

May 2018

Month in Review



Fifty Years of Property Valuation | 1968 - 2018

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Disclaimer

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

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Money, money, money.

Australia's prestige sector. Across the gamut of property there's one segment that always stimulates interest among the observers.

Our over-eager abundance of aspirational genes is on high alert when someone begins to talk about the plush property sector and the lavish inclusions that come with spending an extraordinary amount of dosh on the world's finest real estate.

For example, in 1984, smash hit US show Lifestyle of the Rich and Famous was filled to the brim with eye candy real estate that caused viewers to cry champagne tears.

More recently across the pond, the Candy Brothers of London were driving the expensive digs market with projects like One Hyde Park boasting apartment sales in the order of \$A250 million. These were reported to include all sorts of features like eel-skin wall paper and a virtual golf course

In Australia, we've seen plenty of cash splashed by those with both the means and a motivation to spend big. Just recent, an eye-catching apartment atop Sydney's ANZ Tower hit the market with a \$66 million price tag and while major cities capture the headlines, every corner of Australia has something to offer - from the river vistas of Brisbane to the

elegance of Melbourne, classic architecture in Adelaide and the stunning contemporary testaments to the mining success of WA just to name a few.

Go regional and sprawling homesteads on acreage the size of a small nation are set to impress the landed gentry as well.

The OMG ways these homes are set apart from the rest are jaw-dropping.

From helipads and gold courses to private car lifts and 400sqm metre sun decks - and don't forget custom fitted furnishings, crystal chandeliers and, perhaps, diamond inlaid stair treads.

And while its enjoyable to simply discuss bespoke finishes, there are broader lessons to be learned from this sector as well.

Buyers at this end of the market think differently. They know what they want and have the wherewithal to get it.

They often care less about interest rate movements and may be more inclined to claim their real estate

jewel because of its lifestyle convenience rather than any misguided views on snapping up a bargain. Sometimes the biggest influence on buyers in this market is the overall performance of the national - and global - economy.

This month, our offices have provided you some informative commentary combined with coffee-table moments as we explore our country's prestige market sector.

Spend a few minutes discovering where the 'ooh la la' set live and what they require in a home. In addition, we discuss how this sector is performing throughout the nation. Some locations are on the rise, some are on the fall and others are flat, but all are interesting for us mere mortals.

In the commercial zone this month, our team took a look at the office sector of the market, and specifically honed in on growth zones.

Our doyens highlight new office construction or major refurbishment projects setting the tone in

Money, money, money. (cont)

their town. They've also tuned into locations at the forefront of office development and the prospects of continued growth for these NKOTBs.

So, there you have it – a spectacular collective of the lushest real estate our country has to offer and the ability of this jewel encrusted sector to telegraph how our overall property market is operating.

If you aspire to be amazed by your next purchase, don't go it alone. Have your butler pick up the phone and call your local HTW office.

Our team are there to assist you with advice on investing your dough when you arrive at the upper echelons of Aussie property.

Maximise the return on your investment property

A **tax depreciation schedule** is an essential tool for all serious property investors looking to maximise the benefits of owning their investment property. If you don't have one you could be missing out on thousands of dollars each year in allowable depreciation.

The Income Tax Assessment Act 1997 allows owners of investment properties to claim annual deductions for depreciation on capital works, such as buildings and structural improvements, and capital allowances for items such as plant and equipment, carpet, blinds, hot water system, etc.

The cost of a Herron Todd White tax depreciation schedule is tax deductible and is usually recouped many times over in the first year. Inspections are carried out on all properties and reports are prepared by trained and qualified Quantity Surveyors who are also Registered Tax Agents with the Tax Practitioners Board.

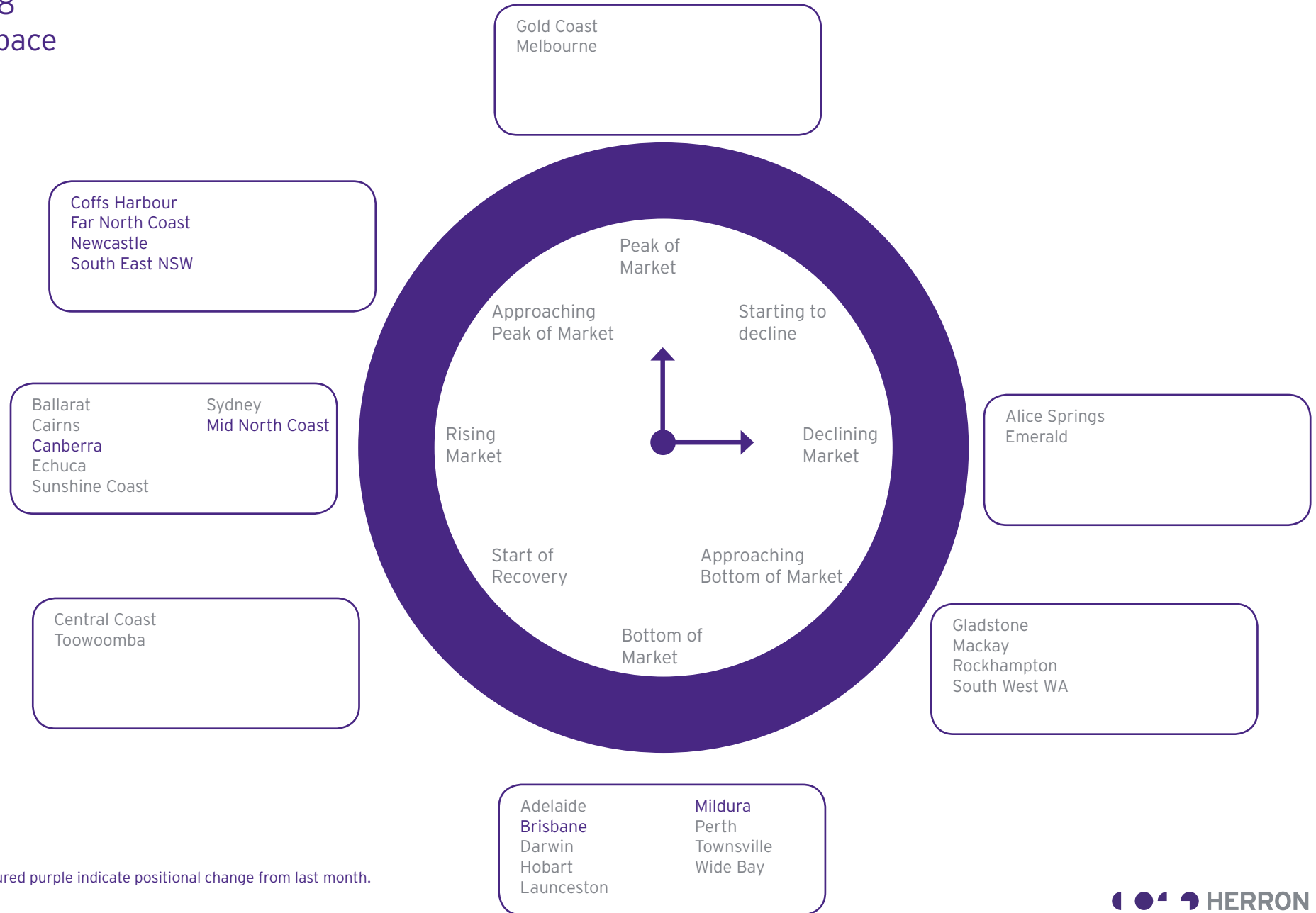
Commercial



National Property Clock

May 2018

Office Space



Entries coloured purple indicate positional change from last month.

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New South Wales

Overview

There's been some exciting movement in the world of office real estate as big fund investors look to take advantage of opportunities where yields are healthy and long-term growth seems certain.

When looking for a gauge on market health it's useful to discuss new developments in locations throughout the nation. Whether it's fresh construction or refurbishment of older space, new square metres highlight where demand is being driven.

This month, our team give you a rundown of new office space projects around Australia.

Sydney

The commercial office market in Sydney has been through substantial growth over the last 12 months as a result of increased demand for good investment assets, growth in rental income, stock reduction and generally lower vacancy rates.

There has been significant office stock removed either temporarily or permanently from the market. The main reasons for this are the Sydney Metro, residential conversions and redevelopment. Office stock withdrawals are set to outweigh new supply over the next 24 months.

Whilst the Sydney Central Business District is considered the prime location and is often the most reported on, we have seen an uplift in prices, an

increase in rentals and a tightening of yields over the past 18 months in the North Western office markets, such as Chatswood, Macquarie Park and Norwest as well as other key office locations such as North Sydney and Parramatta. We expect these areas to remain buoyant into 2018 as demand remains strong for good quality office space.

New development is currently centred around Parramatta, Norwest and Macquarie Park with improvements in infrastructure and continued growth and demand driving the market. These areas have substantial new office developments underway or in the planning stages. The result of which is that new stock will be added to the market from next year onwards.

Opportunities in emerging office markets also exist in other areas of Sydney. For example, the commercial centre of Liverpool is considered to benefit from the continued residential development in the southwest, proposed construction of the Badgerys Creek Airport and the extension of the Sydney Metro. Areas that remain in demand and popular with owner occupiers and tenants are the inner city and city fringe areas such as Surry Hills, Alexandria, Woolloomooloo and Pyrmont.

Creative office suites are prevalent within these areas and have been driven by the demand for smaller assets catering to "start-up" companies or established creative and professional businesses. We are also seeing increased demand for serviced

office space and the rise of co-working arrangements across several areas of Sydney.

The outlook for Sydney's office market looks positive for 2018 as demand continues to drive the market for both traditional type offices and more non-traditional options as more and more occupiers look for flexible working solutions.

Lismore

The office market within the North Coast region remains relatively stable with limited office developments being undertaken in recent times.

The most notable office development within Lismore has been the recently completed office complex located at 214 Molesworth Street.



214 Molesworth Street



This development has resulted in an additional 3,500 square metres of high quality office space that has not been available to potential tenants in more recent times. We understand a large portion of the building is leased and it has achieved very strong gross rents in the vicinity of \$400 per square metre.

| Address | Commence Date | Term (Years) | Options (Years) | Area (m2) | Gross Rental (P.A) | Rate (\$/m2) |
|---------------|---------------|--------------|-----------------|-----------|--------------------|--------------|
| Molesworth St | 01/03/2018 | 4 | 4 | 308 | \$107,555 | \$349 |
| Molesworth St | 01/02/2018 | N/A | N/A | 189 | \$69,930 | \$328 |
| Molesworth St | 01/07/2017 | 3 | 3 | 221 | \$27,400 | \$124 |
| Molesworth St | 01/03/2017 | 3 | 3+3 | 590 | \$180,000 | \$305 |
| Molesworth St | 01/06/2017 | 1 | | 134 | \$29,741 | \$222 |
| Molesworth St | 01/07/2015 | 2 | | 156 | \$25,527 | \$164 |
| Molesworth St | 01/02/2018 | 10 | 2 | 343 | \$132,055 | \$316 |

The more established office market in Lismore has been affected by the recent oversupply of space. However, rents within the main commercial precinct have remained relatively stable with steady to modest increases in rental levels (generally in line with CPI) since 2015. A cross section of recent office rental evidence within the main Lismore office precinct of Molesworth Street is as follows:

In order to meet the changing requirements of some tenants, there has been an increase in shared offices with owners leasing out individual offices with shared amenities and reception. These properties are achieving higher rents than if offered to the market

as a whole and in doing so, are adapting to the needs of tenants.

For landlords to secure a new tenant there remains evidence of lease incentives being applied in Lismore. This has been in the form of lease-up allowances or contribution to fit-out.

There is a restricted market for office space in the strongly performing residential coastal precinct of Ocean Shores, which is located to the north of Byron Bay. Rates being achieved for smaller sized office space currently range from \$375 to \$450 per square metre gross. Historically, office rents in this precinct have been relatively stable with extended lease-up periods which can exceed six months, however leasing for available office space is currently considered good.

In regard to larger office space, the market in the coastal township of Ballina relatively stable with modest demand and modest levels of supply resulting in stable rents. However as with Lismore, lease incentives are still required to attract new tenants.

The broader commercial office market within Ballina has been relatively stable. While retail leases have experienced some variation from year to year, the commercial office market has experienced modest levels of supply and stable levels of demand with tenants tending to retain tenancies for extended periods with modest increases in line with CPI.

Large, high quality office space in the North Coast coastal region is best suited to government tenants looking for a large space of an above average quality with good security features. New developments are typically done on demand and projects are traditionally only undertaken once tenants have been secured. New projects are more commonly driven by government or semi-government entities. Local businesses tend to move within existing spaces with significantly more modest refurbishment programs.

As to yields, commercial yields tend to be slightly higher than traditional retail rates unless the properties have national tenants with strong lease covenants which will result in similar yields to retail properties, albeit 1% to 2% lower than local tenanted properties.

Coffs Harbour

The office market in Coffs Harbour features a slight but reducing oversupply, limited enquiry for leasing at stable rental levels and incentives for new leases.

There are a number of office project developments that have commenced after pre-leasing agreements. These projects range from smaller strata title office projects to larger developments. The eastern precinct of the CBD remains prime with rental levels at \$330 to \$400 per square metre. We understand there is a strong pre-lease to a major tenant for the office component of the new Gowings development.



Secondary or dated offices remain difficult to let. The impacts of reduced government spending, limited availability of grants and the retraction policies are clearly evident in the Coffs Harbour regional office market. Rental levels remain sensitive at from \$200 per square metre for lower quality to \$280 per square metre for average secondary located space.

There is a lack of sales and leasing transactions within the office sphere of the market. Generally yields within Coffs Harbour remain firm based on the prevailing low interest rate climate. Leasing activity is restricted with serious owners having to offer lease up incentives or rent free periods to attract quality tenants.

Newcastle

This month, we are discussing major office projects in our area. Firstly, let's look at The Gateway 2 development which will be the new home of Newcastle Council on completion in 2019.

According to the Newcastle Herald, in October 2017 Lord Mayor Nuatali Nemes announced the 2019 move aligned with the strategic relocation of Newcastle's city centre under its urban renewal strategy and Council's plans for Wickham and the West End.

"As well as providing ratepayers a more attractive place to come and deal with Council, this move is

about consolidating our administrative staff in a single building to increase productivity and provide even better services," Councillor Nemes said.

"Our new base will utilise the best modern design to enable staff to meet the growing demands of a rapidly developing city while offering easier access for people with mobility challenges and a more inviting foyer.

The new building also sits inside the city's future digital precinct, where our staff and other businesses will have high-speed internet connections under Council's Smart City Plan."

Council has entered into an agreement for a 15 year lease on 5,550 square metres of office space at the 12 Stewart Avenue site known as Gateway 2, for its location at the CBD's entry point. Currently under construction, the Core Project Group development is situated on the corner of the prominent intersection of Hunter Street and Stewart Avenue in Newcastle West.

The dual frontage site incorporates a contemporary commercial twin tower building connected through a glass linkage, with an adjoining multi-deck car park at the rear. According to the developer, "Following on from the successful Stage 1 project, the design and construction of Stage 2 consists of 150 carparks and in excess of 9,000 square metres (total) of Grade-A office accommodation. CPG have managed the

development on this landmark site in consultation with award winning international architect PTW."

According to the latest Property Council of Australia Office Market Report, Gateway 2 is the only larger office development under construction in Newcastle. There are two mooted projects which are DA approved, being the Civic West Car Park development at 291 King Street, approved for a 9,600 square metre office building, which remains in the development pipeline and unlikely to be added until pre-commitment is secured. Honeysuckle Central is still listed as a potential addition of 22,000 square metres of office space in the market, however this land has been sold to Newcastle University and this development will be replaced and expanded by the Newcastle University Hub. Council has now voted to re-zone a section on the disused rail line to enable this development to move forward.

Illawarra

The Illawarra commercial property market has shown clear signs of improvement over the past three years with an increase in sales volumes, demonstrating improved confidence after a prolonged period of static conditions post the GFC. Investment transactions have increased as investors are enticed to the market by yield arbitrage not typically found in Sydney and other major capital cities. For investment grade assets at higher price points yields tend to



hover in the 8% to 8.5% range while sitting in the 6% to 8% range for lower valued assets that have a broader pool of buyers.

Record prices were achieved in 2017 in the Wollongong CBD office market. In addition to local buyers, the region is attracting investors (private and second tier funds) from Sydney, interstate and overseas. Low interest rates and the increased buyer depth have resulted in strong yield compression despite rents largely remaining stagnant over this period. Low interest rates are a significant driver of the property market.

Commercial leasing conditions in the Illawarra region have improved with local agents reporting increased enquiry levels and reduced vacancy periods for well-placed tenancies in good quality buildings and with good off street parking availability. However, incentives remain common with discounts between 10% and 20% of gross annual rent typically required to attract a new tenant.

This incentive is usually in the form of a rent free period. While we expect rents for B and C grade space to remain flat, upward pressure is expected on rents for A grade space due to the low vacancy rate and an increase in appetite from certain businesses to pay the required A grade premium.

Construction will commence on Wollongong's first new office building since 2013 when the purpose built

ATO building was completed. This is a large A grade office building that will house IMB's head office. Other large scale office projects are proposed in the Wollongong CBD including Langs Corner and 25-27 Denison Street although it is our understanding that approvals and leasing pre-commitments are still being sought for both proposals. If completed it is likely that the rents achieved will set a new benchmark in the local market.

Dubbo

The location of Dubbo office accommodation has diversified significantly in recent years with the development of a number of business park precincts, exemplified by the Blueridge Business Park in East Dubbo and Riverview Business Park in North Dubbo. Both offer single ground level office unit accommodation and have drawn a divergent range of office users to these areas.

These business park developments offer the particular advantage of onsite parking and purpose built amenity. Older CBD office space, particularly those without lift services in multi floor buildings, struggle to attract leasing enquiry. This can be compounded where car parking is limited. As a consequence, office users who don't rely on physical client contact have gravitated to periphery CBD locations or the aforementioned business park developments.

On the other hand, government and allied agencies that require face to face dealings with the public need to be located within easy access to public transport and other support services.

This necessity has confined these agencies to within the Dubbo CBD and they are the major source of leasing demand for larger, modern, publicly accessible and NABERS compliant office space.

Recent Dubbo sales evidence is:

- 165 Brisbane Street, Dubbo. New 2 level, CBD building with ten year and seven year lease terms to a credit union and a health practitioner. Sold September 2017 for \$3.695 million on an analysed yield of 6.37% or \$4,060 per square metre.
- 23-29 Hawthorn Street, Dubbo (poor IN2 industrial zoning), expected to be very difficult to lease on termination. Currently leased to Western NSW Local Health District (NSW Government) until June 2021, 1 x five year option. Sold February 2017 for \$6.6 million on an analysed yield of 10.12% or \$2,213 per square metre.
- 5/12 Blueridge Drive, Blueridge Business Park, Dubbo. B7 zoning. New strata unit in six unit office complex - vacant possession. Sold February 2018 for \$340,000 plus GST on an analysed yield of 7.25% or \$2,208 per square metre.



Lease evidence:

- Wingewarra Street - 589 sqm ground floor office, 5 + 2 + 2 yr term \$287/sqm gross pa to semi gov entity.
- Brisbane St - 649sqm ground & 1st-floor office, 10+5+5 yr term, \$316/sqm gross to a credit union
- Riverview Business park - 217sqm ground floor office, 5 yr term, \$290sqm gross.
- Blueridge Business Park - 140sqm ground floor office, 3 yr term, \$200/sqm gross pa to semi gov't agency.

Albury

New commercial property in Albury is sparse. In a period when economic consolidation is a leading business attribute, the office market in general has softened.

The result of firms being more aware of the cost of space is that some of the older and larger office areas are not being taken up as swiftly as newer, smaller office space. Incentives to keep existing tenants are being seen and will often match those on offer to attract new tenants. The cost of moving is also an important factor.

Victoria

Melbourne

According to the Property Council of Australia's Office Market Report, Melbourne CBD's overall office vacancy rate has reduced to 4.6% over the six months to January 2018. Melbourne CBD is now level with Sydney CBD, together showing the lowest vacancy rates amongst all of Australia's CBDs. The reduction in the vacancy is mainly due to the high net absorption rate of prime Melbourne CBD office stock. The North-Eastern and Docklands precincts have the lowest vacancy rates at 1.5% and 1.2% respectively, while vacancy rates are highest in the Western and Spencer precincts, reflecting vacancy rates of 6.6% and 8.2% respectively. There is limited new prime office supply in the CBD due for completion over the next two years before the large deluge of supply forecast for 2020. Therefore, it is anticipated that vacancy rates will continue to fall over 2018 and 2019 before rising again in 2020. Correspondingly, we expect to see potentially sharp rental growth over the next two years as well as a decline in incentives, before levelling out again from 2020.

On the buy side, strong demand is continuing for good quality office properties and properties with value-add or redevelopment potential within the Melbourne CBD, Metro and St Kilda Road office markets. This is primarily due to the lack of suitable stock on the market and sheer weight of capital seeking limited investment opportunities in this segment of the market. The two recent sales in the

CBD this year, 470 Bourke Street and 454 Collins Street, both achieved strong results. 470 Bourke Street, the headquarters of The Law Institute of Victoria, sold subject to a short-term leaseback for more than \$35 million.

The nine-storey office building with excess land to the rear was purchased by an offshore investor with a capital value rate of circa \$10,500 per square metre which reflects the balance land of 368 square metres. 454 Collins Street, an 11-storey C grade building situated at the corner of Collins and Williams Streets, was sold to a Macau investor for \$40.1 million on a sharp fully leased yield of 4.21%. The property was sold subject to a single-tenant leaseback to Robert Christie's national co-working business on a ten year term.



454 Collins Street Image (source: Metaxas Architects)

The property was sold subject to a single-tenant leaseback to Robert Christie's national co-working business on a 10-year term. Recent sales activity suggests that market yields are firming for well-located investment grade assets exhibiting sound fundamentals, such as strong lease profiles and limited capital expenditure requirements. Investor demand is particularly strong for assets in the vicinity of \$5 million to \$50 million within the CBD and inner suburban locations.

The new statutory revaluations will be conducted as at January 2018 and valuations will be released as part of the FY2018/19 council rates notices and 2019 Land Tax assessments. It is anticipated that council site values will continue to increase across the CBD owing to strong capital growth over the past two years since the last Council revaluation in January 2016. The potential rise in site values implies higher council rates and land tax costs which may impact upon the cash flow of landlords, especially where properties are subject to gross leases.

Co-working office space is one of the fastest-growing segments of the commercial leasing market. Research reports show the number of co-working spaces in Australia grew by 297% between 2013 and 2017, occupying 193,190 square metres across six cities. Melbourne has the largest concentration of co-working spaces with 49% followed by Sydney with 38%. We expect this segment of the market to continue growing strongly.



Gippsland

New office construction has slowed considerably throughout the Wellington and Latrobe Shires. Late 2016 and early 2017 saw completion of two new office and car park facilities, however the generally subdued state of the market has meant that developers are stepping back and waiting for an improvement in conditions. Rental yields for new or modern office space generally range between 6.5% and 7.5%, however this is heavily dependent on the quality of the tenant and the overall lease covenants.

South Australia

Adelaide

This month, let's do our usual overview of the office sector but add in the angle of growth zones. Where within your service area are new office construction or major refurbishment projects occurring? Perhaps it would be better to discuss particular projects in your case? What sort of new office space is being developed, and how is it adapting to the needs of tenants? Is there a rise in the appeal of one type of office space over another? Why? What are the rent levels and yields like with new office space?

There has been a limited amount of new office construction within the Adelaide CBD. Due for completion in Q3 2019 is the GPO Tower, situated at 2-10 Franklin Street and 145-149 King William Street. Planning consent has been granted for two office towers of approximately 24,500 square metres and 12,500 square metres plus refurbishment of the heritage GPO building, whilst also accommodating for approximately 3,000 square metres of retail space. The State Government has committed \$80 million to the extension of the AdeLINK tram network to the City's East End. This project will deliver a 1-kilometre extension of the tram line along North Terrace, from King William Street to East Terrace. In response to this extension, Commercial & General and Le Cordon Bleu have proposed a joint venture for the redevelopment of 200 North Terrace. The \$260 million redevelopment would add a further 26,000

square metres of office space and 4,000 square metres of retail space. Once approved the project would expect to be completed by 2020.

Expected to be completed by 2019 is the Festival Plaza, a \$1 Billion project by the Walker Corporation, which will provide 40,000 square metres of premium office space, a two storey precinct featuring restaurants, cafes, luxury retail outlets and a new car park to accommodate 1,500 spaces.

