Residential

HERRON
TODD
WHITE
RESIDENTIAL

National Property Clock
December 2018
Houses

Gippsland
Lismore
Mid North Coast

Bendigo
Central Coast
Coffs Harbour
Gold Coast
Newcastle
South East NSW

Illawarra
Melbourne
Perth Outer
South West WA
Sydney

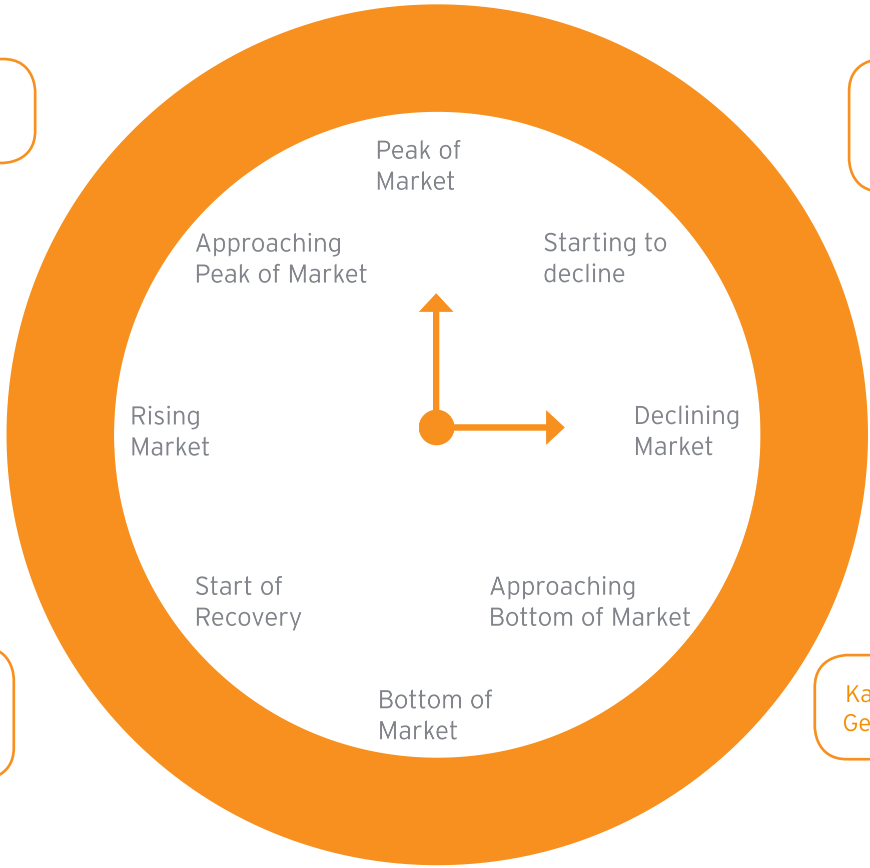
Kalgoorlie
Geraldton
Broome

Alice Springs
Bundaberg
Darwin
Perth Inner
Rockhampton
Toowoomba

Cairns
Gladstone
Hervey Bay
Ipswich
Mackay
Townsville

Adelaide
Adelaide Hills
Ballarat
Barossa Valley
Brisbane
Burnie-Devonport
Canberra
Dubbo
Emerald
Iron Triangle
Karratha
Launceston
Mildura
Mount Gambier
Port Hedland
Tamworth

Albury
Echuca
Hobart
Sunshine Coast



Entries coloured orange indicate positional change from last month.

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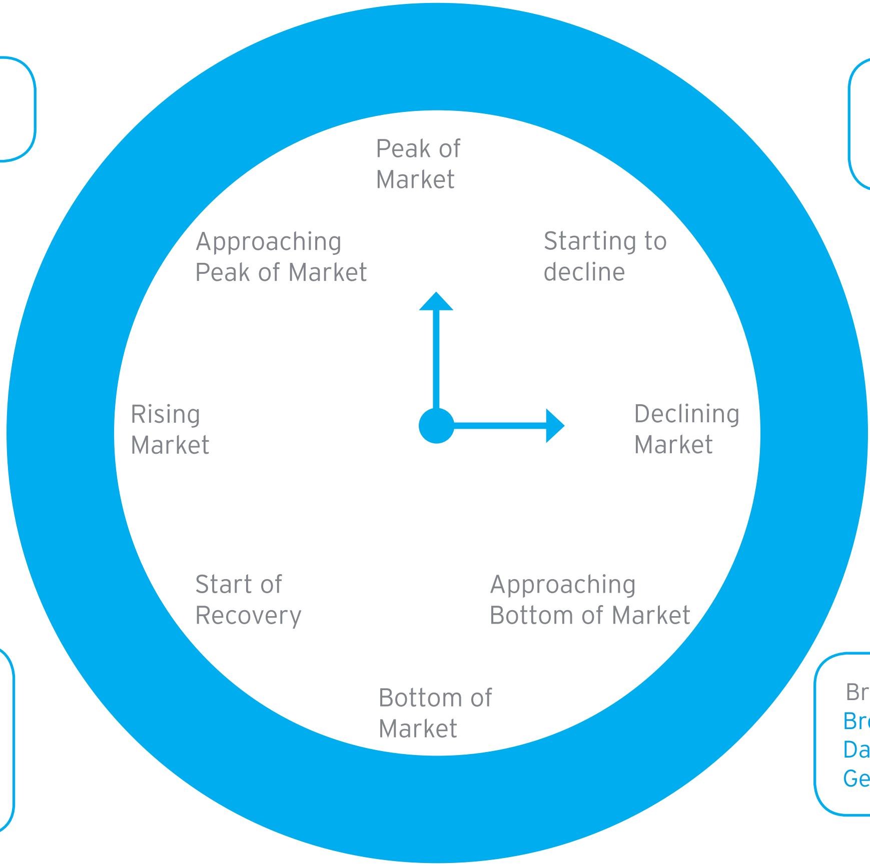
National Property Clock
December 2018
Units



Peak of Market:
Lismore
Mid North Coast

Starting to decline:
Bendigo
Central Coast
Coffs Harbour
Gold Coast
Newcastle
South East NSW

Declining Market:
Canberra
Illawarra
Melbourne
Perth Outer
South West WA
Sydney

Approaching Bottom of Market:
Brisbane
Broome
Darwin
Geraldton
Kalgoorlie
Perth Inner

Bottom of Market:
Adelaide Hills
Alice Springs
Barossa Valley
Bundaberg
Iron Triangle
Mackay
Rockhampton
Toowoomba

Start of Recovery:
Adelaide
Cairns
Emerald
Gippsland
Gladstone
Hervey Bay
Ipswich
Mildura
Townsville

Rising Market:
Ballarat
Burnie-Devonport
Dubbo
Karratha
Launceston
Mount Gambier
Port Hedland
Tamworth

Approaching Peak of Market:
Albury
Echuca
Hobart
Sunshine Coast

Entries coloured blue indicate positional change from last month.

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New South Wales

Overview

2018 was a mixed bag of results in the residential property sector, although the Royal Commission's fallout and potential changes to negative gearing have dominated the headlines as the year draws to an end.

The big markets saw further consolidations in their real estate prices, but some of the regionals offered excellent outcomes for those who dared to venture beyond the capital city limits.

This month's issue is your go-to wrap up of the year that was in Australian residential real estate.

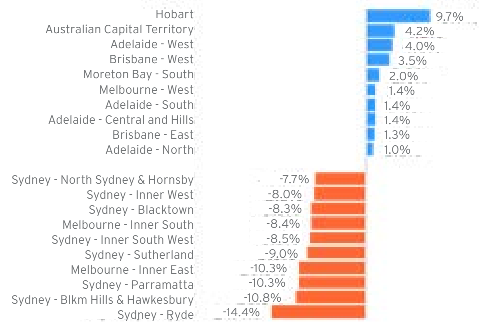
Sydney

At the start of the year, there were already some sub markets in Sydney seeing values coming back from their peak in July and August 2017. Our expectation for 2018 was that quality properties or those in more desirable locations would still see some limited growth, however most locations and price points would see continued weakening conditions.

What wasn't fully predicted however was the extent of tightening credit conditions in the wake of the Royal Commission, which spread across the spectrum of borrowers, on top of previous regulatory tightening for investor lending. This appears to be the most significant factor at play in the current market with many borrowers simply not in a position to borrow as much as they could 12 months ago. Other factors such as falling overseas investment in residential property, a spike in the supply of new units and the general atmosphere of a cooling market have also played a part in the current downturn.

According to CoreLogic as at mid-November, the Sydney median price was down 6.1 per cent since the start of 2018 and 7.4 per cent from the same time last year. Auction clearance rates have dropped below 50 per cent consistently, from around 60 per cent this time last year, and around 80 per cent this time in 2016. Properties are taking longer to sell (around 40 days compared to 30 days a year ago), meaning that although new listings are down 8.2 per cent, the total number of listings is up by 16.7 per cent from this time last year.

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



(Source: CoreLogic)

Some regions have performed better than others, particularly the inner city and eastern suburbs, however eight of the bottom ten sub-regions for changes in dwelling values are in Sydney, with three of those having double digit declines in the year to October.

Houses seem to have taken the brunt of the losses to date compared to units and the lower quartile in dwelling values is also seeing the least decline. This would indicate that additional first home buyers coming into the market are somewhat making up for the decline in investors. Many agents we speak to however are reporting that this type of product is the hardest to move at the moment.

Whilst the top quartile in dwelling values has seen the highest declines over the past 12 months, the very top end, particularly those in the $5 million-plus range in established prestige areas, seems to have been more resilient. Many prestige suburbs have seen price records smashed over the past six months, including a new Australian record in Point Piper.

Eastern Suburbs

The eastern suburbs generally played out as expected and performed better than other regions of Sydney.

The year started fairly strongly with a gentle decline throughout the remainder of the year. Some product types and price points fared better than others. Investor style units, properties in secondary positions (such as busy roads, proximity to a cemetery, properties with privacy issues) were generally the properties that were impacted most with longer selling periods, less buyer enquiry and prices softening. Houses continued to perform better than units with high quality properties in the blue-chip locations still performing fairly well.

There were definitely some mixed sale results throughout the year with some strongly contested properties receiving good prices (some being re-sold above purchase prices of 2017) and other properties showing moderately falling prices (some up to ten per cent decline). The market has definitely changed and softened compared to 2017 however the eastern suburbs remains somewhat stable in the downturn so far.

The prestige market in the eastern suburbs had a relatively steady 2018 with a solid number of trophy homes transacting. The softening in the lower price property market didn't show too much of an impact at the top end of town.

A few notable sales throughout the year included Australia's most expensive house sale ever at close to $100 million. The property known as Fairwater located at 560 New South Head Road, Point Piper sold in July to an Australian tech billionaire. The sale surpasses the previous record price in Australia of

'Fairwater' at Point Piper sold in July for close to $100 million. *(Source: Domain)*

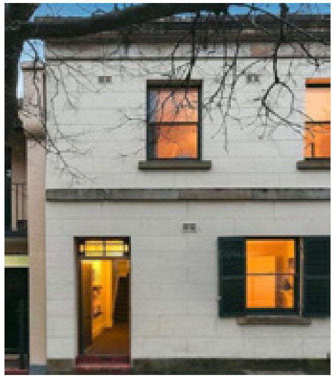
'Rona' at Bellevue Hill sold in August for around $60 million. *(Source: Domain)*

$71 million which was the neighbouring house that sold in April 2017.

Another high-profile trophy home sale was 2 Ginahgulla Road, Bellevue Hill known as Rona which sold in August for a reported $60 million. Suburbs such as Bellevue Hill, Vaucluse and Rose Bay also witnessed a steady number of sales in the $10 million to $30 million range, while Bondi Beach ($29 million) and North Bondi ($14 million) saw their suburb records topped.

Inner West/City

Most predictions from early in the year were correct; the inner city has been subdued, particularly in the investor markets. High quality renovations and sought-after pockets have largely remained steady, however the Millers Point market appears to have overheated in some instances and there have been some recent sales suggesting a drop in prices, such as 24 Argyle Place, which sold for $2.675 million in October 2018 after selling for $3 million in August 2016.



24 Argyle Place. *(Source: Domain)*

Restrictions on investor lending and the banking Royal Commission certainly took their toll on the overall market, however this was most evident across the city fringe and locations with a high concentration of new units such as the Green Square precinct. Many off the plan purchases from 2015 to 2017 are now coming up to settlement in these areas and in many instances, the prices achieved in stronger markets cannot be substantiated on recent sales evidence as at today's date.

Overall clearance rates have weakened substantially and selling periods have increased. The inner west has seen clearance rates fall to around the 50 per cent mark.

Dwellings in the inner west saw the strongest declines during 2018, with this market appearing to have previously been overheated. Uncertainty and delays around Westconnex and the White Bay redevelopment have impacted the Rozelle and Lilyfield markets in particular.

