

The month in
review

OCTOBER

2009



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Peace of mind for your property decisions.



Tell It Like It Is!

This Year's Underperformers

There are plenty of folks out there full of sweetness and light, tip-toeing their way merrily through the tulips of the property market oblivious to the binds and bee stings sitting ominously underfoot. These are the type of people who operate in an environment where it's all upside and they are more than happy to let you in on the sunshine. Now often this kind of white robed prophet is working an agenda of some kind with the end result normally enhancing their position, but frankly that's generally a fool's game heading to heartache. As we all should know, the real world isn't always win-win so it's about time Stephen R. Covey got back in his box and we let you in on a little secret...

... there have been some underperformers in the property market this year.

Shock! Dismay! I know, but someone had to say it and frankly this month, Herron Todd White is playing the hard-man of the market. No more Mr Nice Valuer. It's time to set you straight on what's really happening with today's property and the results aren't always pretty.

You see, economics is a function of demand and supply, and they fluctuate on a reliably irregular basis... so most buyers are taking a punt at any given time on whether their sector of interest is on it's way up or down. It's all the natural cycle of our capitalistic society so no one should be surprised. The trick is to try and get it right or be prepared to cop the bad times with the good.

Now that you're all suitably blue about the sky falling in, I'm about to reveal the silver lining – there are opportunity in them thar hills!

This month, our wise folk of real estate have had the gumption to step up and identify the lackluster performers for the past twelve months. We have recognised the runts of the litter who have had sand kicked in their face over the past year, and many just won't take it any more. By honing in on some of these slow developers, the brilliant collective wisdom of Herron Todd White is giving you a heads up on where you might find yourself a handy little swan amongst the ducklings. The key is never to ignore the fundamentals. Keep them first and foremost and you avoid becoming another pessimistic statistic in an ABS report.

And for those commercial souls who can stomach the truth (you can handle the truth?!), the industrial sectors get a big ol spotlight shone upon its soft underbelly and the results aren't entirely pleasing to say the least, but then its better to be forearmed than sucker punched. As with residential, the good news comes when you can spot the rough diamond and look to making a long term mint.

It's all well and good to deal out the rough stuff in this month's issue, but if you really need some nitty with your gritty, there's nothing like jumping onto the phone and getting the lowdown from you bodyguards at Herron Todd White – we're here to help and sometimes you've got to be cruel to be kind.

So what are you waiting for, stop cowering in the corner, get proactive and call, there's a Herron Todd White advisor just waiting to guide you out of the badlands, break through the storm clouds and set you towards the blue sky of property profit.

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Residential Overview

Some sectors of the market over the past year have tested the resilience of property buyers to bad news. While it's always good to have put your foot in the door, the reality is that mostly unforeseen economic circumstances took some gloss off the real estate sector. Nearly all areas have particular property types, suburbs or sectors that were the most adversely effected. In this month's issue, we have asked our offices to look at those parts of their markets that have underperformed over the past 12 months. By identifying these sectors it may well be possible to find some opportunities for upside, or alternatively flag properties that have further to fall.



Sydney

With affordability being resolved after the GFC through Federal Government handouts and lowering of interest rates, home buyers are again looking at desirability factors when buying a home. Whether they desire to a 'lifestyle', a view or to even get to work faster, the location of a property is "paramount". The better the location the better the price has been the mantra for some. But this is not always the case. There are some suburbs which are similarly desirable but which don't fetch those prices achieved by their neighbours - and may never.

If you want to live near the beach but still be handy to the city - where better than the Eastern Suburbs. Can you go wrong?

Vaucluse is handy, the name is well known, the harbour located on one side and the ocean on the other. However located north of Bondi Junction where the rail line ends, it is reliant on bus services for public transport, the roads are choked and the shopping is overshadowed by the behemoth that is Westfield Bondi Junction. Certainly a cheaper entry to the prestige market but cheaper returns

also (especially if there are no views). Bondi, Bronte and Coogee beaches are all within 8 to 10kms of the city but not exactly affordable. They are well known for the lifestyle, housing options and views offered.

Not in your price bracket? So, how about Maroubra? With its magnificent beach, 10 kms to the city, and mix of housing styles it is certainly affordable. The downside is a fair portion of the suburb is populated by long term Housing Commission. The lower socio-economic mix does not suit everyone.

Let's look at the next beach, Malabar. A bit further again from the city with big blocks of land, large bay and surrounded by golf courses. Problem? Could it be Long Bay gaol and a sewerage treatment plant? They will always have an impact on the price achieved for the suburb.

Little Bay and La Perouse, further down the road suffer the stigma also, despite beaches, bays and golf courses to burn!

Moving further away from the city but still hugging the coast, we have another bay side suburb - Kurnell. Situated in the Sutherland Shire approximately 36 kilometres from the CBD, it is surrounded by water - great fishing and large blocks of land but an oil refinery within its midst has an impact on desirability and therefore the price achieved. Development is also considerably curtailed by the State Environmental Plan and the future desalination plant. Constant air craft noise from nearby Mascot doesn't help either.

Want a water view out the front and a National Park at your back? Then, it doesn't get much better than Bundeena. Only 20 minutes from Cronulla - by ferry that is - where you can then hop onto a train to the city, it offers a nature lovers perfect lifestyle. However if you wanted to drive to the CBD, add another hour, don't forget the milk on the way in or the gumboots in case of heavy rain when the weir is closed and there is no access.

So, forget the seaside dream, let's concentrate on getting closer to work, shops, theatres, sporting venues, transport hubs and so on.

Recently large scale redevelopment along the Parramatta River has seen the emergence of some newly planned suburbs including Homebush Bay and Rhodes. Rhodes includes a recently completed shopping centre and commercial park and is situated on the railway line. Homebush Bay is a short drive to these services. On offer are modern unit complexes with access to the riverfront and landscaped common areas. Downside? The completion of these complexes can be a substantial time after the deposit is paid and the market value at completion may not match the original purchase price. You as the purchaser are then caught in a tricky financial situation. With buildings being completed and new stock released to the market, supply and demand levels affect the price achieved. The 'second hand unit' (those that have been lived in) may need to be offered at a substantial discount to move quickly against the new stock and value can decrease considerably. Not necessarily a short term investment strategy.

If you wish to get to the Parramatta CBD in 5 minutes and the Sydney CBD in 20, you choose to live in Rydalmere or surrounds such as Dundas. Characterised by 1950's and 1960's brick freestanding homes on good size blocks of land, it's certainly affordable and seen as an entry point- that's if you don't mind living with the older style industrial properties, the carpark of Victoria Road and Housing Commission houses within your midst.

If the desire is to spread your wings and take the lifestyle option of the Blue Mountains, be aware not all localities perform as well as others. Leura and Glenbrook are prime suburbs with character homes and bush and city view corridors. Hazelbrook and Lawson are on the railway line and enjoy local services but value bands have seen limited movement in the past five years with possible reasons been the constant roadworks associated with the upgrading of the Great Western Highway and uncertainty on future infrastructure works.

The Sydney property market can certainly offer the savvy investor opportunities for capital gain in both short and long term markets. Be conscious however that if it appears a bargain it is for a reason. Have a good look at the profile of a suburb before you put down the deposit. As always research and some local knowledge is the key.



Wollongong

Wollongong is currently (and has been before the GFC) experiencing an over supply of new residential units in the \$400,000 - \$1,500,000 market sector. A few developments are either mortgagee in possession or still unsold months or years after completion. An investor should be vigilant in this market as it is currently underperforming due to over supply. We are now seeing the advent of incentives including holidays, cars and extensive furniture packages. With developers seemingly reluctant to drop prices, the use of these incentives creates a pretence market to

which only when a unit is MIP do we see the actual values emerge. The majority of these units are located in the CBD, where development ran strongly in the period since 2003.



In the outer suburbs we have witnessed a general rise in the sub \$400,000 market since the FHOOG was boosted. Generally the FHOOG pull back is not expected to be good news overall for the Illawarra and there could be a free fall in residential values from their current prices in the sub \$500,000 market. Potential purchasers in this market as of about three months ago were removed of the ability to use the FHOOG as their deposit; this has led us to our current state in which we are seeing signs of a slowed market activity. With the grant due to run out, the message from many real estate agents is that the struggle for 2009 and beyond is in sourcing new listings in this market. There is however speculation that the FHB Grant may be extended, in which case, this may not come to fruition.

In the immediate south of Wollongong, many fresh subdivisions have seen stagnation in new block sales for the past 2 years. There are cash backs in the order of 10-20% of the purchase price for vacant land in these subdivisions. Generally they are freely acknowledged by the developer and taken into account in our assessments. Further south around Shell Cove and Flinders, block sales have been similarly slow, and again values have been soft. The cessation of the First Home Buyers Grant will not help this sector, and we have not seen the flurry of new building which the grant was supposed to have created. We predict values to remain stagnant for some time whilst the economy catches up with supply.

Much of the higher value range is located to the north in the beachside suburbs from Bulli up to Stanwell Park. Whilst there has been a recent resurgence in interest over the \$1M mark, this market is thinly traded and prudent lending practises should be observed from the \$800,000 mark. The market is fragile at these levels and there are fewer buyers. Limited equity and the drying up of available capital have also continued to put pressure on the turnover of prestige stock. Few examples exist in the Illawarra area of these high-end transactions, being mainly limited to the northern suburbs, and around Kiama and Berry in the south. The capital is generally Sydney based and tends to be either the grand retirement mansion or in some cases a second 'holiday' house. Any of these grand mansions in the Illawarra proper are generally those built by builders for their own home.

Recent infrastructure upgrades including the extending of the 'Northern Distributor' have adversely worked to create further market segmentation between northern Illawarra beach side suburbs. Separated by a main arterial road, values in many northern suburbs are generally based on location and a property's proximity to the beach. The extension of the distributor has created three market

segments, this being generally an 'eastern' segment close to the beach giving higher values, a 'middle' segment giving slightly less values and finally a 'western' segment which is furthest away from the beach giving the least value. The arterial road creates a physical and mental barrier in relation to access to the beach which ultimately will work to drive prices down in the middle and western segments over time.



Canberra

The Canberra Property Market has come through the last year's Global Financial Crisis fairly unscathed. This is due to the Capital's job market. A large number of the workforce in Canberra is employed by the public sector. Unemployment, whilst relatively high for Canberra, is much lower than the rest of the country. Whilst capital growth slowed down and, in some cases, saw a negative turn since a high in late-2007; the effects were minimal compared to other areas around the country.

There are a number of recently completed and to be completed prestige residential unit developments in the Inner North and Inner South areas of Canberra. Many investors bought these properties off the plan in mid to late 2007. Recent sales, particularly in the City, are only just matching these prices paid in the last month or so. However, the mid-range price points are expected to gain steam in the next twelve months. Prestige residential units in both the Inner North and South areas have been the most sluggish, in terms of capital growth.

The prestige residential unit market has struggled the most in the last twelve months and this can be attributed to an oversupply of such properties recently built or under construction in the last twelve months. With the completion of a number of new developments due to finish in the next 6-12 months; the oversupply of these prestige residential units will continue to occur, which will continue to affect this market.

...recent sales, particularly in the city, are only just matching these prices....



Newcastle

The main areas of concern with regards to possible weakening residential values are those property types that currently have a significant oversupply. This mostly comprises:

- large scale vacant land releases
- modern high-rise units in coastal areas
- resort style/serviced apartment styled investment property

Vacant Land

Demand for vacant land has only shown a slight improvement throughout 2009 and generally remains weak, with a number of developers offering discounts/rebates on top of the current government incentives. As with any oversupply situation it will only take a developer to reduce list prices (in an attempt to clear stock) to further reduce the value of existing residential lots.

There are a significant number of vacant lots located throughout the Port Stephens Shire Council, around the City of Maitland and some western suburbs of Newcastle. Outside of these areas there is also land available at Murrays Beach (just to the south of Swansea).

High-Rise Units

Most concern is for modern units located in the Port Stephens area and to a lesser extent in the City Centre of Newcastle.

In Port Stephens, it remains unclear how long developers of modern residential apartments dated from 2004 onwards will be able to withstand holding costs whilst seeking premium prices above \$500,000. Some recent attempts at targeting interstate/Sydney investors appear to have been largely unsuccessful. There is a clear oversupply and the market remains volatile to a wholesale clearance within any one large development.

Resort Style/Serviced Apartment Investments

Property which cannot be owner occupied or permanently let is mostly concentrated in and around Port Stephens and the City Centre of Newcastle.

Demand by investors remains weak and it is not uncommon for resort style/serviced apartment investments currently listed for sale to have been on the market for up to 24 months with minimal buyer enquiry. With the holiday market not as strong at the moment further lower returns could be expected and quite often the achievable returns are not known and such schemes will continue to be shunned by investors until lower price adjustments become more attractive.

Next 3 years

As with most residential areas throughout Australia we are keen to see where the "real market is at" (ie once the artificial influence of the higher First Home Buyers Grant is removed). The removal of this higher grant, the likelihood of increased interest rates and the possibility of higher unemployment (it would be more correct to say "higher underemployment") should see demand remain weak. If supply of residential stock were to increase then, as with any supply/demand scenario, we could see future median prices weaken – particularly at the lower end of the market which has seen substantial growth over the last 12 months.





NSW Central Coast

Much can be said about the market strengths and weaknesses of the Central Coast real estate, but we do not consider the area to be any different to most other areas around us.

Perhaps the most vulnerable market segment would be the unit market – more particularly the large new complexes that have been constructed. Whilst a large part of the oversupply has been the subject of activity, it has come at the expense of the values, in so much that the values have weakened as a result of developers finding it necessary to clear their stock at lower prices to original estimates.

Although a lot of surplus stock has been sold in the unit markets in Gosford and The Entrance, there are still a lot of units available and further price reductions would not be a surprise.

The first home buyers market has resulted in a lot of activity for property in the sub \$350,000 market and on the tail of this activity, we are starting to see the reappearance of investors at the lower end of the market. We are anxiously awaiting activity at this level to increase as this will then give us a good indication of how the local market will proceed into the next phase of the property cycle.

New home starts on the northern end of the Central Coast have improved slightly in the past few months, but established modern homes continue to provide good value for money and this may inhibit new home construction in the short term. There are a number of vacant lots located on the northern end of the Central Coast at Woongarra and Hamlyn Terrace at prices considered to represent very good buying.

The true test of where we are heading over the next three years will become apparent when the artificial influence on the market through the higher First Home Buyers Grant is removed. Once this is removed and interest rates are increased again and the effects of looming higher unemployment is realised, we may see demand and median prices weaken again.



Southern NSW & Northern Vic

ALBURY

The residential sector within the Albury-Wodonga regional area is generally a more affordable option in terms of property investment. However, as with many other regional centres, there are particular pockets and outer lying areas where the market has become stagnant and generally remained the same over the past twelve months. These pockets are generally situated in lower socio-economic areas, which in most cases is located

in older well established suburbs. The typical house in these areas is a circa 1960's style clad dwelling with three bedrooms and one bathroom. Furthermore, in most cases the dwelling is generally in original condition and may require further refurbishment works. Such areas include; Springdale Heights and Lavington in the northern suburbs of Albury and certain areas of West Wodonga.

Additionally, with the completion of the Albury Hume Freeway bypass, properties situated within close proximity to this corridor may be subject to noise intrusion, particularly during peak periods. And therefore, this may be a further area to avoid as the future marketability may be reduced as a result of environmental concerns (traffic noise emissions). The 17 kilometre Albury-Wodonga Hume Freeway opened to traffic in March 2007. The new route links the Hume Freeway in Wodonga with the Hume Highway at Ettamogah, North of Albury. Certain areas / pockets which are situated within close proximity (within 500 metres) to the Hume Freeway include; East Albury, South Albury and North Albury.



WAGGA

The poorest performing sectors in the Wagga market over the past 12 months or so has been the top end (\$400,000 - \$700,000) and the rural residential markets (\$500,000 - \$700,000). It's not that prices in these markets have gone backwards, rather that the number of transactions has slowed. In contrast we have seen the number of transactions in the First Home Buyers market go gangbusters, which probably unfairly makes the other sectors seem to be underperforming.

We think that the GFC has probably made some potential purchasers at the upper end of our market a little bit tentative, and people seem to have adopted the "wait and see" attitude. This has led to a slow down in these markets over the past 12 months, however local real estate agents are reporting that there has been a slight increase in the number of enquiries in these sectors over recent weeks.

LEETON

So what sectors have done it really tough over the last twelve months? Well all of them, but a few have done a little tougher than others.

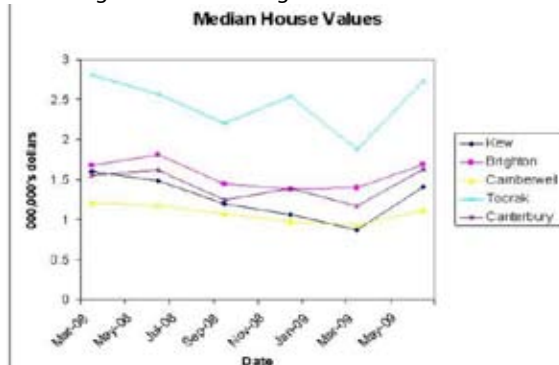
Blocks of flats in small country townships in remote locations, prestige properties and new subdivisions with over priced house and land packages in secondary locations are my top three. Buyers beware; if blocks of flats in small country towns are showing returns over 10%, ring your alarm bells. Do your homework on vacancy allowances so your returns are reflective of how it really is. Recent sales have showed falls of up to \$100,000 so take a bit less, before it becomes a lot less. And finally, do not buy an over priced house and land package on the fringe of a secondary location. Over priced building contracts in moderate locations are not something that a good rain or economic recovery will remedy.



Melbourne

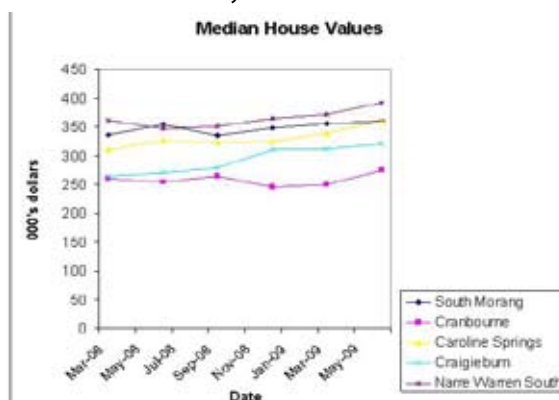
The Melbourne residential market in the last twelve months has seen the market clearly divided in performance. The upper end of the market defined as properties with values from \$1,000,000 plus, have seen a substantial decline in value following the GFC. The market having declined in 2008 has stabilized in 2009 and property prices have shown growth in this market since May 2009.

The economic outlook is becoming more positive in recent months with re-assessments on the outlook of unemployment levels, and increases in business confidence. With the low interest rates and a volatile share market, the real estate market has responded with increasing values in all categories.



The lower end of the market (property values of \$500,000 or less) has shown greater resilience over the same period. The initial impact of the GFC was a slow down in turnover but the demand for this price bracket has increased above supply.