Notable refurbishment projects include 74 Pirie Street, a 7 storey office building, with a restaurant to the ground floor, which was purchased by the Maras Group in 2014 for redevelopment. The Maras Group reports the building will be completely remodelled and upgraded to provide leading edge and innovative commercial office accommodation with whole floor plates of approximately 250 square metres.

The Property Council of Australia has recorded Net Absorption of 14,320 square metres and reduction in premium grade vacancy rates, as shown in the tables below. The limited amount of proposed office space is likely to start the slow process of lower grade buildings to be either refurbished or fall out of the market. Some analysts are reporting South Australia to be quite slow, in comparison with other States, in refurbishing or converting buildings into alternative uses, for example, apartments.

Adelaide CBD Office Market Summary as at January 2018:

| | Stock sqm | Total Vacancy sqm | Vacancy Rate % | Net Absorption sqm (12 mnt) |
|-------|-----------|-------------------|----------------|-----------------------------|
| Core | 1,115,473 | 183,313 | 16.4 | 18,739 |
| Frame | 308,709 | 36,535 | 11.8 | -4,419 |

(Source: PCA and Herron Todd White research)

Adelaide CBD Office Vacancy Percentage by Grade:

| | Jan '15 | Jul '15 | Jan '16 |
|---------|---------|---------|---------|
| Premium | 10.7 | 9.4 | 7.7 |
| A Grade | 12.1 | 11.8 | 12.8 |
| B Grade | 10.7 | 11.1 | 11.1 |
| C Grade | 17 | 17.2 | 17.9 |
| D Grade | 19.2 | 19.7 | 20.6 |

| Jul '16 | Jan '17 | Jul '17 | Jan '18 |
|---------|---------|---------|---------|
| 8.3 | 8.3 | 10.2 | 9.3 |
| 14.6 | 15.4 | 14.1 | 14.7 |
| 14.4 | 15.6 | 16.7 | 14.6 |
| 17.1 | 18.1 | 18.4 | 17.3 |
| 20 | 20.1 | 19.5 | 18.4 |



As the supply of new space to the market is expected to be low incentive use may begin to reduce in the later part of 2017 and more significantly over the next two years, however it is likely to remain a lessee's market over the next 12 months or longer. We are aware of some leasing agents who are reporting incentives are so high within lower grade premises that the face rents have declined for ease of negotiation. This has the potential to place downward pressure on values and investors, who should be wary of impending market renewals and be aware of alternative uses and/or the potential for conversion or upgrades.

The question for the CBD office market is what will stimulate a large uptake of the space currently vacant. In absence of significant growth in the local economy any change is likely to be small.

Queensland

Brisbane

The overall CBD office leasing market continues to struggle on the back of stubbornly high vacancy rates (16.2% as at January 2018) which have risen to an 18 month high. However, there are prospects for ongoing improvement in the Prime and A grade sectors with the possibility that vacancy rates may get to the landmark 10% level for the first time in some years. Gross face rents and incentives are therefore predicted to remain fairly stable for Prime and A grade accommodation, however the secondary market (B, C and D grades) is likely to remain turbulent as tenants look to upgrade to newer, well located office buildings.

Whilst there is still uncertainty surrounding the CBD leasing market, demand remains very strong for well leased, prime commercial office assets. Whilst we cautiously suggest that yields may have bottomed, there is still a strong weight of capital both domestically and internationally, creating downward pressure for high quality assets. We also highlight that the yield differential between Brisbane and southern markets, the shortage of good quality stock, and the significant near city infrastructure is driving positive sentiment.

By way of contrast, secondary older style investment stock is not keenly sought, given the inherent leasing risks, ongoing maintenance costs and high statutory outgoings associated with such assets. Accordingly,

yields are likely to stay flat in 2018 unless there are good value add opportunities.

Major infrastructure projects including Queens Wharf, The Howard Smith Wharves, Brisbane Live, Cross River Rail and Brisbane Metro will positively transform the CBD and will provide a strong base for improving confidence and economic conditions within the Brisbane market.

Fringe Office Market

As expected, the release of the January 2018 PCA figures have continued on from a disastrous 2017 which saw vacancies hit a ten year high in July 2017 (14.6%). The total vacancy rate fell slightly in January 2018 (14.1%), however we are unlikely to see any significant improvement in the near future.

Of the principal precincts, the worst performing markets are Spring Hill and Milton with vacancy levels sitting at 17.6% and 17.1% respectively. Newstead, Fortitude Valley and South Brisbane (Urban Renewal and Inner South precincts) remain the favoured areas for tenants given their close proximity to the CBD, public transport networks and high quality amenities available. The majority of the proposed office developments are within these fringe precincts. Rents and incentives are likely to remain fairly stable in 2018. Demand for prime investment grade fringe CBD assets remains high and there is still downward pressure on yields for well leased

assets, especially in the Newstead, Fortitude Valley and South Brisbane precincts where supply is limited.

Poorly leased commercial office assets with high vacancies will continue to perform poorly and yields will remain soft as investors will look for alternative investments that only require passive ownership. Such assets however can provide medium term value add opportunities, especially for underdeveloped assets, for proactive and experienced investors.

Suburban Office Markets

Suburban office markets are likely to remain patchy with some select locations such as North Lakes and Upper Mount Gravatt performing to an acceptable level.

Leasing in mid suburban areas is however slow and will continue to be driven by high levels of incentives. No rental growth is likely in the near future.

Sales activity in suburban markets is subdued. There is a reasonable owner occupier market for good accommodation in the sub \$3 million market, but thin depth for poorly leased assets thereafter.

Commercial Development

There is only one major CBD commercial project currently under construction, Brisbane Quarter at 300 George Street, and two city fringe projects being 900 Ann Street, Fortitude Valley (Consolidated Properties) which is nearing completion and 25

King Street, Fortitude Valley (Lendlease) due for completion in late 2018. There are plenty of new commercial office projects in the pipeline, primarily focused around the CBD and the Urban Renewal precincts. These areas remain the favoured precincts amongst tenants given the high level of retail amenities and transportation networks.

The major projects that are approved or mooted are as follows:



62-80 Ann St, Brisbane City

Development group Mirvac has submitted a development application to build a 75,339 square

metre, A grade, 32-storey commercial tower with ground floor retail located at 80 Ann Street.



360 Queen St, Brisbane City

A development application has also been submitted for a new 50,000 square metre, A grade 40 storey commercial tower located at 360 Queen Street within Brisbane's Golden Triangle. Proposed by a joint venture between Charter Hall and Investa Commercial Property Fund, the development will replace four older existing low rise buildings.

The project will include:

- New 40 storey, 5-Star Green Star office tower
- An 'open' publicly accessible podium comprised of several landscaped terraces and vertical landscaping
- Three sky parks at different levels within the tower



801 Ann St, Fortitude Valley

Walker Corporation has lodged plans for a 26 storey, A-grade commercial tower on Ann Street, Fortitude Valley. The tower will be prominently located, sitting

on a full city block bordered by Ann, McLachlan, Connor and Morgan Streets. It will deliver 44,000 square metres of office accommodation upon completion.



11 Breakfast Creek Rd, Newstead

A joint venture between Charter Hall and John Holland has lodged a development application for a 16 storey, commercial office building that will provide 20 000 square metres of A grade accommodation. The proposed development is positioned directly opposite GasWorks.

Whilst it may appear sentiment for the commercial office market is positive, these projects are unlikely to get off the ground without any significant pre-leasing commitments.

Some of the major tenants that these projects are vying for are: Suncorp, currently seeking between 30,000 and 40,000 square metres of space; the ATO, seeking 24,000 square metres; and QSuper seeking a further 15,000 square metres. More recently, the co-working sector has been very active and industry sources advise that these groups still have large space requirements.

Sunshine Coast

As we have discussed in previous months, the office market on the Sunshine Coast is heavily oversupplied due to a number of projects completed in 2017, predominately in the Maroochydore area.

This has led to a reduction in rental levels generally across the Sunshine Coast market over the past 9 month period for new tenants and also on review.

We have generally seen all but the most prime tenancy areas in quality buildings with good views have reductions in effective rentals of circa 10% - 30%. Effective rents within A grade style premises on the Sunshine Coast were from circa \$400/m² gross pa to circa \$480/m² gross pa, though have

now fallen and the market remains volatile.

This has begun to impact on the traditional owner-occupier strata titled market, which generally has a value range from \$3,500/sqm to \$5,000/sqm depending on the location, size of the strata and overall quality. We have noted sales over the past 12 months have begun to slow for this market as business owners have begun to look at the cost of owning or leasing and the quality of space that is available.

The largest of these developments, Kon Tiki in Maroochydore, is a mixed-use development with a range of retail uses to the ground level and medical uses within one of the two towers. This mixed-use style development is the first of its type on the Sunshine Coast and while take-up of the office space has been slow, the majority of the lower level retail space is now taken up with the medical space also mostly taken up.

The new CBD development within Maroochydore will see further construction of large office complexes and likely further development of these types of mixed-use complexes will enter the market. This is more in line with the mixed-use nature of developed CBD rather than the business park style developments that have been developed on the Sunshine Coast over the past 15 years.



Gold Coast

The hype leading up to the Commonwealth Games on 4 April 2018 has been the main catalyst driving positive sentiment in our region for some time now. With the Games now over, market conditions will no doubt settle down, although the legacy of the new or improved infrastructure associated with this event will be felt on the Gold Coast hopefully for many years to come. Here's hoping that "GC on the world stage" encourages plenty of visitors to our stunning enclave and to south-east Queensland in general.

As with all commercial property sectors, the Gold Coast office market remained buoyant over the first quarter of 2018. The trend of good tenant enquiry has continued, primarily because local economic conditions have seen local businesses continue to grow. Demand for office space continues to outstrip supply, underpinned by the facts of no new building construction, nor any shovel ready in the immediate pipeline. The Property Council of Australia office vacancy data was recently released for the six month period to 31 December 2017. For the Gold Coast, the overall vacancy rate came in at 10.6%, a reduction of 0.7% from the level for the previous release to the end of June 2017. This continues a downward trend and augurs well for the overall health of the office sector going forward. Rental levels have generally remained static, although commercial property

agents are anticipating this will change, with rental increases expected. Similarly, the level of incentives has remained fairly static at circa 10% of the first term's rental.

There have been two notable office building sales concluded over the quarter, being Icon Energy at 4 Miami Key, Broadbeach for \$7.95 million reflecting a very strong analysed yield of 6.2%, and Southport Chambers at Nerang Street, Southport for \$6.93 million reflecting an analysed yield of 6.7%. We are also aware of an under contract strata office unit at Varsity Lakes at \$3.38 million to an owner occupier, reflecting a value rate of \$3,841 per square metre on surveyed floor area of 880 square metres and an analysed yield of 6.5%.

Where and what are the growth zones for the Gold Coast office sector?

In terms of likely new office buildings, we are aware of a large site at Oxenford with a design concept for three building totalling 12,000 square metres.

This is in the northern growth corridor of the M1 Pacific Motorway. Drivers for this development are a generally limited supply of office space in an area experiencing significant residential expansion and anticipated expansion of required government services.

Robina and Varsity Lakes have available sites for office buildings and their land cost is at a level that would enable financially viable development. This is in contrast to the traditional office precincts of the Gold Coast (Southport, Surfers Paradise, Bundall and Broadbeach) where the underlying worth of the land would result in a far more marginal outcome. Further, sites in these areas are also sought by developers of apartment projects; presently they seem to be reasonably active in the market.

In our view the Gold Coast has a reasonably active market for strata offices for owner occupation. Sites in more fringe business areas would offer viable development opportunities, particularly if the end product was pitched at the sub \$1 million sector.

There is opportunity to refurbish older buildings in established office areas, particularly Southport and Bundall. A good quality renovation can lift C grade space to B or possibly A grade level, but at competitive rental or value levels (if strata unit conversions) in comparison to a site development requiring construction of a new building. Further, some of the older buildings have very good car parking ratios and the worth (rental or value) of basement car parks on the Gold Coast has shown low compound growth over the past decade.

However, today's office space tenants are seeking good internet/multimedia connectivity and floor



areas that offer flexibility in design. The modern office tenancy would likely be open plan for hot desking or collaborative group work areas, coupled with quality amenities and breakout areas to ensure a relaxed staff work environment.

Such features can be more readily achieved in a new building as opposed to an older building where some design features are already set, so it is important when considering any building for recalibration into a modern office premises that the initial homework is undertaken, including partnership with leasing agents active in that market sector, architects and building facility managers.

Cairns

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

Commercial property sales in Cairns, inclusive of retail and/or commercial office premises, remain well below the peak levels achieved in the 2005 to 2007 period. Prices paid for secondary strata titled premises have been relatively stable since 2010 at around \$2,500 to \$3,000 per square metre of floor

area.

Most leasing demand for new office space is for smaller areas and for modern, good quality green star rated premises, however there is only a handful of such buildings in Cairns. These buildings achieve high levels of occupancy and are experiencing stable rent levels typically of \$350 to \$400 per square metre per annum. Demand for lesser quality space remains limited and there is a large oversupply of good quality non-inner CBD and well exposed secondary space in the \$200 to \$275 per square metre per annum rental range. These conditions have placed downward pressure on secondary rents and seen the emergence of incentives.

Overall the Cairns office market is expected to see little change during 2018.

Toowoomba

Leasing demand for commercial office accommodation in Toowoomba continues to be subdued. This has resulted in limited growth in rentals over the past three years and has also resulted in the introduction of some lease incentives to secure tenants. Rents can vary from under \$100 per square metre gross (often poor quality inner CBD first floor tenancies with no car parking or PWD access) to \$400 per square metre gross for modern premium accommodation with good car parking.

A small premium can sometimes be achieved for medical suites, especially in the precinct surrounding St. Vincent's Hospital.

There were no new major office building developments in Toowoomba during 2017 or early 2018. Any leasing demand during this period has been fulfilled by existing stock.

There are several vacant commercial sites in Toowoomba ready to be developed. The reduced leasing demand however has delayed most projects. It is unlikely that any project will proceed in 2018 unless significant lease pre-commitments can be secured. The projects will also likely need to achieve market leading rentals to make projects feasible.

A new office building has been proposed on the corner of Campbell and Raff Streets in the northern fringes of Toowoomba's CBD. The building is to be multi-levelled and will contain a food/café tenancy on the ground level. This project appears to be driven by multiple owner occupiers.

Wide Bay

Notable office developments in the Wide Bay markets are projects targeted to the medical market providing specialist suites or medical offices. Yields for well located medical suites that would typically be situated close to a hospital have ranged between



7% and 8% with rental ranges between \$300 and \$400 per square metre net. Investment stock in this market segment is low and properties subject to long term leases are receiving strong interest from investors.

In a broader view, the office market in the Wide Bay has been reasonably stable with the exception of good quality investment stock receiving strong interest and strong indicative yields when sold through portfolio auctions.

The upcoming auction of 70 Barolin Street, Bundaberg, a modern office property leased to a global engineering firm, will provide a test for the office market in Bundaberg.

Mackay

There have been no new office developments or major refurbishments in Mackay. Tenant demand is slow but improving as the local economy recovers from the mining downturn. Most demand is for ground floor tenancies of less than 200 square metres, preferably with good car parking.

Vacancies remain high. It is difficult to accurately assess market rent because ground floor rentals range widely from around \$175 to \$250 per square metre gross. We are aware of a particularly cheap recent lease in Victoria Street at \$110 per square metre gross. Demand for older first floor tenancies

remains weak.

Recent sales at 77 Gordon Street and 62 Victoria Street demonstrate net yields of just under 9%. Local office yields have risen in recent years because of an oversupply of office space limiting prospects of rental and capital growth.

Gladstone

The office market in Gladstone has been in a recessionary phase in the past few years, with increasing vacancies and downward pressure on rentals. Many businesses that occupied office space in Gladstone during peak conditions have either left the Gladstone market (no longer requiring office accommodation) or have downsized their tenancies as their staffing numbers have decreased.

As a result, the market is still oversupplied with office accommodation and there is no immediate demand for new accommodation, deterring any development of new office accommodation.

Rentals have now decreased and stabilised at more affordable levels and many leases that were negotiated during peak conditions have now either expired or are nearing expiry.

As a result, tenants who were previously in secondary office locations have been able to relocate to either more modern accommodation

or accommodation more suited to their needs and wants.

Rental rates are still varying across the board, however generally speaking for the better quality stock we have seen rentals for a standard semi-modern/modern office tenancy (about 200 to 350 square metres) falling within the \$225 to \$275 per square metre gross range (inclusive of outgoings). Smaller tenancies have been seen at a higher rate, up to about \$350 per square metre gross for modern offices sub 150 square metres.

Vacant modern office accommodation is still available for rent in the Gladstone market and until such time as this stock is absorbed, it is unlikely that we will see any new office development commence.

Rockhampton

The office sector in Rockhampton has been relatively flat in recent years, and without any significant demand for new office accommodation there has been very little development on this front. The last major new office construction was the NAB anchored office building on the corner of East and Fitzroy Streets, which was completed in 2012.

Since this time, market conditions have softened and vacancies have increased which has deterred development of any new modern office accommodation.



Focusing on the modern office accommodation, rentals have stabilised and generally speaking, range from about \$300 to \$400 per square metre gross (including outgoings) for modern, well located tenancies, with a floor area up to about 300 square metres. For larger, modern tenancies, we have seen most leasing activity in the \$250 to \$275 per square metre gross range for these better presented tenancies. There has been relatively weaker demand for these larger tenancies as few local businesses require a floor area of this size.

We have seen investors fairly active in the sub \$1 million price point for well presented office buildings that have a strong local tenant leasing the property with generally three to five years remaining on the lease.

Yields for these properties generally range from 8% to 10% depending on a variety of factors. Owner occupiers have also been active (generally in the sub \$700,000 range), often picking up a dated building and investing capital to convert to modern accommodation as an alternative to renting. This has been an attractive option in recent years given the combination of low interest rates and market conditions.

We anticipate no major uplift in conditions for the remainder of the year, however acknowledge that there are some positive signs that the market has

bottomed and that conditions may slowly improve.

Townsville

There is currently limited new office construction or major refurbishment projects occurring in the Townsville office market, with the most recent new office space additions in the CBD have come about through refurbishment and redevelopment projects.

Vacancy rates in the inner city office market remain high with excess stock available relative to the current demand. There are a number of inner city office buildings that are prime targets for refurbishment projects however demand is not driving this outcome.

Public sector business typically seeks very high quality, efficient, technologically advanced office space that maybe unviable for refurbishment projects due to the outlay required to meet these standards, along with the functionality provided by these older buildings.

It is likely that construction of a new office building may prove more viable, which would result in increased office space in an oversupplied market.

Furthermore the depth of small private businesses is not providing sufficient demand for office space

refurbishment due to the large availability of office space currently on the rental market, including already newly refurbished/redeveloped space.

We are seeing that space requirements from the private sector have decreased over the past five years as organisations downsize from the economic conditions and restructure work spaces to more efficient layouts.



Northern Territory

Darwin

The office market in Darwin remains moribund, with large areas of C and D grade space overhanging the market. Tenants, especially Government, are flocking to the limited amount of A grade space in town. The vacancy level in A grade space is relatively low but the market is affected by the large supply of lower quality space which is available.

The main game in town at present is the new Health House development which is a new nine level dedicated office building to be constructed on the site of Cavenagh House at the corner of Knuckey and Cavenagh Streets. The proposal also involves a significant upgrade of Energy House including improving its green credentials, addition of a child care centre and provision of additional car parking at the rear in Litchfield Street.

The NT Government's finances are in a parlous position and once again in the lead-up to the Territory budget, the prospect of introduction of a land tax has been raised. The eventual makeup of the budget will not be known until next month, however some revenue raising measures have already been flagged.

One of these is the possible introduction of a Derelict and Vacant Property Levy for the CBD. It is proposed that a 1% levy will be applied to improved properties in the CBD with a vacancy rate of greater than 50%, and a 2% levy will be applied to undeveloped

land. The stated aim of this levy is to encourage revitalisation of the CBD. Landowners will have a strong financial incentive not to have property lying idle within the CBD, however the challenge to landowners will be in finding an economically viable use for their land. Realistically this is a selective land tax which will penalise CBD landowners who are stuck with land that is not economic to develop in the current climate.



Western Australia

Perth

The most recent Property Council of Australia figures for the Perth CBD office market indicate the total vacancy rate decreased from 21.1% to 19.8% in the six months to January 2018. The total vacancy rate in West Perth however rose 1.7% to 16.7% for the same period.

Whilst there is some positive news with vacancy rates reducing overall, Perth's CBD still has the second highest vacancy rate of all capital cities in Australia.

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

With a glut in the office leasing market and a 'flight to quality' occurring, building owners of B and C Grade buildings are looking for conversion opportunities to residential, educational and even hospitality uses.

The significant deterioration in the Perth CBD and West Perth office leasing markets during 2016 (mainly as a result of reduced demand from resource sector tenants) coupled with historically low occupancy costs for office space in these traditional office districts, has caused a rise in tenant migration from peripheral office precincts but also in tenants up-scaling to better quality accommodation.

Property owners have had to become proactive in trying to entice existing tenants to recommit and also in order to attract new tenants. This has resulted in substantial incentives being offered in the market place.

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

Despite the recent findings from the PCA Office Market Report discussions with real estate agents active in this sector confirm a generally soft office leasing market with downward pressure still being exerted on asking rental rates with a large volume of space available coinciding with a lack of demand, particularly for secondary premises. In many cases tenancies are being listed for extended periods and with multiple agents.

In terms of capital transactions demand for office property in the Perth CBD has been felt predominantly from institutions and foreign (south-east Asian) buyers seeking counter-cyclical acquisitions of secondary assets with good prospects for re-positioning.

A total of seven (7) major CBD office buildings have transacted during the last 12 months with one of the more recent being 45 St Georges Terrace which was bought for just over \$53Million in December 2017.

Sales activity has however almost ceased within West Perth over the last 12 months. The lack of quality office stock with medium to long term WALEs, combined with subdued economic conditions has affected transaction activity.

The outlook for the Perth office leasing market is to see a stabilisation in rental incentives and rents over the short term and no significant new building activity until at least 2020. We anticipate that vacancies in the Perth CBD will stabilise and that vacancies in West Perth will increase further as tenants look to relocate back to the Perth CBD.

As tenants make the 'flight to quality', a two-tier market may eventuate with less attractive, lower grade buildings increasing in vacancy and those more attractive Premium and 'A' grade assets in good central locations showing a decrease in vacancy.



Australian Capital Territory

Canberra

The construction of new office space throughout 2018 appears to be most prominent within Canberra's CBD, owing to upgrading infrastructure and tightening vacancy rates for CBD office space. Other areas of Canberra such as Canberra's inner south do not appear to have levels of development comparable to the CBD, but sales and market evidence would imply that there is demand for office space outside of the CBD.

One of these examples is the sale of 6 Sydney Avenue, Forrest in November 2017 for \$56.8 million. The property was constructed in 2003, extensively refurbished in 2016 and features a total of 9,948 square metres of A grade office space. The property was sold with a WALE of 7.92 years and was 100% leased, with 78% of this space being occupied by the Commonwealth of Australia.

An example of new office development within the CBD includes Amalgamated Property Group's Civic Quarter development. This is situated along the Northbourne Avenue development corridor which is soon to include the ACT's first light rail system. The development is set to be twelve levels with a total office space area of 18,000 square metres. Amalgamated expects to have this project completed by mid 2019.

Construction has also commenced on a new \$300 million development by Capital Property Group.

The property, located on the corner of Constitution Avenue and London Circuit in Canberra's CBD, is to feature 20,000 square metres of office space spread across twelve levels. The space is already set to be leased by the government for 20 years, with an option of another five, and will house a total of 1,700 public servants upon completion. Construction of this development began in December 2017 and is expected to be completed by mid 2020.

