Month in Review

February 2021

The Month in Review identifies the latest movements and trends for property markets across Australia.

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Disclaimer

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

Herron Todd White accepts no responsibility for any reliance placed on the commentary and generalised information. Contact Herron Todd White to obtain formal, specific property advice on any matters of interest arising from this publication.

A message from our CEO

2020 has been described in many ways such as significant and challenging, innovative and unprecedented.

There's a weight of expectation on 2021. People described last year as an endurance challenge, and many now view the new year as a launchpad to better times.

To a large extent, this might be the case. Vaccination approvals and their delivery have brought a dose of confidence to the community and the economy.

But there will be challenges ahead. For example, a five-day state-wide lockdown of Victoria was implemented to prevent a spread of the UK strain of COVID-19. While the state is now reopening, the event showed how circumstances can change quickly.

There are still plenty of unknowns for the economy this year. International trade relations, travel freedoms and fallout from the end of government assistance programs are yet to test our county's financial resilience.

In property markets across the nation there has been, on the whole, a growing sense of optimism since late last year. Low interest rates, increased savings and local economic activity have all improved buyer sentiment.

In fact, it's been an extraordinary start to the year for real estate, with record transaction and finance volumes already across residential, commercial and rural segments – all well in excess of last year's activity.

At Herron Todd White the health and safety of our people, customers and clients has remained paramount. Fortunately, our award-winning Contactless Inspection Todd has enabled our business to continue operating amid various lockdowns, servicing our clients and providing timely valuations for our customers.

Herron Todd White is looking forward to more in 2021 as well, with plans for growth and innovation founded on the expertise of Australia's most revered property professionals.

It's with this as a backdrop that we deliver the first edition of Month In Review for 2021.

We open the commercial section this month with commentary on the future of Office assets from two leading professionals in the field – Herron Todd White Melbourne's commercial office director Jason Stevens, and Vantage Property Investments' manager of acquisitions and investment, Xavier Everett.

Across the main commercial submissions this month, our experts have provided their views on how the office property sector will track this year, including:

- How Sydney's Northern Beaches outbreak deferred the return of office workers;
- The implications of work-from-home arrangements in Brisbane; and
- The emergence of a 'two tiered' office market in Perth.

On the residential front, our valuers deliver their market expectations for 2021, including:

- The potential path to recovery for inner-city Sydney units;
- The positive effects of rising net interstate migration on Brisbane and Perth; and
- Expected ongoing market strengthening across many regional centres.

Our rural professionals have adopted the same theme and provide guidance on likely market moves in the rural sector this year too.

We hope everyone remains safe and well in 2021, and we look forward to partnering with you on your property journey this year.

Gary Brinkworth

In property markets across the nation there has been, on the whole, a growing sense of optimism since late last year.

CEO

HERRON TODD WHITE

2021: The year ahead

Can you feel it? The air is heavy with potential as we forge our way into 2021.

Of course, it shouldn't be difficult for this year to be considered a standout annum. If it can simply avoid global-scale disasters and deliver some modicum of predictability, surely it will be remembered as one of the most exceptional years of the modern era.

Well, it's February and so far, things feel hopeful.

While the pandemic remains, the road to recovery will be filled with challenges. The economic fallout is far from over and JobKeeper's termination looms large in many minds. In addition, the revolving door of border closures is ever present, while unfettered international travel is a long way off.

That said, Australians have found ways to navigate the storm. Infections remain in check and we've dealt with potential outbreaks impressively. The vaccination program will kick off in the coming weeks and there's light at the end of the tunnel.

And the property sector remains, on the whole, healthy.

Despite some very dire warnings at the start of last year, we're entering 2021 in a fairly robust state. Markets across the board are performing well and there are some capital cities such as Brisbane and Adelaide that have seen impressive price gains.

As is the tradition with our first publication of the year, Herron Todd White's experts provide their predictions on what could be in store for markets over the coming 12 months. Our crews have shaken off the comforting cocoon of their holiday break and have come forward raring to share some good advice.

In our residential section, while the mood is definitely upbeat, our nuanced breakdown of every location makes for compelling reading. Australia is, after all, a complex tapestry of markets that requires on-the-ground expertise to truly decipher.

In this month's commercial section, we discuss the year ahead in office sector investment. We kick off with an excellent article on the changing face of offices in the wake of the pandemic, drawing on two first-rate knowledge sources – Herron Todd White Melbourne director, Jason Stevens and Vantage Property Investments manager, Xavier Everett – who break down the fallout.

It's then on to our location-by-location analysis of office property markets around Australia. We have a look at what is arguably one of the most challenged sectors of last year. How will office property navigate the road to recovery in 2021?

Finally, a select number of our rural teams gives their take on the year ahead in the primary production market. While it's tough to crystal ball what will happen, there'd be few organisations better placed than ours to lay out what the year potentially has in store for rural property markets.

As we make our way into 2021, why not take advantage of our extraordinary knowledge base. There's a Herron Todd White expert at the ready to help advise you on all your property needs – no matter which sector, location or price point. We have teams across the nation on hand and eager to assist.

Happy New Year everyone – let's hope it lives up to expectation.

While it's tough to crystal ball what will happen, there'd be few organisations better placed than ours to lay out what the year potentially has in store for rural property markets.

FEATURE

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Commercial

February 2021

How the pandemic is reshaping office sector investment

JASON STEVENS
Commercial office director at Herron Todd White Melbourne

XAVIER EVERETT
Manager of Acquisitions and Investment at Vantage Property Investments

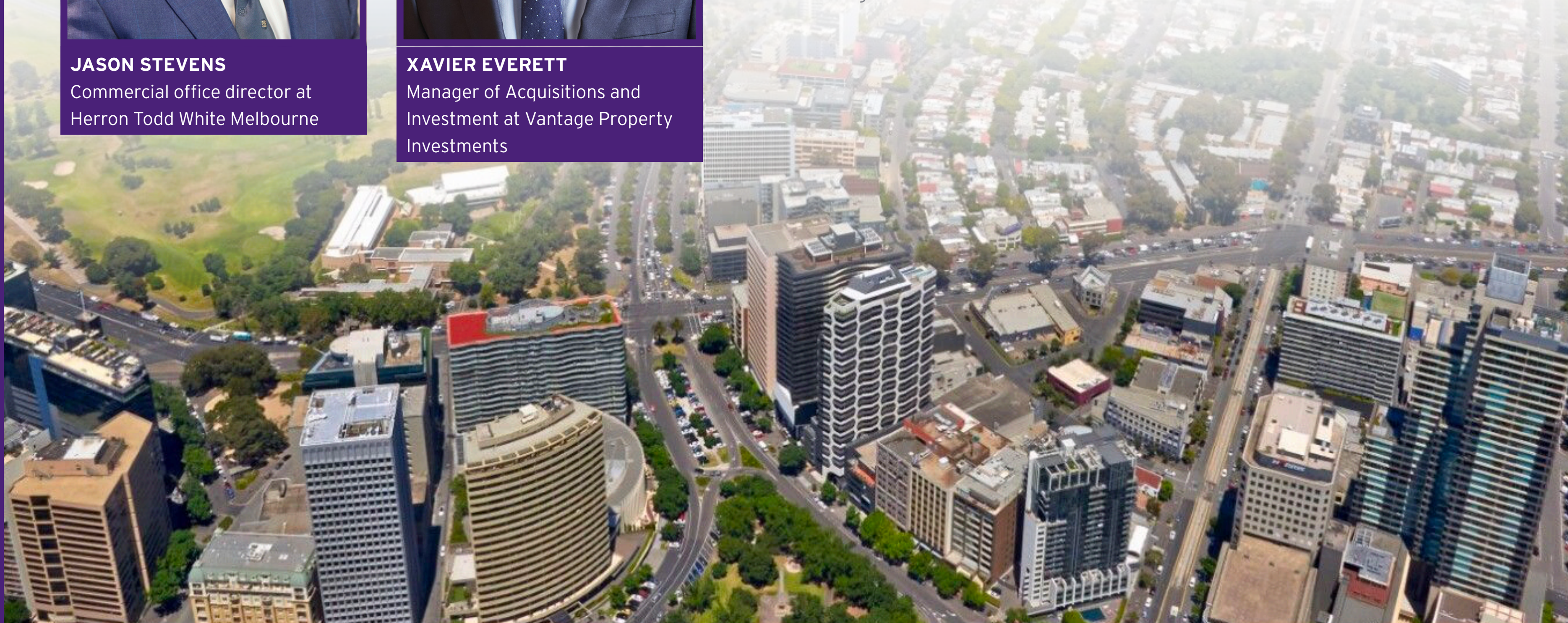
By Kieran Clair

Last year, businesses and employees discovered they could carry out the lion's share of their tasks from home.

But the implications of this 'workplace revolution' have a wide reach. There's an economic network of retail, hospitality and transport that relies on large numbers of employees turning up each weekday to do their job in an office building.

Among those effected are office building owners and their support services - and the pandemic was a particularly swift and dramatic turn of events for this cohort.

As we kick off 2021, how has the office property market adapted and what are smart landlords doing to ensure their investments remain viable?



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Rent relief and vacancies

Xavier Everett is Manager of Acquisitions and Investment at Vantage Property Investments, a boutique property fund manager.

"We deal primarily in the value add and core plus space and manage 13 office buildings across broader Melbourne, and the impact of COVID has been varied across our assets."

Mr Everett said requests for tenant relief under the Commercial Code of Conduct didn't prove as onerous as was initially predicted.

"We saw around 40 per cent of tenants apply for some form of rent relief. Of those tenants that qualified, they typically received around 30 per cent rent relief. So, the end impact to our underlying income wasn't too drastic.

"Taking that further, under the Code, 50 per cent of the rent was deferred, and repayment is due to commence as of this year"

Mr Everett said rather than demanding rent be repaid by tenants after the due date, asset managers are seeking solutions that benefit both the owner and the tenant.

"Where we're seeing a tenant likely to struggle paying their base rent and additional deferred component, we're treating the deferred component as an incentive in exchange for them extending their lease terms."

As a result, the tenant isn't put under extra financial burden and the landlord has an income stream for months longer than the original lease agreement.

"We are in irregular times, so we're careful not to view a tenant's short-term challenges as reflective of their longer-term covenant strength. We also don't see much point in losing a paying tenant in the current environment because you've also got a reduced capacity to find an adequate replacement tenant."

Space changes

Mr Everett said the work-from-home state of affairs is having an impact on leasing demand, but it's not simply that tenants want less floor space as reduced numbers of staff attend offices.

"We've seen some tenants downsize, however now we are also seeing tenants who've requested more space because they've had to remove hot desks and can only have people working at every second desk for social distancing."

He said vacancy rates have remained reasonably good in his niche of the sector which appeals primarily to small and medium-size enterprises (SME).

"The businesses that we typically cater to really rely on people being in the office to bounce ideas around – they're more collaborative in nature. Larger corporate office buildings in the CBD that, for instance, have a financial or professional service-based firm over five floors don't really have the same collaboration and you're probably more likely to have some people or business lines that can do their roles working remotely.

"In this early stage, we've found SME tenants are somewhat reluctant to use shared lifts and other services as a small tenant in a large building in the city. So, they may be more inclined to revert back to having a 250 to 500 square meter tenancy on their own individual floor in a smaller building in the city-fringe or in the suburbs."

Little Collins Street, Melbourne Source: realcommercial.com.au

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As far as winning new tenants, that's one of the great challenges of 2021. Mr Everett said smart owners are looking at new ways to entice tenants in.

"Typically, in a challenging leasing market we see a flight to quality. So, we're really focussed on positioning our buildings as best as possible in the short term. A strategy that we have been implementing for a while now is to provide spec fit outs for sub-500 square meter spaces. So rather than presenting a tenancy as a vacant space, we'll put a flexible fit out in place in advance, complete with kitchen facilities, appliances, desks and with workspaces pre-wired so that a tenant is ready to sit down, plug their laptops in, and go from day one."

Value impacts

Jason Stevens, commercial office director in Herron Todd White Melbourne, said the pandemic's effect on the sector was most immediately evident in lease negotiations.

"There's anecdotal evidence out there of deals which were underway prior to the pandemic, but which weren't finalised and have now been renegotiated substantially in favor of the tenant.

