old North Mackay commercial precinct being redeveloped after completion of the new joint levee road which will bypass Evans Avenue. Whilst traffic flow is predicted to fall significantly, better accessibility to commercial properties, full saturation of the city centre and affordability could force growth of commercial office space to North Mackay in the medium to longer term.

There is also a growing trend for commercial integration into the Paget industrial estate. This is the primary employment centre for Mackay and we anticipate developers seeking approval for commercial and retail components in future development applications to

provide the commercial support services that are needed in this area.



## Cairns

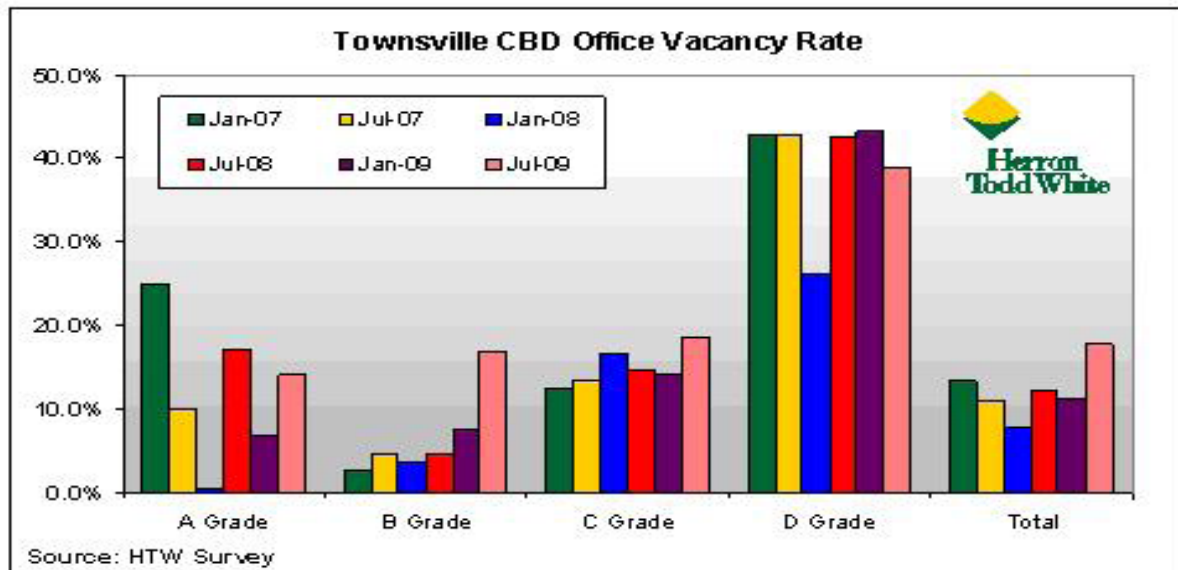
The Cairns office market underwent considerable expansion through 2007/2008 and the fruits of this expansion have been seen with the completion of several new office buildings over the past 24 months. In addition, construction of the new \$79.5 million State Government office tower is now well underway and due for completion in 2010. These new developments have averted the undersupply situation that previously existed and we are not aware of any major new office developments planned for the near future.

The strong pressures on office rents, which saw rents for quality tenancies typically rise from \$275 per m2 per annum in 2007 to \$360 per m2 per annum in 2008, has also been relieved and while these rents have been sustained during 2009, our view is that rents have stabilised. No upward further movement in rent is anticipated in the short term.



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

Cairns has benefited from a number of Government infrastructure spending initiatives this year, notably on social housing and schools, but their prime effect has been to support current jobs and economic activity rather than supporting long term economic development. Aside from the \$79.5 million State Government office tower (which is actually the largest Budget allocation for a single development this year in Cairns), there would otherwise be almost zero transmission effects of Government infrastructure projects onto the Cairns office property market at either the macro or micro levels.



## Townsville

Townsville City is awaiting the much anticipated redevelopment of Flinders Street, which is set to commence in November 2009. This redevelopment is to occur over three city blocks including the current mall and Flinders Street East.

This redevelopment is expected to have a huge impact on the current state of the City with traffic being reintroduced down Flinders Street.

During 2009 our office survey has seen an increase in vacancy rates to 17.8% as at July 2009. This has resulted from the combined effect of 4,500 square metres of increased supply coupled with negative net absorption due to lower occupier demand. Downsizing of tenancy areas, centralising of offices and the general closing down of businesses have all attributed to this increase. Figure 1 above shows the breakdown of vacancy rates by each grade of office accommodation.

Flinders Street was transformed to a pedestrian mall in the 1980's and after a short period of success it has struggled to compete on a retail level with the suburban shopping centres and resulted in the retail and investment in this area slowing dramatically.

The redevelopment is anticipated to breathe new life into the city centre and is supported by a new \$200M retail complex, which is to be constructed and includes two levels of retail, cinema and gym. There are also currently two large office developments proposed for the CBD, but with vacancy rates at the current levels, we consider demand for any new projects is currently soft.

*...the redevelopment is anticipated to breathe new life into the city centre..*

Townsville City has been in desperate need of this major infrastructure project for over a decade and with works to commence before the end of the year this, coupled with the improving overall consumer confidence, should offer some flow on effects to other sectors of the market including the office market.



## Tasmania

There are no major infrastructure projects to report in the southern part of Tasmania.

For a long time the new hospital was muted to be constructed on the railway yards in the CBD however this now seems likely that the project will not go ahead.

The University of Tasmania is now making their claims for the rail site because of the need for expansion and also due to its apparent old condition of facilities.

The areas of Kingston and Sorell have seen some major street beautification and road works to enhance both traffic flow and ease access to the retail strip. Both of these locales appear to be considered regional hubs for the immediate southern and eastern areas and provide all major amenities for the surrounding rural property.

The Bellerive Cricket Ground is currently undergoing some major works with the installation of lights. This will provide the ability to host day/night cricket and also night time football games. This may see some flow on effect to local businesses and also enhance the residential appeal of the area; although some would argue it diminishes the appeal.

The opposition Liberal Government is proposing to convert the Midlands Highway into a four lane dual carriageway if elected. There is much local debate as to if this is actually possible and if it can be achieved and afforded in today's economic climate. An upgrade of the Highway may allow better access to the rural precincts within commuting distance to both Hobart and Launceston and hence may see stronger demand in these areas.

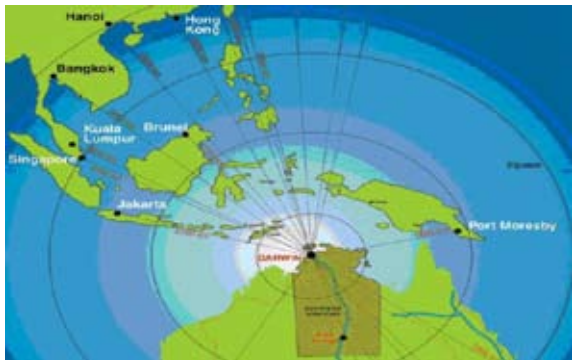
The controversial canal development Lauderdale Quay at Ralphs Bay has been dealt a blow after it was recently rejected by the Tasmanian Planning Commission. The former Resource Planning and Development Commission posted its draft assessment a short time ago, concluding that the \$300 million Walker Corporation proposal should not go ahead. Walker Corporation wants to build a 471 lot 97ha canal-style residential development in the bay. The Planning Commission released a draft report yesterday saying Walker Corporation's development is not compatible with Ralphs Bay. The Commission says the

environmental costs would far outweigh the economic benefits.



## Darwin

When addressing the effect of infrastructure on the office market, in Darwin's case one has to pay particular attention to issues of scale. Far more so than larger and more self-sufficient cities, this little town is almost totally dependent upon its transport infrastructure. With its good air, road and rail facilities, the tyranny of distance from other capitals has at last been brought partially to heel. However, Darwin no longer just looks back down to other Australian capitals, but up to capitals to its north. Darwin is closer to Jakarta than Perth is: Jakarta is only about as far away from Darwin as Adelaide, Perth and Brisbane are. While a circle with a radius from Darwin to Tasmania includes just over 20 million people in its southern half, its northern semi-circle includes hundreds of millions, many of them in rapidly developing economies. With its comparative advantages in providing northerly air and sea lanes links to its southerly transport infrastructure, distance can become Darwin's servant.



It is transport infrastructure at this international scale that can have the greatest effect on Darwin's office market through into long term. However, through the short to the long term, energy infrastructure is also very important. The 1,000km radius on the above map is surrounded by many of Australia's and East Timor's major gas fields. There are several strategic advantages possessed by Darwin that could attract more and more tenants to Darwin's office market from the energy sector. No matter where the gas plants are ultimately based, Darwin should benefit in the long run - provided that it is up to the challenges of change management.

Speaking of which, energy infrastructure is also important at the local scale, and right now Darwin's needs work. There were major power outages in some Darwin suburbs last year, and power delivery to a large planned industrial development is proving problematic. Inevitably, there are growing pains, but much growth will not happen if they are not attended to shortly. Transport infrastructure is being provided by a major extension to Tiger Brennan Drive (towards Palmerston and the new town of Weddell), and there are major development plans for the East Arm area near Port Darwin and the Darwin International Airport. Fortunately, infrastructure challenges are being addressed by the Government's Northern Territory Infrastructure Group, which is developing a ten year infrastructure strategy to fit with the Government's

Territory 2030 plan. Plans include a five-year, \$1 billion plan for building, upgrading and maintaining facilities: the Power and Water Authority has allocated \$825 million for capital and \$258 million for repairs and maintenance initiatives under this plan across power generation, power networks, water, sewerage and business services. The group also has major challenges concerning sewerage and water delivery to address, and there are many other major infrastructure challenges, especially in the vital transport infrastructure to the northern half of the circle - for example, at the port. Despite Access Economics most recent quarterly publication describing the Territory's future as "pretty bright", that depends on the group achieving its objectives. Darwin's future property market in general and office market in particular depends on them.