The city and east performed slightly stronger and remain above the Sydney average with Domain reporting rates around the 60 per cent mark for the city and east recently. The light rail project has been delayed and has further dampened the CBD market, with ongoing construction and access difficulties.

Good quality properties that appeal to the broader market and particularly downsizers and that are located within close proximity to services and amenities are a property type that is limited and tends to be holding steady more so than properties located within secondary locations or those that appeal to a more limited market due to the style of property or development.


South Village Kirrawee *(Source: Deicorp)*

Southern Suburbs

The Sutherland/St George sub region saw an above average rate of decline, according to CoreLogic, with the median price falling by nine per cent for the year to October. This was seen across all property types and price points, with high quality properties generally performing the best.

The region saw its price record fall for both houses and units this year. In July, a large waterfront home on 2,000 square metres of land at Kangaroo Point sold for $10.86 million, while a large penthouse unit in Cronulla, which will have expansive ocean views, sold off the plan for $7.5 million to a local downsizer. The downsizer market is one sub type which appears to be performing quite well at the moment, with higher end units achieving good results as an increasing number of baby boomers look at alternatives to the large family home.

The old brick pit site at Kirrawee, now known as South Village, is getting closer to completion with some of the residential towers close to settlement, while the retail centre, including a Coles and Aldi, has recently opened its doors. So far, the majority of units we have inspected from the early stage, which generally sold in late 2015 and early 2016, have had their price supported at valuation. This may not be the case going forward as the market continues to decline and an increasing number of these units come up for resale as settlement approaches.

Western Sydney
2018 was a year of vast change from the previous twelve months for the western Sydney property market . Our predictions earlier this year centred around a cooling market with minimal growth if any at all. This turned out to be somewhat correct as the market did weaken but it was a much bigger weakening than expected.

Earlier this year we cautioned readers regarding off-the-plan units and this continued to be an area of concern throughout 2018. As the wider market is weakening, we are continuing to see settlement valuations not meeting the off-the-plan purchase price. These valuations require recent resales of similar units to support the value and in many areas the evidence is unable to support these strong off-the-plan prices. A further concern would be a large flow of distressed sales and rental yields not meeting expectations thanks to high investor participation.

One theme we noticed this year was properties with defects or less desirable features being heavily discounted. Local agents have commented that cashed up buyers are still present in the market, but they are pickier and will disregard listings that don't completely suit their requirements. This can present a problem for vendors of dwellings with less desirable features as they will have to lower expectations if they wish to make a sale.

Whilst the market has come back this year, it's not all doom and gloom for western Sydney. Much needed infrastructure is still being built such as the Badgerys Creek Airport and Aerotropolis, North West growth precinct, South West growth precinct and the Sydney Metro Rail link. This part of Sydney has a bright future with a lot of blue sky ahead.

Northern Sydney
In February, we anticipated a decline in demand levels and for the market to continue the trend seen in the later stages of 2017. Demand levels have indeed declined, however we didn't expect value levels to fall to the extent they have.

The Northern Beaches market was not immune to the general factors that have affected the wider Sydney market. Tightened lending restrictions, overall market sentiment and in some instances, supply levels (such as Dee Why), have all negatively impacted value levels. Some markets within the region have fallen 10 to 15 per cent year-on-year. This is not without exception, as prestige markets, iconic or desired areas (such as Manly which saw its record house price fall in May for $16 million), or particular buyer profiles (such as downsizers) have outperformed the general market.

The new Northern Beaches Hospital has only recently opened (October 2018) and the precinct plan is still being evaluated by the NSW State Government. We


54 Towradgi Street, Narraweena *(Source: Realestate.com.au)*

still believe there are strong growth prospects and the area will undertake a significant revitalisation, however it is too early to gauge the impact this will have on the residential market.

We have found evidence that has directly reflected the change in market conditions between 2017 and 2018 to be the most interesting. This is reflected by the same property being sold twice in that period, or two sales occurring within the same building that share similar characteristics.

Unit 9 in 31 Hawkesbury Avenue, Dee Why sold for $605,000 in March 2017, whilst more recently, Unit 5 in the building sold for $510,000 in October 2018. A vacant allotment at Narraweena, which sold for $900,000 in February 2017, is currently being advertised for $790,000.

The lower North Shore continued to show its strength at the prestige level throughout 2018. We did predict at the start of the year that this sector of the market would continue to remain strong, mainly due to being less impacted by tightening lending policies and investor restrictions. While the renowned suburb of Mosman didn't show any great growth over 2018, it did manage to hold steady overall, with the median price (source: pricefinder.com.au) currently at $3.963 million, down very marginally from the 2017 median price of $4 million.

The top end of this market has really shown its resilience, with suburb records in both Cremorne ($19 million) and Mosman ($25 million). The unit price record in Mosman also fell with a $10 million sale in May. In 2017 there were a reported 15 sales above $10 million, while to date in 2018 there have been 13 reported sales above $10 million *(Source: RP Data)*.

The most positive story for this market over 2018 has been the activity from local buyers. Selling agents have reported a definite drop-off in foreign buyer demand, normally associated with a strong prestige market and record sales. However, the reduced demand from these buyers doesn't appear to have impacted the prices being achieved in the trophy home market.

Lismore / Casino / Kyogle

At the start of the year, it was predicted that "...the residential market for the year ahead in the Lismore area is expected to stabilise and the Richmond Valley/Kyogle Council areas were to remain relatively steady..."

What followed was something of an understatement! The first six months exhibited a rather strong response in the residential market with demand generally solid across the board and real estate agents continually voicing their desperation to securing listings. This resulted in improved price levels and sales activity both in the residential and rural residential markets within Lismore, Casino and Kyogle.

An example of this confidence in the market is in the small rural residential estate area of Modanville where we have noted four sales over $600,000... you could virtually hear a glass ceiling being broken! I cannot recall sales over $600,000 in this area prior to 2018.

In fact, throughout 2018 it was not uncommon to see well presented, modern homes breaking the $600,000 barrier in Goonellabah and Lismore Heights plus a handful within Lismore Central. Even in the flood prone areas of South Lismore, we noted price levels over $300,000 even 18 months after one of the more severe flood events to affect Lismore in recent history.

The last half of 2018 continued to show improvement, albeit at a more sedate pace, however, well-presented properties throughout the year generally had a small shelf life and slipped off the mantelpiece into the hands of willing buyers in a relatively short space of time.

Thus, the cry of real estate agents for more listings became more apparent.

The much-touted possible increase in RBA interest rates during the latter part of the year did not eventuate with only minor increases from the big banks being the sole blip. This provided some relief for first home buyers and investors, however other factors came into play which restricted activity in the form of tighter lending criteria. This led to some deals falling over and creating some angst among the populace.

But demand still remained strong as availability of good quality real estate stock continued to be restrained. Even with the slight increase in interest rates from the big banks, demand did not dissipate much at all, thanks to the Royal Commission into banking which gave smaller lenders a chance to upstage their larger rivals and provide competitive lending products.

One of the surprises of the year was the improved demand for the larger rural lifestyle product of 20-plus hectares with well-presented dwelling and ancillary buildings and ground improvements, particularly for properties within close proximity of the regional centre (Lismore) and the rural townships (Casino and Kyogle). We also noted a steady demand for larger tracts of good quality grazing land in the areas between Lismore, Casino and Kyogle.

Generally, properties between $300,000 and $400,000 in Lismore were the most popular, but were closely followed by upgraders seeking more modern product in the $400,000 to $600,000 price bracket.

Casino and Kyogle houses within the $250,000 to $350,000 range had the most activity and generally were appealing to first home owners or new entrants into the local area as they were very affordable with the low interest rate level.

In summary, the residential and rural residential property markets for Lismore, Richmond Valley and Kyogle Council areas for 2018 performed strongly, particularly within the first half of the year. The remaining half of the year subdued slightly, but still showed resilience even in the facing of tightening credit conditions from the banking industry and...... thanks to the interest rate barons of the RBA for showing restraint.

Ballina and Byron Bay

Value levels throughout the Ballina Shire generally stabilised throughout 2018 after strong increases in value were experienced throughout the 2016 and 2017 calendar years.

Agents who actively market property throughout the Ballina Shire generally report lower numbers of enquiry though with stable value levels. Whilst some regions experienced declines in value on the back of weaker Sydney and Melbourne markets, the lack of available stock for sale generally prevented any notable falls in value throughout the sought-after areas of the Ballina Shire.

At the beginning of 2018, it was predicted that the oversupply of vacant land in Lennox Head may be of some concern. We have yet to see any signs of an oversupply of vacant land, with value levels within new residential estates remaining firm, however it would appear that the developer's conscientious release of land without flooding the market could be partly responsible to this.

The prediction for the Byron Shire market that was made all the way back in February was mostly correct. A lack of stock did drive the market and buyers were seen moving out of the suburb of Byron Bay into the more affordable coastal resort town of Lennox Head. In turn, this saw the market in Lennox Head climb in 2018.

The overall market started slightly sluggishly in January and February, however lack of stock saw the market continue to surge throughout 2018. Early stages of flattening were evident throughout the October to November period.

The buy in price point of $750,000 to $1.2 million did well throughout the year of 2018. Larger allotments located in Ocean Shores with future subdivision potential did particularly well with a spike in sales. In Lennox Head, sales also spiked with buyers wising up and moving away from the iconic town of Byron Bay towards a smaller township where their money could be spread further.

A large portion of the buyer demographic in this locality were people coming from Melbourne or Sydney. The market was majorly influenced by investors and baby boomers looking for a sea change. More recently though we have seen buyers in the 30 to 50-year-old bracket with young families sustaining city job opportunities whilst living away from metropolitan areas.

The Clarence Valley

The Clarence Valley, in particular Grafton, Maclean and Yamba, has performed as expected in 2018. With slightly reduced investor interest and the initial buzz of the Pacific Highway upgrade taking a back seat, we have seen a slight stabilisation in capital growth and even a minor reduction in sales volumes, albeit that the residential market as a whole continues to track in a positive direction.

Vacant land has been absorbed into the market at pace across both residential and rural markets and construction has continued parallel to these acquisitions. This demand has often resulted in long wait times for builds, that is, a huge demand for building trades. Rents also remain at a premium with an extremely limited number of properties coming onto the open rental market, most being privately let to the Pacific Highway upgrade workforce for top dollar values or locals renting privately to locals at reduced rates.

Overall, 2018 saw many positives for the Clarence Valley with infrastructure developments continuing to drive trends in property and the property market as a whole.

Coffs Harbour

Looking back on 2018, one glaring wrong call by us was the expected interest rate rise. Although we saw three of the big four go against the RBA holding pattern, the realisation that rates have not moved for another 12 months has only helped the continuing growth within the region.

Growth has also been positive off the back of the completion and commencement of considerable infrastructure expenditure over the year which includes:

1. Completion of the Pacific Highway upgrade between Warrell Creek and Nambucca Heads ($830 million);
2. Commencement of an upmarket aged care facility at Park Beach (a reportedly $100 million project);
3. Completion of the K-Mart Coffs Harbour Central store creating further retail and office space;
4. Completion of the North Wall Harbour upgrade;
5. Completion of the Jetty Foreshore upgrade.

Other announcements and infrastructure proposals include:

1. Green light given for the Coffs Harbour bypass road;
2. Hospital upgrades for both Coffs Harbour Base Hospital ($156 million) and Macksville Hospital ($73 million);
3. Proposed industrial airport estate on 43 hectares of council owned land;
4. CBD highrise hotel approved in mid-2017 and expected completion in 2019, providing 80 luxury hotel units built over an existing shopping centre;
5. Cex International Stadium upgrade to increase capacity and facilities.

With all of this going on in the region, it's no surprise that demand continued to be high from owner-occupiers and investors. Most markets experienced positive value upswings with average gains in the order of five to ten per cent with some markets such as vacant land experiencing as high as 20 to 30 per cent gains due to diminishing supply and strong demand.

Given the lower economic base of the region, it is no surprise that the majority of transactions are centred on the lower to mid-value price ranges up to $800,000. It's interesting to note that the upper level or prestige market ($900,000 plus) has also increased in transaction numbers more so than value whereas the lower to mid-level market has seen significant value increases.