Listed below are Canberra's market indicators for the six months to January 2018. These indicators provide an overview of the current state of the office market as well as where market growth or retraction has occurred:

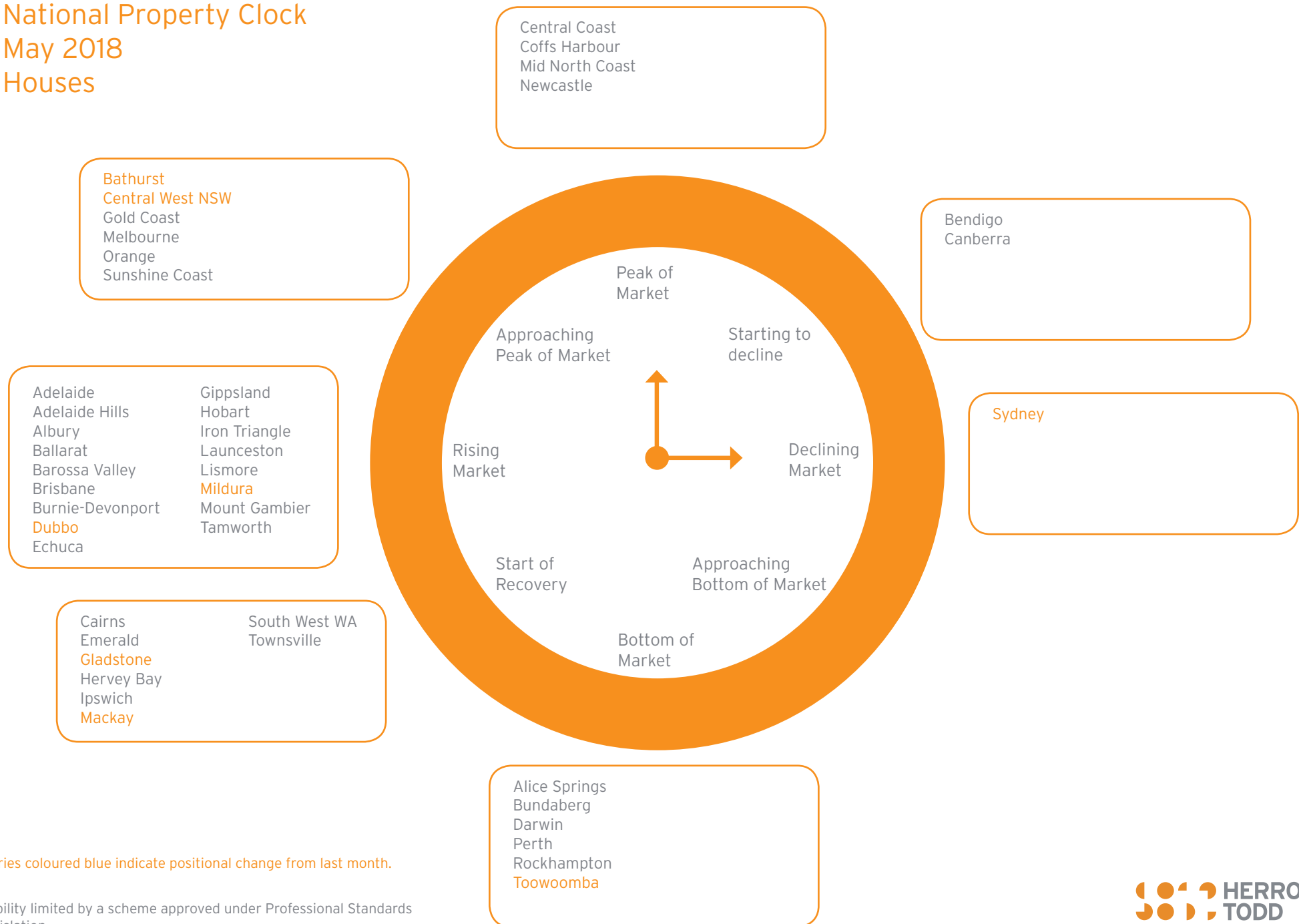
- Average vacancy rate for the office market as a whole increased by 1.5% to 13.1%. Total net income: \$440,552 per annum
- Lower than average vacancy for A and B grade office space at 8.5% and 11% respectively, higher than average vacancy for C and D grade office space at 21.7% and 19% respectively.
- Gross face rents are between \$405 and \$480 per square metre per annum for A grade office premises
- Yields for A grade CBD office space are between 5.5% and 7.25%, while yields for A grade office space outside of the CBD are between 5.5% and 8.5%.

Residential

National Property Clock

May 2018

Houses



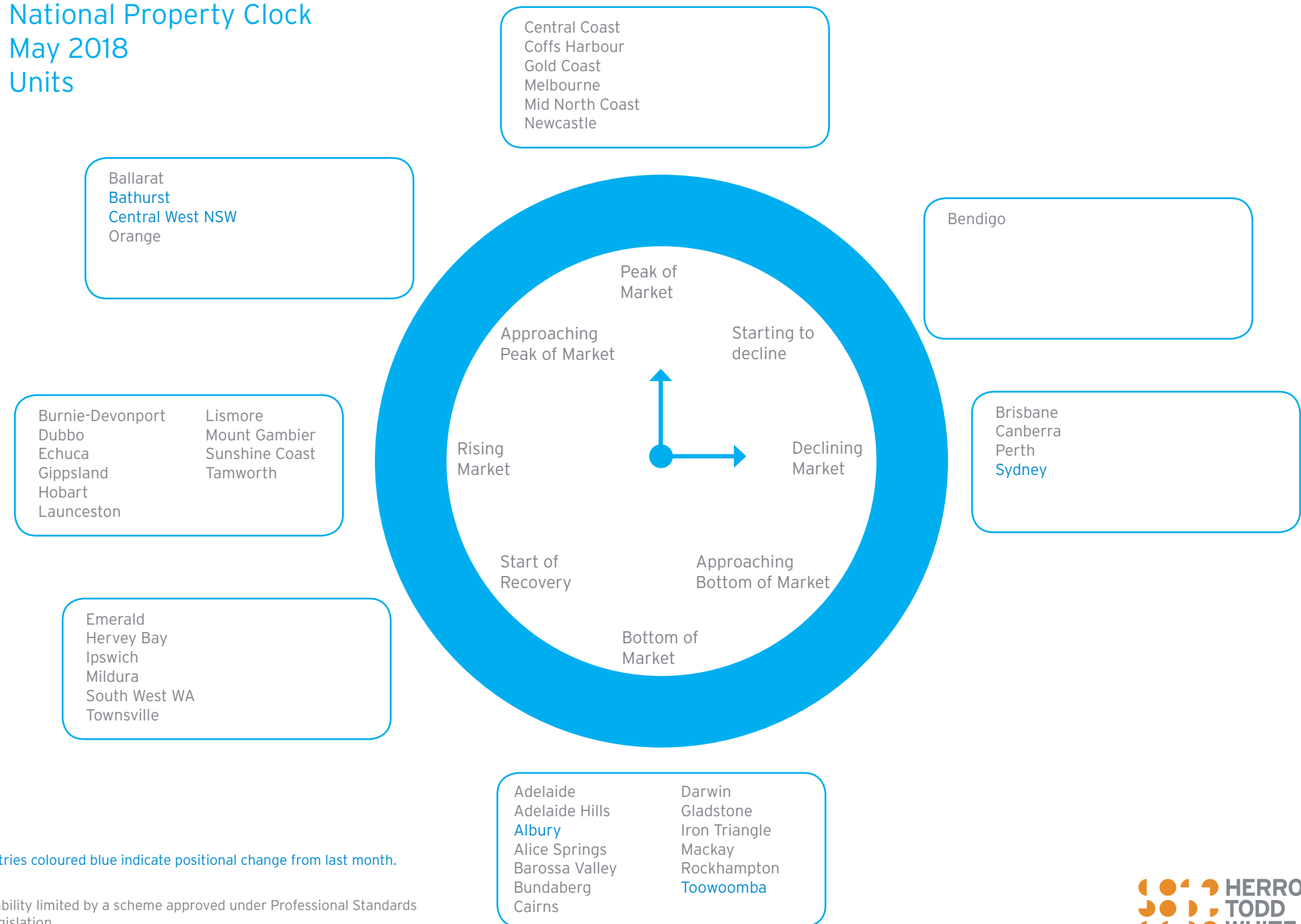
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National Property Clock

May 2018

Units



Entries coloured blue indicate positional change from last month.

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New South Wales

Overview

There are few subjects in the world of real estate that are able to pique interest like prestige property.

Just about everyone has either an aspiration to do better in life, or a voyeuristic bent that compels them to look over the fence at their moneyed up neighbours.

Prestige markets have plenty to telegraph about the health of our residential sector overall too. This month, we take a detailed stroll through the nation's prestige property sector.

Sydney

The prestige market in Sydney is spread across a number of regions including riverfront locations in the south and inner west, to large estates in The Hills, to large modern inner city apartments, to harbour side and beachside areas of the east and north. Traditionally prestige properties were considered to be those with a value above \$3 million, however in some areas this is now \$5 million and above. The prestige market has experienced significant growth over the past five years, however has experienced some softening of prices over the past six to twelve months, with some areas holding up better than others. A recent CoreLogic article indicated a 5.7% fall in the prices of the 25% most expensive properties in Sydney over the past 12 months.

As outlined in last month's edition, we consider the prestige market to be less dependent on affordability issues than other markets. Instead, the market is driven by global flows of wealth and a supply versus demand balance. In summary the factors that will help stimulate the Sydney prestige market include the Australian dollar, domestic and international share markets, business performance, business confidence, company profits, Chinese interest in trophy homes, buyer activity from expats and migration interest under the Significant and Premium Investor Visa Program.

Eastern Suburbs

The eastern suburbs prestige market has started 2018 fairly strongly, carrying over from what was considered a solidly performing 2017.

Good quality family homes in the \$5 million to \$10 million price range are the strongest sector of the prestige market. The harbourside suburbs of Bellevue Hill, Rose Bay, Woollahra, Double Bay, Dover Heights and Vaucluse and beachside suburbs such as Bronte, Tamarama and Clovelly have all seen steady numbers of prestige sales in the year to date.

Local high income families have been the typical buyers for these types of properties which is driving this sector. Vaucluse saw approximately 11 registered sales above \$5 million in 2018 (as at 19 April) with two of these sales being above \$10 million (source: PriceFinder, RP Data and Realestate.com.au.).

The higher price points of \$15 million plus, often referred to as trophy homes, have seen limited transactions and some market softening with extended selling periods. Vendor expectations have had to become more realistic to meet the market.

This is fairly similar with the prestige unit market with somewhat mixed results and limited transactions occurring in the \$5 million plus category.

Buyers are becoming more cautious particularly in regard to those considered to be secondary prestige properties (busy road positions, steep sloping sites, etc). There are also an increasing proportion of prestige properties being sold off market though local agents.

Overall there are some mixed results within the eastern suburbs prestige market and the rest of 2018 is expected to see a continued stable market with some of the price points and property types experiencing some softening.

Some examples of recent prestige sales in the area include 148 Old South Head Road, Vaucluse, which sold in March for \$8.2 million after 30 days on the market and 178 Hopetoun Avenue, Vaucluse, which sold in April for \$17 million after 253 days on the market with original expectations in August 2017 of \$22 million.



148 Old South Head Road (source: PriceFinder)



178 Hopetoun Road (source: PriceFinder)

CBD and Fringe

The Sydney CBD prestige market consists of predominantly substantial home units within sought after developments that benefit from panoramic

views on upper or penthouse levels, high quality finishes and design and being located within well-regarded positions. Properties of this calibre are generally considered to be within the \$5 million to \$10 million price range.

A top floor penthouse sold in November last year for \$7.55 million in a development known as Lumiere. The unit was set over three levels with 292 square metres of living area, 3- to 4-bedrooms, 3-bathrooms and direct lift access to all three levels of the apartment down to the double basement car space.

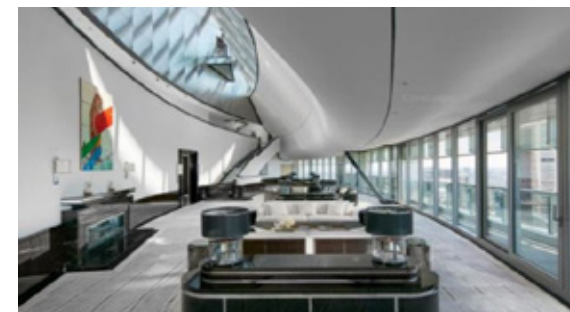


5408/101A Bathurst Street, Sydney (source: realestate.com.au)

Moving up to the ultra-prestige market, which we consider to be over \$10 million and is restricted to the very best properties. There are far fewer transactions at this level however there have been several recent sales of penthouse CBD apartments

exceeding \$20 million and are reserved to the trophy apartment market.

A property of note is the landmark penthouse which sits above the ANZ Tower on Castlereagh Street which was recently listed for sale as part of an international marketing campaign at an asking price of \$66 million. This is hoped to beat the current apartment record of \$60 million set in Barrangaroo for James Packer's yet-to-be-built apartment.



The penthouse at ANZ Tower on Castlereagh Street (source: Domain)

Sky Mansion sits on top of the development on level 43 and is the only apartment within the ANZ commercial building. The residence was completed in 2015 and was named the world's finest residence at the International Design and Architecture Awards last year. According to a recent article on domain.com.au, the property consists of a total area of 2,000 square metres plus a 400 square metre private car

park via an express lift. The property also features multiple grand living areas, gym, cigar room, rooftop swimming pool and several terraces.

This type of commanding property is likely to continue to perform well in the near future given the lack of supply and increased demand that the Sydney prestige market has been attracting from the world's elite for its stable economy, proximity to Asia and world-class health care to name a few.

Within Sydney's inner west region we consider prestige property to be above \$5 million. For this price tag you could expect a premium quality residence on a large land holding within Strathfield's Golden Mile which is located within prestigious school catchment zones including Trinity Grammar, Meriden School and Santa Sabina College. Alternatively, \$5 million to \$10 million could get you a grand residence closer to the city, within some of the inner west's sought after harbourside suburbs such as Drummoyne, Birchgrove or Balmain.

A recent prestige sale in the inner west was a fully restored, heritage listed 1900s-built residence which is privately secluded on a deep waterfront land holding of approximately 765 square metres with a north-east aspect and views toward the Sydney Harbour Bridge. The property also includes multiple living areas, period features, a refurbished boatshed and mooring for a 30 foot vessel.



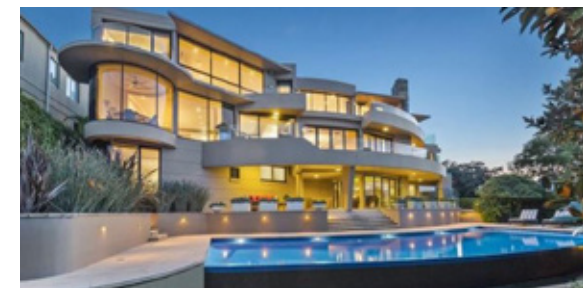
31 Wharf St, Birchgrove sold in Dec '17 for \$7.2 million
(source: realestate.com.au)

Lower North Shore

The Lower North Shore has experienced extremely strong market conditions over the past 4 years, and although the Sydney market has generally cooled in recent months, the prestige sector has remained more buoyant. The buyer profile on the lower North Shore is varied, with both local and international buyers active in this market. Property types at the prestige level in are very diverse and incorporate waterfronts, non-waterfronts with large parcels of land, period style estate homes, ultra-modern architecturally designed homes and properties with high calibre views.

The affluent harbourside suburb of Mosman, on Sydney's Lower North Shore, experienced a near-record breaking sale in March 2017, with the sale

of 10 Bay Street for \$22.45 million (as per RP Data records), a waterfront estate with Middle Harbour water views. This was a much publicised sale and was proof of how strong the prestige market was at the start of 2017. As talk of a market cool down has become prominent in the media early this year, the Mosman prestige market showed its resilience with the reported recent, record setting sale, of 1-3 Burran Avenue for around \$23 million (exact price yet to be confirmed). The property sold within three weeks of going to market, rare for properties at this price level, with the details of the purchaser being kept confidential. The property features a contemporary home on a comparatively large non-waterfront parcel of land, with quality Middle Harbour views towards North Head.



1-3 Burran Avenue, Mosman (source: RP Data)

The prestige market on the Lower North Shore is predicted to be steady in the short-term, and is

unlikely to continue the extremely strong growth experienced over the past 4 to 5 years. In saying that, if a certain property ticks all of the boxes for a potential buyer in this prestige market, there seems to be no lack of confidence and no shortage of money out there. Assuming there are no major economic issues, and with Sydney's increasingly international real estate market presence, the Lower North Shore prestige market is expected to in high demand.

Upper North Shore and Hills District

When most people think Prestige property their attention is always drawn to the eastern suburbs or lower north shore of Sydney. The North West of Sydney and upper North Shore are home to many executives with significant capital to invest in prestige real estate. There has been a number of strong results over the last 12 months showing that whilst the wider market has begun to cool, there are still cashed up buyers out there hunting for prime real estate. Prestige properties are the best houses on the best streets and record the top prices for the areas. Some strong results for the North West include an \$8.8 million sale on Old Northern Road Dural, a record for the area. This property is a substantial residence featuring 8 bedrooms and 10 bathrooms, large in-ground pool, tennis court and a fully landscaped 2 hectares with elevated district views towards the Blue Mountains. It was marketed for almost 12 months, not unusual for homes of this

calibre. It highlights the difficulties in selling property at this price point, because if you have circa \$9 million to spend in this area you are able to purchase an older home, knock down and rebuild your home to your preferred design and specifications.

There are always exceptions to the rule, an example includes a property in Wahroonga selling for \$7,800,000 in October 2017 after only 11 days on the market. This highlights that if a property ticks all of the boxes for the area then they have the ability to get snapped up quite quickly. The property provided a renovated character dwelling with pool and tennis court on a level, half acre of landscaped grounds, within a short walk to the railway station and local shops. This displays that there motivated purchasers in the market ready to move quickly for the right property.



Old Northern Road, Dural (source: CoreLogic)



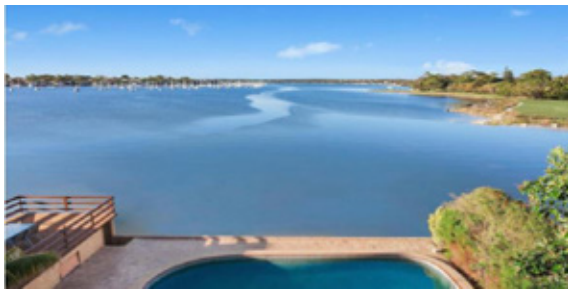
A recent sale in Wahroonga (source: CoreLogic)

The Prestige market can be a little fickle at times due to the limited stock available of high calibre property and the length of time taken finding the right buyer at the right time. We find that the biggest home in the suburb is not always the best, what appeals to the north shore market may not appeal to the acreage market. Transactions at this level of the market are often dependant on personal preferences, what appeals to one buyer at this end of the market, may not appeal to the next.

St George and Sutherland Shire

Traditionally within the St George area the higher prices gravitate towards the waterside suburbs such as Blakehurst, Sans Souci, Kyle Bay, Connells Point, Oatley and the relatively small Kogarah Bay. In recent times however the prestige market, which is usually reserved for properties in excess of \$3 million, has seen countless examples of new homes, many without water views, breaking into this bracket.

The buyer profile will vary between the young family upsizer and the older generations looking for lower maintenance or multi-generation living arrangements. Providing a balance of suburban feel (good block sizes and low-medium density development) and proximity to the CBD the area has and will continue to attract a variety of buyers to the area. A recent prestige sale in the St George area was 78 Carlton Crescent, Kogarah Bay, a waterfront residence on almost 1,000 sqm and offering expansive Kogarah Bay views, which sold in March for \$5 million. Another waterfront sale at 210 Terry Street, Connells Point was a newly built property on more than 1,100 sqm, which sold for an undisclosed price of over \$5.5 million in December. The property was constructed at the water's edge with high level of finishes, 4 bedrooms, 7 bathrooms, marble flooring, CBUS, 4 car garage, heated in-ground pool, boathouse, slipway, jetty and pontoon.



78 Carlton Crescent (source: realestate.com.au)



210 Terry Street (source: realestate.com.au)

In the Sutherland Shire the prestige market is typically restricted to waterfront properties which sit on either Port Hacking or the Georges River, in suburbs such as Yowie Bay, Caringbah South, Burraneer, Cronulla, Kangaroo Point and Sylvania Waters. Prestige properties are generally considered to be those above \$3 million with those above \$5 million considered to be ultra prestige for the area. The ultra prestige market generally consists of large waterfront properties with expansive water views and high levels of finishes.

The prestige unit market in Cronulla has become popular amongst downsizers with a number of boutique apartment developments being constructed over the past decade. These units, which typically sell between \$3 and \$5 million are large in size, with high levels of finishes, and typically benefiting from substantial water or beach views.

The prestige market in the south has weakened over recent months although some properties are still achieving results above expectations. It is expected that this market will continue to stabilise over the short term.



3 Darook Park Road, Cronulla, sold for \$10.3 million in June 2017 (source: CoreLogic)



Illawarra

The definition of prestige property in the Illawarra residential real estate market has been re-calibrated after five years of strong growth. Sales of property over \$1.5 million were once rare, however are now more mainstream.

Accordingly the prestige market in our opinion cuts in from \$2.5 million.

Prestige properties tend to have three categories. The first is contemporary dwellings on the coast with direct ocean access or unobstructed views. Locations on the northern beaches (Coledale, Austinmer etc.), Kiama, Gerringong and Gerroa and South Coast townships such as Huskisson, Vincentia and Hyams Beach feature heavily in this market. The second is the prestige unit market. This is centred around North Wollongong, Cliff Road and other Wollongong CBD modern developments.

The third category is the rural lifestyle properties. Geography and land availability limit the number of acreage properties in the north of the region although there is always a sprinkling of sales in the escarpment around Wombarra, Thirroul and Bulli.

The vast majority of prestige rural lifestyle properties in the region can be found in areas around Jamberoo and Berry. In the past six months there have been signs that the strong growth in the market has slowed down.

Sale volumes have dropped and selling periods are on the rise.

That said, properties are still selling, even in the prestige market. Notable recent sales from the past six months include: \$3.35 million for a Paterson Road, Coalcliff property which is beachfront and has extensive beach, ocean and cliff views; \$3.3 million for a Cliff Road, Wollongong sub-penthouse in the Esplanade complex; and \$4.75 million for a substantial lifestyle residence on Coomonderry Ridge in Berry set on 20 hectares.

The prestige market throughout the region is strongly influenced by proximity to Sydney. When the Sydney property market and economy is strong, we find Sydney based buyers are often the purchasers of prestige property in the Illawarra.

This can be as a second home where they split their time, or as a holiday or weekender home. We expect most of the prestige market to hold its own and to follow the rest of the property market. That said, history shows us that any significant economic shift in the state, nation or globally can impact the upper end of the coastal holiday market the most.

Of most concern are beachfront properties in the South Coast coastal townships as past events have shown that demand and prices in these locations can be hit the hardest.

Southern Highlands

The prestige market across the Southern Highlands is defined as at a price point in excess of \$3 million. The choice of property types include prestige residential located in the main townships of Bowral, Moss Vale and Mittagong, predominantly on land sizes between 4,000 and 10,000 square metres. Another sector of the prestige market is rural lifestyle acreage properties defined as land size between ten and 50 hectares and located on the outskirts of the main townships across the villages and hamlets of Berrima, Sutton Forest, Exeter and Robertson.

Historically purchasers of these property types have been Sydney based, having sold out of that market and looking for a lifestyle change or seeking a weekender. It should be noted that over the past six months we have observed increasing activity from the Sydney real estate agents in the local market and in some cases, sales contracts being unsupportable in the local market. This market historically has shown high levels of volatility, linked to the vagaries of the financial markets together with the Sydney property market. It is not uncommon for extended marketing periods and multiple agent marketing campaigns of up to two years at the higher price point, with vendors willing to wait for the right purchaser and likewise purchasers tending to be highly discriminatory in their purchasing decisions.

Lismore / Casino / Kyogle

With the ongoing improvements in the residential market throughout the Northern Rivers over the past 12 months, we have noted some ceiling crashing moments within the local market of Lismore City, namely in the suburbs of Goonellabah, East Lismore, Girards Hill and Lismore Heights.

It was not too long ago that any residential property, prestige or not, would have a snowball's chance in the pit of Hades of reaching \$600,000 in the aforementioned suburbs.

However, in the 12 month period since the end of April 2017, we have noted approximately 20 residential sales of detached houses in Lismore City break through the \$600,000 barrier. And at present, this market sector is still receiving strong enquiry when a residential property of this quality is placed on the market for sale. It is not uncommon for these properties to sell within a month.

Such prestige houses (which in Lismore City is anything over \$600,000) are typically blessed with an abundance of features including extensive landscaping, pool, solar power, ducted air-conditioning, 4- plus bedrooms, 2- plus bathrooms, double or triple garage, large site area and wide rural or residential views.

Some exquisite residences have even hit \$800,000, for example, 16 Cavendish Road, Goonellabah which sold on 10 November 2017 for \$837,500.



16 Cavendish Rd, Goonellabah which sold 10 November 2017 for \$837,500.

Typically, these types of properties are acquired by high network individuals with secure employment or business owners within the district that have a passion for quality.