With the additional support of the increased First Home Buyers Grants and historically low interest rates over the past year it has seen steady price increases in this market and in the past three months there has been rapid price increases. First home buyers are under pressure to purchase or construct a dwelling by 30th June 2009 to gain the full government payments with reductions in the benefits set in stages from the 1st July 2009, 1st October 2009 and 1st of January 2010.



Properties which are underperforming in Melbourne are those with poor location, affected by traffic noise, power lines or contamination issues.

However with the shortage of supply in the Melbourne market and with the current trend, it is expected the future median prices will show continued increases across all Melbourne suburbs in the near future. The removal of the government grants for first home buyers may slow the rate of price growth for properties, with a value below \$500,000, however until supply increases and if the economic recovery continues, it is expected values will continue to increase in short term.



Mildura

Mildura's residential activity continues to be centred on the under \$250,000 price bracket with slow demand in the middle and upper price ranges. The lower end market continues to see buoyant sales activity.

Perhaps it is the fears of climate change, drought, the negative media coverage of the water crisis to the Murray and Darling Rivers, the struggling horticultural industries (particularly the winegrape industry) but there has been only limited activity in the over \$700,000 price range and the region needs some good news to build confidence into the market.

An example of the slow demand in the upper market was the eventual sale at \$750,000 of a spacious 6 year old quality residence at 5 Riverview Way, Mildura after it had initially been marketed for \$1,350,000 (excessive) in 2007. The writer suggests (tongue in cheek), that the soft price was due to the house being Queenslander style and the Mexican market has an aversion to northerner influence!



Riverview Way

The sleeping giant in the region is the Dockside Mildura Marina project which commenced construction in 2005 and which is now seeing some quality housing being built. A new residential complex of 12 prestige 3-storey apartments overlooking the Murray River is about to be constructed and will likely be marketed at around \$1.1M. Of very good speculative value is the marketing of 19 townhouse sites fronting Bridge Way overlooking the Marina at \$300,000 each. There is a covenant requiring any construction to be of a 2-storey design, (3 marine styles) with a gross building area of around 240m2.



Marina Aerial

The first three townhouses to this stage are about to be constructed and once activity picks up there are promising signs of growth. Houseboat Marina sites are available at \$135,000. The townhouse sites are likely to be the cheapest Marina waterfront serviced sites in the land. The Marina is at 'pool level' to the Mildura Weir and the development is to include restaurants, a 169 room 4-star-plus 3-storey hotel/convention centre, a retail precinct, 72 residential sites, 2 apartment complexes and over 60 houseboat sites. Further information can be sourced via: www.milduramarina.com

The Town of Red Cliffs (population 2,900) is 17 kms south of Mildura and is close to two proposed sites for huge solar farms, potentially costing over \$1billion. If these proposals proceed, the construction workforce will be large and demand for rental accommodation will increase returns on investment properties. The residential market at Red Cliffs has yet to go 'through the roof' and there are houses available for sale at between \$100,000 and \$250,000. Red Cliffs may become the solar capital, but whilst there has been extensive government grants made for solar development available, the recent placing of the initial solar company (Solar Systems) into liquidation has been a setback.

...the townhouse sites are likely to be the cheapest Marina waterfront serviced sites in the land...



Adelaide

High volume project developments remain problematic in Adelaide.

Newport Quays – a 'mid range to prestige' waterfront residential and marina development at Port Adelaide probably stands out currently as the poor performer. Earlier this year incentives including a BMW, boat or interest free period were offered in order to generate interest in the project – with little avail. There was always a degree of uncertainty as to whether this development would be a success and unfortunately the timing of recent economic turmoil combined with this to have a strong negative impact.

The Port Adelaide area has long been in a period of transition, as an older area and also traditionally a major industrial/commercial area, the area is dominated by businesses generally operating Monday to Friday. There are numerous older buildings/vacant sites awaiting redevelopment or upgrade and many are derelict. With a limited residential sector there has never been the growth of a popular café/restaurant, boutique retail type strip or area that is so appealing to the market that Newport Quays is being aimed at. Another potential issue to consider is that whilst the waterfront position of the development provides an interesting outlook, access to the open sea from the marina would take a journey of over an hour.

Whilst the idea of the development and of creating a 'Southbank' or 'Docklands' like area has much potential,

it appears as though Port Adelaide was not ready for something of this magnitude, especially in this price bracket at this point in time.



The high density apartment markets of Glenelg and the Adelaide CBD are both currently underperforming - more than likely as a result of oversupply.

In Adelaide there are two issues to be mindful of at present. The first is the First Home Owners Grant which has been responsible for inflating the current market. With the reduction of this grant at the end of the month, demand is likely to decrease and this may impact negatively on prices. The second is that this market is somewhat dominated by student accommodation, with apartments being very small (in some cases sub 25m²). If there is a decrease in international students coming to Adelaide to study, the concern is that these purpose built apartments with very small living areas and limited kitchen facilities would be unsuitable for owner occupation, not to mention unappealing.

The Glenelg apartment market continues to have an over supply of apartments with some having been on the market for in excess of 12 months. This is not limited to the well publicised Liberty Towers development where in most instances resale prices have not met initial purchase prices. There are a number of apartments within the Holdfast Shores development, mainly in the Platinum building which were purchased at the peak of the market in 2005 through to 2007, and have experienced extended selling periods eventually selling at similar prices or slightly below initial sale prices.

The house and land package market, particularly in the northern suburbs of Adelaide is currently doing well... however this area needs to be red flagged for several reasons.

The driving factor behind this market is the First Home Owners Grant Boost (especially the large incentive of \$25,000 for new construction). This in combination with the lowest ever interest rates resulted in premium prices for the land as it was made available and also premium prices for buildings. As the Grant is to reduce at the end of the month, the assumption is that the market will drop back accordingly to meet that retraction.

The next issue to note is that dwellings in new areas that have not been fully established (eg. no landscaping, paving, floor coverings or air conditioning) achieve prices well below those of fully established dwellings and also often below the initial land and building costs.

With interest rates set to rise, more than likely before the year is out and out of line with the official Reserve Bank rates, it is assumed that this section of the market will be hardest hit - especially as unemployment also continues to increase.

The market for million dollar plus properties in inner city locations, North Adelaide, beachside suburbs and along Esplanades has been very flat of late. Selling periods have increased, there is a reduced number of buyers active in the market and the premium prices achieved in recent years appear to have contracted between 10-20%. At this stage it appears as though vendors are unwilling to reduce prices in order to achieve sales and are opting to hold onto properties rather than sell.

Brompton is an inner north western suburb within Adelaide that although not poorly performing has historically not been a sought after location. It is less than 4 kilometers from the CBD and 2 kilometers from cosmopolitan North Adelaide. This suburb historically contained a large number of industrial properties and low quality housing. There has been major Government expenditure in this suburb and a large volume of land is now being offered for sale (some of which is suitable for high density development). At present a large number of townhouses are being constructed or have recently been sold, with further dwellings proposed. With new reserves and more dwellings being completed the area is changing and is becoming popular with young couples looking to purchase close to North Adelaide. A tram line is being extended to the adjoining suburb which will further increase the already excellent public transport to the area.



Brisbane

We often consider the south east Queensland market over the past few years as the beacon of sterling performance for the nation as a whole, but like many other locales around the country, Brisbane et. al. has had its share of poor performers over the past annum. We have not been as vulnerable to wild fluctuations in value as some of our regional and bigger city cousins, but there are a couple of areas where buyers are now thinking it may have been best to keep the powder dry rather than run in all guns blazing.

The Redcliffe peninsula was a stellar performer through the 2003 boom. The pointy end of Brisbane's northern beaches appeared to be an undiscovered wealth of natural riches that went from obscurity to belle of the ball. Council was gung-ho in getting plenty of capital invested in the area and, on the whole, it has awoken this sleepy centre. The downside is the current and continuing oversupply of new units in the area, particularly in the high rise sector. Local government took on a flexible approach to development submissions where many projects were assessed on an individual basis with such items as public space contributions affecting the allowable

density of a site. Much of these large scale attached unit developments also take advantage of water views and a café lifestyle that drives demand in so many other centres. The area saw a rush of investors from all around the country eager to take advantage of this now revealed gem. Unfortunately, oversupply is knocking the wind out of the areas sails (and its sales). Capital growth for new unit buyers has been a touch subdued and it looks to continue in this disappointing vein for a little while yet.

A surprise disappointment has been the multiple tenancy properties in greater Brissy. Multi room student complexes, genuine purpose-built flats buildings and boarding houses haven't sparked as expected over the past year. The income sure looks good but its fair to say that some steam has escaped the rental market and future income potential is a touch more tarnished than it was 12 months ago. These properties probably have some good potential in the long term as long as you stick with the fundamentals - good location and a ready tenant base.

Infrastructure upgrades are another area that has lowered buyer expectations in locations that deserve a little more respect. Kedron is a good case in point. Almost overnight the Northern Busway turned sections of the suburb into a dust laden construction site – not the thing you necessarily want to wake to each day. The works have caused quite a bit of inconvenience and put off a few purchasers. The upside for those willing to take the plunge and grin and bear it is that, if finished right, these areas will benefit from improved transport access and useable community infrastructure.

Finally, the prestige sector was one that could not take a trick in 2009. The greatest disappointment was probably for those buyers who set record prices for new units in our river city while things were rosy over early 2008. Unfortunately this sector copped the brunt of the bad news, and it wasn't just isolated to units. The plus is that if you have the dough and the steel, it is possible to pick up nice little prestige property on today's market that will no doubt prove a shrewd purchase in the coming years. Once again go for the golden fundamentals and you might find you're on a winner.



Gold Coast & Tweed Coast

GOLD COAST

Most of the Gold Coast residential property market has been spared the pain of a significant downturn in 2009. Some sectors however continue to underperform, undermined by supply of stock, mortgagee activity (stigma) and the current economic climate.

Over the last 9 months, it would be of no surprise that the new apartment market has been one of the hardest hit. Scanning the Surfers Paradise and Broadbeach skyline, it would be fair to say that there is currently limited activity on the building front, with a lack of crane activity. Developers are still holding apartment stock from

developments (predominantly medium and high rise projects) completed in 2008, purely because the resale market (of near new apartments) is too competitive on price. A large proportion of new apartment product on the Gold Coast is sold to interstate and to a lesser extent, overseas investors at price levels which are considered to be in excess of local market values. The premium paid for new apartments is often not sustainable on resale, especially within a short holding term.

The sustained softening in values of new apartment product is not limited to Surfers Paradise and Broadbeach, but is also apparent in the northern and southern parts of the Gold Coast. The new and near new apartment market in Coolangatta has been underperforming for some 18 months now. The completion of a number of medium and high rise projects towards the end of 2007 and early 2008, in conjunction with the increase in supply of near new apartments coming back to the market at that time, has had a significant negative effect on market values. Market conditions are in such a state at the moment, that a new apartment project nearing completion is likely to see a significant settlement risk (ie. purchasers may forego their deposits and not settle because of the significant drop in market values). In this development, of the 43 contracts signed "off the plan", 41 were signed in 2007, in much better market conditions.



From Southport to Hollywell, the new medium and high rise apartment market is also soft with similar prevailing factors as to those experienced in the central and southern parts of the Gold Coast. Stock levels are high and sales rates are low. The resale apartment market is considered an impediment to these stocks levels reducing. Developers however are utilising innovative marketing techniques, in conjunction with professional marketeers which entice potential buyers to purchase. Rental guarantees, cash backs, and fitout incentives are just some of these. These incentives are generally built into the price.

Hope Island, which is considered an established good to prestige quality residential house location, is really yet to prove itself for medium to high density apartment living. Over the past 5 years there have been a number of large apartment projects built in this area, achieving only modest sales performance with most projects retaining considerable developer stock, some in the hands of receivers. There is currently approximately 300 apartments (in new projects) for sale in the Hope Island locality. Furthermore a major issue which is impacting on value levels for apartments in Hope Island, is the current receiver instigated sales campaign of the balance stock in the Illanah Aqua project, with recent auction sale prices being well down on the original pricing structure of this development. The recent market activity and sale prices (in terms of discounts) in the Illanah Aqua project has been extensively published, and is broadly known across the market, and potential purchasers are well aware that further bulk releases of apartments are to be auctioned in this development in the short term.

Apart from the apartment sector on the Gold Coast, one other sector which has continued to underperform is the prestige, or the market in excess of \$2,000,000. Whilst we are all aware that the financial crisis had a significant effect on the share market, which in turn affected the prestige residential market, this correction has continued to be felt in 2009. The general erosion of wealth has seen vendors having to discount their properties accordingly to achieve a sale. The general redistribution of wealth has now seen a drop in buyers who can afford a home in excess of \$2,000,000.

TWEED HEADS

The most prominent underperforming sector of the Tweed Coast residential property market is the lowrise apartment market at Salt (Kingscliff), Casuarina and Cabarita Beach. Even before the general market slowdown in early 2008, we had already seen a spike in mortgage activity in these areas. One of the major problems with some of these apartment projects is that they can only be holiday let. Therefore, if the tourist market has taken a downturn, returns are poor, therefore the potential sale prices of these apartments is going to be poor.

The general supply of both holiday let and end user lowrise apartment stock in the Tweed Coast region is far too high to sustain a constance of market value. This region also suffers from a lack of quality infrastructure and would benefit from the development of a major shopping centre. Residents must travel to Tweed Heads for all their main shopping needs. The Tweed Coast apartment projects are also competing with projects on the Gold Coast, and at most times cannot offer the same standard of amenity that holiday makers and end users expect on the Gold Coast.

The vacant land market at Salt (Kingcliff) has also been one of those markets which has continued to soften through 2009. Stock levels at the start of the year were already good, however some owners have since placed their land on the market, with most land in this area not priced competitively in order to achieve a sale. For this reason sales rates have been slow, allowing stock levels to outstrip general demand.

The beachfront market on the Tweed Coast outperformed most sectors of the market in 2007. This year (2009) has seen a sustained correction in price for beachfront land especially. A recent example is the sale of a beachfront reserve parcel of vacant land at Casuarina with the sale price (approximately \$800k) mirroring those prices which were being achieved in 2006. Vacant beachfront reserve land at Casuarina reached a consistent level in excess of \$1,000,000 in late 2007. All these gains now appear to have vanished.



Sunshine Coast

When talking to various people from different walks of life, one thing is certain; there are mixed messages all over the place. Whether it is based on the economy, share market or the property market, these mixed messages

are certainly creating confusion. When looking at the residential property market as a whole on the Sunshine Coast, there are mixed messages everywhere.

We all know that the lower-priced sectors of both housing and units have been the strongest sectors over the past nine months on the back of the various stimulus packages. These properties have been by and large owner occupied and are essential. The sectors where we have seen biggest falls have been based generally around discretionary/lifestyle properties.

Certainly the upper price level homes and units fall into these categories. Instead of people selling their principal place of residence, they are selling the holiday house and subsequently we have seen a significant softening in the values. In some cases, these values have fallen well below replacement cost.

Rural residential properties, which in some cases are also considered somewhat discretionary by nature, have also experienced a softening in values as demand for this type of product also weakens. Essentially, the development and maintenance costs for these types of properties are becoming less enticing for purchases.

There is an interesting change in the gap between lower priced property and upper priced properties. For example, a property that was worth approximately \$350,000 in say 2005, is now worth in the vicinity of \$400,000. Whereas a property that was previously worth \$1,300,000 in the same period is now worth \$1,000,000. This gap has shrunk significantly, which would lead us to believe that something has to give. Whether that is the lower-priced properties are to fall in values, or the upper price properties are to increase in values, is anyone's guess.



Southern Queensland

TOOWOOMBA

We have not seen any of our market segments in Toowoomba fall in value over the past 12 months. Property volumes and values below \$350,000 in the past 6 months have improved and we did expect to see a rippling affect following into the \$350,000 to \$500,000 price bracket; this however has been slow to start. We have seen some softening in values over \$500,000. This has mainly been due to the extended selling periods required to achieve a sale. Having said this, some agents are recently reporting good open house inspection numbers on prestige auction property indicating a possible turn around.

There are no individual suburbs which can be identified as being under performers. However there have been some individual cases of large modern product above \$500,000 in new suburbs selling for less than originally purchased, but are few and far between. One example was a modern house in Rangeville which recently sold for \$550,000 after a 9 month marketing campaign and was originally purchased in 2006 for \$591,000.



Individual property which appeared to have the largest falls in value could have possibly been new product which was poorly maintained or not finished and sold without completing the driveway, landscaping or fencing. The under performers more recently are busy localities such as feeder roads and school/sporting drop off zones but property in Toowoomba generally has been underpinned by limited supply and vacant land availability.

In contrast, suburbs such as Highfields, Cabarlah, and Meringandan have gone from strength to strength which has been underpinned from the two major shopping centres based at Highfields. Building works in these areas have also been exacerbated by the lack of affordable vacant land in Toowoomba and will probably improve even more so once a secondary school is built.

IPSWICH

The residential market in Ipswich declined towards the end of 2008 but has regained some strength over the past six months. The median price fell to \$285,000 in December 2008 and has remained at around \$300,000 on average this year. The sector that felt the pinch through this low period in 2008 was the all inclusive house and land packages. This was mainly due to investors clearing out of the market.

More recently demand for this product has increased, however it has not been investors solely pushing the market as previously. A majority of the activity throughout 2009 has been from first home buyers with investors now beginning to come back into the market. The house and land package products on offer have not changed over this period and in most cases are still selling \$20,000 to \$30,000 above market value.

The areas dominated by inflated house and land packages are Raceview, Redbank Plains, Collingwood Park, Bellbird Park and parts of Brassall.



Central Queensland

ROCKHAMPTON

The Rockhampton and Capricorn Coast Region residential market has remained fairly stable since the beginning of 2009. Sale volumes appear to be slightly on the increase, however in the main, average sale prices remain steady.

Statistics indicate that some fringe residential areas such as the town of Gracemere, located south of Rockhampton, have not recovered as well as the rest of the region from the down turn in the market. During the 2004-2007 period,

investor confidence was high and developers purchased large areas of land with a view to subdivide. Both local and non-local investors came on board, resulting in significant residential development in the town.

...during the 2004-2007 period, investor confidence was high...

Since the economic downturn, expectation of capital growth diminished and most non-local investors left the market. Consequently, sales volume dropped leaving a significant supply of vacant land. The median sale prices of both vacant land and homes in the area have been falling over recent months and vacancy rates have increased. The end of the First Home Owners Boost at the end of 2009, and uncertainty regarding interest rate levels does not reflect on a positive outlook in the short term.



BUNDABERG

Most of the Bundaberg and coastal districts markets have fared quite well over the last few years, and have survived the current financial crisis relatively intact. Coastal units in the town of Bargarra have been the most affected. Market values for units rose significantly and peaked in and around early 2008. Since then, values have fallen steadily to current levels. This has been compounded by a couple of factors, namely a current oversupply combined with low demand.

There are in excess of 100 units currently listed for sale, with isolated receiver and mortgagee sales. Most unit sales recorded in 2009 have been below original purchase prices, some up to 15 - 20% below. It is considered a buyers market at present and with large quantity of units still available for purchase, it is considered this will continue into the short term. If buying in this market, look for the better quality and better located developments.