Despite the improvement in market conditions, potential buyers at this price point remain a thin segment of the market within the Coffs Harbour region and the higher the price, the thinner the market. As an illustration of this point, we have included a table on the next page showing sale volumes for prestige property under 3,000 square metres within the Coffs Harbour region (encompassing the beachside suburbs and townships including Coffs Harbour, Korora, Sapphire Beach, Emerald Beach , Sawtell, Woolgoolga, Safety Beach, Arrawarra Headland, Moonee Beach, Boambee and Mullaway) on an annual basis since 2007:

This table plainly illustrates that the volume of prestige beach side sales has increased significantly since 2014 with the majority of the market within the

Sale Volumes For Prestige Property Under 3,000 Square Metres Within The Coffs Harbour Region							
All Suburbs		**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
$950,000	$1,500,000	2	5	4	7	4	5
$1,500,001	$2,000,000	0	0	1	1	0	2
$2,000,001	$2,500,000	0	1	0	1	1	0
$2,500,001	$3,000,000	0	0	0	0	0	0
$3,000,001	$50,000,000	0	0	0	0	0	0
	Total Sales	2	6	5	9	5	7

All Suburbs		2013	2014	2015	2016	2017	2018
$950,000	$1,500,000	3	12	11	18	28	25
$1,500,001	$2,000,000	1	1	3	5	3	4
$2,000,001	$2,500,000	0	0	1	2	1	0
$2,500,001	$3,000,000	0	0	1	0	0	0
$3,000,001	$50,000,000	0	0	0	0	0	0
	Total Sales	4	13	16	25	32	29

(Source: RP Data)

$950,000 to $1.5 million price range. We can further break that down to the majority of these sales being between $950,000 and $1.25 million and note that purchasers in this price bracket are typically from out of town.

At the back end of the year, we are seeing buyer confidence waning somewhat due to the negative media, particularly in relation to the capital cities which has a knock on effect to the region plus the uncertainty over the Royal Commission into banking practices and the impact on lending policies, interest rates and finance availability in the short term. Local selling agents are reporting more conservative attitudes from potential buyers with regard to the future market direction, although there is no evidence at this point of any market reductions.

Mid North Coast

As predicted, the past 12 months has seen a stabilising residential property market across the Mid North Coast, with houses and units returning to the norm of a three-to-six month sale period with some haggling on purchase price, rather than often being sold immediately and at full price as was the case during 2017.

There are a number of reasons for the market to soften in our area, including a slight rise in interest rates, tightening of lending policies to investors and tax depreciation reforms and while the Sydney market has decreased, the Mid North Coast, as is usual, follows suit but lags behind by up to a year.

During 2018, construction of new facilities throughout the region supported the property and rental markets. Development such as the $17.5 million expansion of the mental health facilities at the Port Macquarie Base Hospital which is still in progress, construction of the new Bunnings Warehouse on John Oxley Drive and the continuing expansion of Charles Sturt University and the


Garden Village Port Macquarie *(Source: www.villages.com.au)*

ensuing influx of university students have all helped to maintain the Hastings area as a vibrant but stabilising market and not the declining market as seen in our major cities.

With the spring months now upon us, we have noticed the usual surge in property listings, albeit at a lower and more subdued rate this year.

One of the contributors to increased property listings is the development and release of over 55's retirement villages and complexes. Garden Village, Newport Village and Sienna Grange have all been under construction with standalone villas and senior style units proving very popular. Garden Village high-rise style senior accommodation was sold prior to its completion. This in turn has provided additional dwellings and has assisted with the softening of the market as the sale price is required to be achieved within a certain time frame to ensure holding of senior accommodation.

In the last quarter, we have noticed that vacant land sales have reduced in numbers coming onto the market, mainly due to the recently completed subdivisions being sold out and land development slowing, however new dwelling construction remains strong in these expanding areas.

Central Coast

Being located in a region immediately to the north of the Sydney metropolitan area, the Central Coast has traditionally ridden on the wave of the real estate market in Sydney - the ripple effect. The effects of this are seen and experienced in numerous ways, not the least of which are the lessons learned.

Earlier this year, we put our minds to what 2018 would provide us. The first thing we wondered was whether the region would experience the traditional ripple and how strong it would be, or whether the region would only receive mixed signals and have to follow its own path.

Solid, verified and unverified data leads us to believe that the region's market was a beneficiary of overspill from the Sydney market in Quarters 1, 2 and 3 - the local market pretty much followed the Sydney market. As we move into the final quarter of 2018, the market has slowed, again in line with the Sydney market.

But it's hard to attribute this to natural market peaks and troughs. As we see it, the biggest (and might we say the most predictable) disruptor to the market has been the weight placed on it by the banking Royal Commission and the almost simultaneous tightening of lending.

No-one has been pretending over the past several years that the busy market conditions would last indefinitely and these two factors put to rest any hope that it just might last a little longer. It could be argued that these factors have contributed to an early conclusion to the current cycle.

As we near the end of 2018, a whole new real estate climate is emerging - but more on this in our next review.

We thought the earlier part of the year would merely be a continuation of the year before, slowing in the latter part of the year. It looks like we got that right.

With few exceptions, most suburbs across the region have been the beneficiaries of the strong market over the past several years.

Despite the strong market, some recognisable and well-regarded suburbs saw surprisingly limited rises in value. This included Avoca Beach, a beachside suburb that hasn't experienced the same level of rises seen elsewhere, but this is fairly typical of Avoca Beach - they tend to do things on their terms.

Point Clare is one of those suburbs that is handy to shops, transport, access to the M1 Motorway and to

Brisbane Waters, but hardly ever spoken about and while it hasn't missed the value increase part of the cycle entirely, we would have predicted higher rises than that seen.

On the other hand, we consider it normal at this stage of the property cycle for the higher end of the market to record a few sales. And this was the case this time around with quite a few $3 million plus sales across the region with some big sales recorded at Matcham ($4.5 million) and Somersby ($4.4 million and $4.1 million).

But the overall winner this year in terms of volume and values would have to be the unit market in and around central Gosford. Approvals for a number of unit developments were gained during the transition period of the two former councils (Gosford and Wyong) into the current Central Coast Council. Construction of a number of well received unit complexes was completed or near completed during the year. Equally good marketing of the developments resulted in large numbers of pre-sales of units. Settlements of a number of sales are just beginning to occur and with the market slowing, it remains to be seen whether pre-sale prices are to be maintained and endorsed as the current value.

Meanwhile, real people with no illusions other than securing affordable property in a good location and close to amenities saw the newer suburbs at the northern end of the region as a good thing. These suburbs include Woongarrah, Hamlyn Terrace and Wadalba. Real estate prices vary from low $400,000 to early $800,000 depending on size and inclusions. These areas benefited greatly during the year with good increases in value driven again by the demand from those exiting the Sydney market.

Newcastle

The start of 2018 began with optimism – would the property market continue with increasing property prices? Or would it similarly follow precedents set by larger capital cities that were already declining at the start of 2018?

Newcastle's first Month in Review for 2018 stated that the property market was still cautiously optimistic. There had already been restrictions set in place by banks for investors and typically overall the year started well.

Yes, these external factors have definitely played a part in the current market situation, but it's not all doom and gloom. Many are stating that the market is returning to a more normal cycle than the furious bidding wars seen in the previous year.

Strong demand for certain types of properties still exist in pockets within popular suburbs. Many agents are stating that demand is still strong for these quality properties at the right price. Higher-

76 Lewis Street, Maryville - miner's cottage - $921,000 auction August 2018
(Source: realestate.com.au)

end beachside suburbs such as Merewether and Bar Beach still have strong demand from buyers. The trendy up and coming suburbs of Maryville and Tighes Hill have still proven popular with buyers throughout 2018, including a sale in Maryville of a rundown miner's cottage for $921,000 at auction in August 2018, giving more proof to the tale of buying the worst house on the best street.

The recent years in Newcastle have seen huge redevelopment of infrastructure, including residential developments. There are estimated to be around 15 to 20 new developments within Newcastle's East and West end alone.

With such an influx of new units on the market, there is bound to be some oversupply and decrease

East End development - recent apartment sale of $2.75 million. Perkins/King St Newcastle *(Source: realestate.com.au)*

in demand for older units. However, interestingly there is current buyer demand for quality high-end apartment living, especially those with significant views of beaches or Newcastle Harbour. One such sale in June 2018 was of a three-bedroom, two-bathroom apartment with views across Newcastle for $2.75 million (off the plan).

Hunter Valley, Singleton and Cessnock markets are all ticking along, looking as if they are on the road to recovery following the mining downturn of previous years (mostly applies to Singleton) but certainly still encouraging.

So, did we get the February 2018 review prediction right? We were spot on for the Newcastle Jets who had a stellar year (but let's not talk about the final game - there's always 2019 to right the wrongs), the Knights were definitely not on the bottom of the ladder and we pretty much nailed the property market - "potential to do well, could possibly disappoint". Yes and yes, depending on what side of the property transaction you were on.

Southern Highlands

Across the Southern Highlands region, the overall market in 2018 for standard housing is considered to have peaked. Subsequently, the market has eased in most areas from the strong growth that we saw in 2017.

At the beginning of the year we mentioned that there were several new residential land sub-division projects throughout the region coming on line across the main townships of Bowral, Moss Vale and Mittagong such as Renwick, (Mittagong), Darraby Estate and Throsby Views, (Moss Vale) and Retford Park (Bowral). Since commencement of the financial year 2018/19 we have observed an emerging oversupply of vacant land parcels saturating the market resulting in some vacant lots being discounted to achieve a sale within a normal selling period. Additionally, over the medium to longer term there has been significant land releases announced by the NSW Government across the region with Wilton Junction to provide additional housing stock of up to 18,000 new dwellings and the Chelsea Gardens and Coomunji development in Moss Vale to provide up to 1,500 dwellings over the next ten years.

It's apparent that the residential market up to $750,000 remains liquid across the Southern Highlands. As mentioned in the September edition of the Month in Review, for the period to May 2018, a record number of 150 properties exchanged contracts across the Southern Highlands despite the observed slow down in price growth and activity in the Sydney market. However, the selling period across all market segments has increased throughout the year with fewer buyers now in the market and vendors struggling to come to terms with the softening market conditions. Pricefinder reports that the median sale price for a house in the Wingecarribee LGA declined approximately eight per cent from $820,000 in June 2017 to $770,000 in June 2018.

The Wollondilly region continues to be attractive to the Sydney buyer market as an affordable lifestyle alternative to an increasingly congested urban existence, with easy access to the Hume Motorway. Pricefinder reports that the Wollondilly LGA saw a significant increase of approximately 14 per cent from $697,000 in June 2017 to $800,000 in June 2018. However, the number of sales in the region over the 12-month period declined approximately 44 per cent from 98 sales in June 2017 and only 55 in June 2018.

Historically, properties in the higher-end rural acreage, rural lifestyle market segment ($3 million plus) have been subject to higher market volatility. Sale prices (and selling periods) within this market segment are heavily influenced by individual buyer preferences and specific property attributes. Indeed over the past 12 month period there have been demonstrable signs of volatility in areas such as Robertson and Sutton Forest. Due to the relatively shallow pool of buyers within this sector, a level of discounting is quite often required to achieve a sale in the current market.

Illawarra

The year is coming to a close and we have seen a significant shift in the residential property market throughout the Illawarra. The previous year (2017) ended with early signs that the tremendous growth experienced for five years had started to slow. The slowdown continued and became exaggerated as the year progressed.

As 2018 ends, it has become apparent that the market has peaked and has moved on to the next stage of the property cycle. Most segments have seen a minor decline in prices with more significant declines felt in the vacant land market, particularly in the 2527 and 2530 postcodes. An oversupply of new land and re-sales coming to market has caused the downward pressure on prices as potential purchasers have more than a hundred lots to choose from.

Selling periods appear to have increased as less buyers in the market mean it is more difficult to sell. Some properties are staying on the market for extended periods where vendors are not able to renew their expectations in line with the change in the market.

Pricefinder reports that the median sale price for a house in the Wollongong LGA declined from $760,000 in Quarter 4 of 2017 to $730,000 in Quarter 3 of 2018. In the Shoalhaven LGA, the drop was from $565,000 to $555,000. Recently we have experienced a number of properties that have sold at around the same price that they had been purchased for towards the end of 2016. Examples include:

- A townhouse in Balgownie sold in November 2016 for $705,000 and recently sold again for $700,000;
- A unit in Atchison Street, Wollongong sold in September 2016 for $535,000 and recently sold again for $545,000.

Central Northern NSW and Northern Victoria

Tamworth

Looking back over 2018, our predictions for Tamworth were mostly correct. The introduction of the stamp duty exemption for first home owners certainly slowed the lower end of new builds while increasing competition in the established areas of East and North Tamworth. Towards the end of this year this extra competition has seen an increase in values within the central areas of West Tamworth, as it provides established homes within walking distance to the CBD. With the increased activity from first home owners in the established suburbs we saw more owner-occupiers upgrading and moving into the developing areas, where we are now seeing more higher value builds then before.

The Tamworth market continued to perform well this year, despite the on-going drought. With the diverse economy that is Tamworth, the downturn in the agricultural sector has not affected the property market showing that Tamworth is no longer a ‘one trick pony’, reliant on a single industry. This performance also includes the rural residential market with agents reporting high demand and low marketing times for properties in the 2ha-50ha range. The market performed much as expected with a slight slow-down over the last few months, however still on the rise. The market mix has remained similar over 2018, with owner-occupiers and investors both active throughout Tamworth.