"We're hearing of some really large incentives in the city and city fringe in the order of up to 40 per cent net for significant size leasings. So, the question will be whether that's going to create a vacuum which will draw in tenants from the suburbs in a flight to quality. They may be able to trade up for roughly the same price as their suburban office if you take into account the incentives on offer. This trend tends to occur when the CBD enters a period of higher vacancy rates and incentives increase."

Mr Stevens said the move toward lower densities within offices will have some flow on benefits in asset valuations too.

"We're hearing of some really large incentives in the city and city fringe in the order of up to 40 per cent net for significant size leasings."

"If social distancing entails fewer people per square metre, so your workplace ratio decreases, you'll see less wear and tear on the buildings. Therefore, your outgoings and capital expenditure may decrease which will create tangible valuation benefits for the landlord."

Another change resulting from last year, according to Mr Stevens, has been the rise in large tenants looking for more flexible arrangements.

"There are cases of professional services firms which have substantially downsized their requirements, and several I know of that have chosen not to renew their leases in favor of a combination of co-working space and working from home. This may be just a short-term arrangement though whilst the pandemic plays out."

Mr Stevens said it was still too early for useful sales evidence to have filtered through that would fully demonstrate the longer-term impact of the pandemic on office space.

"Within the CBD we have substantially moderated our rental growth assumptions over the next couple of years. There are still very few transactions which will truly show a COVID effected yield. The few that have occurred have not really shown any great change in yields, compared to the yield they would have achieved prior to the pandemic. In fact, yields for defensive assets with government lease profiles have firmed if anything. We put that down to the pent-up demand and large amounts of capital sitting on the sidelines throughout 2020."

He said 2021's office market should be treated with caution, however conditions will likely improve as more certainly comes to the fore.

Mr Stevens said, in any event, most owners see the pandemic as a short-term hurdle during their long-term investment horizon.

"Property investors are generally medium to long-term holders of property. So, they look through those shocks. There are some below-the-line adjustments which buyers will build in – longer lease up periods, higher incentives and the like – but these are not factors which affect the value of a property in perpetuity like a yield adjustment would. For the time being yields appear to be holding firm for good quality, well-leased assets"

National Property Clock: Office

Entries coloured purple indicate positional change from last month.

Dubbo
South East NSW

Sunshine Coast

Ballina/Byron Bay
Coffs Harbour
Geelong
Lismore
Melbourne
Mid North Coast
Newcastle
Sydney

Ballarat

Adelaide
Brisbane
Echuca
Ipswich
Toowoomba

C'berra/ Q'beyan
Central Coast
Emerald
Gladstone
Gold Coast
Mackay
Mildura
Rockhampton

South West WA

Alice Springs
Bundaberg
Cairns
Darwin
Hervey Bay
Hobart
Illawarra
Launceston
Perth
Townsville
Wide Bay

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New South Wales

Overview

2020 changed the way we live and work, and few property sectors were affected as dramatically as the office property market.

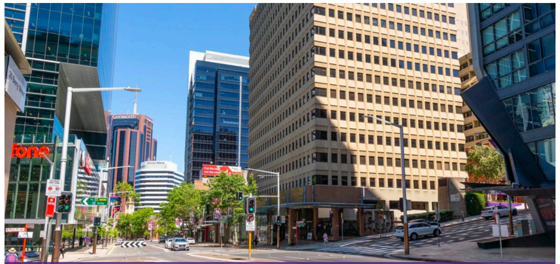
A rethink in the way we do business will have long term implications for owners and tenants. Of course, the office sector will adapt and survive, but it will look a little different to how it appeared in 2019.

What lies ahead for the office property sector in 2021? Our experts deliver their take.

Sydney

The year ahead for the office sector in Sydney is likely to be dominated by uncertainty. Towards the end of last year some semblance of normality had returned to the CBD with businesses slowly starting to have staff back into their CBD offices and other major office hubs, even if that was restricted by roster systems to allow for adequate distancing. While confidence appeared to be slowly returning to the sector, the recent seeding event in the CBD and more widespread outbreak on the Northern Beaches has led to many businesses further deferring return to office plans, despite anticipating this to have occurred in early January. Consequently, the Sydney CBD remains quieter than usual for this time of year.

Vacancy rates in the CBD have been estimated to hit double digits in 2021 – for the first time since 2005 and a significant increase from the record low 3.7 per cent seen in mid-2019. This is not unexpected, as many businesses have begun relinquishing any space deemed surplus to requirements. A significant increase in available sublease space is the consequence.



Sydney offices Source: realcommercial.com.au

While asking face rentals appear to be generally stable, significant increases in incentives are being recorded – as high as 30 to 35 per cent – translating to a significant reduction in effective rentals. Given the significant increase in vacancy and the continuing uncertainty of any imminent return to normalcy, incentives will likely continue to grow unless owners consider reducing face rentals.

Another trend we have seen occurring across the office market is a shortening of initial rental terms, allowing a shorter-term lease to be negotiated with options for renewals and potential for renegotiation of rentals after a shorter period than usual. This has allowed tenants opportunities to negotiate rentals under current market conditions, whilst allowing owners the benefit of market reviews at the end of a shorter term. Such agreements provide the benefit of income for the landlord in the short term whilst providing both parties with the peace of mind of a reassessment of both requirements and market conditions at the end of the initial term.

With far fewer office transactions throughout 2020 in comparison to recent years, determining the direction and extent of any market movement is difficult. While some strong results were noted during the year, longer marketing periods were consistently noted as agents tended to move away from the relatively fast pace of strong auction campaigns, instead choosing to offer properties for sale by private treaty or longer expressions of interest campaigns.

We anticipate a slow and long recovery for the office market, with businesses currently focused on realigning their workspaces and building flexibility into the workplace. We consider it likely this will negatively impact the market in the short term, predominantly as vacancy continues to increase.

While the office market is unlikely to offer significant opportunities in the short term, owner-occupiers who have a specific requirement (location, utility or size etc.) may look to this period of time to secure their premises.

Angeline Mann
Commercial Director

We anticipate a slow and long recovery for the office market, with businesses currently focused on realigning their workspaces and building flexibility into the workplace.

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Wollongong

There is considerable momentum in the Wollongong office market at present as several new developments planned well before the COVID-19 pandemic continue to progress. Once completed these buildings will become a welcome addition to what is a rapidly changing CBD, giving prospective tenants confidence that new, high quality office space will be delivered.

The Gateway on Keira building is the most recent addition to the Wollongong skyline with construction works completed in late 2020 and the circa 5,000 square metre building reported to be 70 per cent leased. The next office building scheduled for completion in the first half of 2021 is IMB's 6,700 square metre headquarters on the corner of Burelli and Kembla Streets to be entirely occupied by this growing financial institution. Finally, construction of Langs Corner is now well underway with this 13,000 square metre building to be Wollongong's largest office development when completed in late 2022. This 11-level building will be anchored by Mercer Administration Services with the company agreeing to a 12-year lease of five floors, accommodating approximately 1000 staff.

To gauge the impact the COVID-19 pandemic is having locally, we will be watching with keen interest how the market absorbs the balance of space available for lease in these projects in addition to other commercial space currently available within Avante and the recently refurbished 83-85 Market Street. Given the current extraordinary circumstances, we are passing on making a forecast on leasing conditions for the year ahead until there is evidence to assist us to formulate a view, however due to economic uncertainty, we expect rents to remain static with the potential for higher-than-normal incentives.

Gateway on Keira   Source: realcommercial.com.au

Conversely, we are happy to make a prediction regarding the investment market. Due to the historically low cost of borrowing, the huge sums of capital seeking investment and the increasing attractiveness of Wollongong as a place to invest (exhibited by the September 2020 sale of the ATO anchored office building along Kembla Street for a record low yield in this market), we feel that any commercial office asset with a decent tenancy profile will attract strong interest in 2021 and therefore any sale will reflect a strong yield. To this end, we are closely following Knight Frank's marketing campaign of 7-11 Bridge Street, Coniston and the probable sale of this asset will set the tone for the rest of the year.

Scott Russell
Director

Hunter Region

With the events of 2020 causing most of us to retreat from our offices back to working from home for a period, the office market in Newcastle went through a tense phase during the first nine months of 2020. With landlords becoming resigned to the fact they may be looking at extended vacancy periods, softening rental levels and nervousness about lease expiry, the upper hand was firmly with tenants. At the end of 2020, agents indicated market improvement for small tenancies, under 200 square metres, which were in strong demand. In contrast, larger businesses remained in a state of flux due to an unknown percentage of staff forecast to return to the office in 2021 and beyond. This has placed a cloud over larger office tenancy demand. Landlords are looking at whether they might be

Newcastle Source: realcommercial.com.au

pushed into capital works to subdivide larger floor plates into segments to meet this market change. The jury is still out as to when larger businesses will commit to new space for their potentially reduced office needs in the future. Office rents remain under some pressure with a slight weakening in office rent levels forecast for 2021.

As a result of pressure on rents and uncertain future office demand, capital values are expected to fall across most of the commercial office market in Newcastle, except for A grade buildings where national and government businesses dominate the tenancy schedule. There is anticipated particular weakness in the mid-sized office building segment - buildings that fall between single owner-occupier size and large fully let prime assets.

Jerrard Fairhurst
Manager

Victoria

Melbourne

The Melbourne office market in general has experienced major disruptions since the onset of the coronavirus pandemic in March 2020. According to the Property Council of Australia, the Melbourne CBD office vacancy rate across all grades has risen to 8.2% as at January 2021, up from 5.8% in July 2020. This includes the sublease vacancy rate which has more than doubled since July 2020. The increasing vacancy rate reflects the reduced medium-term business confidence and the large influx of new office space where over 350,000 square metres was added to the Melbourne CBD market in 2020. Approximately 390,000 square metres of new office space is due to enter the CBD market over the next three years which will likely create further short to medium term pressure on effective rents as incentives rise to stimulate demand. Incentives in the CBD are nearing 40% in some sub markets which traditionally is the point when face rents begin to soften.

Melbourne Source: realcommercial.com.au

As the CBD vacancy rates rise, along with incentives, we also expect to see a flight to quality out of the suburbs and fringe CBD locations and into the high quality CBD office space on offer for roughly the same total occupancy cost.

The Melbourne CBD office leasing market was hit hard by the prolonged second lockdown in 2020 and the emerging trend of working from home. This was most acutely felt in the secondary grade office sector as the strong take up in new prime and A-grade space was fuelled by the flight to quality. We expect this trend to continue throughout 2021 which will result in a sharp decline in demand for B and C grade office space. As the CBD vacancy rates rise, along with incentives, we also expect to see a flight to quality out of the suburbs and fringe CBD locations and into the high quality CBD office space on offer for roughly the same total occupancy cost. This is a typical occurrence when CBD vacancy rates increase. The recovery of the leasing market will be heavily dependent on the rollout of the COVID-19 vaccine and ceasing of the return to office restrictions. We expect more businesses will embrace the flexible working model post pandemic which will accelerate the structural changes of the relevance and utilisation of office space. We consider however that high quality office space will always be in demand as it provides a place for social engagement, collaboration and mentorship. The new office model post pandemic is still taking shape but will incorporate lower density work space, cutting edge health and hygiene facilities and technologies, spacious floorplates and good air ventilation with outdoor areas.

On the investment side, despite the COVID-19 uncertainties there is significant weight of capital in the market seeking limited investment opportunities. Given the record low interest rates and the RBA's quantitative easing program which will likely keep interest rates at record lows for the foreseeable future, we expect demand for prime assets in prime locations and/or with strong tenancy profiles to continue to strengthen throughout 2021. However, investors will still be cautious in making investment decisions while they are assessing the impact on both short term and long term cashflows. The government schemes of tenant relief under the Commercial Code of Conduct and Job Keeper will finish by end of March 2021. This will be a key test of market strength as we move towards the middle part of 2021.

Jason Stevens
Commercial Director

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Queensland

Brisbane

The Brisbane office market presently has a high level of uncertainty with more questions than answers about its future direction and the ongoing impacts of COVID 19. Almost a year on from the start of the COVID 19 crisis, it is clear that office markets remain the sector about which there is most conjecture and the greatest level of market uncertainty. Adding to this uncertainty is the volatile trajectory of the disease in Australia and the response that has seen offices quickly emptied as workers were sent home for lengthy lockdowns.