## Perth

This commentary will outline the major infrastructure projects of Western Australia, particularly focusing on those which will impact the office market. The office property market is driven by many factors, some external to the property which have become abundantly clear following the onset of the Global Financial Crisis (GFC). Naturally infrastructure spending benefits properties of all types yet may not visibly contribute to property value individually. Infrastructure improvements benefit property users mostly in terms of amenity and efficiency, rather than adding significant capital value to the property itself, which in turn provides a gain for the whole community.

The State's 2008 election resulted in neither major party winning a clear majority in the Legislative Assembly. Following negotiations, Liberal leader Colin Barnett became Premier on 23 September 2008 of a coalition minority government. The negotiation involved agreeing to the National's demands of 25% of mineral royalty payments to be reserved for regional areas for infrastructure and community services.

Western Australia's Government revenues have also contracted due mostly to declines in Stamp Duty revenues from property sales due to softening residential activity and prices, as well as declines in mineral royalty revenue brought about by softening commodity prices following the onset of the GFC.

However, despite falling State revenues and more of that revenue being reserved for regional development, there are still a number of infrastructure projects planned for Western Australia. This has been achieved largely through the Commonwealth's stimulus grants, in response to the GFC. One of these grants, a \$575M payment, is contributing towards two major infrastructure projects in Western Australia. Firstly, \$236M is allocated to the construction of the Northbridge Link, which will sink the city section of the Perth-Fremantle railway and the adjacent bus station. It is expected that construction for this project will commence in 2010. The remainder is to be allocated towards the \$700M equal State and Commonwealth stake in the Oakajee Port development. The remaining \$4 billion required for this project is coming from the private

sector. The Oakajee Port and Rail project will be situated approximately 25 kilometres north of Geraldton, and upon completion will include a deep water port facility and an integrated rail network to service port users; who will mostly be the iron ore miners of the northwest.

Other smaller works touted for Perth include the widening of Great Eastern Highway at the Roe Highway intersection, which is also a joint State and Commonwealth project has \$60m funding already secured. Works on this project are due to commence in 2011 and expected to be completed in mid-2013. Perth Airport will also begin construction of "Terminal WA" within the next three years, having recently announced new debt facilities of \$740m with additional shareholder funding of \$142m. The new terminal is being built to support the increasing number of regional flights, mostly for the fly-in fly-out workers linked to the resources sector. The development will also improve terminal facilities and linkages between the domestic and international airports. Perth Airport is also developing a number of commercial estates and precincts for a variety of uses including high grade office accommodation.

Naturally the list of infrastructure projects planned for the State is considerably larger and will include development and improvement of hospitals and schools, which are to be funded from further Commonwealth and State contributions. The projects mentioned are large and will take significant time to complete, however, once complete the suburban office markets located along or near Great Eastern Highway will clearly benefit from these improved linkages. As the airport precinct develops further, office markets such as East Victoria Park, Burswood, Belmont and the Perth Airport will undoubtedly become more attractive to potential users. This strip of suburbs already enjoys the locational benefits of being situated relatively close to the Perth CBD.

The sinking of the Northbridge Link will put an end to the railway barrier between the Perth CBD and Northbridge, and to lesser extent East Perth. This will enhance both suburbs, not only by improving access, but also by improving the aesthetic landscape by removing the dated and industrial looking railway line and existing bus terminal.

Perth certainly hasn't suffered the infrastructure problems noted in other national cities such as Brisbane and Sydney, particularly over the recent economic boom. Given the high population growth, massive urban expansion and significant redevelopment of the Perth CBD, the city has not manifested any great problems in relation to its failing infrastructure. Electricity supplies are stable and road, rail and port facilities generally work reasonably well. Of course Perth does have its issues, particularly with the major road network which is still too dependent on the singular freeway system which does suffer from congestion at peak times.

Despite the marked rises in office vacancy levels noted over this calendar year, rising from near zero levels to approximately 8%, it is still well below Perth's long term average of 12.5%. On the other hand, falling rents and softening yields have ensured that sale prices are still well below those achieved in the 2008 peak of the market. Recently there has been an increase in buyer enquiry with subsequent sale turnovers also improving. Improving business confidence and consumer sentiment surveys are undoubtedly contributing to this turnaround, which itself is mostly due to the economic recoveries in Asia, particularly China who is the State's largest trading partner.

Increased Government stimulus spending, including infrastructure expenditure, has also contributed to the improved business confidence and consumer sentiment. Notably the beneficiaries of infrastructure initiatives have been those directly involved in land development and construction. The downside is that construction costs have not yet adjusted enough and an impediment to private sector property development, which has virtually stalled in the office market which may have long term consequences. Perth CBD buildings, despite the surge in new construction during the peak of the market, are generally older. The PCA estimated in early 2009 that the average age of Perth CBD office buildings to be around 27 years of age. These older buildings are becoming increasingly obsolete, lacking in amenity and by today's standards inefficient. Continued redevelopment is needed in order to increase Perth's demand for office space. As vacancies are likely to tend towards the long term average, rental rates gaps between premium and lower grade buildings will continue to widen, however, this alone will not provide sufficient impetus for redevelopment, as long as development costs exceed the potential returns. Not only are cost factors impeding continuing redevelopment, lending conditions are still tight and have not yet eased since the onset of the GFC.



Overall, infrastructure improvements do not significantly impact on office property values. Values in this sector of the property market are driven by their potential returns and associated risk of those returns. As indicated, recent infrastructure spending has been the result of Government initiatives to soften the impact of the GFC, however, indirectly it may have contributed to the maintenance of inflated construction costs which may dampen future redevelopment over the short to medium term, particularly in the Perth CBD. The rising vacancies have certainly been detrimental to office property revenues and values. Business and consumer confidence is returning to the market, buoyed on by China and Asia's economic recovery. If the recovery remains sustainable and commodity prices rebound, values of office property will improve and users will benefit from improved infrastructure.



## South Western WA

The market in Bunbury for commercial and industrial properties remains reasonably flat with some remaining caution as to the sustainability of the recovery from the GFC. It would appear that some proposed start up businesses have their plans on hold for the time being.

As a consequence of this the rental market still has some space available. Rates for rentals, in the city centre particularly, have increased steadily over the last two years to the point where some businesses may well consider moving out of the CBD when their next rent review comes due.

The future to Bunbury however is looking bright with a number of large projects having been approved both locally and at the state level. These projects can only be beneficial to the economic activity of the region with an anticipated spin-off being an increase in demand for office space.

This increase in activity may well provide some challenges for the planners of the city with the current mixed business zoning not allowing offices larger than 200 square metres. This combined with the lack of large office space within the CBD may place considerable pressure on the available resources which may force some planning changes. These changes will be required if the needs of business are to be met over the next five to seven years.

So in summary the market, while not buoyant right at this moment, appears to have a fairly major upside over the medium to long term future.

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## Rural – Market Directions

Welcome to the November 2009 issue of Herron Todd White's Rural Month In Review. There is a lot to cover this month. Readers have the opportunity to enjoy input from out offices across Australia.

Mixed sentiment does appear to exist for the Rural Property markets across Australia.

The most positive headlines are:

- From Albury who report that auction clearance rates are strong following excellent rains;
- Our Bunbury office reports that the Western Australian Wheatbelt harvest is tipped to a record harvest;
- Recent heavy rain in Mildura is set to benefit cereal crops in the Mallee region. The Mildura office also mention the sale of the large scale Timbercorp Olive Orchard (Boundary Bend);
- Central Queensland reports the sale of Inverness;
- North Queensland reports that calves are dropping right on time for weaning at the first round of mustering next year. The sale of Crewkerne (Muttaborra) is welcome news to upholding land values in the Mitchell Grass Downs Country.

On the conservative side:

- Southeast and Inland Queensland reports a larger harvest – with low yields. Also, that the strong Australian Dollar is affecting prices at farm gate.
- Tamworth is dry;
- Leeton is dry;
- Central Queensland mentions that buyers are very selective with quality being their issue.

This Month In Review certainly provides variety for a broad range of reader's interests!!

Roger Hill Ph: (07) 4724 2000

1 November 2009



## NORTHERN NSW

With over 67% of NSW currently drought declared and temperatures on the rise seasonal conditions are in rapid decline in many areas of northern inland NSW. If we get a couple of more weeks of hot weather without substantial rainfall pastoral conditions will suffer severely following a very dry August and extremely dry (so far) October. Winter grain crop prospects are quite mixed ranging from many areas which expect below average yields in the south to areas in the north expecting about average yields.

Tamworth's rainfall for the year to date stands at about 361mm which is 20% below the expected average. There has been very little significant run off in the catchments and as a result the irrigation storage dams remain depleted. Current dam levels are:

Copeton Dam: 10%

Split Rock Dam: 4%

Keepit Dam: 34%

Once again irrigators relying on regulated river supplies are facing another poor water year and the benefits of having access to underground irrigation water will (where available) stand out.

With deteriorating pastoral conditions, the poor water outlook, increasing Aussie Dollar, increasing fuel and finance costs and property buyers still "thin on the ground", the settings for the local rural property market have taken a backward step over the past couple of months. If seasonal conditions don't improve in the short term and vendors are seriously committed to sell, they should closely consider all reasonable offers, as there is the prospect that market conditions may get worse before they improve.