HERVEY BAY

The Fraser Coast region currently has an oversupply of new unit stock, with this market condition set to continue for some time to come. Current demand appears to be static with only limited sales occurring at a slow/sporadic pace. An example of this market slowdown includes a large development that was built in 2007, with a remaining 24 new units out of a total of 132 still available for sale at this time.

Some components of this upmarket Esplanade development have now gone into 'Mortgagee in Possession' which could have a negative impact on values for similar style accommodation in the area. Sale prices in this development have consistently reduced over the past twelve months, with one unit selling for \$520k in May this year. This unit was originally sold off-the-plan for \$577k back in 2004, which reflects a \$57k loss over five years. These low prices along, with the wide variety of choice

available in this location, obviously point to a buyers market and potential opportunity to achieve excellent value for money from desperate vendors.

Another large apartment complex positioned along the Esplanade also completed in 2007, has struggled to offload stock to date. The building features 2-3 bedroom, 2 bathroom units with excellent ocean views and resort facilities. Statistics reveal only 18 have sold from a total of 40 units (45%) since completion two years ago, with only one of these sales occurring in 2008 and none to date this year. Older unit developments are also bearing the brunt of slower sales activity and are competing with new stock, forcing vendors to reduce asking prices to achieve a sale. A centrally located 1990's villa sold in May 2006 for \$230,000 and has recently sold for \$220,000.

Single dwellings in the price range above \$500,000 have seen a dramatic slow down in the market with extended selling periods evident. A recent sale in a park residential location has seen the property sold after a 12 month selling period, with a reduction in list price from \$620,000 to \$520,000 with the final sale at \$480,000. Agents are reporting there is still good interest and prices remaining static in the lower end price range, sub \$500,000, but the other market sectors, as mentioned above, look set to struggle for some time yet. Hopefully the confidence and positive results recently achieved in the Brisbane markets will flow on to the Fraser Coast region.

MACKAY

'Investment Grade' housing estates in the Northern Beaches suburbs of Mackay have performed poorly over the past twelve months. This has been caused by oversupply and lack of demand from investors. Some investor enthusiasm appears to be emerging in recent weeks. Prestige units over \$450,000 at Mackay Marina, City (riverside) and Northern Beaches have experienced declining demand as both individuals and companies providing staff accommodation have been unable to sustain the peak rentals of the 2006/07 coal mining boom. Prices in this sector have declined by around 15% and some forced sales have occurred.

There is presently an oversupply of residential allotments in both the Whitsundays and Bowen. Sales volumes have fallen and values have weakened. Most activity has been generated from first home owners seeking house and land packages. We anticipate fewer buyers after the First Home Buyers Boost is reduced from 1/10/2009. The following months will be critical to future market direction.

The residential unit market in the Whitsundays is suffering from 'pre-sale contract fallout' in both standard and prestige / holiday sectors. Many buyers that have bought 'off the plan' at the peak of the market are now exploring 'loopholes' to avoid settlement on units which have not experienced anticipated capital growth in the interceding period. The full impact to the market cannot be appreciated until legal outcomes are finalised. Some unit developers will be holding much higher levels of stock than originally anticipated. Future values will largely be determined by their ability to sustain stock holdings and avoid large scale liquidation. In this regard the market remains cushioned by fairly strong rental returns and low interest rates.

GLADSTONE

The Gladstone residential market over \$400,000 has weakened over the previous 6 – 9 months reflected in both sales volumes and median house prices softening. Residential properties in this segment of the market are generally experiencing a longer marketing period and in some cases vendors are accepting a loss based on the 2007 purchase price. Furthermore, the residential unit market has slowed in volumes which can be partly attributed to the scarcity of residential investors in the market. Vacancy rates are now at approx 4 - 5%, up from the lows of fewer than 1%. Smaller regional areas surrounding Gladstone have also underperformed such as Monto, Miriam Vale, Mount Larcom and Calliope. These markets have traditionally been buoyed by buyers leaving the Gladstone area to purchase more affordable housing in the times of growth.

Only recently have agents reported that there is a small ground swell of interest in the lower end of the market, however the market is still standing back to wait and see what happens with the LNG/CSG market here and abroad. As yet, no final investment decision has been made by any of the LNG/CSG plants in Gladstone.



Cairns

The property sector in Cairns that has had most difficulty coping with the fall-out from the Global Financial Crisis relative to property in general appears to have been the tourist apartment sector. Sales activity in this sector had been slowing even before the GFC hit, but since that time, sales have slowed further and vendors are becoming more motivated. There is stock remaining unsold from developments in both Palm Cove and the CBD that have been completed for some time. This has resulted in an almost complete cessation of new tourist apartment development pending the absorption of outstanding stock.

...sales activity in this sector had been slowing even before the GFC...

The Port Douglas property market has also slowed substantially in activity since the beginning of 2008, with the tourist apartment sector in particular being affected by a shortage of potential buyers. This was initially caused by the high Australian dollar and high airline fuel

prices lowering the number of visitors holidaying in the location. The high interest rates which prevailed for much of 2008 also compounded the slowing market. Though interest rates, the exchange rate and fuel prices all fell at the end of 2008, fears of a slowdown in world tourism due to the state of the global economic conditions affected confidence in the local industry, economy and property market. There has been a large supply of unsold property on the market and price falls of up to 30% have been experienced, particularly in the apartments sector. Recent months have seen some return to buying activity as tourist numbers and confidence have rebuilt, though this is yet to be manifested in increased prices.



Townsville

Townsville's residential property market has rebounded from the levels observed mid last year, to now stand at approximately 320 house sales per month.



While first home buyers have been a significant driver of the market, improved confidence is also carrying over to a pick-up in the investor and general owner occupier markets.

Over the past 18 months, the vacant land market has seen a dramatic fall in sale volumes, however there has been a distinct resurgence from the very low level of sales observed in mid-2008, with monthly sale levels almost back to the average levels achieved during 2006 and 2007.



Throughout this 2008 period, land values in some suburbs were negatively impacted due to the combined effect of low demand and access problems. These access problems in some areas have been alleviated for the short term, however with continued future expansion in these already traffic stressed areas, it may in the future cause some flattening of the market until such time as new road infrastructure is built.



Tasmania

HOBART

The residential market over the past twelve months has remained relatively buoyant in the sub \$250,000 price category. This has been predominantly due to the First Home Buyers Grant. The remainder of the market has been flat with some price decreases in the top end of the market.

A concern that exists is this entry level market. We have long believed that a bubble may exist in this market due to uninformed first home buyers purchasing property at slightly above market parameters due to competition and agents overinflating prices to 'buy' listings. Once the First Home Buyers Grant is reduced, then so too will demand. With the inevitable likelihood of interest rate increases, first home buyers and indeed investors may end up struggling to make payments on the mortgage and hence be forced to sell. This will create an oversupply and combined with weakened demand, see values fall.

I would be very cautious as a first home buyer or as an investor looking to get into the bottom end of the market at present. Opportunities do exist, but proceed with caution.

The top end of the market has also seen some price decreases over the past year. Prestige suburbs such as Sandy Bay and Battery Point have had a slight market correction. However, long term, these are the suburbs to invest in.

Which brings us to the middle market; the traditional mortgage belt. Many new homes within the suburbs of Tranmere and Kingston have seen prices fall as well. It appears as if land values have also weakened. This may be due to an oversupply of new and as new product. Many of these houses were constructed during boom times whereby builders charged a small fortune to construct. These premiums that were paid for these properties may now not be recoverable in today's climate.

The outer lying regional townships, for example of Primrose Sands, are struggling for sales. There is little demand in these areas unless the perceived value for money ethos is met. Values have fallen slightly in these regional areas, that are approximately 30 to 45 minutes drive from the CBD.

The regional areas of far south Huon Valley and the peninsular as well as the east coast towns for example Orford, are struggling as well. Many of the economies of the regional areas and townships are tourism and fishing based. As the general world and domestic economy softens, property prices have started to slump due to losses in employment and general lack of demand. Selling periods may increase dramatically. Many of the proposed developments, such as the golf course in Orford have been placed on hold (and indeed may not happen at all) and thus prices in these areas have softened in the past twelve months and may soften further in the next year.

These regional areas are possibly one market to be very cautious with at present.

LAUNCESTON

Rocherlea is a lower socio economic suburb to the north of Launceston's CBD being at the fringe of the city. It was largely established/developed by the Housing Commission during the 1980's. Much of the suburb is a "no through" residential area and to some extent is its own enclave.

While the homes are generally of a similar low maintenance brick construction and maintain approximate gross yields at around 6%, local demand is limited and a higher than average percentage (sales volume) are to mainland buyers (investors). Much of the local market does not participate in this area.

During the calendar year of 2008 there were only 13 settled residential sales. To the end of July 2009, only 5 have been recorded. The latter sales volume recorded in a period of very active first home buyer participation of around one third the market fuelled by the first home buyers compensation grant.

This lack of demand has resulted in limited capital growth. There would appear to be limited factors that would encourage growth within the short to medium term.



Darwin

The question we have to ask in Darwin lately has been not so much "which suburb is a dud?" as much as "which suburb has been the least hot?"

In a city of Darwin's size of about 120,000 (including the rural area), it is more appropriate to look at market segments rather than trying to classify suburbs. It's actually one of the attractions of Darwin that enclaves of rich and poor suburbs are not as clearly developed as in many other cities. There are still some very modest dwellings in the supposedly upper crust suburbs of Fannie Bay and Larrakeyah.

Anything in the vaguely affordable price bracket (ie under say \$550,000) has definitely not been a dud over the past 12 months. The First Home Owners' Boost and the NT Government's BuildStart Scheme have sparked strong demand for this type of property, leading to very good capital growth.

The more expensive price brackets have definitely seen less interest over the past 6 months. Whilst calling them dud investments would be far too cruel, it is true that the market activity for CBD residential units over say \$800,000 has softened and the outlook remains soft for the next 12 months. There is also a definite preference for smaller complexes by many buyers, so townhouses even at this value level still attract good interest, but in larger complexes, units down to \$600,000 can be harder to sell. People who can afford such property, either as owner-occupiers or investors, are still remaining cautious about buying, especially considering the risk of interest rate rises, which would hurt even more at this value level. Also there may be a ripple effect from the anticipated reduction in demand for cheaper property once the Government assistance schemes cease.

Our other main area of concern is vacant land in Palmerston suburbs. This land has continued to grow in value over the past 12 months, simply due to lack of supply. However the NT Government has announced a program of release of over 3,700 blocks in new Palmerston suburbs over the next 5 years (plus 1300 blocks at Berrimah and a new city of 10,000 lots at Weddell after 2014). So blocks in the new suburb of Bellamack are being sold for around \$180,000 (albeit not yet developed), while existing blocks of identical size in Rosebery just the other side of Owston Avenue, are commanding \$240,000. Bellamack is being trickled onto the market at the moment but if these land releases are not carefully managed they may have a detrimental effect on the value of existing stock. We also note that often times it is difficult for the sale of a new house in Palmerston to recover the cost of construction plus the land.



Perth

The end of September will see a reduction in the First Home Buyers Grant boosts resulting in a reduction from \$21,000 for construction loans to \$14,000 and from \$14,000 for established properties reduced to \$10,500. The recent change of policy by Keystart Home Loans for the requirement of a 4% deposit of the value of the property rather than 2% will further compound a softening in the first homebuyers market, particularly given the strong market share that Keystart Home Loans have experienced during 2009.

The first home buyers market under \$500,000 has driven the Perth residential property market, which has now provided a natural shift into other markets including the

second and third homebuyers and investor markets. The volume of sales is steady as evidenced by the number of listings in the Perth metropolitan area currently placed at around 12,000 which is inkeeping with normal market conditions. This activity clearly indicates that the market has bottomed out, with good sales volumes also being achieved in the market over \$1,000,000 taking advantage of the price corrections that Perth has seen in the past 12-18 months.

A concerning area over the past 12 months has been the City of Mandurah where general property prices have reduced by up to 30% across the board from the peak of the market. Whilst the area is showing slight signs of recovery with reasonable volume of sales, the sheer volume of the market still provides options for prospective purchasers with the general confidence of the Perth metropolitan area failing to flow into this region. Whilst the volume of sales in areas such as the City of Armadale have been steady, this has been largely due to the first homebuyer market and, with increases of stock of low density villa type developments throughout the area the basic economic law of supply and demand may see some problems occur moving forward.

The recovery of the Perth market may be enhanced further due to the hype surrounding the State Government's gas projects in the north, specifically the Gorgon Project. On the back of these announcements the consensus is that the West Australian economy is safe and sound moving forward. The anticipated resurgence of the mining sector may compound economic viability further and as a result, the possible increases of purchase demand and increases in Perth property prices across the board.

Whilst there is a clear re-emergence of confidence in WA, it is still unknown what affect possible higher unemployment rates in other sectors may have together with likely increases in interest rates in the coming 6 months.



South West WA

Are Bunbury's values set to explode? With the opening of the Forest Highway and the reduction of time taken to travel to Perth there has been plenty of speculation on how the property market in the South West will react.

There are certainly a number of positive factors coming to fruition in the area with the recent announcement of the Gorgon project coupled with the Worsley expansion. Southern Desalination Plant and the urea plant in Collie, The opportunities for employment in the region seem to be very positive. Population growth within the region also continues to be strong. These factors coupled with the new highway, may indeed generate the momentum to push the property market along.

Certainly the feedback from local agents suggests that while not reaching the dizzying heights of the boom,

there is definitely more interest and sales taking place than has been happening for the past two years.

To temper this optimism there appears to have been a return to a more measured approach to the purchase of the property with the basic fundamentals of location, location, location very much to the fore. Suburbs which have traditionally been associated with lower socio economic groups (such as Carey Park and Withers) had seen values fall substantially from the peak and our expectation is that these will show only very modest, if any, growth in the short to medium term as discerning buyers continue to be attracted to more desirable neighbourhoods. The same can also be said for the secondary markets associated with smaller townships such as Brunswick.

We have recently encountered a situation (which we hope is a one-off) involving a mortgagee in possession of a property which only had construction completed within the last month. The owner of the property had not even moved in before the mortgagee took possession. The deposit for the property appears to have been provided by the \$21,000 First Home Buyers Grant and it would have to be questioned as to how well the finances of the applicant were scrutinised to allow the situation to develop. Hopefully this is not something that will develop with any regularity as a consequence of first home buyers being encouraged to build by the boost when they were financially not really in a position to do so. We note banking regulations have tightened in this area recently, presumably to prevent this happening.

As a general comment the outlook for the area appears to be promising with optimism outweighing pessimism but a certain level of caution would still be appropriate in any property purchase with informed professional advice advisable.



Commercial Overview

On the whole, the commercial real estate sector has been the most vulnerable to the general economic slowdown, and industrial markets have copped their fair share of downside. As usual, areas of oversupply or secondary location have been the most effected. The positive is that the market is presenting some opportunities for investors who are willing and able to do their research and take the risk. By browsing through this month's issue, you may well identify some previously ignored prospects in a currently depressed market.



Sydney

Sydney and Wollongong industrial property values have continued their retreat on the back of the global economic downturn. Vacancies are high, rents continue to fall and incentives are still heading north. However, reported increases in 'demand enquiries' for industrial property are a sign that the market may be beginning to stabilise. This could provide the trigger in a potential turnaround, particularly if credit markets improve.

The limited sales evidence suggests that yields have continued to soften. Average yields for prime grade stock range from 8.50% to 9.25% and up to 10% on secondary stock. Reduced demand has also resulted in landlords offering reduced effective rents to attract new tenants as well as keeping existing ones.

With the prevailing economic conditions over the last 12 months, an increasing number of mooted industrial developments across Sydney and Wollongong have been postponed. The supply of new industrial space is likely to remain subdued over the short term, particularly in Western Sydney where there is a current oversupply.

The Central and Outer Western Sydney industrial market has been the hardest hit over the last 12 months, with a large oversupply of industrial units on the market feeding through to lower land values. Land values in the central and outer west range from \$180 to \$350 per square metre which implies a reduction of over 30% from 12 months ago.

As mentioned previously in our July commentary, the south-west Sydney suburbs of Revesby, Milperra and Condell Park provide a reasonable entry level for first time industrial investors. These areas have established industrial precincts which are located close to Canterbury Road and the M5 Motorway providing easy access to and from Sydney CBD, Port Botany and the Airport. New vacant industrial strata units from circa 95m² can be purchased for under \$300,000.

The suburb of Unanderra, located approximately 10km south-west of Wollongong CBD, houses one of Wollongong's established industrial precincts. This industrial precinct mostly lies east of the Princes Highway and offers point of entry opportunities for investors, circa early \$300,000.

Generally investors in this price bracket face high competition from owner occupiers who tend to pay a premium, particularly in a low interest rate environment. In summary, the risks which first time industrial investors need to consider include extended vacancy periods, rent review mechanisms without ratchet clauses (particularly rents reviewed to market in a declining market), rental incentives and leasing fees.



Canberra

The industrial precincts of the ACT are made up of three distinct suburbs, with the primary industrial suburb of Fyshwick being the largest and most popular. Located nearby is the strictly industrial use area of Hume and to

the north of Canberra is Mitchell, an industrial and trades area designed to services the emerging Gungahlin Town Centre to the North.

There are currently some good quality properties for sale in the industrial market and agents are reporting a softening of demand from both the investor and owner-occupier. The Fyshwick rental market generally remains attractive, with few vacancies available in better locations such as the location of the subject, whereas the remaining two markets of Hume and Mitchell tend to have longer letting up periods.

Because rents are holding strong, limited choices are available in high profile locations. There was also a shortage of developable land for industrial purposes during the 2004-2007 period which compounded this effect. Well-located sites with further development potential are still achieving premiums, particularly in Fyshwick.



Importantly, Fyshwick in particular will be subject to further retail and bulky goods retail development with the completed Direct Factory Outlet (DFO) located within the EpiCentre Estate development on the corner of Canberra Avenue and Newcastle Streets. The DFO comprises approximately 50,000m² of retail outlet shopping with approximately 100 clearance shops and 28 bulky goods outlets adding significant stock to the market.

Further releases within the precinct have included uses such as motor vehicle sales and light industry. We are aware that recent purchasers of these sites are intending to or have changed those uses from motor vehicle sales and light industry to bulk retail uses. Further retail in the EpiCentre Estate will in all likelihood have an impact on Fyshwick. At this stage what impact on existing buildings in Fyshwick is uncertain as it's difficult to determine the extent of existing businesses taking space and lease expiry profiles of buildings currently held within the main body of Fyshwick. The overall effect this will have on retail in Fyshwick has been viewed as negative as a number of tenants including Freedom Furniture, Snooze and Dick Smith have moved their outlets to the development.

Fyshwick is also well positioned for the increased development occurring in the Majura precinct by the Canberra Airport Group. Recent completion of a new office complex for more than 1,000 workers and also the recent commencement of road works to and from the Majura precinct may see an influx of office commuters coming into Fyshwick during the week once the space has leased. This is likely to have a positive impact on existing businesses and also opportunities for new business ventures, especially food outlets, but not in the immediate future.

Recent analysis indicates yields for properties now range from 7.5% to 10.0%, which has increased from the previous twelve months where yields were stable at 6.5% to 9%.