To a lesser extent, both Casino and Kyogle are limited in their supply of such prestige property, however, any sale price above \$500,000 for a detached house is considered to be within the upper echelon of those townships. Again, such properties have all the "bells and whistles", but are relatively sparse in supply compared to the regional centre of Lismore. From our research and converse with local real estate agencies in the area, the demand for very good quality detached housing is still relatively firm and receive a lot of interest when offered for sale. However, it can be a very tightly held market. For example, fully renovated heritage style housing in

a flood free section of Girards Hill and parts of East Lismore are very difficult to acquire and when they do become available heritage housing enthusiasts salivate.

Current market evidence indicates this sector is doing relatively well and likely to continue, providing that dreaded interest beast is kept "chained up" in the dog house.

Ballina/Alstonville Region

Generally speaking, the prestige market within Ballina Shire at present would be considered property in excess of \$1,200,000. Prestige residential property within the Ballina Shire is generally concentrated within the Lennox Head, Skennars Head and East Ballina localities.

Prestige rural residential localities are generally located within the localities of Newrybar/Brooklet and Tintenbar (which is largely considered to be part of the Byron Bay Hinterland). To a lesser extent are the rural localities surrounding Alstonville.

There have been three sales of beachfront/beachside properties situated within Lennox Head that have transacted for in excess of \$3 million in the past 12 months. The market-leading sale within Lennox Head over the past 12 months is the sale at 65 Dress Circle Drive for over \$4 million in September 2017. This sale comprises a well presented 2 level dwelling of rendered brick and tile construction which obtains

extensive north east ocean views towards Broken Head.



65 Dress Circle Drive, Lennox Head sold for \$4,060,000 in September '17.

Another recent sale of interest is the sale at 2/4 Grandview St, East Ballina for \$1.7 million in January 2018. This property previously transacted for \$1.1 million in 2014 which represents an approximate increase in value of 55%.

The prestige market within the Ballina Shire remains strong at present and is typically driven by the performance of capital city markets, most notably Sydney.

Byron Bay

The Byron Bay and immediate surrounding rural residential real estate market, given its unique

coastal location and lifestyle attributes and the national/international appeal of the area, can tend to operate somewhat independently of the broader market on the Far North Coast of New South Wales.

Whilst it is influenced by the normal micro and macroeconomic parameters of the general real estate market, it is also subject to individual preferences and emotion-driven demand that can result in the property cycle for this area "ebbing and flowing" to a greater degree, outside of normal market conditions.

Consequently, prestige property prices in Byron Bay and its surrounds can also be subject to a greater deal of volatility than more standard urban areas, and the higher the price, the thinner the market.

The prestige beachfront, beachside and highly regarded rural residential localities of the Far North Coast of New South Wales, and in particular Byron Bay, has improved strongly since circa mid-2013 through to the present date.

This improvement in prestige prices for Byron Bay has been reflected in increased sale volumes and firming sale prices, which in some instances (and in particular the prestige \$2 million to \$4.5 million bracket) have moved beyond the peak market price levels of 2007.

Within Byron Bay, the price points for prestige residential dwellings housing is between \$1.25 to \$4.25 million Ultra-prestige residential dwelling price

points would commence at \$4.5 million and onwards. In relation to prestige residential unit price points, the prestige market would lie between \$1 and \$2 million and the ultra-prestige residential unit market would be situated between \$2 and \$4 million.

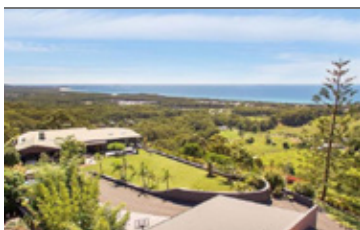
There has been an improved process in the ultra-prestige \$5 million-plus price bracket with the sales of prestige beachside properties situated within the Wategos Beach and Lighthouse Rd precincts as well as sales of prestige rural residential properties situated within high regarded rural localities situated on the fringe of the Byron Bay township.

However, property transactions of this high end rural residential nature remain limited, with relatively fewer purchasers in this segment who have the demand, and importantly, financial capability to acquire this type of property. This is usually coupled with a general slower market activity.

The sale volumes for prestige property in Byron Bay and the immediate surrounding rural residential localities situated east of the Pacific Highway (encompassing Ewingsdale, Skinners Shoot, Mcleods Shoot, Saint Helena, Talofa, Coopers Shoot and Broken Head), on an annual basis, from the 2010 to 2017 calendar years are as follows:

The above table indicates the relatively small number of sales or the 'thinness' of the Byron Bay residential prestige market and the substantial reduction in sales rates post GFC. It should be noted that the increase in sales activity during the

| Price (Range) | 2010 | 2011 | 2012 | 2013 |
|--------------------------|----------|----------|----------|----------|
| \$1,999,999 \$3,000,000 | 3 | 2 | 4 | 4 |
| \$3,000,001 \$4,000,000 | 1 | 0 | 2 | 0 |
| \$4,000,001 \$5,000,000 | 1 | 0 | 1 | 0 |
| \$5,000,001 \$7,000,000 | 2 | 0 | 1 | 0 |
| \$7,000,001 Plus | 0 | 1 | 0 | 1 |
| Sale Volume Total | 7 | 3 | 8 | 5 |



2012 year was mainly due to an increase in the number of properties that were sold under 'forced' circumstances.

The more recent firming market for prestige properties is evident in the increase in sales volumes over 2015, 2016 and 2017 period. However, the above table clearly indicates how thin the market is for sales in excess of \$7 million, with only 8 sales in this price bracket since 2010.

There have only been 3 sales greater than \$9 million occur over in recent times. There have been no sales greater than \$10 million since the market peak in 2007. The most recent sale greater than \$10 million within the Wategos precinct was 11 Marine Pde, which sold for a record price of \$15.68 million in July 2006.



11 Marine Pde, sold for for \$15.68 million in July '06.

There have been two sales situated along Marine Pde (within the Wategos precinct) which have achieved sales prices greater than \$8 million. 37 Marine Pde achieved a sale price of \$9.5 million in November 2015.



37 Marine Pde, sold for for \$9.5 million in July '06.

This property comprises an attached, strata titled, semi-modern style duplex pair situated on a parent

parcel with a land area of 669 sqm. The units face north-west with expansive views over Wategos Beach, Julian Rocks, the ocean and mountain/border ranges views in the distance. See below photo of the view provided:

This improved interest in prestige property initially was due to buyer perceptions that the market had 'bottomed' with vendors being prepared to meet the market. However, in more recent years, the improved market conditions have been related to the ongoing strength of the South-East Queensland, Melbourne and in particular the Sydney property market, of which the Byron Shire has historically been closely aligned to (as a discretionary holiday or lifestyle home purchase).

The Clarence Valley

Within the Clarence Valley, prestige properties are most commonly situated in Yamba and surrounding rural residential or riverfront localities.

The median dwelling sale price in Yamba has increased from \$430,000 in January 2016 to \$540,000 in January 2018 with approximately 50% of sales over the last 12 months occurring in the \$400,000 to \$600,000 price bracket. While this bracket encompasses the median sales price, the prestige market is more thinly traded with limited stock coming to market and fewer buyers. Despite this, the greater than \$1 million price bracket

accounts for almost 8% of all dwelling sales over the previous 12 month period which shows steady performance over the short term.

The buyer pool for prestige property is quite limited, as evidenced by low % turnover, and this segment of the market is historically most responsive to economic changes. Within Clarence Valley, the prestige market is dominated by buyers seeking ocean, canal or river frontage or acreage situated within close proximity to Yamba (i.e. Micalo Island, Palmers Channel or Palmers Island). As for the outlook for prestige properties, the market is showing signs sale rates stabilising with sales pricing continuing to steadily increase.

Coffs Harbour

Coffs Coast being a regional area realistically sees the prestige market starting at the \$1 million mark which is predominately driven by the out of town buyers.

The largely “discretionary” type buyer to whom prestige property greater than \$1 million appeals can be greatly impacted by changed economic conditions.

The high-end prestige market within the Coffs Coast is prone to greater and more rapid fluctuations in sale volumes and sale price levels than the lower and middle markets. This market is also heavily influenced by the performance of the capital city markets as these areas traditionally provide the

majority of buyers for prestige housing on the Coffs Coast.

Market conditions have continued to firm for properties over \$1 million in recent years which is confirmed by the increased sales numbers for both beachside and rural residential properties over \$1 million, however, the majority of sales occur within the \$1 million to \$1.5 million price bracket.

The higher the value the thinner the market, historically there has been very limited sales over \$2 million with the highest recorded sale for a single residence to date being \$2,650,000 at Diggers Beach (Coffs Harbour) in 2015.

The majority of prestige sales not surprisingly occur within the sought after beachside suburbs or well-located rural areas close to town/beach.

Beachside locations such as Sawtell, Coffs Harbour (Jetty precinct, Diggers Beach), Korora, Sapphire Beach, Emerald Beach and Woolgoolga see the majority of sales over \$1 million, however very limited sales over \$1.5 million.

In more recent times we are seeing the prestige rural residential market increase in activity with two notable sales within the rural precinct (west of the Pacific Highway) of Sapphire Beach being a 3ha executive style property in Sugarmill Rd for \$1.9 million.



Sugarmill Road. (source: CoreLogic)

And a 2.3ha dual accommodation property at The Mountain Way for \$2,000,000



The Mountain Way property. (source: CoreLogic)



Other rural localities close to Coffs Harbour where we see increased prestige activity is at Upper Orara, Bucca, Bonville and Boambee. The rural township of Bellingen (35km south west of Coffs Harbour) is always a strong performer with the out of town market and regularly sees sales in excess of \$1 million particularly within the more sort after locations of Gleniffer (Roses Rd) and the Promised Land. As a result of the market primarily being driven by the out of town buyers, personal preferences, presentation and motivation of both the purchasers and vendors may impact on the ultimate sale price and can result in wider market parameters than those experienced for lower-priced properties. Extended selling periods in excess of 6-12 months are traditionally required.

Central West

Residential and rural residential properties over the \$1 million mark would generally fit the bill as prestige properties. The majority of such sales consists of renovated character dwellings in established areas with similar surrounding properties, properties within subdivisions of 2,000 to 10,000 square metre lots with covenants for minimum dwelling sizes, and larger properties on the fringe of town. Prestige units are practically non-existent as there is very limited demand for such properties.

There are a higher percentage of rural residential properties that sell for over \$1 million due to the

land value comprising a larger proportion of the overall value. This type of property has seen strong growth over the past two years, however there is a perception that rural prices are close to peaking and are then likely to remain steady thereafter.

Anecdotal evidence from agents indicates that purchasers of such properties generally have high incomes and it would not usually constitute their first property purchase. A reasonable percentage of purchasers are tree changers from larger metropolitan areas who have a significant war chest from the sale of their other property.

If you like the television show Heartbeat, then you might be drawn to the area south of Orange. Every time I'm there it reminds me of the countryside from that show with tall trees, grassy paddocks and ant springs.

A good example of a prestige property in the area is 48 Berrilee Road, Springside. It is a large modern dwelling on a gently sloping two hectare lot located ten minutes drive from Orange. This property sold on 25 October 2017 for \$1.025 million.

Central Coast

Perhaps as a consequence of the rising market over the past few years, the line between prestige property and everything else seems to have blurred slightly - it still exists, but is just a little different. Streets and suburbs not usually associated with the

prestige property market are now being looked at in a slightly different way by some. This is generally a result of some residents hearing of prices being paid and then thinking to themselves that their suburb or street has moved from normal to prestige. To be fair, with the changes seen in market values of late, they could well be forgiven for thinking this was the case.

Sadly this is not actually how it works - while their property value may have increased, values everywhere have moved up, not just in their street.

While the exclusivity of living and owning property within the Central Coast Region remains, so too does the prestige property market within it. While we often see the term prestige used in real estate marketing (often referring to a particular house in a particular street within a given suburb), we really think of the prestige market as being one of reputation and desire to be a part of it. For our purposes, we'll touch on the traditional prestige market - beachfronts, or properties very close to it with views and digs to match, along with some rural residential areas.

Starting at the northern end of the region and relative to it, prestige property is found to some degree at The Entrance North, but more so along the Toowoyn Bay and Blue Bay beach fronts which have proven popular with those from Sydney.

There are some very nice properties to be found here and prices paid recently include two properties on Werrina Parade at \$3.5 million and \$3.26 million.



Moving towards the centre of the region, if prices paid and standard of dwelling guides us to the prestige market, then Wamberal and Terrigal fit the brief. Beachfront sales are limited to either Ocean View Drive and Pacific Street with some recent sales including \$2.7 million and \$3.03 million for older style dwellings on the beach. Away from the beach, McGee Avenue has a long standing reputation as a street with prestige due to the ocean views available. Recent sales include \$2.425 million for a well presented 5-bedroom home.

Although fronting the ocean, Terrigal itself is essentially without direct oceanfront properties, but many prestige dwellings and apartments are found on the headland and near the beach with ocean views. Recent apartment sales within the Star of the Sea complex have occurred for prices between \$2.2 million and \$2.6 million with a headland property selling at \$3.85 million.

North Avoca is right next to Terrigal and if the benchmark for prestige property is linked to value, then there are a few, but reasonably tightly held properties along the beachfront and owned by absentee owners. A recent sale includes a North Avoca Parade property at \$3.425 million.

Avoca Beach has enjoyed high prices for beach fronts for many years. A recent example is \$4.65 million paid for an older style dwelling and \$4.65 million for a magnificent, large designer apartment on the headland.

When we think prestige property on the Central Coast, our thoughts often turn to Pearl Beach. It's not for everyone, but those living and spending their weekends or holidays there are okay with that and are prepared to pay big prices to secure property. High value property sales have been a little quiet lately, but this can change without warning. In the past year, we have seen a number of \$4 million plus sales occur here.

That pretty much covers the prestige beach front areas and given the diversity of the Central Coast property market space, there are a few contenders in the rural residential prestige market.

Most high value rural residential sales occur in the Matcham Valley area where we are regularly seeing sales exceeding the \$3 million mark including a recent sale on Oak Road at \$3.95 million. At the minute though, sale prices in the \$2.2 million to \$2.7 million range are very popular. To us this means another round of upgraders is looming.

Drivers of the prestige property market on the Central Coast area combination of various factors. These include purchases by those looking to upgrade from within and from outside of the area, those looking for prestige (by local standards) property for holidaying purposes and with the means to do so, the odd investor, expat and retiree.

Underpinning a lot of purchases of course are the favourable lending conditions currently. All in all, we

think the prestige property market within the Central Coast region is stable, receiving an appropriate level of attention and demand. Traditionally, this has nearly always been the case and we think it has fared well across previous cycles compared to other regions when market volatility becomes an issue.

At present, there doesn't seem to be much stock being marketed as available for sale, but again, this is not uncommon as many sales are conducted off market due to the participants preferring to avoid that type of attention.

Mid North Coast

The Mid North Coast prestige sector has significantly lower values than what is considered to be prestige in the larger nearby cities of Newcastle and Sydney.

Historically, values for what is known as the prestige segment generally have started above \$1 million, but over the past two to three years, with a rapidly rising market, we have seen values for higher quality properties rise significantly. So our prestige market has climbed with recent values achieved up to \$2 million and prestige properties generally considered to be in the high \$1 million range.

In the larger regional centre of Port Macquarie, prestige properties are mostly found along the river, within the canal developments and along the coast and beachfront suburbs (especially Lighthouse



Beach). In the past year there have been over 60 sales of dwellings over \$1 million but almost no sales over \$2 million. However, we note a recent sale, currently under contract for an undisclosed sale price, but reputed to be well over \$2 million. The selling agents have stated that it is the highest sale price achieved for a dwelling in Port Macquarie town in the past ten years.

The rural residential areas around the Port Macquarie-Hastings and Great Lakes Shires have also shown rapid increases in prestige rural residential properties, with a recent sale of a small riverfront acreage at \$2.35 million at Rawdon Island (just west of Port Macquarie).

The southern sectors along the Mid North Coast, including the town of Forster and the coastal villages of Boomerang Beach, Blueys Beach and Seal Rocks have shown a rapid increase in values within the prestige market segment over the past year, with some 14 sales between \$1.8 million and \$2.5 million.

The rise in demand and prices for prestige style properties along the Mid North Coast appears to have been fuelled by the past rises in the Sydney and Newcastle markets. An influx of cashed up buyers from those areas has shown the most interest in this market segment. Going forward, we feel that demand in this market segment will remain stable, although it accounts for less than 5% of the overall residential property market in the region. We believe that values will generally remain stable with possible

small corrections should the markets weaken in the major centres and capital cities over the next year.

Newcastle

Do you want to have BBQs on your balcony while taking in all the beach has to offer, or perhaps you would prefer to park your boat up to your own private jetty on the lake for the afternoon? Perhaps inner city living is what you prefer close to the cafés and restaurants or maybe wine is your thing and you are dreaming of a country manor in the vineyards complete with your own vines. These are the options prestige buyers have when looking at properties in the Hunter.

If the beach is where you want to be, the Newcastle suburbs of Bar Beach and Merewether are the two most prestigious suburbs in town. Prestige dwellings taking in views of the water and sand will set you back anywhere between \$3.5 million and \$5.5 million depending on condition, features, view and distance from the beach. Moving back a block or two and buyers can still pick up a property between \$2.5 million and \$3.5 million with great features and within walking distance of the beach but without the view. Beachside suburbs further from Newcastle's CBD such as Redhead, Stockton, Caves Beach and the region of Port Stephens offer a cheaper beachside alternative which would be still classed as prestige for the area at between \$2 million and

\$3 million. There are also a few suburbs that offer coastal views but are not in walking distance to the beach, such as Merewether Heights, Whitebridge and Dudley.

Newcastle's inner city suburbs of Cooks Hill, The Hill and Newcastle East are the pick of the bunch when looking for a prestige lifestyle close to town, with a number of prestige modern units and townhouses available over the \$2 million mark and a few houses on larger lots available between \$3 million and \$4 million.

The shores of Lake Macquarie offer a unique opportunity for prestige buyers in the Hunter to own their own absolute waterfront property and suburbs such as Eleebana, Valentine and Belmont North are the most popular. With sweeping views of the lake and private jetties, at prices between \$2 million and \$4 million, this area is very popular for those prestige buyers with a nautical passion.

Last but not least, the Hunter region is home to some of Australia's best vineyards and wineries and for those prestige buyers looking for a more rural lifestyle there are some amazing country manors with large parcels of land available in the Hunter Valley. \$2 million would be entry level for a prestige home in this area.

The Hunter region is unique in that it can offer the prestige buyer a variety of lifestyles. Although the beach suburbs of Merewether and Bar Beach are



certainly the leaders of the pack when it comes to prestige suburbs, there are other options. Whether they be lakeside, country side or inner city living, the choice is there.

Tamworth

Prestige properties within the Tamworth region are considered to be residential properties over \$800,000 and can be identified within two distinct markets. The first of these is older, federation style dwellings located within East Tamworth that have generally been renovated to a high standard. The second is newer dwellings located in the fringe suburbs of North Tamworth, Moore Creek and Daruka, which are generally located on 2000 plus square metre lots, with very good district views and built to a high standard.

Two recent sales are 65 Hill Street, East Tamworth and 3 Bentwing Place, North Tamworth. 65 Hill Street is a circa 1910, double brick, federation style home that has been renovated throughout with large outdoor areas and swimming pool on 1,618 square metres. 3 Bentwing Place is a circa 2013 brick veneer dwelling, with fantastic district views and very high quality fit-out on 1.5 hectares. Both properties sold in less than six months, with Bentwing Place taking only 16 days to sell. This shows the high demand prestige properties are currently receiving within the Tamworth region.

Over the past six months we have seen an increase in the prestige market with seven sales within East Tamworth and three within the fringe suburbs. This is compared to one sale in East Tamworth and two within the fringe suburbs during the previous six months. This increase is being driven by local upgraders as well as new professionals, such as doctors, who are moving to town.

As Tamworth's economy continues to grow and more people move to the area for work, we expect the prestige market to continue its strengthening performance.



Victoria

Melbourne

Historically, Melbourne properties of \$3 million and above have been classified as prestige. Recently, the ultra-prestige price for detached housing has increased to properties above \$5 million and up to \$15 million to \$25 million, following the increasing number of properties falling between the \$3 million and \$4 million mark. Similarly, any townhouse or apartment above \$3 million is labelled as prestige.

Melbourne has four main prestige areas, comprising parts of the Stonnington, Boroondara, Bayside and Port Phillip City Councils.

The main prestige suburbs in the City of Stonnington are Toorak, South Yarra, Armadale, Malvern and Malvern East, located in Melbourne's inner south-eastern suburbs alongside the Yarra River and a short distance to Melbourne's CBD.

Kew, Hawthorn, Hawthorn East, Camberwell, Balwyn, Balwyn North and Canterbury make up the City of Boroondara's prestige market. Approximately five kilometres east of the Melbourne CBD, the area is primarily residential in nature, with a number of renowned private schools such as Scotch College Hawthorn, Fintona's Girls School Balwyn and Xavier College Kew.

Almost two-thirds of Boroondara consists of water courses and parklands such as the Yarra River and Yarra Bend Park.

Bayside and Port Phillip City Councils run along the north-east coastline of Port Phillip Bay. Most prestige properties are seen in Brighton, Middle Park and Albert Park, which are primarily residential suburbs with occupants attracted to the inner city lifestyle as well as the luxurious beach surroundings.

The prestige apartment market is evident in East Melbourne, St Kilda Road, Melbourne and St Kilda. Some addresses of note include: 150 Clarendon Street, East Melbourne; 60-66 Clarendon Street, East Melbourne; 51 Spring Street, Melbourne; and 576-578 St Kilda Road, St Kilda.

High net-worth individuals are the buyers driving these sectors. Similarly, developers drive prestige sales, where the current improvements add little value and the site is suitable for potential multi-unit or single dwelling development.

The inclusions high net-worth individuals seek are modern kitchens and bathrooms including stone benchtops, designer joinery and tapware, and floor to ceiling tiles in bathrooms. Other sought out inclusions are quality floor coverings such as timber flooring (parquetry or American Oak), travertine tiles and luxurious carpets, typically large gross building areas, basement car spaces, self-cleaning designer swimming pools, championship tennis courts, and landscaped properties.

Popular Melbourne based architect, Nicholas Day, has crafted multiple prestige properties throughout

Melbourne. Other prestige architects include Phillip Mannerheim, Bruce Henderson and landscape architect Jack Merlo. Visioneer Builders is an award winning company specialising in the construction of prestige properties. These renowned property experts attract buyers who drive these sectors.

The Stonnington, particularly Toorak, market, Boroondara and Bayside markets have revealed good median house price growth in 2017. The current cycle has been generally firm for approximately six years, with the last softening occurring in mid-2012 (realestate.com.au). For instance, the Toorak median house price as at 9 April 2018 was \$4.4 million, which has doubled since December 2016 and seen a growth of 30.9% over a year. According to Domain Group chief economist Dr Andrew Wilson, overall prestige prices in Melbourne itself rose by 11.6%.

The Reserve Bank of Australia's first meeting for 2018 flagged the possibility of interest rate rises later in the year on the basis of the strengthening economy. Notwithstanding this, the commencement of the 2018 auction period in February revealed moderate results with auctions well contested in general and clearance rates at 70%. The current market appears to be in a steadying phase with a balance between buyer demand and vendor expectations. We note premium, A grade property continues to command good demand from purchasers.



The Melbourne prestige market looks to be continuing on from its 2017 growth in the short to medium term outlook. Prestige buyers are seeking great properties closer to the CBD. John Bongiorno of Melbourne's Marshall White states, "I see a big trend that will continue over the next decade of inner suburb Melbourne in particular becoming more and more bullet-proof. With the development of infrastructure and congestion on the roads, people are getting fed up with waiting times in traffic and want to live, increasingly, within an eight- to 10-kilometre radius of CBDs. That's where the best investments will be, too." (domain.com.au).

In the long term view, there is caution, as the prestige market could be reaching its peak.

Ballarat

The prestige property market in the Ballarat area is one that generates significant interest, not only from those who work, rest and play in it, but also from those who want to.

The prestige market in the area probably kicks in around the \$1 million dollar mark, but things really start to get interesting north of about \$1.5 million. These properties are generally situated in Ballarat Central, Lake Wendouree and Invermay with a smattering in Soldiers Hill, Newington and Buninyong.

In general terms, \$1 million to \$1.5 million in Ballarat at present will buy you a large fully renovated period dwelling on a block of circa 1,000 square metres. This property would be in a location rated around 7 to 8 out of 10. It would also get you a good sized lifestyle lot from two to 15 hectares in Invermay or Buninyong with a large high quality dwelling and good shedding.