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## SOUTHERN NSW

### ALBURY

The vastly improved season in the extreme south eastern section of NSW and most of northern Victoria, coupled with the boost in confidence now that the worst of the GFC appears to be behind us, has seen virtually every property offered for sale in this area sell either prior to or at auction. Several properties have been put up for auction and they are all attracting strong interest and are selling at strong prices. Parts of southern NSW and most of Victoria are enjoying the best spring conditions experienced in these areas for many years. Supply of good quality properties on the market is limited, and there seems to be plenty of underlying confidence in the rural market, and as the season is so good in these areas people are "buying feed". There has been close to 100% clearance of auctioned properties, with several selling prior to being auctioned.



Canola crops have finished flowering, cereals are coming up to head, and pasture in these areas is looking great with a lot of people saying it is the best clover year they can remember. This probably has a fair bit to do with the "rest" that the country has had over many years of drought when virtually nothing was produced from the land in this area. Now all the inputs applied over the last few years are kicking in and this is producing some great crops and pasture. Silage has mainly been finished and hay is now being cut. There are plenty of fat cattle and lambs around.

The picture is not nearly as pretty to the west of Corowa and north of about Henty. The season in these areas has been pretty poor and most crops have failed, to the stage where many are not even worth cutting for hay. The near failures have had stock tuned in on them to try to salvage something out of the crops.

Water inflows into the Murray storages has been really good with high rainfalls and some snow melt increasing levels in Hume Dam to 39.14% as at 21st October (up from 27% last month) and Dartmouth Dam up to 29.59% (up from 23.5% last month). Inflows into the Murrumbidgee storages is not quite as good, with Burrinjuck now at 42% of capacity (up from 39% last month) and Blowering at 38% - the same level as this time last month.

With increased water levels it has just been announced that a general security allocation of 9% is now available on the Murray system and 11% on the Murrumbidgee system. Most irrigation farmers will be excited about the prospect of receiving some general security water allocations this irrigation season which is the first allocations for four years. There is still a reasonable amount of snow melt to come into the Murray system and this may lead to

increased allocations on this system. However, there will still need to be some big dumps of snow or significant rainfall events in the catchments to have good prospects of generous allocations on both systems.

### LEETON AND GRIFFITH

There has been a significant decline in the number of rural sales since the beginning of the year. This has been due to ongoing severe drought conditions, uncertainty over irrigation water entitlements and the very obvious "world financial crisis", impacting on the availability of credit.

The land and water markets have further evolved over the past year and it has become quite obvious over the twelve months the pitfalls of refinancing on a rising water market only to face the downside of the equation as prices dropped as higher allocations were announced earlier in the season this year. With 95% allocation for high security and general security at 15%, temporary water can be purchased for less than \$200/Megalitre. This has made rice production more viable this year and a number of paddocks are being prepared across the area for planting. At present high security water is trading at around \$2900 per Megalitre and general security at \$750 per Megalitre.

While Dryland sales have been almost non-existent in the region, there have been enough sales of irrigated properties over the past year to indicate a general decrease in values of 20% to 30%. There are a number of properties listed for sale with vendors now under pressure from lenders to try to bring debt under control.

### WAGGA WAGGA

The rain has continued in the area enough to generally keep the crops going which will hopefully see a better year than previous years which is much needed. If we do continue to get an improved season this may result in more property transaction activity over the summer period than what we have seen in previous years. The number of property transactions seems to have increased slightly in the spring season with prices generally remaining static.

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## Regional Vic

### ECHUCA

Sales activity for rural properties has been relatively static for this time of the season on the back of low milk prices for the dairy industry and patchy results for cropping and livestock enterprises while water remains the "hot topic". Notably, Madowla Park which was recently purchased by the Water for Rivers (trading as Joint Government Enterprise Ltd) has been reconfigured from rice contour irrigation to irrigated winter cropping and resold (price undisclosed) through a tendering process. Water holdings associated with the property at the time of the initial purchase include 7,018ML high reliability water shares (HRWS) and 2,926.8 ML low reliability water shares (LRWS) while the property has been resold with 2,000ML HRWS - with the difference (5,018 ML HRWS & 2926.8ML

LRWS) presumably being maintained by Water for Rivers for Environmental Flows.

Despite the ongoing challenges confronting most agricultural producers in the region reasonable rainfall throughout September has seen storage levels rise with Lake Dartmouth at 29.24% (c.f. 22.1% at the same time last year), Lake Hume at 38.47% (c.f. 34.77% at the same time last year) and Lake Eildon at 31.79% (c.f. 23.27% at the same time last year). The improvements to inflows have allowed greater allocations for the irrigation season than had previously been anticipated (Murray - 37%, Goulburn - 33%) though the smaller Broken Loddon and Campaspe Systems have yet to see any allocations. Notably the 10% cap for water which can be owned without association with land has been lifted while 4% trade caps for high reliability water has been reached on most systems.

## HORSHAM

Good winter and especially spring rains have given the Wimmera and Southern Mallee optimism for a good harvest. General opinion is that crops are the best they have been for a number of years. Excluding any unseasonal event, the region should experience a good harvest, and should commodity prices improve, the overall result will be economically beneficial to the region.

## MILDURA

North west Victoria recently received some of the heaviest rainfall in the district for a number of years with significant falls occurring in mid to late September. Whilst too late for some dry land growers it will benefit many crops in the region as well as the horticultural sector. The Ouyen/Mittyack region recorded falls of up to 75mm and cereal crops have been transformed to the extent that at least average yields can be expected in many areas of the Mallee region. The Millewa region did not fare as well although the cool weather and follow up showers have benefited wheat crops and in the next few weeks we should see most headers dusted off and brought out of the shed even to just provide some seed for next year.

Irrigators on the Victorian side of the Murray River received an unexpected boost recently with a 24% increase in allocations over the past month, bringing it up to a 37% allocation for the current season. This compares with a final allocation of only 30% for the 2008/2009 season. On the NSW side of the river irrigators with high security licences currently have 95% allocations, while general security allocations have been increased to 9%.



As a result of these increased allocations the prices being paid for temporary water have receded to below \$200/Mgl for the first time in nearly three years. Prices for permanent irrigation entitlements have also eased, particularly in the LMW irrigation districts of Merbein, Red Cliffs and Robinvale where for the first time the volume of water traded has now reached the 4% cap. Licences

in these districts can only be sold within their respective irrigation districts until July 1 2010.

The Victorian Government is in the process of reviewing the radical and seemingly unfair C58 legislation which initially prohibited any dwellings being erected in the irrigation district unless on land greater than 40 hectares. The rumour mill suggests that some common sense may prevail which would allow dwelling permits on lots that are less than 1 hectare and possibly over 10 hectares in the Farming zone. We can only hope that this is the case and will follow this with interest as further announcements are made.

The sale of the large scale Timbercorp olive orchards at Boundary Bend and Boort for a reported \$59.5 million has been announced. The sale, on the face of it appears very favourable to the purchaser, and includes a 26,121 Megalitre irrigation entitlement, a processing plant at Boort and 6,012 hectares of established olive plantations under irrigation.

The purchaser is Boundary Bend Limited (BBL)– which is the entity that both developed and managed the orchards on behalf of the Timbercorp investors, as well as purchasing and marketing the oil. BBL is the largest producer of extra virgin olive oil in the southern hemisphere by both production and area planted.

This sale flows on from the \$128 million sale of approximately 8,000 hectares of Timbercorp almond orchards to the Singapore owned Olam International. The purchase included 41,000 megalitres of water entitlements and accounts for approximately 30% of total Australian almond production equivalent to 1% of the world production.

Much debate has been raised in allowing a foreign company to purchase such an asset however it was sold to the “highest bidder”.

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## SOUTHERN QLD

There have been few confirmed sales this month. Traditionally, the focus at this time of year is on the winter harvesting season. The reports we have from this region are large areas of harvesting, but with low yields. Grain quality is apparently fair to good, with few screenings. As is often the case, all eyes are on the weather as there are prospects of good rainfall at the end of October and into November.

The farm gate prices are falling in the face of the strong Australian dollar and also the upwards talk and trend of interest rates is all having an effect on economic activity in the district. We have conducted a number of valuations for property purchase, but there are a few instances where the transaction has become difficult at the credit end of the property purchase process.

With the local property market there continues to be a low volume of sales with a steady supply of properties available for inspection. The market for rural properties in this district has not as yet experienced a fall in values as such, rather the previously mentioned low volume of sales is putting pressure on expectations. It may be that vendors expectations will have to drop to conclude a transaction in the short term, particularly with seasonal conditions and farm gate prices where they are, or wait until these factors improve. However, under these conditions, properties are seldom presented for market.

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## NORTHERN QLD

The second round of mustering is nearly complete across most of North Queensland. Many graziers are now looking for the wet season to break. The sooner this happens, the better as there is a large bush fire threat emerging if showers are not received soon!

Many graziers are watching their calves drop with interest to see the results of their investment in bulls over recent years emerge into the world. Given a good break in the season, the first round of mustering in 2010 looks promising for a good tally of weaners!

The 2010 calf drop aside, graziers have endured a tough year of speculation surrounding the direction of grazing land values given the credit crunch and economic uncertainty. Thankfully, the beef business remained firm and provided no reason for values to head south seriously.

Property sale volumes have been about one third of that from 2008. Things have not been as glossy this year as the market perceptions of the last couple of years have rubbed off quickly. Many have feared the worst for values.

The sales evidence for this year has not provided any great weakening from the market values achieved in the recent years though. The resales of Chudleigh Park and Crewkerne provide support in this regard.

Chudleigh Park (182,000ha breeder block to the north of Hughenden) reveals a change from its previous sale in April 2006 at about \$83/ha (bare / improved) to around \$123/ha in June this year.