All markets within the ACT have "cooled" from the peaks in 2007 and are now in a period of rationalisation and stabilisation with demand weakening. The rental market in Fyshwick generally remains quite tight, with few vacancies available in better locations, limiting choices for high profile locations. With a number of larger bulky goods retail tenants vacating the area, some larger vacancies for showroom and retail type space have become available to the market. It is anticipated that those which have secondary locations will have extended letting up periods.

The lowering of interest rates and some impetus into the market from the Federal governments rescue package may provide the stimulus needed to reinvigorate and add confidence to the overall, retail/commercial markets. Investors and owner-occupiers are very attracted to this type of market, particularly for superannuation arrangements and benefits, to avoid rent payments in business, and have an asset that has appreciating value and the ability to provide collateral; for borrowing power. The obvious investment benefits and tax advantages are also attractive.

The industrial markets are showing limited sales in the past twelve months with only limited sales of properties over \$1 million being traded. With large volumes of purchases occurring up to the peak in late 2007 the market has been faced with very few opportunities to purchase properties at reasonable yields.

Moving forward it is expected that the sector of the market that will be greatest effected by change is existing property in the Fyshwick bulky goods precinct which formerly housed large bulky goods retailers. The advent of the DFO development has left a number of larger good quality shop fronts in a position of consideration of lowering rentals and increasing incentives.



Central, North & West NSW

DUBBO

The Dubbo Industrial market has struggled over the last 12 months with very few sales occurring. There were a number of properties that went under offer but did not proceed to settlement. There has been some downward pressure on vacant industrial land prices although prices increased significantly during 2006 to 2008.

In the secondary market there has been very limited activity. Investors are not active and owner occupiers are displaying a wait and see attitude. There have been a number of new industrial complexes completed over the last 12 months; however it would appear they had been planned for some time prior to September 2008.

The recent announcement of the proposed STOTA venture in Dubbo should see activity in the industrial sector increase not only for the space required by STOTA, but also the additional activity it will create in service industries.

Due to the lack of sales the precise determination as to where market values are sitting is difficult to accurately access. As the mining industry appears to be showing some signs of recovering in centres such as Cobar, Parkes, Ulan and Nyngan, combined with potential new mines in the Tomingley and Goolma areas the potential for an increase the demand for industrial services in centres such as Dubbo, Mudgee and Parkes could increase over the next 12 months, hence increasing demand and at worst stabilising value levels.

TAMWORTH

Tamworth industrial sector has struggled like most regional centres over the last 12 months. Tamworth's position as the primary inland industrial service centre of the inland north west part of the state will ensure the industrial sector remains relatively strong over the medium to longer term as increasing mining activity in this area will have a positive effect on the demand for industrial property. Others centres that will benefit will include Gunnedah and Narrabri.

ORANGE

The Orange industrial market remains flat with limited sales and leasing activity. There was an increase in supply of mining related industrial space over the last twelve months due to falling resource prices and scaling back of mining and exploratory activity. However confidence appears to be returning and we anticipate an increase in sales and leasing activity over the next 6 months. As always those industries related to the Cadia and Ridgway Gold Mine continue to be active participants in the market.



Southern NSW & Northern Vic

ALBURY

Over the past twelve months the market has been rather soft, however there are still buyers out there if a property is priced appropriately with yields softening. The worst performer of the industrial sector has been the vacant industrial land market with an ample supply of land but very few sales and it is expected to remain slow until the economy regains momentum and people have the confidence to build that new warehouse or factory.

LEETON

Industrial properties which have struggled the most over the past 12 months are vacant, larger scale industrial properties. Faded For Sale or Lease signs are evident of the weak interest for these large scale complexes which were hives of activity in our agriculturally based economy's glory days. Smaller industrial properties have not struggled to retain tenants as businesses down size to survive or delay expansion plans.



Melbourne

The performance of Melbourne's industrial property market (\$5 million plus) from 2008 to-date has generally been subdued by the impact of the global financial crisis, in effect a credit squeeze. Whilst the lower end of the market remains steady, the upper end has fallen reflecting increased supply and greater financing difficulties for prospective purchasers.

Leasing activities throughout metropolitan Melbourne have improved since early 2009 with leasing transactions totalling approximately 190,000m² in the first two quarters of 2009 where the western regions dominated the leasing market contributing approximately 73%.

Yields generally peaked for large premises in 2007 and materially softened in late 2008/early 2009 as growing negative investor sentiment impacted the Australian economy. This was largely in response to Australia's major trading partners, Japan, Europe and the USA entering recession, a domestic credit squeeze and the expected deleveraging of portfolios by property trusts (i.e. increased supply).

...over the past 12 months wealthy private investors at the top end of the market have been rewarded by high yields...

The mismatch between buyers and sellers expectations at the top end of the market during 2008 has narrowed in 2009 as evidenced by a growing number of sales as vendors capitulate with the softer market. Consequently, over 2009, prime industrial yields for the top end are around 8.5% - 9.0% whereas secondary grade stock yields approach 9.5% - 10.0%. There remains virtually no interest by institutional purchasers at the top end of the market given their focus on deleveraging portfolios. This trend could turn around when institutional buyers/Real Estate Investment Trusts return to the market after they have recapitalised their balance sheets.

Over the past 12 months wealthy private investors at the top end of the market have been rewarded by high yields, quality tenants and long lease terms. Lower end properties within 10-15km to the CBD on the other hand, have had a fairly stable performance effectively rewarding vendors, but disappointing bargain hunters buyers with only relatively low yields on offer.



Nevertheless, the lower funding costs as a result of lower official interest rates continues to entice both private investors and owner-occupiers into premises under say, \$3 million with yields at about 7.0% - 7.5. The corollary of this is that prospective tenants will prefer to buy, resulting in a softer rental market.



Regional Victoria

MILDURA

The industrial market in Mildura has been quiet over the past 12 months with few sales or re-leasings. The growth industry in the region over the last decade has been the transport industry. The large horticultural industries, wineries and Mildura's location being at a convenient apex to the capital cities, has seen a huge increase as a base for long distance transport firms and this is likely to increase.

Should the proposed solar projects proceed, the service industrial sector is likely to see solid activity which will likely increase rental and value levels.

ECHUCA

The market for industrial property in Echuca/Moama is dominated by owner occupiers with relatively few properties offered to the market as fully leased investments. There is currently an oversupply of properties currently available for sale, with limited demand and only moderate capital growth prospects envisaged over the next two years. Most new building activity is occurring in the Moama Business Park to the north of the township with the older established Moama Industrial Estate, now considered a secondary industrial location.

The supply of land in the two towns is controlled by the Murray and Campaspe Shires, and very few land sales have occurred over the last twelve months. Land prices fall generally in the range

Other centres containing significant industrial estates include Cobram, Deniliquin and Kyabram all of these areas very much reliant on the fortunes of the surrounding irrigation farming districts which are currently undergoing significant stress due to low water allocation and continuing drought. This is further compounded by a struggling dairy sector with low milk prices higher production costs and low productivity continuing to depress the market.

Deniliquin is a slight aberration in the market with a recent spate of strong sales results, however under normal circumstances this market is thinly traded and generally demand is quite poor.

All centres in our region are typified by low sales turnover, moderate demand, static growth, and little prospect of any significant change in the short to medium term.



Adelaide

The industrial property market in Adelaide has been the sector least affected by the global economic downturn. Traditionally a very steady market, the limited supply of industrial property in Adelaide makes this sector somewhat resilient to outside pressures.

However there has been a slowing in the market and a slight contraction in prices (mostly for the smaller properties), although yields have increased and rents have remained relatively stable. Adelaide has traditionally been a conservative market and so this has not been much of a variation from a standard downward cycle of the industrial market which is speculated to start to improve towards the mid to end of 2010. Relatively speaking there have been no obvious poor performers with good interest shown in some areas such as Techport, the new industrial precinct tied up with the Air Warfare Destroyer Shipyards at Osborne.

Overall, transactions are taking longer to negotiate due to a more careful approach by purchasers, new development is being put on hold mostly due to the tightening of credit lending criteria, and there has been a move towards private buyers being more active in the market as institutions, feeling a greater effect from the current financial climate, and moving away from the property market in general.



Brisbane

The Brisbane Industrial market over the past 12 to 18 months has seen rental rates soften, primary and secondary yields decompress and land values decline.

The demand for industrial land has diminished significantly as the preference from owner occupiers changes from design and construct to leasing. This is due in part to tighter lending criteria from the major finance institutions, making finance both pricier and harder to obtain. With the value of both completed and established stock having reduced across all Brisbane industrial precincts, the demand for land has also suffered considerable decline.

Over this same period, industrial property trusts, particularly within the listed space, have liquidated their investment portfolios. The global financial crisis, and corresponding reversal in investor sentiment, has required these funds to effectively fire sell a number of institutional grade assets, resulting in an oversupply of available industrial properties on the market. Whilst leasing activity has increased over the past 12 months, this increase in industrial supply is offsetting the increased leasing demand. This has significantly changed the shape of the industrial market from a lessor dominated market to a lessee's market, which has begun to produce lease

incentives and lower rental rates than have been seen for some time in order to secure a steady income in a flooded market.

Over the past 12 to 18 months we have seen yields soften in the order of 125 basis points, with investors continuing to remain quiet within the market place and the majority of buyers tending to be from the owner occupier market. As such, the number of transactions in 2008 decreased dramatically and many of the properties selling were positioned below the \$3 million dollar bracket, which traditionally is owner occupier territory. Industrial property has been one of the categories most affected by the bank's tightening of their credit policies, which has resulted in many contracts falling over due to the lack of finance able to be obtained by potential investors.

Although the market has declined in most areas, the varying severities of decline in different precincts have encouraged investors to slowly return to the market. Transaction activity in the first half of 2009 was reportedly more than double than that of the second half of 2008. This indicates that for potential investors, if finance is able to be obtained or investors have the capital to begin with, good investments are available in the current market. We could be positioning for a minor 'boom' as the market eventually plateaus and begins to show positive signs. Many investors that are adopting a 'wait and see' approach may realise they have missed the trough of the industrial market and invest large quantities in a short period of time in a last minute 'grab for cash'. With this in mind, there is some hope for industrial property investment in the future and the current negative sentiment towards property investment over all classes will change in time.



Gold Coast

The chickens have come home to roost at Yatala on the northern part of the Gold Coast.

The industrial sub-market has been hit quite severely, particularly in respect to strata units and englobo land sectors. There is an over supply of industrial strata units within the northern Gold Coast (Yatala/Stapylton/Ormeau) and there have been instances where sale transactions 'under duress circumstances' have produced prices up to 50% lower than at the market peak. Whilst there is limited transactional evidence, the value of serviced industrial lots is considered to have fallen by \$30 to \$50 per square metre. Buyer interest is extremely limited, if not non-existent, and there are now a number of properties that were purchased in the peak period of 2007 which are now back on the market.

In the five years up to 2007, profile of the Yatala region continued to improve, as did price levels and activity. This was brought about by strong market conditions, and other factors such as the large supply of stock in the region, good access to the Motorway, the location between Brisbane and the Gold Coast, and most importantly the lower price point when compared with Brisbane or the Gold Coast.

Currently, demand for industrial property in this region has softened dramatically due to the current poor economic conditions, coupled with an oversupply of stock. There have been fairly limited sales over the past 18 months, mainly due to the difference between buyer and vendor expectations, and also the difficulty to secure finance etc. The sales that have occurred have generally reflected discounts of between 10% and 30% (when compared with 2007 prices), with a reasonable number sold under 'forced sale' circumstances.

In short, demand for industrial property in the Yatala region is weak, and values have declined over the past 18 months.

At the southern end of the Gold Coast at Murwillumbah in the Tweed, land has not been selling well in the new industrial estate, "Industry Central". There have only been three recorded sales of land in this estate since the start of 2008. The big marketing advantage was that land at Murwillumbah was much cheaper than land on the Gold Coast. The three sales reflected rates of \$180 to \$200 per square metre. Unfortunately, demand has been very slow due to the GFC.

On the other hand, a new building leased to Bunnings Trade in "Industry Central" has been sold for \$5,400,000 on a yield of 7.3%. This highlights the current market perfectly. Well leased properties are selling well. Land, units and anything that might be perceived as having a problem is not.

However, all of this has not been a disappointment for buyers. Sellers, developers and owners might have cause to feel a bit sick in the stomach.

For some buyers, 2009 has been pretty good. Especially, for those with funds and who are ready to go. 26 Industrial Avenue, Molendinar was sold at auction for \$1,477,273 in July. The property has a land area of 3,864 square metres and buildings with an area of 2,047 square metres. The buildings are not brand new but equally are from scrap value. The sale reflects a rate of \$382 per square metre of land area which, in our opinion, is below bare land value rates.



26 Industrial Avenue, Molendinar

35 Morton Street, Chinderah was sold for \$1,400,000 at auction in August having last sold in March 2006 for \$1,500,000. It comprises 4,113 square metres of land with a good quality shed that has an area of 460 square metres. Chinderah is just south of Tweed Heads with excellent access to the Pacific Highway.

So, when is it all going to come good? There are some good signs of activity at least. That's an improvement on the picture 12 months ago. But, we think that there's another 18 months to go yet.



Sunshine Coast

The industrial market on the Sunshine Coast has demonstrated varying indicators over the past 6 months, however it has been widely viewed as the hardest hit sector in the current downturn.

Strong individual sales have seen an increase in market activity since the end of the financial year, where the specific property attributes matched a specific purchaser's need, or vendors have had to "bite the bullet" and are meeting the market.

Much larger variations are now obvious between modern well located properties with secure lease covenants and those older properties in secondary locations offered on a vacant possession basis, and these continue to widen. Rising incentives, falling rents, talk of increasing interest rates, and access to credit do pose ongoing risks to the market.

The sales that have occurred are noted in summary:

Machinery Rd, Yandina	\$2,550,000
Industrial Av, Kunda Park	+/- \$2,000,000
Page St, Kunda Park	+/- \$2,000,000
Eumundi Noosa Rd, Noosaville	+/- \$2,000,000
Project Av, Noosaville	\$1,750,000

There has been a substantial increase in vacant industrial land developed during the last upward market cycle. A large portion of the stock was absorbed in multiple lot acquisitions by speculative investors or developers. With demand now being markedly constrained to the point where in most established industrial estates, supply in established development and recently completed projects, far outweighs the current level of occupier demand.



The future pipeline of readily available vacant development sites will continue to maintain competitive conditions in this sector in the short to medium term. The market is demonstrating numerous examples of properties being unsold after lengthy selling periods. Where sales have occurred, vendors have had to reduce their asking prices in the order to 15-20% to achieve an effective sale in a timely manner.

For property investors, developers and financier alike, risk aversion is still a high priority and as such will be relying on property market fundamentals to assess investment, project and lending viability.



Southern Queensland

TOOWOOMBA

Over the past twelve months the two industrial areas/sectors that have not performed as well are:

Industrial Strata Units

There was a clear decrease in the values of strata industrial units from mid 2008 to early 2009. During this period many investors took the opportunity of the reduced prices to enter the market. It appears that most of these purchases were on a vacant possession basis, with quite a number of the investors then seeking to secure a tenant. This resulted in an increased level of vacancy and a very competitive leasing market, with rentals reducing and leasing incentives becoming more commonplace.

Charlton-Wellcamp Industrial Precinct

The Charlton/Wellcamp Industrial Precinct is an area of englobo industrial land located to the west of Toowoomba that has been earmarked as the future location of industrial development in the Toowoomba region.

There was a substantial amount of "speculative" activity within the precinct in 2007-2008 with a number of sales of englobo sites, and each new sale setting a new price benchmark. These sales reflected prices at rates of up to \$18 per square metre of land. To date however there has been very little development within the precinct, mostly due to delays in the provision of supporting infrastructure.

...this resulted in an increased level of vacancy...

In 2009 there have been a couple of attempts to dispose of englobo sites within the precinct. These attempts were received with a decreased level of interest from a market that appeared to be more discriminating and price conscious.



Central Queensland

ROCKHAMPTON

Previously reported sentiment remains in the industrial market. It hasn't been setting the world on fire nor showing signs of decline. Fringe areas such as Gracemere

and Capricorn Coast generate little buyer interest in vacant land with some vendors and developers reducing previous asking prices.



We are seeing evidence whereby developers have entered the market place based on completed comparable sales some two to three years ago and are yet to start development.

Hindsight indicates the following development issues:

- Greater length of approval time than anticipated.
- More stringent development conditions than initially anticipated.
- More expensive development costs
- Larger council contributions

Some developers express frustration at the length of approval process although acknowledge recent improvements made by the council. While the original purchase price was comparable to other sales at the time, current feasibility studies would suggest the prior purchase prices could not be supported in the current environment. Going forward the market has solid prospects on a rebounding resources and employment market.

BUNDABERG

The Bundaberg industrial market has been soft over the past twelve months with very few sales. The size of the market is such that it is difficult to select a worst performing sector. Vacancy rates are increasing and tenants are becoming more difficult to obtain. Vacant buildings will likely be harder to sell although it may offer opportunities to owner occupiers. The probability of reduced rental levels (at least in the short term) higher yield rates and similar construction costs will likely combine to make vacant land the least desirable sector except to owner occupiers.

HERVEY BAY

The increase in supply of industrial strata titled units over the past 12 months has created a price ceiling for this market. Rental rates are beginning to fall as a consequence of oversupply and limited leasing demand. Lessors are also offering strong incentives to attract tenants. Owners occupiers are scarce, however if these premises are leased on sound terms, there still appears to be investors interested if priced appropriately. Strata unit sales have been achieving a yield range from 7.75% to 8.5% over the past 12 months. A large number of these sales however are below \$800K which suits a broad market from small scale investors to mum & dad super funds.

The recent increase in infrastructure contributions could question the viability of future developments, which may slow the level of supply and make existing buildings more appealing.

MACKAY

The Mackay industrial property market peaked in mid 2008. Rental growth occurred over the quarter as a result of strong demand in a climate of limited supply, but supply has increased since and rent levels are now softening and may contract further as developers jockey for tenants.

However, of more concern is the supply of industrial land. There is presently approximately 2,857,000 square metres of industrial land in 478 lots at Paget, of which 73% of these lots are improved with industrial premises. Approximately 575,000 square metres (or 20.1% of total existing supply) is vacant, but there is a further 1,060,000 in 184 lots either under development, with reconfiguration approval or in applications lodged with council.

Developer lot sales have ranged between 13 and 46 lots per year since 2003 or on average 25 lots per year, but only 3 developer lot sales have occurred to date in 2009.

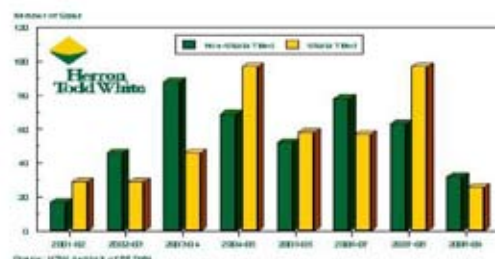
This is of some alarm, but there are signs of increasing enquiry and underlying confidence. China's demand for Bowen Basin Coal has increased. The latest figures indicate China has imported over 11 times the tonnage of coal in the 6 months to June 2009 than in the entire 2008 year. It is not clear if this trend will continue as China has tended to be a 'swing' importer. Japan and Korea imports have also increased significantly, resulting in a continuation of record exports of coal from Mackay over the past 4 months. If the current export tonnages are sustained we anticipate this will drive interest back into industrial development and expansion, but right now, the market is cautious.