Victoria

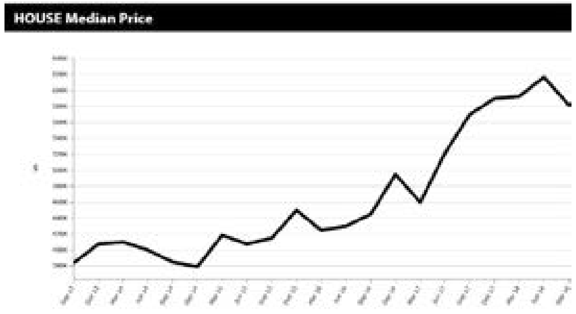
Melbourne

Inner and Outer North

The beginning of 2018 showed respectable price increases for vacant land or dwellings with generous land areas in the outer northern suburbs and this continued to be reflected in the latter part of 2018.

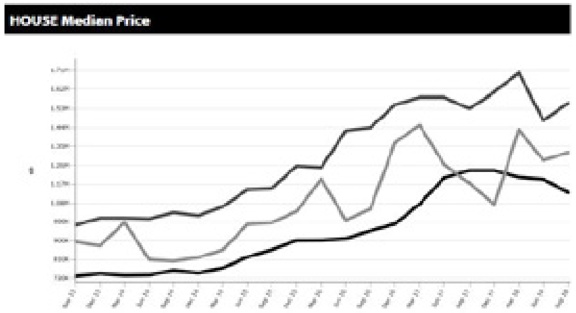
Multiple estates in Mickleham, Kalkallo, Craigieburn and Wollert consistently released more land and housing packages to match growing demand.

Median house prices in Mickleham increased from $519,500 to $540,000 whereas Wollert decreased from $618,000 to $602,450 today. At the beginning of the year we estimated that Mernda would continue to grow even after a 31 per cent increase in median house prices from 2017. However, this was not the case as median house prices dropped after a peak of $620,000 in June 2018 to $582,000 (REIV, 2018).



Mernda Median House Price *(Source: REIV)*

A slower growth rate for the inner northern suburbs resulted in a minor decline in median house prices for areas such as Brunswick, Carlton and Collingwood.



	Current Median House	Current Median Unit
Collingwood	$1,131,750	$602,500
Carlton	$1,557,500	$495,000
Brunswick East	$1,322,500	$547,500

(Source: REIV)

The tightening of lending criteria led to a lower clearance rate for properties in the latter part of 2018. This resulted in downward price pressure on the secondary stock in the market as selling periods became much longer in comparison to the early months of 2018.

CBD and Inner Suburbs

The start of the year signalled a stabilisation of the local property market. This has continued with results from the second week of November showing the inner areas of Melbourne maintaining a 57.3 per cent clearance rate, the second highest amongst all sub-regions. This has coincided with a broader market softening which has been more adverse in locations further away from the CBD. The clearance rates seen in the inner region are still below the low to mid 60 per cent range we saw in late 2017, but not enough to show a major downturn.

We expected both Port and South Melbourne would experience some flattening in prices as an effect of the broader market stabilisation. This did eventuate with moderate declines in median house prices according to the REIV, dipping below the $1.6 million and $1.45 million median house price marks respectively.

Another area slated for a pullback was South Yarra, due in part to the effects of the prudential tightening by lenders as a result of the Royal Commission and government restrictions on foreign investment. These events appear to have had a moderate effect on the dwelling segment of the market with a marginal increase in median house prices to roughly $1.92 million at the end of the third quarter (REIV), revealing a levelling off.

North Melbourne experienced greater decline as a result of the market stabilisation with a fall from the first quarter heights of close to $1.5 million to $1.29

million median house price at the end of quarter three.

Inner and Outer South-East
Last year it was predicted that estates in the south-east would continue to be in high demand and this has certainly been true. There has been an incredible amount of land releases with stages often being sold out long before practical completion is reached.

At the beginning of the year it was predicted that price growth increases would be at a much slower rate than the previous 12 months; this wasn't the case as the price of new land releases continued to rise steadily. In the latter part of the year this was corrected somewhat, with blocks in some estates not worth the premium that was paid at the beginning of the year.

Pakenham was listed as a suburb to watch in 2018, as there had been a 27 per cent increase in the median house price in the December quarter of 2017 according to the REIV. As at the beginning of this quarter, the median house price had risen to $527,000, which represents only a slight increase on 2017.

During 2017, bayside suburbs such as Chelsea, Carrum and Aspendale were popular with developers and investors looking to subdivide and build townhouses, as the areas benefited from close proximity to the beach, shops and public transport and provided relatively affordable larger sites. During 2018, this has remained a hot spot for development. Increased development activity has also been seen in a number of inner suburbs such as Bentleigh, Murrumbeena and Wheelers Hill.

Inner and Outer West
Taking an in-depth look over the past twelve months and at our initial predictions for the inner and outer west, it's safe to say that for the first half of the year we were on track.

Concerns surrounding an oversupply in the apartment market led to softening prices throughout the year for the inner suburbs and into early 2018. This decline has seen a number of developments defer commencement, therefore reducing the originally forecast supply within the apartment market. The number of pre-sales required, tighter lending requirements and an overall reduction in investors in the apartment market have had a large impact on developments throughout 2018.

In complete contrast, the residential housing market sector recorded solid growth with demand outstripping supply for the first half of the year.

Strong demand for modern homes at affordable prices saw Tarneit and Truganina become two of the fastest growing suburbs in Melbourne. Victoria's strong population growth saw the City of Wyndham grow at a greater rate than its neighbour Geelong, which is classified as the second largest Victorian city outside of Melbourne.

In the second half of the year this trend reversed, as demand in these areas began to stall. Changes to foreign purchasing legislation, further tightening of institutional lending and out of cycle interest rate increases led to a decrease in consumer confidence, an overriding influence on the residential market.

Geelong however seems to be defying this market trend and is still on track with our predictions. Core Logic recorded a positive twelve month growth rate of 11.8 per cent for the region and speculated that its favourable affordability, tightening of lending rules favouring regional markets and first home owner grants for regional areas as major factors.

Inner and Outer East
Earlier this year we predicted a stabilised market, steady growth in demand and an oversupply of new townhouses and smaller apartments marketed as affordable housing to first home buyers. Our valuers of the eastern suburbs of Melbourne are now recording a decline of 10 to 15 per cent in market value in the past six months from their peak. Houses are generally passing in at auction and eventually sold one to two weeks later. These dwellings are still selling but with a lot more effort from agents. Real estate agents have identified good buying conditions currently for some upsizing home buyers, that is,

moving from the under $700,000 range (which has a good supply of buyers) up to the above $800,000 to $1 million range, where values have softened. These up-sizers have the advantage of buying in a buyer's market with significant equity from having purchased in the previous five years.

Real Estate Institute of Victoria (REIV) data found that 70 suburbs recorded annual median house price gains of ten per cent or more in this softening metropolitan market, seven of those being from the Yarra ranges. The top performers were Warburton ($525,000, 18.3 per cent), Gembrook ($750,000, 16.8 per cent) and Healesville ($602,000, 16.4 per cent) (source: REIV, year to date September 30 2018).

Despite the low clearance rates of approximately 50 per cent, some stellar auction results are still emerging across Melbourne.

A surprising sale of 8 Houghton Street, Balwyn North, a circa 1960 single level dwelling with five bedrooms plus study, two bathrooms and single lockup garage on 658 square metres of land sold for $2.5 million in June 2018, while dwellings of the same condition and similar land size sold in May for $1.75 million to $1.9 million. It will be interesting to see what the new owners have planned for this property as they may have the intention for plans and permits to rebuild a new dwelling or even two!

8 Houghton Street, Balwyn North 3104 VIC, sold for $2.5 million *(Source: PDOL Nov 2018)*

Echuca

The market continued to be dominated for most of 2018 by limited supply, shorter selling periods and in some instances off market transactions. This was true for most market segments, although agents are reporting an improvement in stock levels overall which is in stark contrast to stock levels coming into spring. While this is always the case during spring, even once the season is taken into account, there is a general sense that vendors may see benefit in offering their properties to market under the current market conditions rather than waiting to see what 2019 brings by way of interest rate changes, federal elections or other general uncertainty coupled with a general slowdown in the Melbourne market. These conditions suggest that the local market might be set to flatten out somewhat with more balance between buyers and sellers.

Mildura

As we approach the end of 2018, I think we can say that the predictions we made at the start of the year were pretty well right.

While the market in some metropolitan areas has slowed, we have seen no evidence of this occurring in Mildura, with most properties still selling in reasonably short time frames. There appears to still be solid demand, particularly for good standard homes suited to owner occupation in the $350,000 to $500,000 price bracket.

The most significant growth in values has been for serviced lots in new subdivisions. Strong demand has contributed to values rising by around ten per cent during the year, with most lots in Mildura now costing well over $100,000. The average price for serviced lots in Irymple is around $135,000, noting that the average lot size in Irymple is larger than in Mildura. Whereas some of the demand for new homes has come from investors in the past, it appears now to be almost all coming from owner-occupiers.

While the Mildura region normally sees several sales each year above $1 million, there were nine sales above this amount during 2018, which is more than has occurred in recent years. While normally only properties with river frontage attain prices above $1 million, there have been two sales this year at $1.2 million and $1.3 million respectively in the built up area of Mildura.

The highest sale for the year to date was for a prestigious home with good river frontage at Gol Gol, which sold for $2.47 million.

Many of these higher value properties have been purchased by locals, highlighting the improved economic conditions experienced over the past few years.

Queensland

Brisbane

It's amazing to think that 2018 is in its final weeks.

As the years go by, they seem to speed up. I don't know if it's the pace of life in general or just the advancing age of this writer, but this annum has run by in the blink of an eye.

Our predictions from February were generally correct, although there was one important element we didn't allow for – but more on that later.

As an overall performer, Brisbane was unexciting and safe. We are now used to being a modest but positive performer when it comes to capital growth. As we mentioned back in February, some observers appeared extraordinarily bullish about Brisbane real estate in 2018, but we weren't among them. Our views were more restrained with "a mix of performance across the various market sectors" being our prediction for the year.

Interstate migration numbers continued to improve as more southerners came on up to put down roots and start barracking for the Maroons (it's a legal requirement of residence when you cross the border that you must renounce support of the Blues come NRL State Of Origin).

Job prospects, however, remained a bit dire throughout the year, so lifestyle migration was really the driver.

That said, Brisbane did gain a little more positive profile in 2018 as plans for major infrastructure projects became well established. There was a continued air of excitement around new works such as Queens Wharf, the Howard Smith Wharves and a number of transport initiatives that are both creating job prospects and boosting our future appeal to industry and new residents.

But as I hinted at earlier, there was one big element that surprised a few pundits, including us. The effect of the Banking Royal Commission on the back of the interventions by APRA certainly had the consequence of helping slow Australia's property markets. In reality, these moves have probably been a bit too successful.

In fact, when you add those headwinds to the political instability around the change of prime minister and the first increase of interest rates out-of-cycle by the banks in August and September, you can see why sentiment slowed in Brisbane. This new credit crunch is making it difficult for property owners to borrow, re-finance and, in general, make decisions. Real estate markets like confidence and certainty and these are in short supply during a tight credit environment.

Sellers are also having to be conditioned due to the credit crunch - contracts that are typically cash or unconditional in seven days are very limited. We are starting to see a shift where contracts from buyers are reverting back to what they were some years ago with 14- and 21-day finance (with additional extensions required).

Ok, ok! Enough of that. What else can we cite as Brisbane-specific outcomes in 2018?

Across our market, the inner-city and near city addresses have been tightly held this year. Not surprising really – these locations are perennially strong performers. Unless personal circumstances dictate otherwise and owners need to sell, there's little point in off-loading a holding with strong potential value upside in the current market, particularly for investors. You might as well continue to collect the rent and wait for the market sentiment to ramp up.

In the upgrader market for homeowners, activity has been most positive. Unlike investors, those homeowners are able to sell out and buy in the same market, avoiding the need to wait for value rises before they off load. The best locations have great quality housing that suits growing families.

Renovated projects have been very well received too, but there were also purchasers who would happily buy a home that needs a little TLC and create their dream family abode.

The middle ring fired up in 2018 and remained desirable due to affordability and proximity to lifestyle nodes, infrastructure and public transport.

Earlier in the year we continued our dire warnings for the inner-city units pitched toward the investor market. It was no surprise then to see this sector soften further in 2018 – and there's certainly been settlement risk for those who bought off the plan.

That said, we also mentioned in February how the owner-occupier style of accommodation was gaining appeal with buyers. Once again, we were spot on. In fact, this market has continued to firm as downsizers and modern families look to put down roots in our appealing inner city. The higher quality apartment blocks in particular are doing well.

Overall, the softening apartment market feels to have bottomed out – at the very least, the worst of the price discounting seems to have passed.

Finally, premium and prestige markets appear to have not been too badly affected by the credit crunch. They remained relatively strong due to purchasers' access to cash.

To finish, for those who like a bit of eye-candy property, pictured are our city's above-$10 million sales for 2018.

Overall, I'd say we scored a respectable eight out of ten on our predictions for the year.