Whilst the lockdown in Queensland was ostensibly the shortest of the three eastern states, there has been an extended period of work from home for many CBD offices which was only relaxed in the latter months of 2020. Even then, it is now clear that many workplaces are instituting far more liberal work from home arrangements with a consensus seeming to form around a two- or three-day office presence (with Mondays and Fridays the preferred work from home days). The impact of these arrangements on the ongoing need for office accommodation will be profound and have follow through impacts on office markets for years to come.

At a basic level, it would appear that there is a significant under-utilisation of office space at the present time. Whilst the extent of this will oscillate through the working week and doesn't therefore directly correlate to an ability to reduce office space by a commensurate amount, it is now putting a huge question mark on the future office needs of every organisation, with the prospect of widespread downsizing as leases expire.

At a basic level, it would appear that there is a significant under-utilisation of office space at the present time.

The immediate impact of this on office markets is: a heightened level of uncertainty; shorter lease terms; more flexible lease options; and significant increases in the availability of sublease space. This is likely to ultimately translate into reduced effective rent levels (initially via increased incentives) and will have longer term impacts on the viability of future development.

To date we have observed substantially reduced levels of leasing activity for larger requirements, shorter lease terms and a dramatic slowing in the volume and size of office market transactions. There is not yet broad-based evidence of face rental reductions, however this is a high probability as overall vacancy increases.

The principal impact has been felt in the CBD and fringe markets to date. Suburban locations appear to be holding up so far. It is however shining a stronger spotlight on the need for good quality buildings, strong locations, good parking ratios and accessibility as keys to securing tenants.

In terms of investment activity, there are few transactions however those that have occurred have been for properties with strong lease covenants and a healthy WALE or term certain. In particular we note that properties with government backed leases are keenly sought and have formed the predominance of the post-COVID sales activity.

A recent sale in this regard was 36 Brandl Street, Eight Mile Plains at an analysed yield of approximately 6.64% having a WALE of 4.85 years with a state government lease profile (74 per cent of the achievable gross income).

36 Brandl St, Eight Mile Plains Source: HTW

The future of the Brisbane market is dependent upon how the COVID crisis continues to unfold. There is a large weight of money seeking good quality investment property, however confidence levels are very fragile and the markets could easily be spooked if there were further significant outbreaks.

Terry Munn
Director

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Gold Coast

2020 was of course impacted by COVID-19. On the Gold Coast, like many areas around the country, March 2020 was the starting point for a watershed period across the commercial property sector in general. Uncertainty, trepidation, a bit of doom and gloom – who knew what was going to pan out with this pandemic?

The Gold Coast office sector saw lease deals abandoned or placed on hold, office workers at home, legislation introduced to enable tenants to seek various rental relief measures and thin sale transactions, but by year's end, market conditions had improved in line with a growing optimism that Australia was doing a pretty good job of controlling COVID-19 outbreaks – in fact we were doing remarkably well by world standards.

This month we are proffering our thoughts as to the office sector for 2021.

The Property Council of Australia Office Market Report July 2020 for the Gold Coast indicated a total market vacancy of 13 per cent, virtually the same as the preceding level of 12.8 per cent in January 2020 and 12.9 per cent in July 2019. The data has yet to be released for January 2021, but we consider it likely to remain generally the same on the basis that there has been limited new office floor space come into the sector and no major corporates or office users exiting the Gold Coast.

Leasing interest improved over the latter part of 2020, more particularly for upper B and A grade space. Not so for secondary space represented by D and C grade buildings. D and C grade space remains at rental levels around $250 to $350 per square metre per annum gross, with B grade up to $425 and A grade rates up to $550 plus. Incentives for three to five year terms are still around eight to ten per cent, but for longer terms can represent 15 per cent or even greater if the asking rental level is at the upper limits of the market, where the pool of prospective tenants is shallow.

Sale transactions of larger office buildings were soft in 2020. 38 Cavill Avenue, Surfers Paradise sold in August for $6.1 million reflecting a passing yield of 4.63% and an analysed yield of 7.88%. The top floor strata within the Eastside building at 232 Robina Town Centre Drive, Robina sold in June for $7,284,210 reflecting a passing yield of 9.02% and an analysed yield of 8.03%. Both these transactions demonstrate yields at higher levels than sales in 2019, however the assets were arguably different and not necessarily comparable. There was also a smattering of other more typical office buildings put to the market, but as yet no sales have been reported. We think this is probably an indication that buyers are dictating terms rather than sellers.

There have, however, been several sales of smaller office buildings in the sub $3 million sector – 18 Harcourt Crescent, Southport; 122 Bundall Road, Bundall; 6 Short Street, Southport; and 42 Peninsular Drive, Surfers Paradise. In all cases, both passing yields and analysed yields have demonstrated wide variations (2.75% to 7.3% and 4.1% to 7.9% respectively), but on balance we considered the more dominant analysed yield range to be 4.5% to 5.5%, arguably firm but a reflection of the low borrowing rates and dominance of private investors/SMSFs in this sector.

In regard to sales for 2021, we feel that sentiment will generally improve and encourage commercial property investors, although there is still the question of 'if you sell your commercial property, what will you replace it with?'

Overall, similar to 2020, we think there will be few Gold Coast office buildings placed on the market for sale, again more to do with supply than a faltering in demand. With low interest borrowing rates likely to be in play for some time, there will continue to be downward pressure on yields. However, there will come the day when interest rates will rise to more normal levels and yields for commercial property will soften. The challenge for buyers is when this may occur and factoring into a purchase decision what weight to place on the net rental stream for these two periods in order to arrive at an appropriate yield for today.

These sorts of questions, plus dealing with uncertainty and volatility, are all likely to remain with us for the foreseeable future whilst we remain under COVID-19 conditions.


6 Short Street, Southport Source: Colliers International Information Memorandum

Ryan Kohler
Director

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Sunshine Coast

We discussed the office market late last year and how resilient it has remained generally on the Sunshine Coast during 2020. We saw a number of sales in the circa $5 million to $8 million range that indicated yields from circa 6.3% to 6.6% and general value ranges from circa $5000 per square metres to $5600 square metres.

There are also rumors in the market that a circa $30 million sale may be in due diligence on the Sunshine Coast.

We noted further space entered the market of around 5000 square metres though indications are the overall vacancy rate during 2020 held to a similar to that of 2019. This would be a very strong result given all of the impacts across the office market during 2020.

We noted further space entered the market of around 5000 square metres though indications are the overall vacancy rate during 2020 held to a similar to that of 2019.

One of the effects noted during 2020 is that rental incentives have increased, particularly for tenants greater than 200 square metres. Typically, incentives for five year leases have risen to 20 per cent for larger floor plates as owners look to secure available tenants in the market.

The outlook for 2021 is again hard to predict. The Covid pandemic continues to make forecasting difficult with government stimulus due to reduce at the end of March.

One of the things that may limit impacts on the Sunshine Coast is the extent of infrastructure being undertaken with significant road works on the Bruce Highway from Caboolture to Gympie over the next 5 years. Further planned infrastructure by the Council across a number of areas and the duplication of the railway line from Beerburrum to Nambour will also help the region.

The strong population growth rate to the Sunshine Coast and the decentralisation of a number of companies is likely to lead to continued demand for office space in this region. However, with vacancy rate likely circa 15 per cent, this will not likely add price pressure to the rental market in the short term, though should ensure that there is no more slide in effective net rental levels.

Chris McKillop
Director

Birtinya, QLD   Source:realcommercial.com.au

Townsville

With COVID-19 continuing to dominate the landscape, the outlook for the office market in 2021 is one of opportunity and stability. The opportunity for decentralisation of government and larger corporate businesses to regional centres such as Townsville is likely to be a hot topic.

The current vacancy rates in the CBD office market provide a great incentive for decentralisation from larger, densely populated centres. The readily available quality office space at affordable rates compared to larger centres combined with the liveability on offer and the readily available labour force are all factors worthy of consideration.

Ongoing flexibility in the workplace is also likely to be a hot topic with the impacts of this on office space requirements as yet undetermined given the ongoing uncertainty around COVID-19 requirements.

Market activity in general is likely to remain relatively stable throughout 2021 and we will likely continue to see sales transacting typically in one of three segments. The sub $1 million market will be dominated by smaller business owner-occupiers looking to secure property whilst prices remained subdued. The $1 million to $5 million bracket is generally investors looking to get into the market to capitalise on the momentum started with the completion and opening of the Stadium. COVID-19 restrictions took some wind out of the momentum starting to build in the CBD, but hopefully 2021 will see this again start to emerge.

We are likely to continue to see the larger sales, typically in the $10 million to $20 million range, to investor funds chasing yields for their portfolios. Over recent years we have seen several higher value office sales with a new record set in 2020 at circa $93 million.

Kylie Williams
Property Valuer

Wide Bay

The commercial office markets throughout the Wide Bay are set for an interesting year. Leased investment properties with well-established tenants on long term leases are likely to be well received by the market with potential for further yield compression throughout the year.

The vacant and owner-occupied stock is likely to remain stagnant throughout the year with little on the horizon that would suggest a change in market conditions. As a result, the yield variance between leased properties and vacant properties may widen throughout the year, with the caveat added that smaller, owner-occupied properties are seldom purchased on a potential market yield basis.

The rental market is likely to remain stable and continue its well-balanced position. There is no evidence to suggest that a change to gross rental rates is close.

Ben Harnell
Property Valuer

Rockhampton

The year has just begun and it is time to preview 2021. The office market in Rockhampton fared reasonably well throughout the COVID period due to the relatively low COVID cases in central Queensland as well as the main industries within the region avoiding significant disruption. With a number of large government projects underway and the general economic environment improving, a number of businesses are expanding, and new businesses are taking up previously vacant office accommodation. Our prediction is that the continued economic activity will see vacancy rates start to drop, with some potential slight increases in rents. For tenanted properties with good tenant profiles and unexpired lease terms, we would expect yields to potentially tighten throughout the year as local and non-local investors compete for the currently limited supply of tenanted office properties. Investors at this stage have shown limited interest in vacant office properties and we would expect this to continue, however smaller more affordable office properties may be well received by owner-occupiers.

Greg Williams
Director

Mackay

A quick search of realcommercial.com shows that there are 130 vacant office tenancies currently available for lease in Mackay City. Whilst there are no accurate surveys of vacancy levels in the city, we suspect that the commercial office vacancy rate would be near an all-time high. We expect a moderate level of office leasing activity throughout 2021, however the critical oversupply situation is unlikely to change greatly through the course of the year. Rental values are expected to remain flat in what will obviously remain a tenant's market. Capital values are also expected to remain steady throughout the year as investors weigh rental growth prospects against steadily increasing outgoings. Ground level office properties with strong lease covenants including long unexpired lease terms to national tenants at market rents may attract special interest in 2021 and any sales of this nature could follow the national trend of firming yields in the historically low interest rate environment.

Greg Williams
Director

Cairns

The Cairns office market is relatively shallow and experiences limited sales activity, this is due to a lack of stock rather than a reduction in the number of willing buyers.

The market has also experienced limited new development, with the last very large office building constructed in Cairns being the State Government

The Cairns office market sector to date has had limited fall out from COVID 19 with businesses requesting reductions being primarily smaller tenancies being the office component of tourism/retail businesses.

office tower that was completed in 2010, however there have been several smaller (sub 2500 square meter) tenant-initiated design and construct projects completed.

An older five-level, 5000 square metre building within the central business district has recently been purchased with the buyers planning a complete refurbishment both inside and out to bring it up to an A-Class standard of accommodation. This will be the first quality CBD space to come onto the market for some time.

Good quality, green-star-rated premises achieve high levels of occupancy and are experiencing stable rent levels typically of $350 to $450 plus per square metre per annum gross. Demand for lesser quality space remains limited and there is an oversupply of quality non-inner CBD and well exposed secondary space in the $225 to $295 per square metre per annum gross rental range. These conditions have placed downward pressure on secondary rents and seen the emergence of incentives.

The Cairns office market sector to date has had limited fall out from COVID 19 with businesses requesting reductions being primarily smaller tenancies being the office component of tourism/retail businesses.

A clearer picture across all markets in Cairns will become apparent after the Jobkeeper stimulus ends. What has become apparent though is many employers now realise that some of their work force are capable of working from home and many wish to continue to do so moving forward. This would be expected to cap demand for office space to some degree at least in the immediate future.

Shane Quinn
Managing Director

Toowoomba

Toowoomba office space is predominantly located in CBD or fringe CBD areas. Suburban development is generally purpose-built office accommodation or residential properties converted for paramedical use, particularly within hospital precincts.