Cairns

The Cairns industrial market has come back from its peak of early 2008 with a slowing in the rate of sales. The tight serviced industrial land supply situation that previously existed has now been alleviated to some degree with the State Government introducing some additional lots to the market at Woree, and there is now some land available albeit at ambitious asking prices. Ironically this has occurred at the same time as demand has slowed.

Our chart shows the number of sales of developed industrial properties in Cairns. It highlights a 64% reduction in the volume of sales during 2008-09, from a total of 160 sales in 2007-08 to 58 recorded sales in 2008-09.



Yields for industrial properties in Cairns have eased back by about 10% from the record low levels observed at the start of 2008. We believe yields for industrial premises at present analyse in the high 7% to low 8% range, from the 6.75% to 7.25% range previously evident. Commercial agents advise limited availability of good quality stand alone warehouse stock with reasonably good demand and rental rates appear to be holding. Strata titled industrial warehouses are proving more difficult to lease, with most demand being from owner occupiers as opposed to tenants.

Vacant industrial land has also shown a slowdown in the number of sales, from an average of approximately 40 sales per annum during the years 2003-04 to 2007-08, reducing to 17 recorded sales for 2008-09. The median industrial land price in Cairns has progressively increased from approximately \$90 per square metre in 2001-02, to approximately \$260 per square metre in 2008-09. In general terms, vacant land prices have probably dropped in the order of 10% since the market peaked in early 2008.

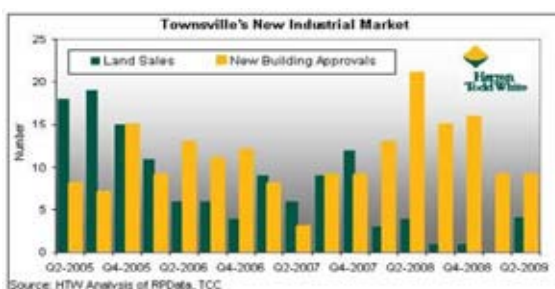
The more established industrial precincts have fared better during the course of the downturn, but having said that, we understand there are only 6 – 8 lots available at the South Cairns Business Park at Edmonton, with asking prices in the order of \$235 per square metre for average 1,000 square metre lots. These asking prices indicate a maintaining of value levels.



Townsville

Townsville's industrial property market continues to remain slow with few transactions occurring across all sectors. Confidence within this market remains low and vacancy rates are on the increase.

Industrial land sales have abated and building approvals have scaled back from the high levels reached during 2008. Nevertheless there were 49 new industrial buildings approved during 2008-09, with a total building value of \$56 million. Much of the present activity is the carryover effect from past economic conditions and we expect new industrial property development to be fairly quiet during 2009-10 in lagged response to the changed economic circumstances.



Demand for industrial englobo land has abated as a result of decreasing industrial land demand coupled with increasing stock levels on the market. The industrial

market in general has not performed well over the past 12 months, reflecting yields in the 8.0% - 9.0% range.

On a positive note, the industrial market, which generally lags the residential market, would appear to be approaching the bottom of the market and may present some opportunities for astute buyers.



Darwin

Picking a dud in the Darwin industrial market over the past three years would have required an extraordinary degree of skill or an even more extraordinary degree of bad luck.

Although the performance of some sectors has been merely stratospheric rather than out of this world, you would be hard pressed to find an industrial property owner in Darwin who doesn't sleep a lot easier at night now than 3 years ago. Maybe it is "catch-up" for the decade before, when values were stagnating or even falling, but whatever the reason, demand is now far outstripping supply.

...you would be hard pressed to find an industrial property owner in Darwin who doesn't sleep a lot easier at night now than three years ago....

As in any market, this has led to an increase in capital values. Because rental growth has been steadier, yields have been compressed to the stage where Darwin yields are now similar to or in some cases even lower than comparable property in other Australian capitals.

By way of illustration, land values in the industrial suburb of Winnellie (traditionally Darwin's preferred industrial area due to its proximity to the CBD) have risen from around \$120/m² in 2006 to anything up to \$450/m² today.

Some of this industrial land in Winnellie and Berrimah has been purchased for the purpose of constructing industrial strata units, suitable for owner-occupiers and small scale private investors.

A relatively large number of these units have been constructed and although the market has absorbed all the additional supply to date, we do have concerns as to whether an oversupply of this type of industrial property could emerge, especially in areas which have traditionally

been seen as secondary locations such as Yarrowonga and Pinelands (Eleven Mile). Anecdotal evidence suggests these types of properties are becoming harder to sell, although there has been no discernible decline in values to date.

The nature of demand for industrial property in Darwin is changing. Historically, Darwin has had no major industrial or manufacturing base so industrial property has mainly been required for smaller scale domestic functions. However the advent of the railway/port and gas/mining industries has seen the bigger end of town move into Darwin, requiring larger blocks of land with more extensive and more modern accommodation than the old Winnellie 2,000m² blocks can offer. A short drive through the East Arm industrial area, which a few short years ago was a virtual industrial wasteland, can confirm that large scale industrial accommodation is being constructed apace. Whilst smaller scale property can scarcely be described as being a dud, we believe that it is more at risk of experiencing difficult market conditions over the next 12 months.



Perth

In this issue the focus is on the unenviable task of uncovering the worst industrial property performers over the last 12 months. Obviously those holding interests in these areas are not likely to welcome having their suburb or sub-market sector exposed publicly. Generally, all industrial property values have been declining since the Lehman Brothers collapse one year ago, however, in comparison with the rest of the world, the corrections experienced locally pale into insignificance but are unlikely to improve in the short to medium term. The banking finance sector is still tight and recently at the Australian Property Institutes "Commercial Outlook" seminar confirmed that the banking sector will continue to adopt a cautious approach to lending. A lot of excitement is made about signs of recovery but there seems little reason as to why, other than government stimulus spending which is clearly double edged and perhaps only deferring the financial and economic pain to later. On the face of our current situation there is no doubt that following such a great financial disaster emanating from the credit crisis in the US that we have a long road to recovery. There are still reputedly over 190 US banks facing collapse and recent media reports suggest that relations between the US and China are declining and clearly having trouble adjusting to their co-dependency.

Western Australia is clearly advantaged by its abundant resources which are sought after by our trading partners, especially China, over our interstate counterparts. Nevertheless some property sectors have been experiencing declines more than others. Of the three commercial sectors, industrial property sales and turnovers seem to have experienced the greatest declines in comparison with office and retail. It must still be fresh in the minds of many readers the media stories abounding to mid-way 2008 of the great industrial land shortage and the great imbalance between demand and

supply, and all of a sudden the circumstances appear to have totally reversed. Although it is important to keep in mind when discussing the industrial sector, we are not discussing a single market. There still appears to be a shortage of large industrial land, both developed and undeveloped as recently declared by the chief of Linfox's Logistic and Property Division. This is in great contrast to the lower end of the market, where there is an endless supply of Strata Titled industrial units, which must be very confusing to the would-be purchaser. There is no reasonable way to compare so many properties which are currently on the market.

Despite this oversupply at the lower end of the market, our analysis still indicates that many of these purchases are too high, with analysed yields still within the 5-6% range. Of course, almost all of these sales are from owner-occupiers as no investor would purchase at these rates under the current economic circumstances, unless acting out of a reason other than economic. Moreover, there is significant evidence showing that rental rates are also waning and leasing out periods have also lengthened considerably, particularly in Perth's southern suburbs.



So why haven't properties in this sector adjusted significantly?

This is a difficult question to answer, as we rarely converse with buyers and when we do we are not likely to ask why they overpaid. One obvious reason is that when an owner-occupier purchases a property they tend to purchase for the long term, and having to juggle work commitments with buying a property would undoubtedly be difficult, particularly if they're facing a looming expiration on their current lease, or settlement on their existing sold property. These buyers are not generally active in the property market and most are probably quite unsophisticated in comparison with the developer or agent selling properties. So in many cases these purchases can be put down to time constraints and naivety, and over the intended holding period the premium they pay would hardly be noticeable.

The absence of investors in the industrial market is in stark contrast to a year or two ago when the market sector was filled with investors of all types, ranging from "Mum and Dad" to institutional and their current absence accounts for the significant declines in turnovers.

A significant problem in the market place is that the cost of buying land and building new industrial facilities almost always exceeds its end value. It is simply that land is still overpriced and building costs are too high. This has been a problem which existed prior to the financial crisis, although at the time many investors were not deterred as they expected that in no time the problem would self-correct with rising property values. The recent boom experienced in property are unlikely to ever return to the extent they did from 2005-2007, so some further correction is required in order to provide reasonable

returns to investors, as already mentioned rents are declining in this sector.



The worst performing industrial suburbs this year are undoubtedly in the southern corridor, where evidence shows some properties have declined as much as over 40%. In South Lake for example some recent sales indicate a decrease in value of around 42% and while this might be due to some extent to a 'last sale in the complex' it undoubtedly highlights how far adjustments can occur. Primarily the problem in the southern corridor is the over supply with literally hundreds of properties on offer. We often note properties being marketed by a number of agencies at ever declining prices. The 'For Sale' sign boards are so abundant it may account for the maintenance of sheet metal prices and could be used to build several more units on their own. Not only is there an over supply of established properties, there are also a high number of vacant properties up to 3,000sqm on the market. A lot of this vacant land stock has remained on the market for well over 12 months.

It's really of no benefit to anyone to attempt to focus on the 'improving economy' and not focus on the basic fact that too many properties on the market and the few that are sold are too expensive and disproportionate with its maximum return to the investor. Overall the worst performing sector is lower end industrial property sub-market, which is still in transition and not yet in a position to provide investor opportunities, other than the occasional distressed or mortgagee sale. The opportunities will only occur when properties in this sector begin to show returns proportionate with its alternatives and risks.



South West WA

With the exception of Bunbury, industrial properties in South West WA are generally confined to small estates within each of the various townsites. Industrial land is generally developed in line with demand/supply and values remain relative to the local economies.

Industrial land in Bunbury is generally more segmented with Davenport and Picton being lighter industrial in nature, Kemmerton providing for noxious type industry and the new Preston Industrial area aimed at servicing the expanding Bunbury Inner Harbour.

More recently Davenport is trending towards retail storage with 'Cash and Carry', Bunnings and development of the like. Kemmerton has been a long term project and is highly specialized however has failed to attract a large amount of new industry. The Preston Estate has witnessed a good deal of speculation amongst developers as the

proposed port access road is developed to compliment current rail access.

Of the small local industrial estates in the region there have been no areas of stand out worst performance. All showed growth through the property boom to peak around mid 2008 while development has generally slowed subsequently as a result of increasing economic uncertainty. Currently it is a buyers market for most sectors however there is little oversupply of vacant land. Although there is a reduced volume of sales and increasing stock numbers for either purchase or lease values have held reasonably well.

The majority of industrial development in the region is for owner occupation while most transactions have been for either owner occupation or purchased with vacant possession. Returns for investors is still relatively low and there is little design and construct projects as the growth in rents lag behind the asking price of land and current construction costs. Financiers are demanding pre-sales, large equity contributions or watertight rental agreements.

We expect the industrial property market to remain slow or possibly further weaken in the short to medium term. This could provide some good options for renters and opportunities for buyers if they are prepared to endure the slow period before a swing back to favourable market conditions for sellers and landlords.

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Rural – Market Directions

Market feedback around the country is mixed, which seems reasonable after one considers the different country types and climates evident across the length and breadth of the continent. Market sentiment appears, as always, to be closely linked to seasonal conditions. Generally sales activity is subdued and still well down from market peaks of 2006/08, however market confidence continues to improve as the effects of the global economic crisis fade.

Unfortunately many southern regions report no follow up winter rains and the likelihood of up to four consecutive crop failures in Murray River catchments such as Echuca and Riverina is fast becoming a reality. Demand and market activity in these regions is slow and if no decent rain is received soon the situation has been described as desperate. The Upper Murray is faring better, having experienced a great winter and early spring rainfall. The season has been described as the best for many years. Far Northern Queensland, ironically receiving the highest rainfall in the country, is in need of good follow up spring rains to boost sugar production and take advantage of a 30 year high in the world sugar price. North West Queensland experienced a bumper 2008 season, however is now bracing for some serious fire threats as a result of a large body of dry pastures.

Our rural valuers in the Northern Territory have provided insights into the abundance of irrigation resources in the Ord Irrigation Area around WA's Kimberley Region and untapped ground water in the Northern Territory. This is in contrast to cotton irrigators in the South West Qld's St George Irrigation Area who only have enough water to begin the season. Despite a probability of a 0% allocation for irrigation farmers in the Murray and Murrumbidgee systems there is reasonable sales activity for water entitlements. However, activity is being driven by Government, water utilities or investors, with little interest from farmers.

The agriculture versus mining land use debate continues in the Liverpool Plains region and our Tamworth office reports that local landholders have had a win over BHP Billiton, who have recently announced that they will not apply to mine the flood plains. Is this an indication that the community and our policy makers now recognise the

strategic value of good quality agricultural land?

Our Western Australian office comments on the sheep meat and wool industry, which appears to have kept a low profile in recent years. The Australian flock is historically well down on numbers as a consequence of many producers leaving the industry due to low prices. However, a positive outcome appears to be higher lamb prices as a result of scarcity.

In summary, rainfall and irrigation resources are a constant theme across all regions and markets and most farmers and graziers are in need of good follow-up spring rain for stock and crops as diverse as cereals and sugar cane. The resilience of farmers in the face of drought and ruin continues to amaze, with values holding or only subject to slight falls in most regions. We are still subject to the vagaries of the world market and a combination of the high Australian dollar and low world grain prices is likely to keep everyone honest.

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1 October 2009



Central North NSW

The debate over mining versus agriculture on the Liverpool Plains continues. It appears that the strong resistance and protests of a core group of landholders has made some headway with BHP Billiton recently announcing that they will not apply to mine the flood plains (but will still explore mining of the ridges) of the Liverpool Plains. Whilst many of the landholders remain skeptical about the long term certainty of this undertaking, it does suggest that their protests and those of their supporters have had a significant impact and that the mining community is listening.

There must come a time in the development of Australia that the true worth of sustainable agricultural production in perpetuity is recognized by the broader community and our policy makers... Perhaps the tide is changing? Whilst mining undoubtedly has figured prominently and

very positively in the development and wealth of inland Australia for over 100 years, the value of the proposed mining of some of Australia's most prime farming land is not something that can simply be measured by the "number of jobs" that are at stake or economic activity created in the medium term. If we were to apply that principle to the urban environment we would have developed Hyde Park and The Domain in Sydney long ago with high rise office or apartment buildings.

With recent forecasts of Australia's population reaching 35 million by 2050 (an extra 13 million more people to feed); we can ill afford to rely on the jobs/economic only argument to justify mining development in prime agricultural districts. Whilst the dollar value of agricultural production from a hectare of prime farming land on the Liverpool Plains does not compare favorably with the coal mine income (and the \$/jobs multiplier affect) from that same hectare in the short term, the potential adverse impact of mining on that hectare's production (and water resources below it) in perpetuity, is something which is too vital to be gambled with.

The reduction in the volume of water available to agriculture as a result of the Governments water buy back schemes, and Water Sharing Plans, coupled with the potential loss/reduction of production from Australia's best farming land, suggest that our land and water resource use policy makers need to be extremely careful about how their policy decisions impact on our capacity to provide food security for Australians over the next 50 years. Over the past 12 months an estimated 380,000 megalitres of water has been sold in Government buy back schemes in NSW. If we assume that none of this water is available for irrigated agriculture, it means that potentially up to 48,000ha of irrigated agriculture will be lost from production in NSW, in those years where 100% allocation was available. This estimate does not include the long term impact from irrigation entitlements which have been lost due to the introduction of Water Sharing Plans across the State.

There is no "new" prime agricultural land being created in Australia and whilst improved production levels and efficiencies have stood us in good stead in the past, and no doubt will greatly assist in the future, a significant drop in the amount of water available for agriculture, in an era of climate change/variability, is likely to have a profound impact on land uses, productivity and property values. The last thing we need is to also lose some of that capacity to maintain/increase production, through the mining of prime land such as on the Liverpool Plains.

Apart from the economic/productivity issues in this debate, there is also the serious question of the impact that any mining would have on the aesthetics of one of the most appealing rural landscapes in inland Australia. There can be no monetary value placed on that.

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Central West NSW

Yet again, the northern areas of NSW continue to receive rainfall, sorely looked for, in the central parts of NSW. The Coonamble and Walgett areas appear to be heading for a significant winter cereal season with parts of the Coonamble Shire receiving 25-50mm during the middle of the month with a follow-up rainfall of approximately 10mm another week or so later. Unfortunately for the central west areas storm fronts which have caused good precipitation for the northern areas have not ventured to the central areas of NSW and as such the winter cereal crop would be considered seriously threatened at present. The precarious nature of the season is evidenced by the large dust storm that passed through most of Western and Central Western NSW during the course of September. This would be one of the largest dust storms seen. The severe drought conditions currently across the far western areas of NSW did not help the level of dust carried across NSW and even to the coast.

The attempted auction of the irrigation property "Brangelbar" which is located approximately 90km south of Brewarrina on the Bogan River highlights the difficulty in the current market of inducing purchasers into the market for irrigation properties. While this property would be considered slightly unusual as it is located on an unregulated stream it has quite good quality levels of irrigation development, large storage and demonstrated production capacities yet it was still unable to gain a bid from the floor. This property included 1,400 hectares of developed irrigation and a 6,000 megalitre licence on the Bogan River. Storage on the property had a capacity of 4,000 Megs. It will be interesting to see if results can be achieved for the upcoming auctions of the irrigation holdings "Valhalla" Narromine and "Nithsdale" Walgett. Valhalla" is 1,045 Ha holding 44 km south west of Narromine and includes 530 Ha of developed flood irrigation in conjunction with 2,767ML of bore allocations. While "Nithsdale" is a 675 Ha holding east of Walgett on the Namoi River which includes 460 Ha of developed irrigation, 1,266 ML of general security licences and 2,914 ML of B class supplementary allocation.

The growing trend that we are noticing within the Macquarie Valley and its associated irrigation scheme stakeholders is the discussions occurring about the viability of continuing to hold large volumes of irrigation entitlement during these continued low allocation periods. The lost opportunity costs of the continued retention of these licenses is beginning to weigh on a number of producers and there are moves to liquidate the asset yet retain the developed irrigation country and utilize temporary transfer when available for any irrigation activities. These developments have been thwarted somewhat by the embargo imposed by the NSW Government on the transfer of water from NSW and the apparent withdrawal from the market by the government bodies looking to reduce the overall irrigation extraction pressure on the Murray Darling basin. While this current lack of interest from the State and Federal water purchasing authorities may be currently blamed on the NSW government water transfer embargo the reduced interest was evident prior to the embargo being introduced. Should the stated environmental outcomes

be achieved by the State and Federal Governments in relation to the irrigation extraction pressure on the Murray/Darling Basin then it would be possible that softening of water values would be evident and the market would then become dominated by industry driven interest rather than government dominated as it has been for the last 18 months.