If you have more than \$1.5 million to \$2 million to spend you will be able to get something on Lake Wendouree. It is at this level that the market is considered ultra-prestige.

There have been strong whispers of two transactions taking place in this market in the past six months, one sale on Lake Wendouree of around \$4 million and one on Sturt Street of around \$3 million. Although neither of these transactions have been confirmed they would be considered records for the area.

The market is being traded mostly by local high net worth individuals and people new to town who have come from markets where the quantum of cash perhaps doesn't stretch so far. In general purchasers seem to seek high quality locations, with good sized lots and renovated period dwellings.

The main drivers of the market are the economic success of Ballarat as a centre. This can be measured by population growth, employment growth and perhaps even tourism growth. These three measures have performed very well in the past four years

and as a result the prestige market has also shown significant growth. With further growth in these areas forecast as well as additional local and state government spending, we consider the future growth prospects for the market to be strong.

Gippsland

Bass Coast

The prestige residential market in Phillip Island is generally defined as properties ranging from \$1.1 million to \$1.5 million with ultra-prestige comprising of properties at \$2 million and above. Properties achieving prices of \$1.1 million and above generally consist of high quality modern 4-bedroom plus dwellings with ocean or bay views or alternatively, rural residential acreage properties.

The high end market in Phillip Island is predominantly driven by buyers from Melbourne and outer suburbs who are seeking either a holiday home or are relocating. They are typically seeking a high quality dwelling with water views. As a result the largely discretionary type buyer to whom prestige residential properties appeal can be greatly impacted by changed economic conditions. The high end prestige market within beachside locations can be prone to greater and more rapid fluctuations in sale volumes and sale price levels than the lower and middle markets. The lower and middle markets have



seen a rapid upward spike in values however this trend has yet to be reflected in the high end market with little capital growth over the past 12 months in comparison to the entry level and middle markets.

Baw Baw

Prestige properties are rare in Baw Baw however some have recently sold. Most notable is James Court near the centre of Warragul which is currently under contract for \$1.64 million. The prestige residential market typically starts at the \$1 million mark with a mixture of property types. The \$1 million mark will see purchasers obtaining a fairly substantial dwelling of above 300 square metres and substantial ancillary improvements.

Prestige rural residential property prices typically start at \$2 million which would get approximately 20 hectares, a substantial dwelling, large shedding and improvements.

There are limited prestige units however there are penthouses and apartments located above the Mecure Hotel which are under contract for \$600,000 to \$700,000.

The prestige market in Baw Baw is comparable to the remainder of the market sectors in this area. Demand is strong from eastern Melbourne suburbs purchasers selling and relocating to the Baw Baw

area.

The short term outlook is for continued strong growth with the medium to long term market predicted to cool to a more sustainable level of continued growth.

Wellington

The prestige market in Sale is situated east of the CBD incorporating older style renovated houses circa 1940s within the \$600,000 to \$1 million range.

To the south-east of the Sale CBD, both residential and rural residential properties incorporating a mixture of older and new houses that have wetland and district views are between \$700,000 and \$1.2 million.

Latrobe Valley

Just west and north of the CBD, older established homes in the Bridges, Albert, Mabel and Moore Street areas incorporate values of \$600,000 to \$800,000. North and north-west Traralgon is comprised of new homes of high quality with mountain views at price points of \$700,000 to \$1 million.

Mildura

We have often commented that the most active house price segment in the Mildura region is between

\$280,000 and \$450,000. However, there are still a decent number of sales each year in the range from \$450,000 to \$800,000, and then a smattering of sales of prestige homes, at a figure above \$800,000.

In the past 15 months or so, there have been 13 sales in our region above \$800,000. Over the years we have often heard the comment that "if I am going to spend that much money, I want to be able to see the river" and it is true that many of the sales of homes above this level have frontage to, or views over the Murray or another water body such as Kings Billabong. The limited number of house sites with river views creates scarcity and this will always work to maintain values. There have been seven sales since the start of 2017 of prestige homes with river frontage, at prices of between \$910,000 and \$1.65 million.

However we are starting to see a greater willingness from buyers to acquire prestige homes which do not have river frontage. While our most expensive house sites do have river frontage, some of these sites now have homes which were built in the 1970s or 1980s, and so now have a dated appearance. Buyers, particularly younger people, show a preference for modern homes, and so in some cases have decided to forgo a river view in favour of a higher standard of home, particularly if they can have the trimmings of good swimming pools, tennis courts etc. Since the



start of 2017 there have been six off river sales, at levels of between \$820,000 and \$1.35 million.

Many of the buyers of prestige homes in Mildura are professional or retired people, some of whom move to the region from a metropolitan area. Continuing to attract these buyers will be key to maintaining or growing the number of prestige home sales. Interest rates are likely to be less of an issue for these buyers.

The recent rapid growth in rural values across most commodity types is expected to create a number of wealthy retired farmers and we expect many of these to stay in the area. These buyers often seek properties on larger lots, with some shedding etc. and we expect this segment to also bolster buyer demand for prestige housing in coming years.

Bendigo

The prestige property in the Bendigo area as in many areas is the one which engenders the most 'water cooler' discussion.

As in many regional centres, the prestige market is considered to commence around the one million dollar mark. For a long time, there were very few properties traded north of this mark. However, the past 18 months has seen five transactions north of 1.5 million dollars.

These have been located predominantly on Forest Street and Barkly Street just north of the Bendigo and in close proximity to sporting facilities and parkland.

In general terms, one to one point five million bucks in Bendigo at present will buy you a large fully renovated period dwelling on a block of circa 1,000 sqm.

This property would be in a location rated around 7 to 8 out of 10. It will also get you a good sized lifestyle lot from 2 to 15 hectares in Jurnortoun or Segwick or Mandurang with a large high-quality dwelling probably a pool and good shedding.

The market is traded mostly by local high net worth individuals and people new to town who have come from markets where the quantum of cash perhaps doesn't stretch so far. In general, the purchasers seem to seek high-quality locations, with good sized lots and renovated period dwellings.

The main drivers of the market are the economic success of Bendigo as a centre. This can be measured by population growth, employment growth and perhaps even tourism growth. These three measures have performed very well in the past two to four years period and as a result, the prestige market has

also shown significant growth, With further growth in these areas forecast as well as additional local and state government spending we consider the future growth prospects for the market to be strong.



Queensland

Brisbane

We can hear it now – the term of ‘Brisbane residential prestige’ is causing fits of laughter among the Sydney and Melbourne elites.

But hold your horses moneyed up crowds from the south because along with faster commutes, accessible and uncrowded beaches plus stunning weather, Brisbane has its fair share of ‘ooh la’ housing.

It’s a testament to our appeal that so many more interstate and overseas buyers are coming to the party that is Brisbane’s high-end real estate sector. They see value for money, an enviable lifestyle and, for many, the opportunity to set up and operate their business without the hassle of a Harbour Bridge traffic snarl.

While there are certainly prestige properties across the breadth of the South East, we’ve honed in on Brisbane City specifically this month. In the scheme of things, the ultra-wealthy do tend to gravitate toward our CBD rather than seek offerings in surrounding authorities such as Ipswich and Moreton.

Most multi-million dollar sales in these climbs consist of large rural holdings or developable sites. Not to say there aren’t alternatives, but it is the Brisbane market that provides the highest density of sales and is probably the most accurate measure for tracking the sector.

In Brisbane, you really don’t need to crack the \$10 million mark to pick up an exceptional property. Prestige housing sits within the broad \$2 million to \$8 million zone.

That’s right. For the price of a three-bedroom second hand Bondi Beach flat you can be among some of the nicest abodes in the best suburbs South East Queensland has to offer.

If that sort of figure is just ‘pocket change’ in your world then:

A – Congratulations, and

B – You are able to break into the sort of housing envied by oligarchs and internet moguls the world over at our ultra-prestige level.

We consider ultra-prestige buyers to be in the \$8 million-plus realm. For these sorts of dollars, you will be on the river bank, riding horses across your rolling acreage or positioned high on an inner-city hill.

If you’d prefer a bit more in the way of low-maintenance pampering, perhaps an apartment is more your style. With \$2 million to \$5 million you are breaking into the first stage of ‘elite strata’ of Brisbane units and townhouse. Add a touch more to reach, say, \$5 million-plus and you absolutely recline in platinum status real estate. There are a few go-to addresses for anyone looking to join in on our plush property party. Old school money homes in Ascot, Hamilton and Clayfield are generally classic, colonial

and stunning. There are a few in New Farm too but, along with Newstead, you’ll also find plenty of ‘new money’ helping redefine prestige property in these suburbs.

Teneriffe is now regarded as our premium suburb with most analysis showing it has the highest median house price in our town. Feeding off its extensive river frontage, real estate values reflect the appeal of being within a walkable distance of great facilities and a short jog of the CBD. Kangaroo point has some stunners as well – particularly houses high on the cliff looking at the CBD, plus whole-floor units with river/city vistas.

For suburban chic, Paddington is the home of the upwardly mobile family. Paddington is one of the original workers-cottage suburbs, but there’s been some serious money spent here in both upgrading existing home and building new ones on splitter blocks. Some holdings have views of the city, but all have access to awesome lifestyle and retail hubs. Bulimba is another riverfront address that’s benefitted from great coffee and fine shopping.

There are classic rambling colonials as well as new contemporaries on small blocks. On the river itself are some of the most stunning homes Brisbane has to offer with price tags to match.

There are others such as East Brisbane, Norman Park and the western stunners like Chelmer, St Lucia and Fig Tree Pocket too.



Some recent sales of high-value homes include 1A Eldernell Tce, Hamilton which sold for \$7.25 million in February this year. Think a major renovation offering five-bedroom, four-bathroom, four-car accommodation on 910sqm site with peak-like views of the CBD and river.

1 Sydney St, New Farm was also impressive achieving \$6.5 million in October last year with a very contemporary five-bedroom, four-bathroom home. These are all fine, but it's when you step up a notch that things become really impressive.

24 Palm Ave, Ascot sold for \$8.3 million in February last year. A beautiful contemporary five-bedroom, six-bathroom home sitting on a monster 1923sqm of land. That a huge site considering the property is located just five kilometres from the CBD.

Not to be outdone, 35 Morgan St (aka 128 Crosby Rd), Ascot sold for \$8.8 million in September last year. Affectionately known for its 'bat cave' tunnel entrance to the 10-car garage, the home itself is perched atop a summit site of 1120sqm that resulted in knockout views. With three levels of living and a total square meterage of 1409sqm, this is very impressive home.

The most expensive recent sale, however, is the reported \$11 million achieved for 27 Sutherland Ave, Ascot. The property was still under contract at the time of writing. It screams old-school Hampton's luxe with an enormous reported total floor area of

1337sqm. Six-bed, six-bath accommodation plus a four-car garage all positioned on a 2024sqm site. A very beautiful piece of real estate. The key factors driving this end of the market in Brisbane are universal to most prestige property. Buyers are of course high-net-worth and they mostly enjoy grand homes with high end finishes positioned close to convenient lifestyle facilities.

At present, we believe the Brisbane high-end residential sector is best described as 'stable'. While buyer enquiry is reportedly a little slower than agents would like, interest in good quality stock remains buoyant.

In addition, new money for property coming into Queensland from cashed up interstate and overseas buyers is improving. We wouldn't be surprised to see some very impressive sales results over the coming two-to-three years. There you are - a sound outlook of cautious optimism coupled with buoyant long-term prospects.

Gold Coast

The prestige market sector was impacted heavily by the GFC in 2008 and only started seeing signs of improvement in late 2014 and early 2015, improving rapidly during 2016 and throughout 2017 with a number of large prominent sales evident at strong prices (a number of which were in the range of \$9 million to \$25 million) with a staggering \$16.5 million

spent in May 2017 for a large, luxury dwelling on Virginia Drive at Hope Island on the northern Gold Coast. The most prestigious suburbs on the Gold Coast for housing are Hope Island, Paradise Point, Mermaid Beach, Main Beach, Surfers Paradise and Broadbeach Waters.

The majority of the prestige townhouses or duplexes are located at Hope Island and have price points starting at around \$2 million. The vast majority of prestige units are located at Main Beach, Surfers Paradise and Broadbeach with a smaller amount found at Burleigh Heads and Coolangatta.



2620 - 2622 Virginia Drive, Hope Island. Sold 26/05/2017 for \$16,500,000 with 5 beds, 8 baths and 10 car spaces. Source: realestate.com.au

More recently, we have noticed a slowing of market activity with local real estate agents reporting

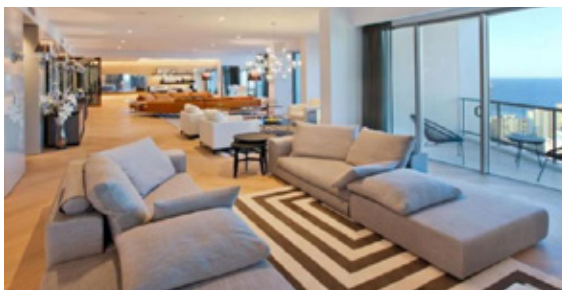
fewer sales, increased stock levels in some market segments and reduced buyer demand with fewer enquiries from overseas buyers over the past six months after a sustained run of strong transactions, particularly to Asian buyers. This is, however, highly segmented and the level of improvement is very property and price specific and properties that are selling are generally still achieving strong price levels.

The more significant improvement has been evident for established, near new, luxury housing in the prime waterfront and coastal suburbs particularly Isle of Capri at Surfers Paradise which recorded an \$8.8 million dollar sale of 31 The Corso in February 2018.



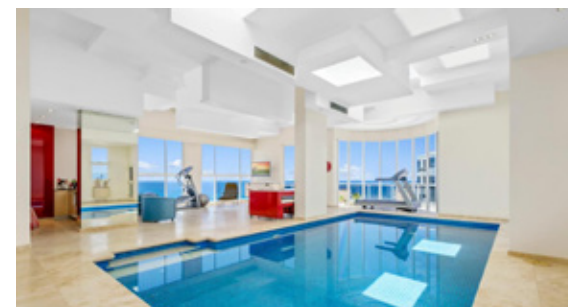
31 The Corso, Surfers Paradise (Isle of Capri). Sold 10/02/2018 for \$8,800,000 with 5 beds, 6 baths and 6 car spaces. Source: realestate.com.au

The market segment for luxury apartments on the Gold Coast upward of \$3 million saw improved buyer demand over the past 12 to 18 months, however remains very thinly traded and sales are few and far between. There have only been seven sales to date during 2018 with a standout sale being the Chevron Renaissance penthouse which sold in January 2018 for \$9.5 million to a local buyer. The two-level penthouse, situated over the 39th and 40th floors was previously used as an office space for the developer and after the company folded, it was sold off to HomeCorp CEO, Ron Bakir for \$1.2 million, who together with Sunland Group chairman Soheil Abedian took the floor space back to its shell and spent \$7 million transforming it into a luxury apartment and importing Italian furniture.



3250 "Chevron Renaissance - Skyline", 23 Ferny Avenue, Surfers Paradise). Sold 22/01/2018 for \$9,500,000 with 4 beds, 5 baths and 4 car spaces. Source: realestate.com.au

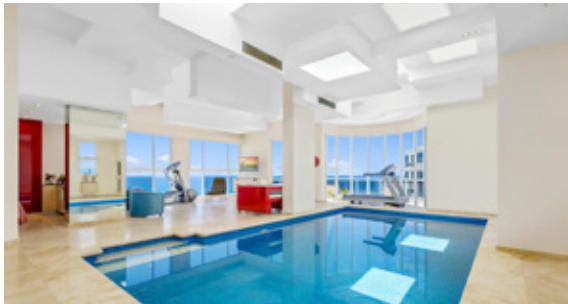
Other standout sales of luxury apartments include the \$5.3 million dollar sale of the Xanadu North penthouse sold by Robert Graham at Ray White. This two level penthouse unit is situated over the 23rd and 24th floors providing 4-bedroom, 5-bathroom accommodation with four basement car spaces, a private indoor plunge pool and panoramic 360 degree views incorporating distant hinterland views to the west, Broadwater and Southport skyline views to the north-west, coastal views up to the Spit to the north and unobstructed beach and ocean views to the east and north-east.



150 "Xanadu North", 59 Pacific Street, Main Beach. Sold 22/01/2018 for \$5,300,000 with 4 beds, 4 baths and 4 car spaces. Source: realestate.com.au

Robert also sold the three level, XXV Breaker Street Residences penthouse in late February for \$3.05 million which comprises 3-bedrooms, 5-bathrooms, a rooftop terrace featuring a private plunge pool and

four basement car spaces situated on the 23rd, 24th and 25th floors.



2301 "XXV Breaker Street Residences", 25 Breaker Street, Main Beach. Sold 26/02/2018 for \$3,050,000 with 3 beds, 5 baths and 4 car spaces. Source: realestate.com.au

Buyers of prestige acreage property can be very discerning and hence, not all properties receive similar levels of demand or achieve similar sale prices. Consequently, sale prices (and selling periods) in this market segment can be heavily influenced by individual buyer preferences and specific property attributes that will appeal differently to individual buyers. These attributes include, but are not limited to, land size, topography, views, size and quality of improvements, level and quality of ancillary improvements, vegetation, creek or river frontage and dual living potential.

Interestingly the Gold Coast's rural residential market up to one hectare has had no sales over \$3 million from 2016 to date.

Further afield, there have been very few recent sales for larger sized properties over \$3 million and have been for more rural or rural lifestyle properties in excess of five hectares being heavily improved with equine facilities.

One standout sale in particular was the 9.55 hectare property at Riverstone Crossing in Maudsland which provided a 4-bedroom, 4-bathroom dwelling constructed circa 2007 on a low lying and cleared river and creek front allotment.



25 Lagoon Park Drive, Maudsland. Sold 10/03/2017 for \$3800,000 with 4 beds, 4 baths and 4 car spaces. Source: realestate.com.au

Another well located, rural residential property is currently under contract at 173 Stewart Road in Clagiraba.

The property is improved with two dwellings of good quality as well as a cottage. The 14.48 hectare parcel provides predominantly low lying cleared land with frontage to the Coomera River.





We note that bank lending policies have tightened and for larger rural holdings, require substantial deposits which in turn only enables potential purchasers with stronger financial standing to complete the sale. This has resulted in limited transactional evidence from a small pool of buyers over the past 18 months in the Gold Coast and Scenic Rim localities.

From 2017 to date there have been very few larger sized property transactions and all have been within the Scenic Rim locality.

Cairns

In the current market climate, the prestige housing sector in Cairns starts at about \$750,000, with a super prestige sector cutting in at about \$1.5 million.

- Beachfront houses along the Northern Beaches
- Homes in the more elevated areas of suburbs such as Edge Hill, Whitfield, Mooroolbool, Earlville and Bayview Heights
- Some acreage properties in the Northern Beaches suburbs such as Kewarra Beach
- A small number of penthouse and sub-penthouse apartments in areas such as the CBD, Palm Cove and Trinity Beach.

Houses in the \$750,000 plus category are thinly traded. There were only 138 house sales in Cairns priced at \$750,000 or more during 2017, compared

to 137 in 2016. These compare to total market sales of approximately 2,400 houses each year in those two years. Of the 138 house sales during 2017, ten were priced at \$1.5 million or more. There were also 22 apartment sales over \$750,000 during 2017, of which one came in at above \$1.5 million.

Conditions in the prestige sector have been slow for some time, but properties are nevertheless starting to turn over again as the market rebuilds. We expect the market to continue improving during 2018 as local economic conditions rebound, though lagging the market in general due to the shortage of buyers with the resources to participate in this sector. Around the Cairns region there are also small pockets of prestige housing located in Port Douglas, especially on Wharf Street and Flagstaff Hill, and some in Mission Beach.

Toowoomba / Darling Downs

Whilst other market segments in Toowoomba have been soft in recent times; the prestige sector has been performing strongly, particularly in East Toowoomba.

The prestige market for \$1 million-plus properties continues to show signs of strong interest and sales results but is limited in supply. An analysis of all house sales recorded in the Toowoomba Regional Council area during 2017 reveals only 1.9% made the

plus \$1million sales. Units considered to be prestige exceeding \$500,000 are also proving more desirable than previously; with retirees requiring lower maintenance properties in prestige locations.

Suburbs encompassing the prestige sector include Middle Ridge, Rangeville, Redwood, Prince Henry Heights, Mount Lofty and the stand out performer, East Toowoomba. These suburbs are located on the eastern escarpment of Toowoomba, enjoying large lots and valley views as well as being within many of Toowoomba's private school catchment areas.

The typical prestige property comprises open plan 4 plus bedrooms, 2 to 3 bathrooms and multiple floor levels on large lots. They are generally large, highly renovated and/or extended older timber and brick homes, and modern architectural homes with detailed finishes, quality landscaping and most with escarpment views.

The prestige sector in Toowoomba also extends to rural residential properties. Many of these comprise large modern homes with extensive site improvements including shedding, stables, fencing, water storage and landscaping. With Toowoomba having a strong health sector, it is no surprise that medical professionals have dominated the prestige market in recent years and this trend is likely to continue.

Professional workers tend to occupy areas such as the above mentioned eastern suburbs. Toowoomba

has also proven to be a popular location attracting retirees from the broader south-west Queensland area.

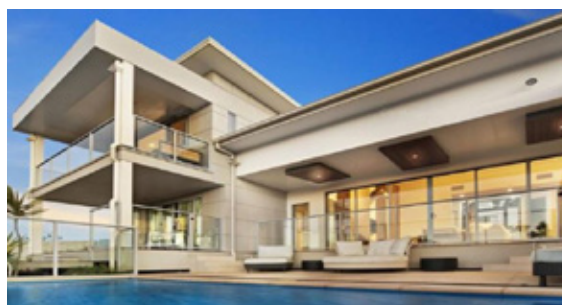
At the last census, the proportion of 60+ year olds in Toowoomba was 23.6% versus 18.8% for Queensland and 19.6% for Australia. This demographic mix supports the health sector.

Below are some examples of strong sales with an uplift in value.



Sinclair St, East Toowoomba (image via CoreLogic)

| | |
|-------------------------|---------------|
| SALE PRICE: | \$2,150,000 |
| DATE: | OCTOBER 2017 |
| PREVIOUS SALE: | \$2,000,000 |
| DATE: | NOVEMBER 2016 |
| UPLIFT IN VALUE: | +7.5% |



St Ives Ct, Mount Lofty (image via CoreLogic)

This example of a prestige dwelling near Prep and Fairholme schools recorded a 7.5% uplift in value in less than 12 months, rising from \$2m in Nov 2016 to \$2.15m in Oct 2017.

| | |
|-------------------------|---------------|
| SALE PRICE: | \$1,151,000 |
| DATE: | FEBRUARY 2018 |
| PREVIOUS SALE: | \$1,045,000 |
| DATE: | OCTOBER 2015 |
| UPLIFT IN VALUE: | +10% |

Modern resort style homes in the north-eastern corner of Mount Lofty have also seen stronger buyer inquiry over the last 12 months.

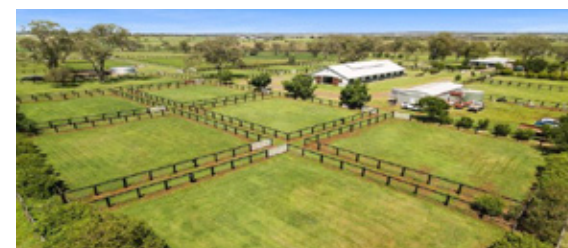
This property reflected a 10% increase in value in just over 2 years, rising from \$1,045,000 in Oct 2015 to \$1,151,000 in Feb 2018.



St Ives Ct, Mount Lofty (image via CoreLogic)

| | |
|-------------------------|---------------|
| SALE PRICE: | \$1,485,000 |
| DATE: | FEBRUARY 2017 |
| PREVIOUS SALE: | \$1,200,000 |
| DATE: | APRIL 2015 |
| UPLIFT IN VALUE: | +24% |

Another Mount Lofty example of a range escarpment property that showed a 24% value uplift over a 2 year time frame.



117 Blackwell Rd, Westbrook (image via CoreLogic)



| | |
|------------------|--------------|
| SALE PRICE: | \$2,150,000 |
| DATE: | JANUARY 2018 |
| PREVIOUS SALE: | \$1,450,000 |
| DATE: | JANUARY 2018 |
| UPLIFT IN VALUE: | +48% |

This example of a prestige property in Westbrook south of Toowoomba recorded a 48% uplift in value in two years, rising from \$1.45m in Jan 2016 to \$2.15m in Jan 2018.