Crewkerne (8,255ha Mitchell Grass Downs block to the north of Muttaborra) sold in May 2008 for \$2.7m (\$327/ha bare) to buyers who were chasing grass when their breeding country on the Barkly Tableland and Western Gulf were very dry. The property resold in the last month for \$2.5m (\$303/ha bare).

The recent sale is included in the graph (Refer Page 39) showing the Mitchell Grass Downs Sales from 2007 to 2009. When considering the size, location, level of improvement and quality of Downs, the present sale rate of Crewkerne serves to show the plateau in market values. Note is also made of the Hilltop resale which shows the same value rates for each of its sales.

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## CENTRAL QLD

We report a dry start coming into the summer months with no reported significant falls and dry long term outlook from the Bureau.

Action results in the area have been mixed, however again it appears that better quality blocks are showing more resilience to an easing market. This is supported by the recent auction of "Inverness" located south of Blackall which sold for \$14,000,000. The block comprises a total area of 22,583ha (55,800 acres) of developed gidyea scrub in freehold title. The sale reflects about \$250/acre and is a sound result given current market conditions.

"Vermont Park" located south west of Moranbah failed to sell at auction this month and was passed at a bid of \$9.5M. This would reflect about \$576/ha (\$233/ac) for the 16,495hectare property, which comprises predominantly developed brigalow scrub with a balance area of ironbark, bloodwood forest.

Clermont district blocks "Walton Downs" and "Mt Lebanon" reached sale at auction for \$4,055,000 and \$975,000 respectively or about \$1,160/ha (\$469/ac) and \$964/ha (\$390/ac).

A number of re-sales have indicated a slight reduction in the market from the 2007 peak. This is principally due to a reduction in the pool of potential purchases in the area created by a tightening of lending policy compounded by the strong Australian dollar and easing cattle market.

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## NORTHERN TERRITORY

The federally funded, one thousand page "Water in northern Australia" report by the CSIRO on sustainable water yields in Northern Australia was released this month and has plenty to say on water potential in the NT and Kimberley. A reading of the summary report revealed (what the majority of people on the land in the NT already knew) that while the NT/Kimberley has high rainfall during the six months of the wet, it is effectively a drought for the balance three to six months. And apart from the limited number of our Top End river's that have relatively small sections of perennial water, the huge wet

season flows soon turn to dust come the middle of the dry season. Therefore, making that wet season water available across the dry season is the huge challenge.

The report highlighted the great difficulties that would be involved in trying to use the Top End aquifer systems to store wet season water. The big problem is that these aquifers (say the Ooloo, Tinal or Jinducken in the Katherine /Daly basin) fill to the brim in the wet and then the surplus slowly discharges back into the river systems etc as the dry season takes hold. Therefore, there is no room in the aquifers to store any rainfall or overland flow when it is available in the wet. In the dry season, when there is some capacity, there is obviously no rainfall. A skim over the document which was quite broad scale, covering 1.2 million square kilometres across northern Australia and which did not focus on smaller, more specific areas, highlighted that possibly the biggest hurdle for development of irrigation water in the north was again evaporation, revealing that the rates of evaporation are generally so high once inland from the coast that the level of evaporation is up to two times greater than the annual rainfall that could have been captured. The report highlights that the closer to the coast, the better for off-stream storage and sights that the highlands around Adelaide River (where dam sites are already planned) as possibly being the right place to invest in a large dam or two because annual rainfall generally exceeds evaporation.

Lake Argyle near Kununurra in the east Kimberley is the largest dam in Australia and generally considered to be extremely large by Australian standards (it is 18 times the size of Sydney harbour, has a surface area of 9,800ha, a capacity of 10.7 million mega litres – 2008 usage for irrigation in the Ord was only 171,500 mega litres) – well, it loses about a quarter of its water storage each year to evaporation. The problem of evaporation will also impact on the potential to artificially recharge the aquifers when they have capacity after they have partially drained during in the dry because where the main body of agricultural land exists in the NT (Katherine/Daly basin) the evaporation rates exceed annual rainfall, therefore storage dams collecting wet season run-off would probably lose it all to evaporation by the time there was enough capacity in the aquifers to recharge in the dry.

A general reading of the report would tend to suggest that those areas that were first established to irrigation years ago might be the best chance for development or expansion in the future. This happens to be the areas further north (closer to the coast) where expansion of infrastructure might keep the wet season water around for longer into the dry (mainly due to lower evaporation rates) such as the Darwin/Adelaide River region and the Ord River Irrigation Area (ORIA – Kununurra). Despite its remoteness, the ORIA looks like it has the brightest future for crop expansion – but something the size of Lake Argyle is truly unique and who knows what the chances of something like that mammoth project ever being repeated, mainly due to limited available dam sites. It would appear that the question of irrigation expansion in the Katherine region and some parts of the Daley is probably the most questionable given the limited possibility for off-stream storage, again due to evaporation. However, the report suggests that in certain niche areas irrigation water storage is a possibility.

So this is all particularly interesting. Depending how widely read the report becomes, may have some bearing on market sentiment for investing in irrigation land/potential

irrigation land in the north. But the market is fickle up this way and it is definitely not just the availability of water that attracts investment, there are those other factors we highlighted in last month's MIR (see pg 34 of 52) such as distance from markets, high development costs etc. Just look at the two well established, large-scale, irrigation properties that have been on the market for well over twelve months each. (1) "Wildman River" in the Darwin region (2,000ml pa water licence expiring 2040 – second most secure water licence in the NT behind Power and Water – both surface and ground water extraction, 1000ha cleared with significant underground infrastructure, in a preferred area in terms of evaporation), and (2) "Territory Grapes" near Ti Tree 130 km north of Alice Springs 50km off the Stuart Highway (secure 2000ML groundwater extraction licence, above the Ti Tree aquifer which reportedly recharges after 100mm rainfall event in the catchment, extensive above ground and underground irrigation infrastructure – 15 x 15-20 litre/sec production bores, developed to capture the early table grape market but could reportedly potentially grow a reasonable range of other crops). These two properties have established delivery infrastructure and abundant groundwater for irrigation, but have failed to attract much buyer interest. The GEC and its flow-on impact on large capital spending in Agriculture have obviously been tough on saleability, so timing was not the best. However, when the nationwide search for adequate irrigation water is such a big issue, and reports such as the "Water in northern Australia" are being commissioned, it remains clear (as in the example above) that unless all the ducks line up in terms of reliable water, market security, transport costs, labour availability etc, that potential investors will only pay market value prices (or even premiums) if a solid production and trading history exists – they are obviously still reluctant to pay a premium for potential, even if the water and soils are there – particularly in these uncertain economic times.

Back on the pastoral front, we note that the NT Government has recently signed an agreement (on 8 October) to export live cattle from the port of Darwin to Vietnam. The first purchase agreement was signed between Khanh Hoa Trading and the North Australian Cattle Company (NACC) to take 1,000 head in November. This is a positive sign for future expansion of the live export industry into the growing south east Asian market. Also, McKinlay River Station (470sqkm) in the Darwin region has reportedly come under contract for sale – more details in the next edition.

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## South Western WA

Within the last week, headers have started work in the northern wheatbelt and over the course of the next two months, farmers to the south and southeast of the state will gradually get harvesting underway. Current predictions are for a crop yield of around 14 million tonnes which puts this years harvest at near record levels. Cooler and damp weather during September and little to no frost have significantly improved yields in the central and central southern wheatbelt areas. There is hope the sheer quantity of grain will somewhat offset the current global prices and affect of a high Australian dollar on the export market.



Grain marketing has changed significantly in the state with the introduction of the Wheat Export Accreditation Scheme and the deregulation in Western Australia of export marketing of prescribed grains. The Wheat Export Accreditation Scheme was established in 2008 to regulate the export of bulk wheat from Australia introducing a system of registration for accredited wheat exporters. These currently number twenty three (23). Grain marketing regulations within the state were amended in 2009 with respect to the export marketing of barley, lupins and canola. Bulk export licences can now be issued by the state Grain Licensing Authority. This means farmers have a wider range of marketing options for their cereals.

Over the course of the recent month, there has been a noticeable number of good quality properties placed on the market with asking prices significantly higher than, in some instances, purchase prices of only a few years ago. These properties are in good reliable rainfall areas, reasonably high yielding for both cereal cropping and wool production. Current owners are a mix of corporate and private farmers and we assume they are trying to maximize value after a couple of good seasons in a row. With some setting asking prices and others open for tender, we hope some sales will occur in a reasonable timeframe to set new benchmarks for our rural values.