We hope everyone has a Merry Christmas and fantastic new year period. We look forward to next year with all our loyal readers and clients.

36 Dickson Terrace Hamilton sold for $10,138,888 (Christopher Skase's old residence) *(Source: www.realestate.com.au)*

27 Sutherland Avenue, Ascot sold for $11,000,000 (previously sold for $8,615,000) *(Source: www.realestate.com.au)*

110 Virginia Avenue, Hawthorne sold for $11,128,000 *(Source: www.realestate.com.au)*

Gold Coast

Centre North

Our predictions in February were generally correct in that the Gold Coast residential market has fared relatively well compared to the bigger markets of say Sydney and Melbourne.

The local market has slowed with the notable absence of mainland Chinese investors, however it seems that in recent months there have been some signs of a retracting market – the honeymoon appears to be over – with reduced buyer demand and falling values.

The biggest (negative) market impacts appear to have been:

1. The Royal Commission into the banking sector as lending parameters have tightened. We are now seeing many sale contracts not proceeding to settlement due to buyers failing to gain finance under new and much tougher lending policies;
2. An apparent negative attitude spreading within the general public and local professionals in regard to the market in the short term; and
3. Less activity from interstate and foreign investors, in part due to lending policy and also international funding restrictions.

History will show that the behaviour of values on the Gold Coast is less cyclical than most other Australian cities with far sharper and more dramatic rises and falls in values, hence its title as the Boom Crash Town.

Some recent surprising sales are pictured.

49 Gibraltar Dr, SURFERS PARADISE (single level dwelling with canal frontage). Under Contract for $1,050,000, last transacted for $1,200,000 in February 2018. *(Source: HTW)*

Unit 504/5 Chester Tce, SOUTHPORT (Modern medium rise unit). Under Contract for $440,000, last transacted for $510,000 in October 2017 for $510,000. *(Source: HTW)*

Southern Gold Coast

Our predictions for the southern Gold Coast for 2018 didn't quite come to fruition.

General thoughts were that the market would remain stronger for a little longer within the southern Gold Coast. In the past ten months, there have been some small price decreases in certain suburbs and there are now less properties being listed for sale and fewer record sales being achieved. Vendors have dictated the market with a number of sellers holding firm on their listing price and not being prepared to meet the market. This has resulted in some suburbs remaining stagnant.

The market within Murwillumbah, Terranora and Banora Point is still very strong with good interest levels and vendors who are prepared to meet the market. All other areas have seen a slow down in sales volume as well as prices and interest.

To date this year, there is little evidence of sales that have eclipsed the market set in 2017, however areas such as Murwillumbah, Terranora, Banora Point and the beachside suburbs of Kingscliff and Casuarina are all still performing very well with good interest, quick selling times and good strong prices.

Northern Gold Coast

The Westfield Coomera Town Centre regional shopping centre has now been completed and opened for trading in October 2018. It now closes a chapter in the continuing growth of the northern Gold Coast residential corridor, providing a much-needed large scale shopping facility that the growing community in this region has been looking forward to for a very long time. The shopping centre is anchored by Kmart and Target department stores plus Coles and Woolworths supermarkets. Event Cinemas provides the important link to ensure the complex remains a hub of activity during the evenings. There is no doubt that the shopping centre has been a catalyst for growth in this region with the emergence of new estates in the neighbourhood such as Foreshore, Otto and Bloom. Recent land clearance activities and new civil works along Foxwell Road indicate there are more new estates to come.

Whilst the market had been fuelled by seemingly strong demand from both local buyers and interstate investors (which resulted in rising land prices), signs are emerging to suggest that demand is slowing down, particularly from investors. Some of the signs are the granting of rebates and incentives to prospective buyers, either on the land or the building contracts, indicating that developers and builders are feeling the heat from reduced sales, both for land and finished products.

Amongst the reasons cited for the drop in sales are the tightening of lending facilities by the banks and the fallout effects of the downtrend of the Sydney and Melbourne residential markets. For existing homes, local real estate agents are experiencing multiple collapsed contracts due to buyers not being able to secure adequate finance. Invariably, these situations have led to further reductions in selling prices and eventually, properties are sold to buyers who are not constraint by finance conditions.

Existing developments with unsold stages are also under serious threat from the new supply of residential land from new estates either proposed or under civil works in Pimpama and Coomera. In the northern corridor from Coomera to Ormeau, developers continue to offer smaller allotments to cater to first home buyers who can only afford new houses costing less than $550,000. In recent months however, rebates of $20,000 to $30,000 have been given away to prospective buyers who have been impacted by reduced borrowing capabilities. Thus, home sites that were priced or sold at $250,000 to $260,000 have fallen to the level of $200,000 to $230,000 in some cases.

During the second half of the year, there were signs of market weakening and some local agents have reported falling volumes of sales and longer selling periods. Sales were stronger in the low $400,000s compared to the past 12 months when house prices were more commonly trending in the high $400,000s and low $500,000s. As further examples, a few recent sales of three bedroom detached dwellings and duplex units are now at less than $400,000 with some falling in the $320,000 to $350,000 bracket.

Notwithstanding the falling market trend, there are no strong signs that demand is in rapid decline, and it has been more that buyers are subject to financial constraints rather than a reduced need for housing. In some areas, agents still report strong interest. Houses of good quality in sought after locations are also receiving good buyer interest.

As the financial institutions continue to impose stricter conditions, the rental market will likely be sustained. At this time, there are many new homes completed for investors who are looking for renters and eventually, most will be leased. The continual supply of new investor homes will result in a stable rental market for this region. As these new homes gradually become occupied, there would be less pressure on sales and hopefully, the market may not be too impacted in the next quarter.

Sunshine Coast

Looking back on the Sunshine Coast property market in 2018, it started and ended in pretty much the way we had anticipated.

The first half of the year continued on from where 2017 left off with strong activity and good increases in values experienced in most areas. The high volume of sales recorded throughout the market in the first half of the year had the effect of lowering stock levels and increasing upward pressure on values. Whilst the upward movement in prices has helped to encourage some vendors onto the market, stock levels continued to remain relatively low.

The second half of the year remained pretty strong however as predicted, we saw the market show some signs of slowing with the issues we are experiencing being as expected. The limits on interest-only lending have been taking effect. Also as prices have risen, a lack of affordability has raised its head. From left field, the effects of the Royal Commission into the banking sector had started to create issues with a number of sales reportedly falling over due to finance. These issues have all had the effect of giving rise to some uncertainty with some feedback being that the urgency is being taken out of the market.

The next three to six months will be interesting because it's apparent that we will continue to see a slowing in the major southern markets of Sydney and Melbourne. We will also be moving into an election year with a backdrop of possible changes to negative gearing.

In this environment, hopefully we will see some promotion of the great infrastructure projects that are coming to the Sunshine Coast. The Maroochydore CBD and Sunshine Coast Airport expansions have been moving along as has the work to the Bruce Highway. The next big game changer recently announced is the Sunshine Coast International Broadband Submarine Cable project which is set down for completion in 2020. This means the Sunshine Coast will deliver Australia's fastest telecommunications connection to Asia and the second fastest to the United States. This project has the potential to make the coast into a major tech hub which is an unbelievable opportunity for a regional centre.

So, back to the market.

Coastal areas have continued to operate pretty well for homes in the value levels up to $800,000. These areas continue to be sought after as apart from Stockland's Bokarina Beach project, there is limited beach side land available for development.

Units in the coastal areas are as always a bit hit and miss. Older style units in complexes that have low body corporate fees have remained popular. Larger permanent occupancy style product has also become increasingly popular with empty nesters looking for a property to lock and leave so they can do some travelling.

The new master planned estates of Aura by Stockland, located to the south of Caloundra, and the Harmony Estate at Palmview are continuing to generate good interest from both owner-occupiers and investors. There has also been good interest in hinterland subdivisions with larger land sizes becoming popular.

The lifestyle and rural residential markets have also continued to improve generally but trends are more difficult to identify as properties are very much buyer and vendor specific.

As always, the prestige market remains a big talking point. So far in 2018, the sales volume of $4 million-plus houses and home units on the Sunshine Coast has equalled the previous peak of 2007. The most notable improvement has been in the Noosa Heads area with record prices being achieved over the past 12 months. The strong Sydney and Melbourne markets as well as international buyers have had a significant influence on the Sunshine Coast prestige market.

Three sales in Sunshine Beach have significantly passed the previous record price of $10.75 million. The first sale was 46 Seaview Terrace, Sunshine Beach in January 2018 for $15.2 million and then in February 2018, 23 Webb Road, Sunshine Beach sold for $18 million. More recently (August 2018) there has been a sale for $14 million at 2A Belmore Terrace, Sunshine Beach.

21-23 Webb Road, Sunshine Beach *(Source: www.realestate.com.au)*

Overall, 2018 was a pretty good year in the property market across the Sunshine Coast. Whilst there appears to be some headwinds coming, there are so many positive infrastructure projects on the way. This will set the Sunshine Coast well for the coming years.

Cairns

2018 will go down as another relatively uneventful year for the Cairns residential market.

Despite our forecast for improvement throughout the year on the back of improving economic conditions, median prices have remained fairly static with some concerning headwinds emerging as the year progresses and levels of activity starting to decline as 2018 comes to a close.

The market is currently a little spooked about the fallout from the banking Royal Commission and also tighter lending rules imposed by APRA. We continue to hear of buyers not getting finance or realising their borrowing power is lower than anticipated. We are also hearing about the level of difficulty in getting through the application process and the forensic way lenders are reviewing the living expenses of applicants.

In general terms, the market is still reasonably healthy with no obvious areas of oversupply. Levels of demand and activity are patchy.

We are seeing limited activity from investors, however there is some interest from out of town buyers who see value in Cairns, particularly on a return basis.

A developer who has been active in Cairns for around 15 years has labelled Cairns as an enigma. We agree it is a good way to describe how a city with strong underlying fundamentals has continued to underperform other locations for an extended period.

Townsville

2018 has seen the Townsville residential market remain cemented in the start of recovery phase. Major projects such as the Townsville Stadium and Haughton pipeline duplication underway along with a number of projects in the pipeline are providing improving economic conditions, however there remains a feeling of uncertainty around job security and the longevity and impact of these projects.

Our outlook for 2018 from our February Month in Review generally panned out as predicted. The rental vacancy rate has reduced throughout the year and we have seen a slight increase in rents in some locations.

The inner city 4810 postcode and in particular North Ward and Belgian Gardens have seen good levels of activity and firming prices, however we have not seen the ripple effect of this increased activity transfer through to the market in the fringe or outer suburbs.

It would appear that high unemployment levels and a general feeling of job uncertainty is putting a hand brake on the rate of recovery with many market participants unwilling to commit as yet.

Better quality homes in mid-suburban locations are seeing good levels of activity, however lower priced product and those located in outer areas and/ or suburbs with perceived social issues are feeling downward pressure on prices.

Overall the present market is highly suburb selective, with the recovery for houses more advanced than for units and land sales remain at very low levels.

Rockhampton

2018 has been a reasonable year for the Rockhampton and region residential markets. We have experienced more positive indicators coming out of the local mining industry which has helped to stabilise the residential market in Rockhampton and surrounding regions somewhat.

Further, joint funding between the state and federal governments has now been secured for construction of the Rookwood Weir (approximately 66 kilometres south-west of Rockhampton). It's expected that Rookwood Weir will provide a significant volume of water for agricultural purposes along the Fitzroy River as well as providing water security for the region. Economic benefits across a number of sectors including employment are also forecast.

The Rockhampton Ring Road has also been announced as another major infrastructure project which has been created with the intent of creating more jobs and boosting the local economy.

Another project on the horizon is the South Rockhampton Flood Levy. This seems to be a polarising project for many locals, but again, has the opportunity to provide more jobs for the region.

This is all great news after the recent announcement of a major employer in the region entering into receivership and the shutdown of the Aurizon Workshops earlier this year.

Whilst there remains a number of mortgagee in possession properties coming to the market, they are starting to sell within a more reasonable time frame, with one local agent reporting auction clearance rates to be up in the last few months, as high as 40 per cent for their office with a vast number of these auctions being the mortgagee exercising their right to the power of sale.

The upper end of the market has typically held its own, with a number of noteworthy sales occurring during the year. As an example, 3 Athelstane Street, The Range sold for $1.37 million – a well renovated, expansive Queenslander on the prestigious eastern slopes of the Athelstane Range with sprawling city views. A rare offering to the market.


3 Athelstane Street, The Range *(Source: www.realestate.com.au)*

The highest, recent coastal sale recorded in 2018 was 31 Prospect Street, Rosslyn with a highly sought after, elevated north-easterly aspect in a front row position on the Capricorn Coast improved with a substantial, modern home. This property recently achieved a sale price of $1.54 million.