Leasing demand has been moderate over the past four years with office rentals remaining relatively static. Gross face rents for prime office buildings, including medical and paramedical floorspace, have ranged from circa $350 to $425 per square metre per annum with limited demand for secondary office space resulting in lower rentals. The impact of COVID-19 over the past twelve months has seen office rentals remain relative static, with a marked increase in rental incentives as landlords compete for tenants.

On-site car-parking is considered a major factor for prospective tenants and owner-occupiers. Tenancies with a good car-park ratio appear to be much easier to lease. Tenancies with poor car-parking experience extended lease-up periods and often require additional incentives.

There has been strong demand from owner-occupiers for smaller offices in the $300,000 to $700,000 price range. These properties are predominantly former houses converted for professional or paramedical use in fringe CBD locations or in medical precincts that provide good access for employees and clients and off-street parking. Supply within this segment can be inconsistent with an increase in sale price often achievable when supply is limited.

The low interest rates have resulted in continued strong demand for commercial properties by investors, however the lack of quality, fully leased properties has limited the number of investment sales. The following notable sales were completed in 2020 (source: CoreLogic):

610-612 Ruthven Street, Toowoomba City:

610-612 Ruthven Street, Toowoomba City Source:realcommercial.com.au

This is a CBD fringe office property on 1,755 square metres with nine tenancies in a part two-level building with a net lettable area of 936 square metres and ten on-site car-parks. The building was fully leased to a mix of retail and office tenancies with a reported rental of $375,919 per annum resulting in a net yield of 9.17%.

154 Hume Street, Toowoomba City:

154 Hume Street, Toowoomba City Source:realcommercial.com.au

This is a two-level building with a net lettable area of 683 square metres and 21 on-site car-parks. The building was fully leased to a legal firm and Legal Aid Queensland. The sale price was $2.65 million with a passing yield of circa 6.82%.

173 Hume Street, Toowoomba City

173 Hume Street, Toowoomba City Source:realcommercial.com.au

This is a two-level CBD fringe office property on 1,016 square metres with a net lettable area of 900 square metres and 18 on-site car-parks. The building was fully leased to a Queensland government tenant at a reported gross rental of $293,125 per annum. The sale price was $3.15 million with a passing yield of circa 8.35%.

COVID-19 restrictions have demonstrated that a considerable amount of office work can be undertaken remotely, and it is yet to be seen what effect this will have on demand for office space in the future. While the Toowoomba office sector generally returned to business as usual, anecdotal evidence indicates businesses that previously adopted the traditional office model are re-thinking their strategies and potentially looking to decentralise and diversify existing workplace structures. While this may affect demand in the medium term, there is also the potential for larger capital city-based corporates to decentralise into regional areas where the impact of COVID-19 restrictions is less and employees have the benefit of reduced commute times and improved parking options.

Our expectations for 2021 are for a continuing stable market, with low demand and a general oversupply of secondary office accommodation. Investor demand for quality properties with secure cash flows is expected to remain strong.

Ian Douglas
Director

Anecdotal evidence indicates businesses that previously adopted the traditional office mode are re-thinking their strategies and potentially looking to decentralise and diversify existing workplace structures.

HERRON TODD WHITE COMMERCIAL

South Australia

Adelaide

With New Year's resolutions in place and glasses half full, we're all looking to tackle 2021 with much needed optimism after the past year. Unfortunately, the start to 2021 has been marred by political turmoil in the United States, while COVID-19 outbreaks continue throughout England, America and parts of Europe. Here in South Australia, we can take confidence from the stoicism the state and its individuals have shown over a difficult 12 months here on Australian shores.

The Adelaide office market showed resilience in previous months; vacancy rates expanded slightly throughout 2020, but property markets have fared relatively well given the circumstances of last year and the downturn that markets were touted to face. The recent ANZ and Property Council of Australia (PCA) survey indicates a state-wide confidence boost for South Australia, with a 30 point lift for the December quarter of 2020. The ANZ/PCA survey includes responses from property professionals, with the Property Council SA Executive Director, Daniel Gannon, confirming a return to pre-COVID confidence levels in South Australia's property sector as a whole. The index sits at 128 points, increasing from 98 in the September quarter, which ranked South Australia second in the nation behind only Western Australia for confidence levels in property markets.

Throughout the previous year, there were a reduced number of properties hitting the market. With demand still strong, prices remained steady due to the competition amongst active buyers in the market. South Australian vacancy rates in the office market saw increases from 14 per cent in January to just 14.2 per cent in July for CBD total market vacancies, while CBD fringe vacancies reduced from 14.7 per cent to 14.4 per cent in the same period. The majority of Adelaide CBD's tenants are defensive occupiers, such as government agencies, SA Water, BHP, Origin and legal and accounting firms, the main drivers keeping the vacancy rate steady.

As we move forward, we are expecting some consolidation in the office market in Adelaide.

While office vacancy rates were hardly affected in 2020, we have seen significant increases in the unemployment rate in South Australia. Again, it appears the state has fared better than its eastern seaboard neighbours; the unemployment rate in Australia rose from 5.2 per cent to 6.9 per cent from March to September of 2020, while the South Australian unemployment rate rose from 6.8 per cent to 7.1 per cent in the same period. The Adelaide CBD was at roughly 75 per cent occupancy prior to the Medi-Hotel COVID-19 outbreak and continued to surge back to life in January 2021.

There is limited commentary about what lies ahead for commercial and residential property markets in 2021. The raft of predictions that came with the outbreak of COVID-19 failed to eventuate in 2020, with property markets (particularly residential) remaining resilient throughout. As we move forward, we are expecting some consolidation in the office market in Adelaide. Vacancy rates are predicted to remain steady with no significant additions or refurbishments expected to be completed in 2021. Without any significant additions of space, we shouldn't see any major increases in office vacancies in the short term.

Charter Hall has recently pounced on some opportunities in the office property market, acquiring a number of office buildings throughout 2020. The Sydney based property investment management company headed a significant amount of domestic investment in the South Australian office market in 2020. Long WALE, modern buildings are expected to be highly sought-after investments, with yields for these assets tipped to break the sub 5% mark. This indicates that major investment firms are still active in the market and are willing to pay for an asset with sub-5% yield due to the security provided by a long lease in place.

While we have seen solid rents and yields, incentives have been noted at 45 per cent for prime CBD office space and 50 per cent for secondary space. Much of the upward pressure on incentives has come from tenants whose leases expired over the past six to nine months seeking short term hold-over agreements. This has translated to an increase in competition between landlords to attract the few active tenants. Under these conditions, face rents are not increasing while the upward pressure has seen incentives increasing.

Chris Winter
Commercial Director

Western Australia

Perth

The office property market in Perth concluded the 2020 calendar year on a sombre note.

The advent of the COVID-19 pandemic caused an unprecedented level of uncertainty in the marketplace and activity in the office sector virtually disappeared, particularly on the sale front. Not surprisingly, Perth's office vacancy rate rose to 18.4 per cent in the six months to July, according to the PCA, with the vacancy rate in West Perth spiking to 22.1 per cent (up from 17.9 per cent over the same period).

As we embark on 2021, there remains a visible vacancy factor in Perth's traditional office districts. It remains to be seen whether companies will continue to embrace a work from home policy as it will have a profound impact on their future office space requirements. This remains the great unknown and one of the biggest threats to the local office market.

Some pundits point to social distancing requirements in the workplace which may cause tenants to actually increase the size of their office space. Employees retaining a need for collaboration, problem-solving and social interaction may be persuaded to return to the workplace.

On the other hand, workers have also demonstrated willingness if not a preference to work from home in the future, despite the obvious distractions, citing improved productivity and a better work-life balance. Such a sociological shift obviously spurs employers to examine cost saving measures.

What has however become clear is that a two-tier market has emerged as companies take advantage of the considerable incentives on offer to relocate to premium and A grade accommodation whilst lesser grades are left languishing with minimal enquiry in this space, particularly in the fringe East and West Perth markets where deals below $125 per square metre per annum net (effective) are becoming more commonplace.

In terms of capital transactions, we envisage investors will tread carefully in the initial stages. The questionable financial strength of incumbent office tenants brought on by the pandemic and the rise of zombie companies, unable to turn a profit without government assistance, is likely to see such buyers postpone acquisitions until such time as support such as JobKeeper is wound back.

The West Perth office market overall remains in a depressed state, but the current climate does present an opportunity for the astute, high net worth investor to acquire an older building and embark on a refurbishment program with a view to securing tenants ahead of the next upswing in this sector. Could West Perth even return to the garden residential suburb it originally was?

On a positive note, the successful containment of COVID-19 for an extended time and closure of the state's borders has provided a welcome boost to the local economy with a palatable increase in consumer and, to an extent, business confidence. This aspect coupled with renewed activity in the state's mining sector and Perth's office market is probably best placed to recover in the wake of the pandemic compared to our interstate counterparts, although the question that remains is when?

Greg Lamborn
Director

What has however become clear is that a two-tier market has emerged as companies take advantage of the considerable incentives on offer to relocate to premium and A grade accommodation .

HERRON TODD WHITE COMMERCIAL

Northern Territory

Darwin

The trend of office workers changing their routines and working from home has been less evident in Darwin than in some other capital cities. We would ascribe this to the more limited COVID restrictions in place here (to date), the high proportion of NT Government workers in the CBD and the relatively short commuting times for most of these workers.

The office leasing market in Darwin has been quite weak for some time, even well before the advent of COVID, so the emergence of this new consideration has had minimal effect on our local market. At the time of writing there is no reason to believe that this will change during 2021 unless some new factor (be it positive or negative) plays upon the market.

Although Darwin's office vacancy rate ranks amongst the highest in the nation, there is relatively little A-grade space available. Leasing rates in this segment are being maintained, although it is a different story for lower B and C grade buildings where the vacancy rate is highest.

Investors should be wary of lower grade buildings unless they have an appetite for carrying out significant refurbishment and are prepared to carry a high risk of locating a suitable tenant. The dominant tenant in the Darwin CBD is the NT Government and it appears that the new Manunda Plaza development (along with other commitments such as the Energy House refurbishment) has met their accommodation requirements for the immediate future.

Risks are also heightened in the satellite office precincts of Casuarina and Pamerston, however Berrimah, being close to the geographic centre of greater Darwin, is holding up well.

There are very few opportunities in the Darwin CBD office market. The limited number of higher-grade buildings are generally tightly held although if a significant sale does occur, we would expect it to be at lower yields than in previous years. Whilst 8% was achieved for good quality commercial office investment property in 2020, the sheer weight of money nationally should see a reduction in yields in Darwin for property with good lease covenants.

Terry Roth
Director

Although Darwin's office vacancy rate ranks amongst the highest in the nation, there is relatively little A grade space available.

Australian Capital Territory

Canberra

The ACT commercial office market has shown resilience during the COVID pandemic. The ACT's large public service sector and short-term government incentives such as JobKeeper and JobSeeker and other various schemes have helped provide stability to the market.

There has been steady demand for office space in the CBD however we have seen some softening in subleasing demand for office space in secondary locations with increasing letting up periods and tenant incentives required to secure tenants during the COVID pandemic. According to Property Council of Australia, the average vacancy rate for Canberra in July 2020 was approximately ten per cent with A grade office at 6.9 per cent, B grade office at 12 per cent, C grade office at 16 per cent and D grade office at 14 per cent. As social restrictions ease in Canberra and the number of workers in offices returns to pre-COVID levels, we expect the office market to improve throughout 2021 which may lead to shortening of letting up periods and improved vacancy rates. Rental levels are expected to remain static.

The ACT has historically proven to have a low unemployment rate. According to the ABS, the unemployment rate for November 2020 was four per cent in the ACT, the lowest unemployment rate compared to New South Wales at 6.5 per cent, Victoria at 7.1 per cent and the national average 6.8 per cent. With a low cost of borrowing and relatively stable office market performance last year, we expect to see continued investor interest in assets with strong sublease covenants and corporate or government tenants on long lease terms and owner-occupier interest in quality office space in established office precincts.

Lucy Xu & James Feeney
Valuers

The ACT's large public service sector and short-term government incentives such as JobKeeper and JobSeeker and other various schemes have helped provide stability to the market.

Residential

February 2021

National Property Clock: Houses

Entries coloured orange indicate positional change from last month.