Auction results continue to be thin on the ground for most areas in central western NSW. One property which did secure a result was "Springvale", located approximately 16km south of Dubbo. This 508 hectare property was mainly dryland cultivation and included a neat 3 bedroom homestead, machinery shed, hay shed, silos and access to a two stand electric shearing shed was passed in at auction at \$620,000 but a result is believed to have been negotiated at around the \$700,000 mark. This represents approximately \$1,370 per hectare (\$554 acre) and would while this would appear to be reasonably good buying it is perhaps is more evidence of the softening of the current market level at present. There continues to be reasonable levels of interest in the Brewarrina area with negotiations close to result on the property "Boneda". This property has been offered in conjunction with the close by holding of "Payera" and comprises a total of 8,590 hectares and we believe that the current negotiations are close to the asking price of \$52 per acre. This property has frontage to the Culgoa River and has a good level of improvements.

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Southern NSW

ALBURY & WAGGA WAGGA

The spring selling period is in full swing in southern NSW and northern Victoria, and the much anticipated big upswing in rural property listings is well under way. There are a relatively large number of properties on the market and agents report strong demand for many property classes.

The area to the east of Corowa and south of Wagga, up into the Upper Murray and well south into Victoria has experienced great winter and early spring rainfalls which have not been huge, but have been very timely. The season in this area is turning into the best for many years with crops looking great, Canola well above fence height and pastures growing well. Most of this area has actually received less rain at the end of August 2009 than for the end of August 2008 (which was a shocking year) - but it has all been perfectly timed. Unfortunately areas to the west of Corowa and north of Wagga have been experiencing a well below average season, and many crops have already failed in these areas, particularly as you head further west. Some crops can be retrieved for hay, but others have failed altogether - the 4th season in a row.

The properties that have hit the market in the areas experiencing the good season have attracted strong buyer interest, with two properties selling before auction at strong prices that do not show any decline in value.

A third property has sold privately that was only on the market for under a week - again at a strong price. The general feeling is that these properties are being purchased by farmers "buying feed" as the properties that have sold so readily have been destocked and have a bulk of feed, making them attractive to farmers who are located in areas that are suffering poor seasons. There are several other properties scheduled for auction in the next 6 weeks, and it will be interesting to see if the strong interest continues.



It is a different story for properties that are not located in the small area experiencing a good season. There have been several offered for sale, however interest has not been strong and those that are selling are the more highly developed properties with good yield or stock carrying histories. The less productive properties are attracting little interest and are proving to be more difficult to sell.

Water entitlements are selling well (mainly to the Government, water utilities, or to water investors) with little interest coming from irrigation farmers as the Murray and Murrumbidgee systems look like getting 0% allocation for general security water for the coming irrigation season. Storages are slowly filling - Hume is now 27% - down from 31% at the same time in 2008; Dartmouth is at 23.5% - up from 17.5% at the same time in 2008; Blowering is at 38% - down from 48% at the same time in 2008; and Burrinjuck is at 39% - down from 46% at the same time in 2008. So it does not look too good for irrigators for the upcoming irrigation season with all storages on the Murray and Murrumbidgee systems below the levels at the same time in 2008, except Dartmouth which is up a bit on the same time last year. The only thing that will save the situation is massive rainfalls in the catchments over the next 2 months, as there is not a lot of snow left to fill the storages.

GRIFFITH AND LEETON

With winter rains being non-existent and the onset of 30+ degree days, the winter crops throughout the region are in varying conditions depending mostly upon soil types and subsoil moisture levels. Summer irrigators on the Murrumbidgee are looking slightly more pleased than their dryland counterparts with an increase to 60% allocation for surface irrigators with high security water entitlements and still nil allocation for general security. Bore irrigators have had full allocation since the opening of the season.

The doom and gloom in the seasonal conditions is certainly being reflected in the rural property market with a number of properties listed for sale with little buyer interest. Reports indicate the agricultural credit markets are still tight with lenders currently reviewing loans in place to ensure loan to value ratios are remaining within criteria. There have been no significant sales to date to indicate a major change in values in the region over the past year. We expect, with the failure of winter

crops in some dryland areas for the fourth and fifth years in a row, that significant pressure will now be placed on a distressed market to sell which will, with no doubt, result in a reduction in dryland values across a wide region.

The recent hard times facing the MIS industry has not left this region unscathed. Great Southern own a number of properties in the region, some of these were purchased only 18 months ago at market topping prices. Since the collapse this has effectively taken top end out of the viticultural, market bringing values back to something more reasonable over the shorter term.

The only sale of interest to report this month is the part sale of "Langs Crossing" at Hay. Located 5km to the east of Hay the 5033Ha irrigation aggregation at Hay has been on the market for about 2 years. Asking price was \$7.5million which included 5920 megalitres of water entitlements. Full sale details are not available at this time, but it is understood that the dryland portion of the property has been sold with owners retaining all developed irrigation areas and water entitlements. The sale listing indicates an area of 1300Ha was developed to irrigation.

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Regional Vic

MILDURA

Still no rain in the past month (although as I put pen to paper there is light rain falling) has most growers on edge. Whilst most other that parts of Australia are expecting average yields or better, the same cannot be said for north west Victoria and south west New South Wales with the season becoming desperate for local dryland grain growers and graziers.

It is apparent at this early stage that many crops have failed, particularly those on heavier soils, and livestock have been released to graze on what growth that is there. The crops that are still hanging on, generally on the lighter sandy country, will need rain this week to provide some harvest at least. The combination of low yields, high Australian dollar and poor world grain prices is likely to test many farmers going forward.

A positive in the dryland sector is that values for sheep and lambs remains firm with good prices recorded right across recorded sales in Victoria and southern NSW so far during September.

Irrigators in the region have received a boost with

announcements in mid September which now provide a 13% irrigation allocation for the 2009/2010 season on the Victorian side of the Murray River, and 50% of allocation on the NSW side of the Murray River for High Reliability water. Water values have eased slightly with current levels in this region trading for approximately \$2,200/mgl in Victoria and \$3,050/mgl in NSW.

Whilst this allocation is positive, there has been little joy in the wine grape industry not only locally but almost every variety and region in Australia appears to be struggling. The excessive planting of wine grapes in the 10 years preceding and including 2004/05 has virtually resulted in the current dilemma of over supply. The real losers appear to be the small growers who are being squeezed out of the industry due to this reported 25-30% over production.

As reported in the last months review in regard to the announcement of the Australian company Solar Systems to build a \$420 million large-scale solar power plant south of Mildura, it was announced in mid September that this company has been placed into receivership which is a blow to the area. On a brighter note it has been revealed that other companies have shown interest to develop such a power plant and hopefully a positive announcement is forthcoming in the near future.

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Southern QLD

The continuing hot and dry conditions are playing havoc with the winter wheat crop. There is currently a mixed bag of results across the Darling Downs. For the Southern Downs, there has been a fall of around 25 millimetres in the renowned 'Golden Triangle' of North Star, which has boosted the potential of the wheat crop in that region. There were also falls in the Mungindi and Goondiwindi district, but parts of the region remains in the balance, with no significant in crop rain since planting.

Irrigators are gearing up for this summer's cotton crop with some crop already in the ground. We understand the St George Irrigation Area has only enough water to begin the season and will require some further water supplies during the summer period. The Border Rivers and Weir River areas have good supplies of water in storage.

Grazing country west of Talwood has seen some increase in activity with a number of recent sales. Our analysis suggesting a range of between \$410 and \$885 per Ha (Treated Fenced and Watered). The most recent sale that we are aware of was analysed at \$715/Ha (TFW). This was for a property with a high proportion of cultivation. We feel that on a productive unit basis, these sales have shown \$2,865 to \$4,415 per Adult Equivalent. Overall, we feel this is a slight drop from the highs of 2006 to 2008.

Of interest in these sales is the attention paid to the presence (or absence) of a Property Map of Assessable

Vegetation (PMAV). While we cannot attribute a value directly to the PMAV, the informed investor is taking some comfort in the presence of the PMAV as part of his or her assessment of the future productivity gains, or the potential of further restrictions on normal land management practices and this affect on possible capital growth.

The next month will hopefully bring some general crop finishing rain and an improvement to winter crop prices, as well as reports of a solid start to the summer cropping program.

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Central QLD

A very interesting month in the Central Queensland rural property market with a number of key indicators providing an insight to a steady market.

“Eastmere” sold at auction for \$10.55M WIWO easing slightly from the July 2008 sale result of \$9.95M bare. The auction saw good competition from the floor with the final result reflecting around \$215/ha or \$2,500/BR improved for the 43,700 ha parcel which has been extensively developed. Although a slight reduction on the previous sale, demand appears sound, albeit with a minor correction in values achieved.

Other area sales include “Fitzroyvale” which also sold at auction and found good interest for a larger coastal grazing aggregation. The property comprises 8,167 ha of freehold grazing land in 24 titles with a carrying capacity in the order of about 5,000 cattle. This sale indicates around \$4,200/AE for improved coastal grazing country, and is considered consistent with the market for property of this nature. Two blocks remaining from the original “Fitzroyvale” aggregation – “Balnagowan” and “Elgallla” failed to sell and were passed in at the auctioneers bid of \$20M and \$4M respectively. It is expected that these properties will reach sale with a number of interested parties looking to achieve a result.

The much anticipated auction of the Acton group of properties comprising the Bowen Downs aggregation north of Aramac and Rugby Run west of Moranbah tested the heavy end of the market. At the well attended auction all blocks fail to sell under the hammer, however negotiations are reported to be continuing.

The Dawson Valley brings some hope to a somewhat bland market environment with the sale of a district scrub block to a Sydney based purchaser, reported to reflect values just under \$1,200 per acre. This is supportive to the continuing demand and maintenance of values for premium classes of country.

We expected the Central Queensland market to remain relatively stable with key finance and market fundamentals

remaining strong. Seasonal condition have been sound with a good body of feed present in most areas, however with a rapidly drying landscape, good summer rains will certainly be welcome.



Far North QLD

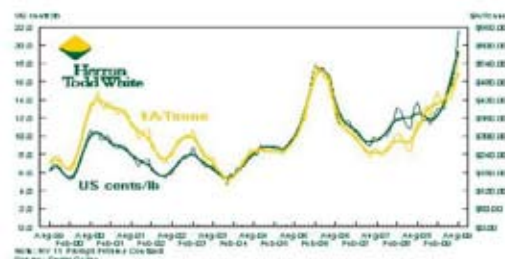
The past few months have brought fine and dry weather to the Far North and ideal harvesting cane harvesting conditions.

Under most circumstances this would be a positive result, however the extended dry weather is now becoming a problem and affecting crop yields. The recent winter has been one of the driest on record and local farmers have planted more cane than usual to take advantage of record sugar prices which have reaches 30-year highs of \$600 per tonne. Farmers are reporting that without some heavy rain in the next few weeks many will be out of pocket due to low yields, particularly from the newly developed plant cane, which usually provides the highest yield.

The low rainfall is likely to reduce overall tonnages throughout far northern mills, thereby somewhat negating record price contracts, and watering down the flow-on effects in the northern rural economy. Forecasts from the weather bureau predict there is a 70% chance that rainfall will not exceed the median for past years from September to November.

In what is a bit of a paradox, farm selling agents report few cane farm sales as a number of vendors have increased their asking prices in attempt to ‘cash in’ on the perceived optimism in the industry due to high world sugar prices. The following is an extract from a recent sugar industry overview undertaken by Herron Todd White’s property economist, Rick Carr.

Like many commodity based industries, Queensland’s sugar industry is subject to boom and bust cycles as the commodity price fluctuates. Recent years have seen world sugar prices climb from a dismal US 4.7 cents/lb at the end of 2003 to a high of US 18.0 cents/lb in February 2006 (see Figure 1). World sugar prices have also been climbing strongly in recent months, to reach a 30-year high of US 21.7 cents/lb in August 2009.



Movements in the world sugar price are the result of cumulative market effects including seasonal influences of drought and cyclones in the major producing countries. Other global influences include the extent of subsidized sugar exports by producers such as the European Union, and the extent to which high world energy prices result

in cane production being diverted to ethanol, especially in Brazil, thereby reducing the world sugar supply. The additional factor, from an Australian perspective, is the value of the Australian dollar, which influences the returns received by Australian producers. The present world sugar prices equate to price level in Australian dollars of approximately \$420 per tonne, a relatively favourable level by historical standards.

Prices for sugar futures traded indicate a belief that sugar prices will climb in US dollar terms over the coming eighteen months. Though future price movements in Australian dollar terms will also be dependent on any further movement in the \$Aus exchange rate, futures prices imply a continuation of favourable conditions.



World Sugar Outlook

The Australian Bureau of Agricultural and Resource Economics (ABARE) is expecting the world sugar price to be maintained at reasonably favourable levels over the next two years, before easing under the pressure of steadily increasing world sugar production towards 2013-14. The key factors underpinning world sugar prices over the medium term are: production reductions in the European Union induced by government policy reforms; the positive demand effects of strong income growth in developing countries, such as China and India; and the increasing diversion of Brazilian sugar cane into ethanol production.

ABARE also comments that the process of structural change in the Australian sugar cane industry is likely to continue over the medium term, with reductions in the number of cane growers and increases in the average size of cane farms.

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Northern Territory

With a number of both large and small horticulture properties currently on the market in the Territory, it is probably worthwhile providing a brief overview into the pros and cons of horticultural production in the Northern Territory which is essentially centred around three major areas:

- Alice Springs/Ti Tree which is a major supplier of early season table grapes to southern markets
- Katherine region, producing mangos, citrus and melons. There is also some horticultural production from groundwater in the Douglas Daly area northwest of Katherine.

- Greater Darwin region, producing mangoes, bananas, Asian vegetables and exotic fruit.

In addition the 16,000 hectare Ord Irrigation Area centred around Kununurra in Western Australia's East Kimberley region is an established producer of horticultural crops including melons, vegetables and now Indian Sandalwood (in abundance). There are also several larger scale irrigated horticultural properties in the west Kimberley district around Broome.

With large areas of relatively undeveloped freehold land and the potential for groundwater irrigation development, there has always been considerable scope for further expansion of horticultural and irrigated crops in both the NT and Kimberley, and this is what attracted several major growers over this way over the last ten years or so. Toward the latter half of the bull market run, say 2007/08, well established eastern state producers including corporate sized melon, banana and peanut growers, looked to the NT to buy land and water that was "comparatively cheap" and base large components of their companies there in order to spread their production and geographic risk. Melon growers, mainly in the Katherine/Mataranka (and one large grower in Darwin) are there because of the potential for significant out of season premiums. And north in the Darwin rural area a large Queensland based banana grower has set up (despite the existence of Panama disease which significantly increases production costs) to capitalise on year round production to supply the domestic market, particularly when cyclones ravage the main banana growing hub in Innisfail/Tully as Cyclone Larry did back in 2006. There is reportedly a much higher frequency of cyclones in the Innisfail area compared to Darwin and major supermarket chains have more recently urged growers to spread their geographic risk.

..at present, there remain several large scale developed irrigation properties on the market..

However, there are a number of obstacles affecting the growth of these industries including:

- Long distances to major markets and the associated high transport costs which also lead to high development costs.
- Lack of local agronomic expertise to maximise economic returns.
- Limited farming support services such as machinery dealerships, merchandise suppliers, contract harvesters.
- Shortage of labour at peak times, especially experienced farm workers.
- Government policy initiatives such as land clearing controls, further water regulation and the ban on cotton growing in the NT.

Horticultural type property in the NT is therefore a niche market with a very limited number of suitable properties available for sale. The lack of economies of scale for many of these horticultural industries can impact significantly on the marketability of even the most well set up property. In addition, the significant rises in land values over the past six or seven years as well as the higher cost of development compared to the east, has taken some of the shine off this "potential" as has the tightening ground

water allocations in the Katherine District.

At present, there remain several large scale and well developed irrigation properties on the market in the Darwin and Katherine districts which are attracting less interest than would have been the case some twelve to eighteen months ago. One of these has a cleared and irrigable land component as well as a substantial and secure water allocation that is nearly unmatched in the NT. A large Central Australian table grape farm with substantial irrigation capability will also go to auction next month, having been on the market for sale now for an extended period. Given the slow market conditions and steadily increasing supply (with several more horticulture properties likely to list for sale in coming months), now might be nearing the best time to buy a horticultural property in the NT for the brave but well informed investor.



Pumpkins in Katherine

Correction: In the September edition of the Rural Review the NT/Kimberley article incorrectly included "Dixie" in the list of pastoral lease for sale. "Dixie" is not a pastoral lease currently for sale.

Contact:

Frank Peacocke Ph: (08) 8941 4833



South West WA

Late August, early September in Western Australia is time for the Field Day circuit with Dowerin and Newdegate being the main events on the rural calendar in the southern half of the agricultural area. This years events were notable for the lack of agribusiness exhibitors compared to recent years with the big four banks in particular not having as much exposure as in the past. Consultants spoken to indicated there is a general optimism for the agricultural industry in WA that is becoming increasingly reliant on cereal cropping as the season to date is progressing well. There is concern with the price of grain dropping as well as some indecision on how best to market this years crop.

Through recent travels in the Wheatbelt, crops are generally coming on well. Growth is not particularly high but overall they seem quite even and have good colour. Canola is patchy in parts with better crops closer to the coastal areas east of Perth, and less dense crops further inland. The growing season south and south east of Perth is lagging this year due to the late start but with steady

rains already in September, there is still a good chance of above average yields through most parts of this region.

Scarcity of lamb is also a topical point at the moment with the WA flock well down on numbers as returns for wool and meat have meant the sheep trade has been largely unviable. Some local abattoirs have closed down their sheep processing facilities due to the lack of numbers. The growers persisting with sheep are seeing some vindication at present however as the scarcity has seen improved prices at the gate and if consistent returns can be sustained and cereal prices remain low relative to input costs, there may be a return to a more equitable balance of mixed farming in the near future.