The mid-range market sector remains fairly stable also, with well-presented properties generating interest. We are starting to see a number of properties attracting multiple offers with a handful of properties selling at list price or marginally above (however it is important to note these properties were realistically priced to begin with). We have also noted a few sales occurring where the selling agents have matched buyers to the right property before being officially advertised, with strong prices in the $600,000 to $700,000 price bracket.

So how did the year actually play out in comparison to our early predictions from February? We had anticipated that this year, confidence in the market would improve, which we are seeing today. At the start of the year, we were keeping a watchful eye on the major projects of Adani Coal, Rookwood Weir, Mount Morgan Mine and Great Keppel Island. The Mount Morgan Mine is still unfortunately a long shot; Adani is still in the background, however the proposed construction date has been pushed back significantly; Rookwood has secured funding and agreement between the levels of government and Great Keppel Island is still in the pipeline, with renewed energy from the new lessee in place. Not a bad strike rate when you consider the bonus of the ring road on top of these projects.

Vacancy rates are continuing their tightening trend, with Rockhampton sitting around 2.5 per cent – close to a balanced market for us.

We cannot wait to see what is coming for our region in 2019!

Gladstone

As predicted in February 2018, the Gladstone region property market did see some minor growth over the course of 2018. We have seen growth of approximately five to 15 per cent in some market sectors and some locations in the region. This growth is definitely not across the entire market however is a welcome step in the right direction after so many years of negative market sentiment in the region.

The market is still being driven by its affordability. Rental levels have continued to rise across 2018, in most cases jumping $10 to $20 per week each time a six-month lease is renewed or commences. Vacancy rates have further contracted from 4.7 per cent in January 2018 to 2.9 per cent at the time of writing this review. Mortgagee in possession activity has significantly reduced and while new possessions do still occur they tend to sell in a reasonable time frame.

A number of new projects were announced for the Gladstone region in 2018:

- In November, the State Government announced the approval of a $1.2 billion tourism project, overturning a decision made by Gladstone Regional Council. The proposed project is a 465 hectare master plan resort on Hummock Hill Island in Rodds Bay. Plans include tourist accommodation, holiday units and camping grounds for about 2,700 people. The project will reportedly support 190 construction jobs per year over 17 years, with up to 700 ongoing operational jobs.
- The next stage of the Gladstone Ports Corporation's East Shores precinct was announced in 2018. Stage 1B ($29.5 million) of the project includes the delivery of an amphitheatre, waterfront café and a cruise passenger interface for the growing cruise tourism industry. Construction is due for completion in 2019.
- Three solar farms are proposed for the region (Aldoga, Rodds Bay and Raglan). Each project is at a different stage of the approval process.

While none of these are considered major projects, they will generate jobs and economic activity.

Bundaberg

Once again, we are looking back at the year that has almost ended and reviewing our predictions from February 2018 for the year ahead.

What did we say? As usual in Bundaberg, we thought that the 2018 year would continue with a stable rate of sale and median sale price.

How did we do? Well at the moment we are pretty close. The median sale price is sitting at around $290,000 and sales volumes are tracking as per last year.

One area that surprised us was the rate of vacant land sales in the region. Most of the vacant land sales were in the new estates of Bargara and rural residential sales in Parklands.

There was also a $715,000 vacant land sale at The Basin at Bargara in a prime spot on Miller Street. This follows on from another vacant land sale, also in Miller Street with direct beach frontage for $1.2355 million in July 2017.

Rental vacancy rates also dropped recently from around four per cent to 2.2 per cent.

Mackay

This month, we get to see how accurate our crystal ball gazing was at the start of the year and see if our predictions panned out over 2018.

In February we stated:

"The general consensus seems to be that the worst was behind us and it was onward and upward from here. Economically speaking, Mackay is definitely on the improve with greater confidence in the resource sector and major capital infrastructure projects in the Bowen Basin given the green light, resulting in increased employment opportunities. In Mackay, large infrastructure projects continue with the Mackay Ring Road construction to ramp up, general construction increases as well as a number of other projects. Interest rates continue to be at historic lows. Weigh all this up and the only conclusion is that the Mackay residential market should increase in 2018.

However, on the negative side, as stated in our yearly wrap up last year, there are still a number of hurdles the Mackay market will need to overcome before we see any material or substantial growth in values. Firstly, harsher lending policies of the major banks for postcode 4740 are still in effect. Also, the downturn in the market saw significant value loss, with the average loss in value of dwellings being around $100,000 and higher. This in turn has eroded a lot of equity for potential purchasers. A common theme from local agents and punters is that they would love to buy in this market, however due to the drop in value of their existing house, don't have the deposit or ability to purchase.

Overall, we think the positives will outweigh the negatives and the Mackay residential market should see a modest increase in value throughout 2018."

Well, 12 months on and we think we got these predictions exactly right!

Economically speaking, Mackay has kicked on in 2018. The increase in confidence associated with the resource industry, greater employment opportunities and increased infrastructure spending all contributed to this increased economic activity. As we speak, the $500 million ring road project is in full swing, the new fire station has been completed and the new sports complex at the university is well advanced to name a few. Employment in the resource sector has also significantly increased to the point where it is starting to become difficult to find qualified tradespeople to fill new positions.

So how did this affect the market? The greatest impact has definitely been on the rental market, with vacancy rates falling to below one per cent and the lowest in Queensland. On the back of increased demand, we have seen rental values increase between $20 and $50 a week, with limited stock available for an increasing demand.

On the sales side, right through 2018 we saw increased buyer demand, resulting in fewer days on the market and slight increases in value. Official REIQ median house prices suggest Mackay values have increased just over three per cent for the year, a modest increase (as predicted) but definitely a step in the right direction!

Hervey Bay

As forecast in February, the residential market has experienced some gradual capital growth in Hervey Bay across most price points throughout the year.

Vacancy rates for rental stock remain very low in Hervey Bay, however this has not translated to noticeable growth in rental returns at this stage.

This is not the case in Maryborough, which experienced some steady rental growth throughout the year that has been pleasing for investors. Most house and land packages continue to sell within a three-month selling period from completion, with little excess stock on the market.

The construction of new owner-occupied homes continues to increase, with most local builders reporting consistent business with a resurgence in interest for smaller outlying areas such as Burrum Heads, Toogoom and River Heads which is probably due to the very affordable land stock in these locations.

The possible oversupply of vacant land within Hervey Bay has remained in check with developers only releasing stages at a gradual pace.

Sales for executive properties over $700,000 are now a common occurrence, particularly in Craignish and Dundowran Beach.

The ongoing turmoil within the local council diminished after the mayoral election in early May, which was welcome news for the Fraser Coast after some unsettling times earlier in the year.

Emerald

The Emerald market firmed throughout 2018 as predicted. The medium sale price is currently sitting at around $290,000, the highest in three years, and the volume of sales in 2018 is the highest in five years.

The price bracket of $200,000 to $400,000 has seen the most activity throughout 2018. We recently had two resales show significant increases since the market bottom of two years ago.

- Sale 1: sold May 2016 for $120,000 and resold October 2018 for $176,000;
- Sale 2: sold July 2016 for $95,000 and resold October 2018 for $168,000.

The vacancy rate is tight (under two per cent) and rents have been on the up for over twelve months. The resource sector was strong throughout 2018 creating many jobs which renewed confidence in buyers and the market remained solid. For good quality properties attracting multiple buyers we have seen values come within 15 per cent of the peak experienced in 2011/12.

Darling Downs

Toowoomba has been fortunate to benefit from major infrastructure projects including the Toowoomba Second Range Crossing, the completion of QIC's Grand Central Shopping Centre extension and the imminent Inland Rail Project.

As predicted in February, despite these major infrastructure projects, the Toowoomba and surrounding suburbs residential market has continued to remain relatively stable throughout 2018 following a slowing level of sales activity in 2017 and 2016. This followed the peak that was experienced throughout 2014 into mid 2015.

Although sales activity has been steady across the board, the market has continued to be multispeed and property specific. There has been little consistency with variations in sale prices and buyer interest making it difficult to establish well performing suburbs and specific property types.

The rental market is in a balanced situation and vacancy rates remain relatively low.

(Source: SQM Research)

The infrastructure projects are believed to have assisted in holding vacancy rates low with many employees living in the Toowoomba area throughout the construction processes.

As mentioned in February, the key development areas for new housing included the suburbs of Glenvale, Cotswold Hills, Torrington, Kleinton, Highfields, Cambooya and Westbrook. Demand for vacant land has slowed significantly as a result of reduced investor demand and limited local buyer enquiry for lots of less than 500 square metres. Sales rates for land in new housing estates are very slow, especially when compared to recent years where projects often sold out off the plan. Developers are starting to look at buyer incentives to attract interest in their respective projects.

Unit development has also slowed as evidenced by the Building Approvals graph below:

(Source: RP Data and ABS)

West of Toowoomba, the towns within the Surat Basin following the decline of the construction phase of the mining and gas boom have experienced significant declines across the board. These towns have reverted to levels which are more aligned with their predominantly rural based economies. As such, local employment factors are now contributing to the trends witnessed in each of these towns. Enhanced interest for dwellings is being experienced from owner-occupiers as affordability has returned.

A significant over supply situation remains in the unit market which continues to place downward pressure on this sector.

The Roma market is relatively inactive and downward pressure appears to remain, while Dalby is showing good signs of stabilisation with a strong occupancy rate currently being enjoyed leading to positive movement in rental values.

In general, there were no surprises in the Toowoomba market and predictions made at the beginning of the year, appear to have been relatively accurate. We give our predictions a score of eight out of ten!

Some of the stand out trophy sales observed in East Toowoomba and Mount Lofty are pictured.

43 Curtis St East Toowoomba, QLD, 4350. Sale Price: $1,302,000. *(Source: RP Data)*

11 Bridge St Mount Lofty, QLD, 4350. Sale Price: $1,800,000. *(Source: RP Data)*

92 Campbell St East Toowoomba, QLD, 4350. *(Source: RP Data)*

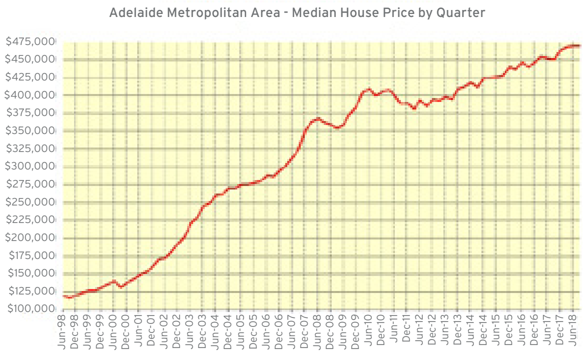
Residential

South Australia

Adelaide

In February, we were called upon to provide some bold predictions on how the market would play out in 2018. With a little bit of data, a splash theory and a pinch of Nostradamus foresight, we did our best impersonations of a crystal ball to provide some insight into the 2018 market.

We said metropolitan Adelaide would have continued steady price growth over the proceeding 12 months. Price growth in metropolitan Adelaide has bucked the trend of other major capitals and has grown steadily over the past 12 months. We have seen an increase from $450,500 in the September quarter of 2017 to $470,000 in the same period of 2018. We said it would happen and it happened. Ten out of ten on this call.



(Source www.sa.gov.au)

We said Prospect would have increased activity in the $1 million-plus price point with most turnover occurring in the $500,000 to $800,000 price range. Throughout 2017, Prospect had 15 transactions of $1 million-plus. In the 2018 year to date we have seen 12 transactions eclipse this price point which means we are yet to achieve a pass mark. With another couple of weeks up our sleeves and ten current listings with asking prices in the $1 million plus range, there is still an opportunity to sneak past the 2017 tally.

Current listings include a development site at 72 Churchill Road, Prospect asking $1.375 million and a character bungalow at 31 Wilcox Avenue, Prospect with an undisclosed asking price. Just a pass mark on this one. Rolling 12-month data indicates that the price point with the highest turnover within Prospect

72 Churchill Road Prospect (*Source: www.realestate.com.au*)

31 Wilcox Avenue Prospect (*Source: www.realestate.com.au)*

has been the $600,000 to $800,000 range with 54 transactions occurring. We said it would happen and it happened. Ten out of ten.

We said that demand may be subdued in the northern suburbs as the market reacted to the closure of the Holden manufacturing plant. Historically, buyer enquiry in the north has been below the metropolitan average, however agents have reported steady interest over the past 12 months. Some of the best performers north of the city have been Craigmore and Smithfield Plains whilst Elizabeth Park, Hillbank and Evanston Park have all recorded negative changes of greater than 10 per cent from quarter three 2017 to quarter three 2018. Just a pass mark on this one with no major changes from 2017.

Since 2012, the metropolitan housing market has risen gradually. With low interest rates and a booming east coast market, the general consensus was that this steady growth was going to continue throughout 2018. The September 2018 data indicated that the median metropolitan house price achieved a 4.2 per cent increase year on year. Some market segments have performed better than others during this period. The greatest gains have been seen in the inner and middle rings. Some of the best performing suburbs have been Parkside, West Beach, Newton and Kilburn. Each of these suburbs considerably outperformed the median metropolitan gain. Parkside and West Beach have long been popular suburbs with proximity to the CBD and beach respectively. Some of the gains in Newton and Kilburn can be attributed to recent zoning changes which have allowed for higher density development. Most demand within the middle and inner rings has been within the $500,000 to $900,000 range.