Albury
Bathurst
Burnie/Devenport
Canberra
Dubbo
Launceston
Tamworth

Wodonga

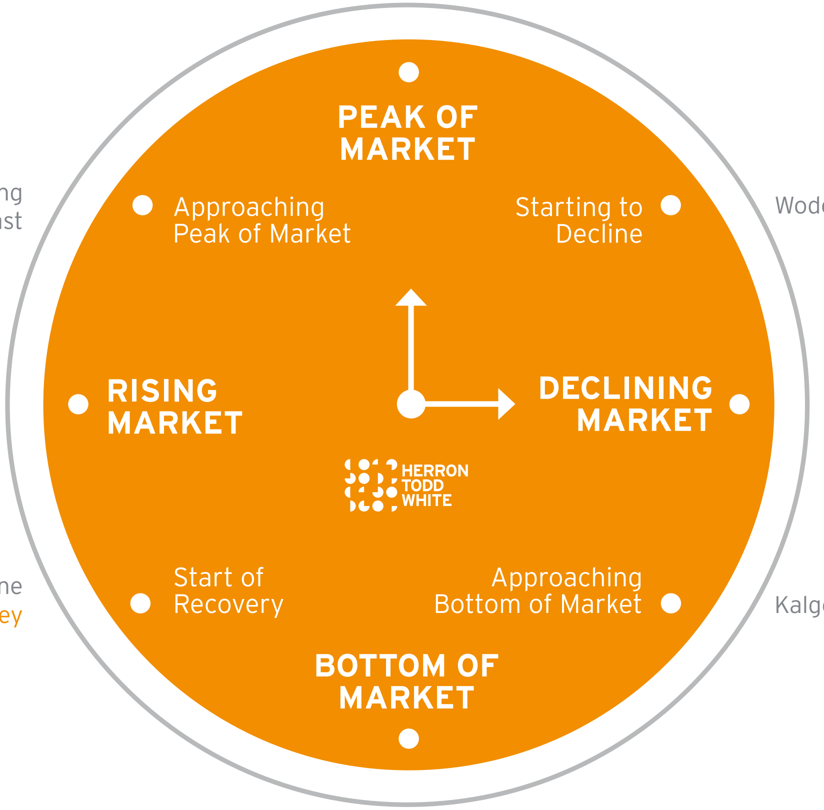
Kalgoorlie

Albany
Bundaberg
Geraldton

Alice Springs
Broome
Darwin
Melbourne
Sydney

Adelaide
Adelaide Hills
Ballina/Byron Bay
Barossa Valley
Brisbane
Cairns
Central Coast
Coffs Harbour
Emerald
Gladstone
Gold Coast
Hervey Bay
Hobart
Illawarra
Ipswich
Karratha
Lismore
Mackay
Mildura
Mount Gambier
Newcastle
Perth
Port Hedland
Rockhampton
Shepparton
South West WA
S'thn Highlands
Toowoomba
Townsville
Whitsunday

Geelong
Sunshine Coast



RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

National Property Clock: Units

Entries coloured blue indicate positional change from last month.

Adelaide Hills
Albury
Barossa Valley
Bathurst
Burnie/Devenport
Launceston
Tamworth

Wodonga

Canberra

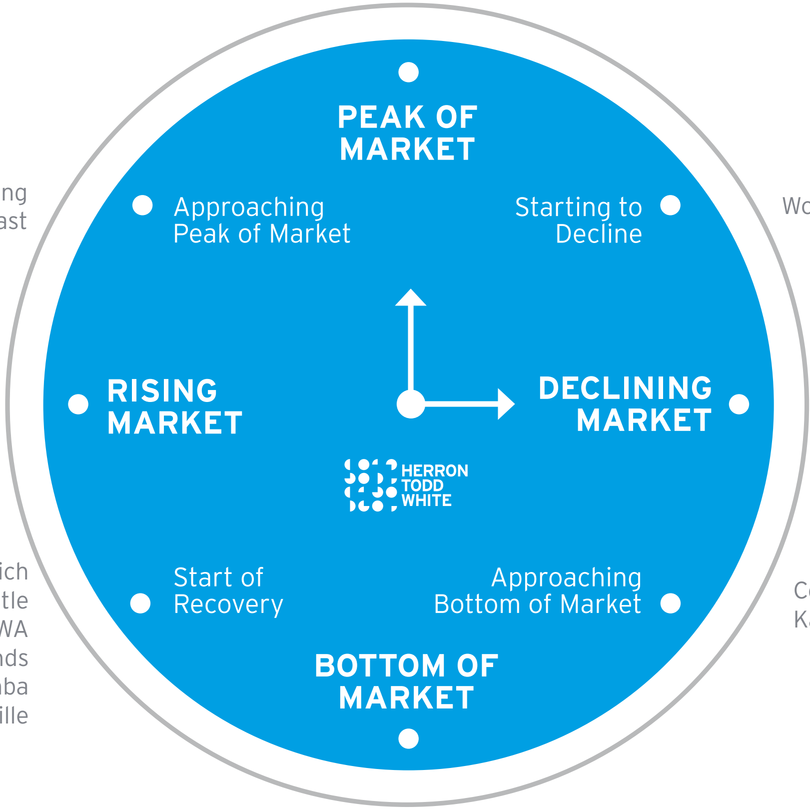
Central Coast
Kalgoorlie

Albany
Bundaberg
Geraldton
Melbourne
Perth
Sydney
Whitsunday

Alice Springs
Brisbane
Broome
Cairns
Darwin
Emerald
Illawarra
Ipswich
Newcastle
South West WA
S'thn Highlands
Toowoomba
Townsville

Adelaide
Ballina/Byron Bay
Coffs Harbour
Dubbo
Gladstone
Gold Coast
Hervey Bay
Hobart
Karratha
Lismore
Mackay
Mildura
Mount Gambier
Mt Gambier
Port Hedland
Rockhampton
Shepparton

Geelong
Sunshine Coast



New South Wales

Overview

We've all learned that crystal ball musings can be quickly upended when hit with the unexpected. So, no doubt, it's with some trepidation our residential teams around the nation put forward their thoughts on where market will head in the coming 12 months or so.

Fortunately, with their wealth of experience, depth of knowledge and substantial resources, Herron Todd White valuers are the best placed in their field to deliver reasonable commentary on what might occur in 2021.

Sydney

As we look at what lies ahead for the property market, it is worth a quick reminder of how the 2020 property market concluded. After a rough start to 2020 with the bushfires and then the COVID-19 pandemic, the residential property market began to stabilise and improve from mid-2020. By the last quarter of 2020 there were many locations being impacted by a lack of supply and high demand which was resulting in high auction clearance rates and strong prices being achieved, with the exception being locations with high density apartment developments which are still suffering from issues relating to oversupply, lack of investor demand, weak rental market conditions and weak market sentiment overall.

Despite values across most locations initially falling after the lockdowns in March and April, confidence in the property market returned as restrictions began to ease and by mid-winter, we saw prices begin to level out and then start to improve again from September. By the end of December, dwelling values were 2.7 per cent higher than the start of the year according to Corelogic, a result that defied some of the early COVID-19 predictions of an up to 30 per cent reduction in values from some economists.

Overall, we are expecting dwelling values to continue to grow moderately throughout 2021 with houses continuing to outperform units.

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	0.7%	1.3%	2.7%	5.3%	$871,749

Change in dwelling values as at 31/12/20 Source: Corelogic

While houses rebounded well in the latter stages of the year, finishing four per cent higher for the year with a median value of $1,015,354, units didn't fare as well, finishing lower by 0.2 per cent across 2020, with a median of $733,852 (source: Corelogic). This was caused by lower investor activity in the market due to subdued rents, along with the continued oversupply of new units in some suburbs.

It is likely that the recent COVID-19 restrictions could impact consumer confidence and potentially result in a slower start to the year when compared to the trend at the end of last year,, however this is likely to be short-lived, assuming that cases are kept under control and we get back on track with a focus for the vaccine rollout and overall economic recovery. Some of the continued positive drivers are likely to be record low interest rates, a lack of supply (except for high density apartments) and general sentiment around residential property as we are spending more time working from home. Anecdotal information suggests this trend will continue.

The likely headwinds for the majority of residential property are matters relating to affordability constraints and household debt, credit availability, and of course any further negative impacts from COVID-19. Government stimulus is also another factor to consider as the residential tenancy moratorium and also JobKeeper are currently due to expire at the end of March 2021.

Overall, we are expecting dwelling values to continue to grow moderately throughout 2021 with houses continuing to outperform units.

Inner Suburbs

This year looks to be a year of two speeds for the property market. On the one hand, record low interest rates and first home buyer incentives are driving the owner-occupier markets, which are largely remaining steady with increases in some areas, particularly for houses. However, investor markets are more subdued, with studio and one-bedroom units faring the worst, particularly in the dense (and potentially more oversupplied) inner city areas.

Houses in good quality locations within inner city Sydney are faring well with some selling over previous peak prices, such as 20 Sutherland Street in Paddington which sold in December 2020 for $2.7 million, well above the previous sale price of $2.45 million achieved in March 2017. This market is being driven primarily by low interest rates which is seeing increasing numbers of dual income families upsize while money is cheap to borrow. This is leading to an increase in demand and with limited stock available is resulting in price increases.

20 Sutherland Street, Paddington Source: Corelogic

As the threat of COVID-19 hopefully fades, 2021 is likely to see continued demand for quality family homes with some further price increases likely, provided that interest rates remain low.

Units in Sydney's inner city are commonly occupied by young professionals and students, both of which are demographics that have been hit hard by the pandemic. The reduction in rental demand from these demographics is driving down the appeal of units that typically would have sold to investors, who would then rent them out. Recent times have seen some such units resell at a loss, such as 403/200 William Street, Woolloomooloo which sold in November 2020 for $867,000, less than its 2017 sale price of $940,000. These rental reductions are driven by higher unemployment and reductions in COVID-19 driven government assistance, which had a high uptake within this category of the community.

As we progress in 2021, some of these inner-city units are likely to represent good buying, although for investment properties, price growth within this market segment is closely linked to rental return and that may take most of 2021 to recover. Confidence provided by a reduced COVID-19 threat, first home buyer incentives and low interest rates will likely see prices within this market segment begin to recover slightly in the second half of the year through an uplift in demand from first home buyers and owner-occupiers.

Paddington and Birchgrove share many similarities; they are both affluent, compact suburbs with a high concentration of period properties in a village-like setting. They are both often barometer suburbs, which indicate the direction their respective markets will take.

The end of 2020 saw price growth in both these suburbs, with properties selling for over asking prices in short periods of time, such as 10 Spring Street Birchgrove, selling in 21 days for $4 million, well above the asking price of $3.6 million.

10 Spring Street, Birchgrove Source: Corelogic

Watching these suburbs will provide an insight into how their neighbouring suburbs could perform in the near future.

One-bedroom units appear particularly affordable due to a lack of demand from investors, resulting from falling rental returns. Areas such as Central Park in Chippendale have seen an exodus of tenants (commonly local and international students at nearby educational institutions). Prices in this part of Sydney could improve significantly in years to come if the planned tech hub around Central Station takes shape, as this would likely shift the local tenant profile slightly more towards a high income earning professional.

Perennial trouble spot Green Square has seen declines in demand from tenants, investors and owner-occupiers, with this likely to continue into at least the first half of 2021. With 525 listings in Zetland alone (at the time of writing) and all of these being typical modern apartments, it appears that many investors may be offloading their properties causing an increase in supply within the market.

Southern Suburbs

Overall, we believe that many property types across this region will continue to see some growth across 2021, albeit possibly not at the same strong rate we have seen in recent times.

Some property types most likely to continue to achieve strong demand in these regions include houses on at least average size allotments, townhouses and villas particularly within smaller complexes, and some apartments within smaller scale developments especially within popular beachside locations and those that appeal to first home buyers or downsizers. Based on the performance of 2020, we expect to see continued strength within the higher end of this market – circa

$5 million plus, which includes high quality and waterfront properties within the Sutherland Shire and St George region.

Some interesting information – as at December 2020, Domain published an article on the cheapest Sydney suburbs to buy property within a 10-kilometre and 20-kilometre radius of the CBD. Inner west and inner south suburbs made up the top five for houses within 10 kilometres of the CBD (see below).