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## Comparative Property Market Indicators - October 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](mailto:rick.carr@htw.com.au)

## Comparative Analysis of Capital City Property Markets



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

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

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



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

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

## Comparative Analysis of Victorian/Tasmanian Markets



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

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

## Comparative Property Market Indicators - October 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 Queensland Property Markets



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

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

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



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

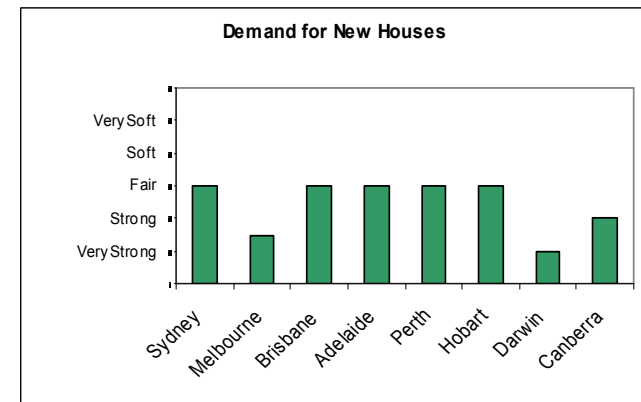
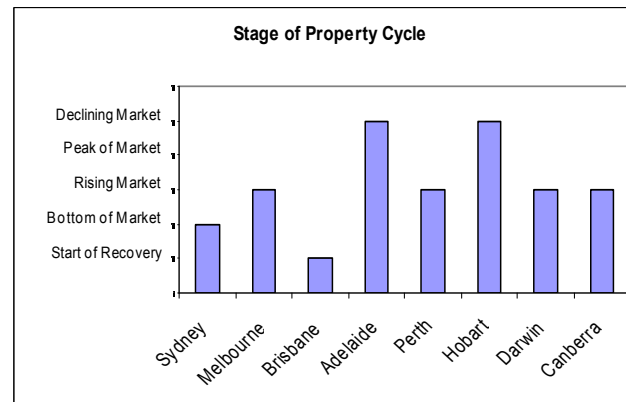
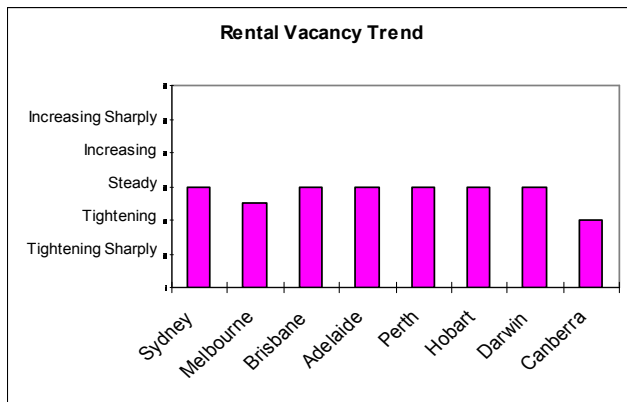
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

## Capital City Property Market Indicators as at October 2009 – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	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
Rental Vacancy Trend	Steady	Tightening - Steady	Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Houses	Fair	Strong - Very strong	Fair	Fair	Fair	Fair	Very strong	Strong
Trend in New House Construction	Declining	Increasing	Steady	Steady	Steady	Declining	Steady	Increasing
Volume of House Sales	Increasing strongly	Increasing	Increasing	Steady	Increasing	Declining	Steady	Increasing
Stage of Property Cycle	Bottom of market	Rising market	Start of recovery	Declining market	Rising 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

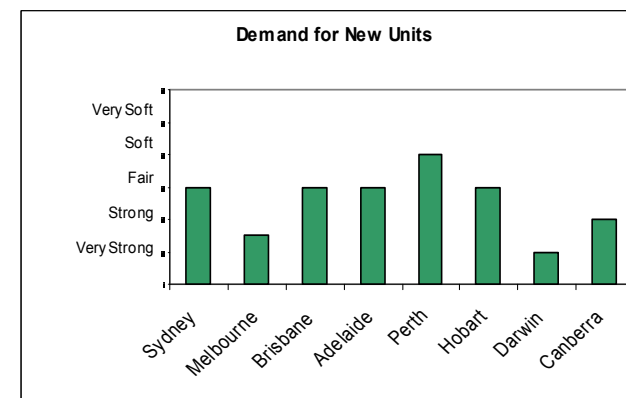
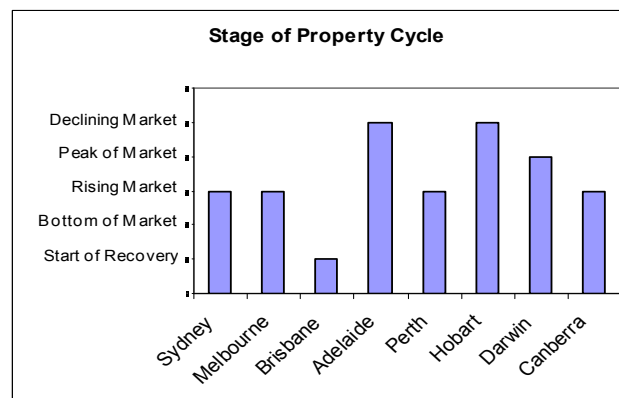
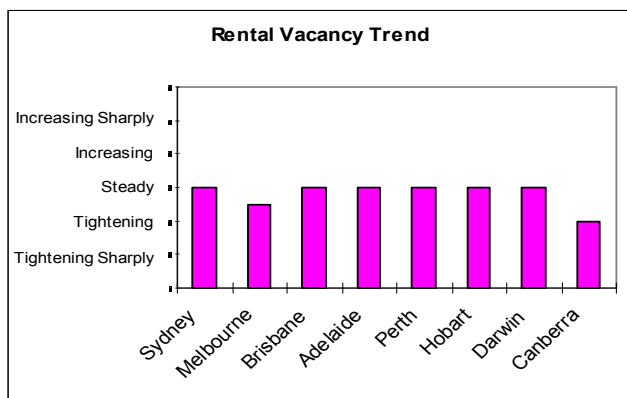


## Capital City Property Market Indicators as at October 2009 – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	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	Tightening - Steady	Steady	Steady	Steady	Steady	Steady	Tightening
Demand for New Units	Fair	Strong - Very strong	Fair	Fair	Soft	Fair	Very strong	Strong
Trend in New Unit Construction	Steady	Increasing	Steady	Steady	Declining	Declining	Steady	Increasing
Volume of Unit Sales	Increasing	Increasing	Increasing	Steady	Increasing	Steady	Declining	Increasing
Stage of Property Cycle	Rising market	Rising market	Start of recovery	Declining market	Rising market	Declining market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Very frequently	Occasionally	Occasionally	Occasionally	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

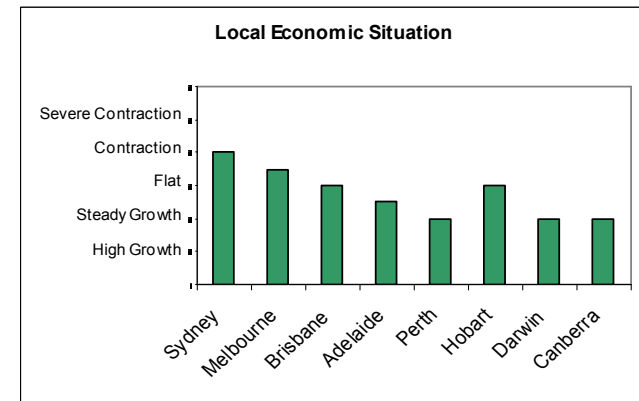
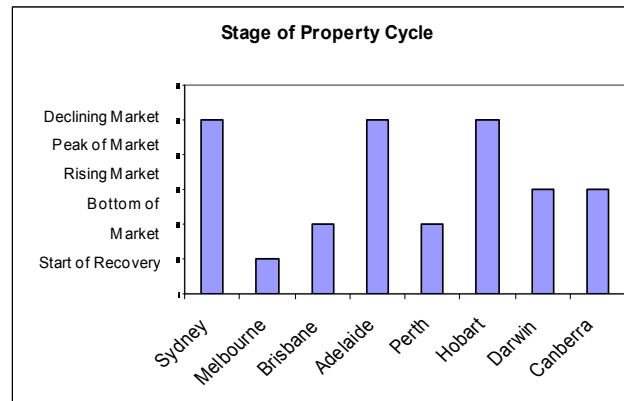
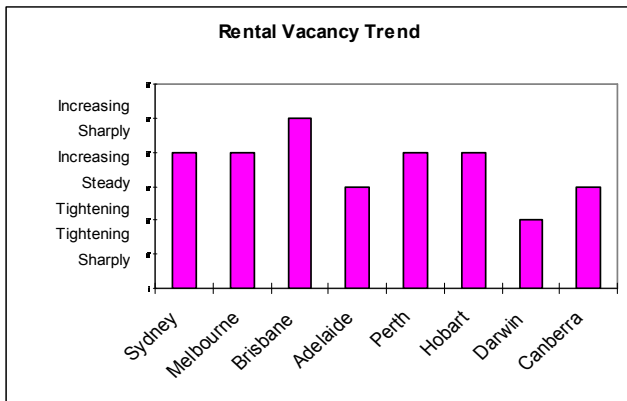


## Capital City Property Market Indicators as at October 2009 – Office

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

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

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

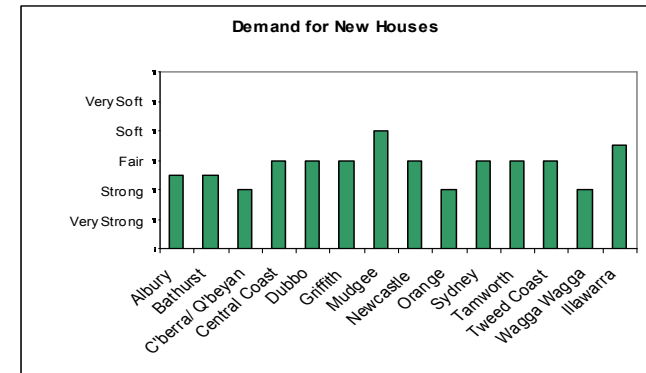
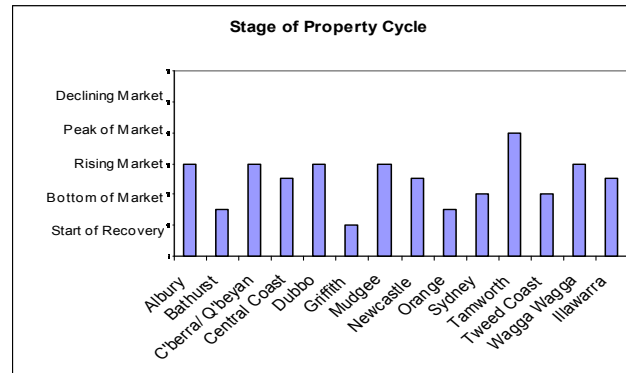
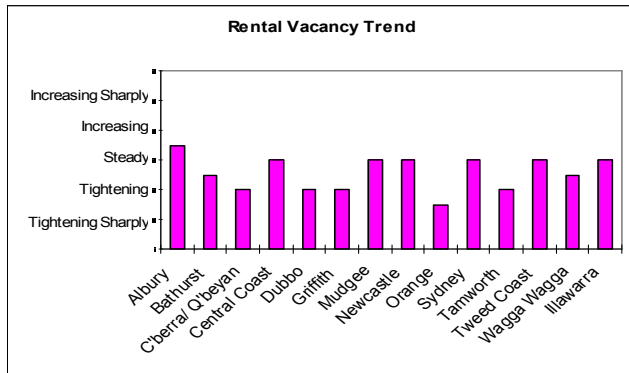