Sunshine Coast

When looking at prestige properties on the Sunshine Coast the one thing you can say is that it has 'all been happening'. Buyer demand is strong with the stock levels being low in turn leading to upward pressure being placed on prices.

When defining the Sunshine Coast prestige market, the \$1 million mark has always been considered the starting point. Just like lower-priced entry-level properties, the entry levels of the prestige market, between \$1 million to \$1.5 million have been the most popular. As this sector of the market took off we have seen a fuse being lit. Activity has picked up right through the value bands all the way to the three record-breaking transactions that occurred in

the space of four months. The most popular areas in the prestige market have continued to be coastal locations. When looking at the coast you can break it up by the old shire council regions being Caloundra to the south, Maroochy to the central area and Noosa to the north. There is no doubt that beachside and canal front areas have all been performing really well. Suffice to say they aren't making any more of these property types which should hold owners in good stead.

When looking at the prestige rural residential/lifestyle market, things are a bit different. This market is little hard to gauge as it is very property specific with personal preferences presentation and motivation of both purchases vendor is having an impact on the ultimate sale price. Therefore wider market parameters should be expected than those experienced for more traditional residential properties.

An interesting observation in this lifestyle market is that proportionally, values for smaller acreage prestige properties have performed better than the larger acreage counterparts. It appears that the cost to run these larger acreage properties have had a bearing on the market that does sometimes struggle to get its 'head around' what's involved.

For units, we have seen a flight to larger permanent occupancy style product. The main market operating

in this area is the 'empty nester's that are looking to downsize and have a property where they can 'lock and leave' and go travelling etc. Within the resort/holiday space, we have also started to see the Hasting Street beachfront units come back but still a bit off from the last market peak.

The improvement in the prestige/higher end properties has historically been driven by a high percentage of interstate investors from Sydney and Melbourne. This is especially the case in the Noosa region. The relative affordability, when you compare Sydney and Melbourne prices to those of the Sunshine Coast, demonstrate pretty good value. It also appears that Sunshine Coast is pretty high on a number of the list of the baby boomers that have started to retire.

As aforementioned, there have been three record sale prices that have transacted in the space of four months. First off we had 29 Wyuna Drive, Noosaville sold in October 2017 for \$10.3 million (Listed for \$11.9 million) which was on the market for 351 days. Next was 46 Seaview Terrace Sunshine Beach, which sold for \$15.2 million (Listed for \$18 million) in January 2018 and was on the market for approximately 581 days. Finally 21 Webb Road, Sunshine Beach sold in February 2018 for \$18 million (Listed for \$22 million) after being on the market for only 52 days. It is our understanding that the purchases for each of the

properties were highly successful business people that had effectively sold large businesses. The 'ultra-prestige' sector is more a matter of timing rather than anything else and tends to be more active during periods of stronger M&A activity.

The question that we always get when we looking at the prestige markets is that - is the current growth that we are experiencing sustainable? There is no doubt that the prestige market is heavily linked to the wider economy which has been performing well. We do however have a history of volatility (up to 40% in some cases) in this market given that these properties are 'wants' rather than 'needs.' I mean, is there anything more discretionary than a multimillion-dollar holiday home?

The big positive at the moment is that the Sunshine Coast appears to be 'on a lot of people's lips' and while the economy keeps performing well and barring any unforeseen incidents, the prestige market should keep chugging along for a little while yet.

Harvey Bay

Prestige and ultra prestige properties are scattered throughout Harvey Bay however most are located along the waterfront or in elevated hillside locations offering expansive views. Prestige property pricing generally starts at \$750,000 and ultra-prestige at north of \$1 million.

Hervey Bay's market has seen an increase in the volume of sales in the prestige market with 23 settled sales since January 2017. This total includes six settled sales over the past six months. In addition, there are a reported six properties currently under contract within this price range. These sales have occurred from Toogoom beachfront locations, Dundowran Beach and the Esplanade in Hervey Bay. Market drivers that have influenced this sector of the market appear to be from the medical sector and cashed up locals.

Over the same period, there have been five sales over \$1 million, with the highest price achieved being \$1.4 million for an Esplanade property in Point Vernon. In addition there is a report that a penthouse unit is currently under contract for in excess of \$1.2 million. To conclude, we feel that short to mid term, demand for prestige property will remain steady as supply meets demand. Competition to attract a buyer is strong which means pricing is critical to achieve a sale.

Emerald

The prestige market in Emerald is over the \$450,000 mark for residential and over \$650,000 for rural residential. Supply is currently thin while demand is fair. Prestige properties in Emerald will typically give you a large, modern, 4-bedroom, 2-bathroom home in a good location with high quality fit out and pool or shed.



Whitsundays

Prestige and ultra-prestige in the Whitsundays are ocean front properties and properties with uninterrupted views over the Whitsundays. We have recently had a sale of \$14 million with a rumour that there is another sale pending at \$10 million. Sales at this level have been missing from the Whitsundays for some time now.

This is a real positive sign for the area following the aftermath of Tropical Cyclone Debbie. (The area is still in recovering one year on and it is expected that the insurance companies will still be here for another year.)

There are also sales for vacant beachfront reserve vacant lots from \$800,000 to \$1.4 million (with a marine berth) over the past 18 months. Prestige units are slow at this time and have been for some time



now in Airlie Beach, but Hamilton Island is showing great sales with the market moving with confidence.

Most of the buyers are interstate with some locals upgrading.

Mackay

The top end of the Mackay market is generally considered to be properties over \$800,000, with prestige starting at the magical \$1 million mark.

The Mackay residential market, as avid readers of this column would know, has seen significant reductions in values relating to the downturn in the resource sector. The prestige market has not been immune from these reductions and we saw activity in this sector fall sharply.

In the past 18 months however, there seemed to be a comeback in the top end and prestige markets, with sales activity increasing on the back of renewed confidence, but most importantly the value points and what you can now get in these price brackets. Recent prestige house sales have been at prices below replacement cost.

In the past 18 months we have seen 11 sales recorded over \$1 million with two properties recording sales at \$1.4 million and \$1.42 million respectively. One of these properties was located at Lynette Drive, a prestige rural residential enclave located just on the

outskirts of Mackay on elevated parcels of land. This property was taken to auction and received spirited bidding before selling under the hammer.

Since the start of 2018, the highest known sale is another rural residential dwelling located at Richmond on the outskirts of Mackay.

It comprises a fully renovated part 2 storey dwelling, with large pool and sheds, offering panoramic ocean, distant island and city views. This property has reportedly sold for \$1.3 million.

Another notable sale was a large executive style 2 storey dwelling on near ocean front land at Shoal Point selling in late 2017 for \$1.1 million.

The renewed confidence in the prestige market is also seen by the quality and scale of new dwellings being constructed, particularly in estates such as Settlers Rise at Erakala and Emma and Shuttlewood Drive in Richmond. A number of large executive style houses are currently under construction or recently completed.

Gladstone

The prestige market sector in Gladstone is very thinly traded. We consider that this sector starts at around the \$700,000 mark. There has been only one sale above this mark in the past six months—a dwelling in an established area of New Auckland sold for

\$720,000 in January.

This home provided 5-bedrooms, 3-bathrooms, high quality fittings throughout, a large shed and pool. Prior to this, there were several large rural residential properties that sold in 2016 for above \$850,000. The last million dollar plus home sold in Gladstone in 2015.

Just like the rest of the market, the prestige sector has seen sharp declines in value over the past several years. Most buyers in this sector are locals who are upgrading.

Rockhampton

This month we are delving into the prestige property market of our region. 2017 sales records indicate that only between 2% and 3% of all residential properties sold above \$700,000, putting them into our prestige price bracket. As we delve further into this we are going to focus on the very best of the best looking at sales above \$1 million which is well below 1% of total homes sold. I think most people would straight away envisage the beaches, off shore island and sparkling ocean views along the Capricorn Coast however to many readers' surprise, much of the recent activity has been focused on the older established South Rockhampton residential suburb of The Range, sitting high above the CBD, with easterly views back to the Berserker Ranges and Mt Archer,



protection from the afternoon westerly sun and oozing character and charm in amongst the maze of Queenslander style homes, some dating back to the late 1800s and early 1900s. There have been a number of sales above \$1 million in recent months, none more publicised than the grand old home at 3 Athelstane, an expansive two storey Queenslander style home that has been fully renovated with a large inground pool, 4-bay shed on an elevated 1770 square metre parcel of land which sold shortly after auction for just under the \$1.4 million mark earlier this year.

Our enquiries and searches reveal the following sales profile that HTW considers indicates the number of genuine residential property sales above \$1 million in Rockhampton during the past six years.

- 2012 - 1 sale (1,000,000)
- 2013 - 1 sale (1,350,000)
- 2014 - 1 sale (1,080,000)
- 2015 - 4 sales (highest 1,500,000)
- 2016 - 2 sales (highest 1,225,000)
- 2017 - 2 sales (highest 1,375,000)
- 2018 - 1 sale to date (highest 1,370,000)

As you can see by the above profile, the Rockhampton market appears to be capped at \$1.5 million. In fact it's the highest price ever received for a home in Rockhampton and it has occurred twice, previously in 2009. Many have marketed their homes over the years for a higher figure but buyers have been few and far between refusing to pay any more.

In addition to the residential houses listed above, we also saw in 2017 a small number of penthouse units on the riverfront sell for close to \$1.2 million which appears to be a popular option for older retiring couples not wanting the upkeep a house may require. Oh and yes to those readers still thinking of the blue waters along the Capricorn Coast, there have been a number of sales at above the \$1 million dollar mark, usually older beach front properties in well sought after locations such as Cooe Bay or more modern homes in elevated positions with ocean views such as Lammermoor or Taranganba. For example we recently saw the property at 66 Ocean Parade in Cooe Bay sell for \$1.4 million. The property is a modern three story home located directly opposite the beach with an in-ground pool.

Finally it appears as though this sector has been performing well in the past 12 months and we anticipate this to continue albeit the percentages are likely to remain well below 1% for the foreseeable future.

Townsville

The current prestige residential market in Townsville is relatively shallow topping out at \$2.5 million, with the majority of prestige stock falling within the \$1 million to \$2 million price range. The inner city suburbs of Castle Hill, North Ward, Townsville City and Rowes Bay typically account for most of this prestige stock. We have seen just over 20 settled

residential sales occur over the past 12 months priced at \$1 million and over, with 86% being for property priced under \$1.5 million and just one sale over \$2 million.

This style of property in Townsville typically offers views and aspect to Cleveland Bay, well above average level of accommodation and fit out and overall improvements including features such as pools, architectural design and good outdoor living areas, along with extensive living/floor space, some upwards of 400 square metres.

Overall the residential market is currently positioned at the start of recovery stage with median sale prices soft. The prestige market is limited in depth and due to the price bracket attracts a smaller number of market participants. The inner city location of a large majority of the prestige stock is a desirable feature, however we find personal preference, presentation and motivations of both parties often impacts on the ultimate sale price achieved

Bundaberg

This month we are looking at what we consider to be prestige and ultra-prestige residential in our area. Let's begin by classifying what we see as the price points for these subclasses of residential property.

The \$700,000 plus price is what we consider to be prestige residential and \$900,000 and above is what we consider to be ultra-prestige.



Firstly we'll explore the detached housing sector. In the past six months we have seen seven properties sell at over the \$700,000 mark and four properties sell at over the \$900,000 mark. Of the four sales over \$900,000, two were over the \$1 million mark.

If you were to ask whereabouts these sales occurred you could generally say along the Burnett River, along Branyan Drive and Bocks Road, Corser Street, Burnett Heads and also oceanfront properties at Bargara and Coral Cove.

An example of a recent sale is in Corser Street, Burnett Heads where the property sold for \$1.08 million and benefits from uninterrupted views and frontage to the Burnett River, a floating pontoon and jetty to moor your boat. The property comprises a circa 2012, two storey, 5-bedroom, 2-bathroom, detached contemporary dwelling with a 2-car built in garage.

Moving on to unit sales, in the past six months there have been six units sold at over the \$800,000 mark. All of the unit sales in the prestige sector occurred in Bargara along the waterfront esplanade with ocean views. Four of the six sales occurred in a complex called Silverpoint located adjacent to the central hub of Bargara. Most of the buyers have been cashed up locals.

South Australia

Adelaide

Adelaide's prestige market doesn't meet the lofty price point of many of the other major Australian capital cities. This isn't to say that Adelaide doesn't have homes of grand proportions with all the bells and whistles. This market continues to be driven by a mixture of local corporate South Australians, overseas purchasers and those returning from interstate to raise their families in the 20 minute city.

The prestige dwelling market in Adelaide falls within the \$2 million to \$4 million price range, whilst ultra-prestige properties are considered to be \$4 million, and above.

The Adelaide market typically sees steady transactions annually within the lower portion of the prestige market range. Transactions typically thin out above \$3 million.

The Adelaide market typically has a ceiling within the \$5 million range with only a number of transactions achieving prices at this level over the past 24 months. Properties within the prestige and ultra-prestige price segments are typically found within the inner suburban blue ribbon suburbs, the western beachside suburbs and the Adelaide Hills.

Agents are typically selling properties at this price point by private treaty. Selling periods for these types of properties vary with location and price point. Prestige properties within the inner blue ribbon suburbs are typically selling within six month

marketing periods. The prestige market to the west of the city and Adelaide Hills can fall into the lifestyle/sea change market segment. This segment can require extended selling periods to achieve sales.

Prestige properties are typified by a number of property factors with location being one of the most important.

These properties generally have significant site improvements of swimming pools, tennis courts, outdoor kitchens and substantial external entertaining areas. Within the inner suburban areas, renovated character dwellings on large allotments and high quality infill developments typify this market segment. Properties to the west of the city rely on similar dwelling characteristics and proximity to the beach.

During 2017, the top ten dwelling transactions ranged between \$3.302 million and \$5.55 million. Each of these sales comprised substantial character dwellings situated on large allotments. Of these ten transactions only two achieved prices within the ultra-prestige price point.

At the top end of this range was 20 Fitzroy Terrace, Fitzroy located four kilometres north of the Adelaide CBD. This dwelling provided 6 bedrooms and 4-bathrooms across two levels of living comprising a total of 810 square metres under the main roof. Site improvements consisted of a tennis court, swimming pool, 6-car garage and coach house.



20 Fitzroy Terrace, Fitzroy. (via Realestate.com.au)

Located three kilometres to the south of the CBD is 23A Commercial Road, Hyde Park. Hyde Park is characterised by turn of the century homes and tree lined streets. This is a circa 2009 high quality 4-bedroom, 3-bathroom dwelling with a double undercroft garage and swimming pool. The dwelling is situated on an allotment of 724 square metres and achieved a sale price of \$3 million in February.



23A Commercial Road, Hyde Park (via Realestate.com.au)

Four kilometres east of the CBD is the suburb of Toorak Gardens. This is a blue ribbon suburb with a current median house price of \$1.408 million. Prescott Terrace is considered to be a premier thoroughfare within this suburb. The recent sale of 6 Prescott Terrace, Toorak Gardens for \$3.125 million⁰⁰⁰ is a reflection of this premier location. The property is a renovated circa 1900s character dwelling disposed as 5-bedrooms and 2-bathrooms. This property achieved a price of above \$3 million without the significant site improvements of a swimming pool or tennis court.



6 Prescott Terrace, Toorak Gardens (via Realestate.com.au)

One of highest prices to be achieved in 2018 is that of 14 Edwin Terrace, Gilberton which settled in February at a price of \$3.8 million. This is a character dwelling of grand proportions, with the original character frontage opening up to a two level rear extension

which overlooks the tennis court and swimming pool. The dwelling is disposed as 5-bedrooms and 3-bathrooms with a total equivalent building area of 550 square metres. The improvements are situated on an allotment of 1,700 square metres.



14 Edwin Terrace, Gilberton (via Realestate.com.au)

Prestige and ultra-prestige in Adelaide's western suburbs is typically reserved for properties with proximity to the beach. Recently settled in January for \$2.61 million is 8 Seaview Road, West Beach. This property has unrestricted ocean views with easy access to the beach. The dwelling was constructed in 2004 and is disposed as 5 bedrooms and 2-bathrooms and features a swimming pool. A negating factor of the beach side locations is the Adelaide Airport which is located west of the city. Properties located directly west of the airport can be affected by overhead flight paths.



8 Seaview Road, West Beach (via Realestate.com.au)

According to CoreLogic, the highest unit or apartment sale in 2017 was that of 22/30 Colley Terrace, Glenelg at \$1.925 million. The apartment market typically hits a ceiling in the \$2 million range. In the past twelve months there have been a number of transactions within the \$1.5 million to \$2 million range. To achieve prices at this level apartments require a mixture of proximity to community services and facilities, panoramic views, substantial living spaces, off street secure car parking, balconies or terraces and high quality common improvements. Agents have indicated that the development of Adelaide Oval and the Riverbank precinct has led to an increase in enquiry within the North Adelaide prestige apartment market. Both 508/61-69 Brougham Place, North Adelaide and 2/125 Mackinnon Parade, North Adelaide have recently settled for \$1.75 million each. The property at 508/61-69 Brougham Place, North Adelaide is a fifth floor apartment disposed as 3-bedrooms and

2-bathrooms with sweeping views of the Adelaide CBD, Riverbank precinct and Adelaide Oval, while 2/125 Mackinnon Parade, North Adelaide is a first floor apartment, similarly disposed, with limited views and located opposite the Adelaide University playing fields and River Torrens.



508/61-69 Brougham Place, North Adelaide (via CoreLogic)

The market segment for prestige properties within the Adelaide Hills is thinner than the inner suburban ring with a lower number of annual transactions above \$2 million. The Adelaide Hills as a region takes in a broad number of townships which have differing levels of local services and facilities. The townships within the south-east portion of the Adelaide Hills, which have easy access to the CBD via the South Eastern Freeway, typically see the largest proportion of properties achieving prices in

the prestige and ultra-prestige ranges. To achieve a price at these levels, properties require significant dwelling accommodation, acreage and additional site improvements which lend themselves to the location. These include dams, watercourses, stables, round yards and shedding. The recent sale of 26 Pikes Street, Oakbank for \$3.9 million is a representation of a property which includes all of these attributes. Oakbank is located 32 kilometres south-east of the Adelaide CBD and is best known for the Easter Oakbank Racing Carnival. The property comprises a two level 1880s character dwelling disposed as 5-bedrooms and 2-bathrooms. Site improvements consist of a swimming pool, 8-car garage, stables, shedding and extensive landscaping. The improvements are situated on an allotment of approximately three hectares.



26 Pikes Street, Oakbank (via CoreLogic)

The prestige market continues to show signs of buoyancy. It's expected that we will see a steady number of transactions at the lower end of the prestige market price point. Increased demand at this level has the ability to pressure the prestige and ultra-prestige markets to higher levels during 2018. This market will continue to be monitored.

Mount Gambier

Within Mount Gambier, anything over \$600,000 is considered prestige. For this price, you can expect the property to be a modern house of high quality or a renovated character dwelling situated in a sought after location.

Few units in Mount Gambier sell for over \$400,000 and therefore there is a very limited market for prestige units. A few quality units have been built but have tended to have extended selling periods and have been harder to sell.

Robe, which is situated in the Lower South East, has a relatively strong prestige market which has improved in recent years.

Robe is the only location in the region which can regularly have sales over \$1 million. In the past year, eight properties have sold in Robe for over \$600,000, with the highest price paid being \$1.9 million for a property on Seafarers Crescent.

In the past six months, there have only been two properties sold for over \$600,000 in Mount Gambier (see one below). Prestige properties are tightly held and rarely hit the market and therefore quite often people in the market for a prestige dwelling will build their own.

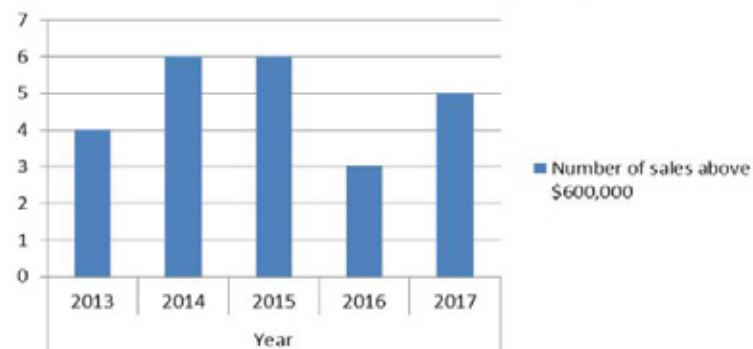


48 Ferrers Street (via CoreLogic)

Employment is the main driver in this sector, specifically those with highly skilled jobs such as doctors and engineers.

Farmers and fisherman also tend to be players in this end of the market. It doesn't appear as though the number of prestige dwellings that are selling has increased as interest rates have declined in recent years.

Number of sales above \$600,000



Sale numbers for prestige properties in Mount Gambier have remained relatively stable over the past five years, and we predict that for the rest of the year prestige properties will perform similarly to previous years.

Tasmania

Hobart

Hobart's prestige market for houses commences at about the \$1.75 million price point for houses and \$1 million for units. Indicating the strength of the current market there were 21 house transactions and 19 unit transactions in the municipality during 2017. This compares with just 7 and 11 just two years previous in 2015.

The stand out transaction over more recent time has been a dual title beach front holding at 650 Sandy Bay Road. Comprising 2,309sqm of land, a previously renovated circa 1917 residence it sold for \$6.5 million.



650 Sandy Bay Rd, Sandy Bay (via realestate.com.au)

The nearest sale to that has been for \$4 million in Clarke Street Battery Point. Currently "Ellington" at 11 Ellington Street in Sandy Bay is under contract for \$3,450,000 being its third sale all over \$3 million in the last 2 years. Hobart's prestige suburbs are recognised as Battery Point and Sandy Bay.

In the \$1.75 million plus price bracket typically for houses, you would expect 4 bedrooms, 2 bathrooms, renovated/modern with good river views and possibly a pool/tennis court. Units in the \$1 million plus bracket are typically CBD located with good communal facilities and the benefits of wharf/city living.

We are seeing continued competitive buying conditions with a shortage of stock in relation to demand. Buyers are typical both local and interstate buyers looking for owner-occupied homes. In the Hobart market, the short term outlook remains positive during 2018. Medium term we envisage steady all be it less hectic growth with a plateau in the longer term.

Launceston

In contrast to Hobart, Launceston's prestige market for houses commences at about the \$1 million price point for houses and \$600,000 for units. This market while performing strongly is not as heated

as Hobart. There were 11 house transactions and 5 unit transactions in the Municipality during 2017. This compares with 5 and 3 respectively two years previous in 2015.

The stand out transaction over more recent time has been a circa 1840 heritage dwelling at 13 Claremont Street for \$2,650,000. Having a site area of 5,552 sqm and living area of 576 sqm. Launceston's prestige suburbs are recognised as East Launceston, CBD & Newstead.

In the \$1 million plus price bracket typically for houses, you would expect 4 bedrooms, 2 bathrooms, renovated/modern with a pool or substantive "extra" site improvement. Units in the \$600k plus bracket are typically CBD or inner CBD located again with good communal/complex facilities.

Buyers are again typical both local and interstate buyers looking for owner-occupied homes. The short to medium term outlook remains positive with above 10% growth again an expectation for 2018.

Western Australia

Perth

The prestige property sector is currently outperforming the remainder of Perth's property market. After years of soft market conditions due to a total lack of market confidence, a rebound has finally begun in the desirable western suburbs of Perth, the CBD fringe area and desirable coastal localities. The substantial price contraction over the past 3 years has brought many properties to represent apparent "good buying", resulting in today's increasing market activity.

In the second half of 2017, upgraders started to gain the required level of confidence to secure homes in areas they never thought they could afford. The period of opportunity and/or "fear of missing out" has been identified by a large group of upgraders within a relatively short period of time, causing a substantial uplift in demand which has eventually affected property prices. Many sought after areas are recovering while several suburbs have exceeded house value medians witnessed back in 2013 and 2014 when Perth enjoyed stronger conditions.

North Beach and Applecross are two of the top performing suburbs in today's market with a 25.00% uplift in median value for both suburbs over the last year, according to the Real Estate Institute of Western Australia's studies. The current median prices reflect a 15.8% improvement in values in North Beach and 9.8% in Applecross, since 2014. Supply of quality housing in prestige areas is

well below current demand levels, which is also contributing to the improved prices. Sales volumes are therefore relatively low somewhat restricting the market in several prestige areas. Prices appear to still be on the rise, enquiries are increasing and the overall prestige market is expected to continue in this direction throughout 2018.