Contact:

Peter Lee-Steer Ph: (08) 9791 6204

Comparative Property Market Indicators - September 2009

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

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

Comparative Analysis of Capital City Property Markets



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

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

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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:

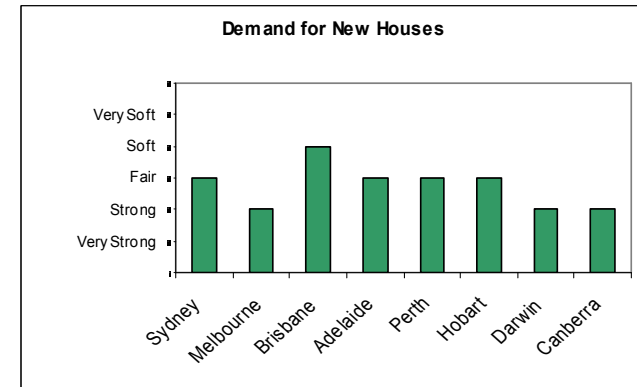
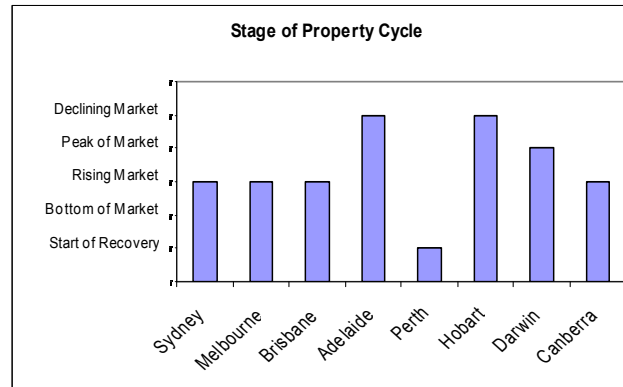
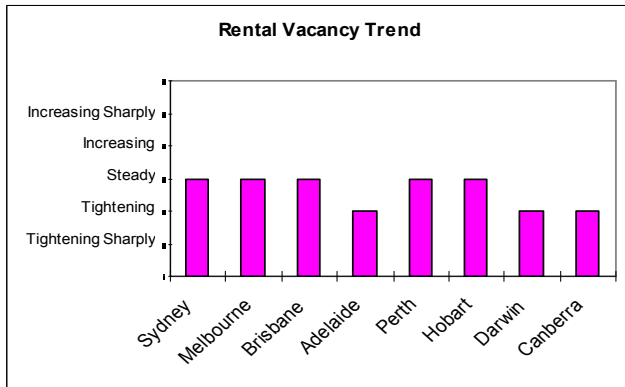
Adelaide	(08) 8231 6818
South West WA (Bunbury/Busselton)	(08) 9791 6204/ (08) 9754 2982
Perth	(08) 9388 9288
Darwin	(08) 8941 4833

Capital City Property Market Indicators as at September 2009 – Houses

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

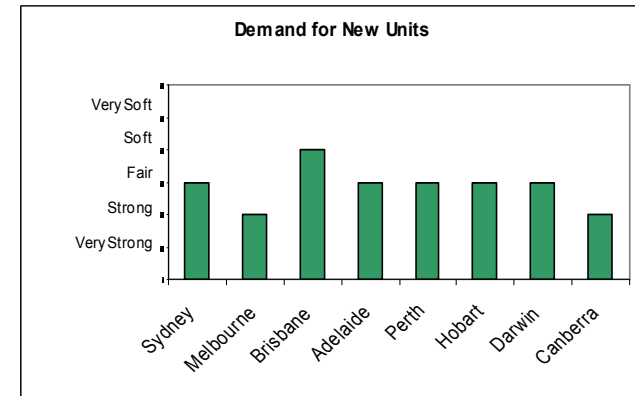
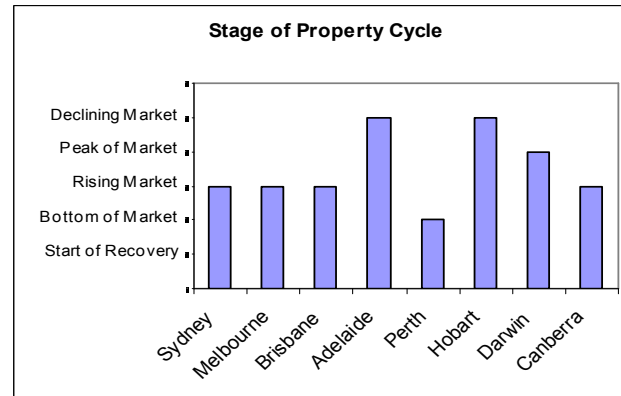
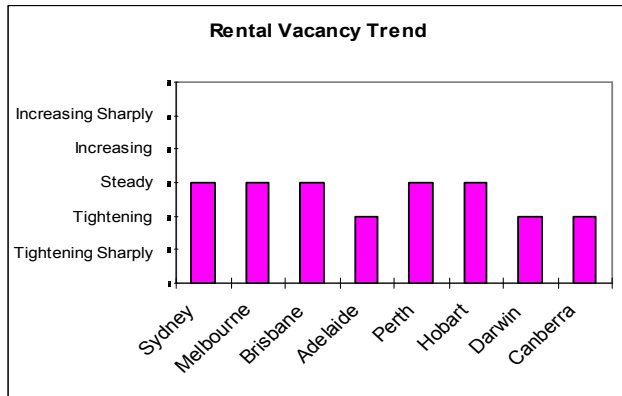


Capital City Property Market Indicators as at September 2009 – Units

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

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

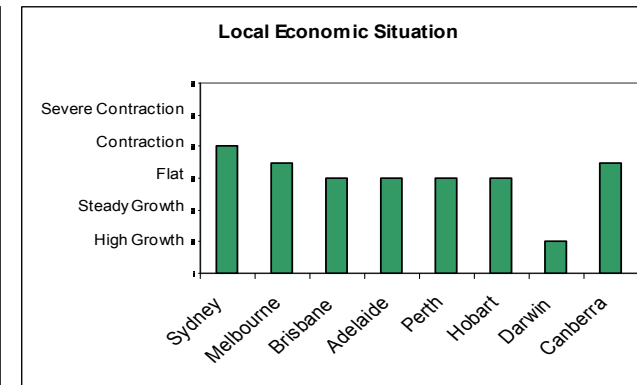
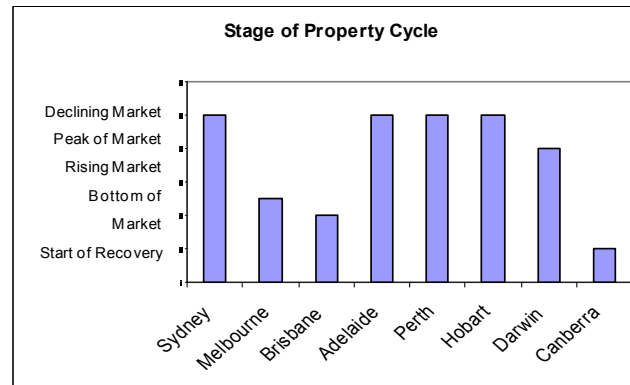
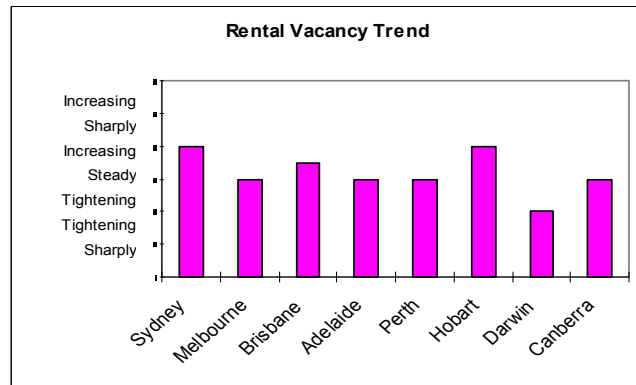


Capital City Property Market Indicators as at September 2009 – Industrial

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

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

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

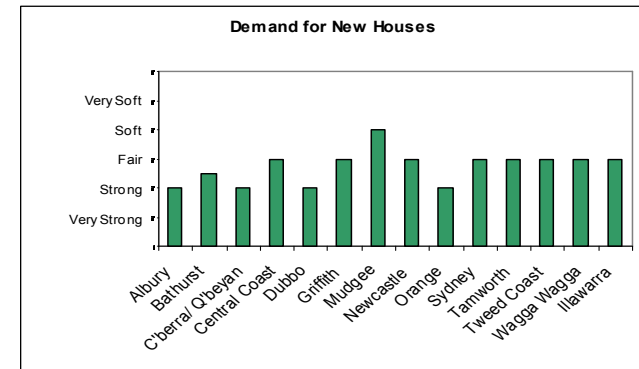
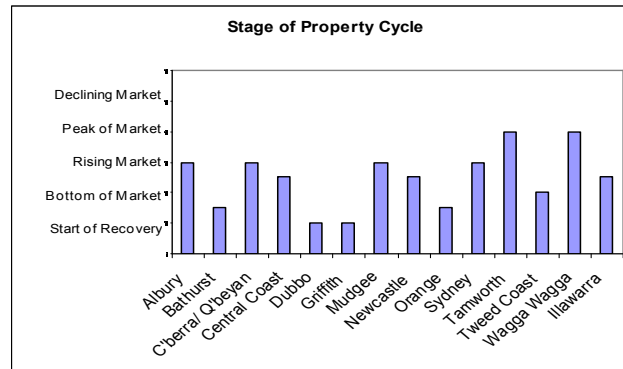
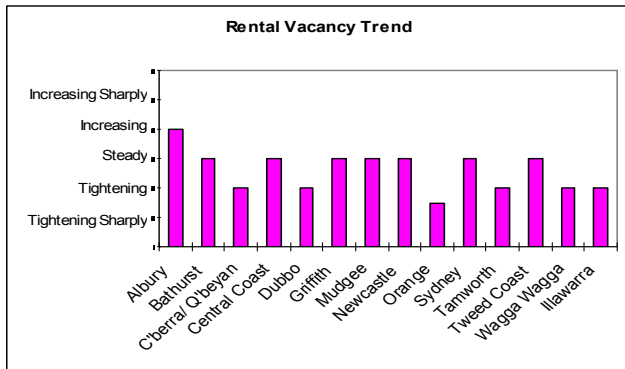


New South Wales Property Market Indicators as at September 2009 – Houses

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

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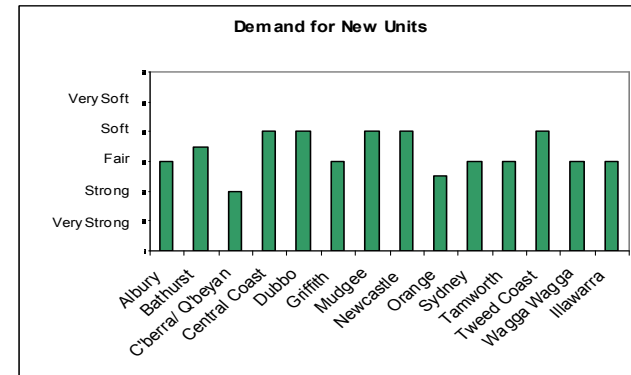
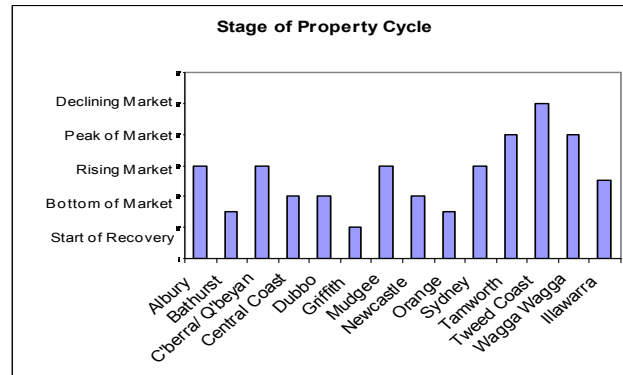
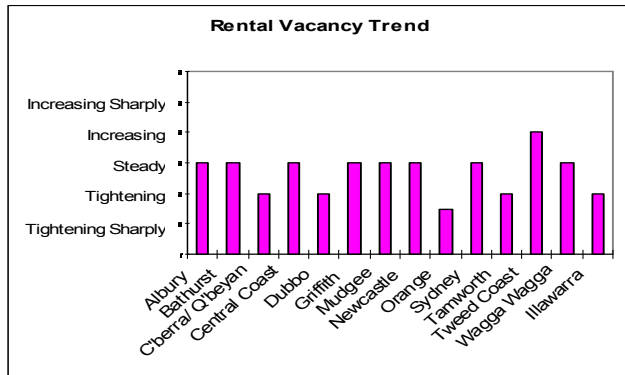


New South Wales Property Market Indicators as at September 2009 – Units

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 - Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	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	Steady	Tightening	Steady	Tightening	Steady	Steady	Steady	Tightening sharply - Tightening	Steady	Tightening	Increasing	Steady	Tightening
Demand for New Units	Fair	Soft - Fair	Strong	Soft	Soft	Fair	Soft	Soft	Fair - Strong	Fair	Fair	Soft	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Increasing	Steady	Declining	Steady	Declining	Steady	Steady - Increasing	Steady	Steady	Declining	Steady	Declining - Steady
Volume of Unit Sales	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing - Steady	Declining	Declining	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	Peak 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	Almost never	Almost never	Frequently	Occasionally	Frequently	Occasionally	Frequently	Occasionally	Very frequently

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

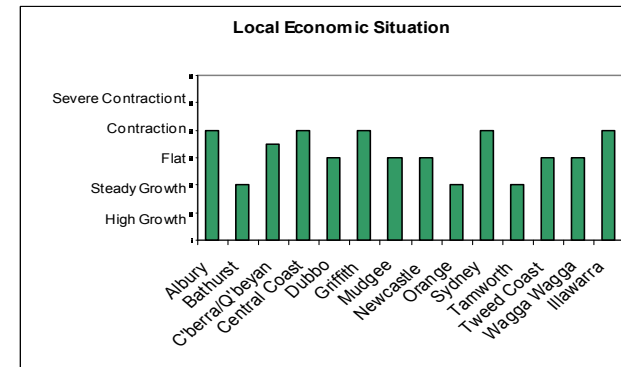
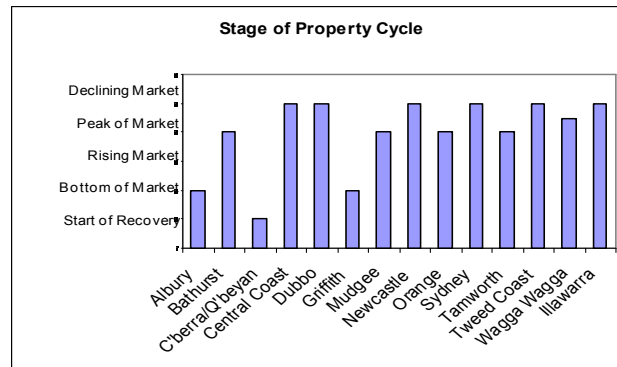
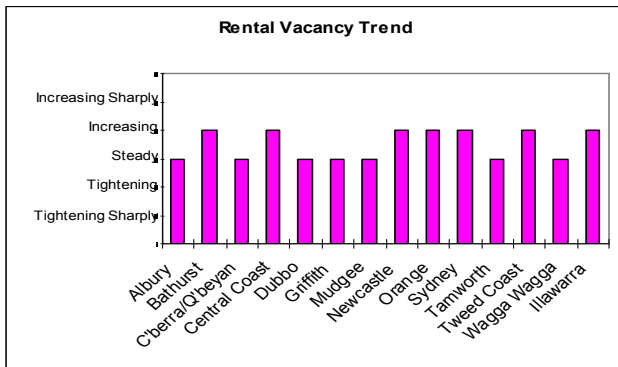


New South Wales Property Market Indicators as at September 2009 – Industrial

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

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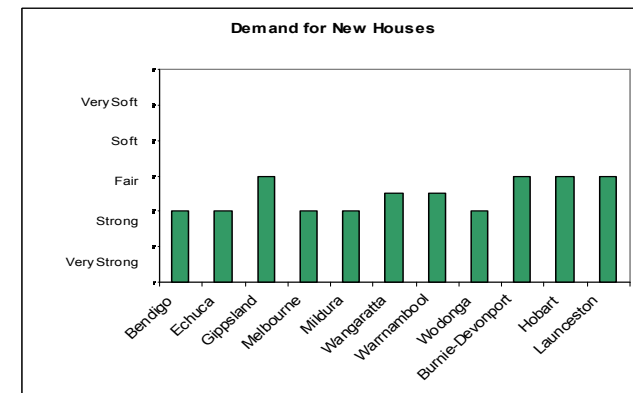
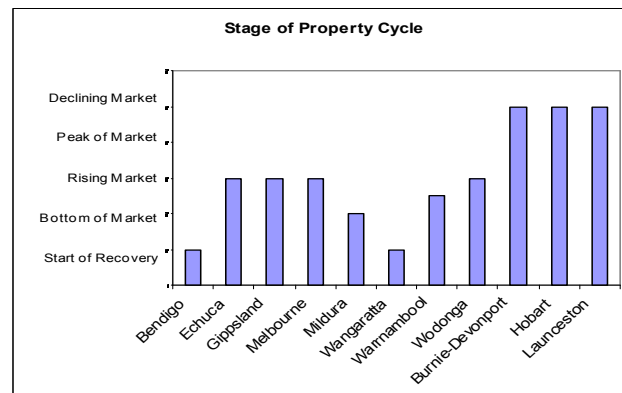
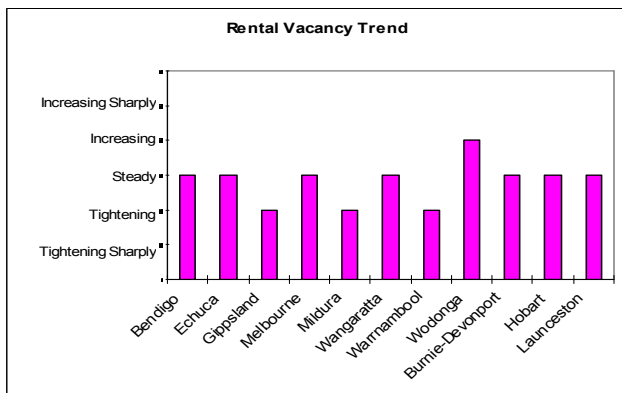


Victoria/Tasmania Property Market Indicators as at September 2009 – Houses

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

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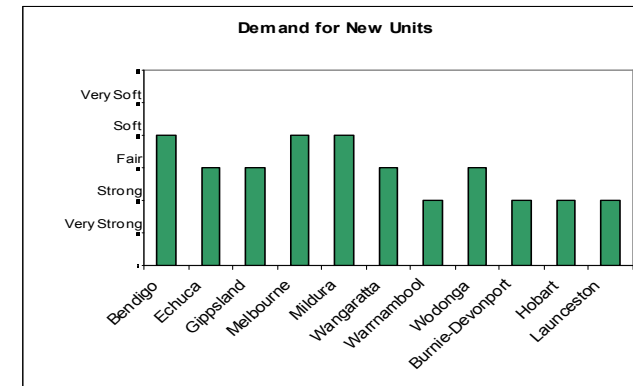
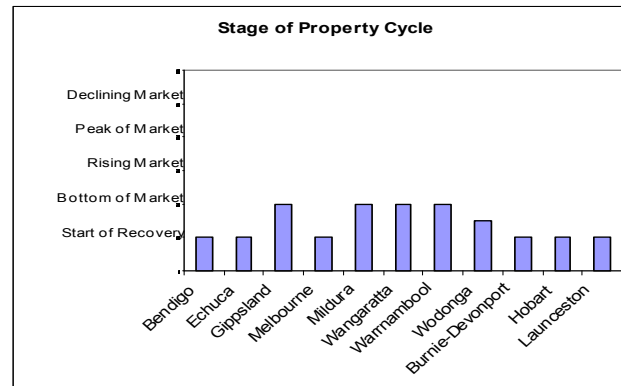
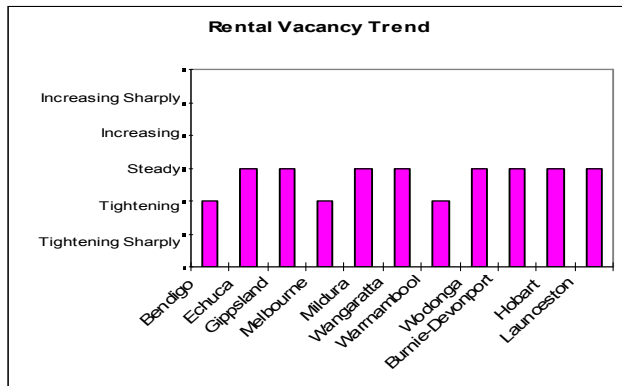