Top 5 cheapest suburbs to buy a house within 10 kilometres of the Sydney CBD

Suburb	Median Price	YoY growth	Distance to CBD (in KMs)
Arncliffe	$1,230,000	18.3%	10
Croydon Park	$1,248,000	3.1%	10
Tempe	$1,251,800	13.8%	8
Newtown	$1,400,000	7.7%	4
Earlwood	$1,400,000	10.2%	10
Source: Domain			

Source: Domain

Earlwood came in at number 5 with a median house price of $1.4 million and a 10.2 per cent year on year growth. Earlwood is located approximately 10 kilometres from the CBD and benefits from local cafes, shops and parks and adjoins the Cooks River to the north-east which separates the suburb from adjoining Marrickville, Dulwich Hill and Hurlstone Park. We anticipate that Earlwood will continue to perform well given that it has the best of both worlds in terms of proximity to the CBD, amenities, open space and is still relatively affordable. With many of us continuing to spend more time at home. it is a significant selling point to have more space and be closer to amenities within our local areas.

Realestate.com.au classifies Earlwood as a high demand suburb based on the number of visits per property on its website. The suburb appeals especially to families.

A typical entry-level property would be a single level, older style home built circa 1930 to 1950 situated on a lot size of approximately 300 to 500 square metres. A recent example is 12 Woodlawn Avenue, Earlwood which sold for $1.505 million in December 2020. The property comprises a renovated, single level, 1940s dwelling with three bedrooms, two bathrooms and one car garage on 424 square metres of land.

A more substantial home on a larger allotment would typically be priced above $2 million. A recent example is 19 Collingwood Avenue, Earlwood (below) which sold in October 2020 for $2.914 million. This property is completely renovated and has multiple living areas, landscaped gardens and a swimming pool.

19 Collingwood Avenue, Earlwood Source: realestate.com.au

Northern Beaches

The Northern Beaches was one of the most resilient areas in Sydney during 2020 and we are anticipating the market to continue trending in the right direction for 2021. Banking economists have become rather bullish with their capital growth predictions, with NAB and ANZ anticipating a capital growth forecast of 4.4 per cent and 8.8 per cent respectively for Sydney. We would anticipate the Northern Beaches to be one of the stronger performing markets as local market and economic drivers all point to demand continuing to outstrip supply.

VIEW FROM NAB ECONOMICS

NAB HEDONIC DWELLING PRICE FORECASTS (%)*

	2019	2020f	2021f	2022f
Sydney	5.3	2.2	4.4	6.0
Melbourne	5.3	-2.2	3.6	5.4
Brisbane	0.3	3.2	7.4	7.4
Adelaide	-0.2	4.6	7.4	7.4
Perth	-6.8	0.1	5.0	5.8
Hobart	3.9	5.1	7.4	7.4
Cap City Avg	3.0	1.0	5.0	6.1

*% change represent through the year growth to Q4 SOURCE: CoreLogic, NAB Economics

Source: NAB Economics

Properties geared towards owner-occupiers and first home buyers are of particular note, as we have experienced a strong influx of owner-occupiers from across Sydney relocating to the Northern Beaches and expats returning home. Allambie Heights, Collaroy Plateau and North Narrabeen were some of the most popular suburbs for buyers using realestate.com.au in 2020 and we expect these areas to continue to perform well. All three of these suburbs currently have a median price higher than their pre-COVID levels and even higher than the previous peak of the market in 2017 (Corelogic).

We would be cautious about investment properties geared towards short-term rentals and corporate leases. Their performance will be heavily dictated by travel restrictions and government legislation which has been volatile and very unpredictable.

The caveat in the equation is obviously COVID-19 and a serious outbreak resulting in an extended lockdown could detrimentally impact the residential market as a whole. At this stage, consumer confidence remains high due to the potential rollout of a vaccine, the Reserve Bank's recent rate cuts and the current economic policy of rates remaining low for some years to come.

North Shore

The North Shore market, like most across Australia, was facing the unknown during the early stages of COVID-19 with extreme market volatility expected throughout 2020 by most forecasters. We think it can safely be said that nine months later, nobody would have been predicting that the 2021 market would be anything different. Once again however, this traditionally strong sector of the market has defied the odds and 2021 is looking far better than anyone would have thought. Although we don't predict the market to return to any kind of record setting price growth, we do think that the market in general will continue to stabilise and improve slightly. Of course, some sectors of the market will likely outperform others, a continuing trend from the second half of 2020.

The prestige sector of the market, considered above $5 million on the North Shore, is expected to remain strong in the coming year, although not quite at the levels we have seen in recent weeks which have defied all expectations. The main driver in the prestige sector on the North Shore has been the imbalance in supply and demand, with the majority of vendors electing to hold off selling until we see a more normalised environment.

As the current COVID-19 environment improves and becomes a more normal way of life, we would expect supply to increase, helping provide a more balanced market than we have seen in recent months. We may see listings of some trophy homes on the North Shore which were postponed in 2020, especially in the suburb of Mosman. One such property is currently listed for sale, located at 16 Iluka Road, Mosman with record setting expectations. Situated in a prime Mosman position on approximately 1720 square metres of waterfront reserve land, this architecturally designed residence comprises five-bedroom, six-bathroom accommodation appreciating Taylors Bay and harbour views.

16 Iluka Road, Mosman — Source: Domain.com.au

Standard detached housing between $1.5 million and $5 million on the North Shore is expected to experience a small amount of growth throughout 2021. The main issue surrounding this sector of the market will be stock levels which have been very low of late, helping drive the improved market conditions we have seen. If stock levels increase throughout the year, as we would assume will be the case with some sort of normality returning to everyday life, it appears that current strong demand levels will keep the market balanced.

We don't expect the unit sector of the market to perform quite as well due to supply levels having increased in certain areas, without the same strong demand we have seen in the detached housing sector. This traditionally strong investor market has experienced reduced yields caused by an increasing number of newly completed unit projects now advertised for rent. We predict this issue to continue throughout 2021 with more projects coming online, continued low immigration numbers and international students being less active in this sector of the market. The result of the above issues will be reduced demand in the unit sector throughout 2021, obviously having a negative result on prices. This weakened sector of the market may provide some opportunities for investors with some appetite for risk, or first-time homebuyers looking to get a foot in the market, although it should be treated with some caution.

It should be noted that the above forecasts are all subject to change quickly considering the current fragile environment. Although there are signs of a better year ahead in 2021 with an already improving economy and a vaccine roll-out forecast for the first half of the year, the international outlook is not quite as positive, which could ultimately have an impact on our market, especially in regard to immigration numbers and the number of overseas buyers active in the market.

Western Sydney

For most people in Australia, seeing 2020 come to an end could not come quickly enough. With 2020 behind us, there is a newfound wave of cautious optimism with many people having a positive outlook for 2021. This is important for

We may see listings of some trophy homes on the North Shore which were postponed in 2020, especially in the suburb of Mosman.

the residential property market as consumer sentiment will play a large role in any growth in 2021.

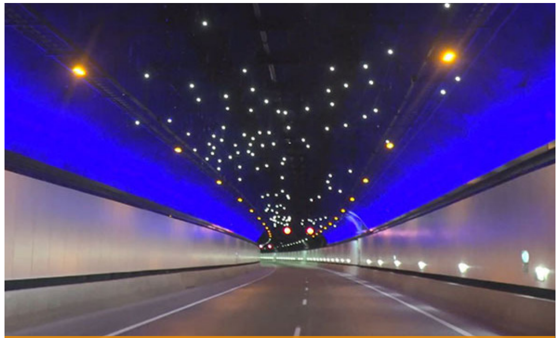
With interest rates at such record lows and a number of government incentives for first home buyers, the conditions for entering the property market are almost perfect, that is aside from the big issue being entry point pricing. What this pandemic has instigated is a large volume of people leaving the inner suburbs of Sydney and moving to the outer suburbs to chase a larger home with a yard or a lifestyle change whilst still being able to work from home.

We have seen many contracts of sale where the purchaser isn't upgrading from the local area but coming in from a more expensive suburb to buy a more family-friendly and pandemic-lockdown-friendly dwelling.

The north-west and western suburbs of Sydney have shown their resilience over the past year and if these suburbs can survive a pandemic, they can survive anything.

Suburbs such as Cherrybrook in the north-west, which grew 5.91 per cent over the 12 months of 2020 (realestate.com.au), are ones where we consider this trend will continue throughout 2021.

Mount Colah on the upper North Shore increased by 13.75 per cent over 2020. This can be attributed to a lower median price than surrounding areas (realestate.com.au). The highest growth occurred in the second half of the year and around the time of the opening of the NorthConnex Tunnel, which has dramatically cut commute times for suburbs such as Mount Colah. We previously predicted suburbs such as Mount Colah would benefit from this infrastructure, but over 13.75 per cent during a pandemic is surprising.



Inside the NorthConnex Tunnel which opened in October Source: 2GB

Further west in St Marys, 2020 was a good year price-wise with an 11.35 per cent uplift in the median price (realestate.com.au). Whilst starting from a lower base than other areas of Sydney, this could be the spark for something bigger as the proposed Badgerys Creek Airport rail network is set to use St Marys as an important junction. Access to such a large airport and surrounding employment areas could spell strong growth for this suburb in years to come. We suggest a buy and hold strategy for this area.

The pandemic has fueled a race to the outer regions of Sydney which has resulted in a boom in growth for sought after suburbs on the fringe of the Sydney metropolitan area. Wentworth Falls is a sought-after suburb in the Blue Mountains and has seen the median value rise 15.5 per cent over the past 12 months (realestate.com.au).

With the crystal ball in hand for the north-west and western suburbs of Sydney, we are expecting to continue to see growth throughout 2021. The key drivers are still interest rates and the usual solid fundamentals of quality real estate, but one key ingredient this coming year will be the wider market sentiment. Buying a house in Sydney is an expensive exercise and a decline in the level of consumer confidence will lead to less demand for housing.

Another important consideration is the impact that the end of JobKeeper will have on the wider economy and house prices. A great unknown is the amount of people receiving JobKeeper who will need to see off their investment property or main home once this stimulus ends. One prediction could be the real estate market has a sharp correction as the market is flooded with distressed sales and prices plummet. Unless there is a significant outbreak which causes major lockdowns, we consider this unlikely as the amount of people graduating off JobKeeper will further increase as the vaccine rolls out, confidence in business is restored and we return to a new normal by the middle of the year.

Eastern Suburbs

The eastern suburbs finished 2020 on a high with strong market activity and strengthening prices, including a large number of suburb records. Demand in the area was fueled by local buyers looking to upgrade to accommodate an increased work from home lifestyle and take advantage of the cafes, parks, beaches and harbour foreshores that make this region so popular.

Not surprisingly, beachside suburbs enjoyed strong growth in the median price of houses

With the crystal ball in hand for the north-west and western suburbs of Sydney, we are expecting to continue to see growth throughout 2021.

HERRON TODD WHITE RESIDENTIAL

View from the penthouse at 8 Notts Avenue, Bondi Beach Source: realestate.com.au

during 2020. The Bondi Beach median increased by 16 per cent, Coogee by 15 per cent and Maroubra by 17 per cent, while Clovelly jumped 34 per cent, indicating some strong activity at the upper end of that market (realestate.com.au). These suburbs are likely to still see growth during 2021 but some neighbouring suburbs may perform slightly better as these suburbs become less affordable. Queens Park and Kingsford saw a 5 per cent decline in their median house price during 2020 and look to show good value given the median price of surrounding suburbs.

Kingsford is somewhat of a surprising result given the Kingsford leg of the South East Light Rail opened there at the start of 2020. The 2020 median house price of $1.925 million is 15 per cent down on the $2.26 million median price during the 2017 market peak.

Unit prices were also fairly subdued during 2020 with the median unit price falling 3.4 per cent, compared to the other suburbs along the light rail which all saw increases: Kensington 2.7 per cent; Randwick 5.4 per cent; and Centennial Park 15 per cent (realestate.com.au). The more subdued results in Kensington and Kingsford could be attributed to lower demand for housing from international students to the University of New South Wales. This will revert to normal at some stage, although maybe not until 2022, but overall it would suggest that Kingsford provides good opportunity for medium to long term growth for both houses and units.

On the prestige side, like other prestige areas of Sydney, value levels in this market managed to hold up during the early months of the pandemic as activity slowed, however from mid-winter, the number of prestige listings began to increase and prices started to strengthen. Woollahra, in particular, saw an increase in prestige property transactions above $5 million as the year progressed, which helped see the median price increase by 34.5 per cent in 2020, after a drop of 19 per cent the previous year.