As the rare opportunity to get a foot in the prestige market has already sailed for many, well established, upgrader suburbs have become the second best option. Rossmoyne along Swan River and Coolbinia near Perth CBD have already started to shoot up with a 14.8% and 29.7% increase in values respectively over the last 12 months.

Land values in excess of one million dollars can generally be described as prestige. Due to the limited stock of prestige housing in upper-end suburbs, there is currently a high demand for properties representing near land value with good views and close proximity to the beach. Demolition of existing, modest housing makes room for new prestige housing that is more suitable for the areas. This is becoming prevalent, resulting in solid value increases at entry level stock in many sought after localities.

Properties falling in the value band of two to three million dollars fall within the lower end of the "prestige" range. As always, values are heavily influenced by size, age, quality and condition of the home as well as locational aspects including views, proximity to private schools, beach, city and river.

Mount Pleasant, South Perth, Nedlands, Dalkeith, Cottesloe, Claremont, City Beach Attadale, Subiaco, Trigg, North Beach and Sorrento are all examples of such premium suburbs. It should be noted that there is also modest housing of lesser values in some of these areas.

Properties holding a value of \$4 million or above, located in prime affluent suburbs can be categorised as ultra-prestige - arguably required to be located on the river or ocean side. Peppermint Grove, Mosman Park and Applecross fit right into this category.

Apartments worth \$1 million and above are typically seen as prestige. The state's overall apartment market including the prestige sector is currently somewhat stagnant, although there has been good demand for good quality apartment projects in many prestige areas that have long lacked options for downsizing baby boomers.

High income earning professionals who desire large family homes close to private schools and Perth CBD are typical buyers in the prestige areas. Doctors and other health professionals take up a great portion of the prestige areas, especially southern suburbs such as Applecross and Mount Pleasant due to the proximity to the cities growing health district in Murdoch.

Agents have reported increased activity and interest in these areas. Applecross is currently the top-selling suburb in the state as of REIWA's most recent update. Some of Perth's most impressive mansions are



located along the riverside in Applecross. The median house price is \$1,570,000 although; a large portion of the suburb comprises modest dwellings reducing the overall median price substantially. The mansion pictured below, located along Duncraig Road in Applecross, was sold in March 2018 for \$8 million and would be classified as ultra-prestige. The property was initially listed for \$8.5 million in November 2017.

Peppermint Grove is sitting at the very top of the prestige range, holding a median house price of \$3,475,000, well above any other prestige suburbs. The mansions are typically located on quarter acre blocks surrounded by greenery. Below is a fairly recent sale occurring in December 2017. The property sold for \$11 million after being on the market for 53 days. The seller received the asking price for the property, something we don't see very often in today's market.

Dalkeith is also among the top affluent suburbs in Perth with a median house price of \$2.57 million. The suburb comprises residential buildings that are often seen as impressive, with somewhat different architecture. Dalkeith's riverside along the well-known Victoria Avenue is one of Perth's most expensive locations. The street is known for taking luxury to a whole new level. Below is a property situated along Victoria Avenue that sold in January 2018 for \$5.35 million after being on the market for 145 days. Cottesloe is one of the top performing

suburbs in Perth's current market with a 16.9% rise in house median over the last 12 months, landing at \$2,127,000. The proposed redevelopment plan of Cottesloe foreshore involving a complete makeover including multi-storey living, restaurants and an ocean side swimming pool is likely to play a part in the increasing demand currently seen. This has been identified by investors and also upgraders hoping for improvement. The property below sold for \$4,600,000 in March 2018 after only 5 days of proper marketing.

In the short to medium term, the prestige sector is expected to see a slight increase in price as a result of supply restrictions caused by increasing confidence levels among buyers. Secondary suburbs are also expected to see improved market conditions, an opportunity increasingly identified by investors. Our valuers have confidentially suggested growth or at the very minimum stable market conditions over the coming year, however, the long-term is uncertain as the overall state economy plays an important role in the performance of the property market.

All we can say is that the economic key measures are tracking in the right direction.



Northern Territory

Darwin

When you think about prestige property, waterfront dwellings instantly spring to mind and Darwin is no different. It's got a wealth of waterfront suburbs, with the top inner suburbs being Larrakeyah, Fannie Bay, Nightcliff and Bayview. But it's not just waterfront properties commanding the big price tags.

Knuckey Lagoon, a rural residential suburb (approximately 18 kilometres from the CBD) with one and two hectare blocks also offers a prestige level of residential accommodation. The top end of the market chasing acreage instead of views heads to Knuckey Lagoon. This is a very tightly held location, however all of the four sales in the past 18 months have been at \$1.2 million or above.

Taking advantage of the Top End's tropical climate is a major feature of prestige dwellings. High end properties in Darwin boast excellent outdoor living spaces, often centred around swimming pools, established gardens, barbecues and outdoor cooking facilities. With the climate allowing for outdoor living all year round, increased outdoor living space is an attribute of prestige dwellings in Darwin that is unlikely to be given such prominence in prestige dwellings in the southern states with their more defined seasons and longer winters.

The market for prestige dwellings in Darwin's inner suburbs has softened over recent times. The traditionally popular suburbs of Larrakeyah, Fannie Bay, Parap, Stuart Park and Bayview have been less

volatile than mortgage belt locations and continue to be underpinned by proximity to the CBD and standard of dwelling. Even the upper end of the market has not been immune to reductions in the market.

If disposing of a property at the upper end of the market, it must be acknowledged that demand for this type of property is limited by the amount of purchasers capable of securing property of this capital value and it is reasonable to assume that an extensive marketing campaign of up to twelve months may be necessary to achieve a sale in today's market. In some instances an extensive marketing campaign would also be required to effectively target the Australian markets. If a sale was required in a short time frame or under distressed vendor conditions, than some discounting should be anticipated due to lack of market exposure.

The very premium end of the market in Darwin, being property in excess of \$6 million is a relatively untested market with historically very few properties falling into this category. \$6 million is generally considered to represent the ceiling for property in Darwin and potential purchasers would appear to be loath to exceed this amount unless the property represents a significant land holding with similarly significant improvements. The subject property falls below this subset. In this price range, property is generally illiquid with very few available and a limited number of purchasers with the capacity to service this quantum of money. Purchasers within this price

bracket are typically motivated somewhat differently which ultimately impacts on the overall sale and accordingly sale prices for properties of this nature can fluctuate greatly. Properties of this nature are tightly held and thinly traded. They are often subject to personal taste and given the relatively few buyers for properties of this price bracket, the market is often subject to a far wider value range than more frequently traded property. Arguably Darwin's finest two streets are Larrakeyah Terrace in Larrakeyah and East Point Road in Fannie Bay. Properties in these streets enjoy views across Darwin Harbour and Doctor's Gully and across the foreshore and Fannie Bay. These locations are held very tightly, with very few on market transactions occurring. The most recent settled sale within these locations was 122 East Point Road, Fannie Bay which sold for \$4 million. Another key sale was of 19 Lambell Terrace, Larrakeyah which was purchased for \$2.5 million. It appears the intended use of this site will be for residential occupation following a re-zoning from Community Purpose land.

So where to for the prestige market? For market participants with time, it is likely that the market will remain relatively thinly traded. Many owner occupiers will choose to sit on their homes instead of selling under weaker market conditions. For those looking to enter the prestige level, it is an excellent time to be buying in Darwin. The value being achieved in sections of the prestige market is very good at present, with sales appearing well below the overall replacement of the dwelling and land.

Australian Capital Territory

Canberra

The price point for prestige property in the ACT is between \$1.5 million and \$3.5 million. Sales over the \$3.5 million mark are generally for high quality properties on large land parcels in Canberra's prestige suburbs.

These sales could be considered ultra-prestige.

Some examples of Ultra-Prestige include:

- An architecturally designed 4-bedroom, 4-bathroom Forrest property in July 2017 for \$4.22 million
- The sale of an architecturally designed 4 bedroom, 4 bathroom Deakin property in November 2017 for \$5.75 million
- The sale of a 4,900 square metre property on Tennyson Street, Forrest which has been purchased for \$6 million to be knocked down for a new dwelling construction.
- Canberra's record sale of an 11,000 square metre red hill allotment including a 5 bedroom, 7 bathroom house for \$7,300,000 in 2010.

The above sales show that buyers are active, even at the above \$5 million mark. These properties are usually owned and purchased by prominent members of Canberra's business community or occasionally by other purchasers such as embassies.

Canberra's prestige suburbs mainly consist of the inner city suburbs where land values are high and allotment sizes are larger than in other areas. Prestige property is most prominent in Canberra's inner south, with the suburbs of Yarralumla, Deakin, Forrest, Red Hill, Griffith and O'Malley standing out as being the main prestige areas. Other suburbs such as Turner, Campbell and Reid in Canberra's inner north also fall into the same prestige category given price points for the area.

Prestige sales within the Canberra unit market are between \$1 million and \$2 million. The features of prestige units usually include large living areas, central locations and impressive aspect. Canberra does not have an ultra-prestige unit market in the same way that other cities around Australia do, as most sales are sub \$2 million.

An example of one of these prestige sales is a penthouse unit in the Kingston Foreshore precinct. The 3-bedroom, 3-bathroom, 270 square metre unit with waterfront views was sold in November 2016 for \$1.98 million. Another example is the sale of a prestige unit in the Nishi complex in the CBD. The 3-bedroom, 2-bathroom unit with 140 square metres of living area and views across Canberra was sold in January 2018 for a \$1.18 million.

Rural





Overview

This month I have asked the team to review their local horticulture marketplace given the level of activity nationally in the sector. We have commented for a couple of years about the increasing sales, new entrants and land values in this sector which is also having a knock-on effect in part to water values. What is driving this market, where is it sitting in the cycle and ultimately how sustainable are the commodities all become common questions for our team.

There is no doubt that permanent plantings either nut, grapes, citrus or avocados are setting new records around the country. This is on the back of large increases in commodity prices as a function of export growth or for Avocadoes domestic demand. The growth here is also very much globally with South America now reporting that security is required on avocado farms to avoid theft given the value of the commodity today.

The question of value for the land, finding established assets to acquire and looking for land suitable and then taking development risk are all being investigated by those in the various industries, but there is a lot of supply to come through over the next 2-4 years in most of those commodities. The teams' summaries are below with a special report from Doug Knight and Stephen Cameron of our Darling Downs office about the avocado sector.

Special Report

The market for orchards / horticultural properties has weakened over the past 10 years with the industry facing difficulties due to a highly competitive import market and strong Australian dollar.

This has resulted in a number of orchards being removed (especially for stone fruit) and an alternative use has been found. During this period the demand for rural lifestyle properties also increased and subsequently decreased which resulted in values increasing to levels above what is considered to be commercially viable for the horticultural industry.

The lifestyle market is now facing a correction and downward pressure has been placed on rural land values to come back to levels which are viable for horticulture and agriculture.

We note in the last three decades the emergence in the South West of less traditional rural pursuits including avocados, floriculture and vineyards. Avocados, in particular, have seen an increase in price for the fruit as public consumption has increased through various marketing schemes.

This is backed by the Australian Avocado Industry Strategic Plan 2011-2015 that reports 'Australia currently consumes 2.7 kilograms of avocado per capita (2009-10), an increase of more than 106% in the last decade' and also by visiting any local café and looking at the menu.

The increase in demand had resulted in an increase in producers expanding operations by planting more trees and looking for land which is suitable and has adequate water supplies.

This, in turn, has seen demand for properties with established avocado orchards increase with rural agents in the south-west reporting growers are actively seeking established properties or developed horticultural properties suitable for converting to avocados.

This is confirmed by the sale of a 94-hectare property on Appedene Road, Deanmill within the Shire of Manjimup for \$1,750,000 in June 2017. This property has been used as a Capel Vale vineyard with extensive water supply and was purchased a local avocado producer who is currently removing the vineyard with a view to planting avocados.

It is important to also note that whilst demand is currently outstripping supply the increased number of trees being planted in the past 2-3 years will lead to an increase in supply when the trees reach maturity at 5 years and therefore prices could potentially decline.

David Abel



Central Queensland

The horticultural markets across the Central Queensland region comprise a tale of two fortunes. On one hand, there has been very high demand for well developed corporate scale farms, and on another hand, smaller scale assets have met limited interest when offered for sale.

The critical difference is the commodity established on the land and the efficiency offered with scale. Table grapes and citrus farms with planting to lemons and export mandarin varieties have reached new value levels as a direct result of strong commodity prices over recent seasons.

In this respect, a continuation of farm gate returns will be crucial to the longevity of current value trends. While there have been a handful of acquisitions by established family operators, market agents have emerged as the new primary buyer in many cases, seeking to complete supply integration and secure major retail clients.

Bottom line pressures persist for small-scale operators as a result of volatile domestic market prices, and despite the recent revitalisation of interest for horticultural assets broadly, a substantial number of these farms remain 'quietly' on the market.

Overall, the future of horticulture is in our view positive. Oversupply issues for some domestic

commodities are slowly finding balance as Asian demand adds to absorption of the product. Further, trade conduit with Asian is becoming more secure and reliable, which should foster industry growth and accelerate the conversion of lower returning agricultural land (sugar cane, irrigated grains, intensive beef) to more profitable horticultural industries.

Will McLay

Bundaberg

The demand for macadamia nut plantations in the Bundaberg district has strengthened dramatically over the last 6 months.

Recent sales of macadamia nut plantations have occurred such as 168.99 hectares sold for \$7.88 million with a total of 97 hectares planted to irrigated macadamia nuts and 421 hectares sold for \$20.6 million with approximately 184 hectares planted to irrigated macadamia nuts.

These sales reflect a value of approximately \$85,000 per irrigated treed hectare excluding structures and balance land. Previous sales were reflecting values at approximately 50% of this level.

The demand for potential macadamia nut land is strong also and this has been reflected in the sales of lesser quality irrigated cultivation country with

values also showing strong increases.

Recent sales of grey soil, forest irrigated cultivation country selling for \$25,000 per irrigated cultivated hectare excluding structures and balance land

Tony Bailey

Mildura

Horticulture has been the backbone of the Mildura region since the late 1890's, and the region's growth and prosperity have to a large degree fluctuated in line with the fortunes of the local horticultural sector. The region suffered during the millennium drought, with low water allocations, high exchange rates and poor commodity prices impacting on all local industries. Many growers exited the wine grape, dried fruit and citrus industries in the 10 years up to around 2013, and many more were forced to sell their permanent irrigation water entitlements, in order to reduce debt.

Since 2014 we have seen a remarkable turnaround in commodity prices. The turnaround has been all the more remarkable because the improvement has benefited virtually all producers. The drivers of change have been widely attributed to strong demand from mainly China - but also other Asian export countries, combined with a more favourable exchange rate, and an improved irrigation allocation outlook. Drought conditions in California at this time



also saw international investors look to Australia. The first industries to show signs of recovery were almonds and table grapes, with orchard/vineyard values increasing rapidly in 2014 and 2015. Values rose significantly between 2014 and 2017, however, appear to have stabilised more recently.

Buyers also saw opportunities to buy both vacant land and underperforming wine grape vineyards, in order to establish new almond and table plantings. This further reduced the wine grape supply. Citrus growers needed a few more seasons of better returns to restore confidence, however, since 2016 we have seen a strong rebound in orchard values, and an expansion in new plantings. Values of better standard citrus orchards have doubled since 2015, and tree nurseries have full order books for the next 2 years and beyond.

Wine grape returns, which were diabolical for over 10 years, started to improve in 2015, and are now at the stage where well-managed vineyards are generating positive cash flow.

The days of picking up a bargain-priced wine grape vineyard are now behind us, with values up by around 70% since 2015.

We are now at the stage where there are many growers wanting to expand their plantings, however, the available supply of developable land, and possibly irrigation water delivery capacity, is quickly

diminishing. Almond growers are estimated to have planted at least 15,000 hectares of new land in the past 3 years. The citrus and table grape industries have expanded significantly, but to a smaller degree and we are starting to see new wine grape plantings

One of the drivers of expansion is the availability of new varieties of citrus and table grapes, with existing growers not wanting to remove their current, profitable plantings, in order to plant new ones. It is hard to see anything in the short term de-railing the current optimism, but history suggests that horticulture is a volatile industry.

The same things which caused pain in the past are largely outside of our control. Drought (low water allocations), exchange rates and the strength of export markets are unpredictable. Hopefully, we don't see all three of these issues act negatively at the same time.

There have been a number of long-held, family farming operations sell in the past 18 months, with these growers capitalizing on the strong corporate demand and deciding now is a good time to retire.

In some cases the buyer has taken on the production risk, however, we have seen a number sell subject to a lease-back, with the rent set as a percentage of the sale price. Some of these rents may turn out to be challenging if commodity prices reduce.

Two large properties currently being advertised for sale will be a good litmus test of value movements. A table grape vineyard in Merbein is back on the market, after being purchased on a WIWO basis by Murray River Organics for over \$9 million in late 2016. The second property is a portfolio of 8 almond orchards, covering approximately 20,000 hectares, which was purchased by a consortium of international institutional investors in 2014.

The sale of this portfolio is subject to the existing lease to Olam International, and it will be interesting to see how the market perceives this portfolio 4 years on from the previous sale.

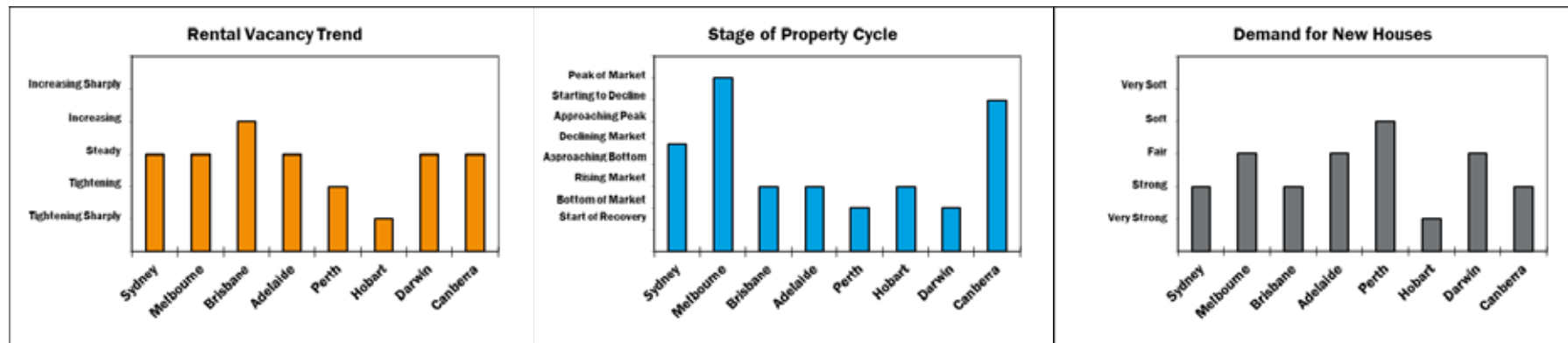
Graeme Whyte

Property Market Indicators

Capital City Property Market Indicators - Houses

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

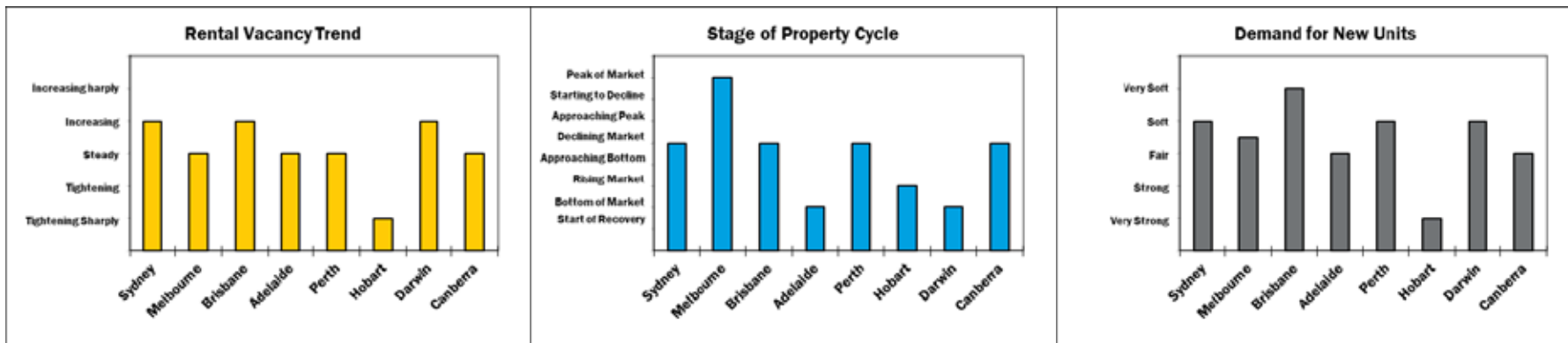
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Capital City Property Market Indicators - Units

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

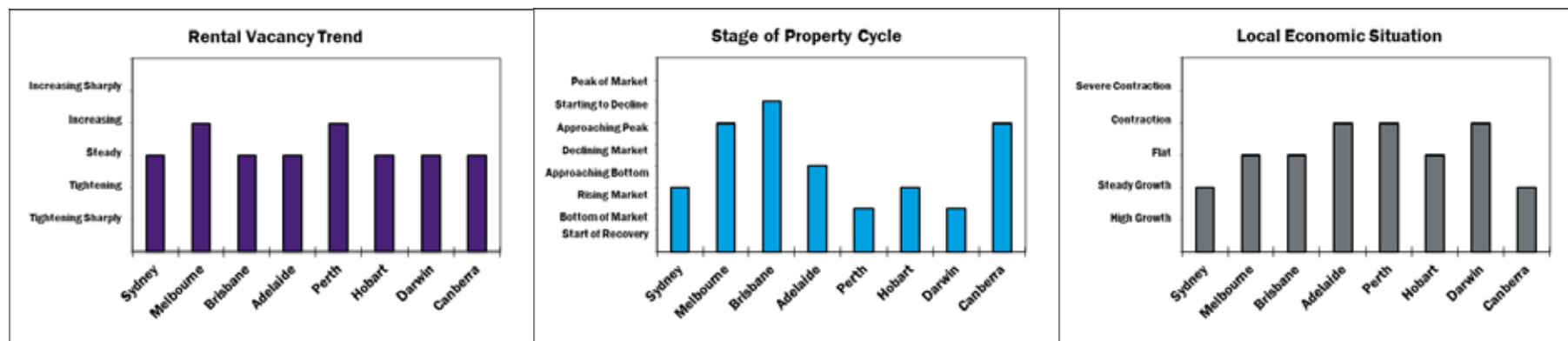
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Capital City Property Market Indicators - Offices

| Factor | Sydney | Melbourne | Brisbane | Adelaide | Perth | Hobart | Darwin | Canberra |
|--|-----------------|----------------------------|---------------------|------------------------------|--|--|--|----------------------------|
| Rental Vacancy Situation | Balanced market | Balanced market | Balanced market | Balanced market | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Increasing | Steady | Steady | Increasing | Steady | Steady | Steady |
| Demand for New Houses | Increasing | Declining | Stable | Stable | Declining | Declining | Stable | Stable |
| Trend in New House Construction | Steady | Steady | Declining | Steady | Declining | Steady | Steady | Declining |
| Volume of House Sales | Rising market | Approaching peak of market | Starting to decline | Approaching bottom of market | Bottom of market | Rising market | Bottom of market | Approaching peak of market |
| Stage of Property Cycle | Steady growth | Flat | Flat | Contraction | Contraction | Flat | Contraction | Steady growth |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Small | Large | Small | Large | Significant | Significant | Large | Significant |

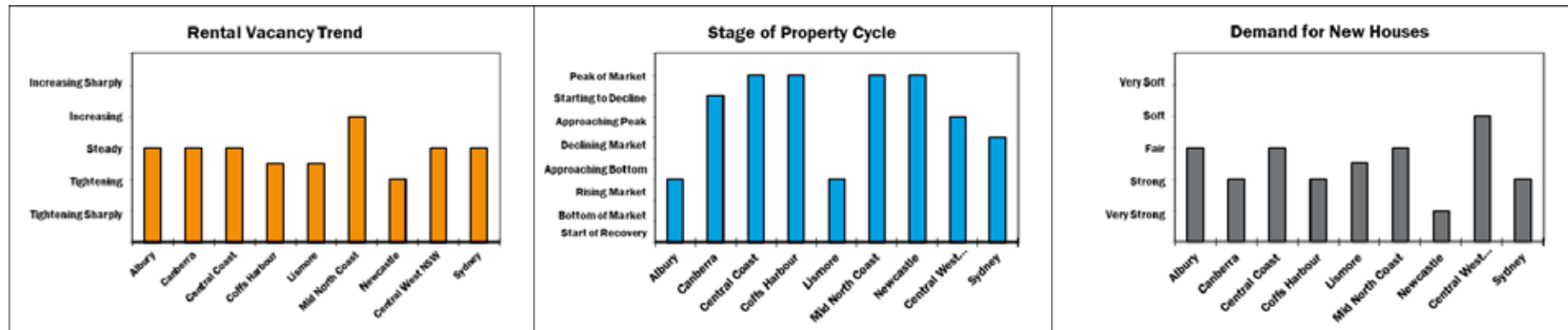
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