Victoria/Tasmania Property Market Indicators as at September 2009 – Units

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

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

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

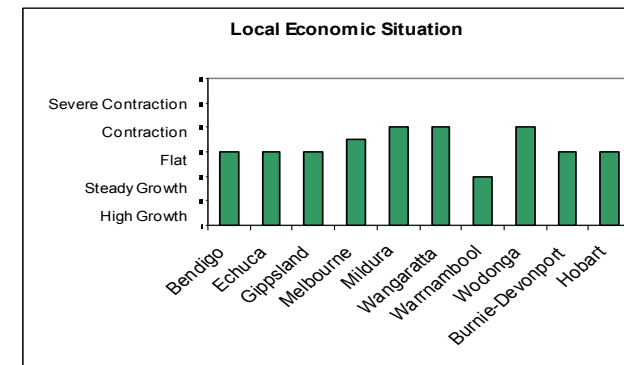
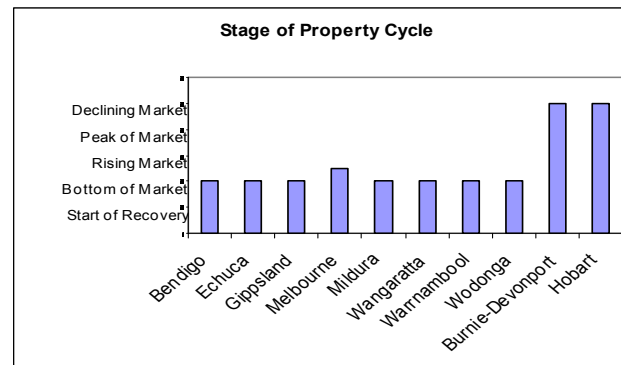
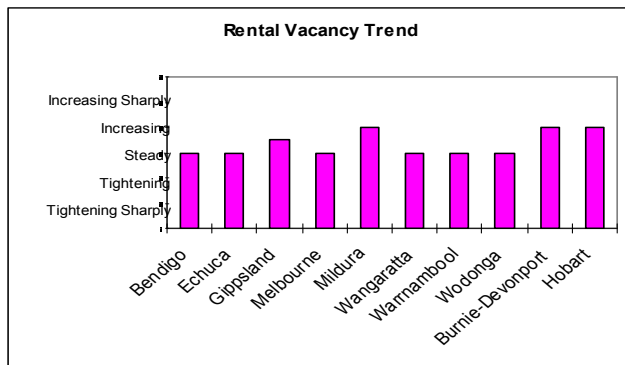


Victoria/Tasmania Property Market Indicators as at September 2009 – Industrial

Factor	Bendigo	Echuca	Gippsland	Melbourne	Mildura	Wangaratta	Warrnambool	Wodonga	Burnie - Devon-port	Hobart	Launceston
Rental Vacancy Situation	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	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady - Increasing	Steady	Increasing	Steady	Steady	Steady	Increasing	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Declining	Steady	Steady - Declining	Steady - Declining	Declining	Declining	Steady - Declining	Declining	Declining	Declining	Declining
Stage of Property Cycle	Bottom of market	Bottom of market	Bottom of market	Bottom of market - Rising market	Bottom of market	Bottom of market	Bottom of market	Bottom of market	Declining market	Declining market	Declining market
Local Economic Situation	Flat	Flat	Flat	Flat - Contraction	Contraction	Contraction	Steady growth	Contraction	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Small	Small - Significant	Small	Significant	Small	Significant	Small	Small	Small

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

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

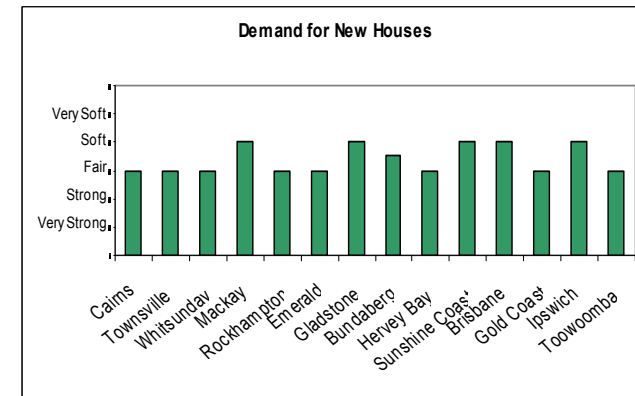
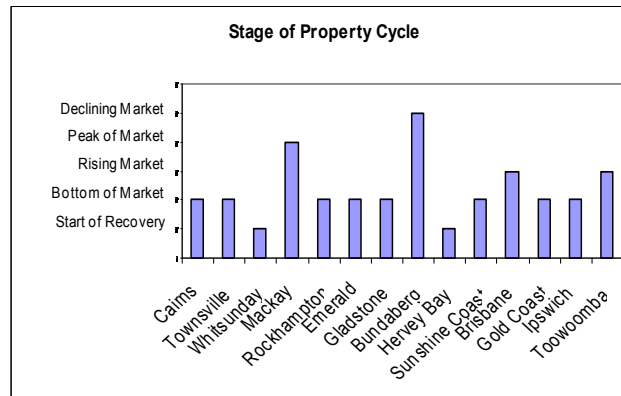
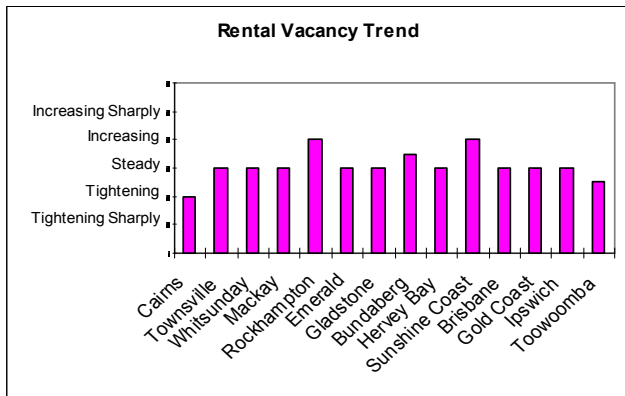


Queensland Property Market Indicators as at September 2009 – Houses

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	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Steady	Steady	Increasing	Steady	Steady	Steady - Increasing	Steady	Increasing	Steady	Steady	Steady	Tightening - Steady
Demand for New Houses	Fair	Fair	Fair	Soft	Fair	Fair	Soft	Soft - Fair	Fair	Soft	Soft	Fair	Soft	Fair
Trend in New House Construction	Increasing	Increasing	Steady	Declining	Steady	Steady	Declining	Declining - Steady	Declining - Steady	Declining	Steady	Increasing	Declining	Increasing
Volume of House Sales	Steady	Increasing	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady	Declining significantly	Steady	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	Rising market	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

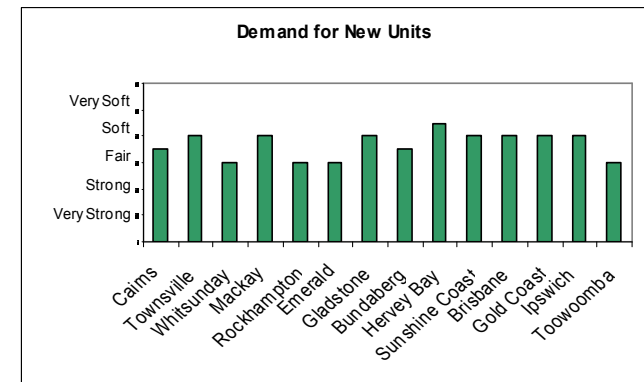
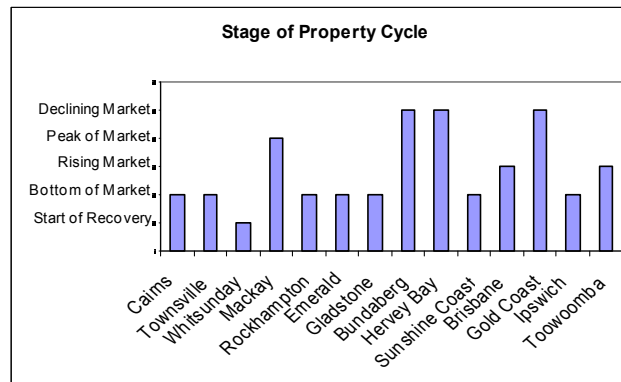
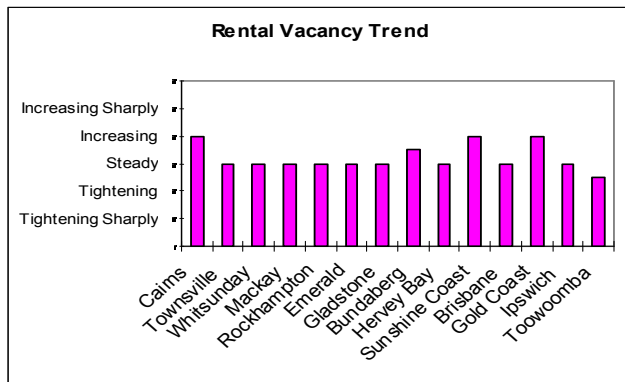


Queensland Property Market Indicators as at September 2009 – Units

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	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
Rental Vacancy Trend	Increasing	Steady	Steady	Steady	Steady	Steady	Steady	Steady - Increasing	Steady	Increasing	Steady	Increasing	Steady	Tightening - Steady
Demand for New Units	Soft - Fair	Soft	Fair	Soft	Fair	Fair	Soft	Soft - Fair	Very soft - Soft	Soft	Soft	Soft	Soft	Fair
Trend in New Unit Construction	Declining	Declining	Steady	Declining	Steady	Steady	Declining	Declining - Steady	Declining significantly	Declining	Steady	Declining	Declining	Increasing
Volume of Unit Sales	Steady	Increasing	Increasing	Steady	Steady	Increasing	Steady	Steady	Declining - Declining significantly	Declining significantly	Steady	Declining	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	Rising market	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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Blue entries indicate change from previous month to a lower risk-rating

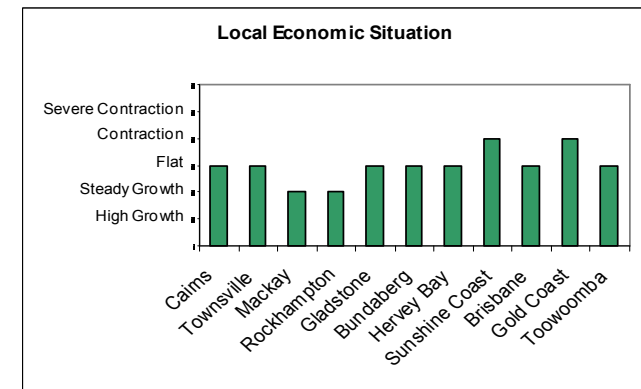
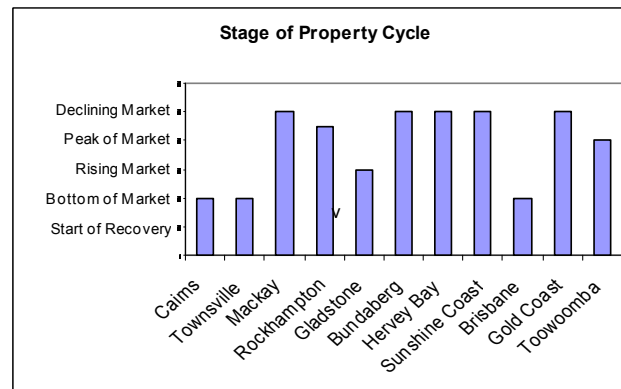
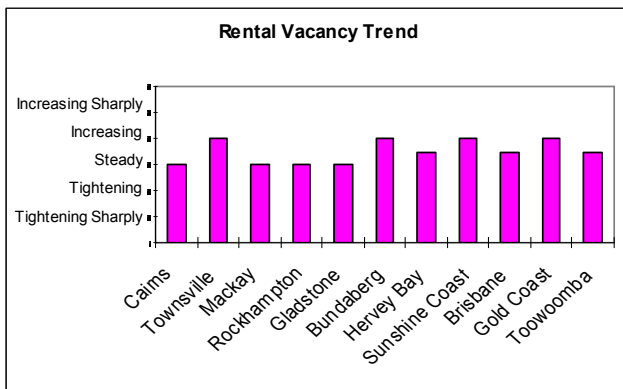


Queensland Property Market Indicators as at September 2009 – Industrial

Factor	Cairns	Townsville	Mackay	Rockhampton	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Gold Coast	Toowoomba
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	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
Rental Vacancy Trend	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady - Increasing	Increasing	Steady - Increasing	Increasing	Steady - Increasing
Rental Rate Trend	Stable	Declining - Stable	Stable	Declining - Stable	Stable	Declining - Stable	Declining	Declining - Stable	Declining - Stable	Declining	Stable
Volume of Property Sales	Steady - Declining	Steady	Declining	Steady - Declining	Steady	Steady - Declining	Steady	Increasing - Steady	Increasing	Steady	Steady
Stage of Property Cycle	Bottom of market	Bottom of market	Declining market	Peak of market - Declining market	Rising market	Declining market	Declining market	Declining market	Bottom of market	Declining market	Peak of market
Local Economic Situation	Flat	Flat	Steady growth	Steady growth	Flat	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 - Large	Significant

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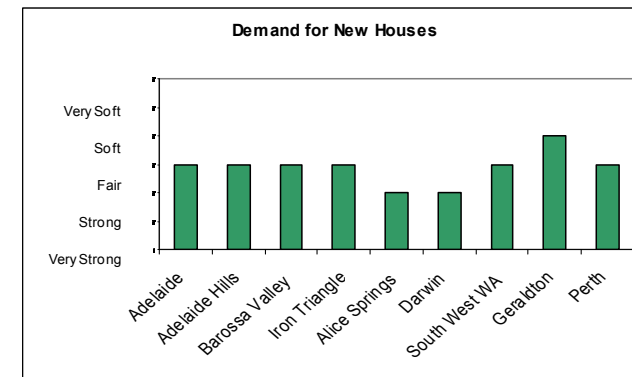
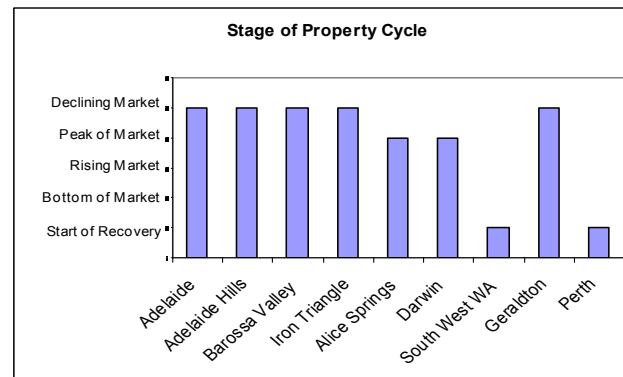
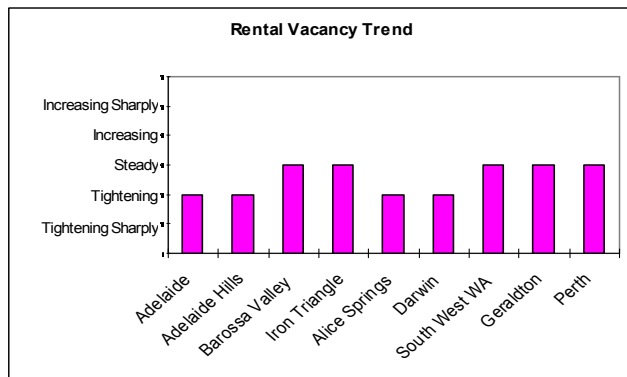


Northern Territory, South Australia & Western Australia Property Market Indicators as at September 2009 – Houses

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

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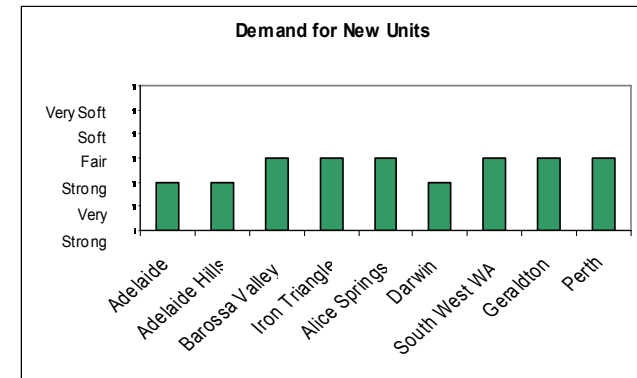
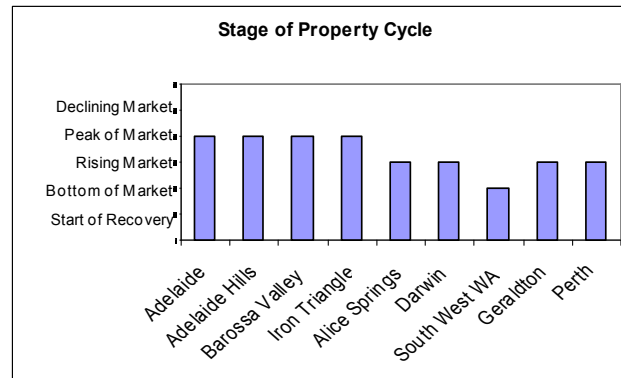
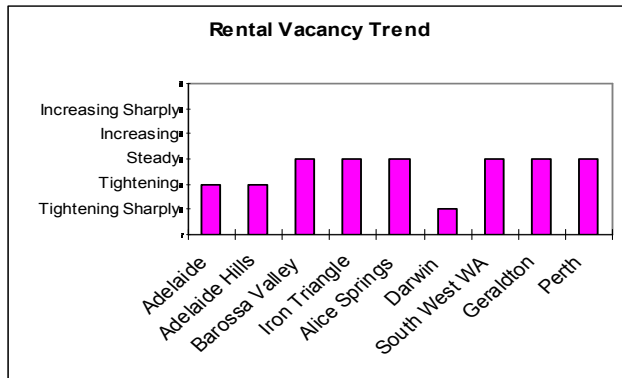


Northern Territory, South Australia & Western Australia Property Market Indicators as at September 2009 – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Iron Triangle	Alice Springs	Darwin	Bunbury	Busselton	Dunsborough	Geraldton	Perth
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Severe shortage of available property relative to demand	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Tightening	Tightening
Demand for New Units	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady
Volume of Unit Sales	Declining	Declining	Declining	Declining	Steady	Steady	Increasing	Steady	Steady	Declining	Declining
Stage of Property Cycle	Declining market	Declining market	Declining market	Declining market	Peak of market	Peak of market	Start of recovery	Declining market	Bottom of 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 September 2009 – Industrial

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

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