## New South Wales Property Market Indicators as at October 2009 – Houses

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	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand - Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Steady - Increasing	Tightening - Steady	Tightening	Steady	Tightening	Tightening	Steady	Steady	Tightening sharply - Tightening	Steady	Tightening	Steady	Tightening - Steady	Steady
Demand for New Houses	Fair - Strong	Fair - Strong	Strong	Fair	Fair	Fair	Soft	Fair	Strong	Fair	Fair	Fair	Strong	Soft - Fair
Trend in New House Construction	Steady - Increasing	Steady - Increasing	Increasing	Increasing	Increasing	Steady	Steady	Increasing	Steady - Increasing	Declining	Steady	Increasing	Increasing	Steady
Volume of House Sales	Steady	Increasing - Steady	Increasing	Steady	Increasing	Steady	Steady	Steady	Increasing	Increasing strongly	Steady	Steady	Increasing - Steady	Increasing
Stage of Property Cycle	Rising market	Start of recovery - Bottom of market	Rising market	Bottom of market - Rising market	Rising market	Start of recovery	Rising market	Bottom of market - Rising market	Start of recovery - Bottom of market	Bottom of market	Peak of market	Bottom of market	Rising market	Bottom of market - Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never - Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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

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

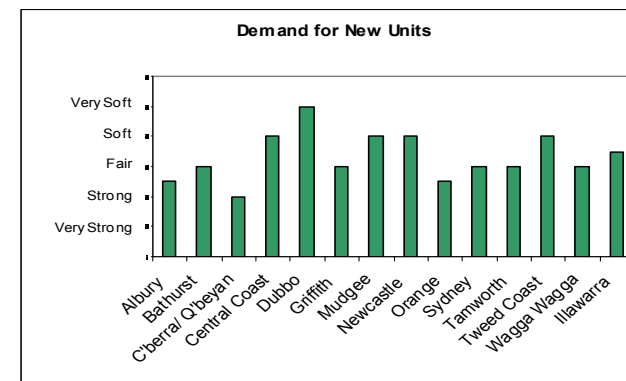
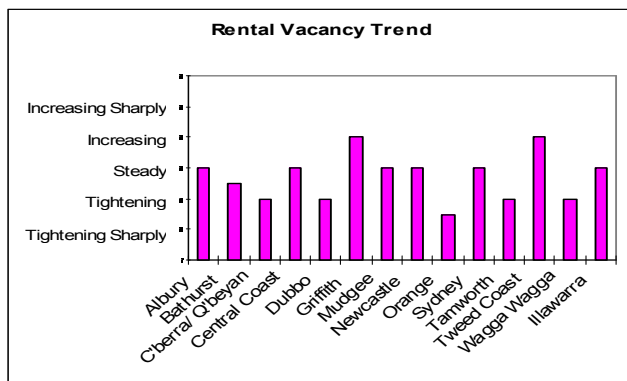


## New South Wales Property Market Indicators as at October 2009 – Units

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	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening - Steady	Tightening	Steady	Tightening	Increasing	Steady	Steady	Tightening sharply - Tightening	Steady	Tightening	Increasing	Tightening	Steady
Demand for New Units	Fair - Strong	Fair	Strong	Soft	Very soft	Fair	Soft	Soft	Fair - Strong	Fair	Fair	Soft	Fair	Soft - Fair
Trend in New Unit Construction	Steady - Increasing	Steady	Increasing	Steady	Declining	Declining	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Declining - Steady
Volume of Unit Sales	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady	Increasing	Increasing
Stage of Property Cycle	Rising market	Start of recovery - Bottom of market	Rising market	Bottom of market	Bottom of market	Start of recovery	Rising market	Bottom of market	Start of recovery - Bottom of market	Rising market	Peak of market	Declining market	Bottom of market	Bottom of market - Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Almost never - Occasionally	Occasionally	Almost never	Frequently	Almost never	Occasionally	Almost never	Frequently	Occasionally	Very 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

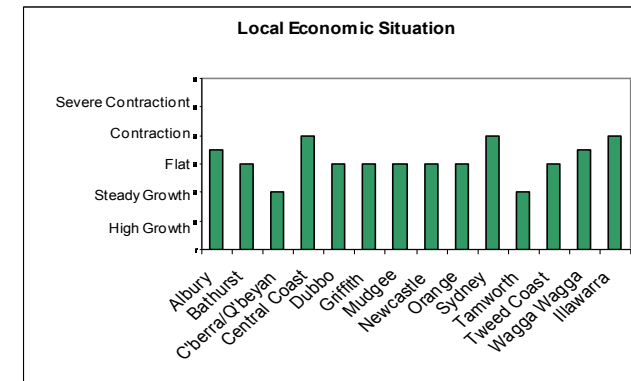
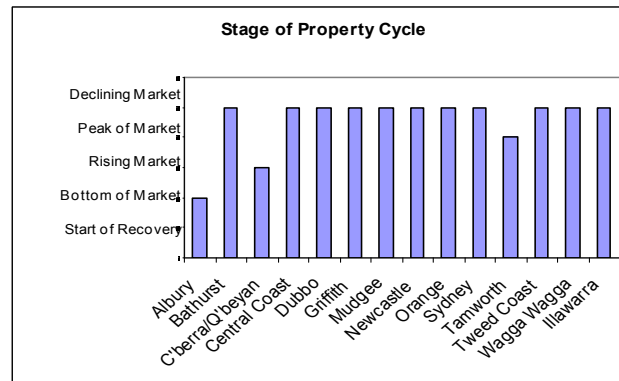
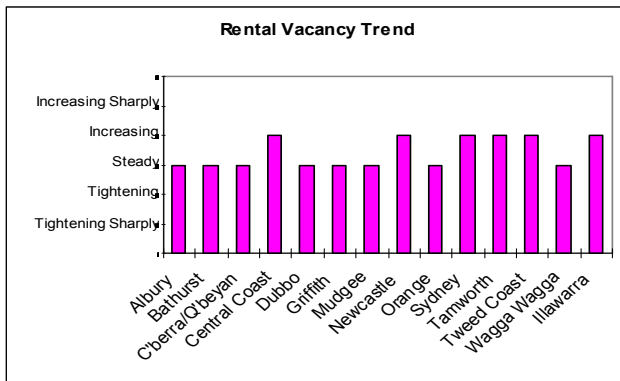


## New South Wales Property Market Indicators as at October 2009 – Office

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

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

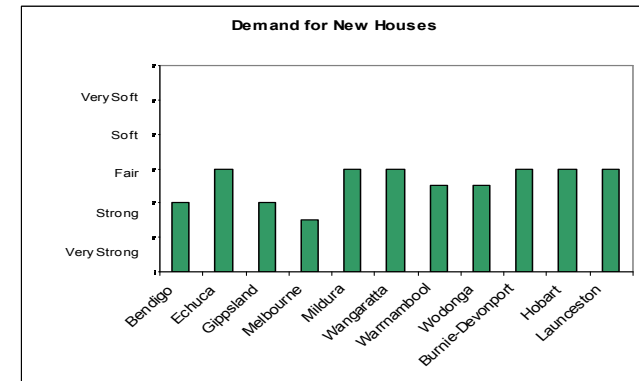
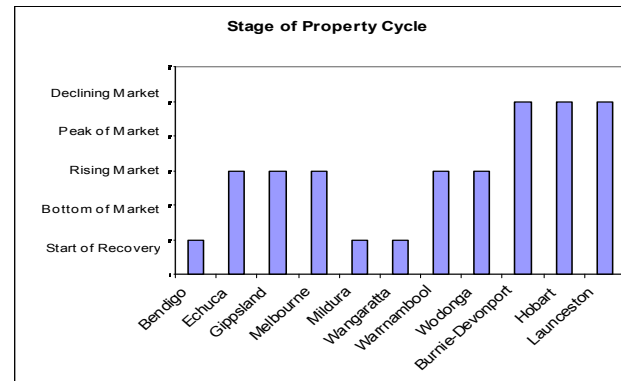
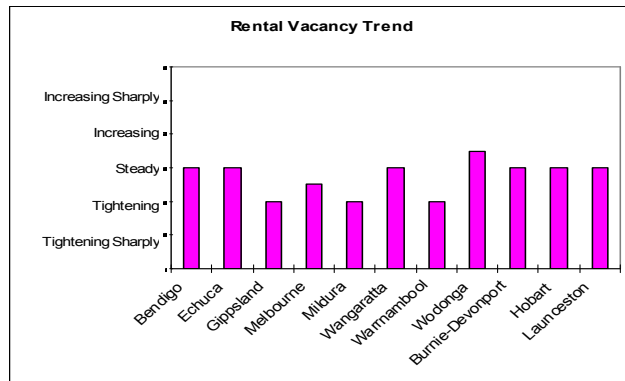