Expectations are that the strong finish to 2020 will continue into this year and as at the time of writing, there were 15 properties in the eastern suburbs advertised for sale on realestate.com.au with an asking price of $15 million plus.

One particular listing of note is the penthouse at 8 Notts Avenue in Bondi Beach, through Raine & Horne Double Bay. The apartment has DA approved plans for a full internal reconfiguration and renovation, and currently provides three bedrooms, two bathrooms and four car spaces, with expansive views over Bondi Beach, Ben Buckler and the ocean. The Wentworth Courier reported in October that offers around $20 million had been knocked back.

Matthew Halse
Director

Southern Highlands

With the welcome positive benefits of COVID-19 flowing through to increased market activity in sales rates and prices achieved across regional property markets, particularly in the last quarter of 2020, what can we reasonably expect for 2021?

Given the continuing strong level of buyer activity across the Southern Highlands region coupled with record low interest rates domestically, we would envisage this trend to continue throughout 2021. Suburbs and villages with central proximity to the three main townships of Mittagong, Bowral and Moss Vale will remain the principal drivers of market activity, with smaller villages such as the tightly held locations of Exeter, Berrima, Bundanoon, Burrawang and Robertson benefiting from the ripple effect of strong activity and price growth as purchasers seek out a quieter existence. It is anticipated that smaller rural residential and lifestyle holdings of between five and 25 acres will continue to see strong growth in market activity and price growth driven by Sydney purchasers seeking out a quieter lifestyle. This said, there may be some resistance to the typical 50 to 100 acre holdings due to concerns of ongoing maintenance.

We anticipate that 2021 will see an increase in investor driven market activity as confidence returns and good yields are achieved across the region, particularly within the lower end of the market. 2020 market activity was largely owner-occupier driven as purchasers discovered the regional hubs, associated lifestyle benefits and reasonable proximity to Sydney and Canberra. Investors will add to market activity.

Given the accelerated growth our region saw over the previous 12 months, at this point it's extremely difficult to pinpoint areas that may be considered comparatively affordable. The vast majority of suburbs have experienced strong growth across all price points, with the market for existing 1980s and 1990s dwellings in the townships potentially being the next to experience a surge, with very few buyers being able to pick out a buy in what has become a very competitive marketplace.

The most likely outcome for a potential easing of the local market from our observations is the unknown impact post roll out of the COVID vaccine as workers return to the office environment in some capacity and pressures from commuting potentially causing a rethink on regional purchases.

The other factor that may have a dampening effect as autumn and winter approach is the cool climate, with purchasers becoming aware of the generally five to six degrees cooler average temperatures compared to Sydney. Historically, there have been instances where people have made the decision to make the Southern Highlands lifestyle change, only to reconsider after one or two winter seasons. You can always rug up though....

Kurt Bismire/Tim Stevens
Property valuers

Lismore/Casino/Kyogle

Who could have predicted that following the introduction of a particularly nasty contagion in the early part of 2020, we would still see an admirable resurgence in the property market for the Lismore, Casino and Kyogle region from August 2020 onwards to the present day!

If anyone had the foresight to predict such events, they would be worthy of owning and wearing a helmet and breastplate of Beskar metal along with a Z-6 jetpack.

However, looking forward, what can be expected for 2021? Hmmm, c'est difficile. The market continued to show resilience in the later part of 2020.... can this be sustained into 2021 or could we see a slowdown and sale prices subdue?

The two ingredients of COVID-19 support and record low interest rates have contributed to propping up the economy, however it will be interesting to see whether the scaling down and ultimately ending the COVID-19 support will negatively impact on the property market in this region.

From commentary in property circles, it is expected that the record low interest rates will remain for the foreseeable future. There is the little problem of massive government debt incurred to protect the national economy, so any effort to kick start the national economy will need some relief for the general populace for some time yet. The net effect of this has encouraged owner-occupiers, first home buyers and investors to enter the property market with a vengeance in Lismore, Casino and Kyogle.

The trigger effect of the COVID-19 pandemic forced employers and employees to reassess their workspace policies and efficiencies. As a result, we have noted an influx of prospective property buyers from outside the local area seeking a regional base and – in a positive turn – seeing their overall cost of living fall dramatically and work/life balance improve. Seriously, who would want to commute to work by public or private transport for hours on end into the big city only to arrive at the office and carry out tasks that could be easily replicated from the home office? Better yet, why not from outside the city where the grass is green, and the fields are pretty?

Therefore, during the last part of 2020, particularly from August 2020 onwards, the residential and rural residential property markets experienced a significant jump in activity and sale price. Real estate agents were reporting strong interest from both local and outside buyers to a point where the supply of available listings became very thin. We expect this trend to continue throughout 2021 as we adjust to a COVID-19 safe life.

It is rather difficult to predict how potential outbreaks would affect the market, however providing any such clusters are quickly ring-fenced and attacked aggressively, hopefully the imposed restrictions would be brief. Nevertheless, the COVID-19 factor remains as a significant threat – especially that UK variant which has recently surfaced.

There is also the proposal touted by the New South Wales government to modify the stamp duty charge

The net effect of this has encouraged owner-occupiers, first home buyers and investors to enter the property market with a vengeance in Lismore, Casino and Kyogle.

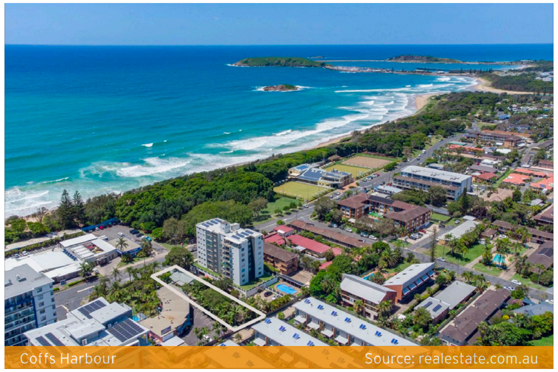
with an option to pay an annual land tax as opposed to an upfront payment. This provides an interesting variable for property buyers to ponder as part of the purchase process. This would reduce the initial burden on the first home buyer and may encourage property investors to renovate and on-sell for a profit more readily with lower upfront costs.

To summarise, property market forecasting in an unpredictable environment calls for a mix of reserved optimism and caution.

Vaughan Bell
Property Valuer

Coffs Harbour

The expectation of the Coffs Harbour market in 2021 is simple: more of the same, following the strong market experienced throughout the end of 2020. It is well documented now how the COVID pandemic has impacted regional areas of New South Wales with high demand and limited product for sale seeing property values continue the journey northward. We can see no reason for this demand to abate over the next 12 months even with the introduction of a vaccine. Supply, or lack thereof, coupled with the low interest rate climate will be key factors that will see prices remain strong. The region will also benefit from the Coffs Harbour Pacific Highway bypass which has now been given the green light and the first official soil turning has been undertaken. This is a major infrastructure project which will have a significant boost to the local economy over the next three to five years. We are already seeing issues around the distinct lack of rental accommodation which



Coffs Harbour Source: realestate.com.au

will only be heightened with the advent of workers migrating to town.

The price point to watch is the prestige market. We are seeing values now being regularly achieved above $1.5 million for beachside and rural residential markets and in several cases in excess of $3 million. Typically, values in excess of this price were few and far between and were characterised by long selling periods. Sale periods for this market segment are now noted in days rather than months or years with a combination of both local and capital city purchasers.

The vacant land market is also one which is out of control. With very limited developed product available, future stages of estates currently being developed are now being sold out off the plan with completion likely towards the end of 2021. This is causing land values to spike dramatically and coupled with increasing building costs, sees the end product cost well above existing product. This poses a problem for the local valuer supporting:

This is causing land values to spike dramatically and coupled with increasing building costs, sees the end product cost well above existing product.

a. the initial land purchase; and

b. the as if complete value of the proposed dwelling.

With the existing sales being well below the new thresholds being achieved, valuers will find it difficult to support future values for mortgage security purposes.

As always, the major draw card for the region is the lifestyle factor; from the bush to the beach, there is a diversity of product to suit all needs and with the changing face of the workplace driven by the COVID pandemic and major infrastructure projects to be undertaken in the coming years, we can see no reason for the market to retract any time soon.

Grant Oxenford
Property Valuer

Newcastle

With 2020 being such a surprise, the strength and resilience of the Newcastle and Hunter Region residential property market will be tested further in 2021. If this year is anything like the last, we would expect the local property market to continue its upward trajectory. Although COVID has not been a major issue in the region, things are still changing around the country from week to week and there are still lockdowns and border closures occurring sporadically. Fortunately, each little outbreak recently has been snuffed out quickly before it has had too much of a detrimental impact on the local economy.

Suburbs still busy with activity for first home buyers keen to purchase land and take advantage of the first homeowner grants are Chisholm and Thornton, located thirty minutes north-west of Newcastle. Other suburbs in Lake Macquarie with land releases are Cameron Park, Teralba, Boolaroo and Edgeworth. Agents in the region are still advising that there are plenty of buyers looking to

purchase land and established property all over the region. We are still receiving reports however that stock levels are still not keeping up with demand, which has driven values up.

The rental market in Newcastle and the Hunter Region is the strongest it has been in some time (Newcastle had a vacancy rate of 0.3 per cent in December 2020 according to Domain). Agents are conducting open homes with at least 30 couples lined up ready to inspect in some cases. Agents advise that some properties are listed for lease on a Monday and leased out by the following Friday. The decrease in the vacancy rate has driven up rents with the best performing LGAs over the past year in our region being:

- Cessnock - median rent increase of **7.35%**
- Port Stephens - median rent increase of **5.06%**
- Lake Macquarie - median rent increase of **4.88%**
- Newcastle - median rent increase of **3.7%**

Source: FACS, September 2020 quarter

This is positive news for property investors all over the region looking for that investment property in 2021.

Areas still affordable for buyers are large suburbs such as Mayfield where houses are still selling for under the $550,000 mark with young couples and families continuing to purchase due to its proximity to the city and shops. East Maitland in the greater Maitland area is also very popular due to its proximity to a variety of schools, Greenhills shopping centre and also the addition of the new hospital nearing completion.

There continues to be an oversupply of units in the Newcastle region in the suburbs of Wickham and Newcastle with a number of developments being completed around the same time. The sheer volume of these units means they are taking slightly longer than normal to sell and agents advise that this isn't stopping development sites being snapped up by developers looking to buy and build in the future. Units in the region have not seen the same level of capital growth as dwellings over the past year.

We are still receiving reports however that stock levels are still not keeping up with demand, which has driven values up.

With the storm that was 2020, it is difficult to predict what is going to happen in property markets all over Australia. In the Newcastle and Hunter region, we are hopeful that the property market will continue to climb at a steady rate and we are optimistic that suburb records will continue to be broken in 2021.

Liz Mcallister
Property Valuer

Central Coast Region

Starters ready... on your marks... GO!. For most of us, leaving 2020 behind and sprinting as fast as we can into 2021 seems like the best way possible to start the year. New Year's resolutions have been sworn to and now all that's left to do is look forward with anticipation to what will transpire in 2021. As much as we'd like to forget about COVID-19, it's very likely to remain, albeit contained to an extent.

The Central Coast property market showed signs of growth across the region throughout the fourth quarter of the year, driven largely by increased buyer demand and low stock levels. Local real estate agents reported increased enquiries from out-of-area buyers with a large percentage residing in Sydney and its surrounding metropolitan areas. With working from home arrangements becoming more popular and less reliance being placed on living within a reasonable travelling distance of the Sydney CBD, many buyers looked to our region. This, coupled with the attraction of being an affordable region, created a market that very few would have predicted at the start of the year and what ensued soon after.

Whilst COVID-19 circulates within the community, it is safe to say that uncertainty will remain in 2021, however the Australian economy is expected to be resilient, repelling the slow suppression of trade with China, continuing to adapt to sporadic state border closures, managing containment of the unemployment rate and the Reserve Bank of Australia forecast to keep the cash rate at stable levels; these are all signs of renewed confidence at a macroeconomic level.

If our outlook for 2021 at a macroeconomic level is anywhere near correct, then the Central Coast property market is set for another year of growth with a possible flattening as the year progresses. However, if our crystal ball techniques are lacking and our predictions don't come to fruition, then we may find ourselves in a totally different property market with price corrections a reality, driven largely by the sharp growth that occurred towards the end of 2020 that may not be sustained in 2021.