Historically, properties within the southern suburbs have traded at higher price points than the northern suburbs. This trend continued in 2018. Prices in the northern suburbs hovered within the $180,000 to low-$300,000 range whilst the southern suburbs saw most transactions occurring within the $280,000 to $500,000 price range. One of the main drivers of this price point differential is the southern suburbs access to metropolitan beaches and the Fleurieu peninsula.

In 2018, the Adelaide CBD is on track to have its highest number of unit transactions ever recorded. As at July 2018 there were 710 settlements. It's important to note that a significant proportion of these have been the settlements of apartments purchased off the plan. The off the plan sales are not considered to be a true reflection of market dynamics. It's not until resales begin to occur that we can determine whether or not the sale prices from developers are sustainable.

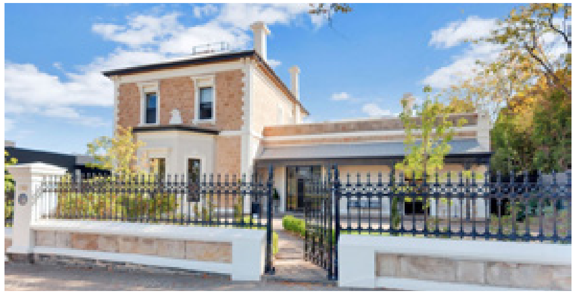
Sales Per Annum (Unit) - Adelaide

Period Ending	Number	Period Ending	Number
Jul 2018	710	Jul 2013	381
Jul 2017	563	Jul 2012	296
Jul 2016	658	Jul 2011	386
Jul 2015	513	Jul 2010	518
Jul 2014	406	Jul 2009	416

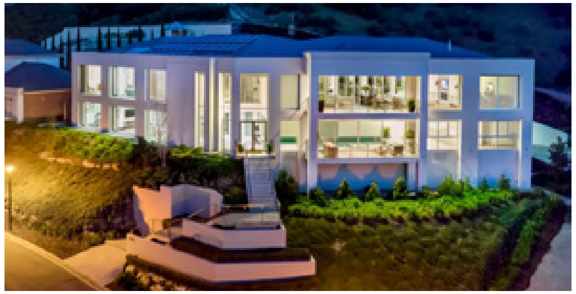
Statistics are calculated over a rolling 12 month period *(Source: CoreLogic)*

The prestige market within metropolitan Adelaide falls within the $2 million to $4 million price bracket with $4 million-plus reserved for those properties considered ultra-prestige. Through 2018 we have seen a number of $4 million-plus transactions occur however a proportion of these have been off-market.

Two properties openly marketed to achieve an ultra-prestige price tag are 146 Molesworth Street, North Adelaide ($4.1 million) and 20 Travers Drive, Beaumont ($4.65 million). Both properties have differing attributes with 146 Molesworth Street, North Adelaide comprising a character dwelling within a drop kick's distance of Adelaide Oval and O'Connell Street and 20 Travers Drive, Beaumont comprising an architecturally designed dwelling in a foothills locality with CBD views. This property set a new price record for Beaumont which hadn't had a sale above $3.85 million since 2007.



146 Molesworth Street North Adelaide (*Source: www.realestate.com.au*)



20 Travers Drive Beaumont *(Source: www.realestate.com.au)*

Residential

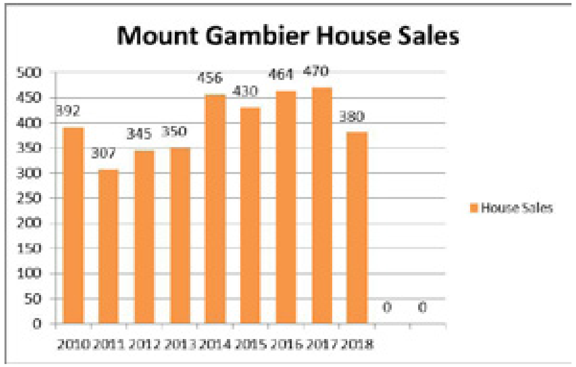
A surprising sale for 2018 was that of 10A Bluelake Court, Tennyson which achieved a sale price of $3.38 million. This property comprises a multi-level circa 2006 dwelling on an allotment of 388 square metres with frontage to West Lakes. This sale surprised with a sale price which is typically reserved for properties on the western side of Military Road having beach access. This was the highest sale price achieved in Tennyson for 2018.

10A Bluelake Court Tennyson *(Source: www.realestate.com.au)*

The South Australian property market throughout 2018 has resembled more tortoise than hare. This for some has become more appealing as the hare looks to have run its race in some other Australian markets.

Mount Gambier

The market in Mount Gambier remained relatively stable throughout 2018, which can be seen in the graph below. There was a significant move in 2011 when the market dropped back, however an increase in sales can be seen in recent years. Whilst the market has remained stable, there are still no economic indicators that look to improve the current economic state to an extent which could see house sales volumes rebound to what we saw back in 2008 and 2009.



(Source: RPData)

The $200,000 to $250,000 price range is affordable and it's where the most number of house sales occurred throughout the year. A house within this range appeals to families and they are generally of good quality, including three-to-four bedrooms, two bathrooms, a double garage under the main roof and a pergola area, situated on 700 to 800 square metres.

Throughout 2018 there was an increase of properties that achieved a value within the $300,000 to $450,000 price range. There were few dwellings purchased for under $150,000 or over $500,000. Dwellings under $150,000 are generally in less sought-after locations and have limited market activity. Units are often within this price range. Dwellings over $500,000 are at the top end of the market and have a reduced market segment.

The $200,000 to $250,000 and the $250,000 to $300,000 price ranges were the most popular. Buyers here throughout the year have been a mix of

A circa 1900 stone, 5 Bed, 3 Bath dwelling situated on 42.55ha
(Source: RPData)

first home owners and families. These price ranges are affordable for those looking to enter the market and suit the needs of families too.

There were a number of rural living properties that sold throughout the year which made good money which was surprising. One of these is pictured.

Overall, at the beginning of the year we expected that 2018 would be a relatively similar year to 2017, with no major fluctuations in the market and this turned out to be correct.

Tasmania

Hobart and Launceston

Report card time on our February 2018 predictions!

Firstly, the risks to the market that we identified at that time were:

a) **The State Election** - a majority state government was returned in March, thus negating this risk;

b) **Reduction in First Home Buyers Grant** - there was a change but this has not impacted on the market;

c) **Negative media about the larger mainland markets (Melbourne and Sydney)** - this risk did get some traction locally, especially as 60 Minutes ran a story about a 40% possible decline at the same time that both the main local papers for some unexplained reason ran articles in their real estate guides about how the market was declining. The articles were a cut and paste from the Melbourne and Sydney papers. However, the flow through effect of these events was brief and now forgotten;

d) **Sharp upward movement in interest rates** - this obviously did not occur.

So how did our predictions go?

1. We suggested double digit growth would again be unsurprising for Hobart ✓
2. Launceston would continue the upward price trend ✓ (It actually did better, also achieving near 15% growth in some suburbs.)
3. Devonport would continue its price recovery ✓
4. The regional centres would continue to benefit from the upside of the ripple effect as pricing flows out from the major centres ✓

In short, we nailed it. Given we are modest people in the southern state, we will score ourselves a 9.99 out of ten!

The surprises for the year (outside of the main regions) have been the recovery in George Town where both volume and prices are well up with no obvious employment growth reason. There has also been the swing back to holiday houses along the east and north coasts as buyers are taking advantage of their new equity to buy that shack by the beach.

Finally, I hope all our readers have a great Christmas period and a prosperous 2019.

Northern Territory

Darwin

As predicted, 2018 was a difficult year for the Darwin residential property market. While some agents are talking up the market and predicting that the market has bottomed out, the figures are telling a different story.

The volume of house sales for Darwin is down 4.3 per cent from 2017 and the median house price is down 0.5 per cent to $497,500, which is the first time the median price has been below $500,000 since 2009. The volume of house sales in Palmerston is the same as it was in 2017, however the median house price is down 2.2 per cent to $450,000.

Units and townhouses have suffered greatly with the number of sales down 32.2 per cent from September 2017 and the median price down 13 per cent to $352,500 for Darwin. Palmerston's volume of sales for units and townhouses is also down 20 per cent year on year, with the median price down 19.2 per cent to $262,500.

Median house prices have dropped 23.6 per cent from the peak of the market in 2014 and are now similar to figures seen in 2007 and 2008. Consequently many people who purchased a property in the past ten years now have a property value less than their purchase price. A silver lining is that if the property was purchased 20 years ago, the value is now 77.8 per cent higher.

(Source: Corelogic)

Current vacancy rates have increased slightly in the Greater Darwin region to be 7.9 per cent, with Darwin and northern suburbs being at 8.2 per cent and Palmerston at 7.1 per cent, both increases from 2017. With both rental figures and values declining, the gross rental yields also had a small decline over the year. House yields are down to 3.9 per cent and units are steady at 6.2 per cent, giving Darwin an overall of 5.7 per cent, which is down from 5.9 per cent at the start of the year. However, Darwin still remains the highest for the country.

As predicted, the vacant land supply across both Darwin and Palmerston is in abundance. Although Breezes Muirhead has just released its final stage, the pink signs are up across the road with the next stage of the Lee Point development approved of 505 allotments in a five-stage release looking to begin in the New Year. Northcrest, Zuccoli and Durack have seen slow sales level.

With all the land currently available across all land developments, there is enough land supply for the next 18 to 25 years, based on the take up rates shown. We stress that sales would need to be made to encourage developers to produce the allotments.

		Sales Per Week Across Greater Darwin		
Location	**No. of Lots**	**5**	**6**	**7**
North Crest	2,000	7.7	6.4	5.5
Zuccoli	1,900	7.3	6.1	5.2
2Cru	500	1.9	1.6	1.4
The Heights Durack	400	1.5	1.3	1.1
Muirhead & North	300	1.2	1.0	0.8
Urban Infill	250	1.0	0.8	0.7
Farrar West	300	1.2	1.0	0.8
Holtze	800	3.1	2.6	2.2
			Years of Supply	
Total Available Lots	**6,450**	**24.81**	**20.67**	**17.72**

(Source: CoreLogic)

The $34 billion Ichthys gas project is now in production with its first boat load of gas taking off last month. The last of the construction crew will finish up in December, with the New Year bringing the full impact of their departure onto the market.

The NT Government is doing its best to prop up the economy with a number of construction projects starting throughout the year. Barneson Boulevard and the carpark at State Square are well underway along with the commencement of the development of Manunda Plaza which will house the Department of Health. These projects won't be enough to inject the much needed population boost that Darwin so badly needs, however it will hopefully be enough to maintain its current levels.

Overall, the residential property market in 2018 was again tough and painful for many. For those buying, there are good opportunities in both the housing and unit markets. Prices in some market segments are back to levels seen in 2007 and 2008. The residential market may have to weather the storm for a little longer, but one thing we all know, the sun does come out, eventually.

Western Australia

Perth

Here we are at our final review for the year! In our opinion it has been quite an interesting 2018.

Perth's housing market overall remained relatively stable, but also fluctuated significantly by sub-region. Even pairs of neighbouring suburbs across Perth have seen growth rates that vary, proving that small differences in aspects such as location, amenity and new infill development supply can have a big impact on overall performance.

Looking at Western Australia's economy, green shoots for construction activity are beginning to bloom; BHP's $4.8 billion South Flank iron ore project is progressing and there have been a flurry of recent acquisitions, mergers and other resource industry project announcements. The Morrison government's GST reform has recently passed the Senate. Western Australia will benefit from an extra $4.7 billion over an eight year period which is likely to be used to commence paying off state debt incurred from the last mining boom and the infrastructure requirements that imposed on the state within a relatively brief period of time. We addressed the GST issue in our February edition and it's some comfort that we are ending the year with somewhat of a solution in place – although we could argue that the solution remains unjust. At a GST floor of 70 cents to the dollar, Western Australia is still sitting well below New South Wales' takings of 86 cents this year, but this is nevertheless a significant boost to our annual takings. There are promising signs for our economy to improve as net migration figures and consumer sentiment appear to be set to rise.

Being careful not to get too far ahead of ourselves, the housing sector has seen a wide variance in performance across the regions of greater Perth. Perth's median house price for the September 2018 quarter is currently sitting at $510,000 showing a decline of one per cent from the previous quarter, however this may improve slightly once all sales have settled. As has been the case for most of 2018, the September quarter saw the best performance in the upgrader and prestige markets, whilst oversupplied outer suburbs struggled to gain any traction.