## Victoria/Tasmania Property Market Indicators as at October 2009 – Houses

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

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

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

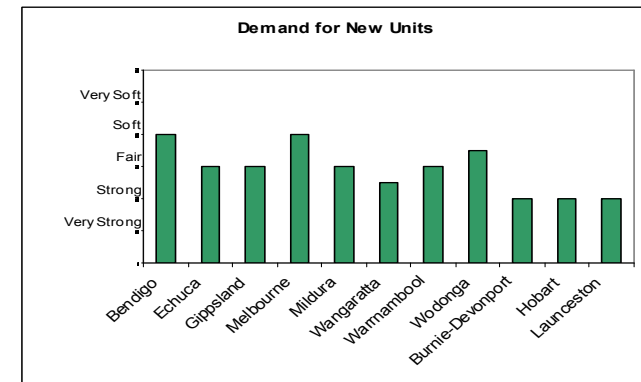
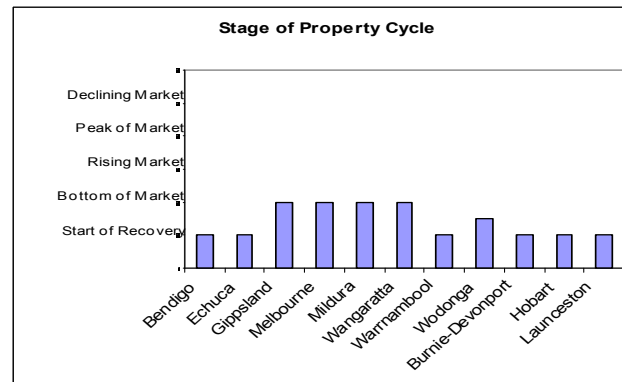
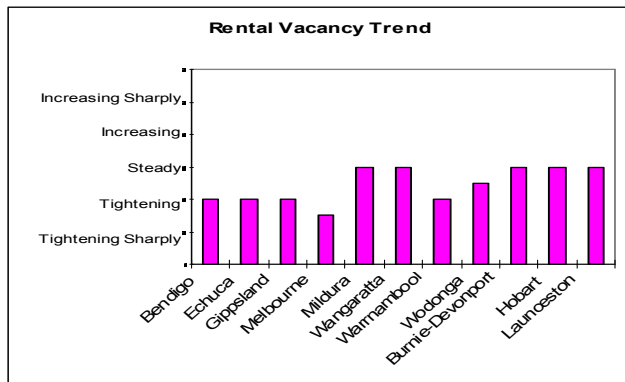


## Victoria/Tasmania Property Market Indicators as at October 2009 – Units

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

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

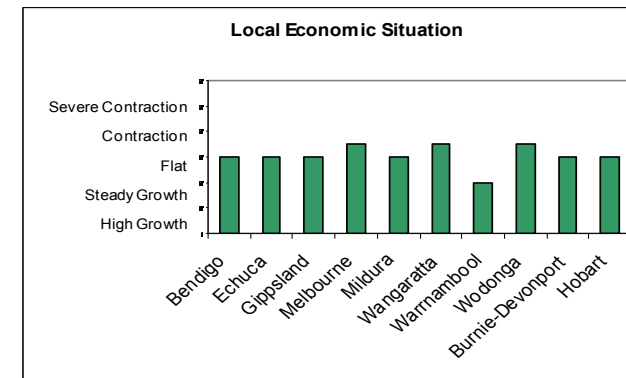
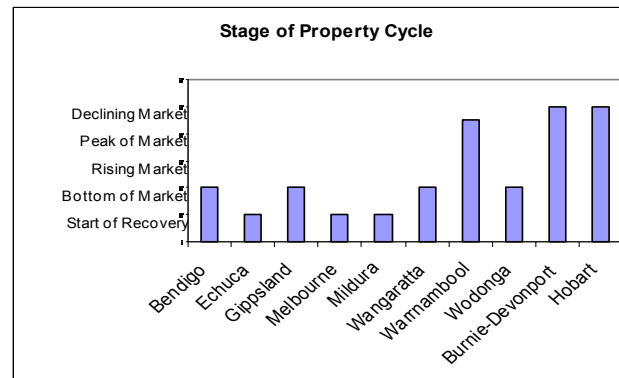
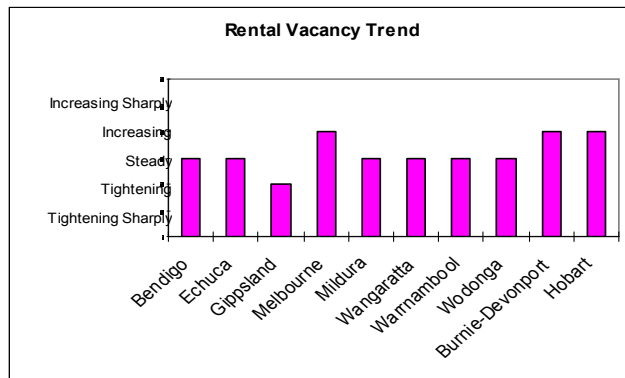


## Victoria/Tasmania Property Market Indicators as at October 2009 – Office

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devon-port	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Shortage of available property relative to demand	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	Steady	Tightening	Increasing	Steady	Steady	Steady	Steady	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining - Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Steady	Declining	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Bottom of market	Peak of market - Declining market	Bottom of market	Declining market	Declining market	Declining market
Local Economic Situation	Flat	Flat	Flat	Flat - Contraction	Flat	Flat - Contraction	Steady growth	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

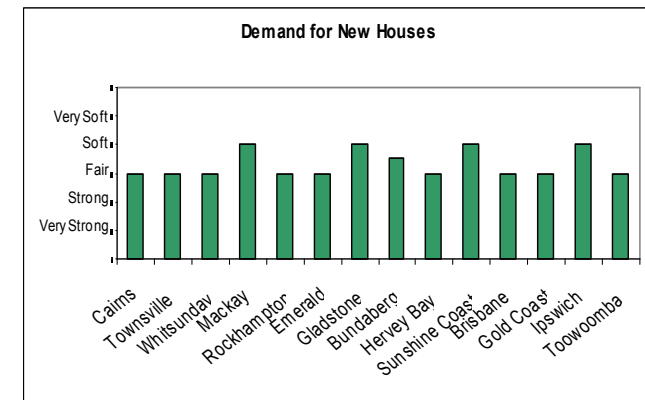
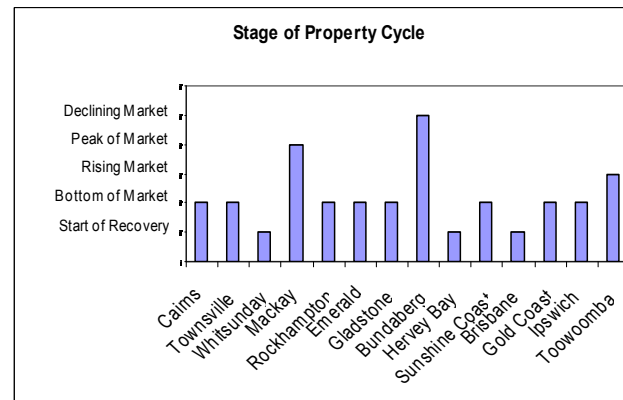
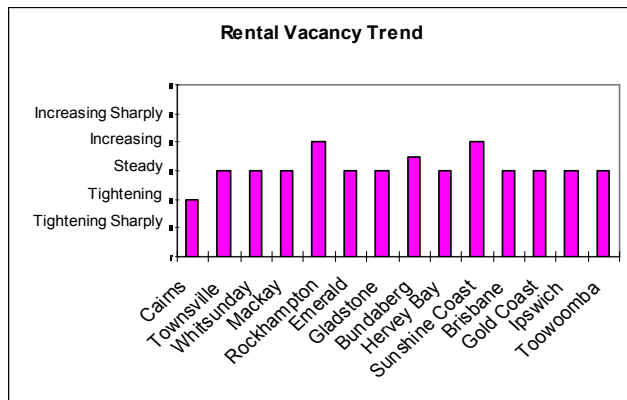


## Queensland Property Market Indicators as at October 2009 – Houses

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

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

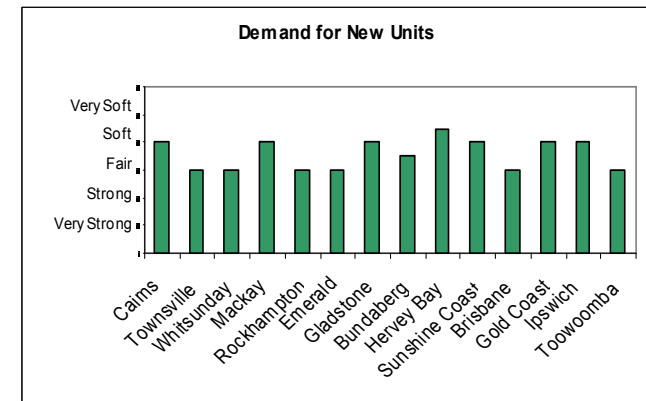
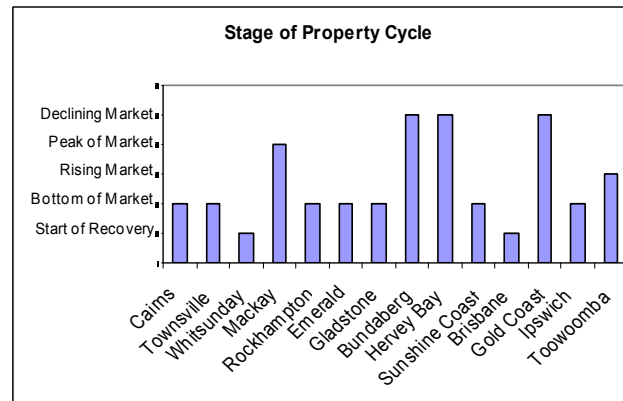
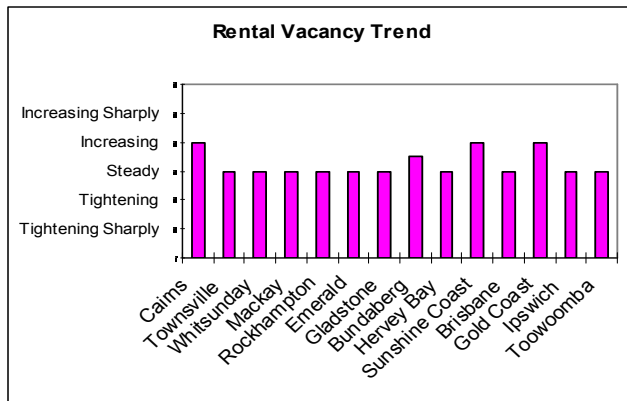