New South Wales Market Indicators - Houses

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

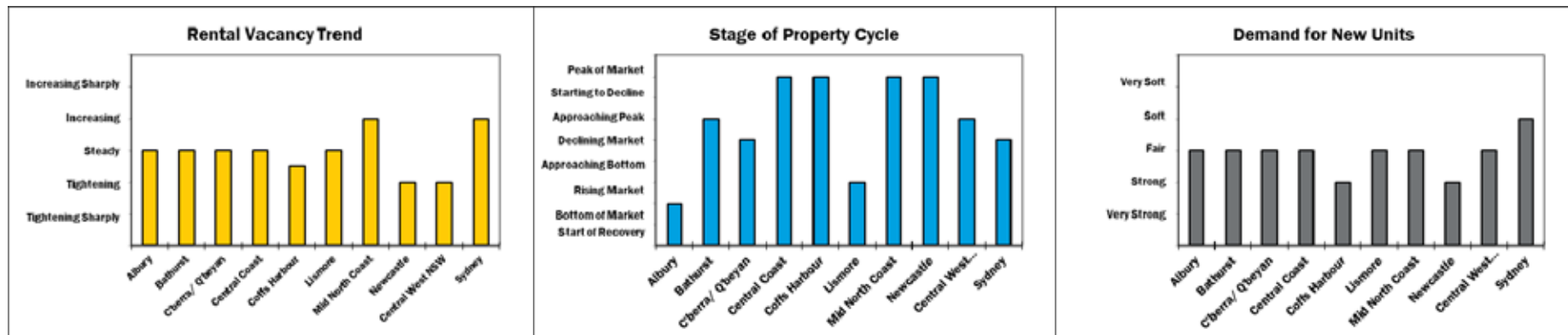
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



New South Wales Market Indicators - Units

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

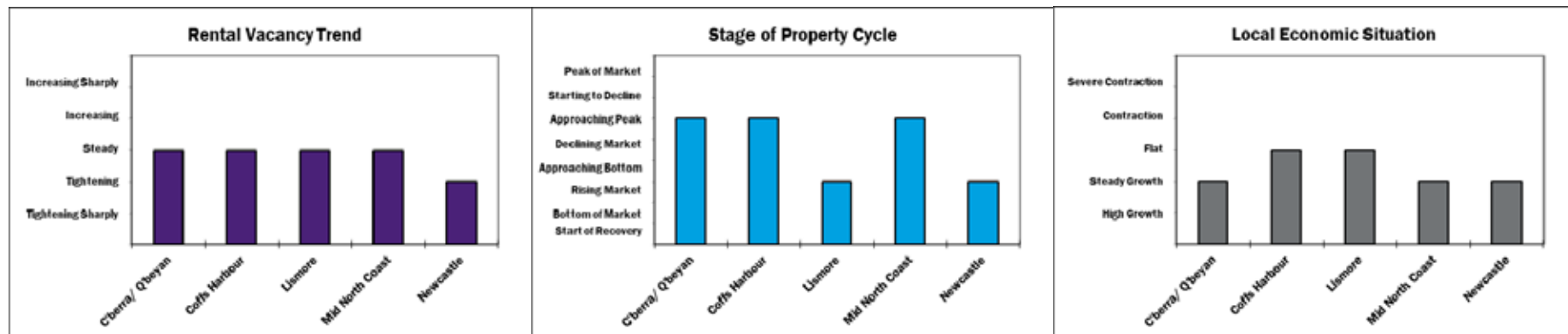
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



New South Wales Market Indicators - Offices

| Factor | Canberra | Coffs Harbour | Lismore | Mid North Coast | Newcastle | Central West NSW | Sydney |
|--|----------------------------|--|-----------------|--|-----------------|----------------------------|-----------------|
| Rental Vacancy Situation | Balanced market | Over-supply of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Balanced market | Balanced market | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Tightening | Steady | Steady |
| Demand for New Houses | Stable | Stable | Stable | Stable | Increasing | Stable | Increasing |
| Trend in New House Construction | Declining | Steady | Steady | Steady | Increasing | Increasing | Steady |
| Volume of House Sales | Approaching peak of market | Approaching peak of market | Rising market | Approaching peak of market | Rising market | Approaching peak of market | Rising market |
| Stage of Property Cycle | Steady growth | Flat | Flat | Steady growth | Steady growth | Steady growth | Steady growth |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Significant | Significant | Significant | Significant | Significant | Significant | Small |

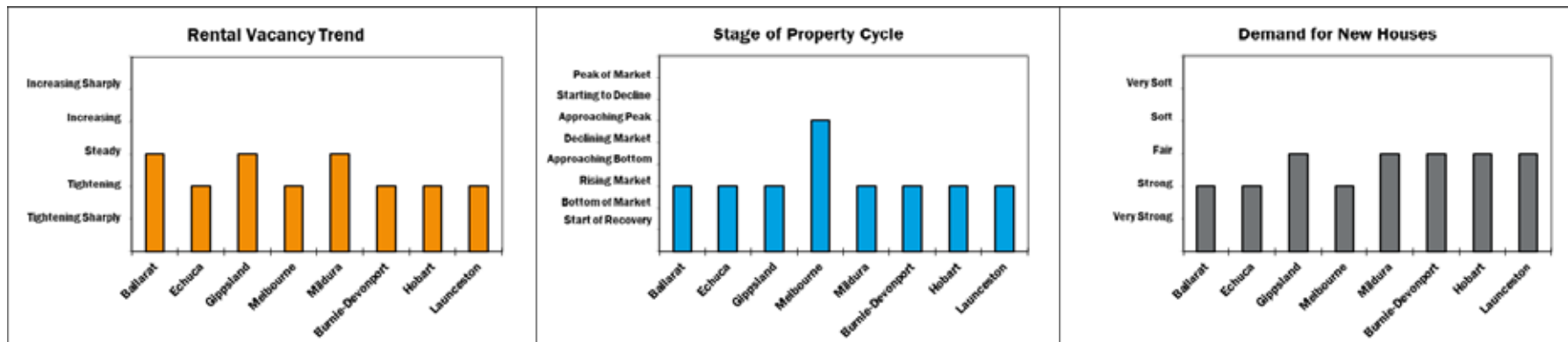
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Victoria and Tasmania Market Indicators - Houses

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

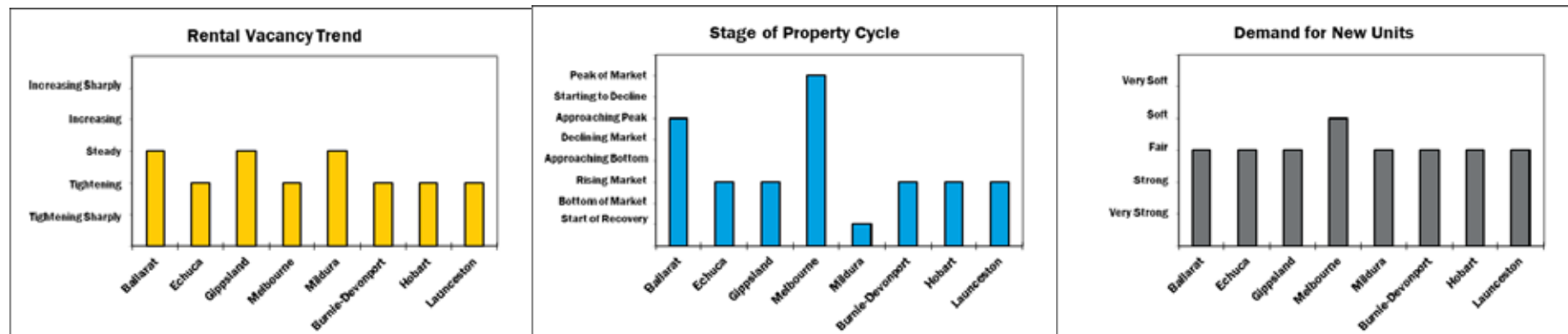
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Victoria and Tasmania Market Indicators - Units

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

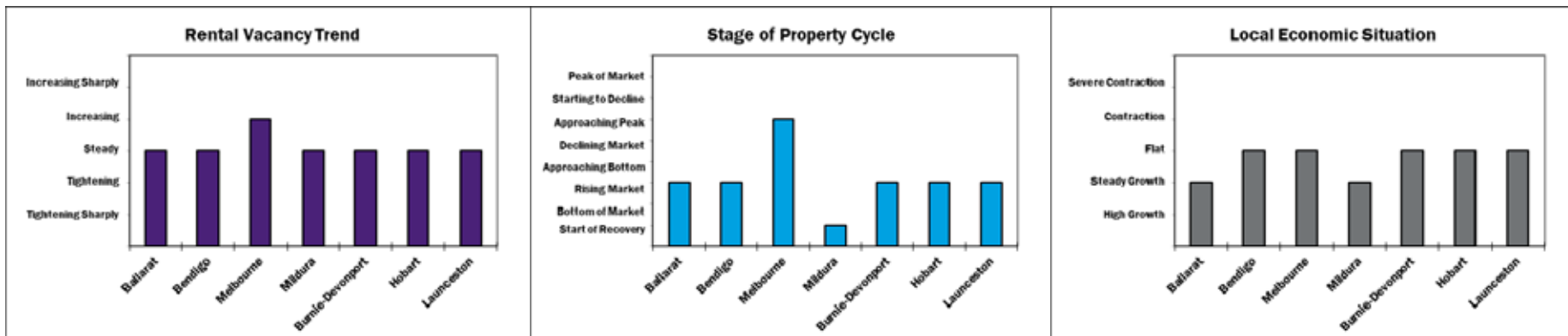
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Victoria and Tasmania Market Indicators - Offices

| Factor | Ballarat | Bendigo | Echuca | Gippsland | Melbourne | Mildura | Burnie-Devonport | Hobart | Launceston |
|--|-----------------|-----------------|---------------------|----------------------------|-------------------|--|--|--|-----------------|
| Rental Vacancy Situation | Balanced market | Balanced market | Balanced market | Balanced market | Balanced market | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Balanced market |
| Rental Vacancy Trend | Steady | Steady | Steady | Increasing | Steady | Steady | Steady | Steady | Steady |
| Demand for New Houses | Stable | Stable | Declining | Declining | Stable | Declining | Declining | Declining | Stable |
| Trend in New House Construction | Declining | Steady | Steady | Steady | Steady | Steady | Steady | Steady | Declining |
| Volume of House Sales | Rising market | Rising market | Starting to decline | Approaching peak of market | Start of recovery | Rising market | Rising market | Rising market | Rising market |
| Stage of Property Cycle | Steady growth | Flat | Steady growth | Flat | Steady growth | Flat | Flat | Flat | Steady growth |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Significant | Significant | Significant | Large | Significant | Significant | Significant | Significant | Significant |

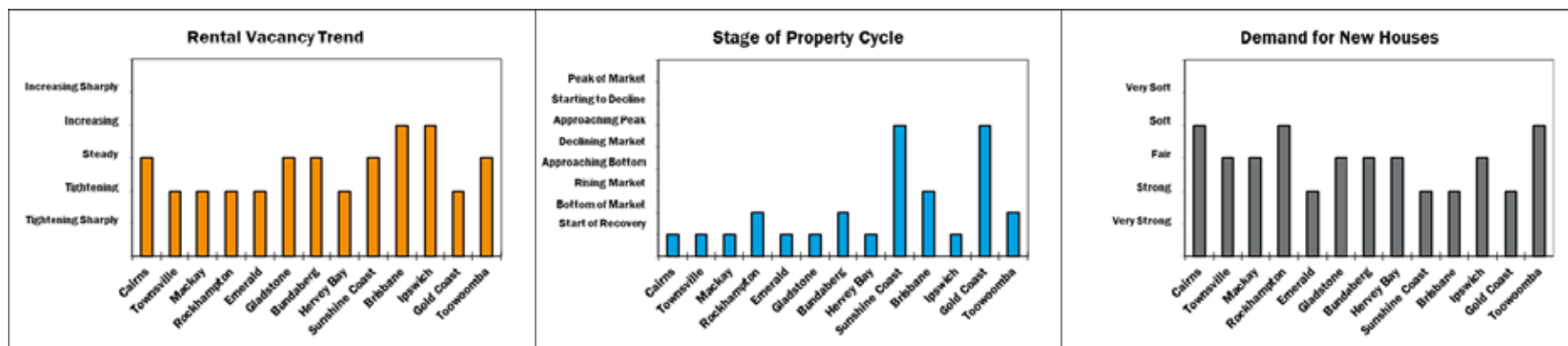
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Queensland Property Market Indicators - Houses

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

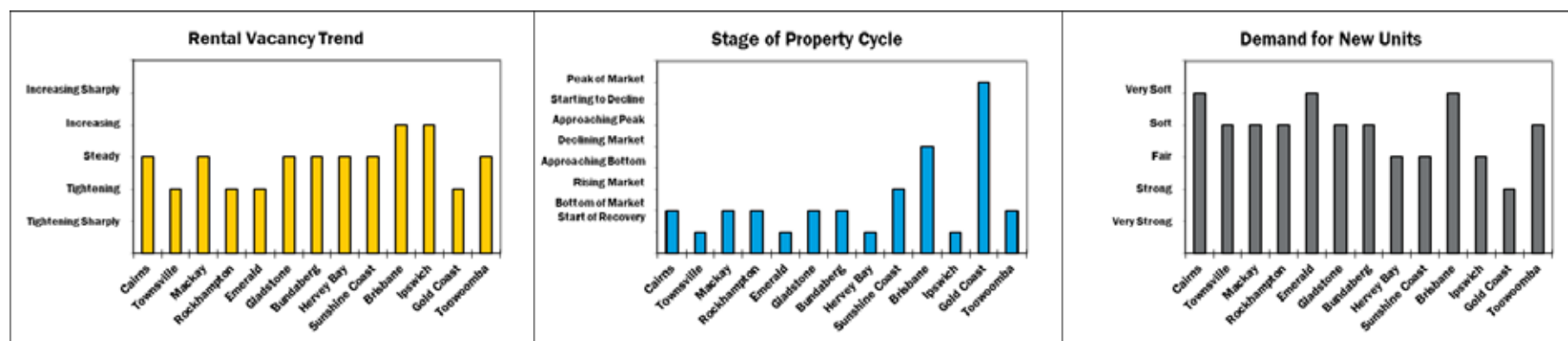
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Queensland Property Market Indicators - Units

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

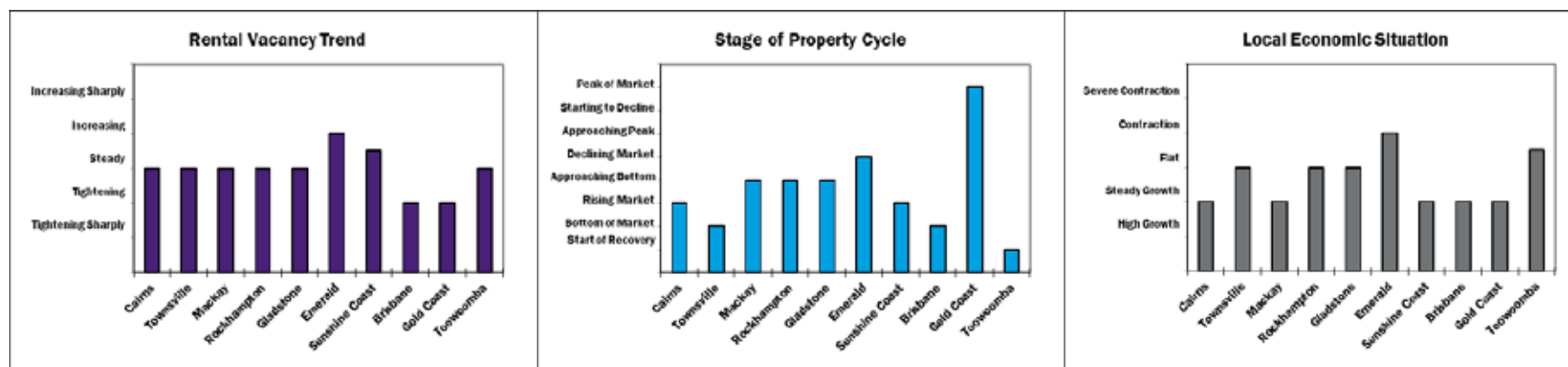
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



Queensland Property Market Indicators - Offices

| Factor | Cairns | Townsville | Mackay | Rockhampton | Gladstone | Emerald | Sunshine Coast | Brisbane | Gold Coast | Toowoomba |
|--|--|--|--|------------------------------|--|------------------|--|--|--|--|
| Rental Vacancy Situation | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Balanced market | Over-supply of available property relative to demand | Balanced market - Over-supply of available property relative to demand | Large over-supply of available property relative to demand | Over-supply of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Steady | Steady | Steady | Steady | Increasing | Steady - Increasing | Tightening | Tightening |
| Demand for New Houses | Increasing | Declining | Declining | Stable | Stable | Stable | Declining | Stable | Stable | Stable - Increasing |
| Trend in New House Construction | Steady | Steady | Steady | Steady | Steady | Steady | Declining | Steady | Steady | Increasing |
| Volume of House Sales | Rising market | Bottom of market | Approaching bottom of market | Approaching bottom of market | Approaching bottom of market | Bottom of market | Declining market | Rising market | Bottom of market | Peak of market |
| Stage of Property Cycle | Steady growth | Flat | Steady growth | Flat | Flat | Flat | Contraction | Steady growth | Steady growth | Steady growth |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Large | Small - Significant | Large | Small | Small | Significant | Small | Small - Significant | Significant | Small |

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

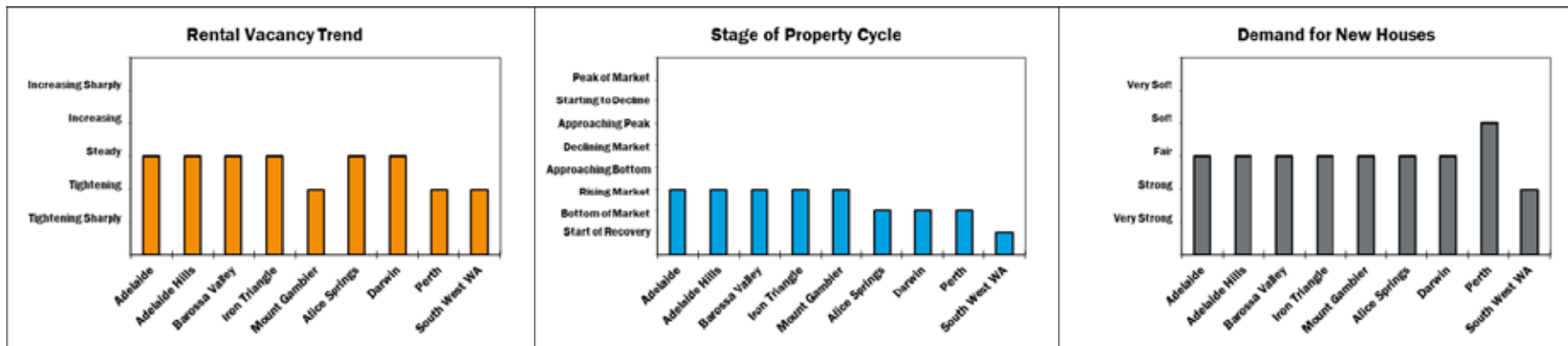


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SA, NT and WA Property Market Indicators - Houses

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

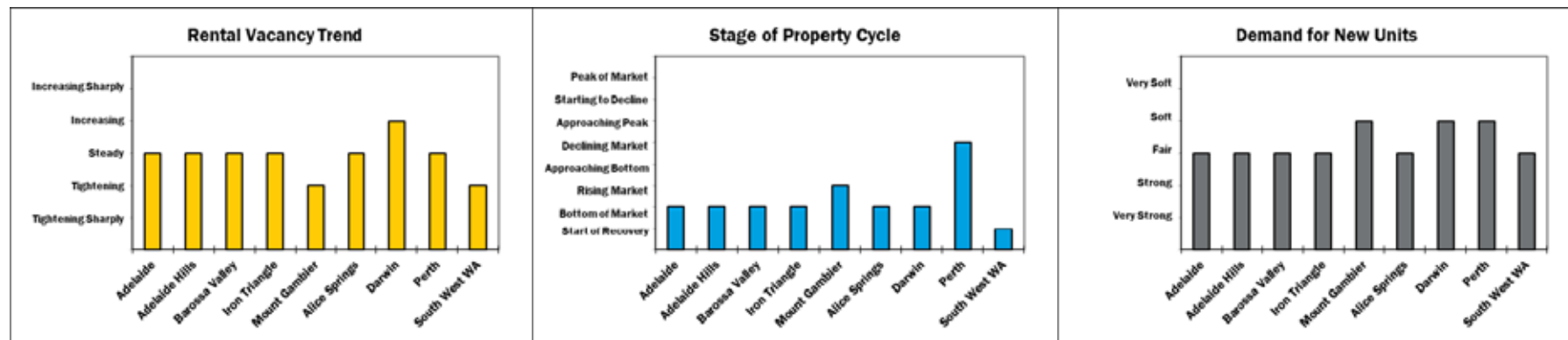
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



SA, NT and WA Property Market Indicators - Units

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

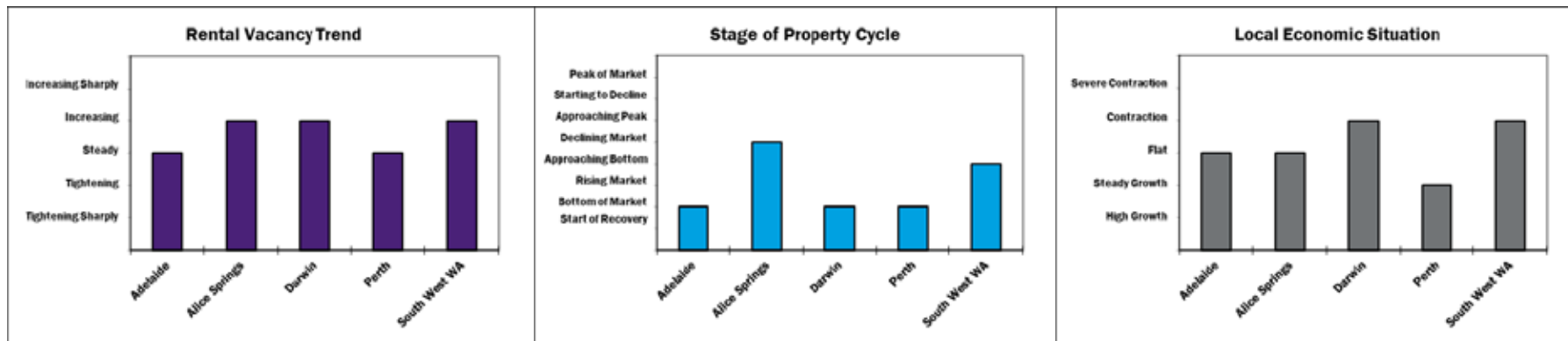
Red entries indicate change from previous month to a higher risk-rating Blue entries indicate change from previous month to a lower risk-rating



SA, NT and WA Property Market Indicators - Offices

| Factor | Adelaide | Alice Springs | Darwin | Perth | South West WA |
|--|--|--|--|--|--|
| Rental Vacancy Situation | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Over-supply of available property relative to demand | Large over-supply of available property relative to demand | Over-supply of available property relative to demand |
| Rental Vacancy Trend | Steady | Steady | Increasing | Steady | Increasing |
| Demand for New Houses | Stable | Declining | Declining | Stable | Declining |
| Trend in New House Construction | Steady | Steady | Steady | Increasing | Declining |
| Volume of House Sales | Bottom of market | Declining market | Bottom of market | Bottom of market | Approaching bottom of market |
| Stage of Property Cycle | Flat | Flat | Contraction | Steady growth | Contraction |
| Are New Properties Sold at Prices Exceeding Their Potential Resale Value | Large | Small | Large | Large | Small |

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



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