Waterford, Shelley, Mount Pleasant and North Lake were all in the top ten suburbs for growth in the September 2018 quarter, alongside some rural residential suburbs such as Jarrahdale, Glen Forrest and Wooroloo, showing fair demand for the lifestyle of rural living. Suburbs showing the poorest growth statistics for the quarter included Cockburn Central, Viveash, Orelia and Serpentine.

In terms of annual growth, some of the best performers across Perth were Burswood, Glendalough, Wooroloo, Mount Pleasant, South Perth and Kensington – all boasting growth rates above 14 per cent. REIWA's newly appointed President, Damian Collins, confirmed that we have seen an increase in the luxury end of the Perth market. Home owners in prestige areas are clearly recognising that there is good opportunity to secure a quick sale at a competitive price where there is good buyer demand.

Regional Western Australia has had patchy, yet overall positive performance, with some areas in the Pilbara showing promising signs for the resource sector's employment demand. The overall regional median increased 7.8 per cent to $345,000, whilst sales volumes were up 1.2 per cent for the quarter. Port Hedland had a strong quarter in September as sales were up 51.7 per cent on the June quarter, with 91 transactions recorded, while Karratha also recorded 91 sales, an improvement of 23 per cent on last quarter. Damian Collins stated that *"the Pilbara region remains one to watch, with the announcement of three new mining projects in the region by BHP, Rio Tinto and FMG going a long way to restoring confidence in the area. With 20,000 new local jobs expected to be created as a result of these projects, this should support population growth in the region, improve demand for housing in the area and aid recovery."*

Perth's rental sphere had a fairly strong performance in 2018. This was especially seen in the September quarter as all key market indicators generated positive results. Damian Collins said that leasing activity was up, median rents remained stable, stock levels had reduced, average leasing times were quicker and the vacancy rate had plummeted to its lowest level in more than four years.

Perth's median rent remained at $350 per week for the sixth straight quarter, showing the longest period of stable rents that Perth's rental market has experienced.

REIWA's statistics show that the best performing suburbs for rent price growth were Kallaroo, City Beach, Gwelup, Cottesloe and Alexander Heights, which had growth rates of 21.9 to 39.5 per cent. Rental listings have also dropped significantly. At the end of the September 2018 quarter there were 7,286 properties for rent in Perth showing a decrease in stock levels of 11.9 per cent from the previous quarter and a 25.1 per cent decrease since the September quarter 2017. As the commencement of new dwellings is slowing, stock is being absorbed faster, decreasing the number of listings. On top of this, Perth's vacancy rate declined to 3.9 per cent in the September 2018 quarter. The vacancy rate has now dropped below the ten-year average and is at the lowest level we have seen since the March 2014 quarter. Leasing activity has increased 5.2 per cent since the June 2018 quarter, as 13,234 properties were leased (source: REIWA, 2018).

This concoction of positive market indicators not only bodes very well for investors and tenants, but is also an indication that our market is well into the recovery stage of the economic cycle.

Mortgagee in possession activity appeared to peak in June and has been on the decline since. The suburbs with the highest level of mortgagee activity for the year were Baldivis, Ellenbrook, Gosnells, South Hedland and Nickol (Karratha). We are hoping that the improving market conditions being experienced in many areas will ease mortgage stress, although we remain concerned about the expanding outlying areas of outer Perth.

Next we will take a look at how some areas are tracking through the eyes of our property valuers.

Perth's south-east corridor has had inconsistent performance since our February edition. REIWA statistics show that suburbs within this patch have varied significantly. Some yearly growth rates as at October 2018 are shown below:

Maddington	-9.4%
Gosnells	-4.5%
Wattle Grove	-2.1%
Kalamunda	7.9%
Lesmurdie	12.7%

In these areas it appears that first home buyers are absent from the established homes market, however, in areas that are seen as upgrader suburbs, there do seem to be some signs of recovery.

Another of our valuers in the south-east corridor has noted that the market has continued to soften over the past ten months, however sales activity appears to have increased since September, but properties are still transacting at a discount to previous purchase amounts. There has been a small trend of buyers downgrading i.e. moving from a superior suburb to an inferior (e.g. Roleystone to Kelmscott, or Seville Grove to Byford). We attribute this to buyers realising the great value in purchasing properties just a fraction further out than their current locations, as for many who live in these areas, it may not seem to make a big difference to their lifestyle. We are seeing three-bedroom, one-bathroom properties on 700 square metre blocks in Armadale selling for sub-$200,000 and properties ten years old in Byford are now selling in the low $300,000 range. This is proving the theories about Perth's hyper-affordability to be true. These areas don't fit the bill for everyone, but it shows that entry into the established property market is extremely affordable by historical levels.

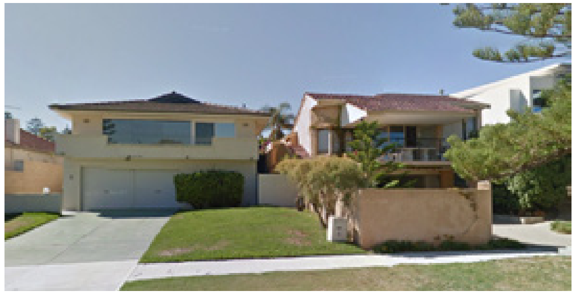
Thirty kilometres south of the CBD, first home buyer suburbs have declined in both activity and price over the past ten months. There are plenty of examples of properties being built and then resold within the first three years at significantly lower values, as supply has outweighed demand

and the depth of buyers for near new properties is extremely shallow.

To the north-east, Bayswater is showing good signs of value recovery. The suburb has seen shorter marketing periods with renovated character homes transacting at what appears to be reasonable value. Further out, Stratton has experienced consistent mortgagee activity throughout the year and values have continued to decline. According to our valuers, it is possible to purchase a four-bedroom, two-bathroom dwelling comfortably under $300,000. Nearby, Midland has seen a substantial amount of new supply of units and apartments on the market and is in a state of oversupply. Values are down by approximately 45 per cent since 2014 in some market segments.

Further to the north, Ellenbrook is still struggling whilst surrounding suburbs are slow. Prices are decreasing in line with the decline in buyer activity. A majority of the sales seen by our valuers in these first home buyer areas have been discounted heavily to compete in the market. Agents' advice is that properties need to be priced extremely competitively in order to transact as there is a significant amount of competing, similar stock. As unfortunate as it is, this market activity is in line with our February prediction and we expect oversupply will continue to have a crippling effect on this region in the short term.

On a lighter note, there have been a significant number of high value sales throughout 2018. Areas such as Cottesloe, Peppermint Grove, Nedlands, Dalkeith and Applecross have seen some absolute whoppers. These two neighbouring properties on Ozone Parade in Cottesloe (seen below) sold within a month of each other for around the $4.5 million mark.



Ozone Parade, Cottesloe *(Source: Google Maps 2018)*

Number 60 and 62 Jutland Parade, Dalkeith (one dwelling spread over two lots on separate titles) sold for $11 million in July 2018, boasting a total of 2002 square metres of land backing onto the Swan River.

70 Philip Road, Dalkeith is a five-bedroom, five-bathroom dwelling on a 1,163 square metre allotment. This visually stunning facade fetched a cool $4.98 million upon sale in April 2018.

Many Peppermint Grove residents were ecstatic to see the sale of 2 Bay View Terrace in August this

60 + 62 Jutland Parade, Dalkeith (Source:Corelogic, 2017)

70 Philip Road, Dalkeith (Source:Corelogic, 2018)

year. Previously known as The Taj on Swan, this controversial 6,582 square metre property zoned R10 with potential for a six-lot subdivision sold for $17 million, after the partially constructed palatial residence was demolished.

Residential

'The Taj on Swan' *(Source: Google Images)*

Currently on the market, 89 Watkins Road, Dalkeith is asking an impressive sum. Expressions of interest are being taken above the $50 million mark. Situated on 6,406 square metres on Perth's Swan River Foreshore, this property spans over six lots and features:

- 21 seater cinema
- Function room for 400 plus guests
- Two fully equipped caterer's kitchens
- Walk in cool room
- Separate pizza, teppanyaki and BBQ house
- Large fully fitted commercial bar and games room
- Full sized gymnasium with pummel massage shower room and sauna
- Full size professional squash court
- Floodlit tennis court
- Massive swimming pool with 12-seater swim-up bar
- 10,000 bottle cellar and tasting room
- Commercial size laundry with drying room
- Ponds, water features and designer gardens
- Boat storage and private boat launch
- Private boat mooring available (realestate.com.au, 2018)

It will be interesting to see how long it takes to find a purchaser and at what price.

89 Watkins Road, Dalkeith *(Source: Corelogic 2017)*

These properties show that there is a strong market for affluent vendors and purchasers in the current condition and if Perth is considered to be at the bottom of the market, then the rich may get richer over the coming years as these areas have generally seen significant growth rates consecutively for many years.

Our prediction in February of where the market was heading was slightly premature and more optimistic than the actual outcome. Please see our February summary below:

"2018 is likely to be reasonably stable, but with some opportunity for growth and most importantly changes in attitude among investors and speculators. The overall economy is experiencing recovery with increasing employment providing opportunity for greater investment and expenditure in the state. We have seen a very patchy performance, although an overall improvement, in the property market over the past two quarters. Prices are rising and properties are selling quicker, particularly in more sought after suburbs. Growth is expected to continue throughout the year. Now could be the time to snap up a decent residential property in a decent location before the rest of the market catches on. On the downside, mortgagee activity is likely to peak in outer suburbs with declining prices and activity. Overall, 2018 will serve as a confidence booster, bring us stability in the market and prepare Western Australia for a big turn

in 2019. We predict that 2018 will end with a median house price of $540,000."

In summary, our predictions at the start of the year were on the right track but slightly optimistic in hindsight, with a rating in the order of seven out of ten. Overall, the economy has tracked how we expected it to, with promising signs showing for employment and Western Australia's economy in general. In the housing market we did not achieve our desired growth rates to bring the median house price to $540,000 and the poor performance of outlying areas had a more significant effect on the median house price than anticipated. As previously stated the upgrader and prestige markets were the standout performers.

Southwest WA

Our predictions in February as to where the market was likely to go during the year in retrospect were probably a bit optimistic.

We expected the market in the outer Bunbury areas to continue to decline and in this case we were correct. We also expected the remainder of the market to stabilise which half-way through the year appeared to be the case, however the banking Royal Commission in the latter half of the year had a significant effect on the number of sales across most residential markets and the weakening demand has had some downward pressure on values.

The worst hit has been the outer Bunbury areas including Dalyallup, Treendale and Eaton. The outer Busselton areas such as Yalyalup and Kealy and the larger subdivisions around Margaret River have also seen values come back, however they have tended to fare better. Dunsborough Lakes held its own as land values continue to hold as it becomes more apparent that further residential development within Dunsborough Lakes will be limited due to the exhaustion of current space and there are no new larger subdivision areas currently being developed.

Real estate agents across the board have had a tough year and are bemoaning the lack of listing and the low levels of demand, particularly in the latter half of the year. All sectors of the market appear to have been affected from land to standard suburban, rural residential and luxury houses.

A couple of big luxury sales included 4 Geograph Bay Road, Dunsborough for $3.35 million in March which is a large luxury built two-storey, four-bedroom, three-bathroom home on 855 square metres situated opposite the beach with excellent ocean views.

The other is 34 Eagle Crescent, Eagle Bay for $3.7 million in May which is a large single level luxury built five-bedroom, three-bathroom home on an elevated 2,055 square metre lot with excellent ocean and bay views.

The common denominator was that they were both immaculately presented and had excellent ocean views.

Australian Capital Territory

Canberra

The Canberra residential market is complex with many factors interacting to affect demand, supply and ultimately price. On a macro level, the Canberra residential market aided by historically low interest rates has a number of underlying positives including generally strong employment and a perception of good job security. There is depth in Canberra's residential market and it is seen as one of the strongest markets in Australia. A negative aspect however is the limited population growth.

The ACT residential market saw steady-strong growth for detached housing throughout 2018, owing to high demand with limited stock available on the market. This was especially prominent in the Inner North and Inner South but was also notable in the other districts of Canberra.

The ACT prestige market continued to perform well in 2018. Notable sales include a six-bedroom, six-bathroom house on Mugga Way in Red Hill for $4.1 million as well as an architecturally designed house in Forrest for $6.45 million.

Value growth for medium density property in the ACT remained steady and did not perform as well as detached housing in 2018.

The ACT continued to see weakening demand in the high density market throughout 2018, particularly for one-bedroom units. This was prominent in the outer suburban areas where multiple developments were completed over the last two years such as Belconnen, Gungahlin, Greenway and Woden Valley. The demand for Inner City units was stronger than the outer suburban areas.

The ACT market has also seen the completion of a number of Mr Fluffy redevelopments which has added newly built medium density accommodation into established suburbs. These Mr Fluffy development sites are popular among smaller developers, investors and owner-occupiers looking to complete developments consisting of one to three townhouses/houses, overall increasing the demand and value of these vacant blocks.