## Queensland Property Market Indicators as at October 2009 – Units

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

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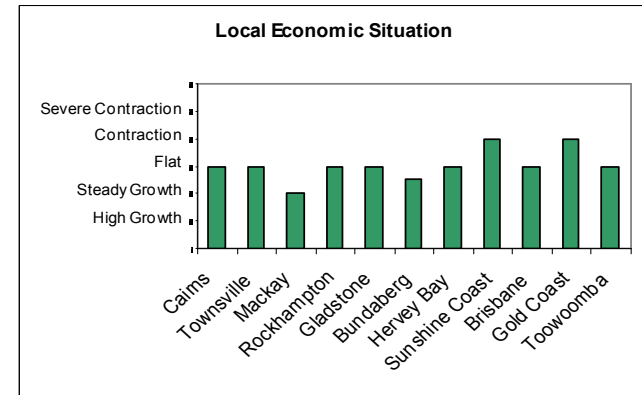
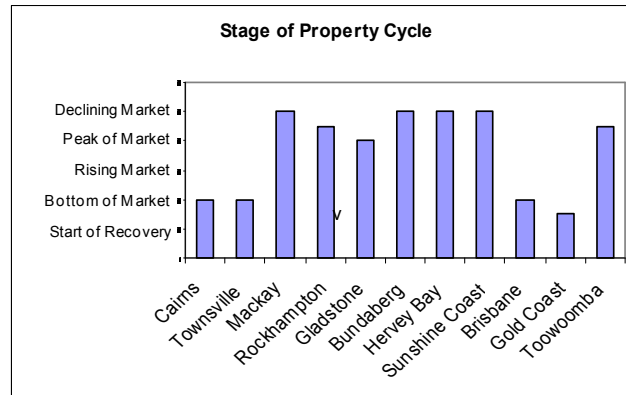
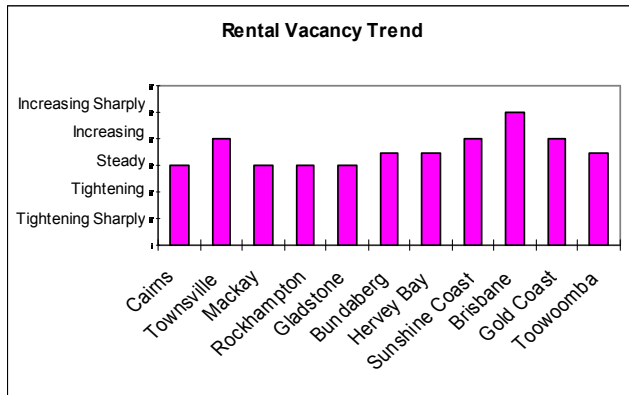


## Queensland Property Market Indicators as at October 2009 – Office

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

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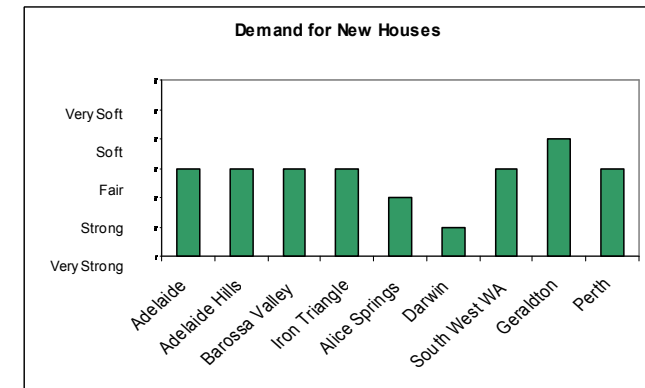
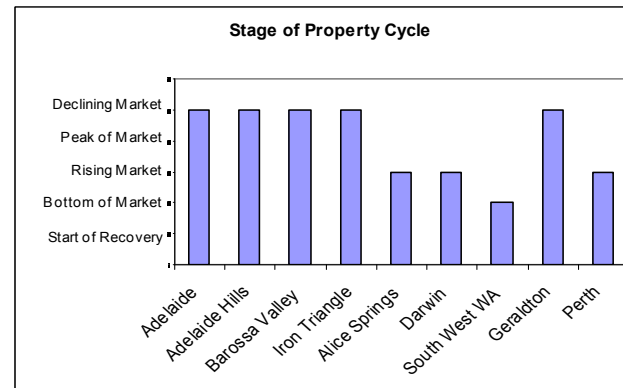
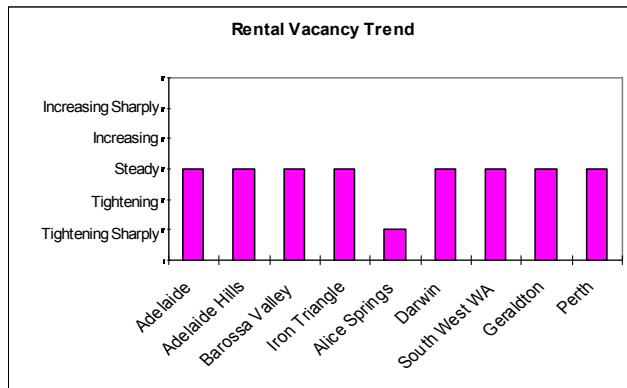


## Northern Territory, South Australia & Western Australia Property Market Indicators as at October 2009 – Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Bunbury	Busselton	Dunsborough	Geraldton	Perth
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Tightening sharply	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Strong	Very strong	Fair	Soft	Fair	Fair	Fair
Trend in New House Construction	Steady	Steady	Declining	Declining	Steady	Steady	Increasing	Steady	Steady	Steady	Steady
Volume of House Sales	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Increasing	Steady	Steady
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Rising market	Rising market	Bottom of market	Declining market	Rising market	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	Occasionally	Occasionally	Occasionally	Almost never

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

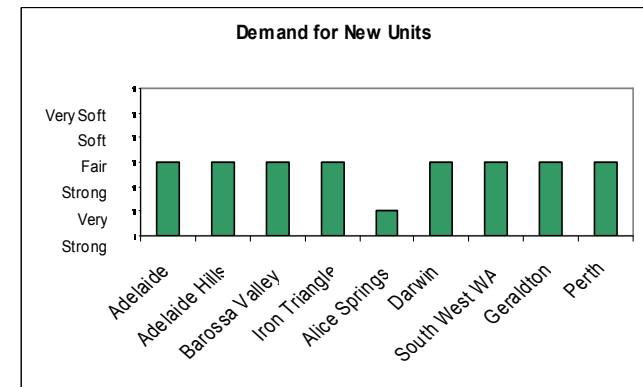
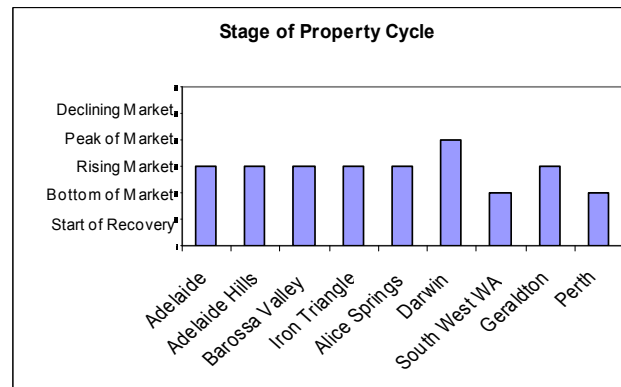
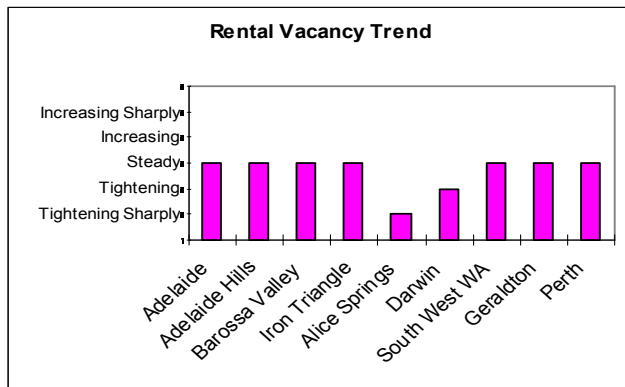


## Northern Territory, South Australia & Western Australia Property Market Indicators as at October 2009 – Units

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

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

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



## Northern Territory, South Australia & Western Australia Property Market Indicators as at October 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	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 - Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Tightening	Steady	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Increasing strongly	Stable	Stable	Declining
Volume of Property Sales	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Rising market	Rising market	Peak of market	Declining market	Bottom of market
Local Economic Situation	Steady growth - Flat	Flat	Flat	Flat	Steady growth	Steady growth	Flat	Flat	Steady growth
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Small	Small	Small	Significant	Small	Small	Nil	Significant

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