As previously alluded to in our column, with the working from home mindset gaining further traction, we see properties located within close proximity of train stations from Woy Woy to Ourimbah and access to the M1 motorway such as Kariong worth watching as these areas offer the ability to commute to the Sydney CBD in a reasonable travel time, if working from home can only be conducted on a part-time basis.

Local real estate agents reported increased enquiries from out-of-area buyers with a large percentage residing in Sydney and its surrounding metropolitan areas.

Other areas worth keeping an eye on this year are the rural residential and small acreage markets of Matcham, Holgate and surrounding suburbs of Wamberal and Erina Heights. We saw strong sale prices recorded in these areas in the lead up to the end of 2020 and local real estate agents are upbeat about the increased interest from mainly out of area buyers.

Historically, the Central Coast property market generally has been in a state of growth since post the Global Financial Crisis. Affordability for locals selling and buying back into the local market has been slowly slipping away as a result of the long-term upward trajectory of the market. In recent times our region has been perceived as an affordable option for residents moving out of Sydney and upgrading from small apartments to freestanding residential dwellings. We have also heard the word affordable mentioned when speaking to purchasers of prestige property in the region.

Gosford Source: realestate.com.au

We expect the unit market in Gosford to remain stable over the course of the year after we saw increases in supply due to new unit complexes being completed in 2020. These new complexes include: Bayview on Fielder Street in West Gosford; Golf Heights apartments on Beane Street, West Gosford; and Merindah apartments on Mann Street, Gosford. The Entrance unit market is expected to remain flat with an equilibrium of supply and demand.

If we were to err on the side of caution, it is with the ever-increasing supply of Airbnb style properties in our tourist driven localities. Mainly located along our coastlines, these properties have been a popular commodity for investors with attractive returns from strong booking demand; some properties are allegedly booked out for months on end. Why should we be cautious you ask? The short-term accommodation market has been widely affected by the ongoing COVID-19 restrictions, with the inability of holidaymakers to move freely around the state or country due to state border lockouts or hot spot lock downs. It is expected that returns will be more volatile as potential buyers and investors look for alternative uses.

Todd Beckman
Property Valuer

Illawarra

What is going to happen in 2021? This is one of the more difficult predictions we've had to make in recent years. With the residential market performing very strongly throughout the back end of 2020, are we going to see this continue in 2021, or will there be a slowdown and price correction?

As it currently stands, the two major influences on market performance are interest rates and the COVID-19 pandemic. The official cash rate and mortgage interest rates are currently at record low levels and expert commentary suggests these low rates are here to stay in the short to medium term. This is allowing both owner-occupiers and investors greater confidence when considering a property purchase.

Market outcomes from the pandemic have been surprising, although if we consider what has happened it makes sense. Having to share an office building with thousands or catch overcrowded public transport are not desirable propositions during a pandemic. As a result, searches for regional properties are at an all-time high and the pandemic has been a trigger for people who may have considered a move to a regional area to actually take the plunge. Commuting may have been difficult to swallow five days a week, however working arrangements and flexibilities are making it possible to work from home more and only have to undertake the commute once or twice a week. The result is that properties one or two hours from Sydney are seeing huge interest and activity including in the Wollongong LGA. Pricefinder reports that residential sales over $2 million have jumped from 26 in the period including September to December 2019 to 53 for the same period in 2020. Agents are reporting strong interest from Sydney buyers in this price point in the northern beaches areas such as Bulli, Thirroul and Austinmer. We expect this trend to continue in 2021 as we all get used to life during pandemic conditions and hopefully after they subside.

One of the biggest cautions for 2021 and also one that is impossible to predict is a major COVID-19 outbreak. We saw that the second wave and lockdown period in Melbourne put a halt to the property market there and a similar result would be expected if severe restrictions were to be reintroduced into New South Wales. Whilst we are hopeful that this will not occur, it remains a possibility while COVID-19 exists as a significant threat.

The New South Wales government has announced that it is considering changes to stamp duty with an option to pay an annual land tax instead of the upfront stamp duty payment. It will be interesting to see what happens in the property market if this change is implemented in 2021. Our prediction is that once a date is set, the market could slow as purchasers delay transactions until they can take advantage, however once introduced it will reduce the upfront burden and will make it easier to buy a property. We would expect that this will help first home buyers and that this segment of the market will perform strongly as a result. Likewise, it will reduce a large cost for property flippers and will make it more feasible to purchase an old property, do it up and sell for profit.

Chris McKenna
Residential Team Leader

Nowra / Shoalhaven

It would take a very brave person to predict what is going to occur in the 2021 residential property market in the Nowra and Shoalhaven region.... but here goes!

Not many experts would have predicted that the 2020 market would have been as strong as it was. As the year progressed past March and April, the market continued to go from strength to strength. There was a belief amongst local industry professionals that the uncertainty surrounding the COVID-19 pandemic combined with the devastating 2019/2020 summer bushfire event was going to have dire consequences for the Nowra and Shoalhaven property market. Prospective purchasers however were not deterred as record low interest rates and the surprisingly positive effect the pandemic had on the local market resulted in it finishing the end of 2020 very strongly.

> *Not many experts would have predicted that the 2020 market would have been as strong as it was.*

Local industry professionals are advising of a number of key influences impacting the Nowra and Shoalhaven property market and consequently driving up property prices which they believe will continue in 2021. Low interest rates are expected to continue making it enticing for both owner-occupiers and investors to enter the market. Real estate agents are also noting that stock levels are low. The limited amount of properties on the market at any one time combined with strong demand is also helping to drive the market in an upward direction.

The positive effect of the COVID-19 pandemic is expected to hang around in 2021. More and more employers and employees are coming to the realisation that working from home is a productive and positive outcome for all parties. Real estate agents are advising of a significant amount of Sydney money entering the Nowra and Shaolhaven region. This is having a considerable influence on the market as many people from Sydney and other capital cities such as Canberra are discovering or rediscovering the suburbs of the south coast and what they have to offer. With restrictions in place impacting interstate and overseas travel, many out of town buyers are seeking to purchase a holiday house or looking to completely relocate to the area as their employer or business is allowing them to work from home.

Looking into the crystal ball for 2021, the global COVID-19 pandemic is still at the very forefront of everyone's minds and the uncertainty could very well ultimately dictate what will occur. 2021 could be very similar to 2020 if the same trend continues, however a major outbreak in the region could put a halt to the current strong sale results.

Josh Devitt
Director

Tamworth

In 2020, we saw some markets within our region perform well, including the entry level, vacant land and new home construction and rural residential markets. Generally, we referred to most local markets as being steady to showing early signs of strengthening. Here's what we consider to be the likely outcome for the Tamworth and Tamworth greater region for the 2021 calendar year.

It's been cause for celebration over the Christmas and New Year period. This has largely been due to welcome rainfalls in the Tamworth region. Widespread rain has bolstered the region's water supply (Chaffey Dam, which now sits at over 40 per cent capacity), meaning that residents have enjoyed a lowering of domestic water restrictions. Favourable weather conditions together with low interest rates, extended government incentives of JobKeeper and JobSeeker and for new home construction and residential renovations indicate the local community will start the New Year with cautious optimism. Living with COVID-19 has and will continue to remain the greatest challenge for the year. Market confidence and general market direction is somewhat reliant on social and economic policies remaining consistent and restrictions continuing to ease (safely).

One market segment within the Tamworth area worth watching is the established rural residential and rural lifestyle. We think this market segment will continue to improve. Property with established dwellings located within close proximity of the Tamworth CBD (within 15 kilometres) on one to ten hectares is increasingly popular with the general market. The rural residential and rural lifestyle market in Tamworth has been increasingly competitive, however there is still opportunity to enter this market at an affordable price.

The Tamworth established residential property market priced from $200,000 to $500,000 is also considered to show signs of continuing to firm. Largely represented by the owner-occupier, demand for partly renovated property within this price range is predicted to be good.

Establishing these areas within the market is largely due to the low interest rates available, improved environmental and weather conditions experienced by the region and a general improved confidence in the economic stability and the ability to trade during the COVID-19 pandemic.

Areas that seem comparatively affordable in the market right now are residential property within the Calala, North Tamworth and Hillvue areas of modern style project dwellings, constructed around 2015 to 2019. Because of the increased new home construction activity (largely due to government incentives to build) there is an increase in the number of new homes, leaving the slightly older, more established, modern style dwellings at a potentially more affordable price point.

Tamworth Source: realestate.com.au

The new home market was very popular in the closing months of 2020. Build costs have been, at times, erratic. This has been largely due to the unprecedented increase in demand, a local skills shortage and variable material costs (depending on domestic availability). For this reason, the new home market should be treated with caution. Also, a consideration towards this particular market is the inevitable withdrawal of the new home building and renovation grants. The expiry of this financial incentive will potentially determine what state the normal market is in.

One of the most interesting and critical periods of this New Year will be when all the government stimulus made available during the 2020 calendar year is pulled back. Will there be continued legislative and financial support in any capacity? What will the local and national economies look like without it? The expectation is that following the conclusion of this stimulus availability and mortgage deferral period, we'll see a relatively stable market in Tamworth. That being said, the level of market activity is expected to be somewhat subdued compared to the same quarters in 2020.

Nick Humphries
Valuers

Albury/Wodonga

The Albury-Wodonga region has experienced a significant lift across all market segments due to a seemingly unique set of market drivers resulting from the COVID-19 pandemic. The combination of the Home Builder grant, low supply of existing stock on market, increased demand from people relocating from Sydney, Melbourne and Canberra, coupled with strong fear of missing out local interest has created high sales activity and demand, resulting in increased sale prices and a lift in market values as settled sales evidence and a sustained lift are evident.

The first wave was fuelled by the Home Builder scheme and vacant land sales activity looked

It would appear that everything regional living has to offer has placed our region as very desirable and affordable.

similar to the frenzy of toilet paper buying behaviour in 2020. Interestingly this was across Albury-Wodonga, Wangaratta, Yarrawonga-Mulwala, our Alpine regions including Bright and Mount Beauty and smaller townships in every direction from Albury-Wodonga. Suffice to say we are now in a construction boom which is great for local builders and developers and all the employment this generates.

The second wave has been a combination of lack of supply of existing product pushing demand and prices higher coupled with local purchasers wanting to get into the market before the hyped mass migration of metro buyers about to hit the market with bigger wallets and choice at their disposal due to lockdown fatigue and the new living options for the flexible working from home model. It has been a very fast turnaround that people have jumped quite early on this very large decision, but the locals have led this lift.

The third wave is due to metropolitan purchasers increasing across the entire region, especially in the high end and lifestyle markets. We have seen a significant increase in demand for good quality, established prestige dwellings in central locations and the rural lifestyle market is another beneficiary of this demand. None of this new behaviour and demand is lost on the agents, who report unprecedented interest in all product types, very short selling periods, an increase in off market transactions and properties selling above the listing price.

The year ahead seems set to be busy and ground-breaking for regional areas. The questions that remain are the sustainability of the lift in prices, the speed at which we can provide the extra infrastructure and community services that an unexpected increase in population will create and well, whether people like regional living set against the evolving backdrop of the pandemic. Or as we say when making plans these days...pending everything!

It would appear that everything regional living has to offer has placed our region as very desirable and affordable, ticking lots of boxes for people resetting or recalibrating where they want to live. Nothing new for all we fortunate people who already live in such a vibrant community.

Rachel Anderson
Property Valuer

Victoria

Melbourne

2020 was a turbulent year in more ways than one. Despite the obvious health and lifestyle implications of the COVID-19 pandemic, economies across the globe have been largely impacted as a result. Melbourne's property market remained surprisingly resilient despite the strict and fluctuating state-wide restrictions over the past 12 months and ended the year building momentum before the new year.

In the lead up to Christmas, market participants made up for lost time, ending the year with record breaking results in loan pre-approvals, open for inspection numbers, registered auction bidders and online enquiries (Ray White, 2021). Additionally, the announcement by the Victorian government of stamp duty discounts in the 2020-21 budget further compounds the optimism about the coming 12 months. New and off-the plan properties will receive a 50 per cent waiver on stamp duty, with established property receiving 25 per cent up to 1 July 2021, with discounts available to both investors and owner-occupiers on property valued up to $1 million. These factors help to indicate across Melbourne that the market is well placed for a bright and vibrant 2021.

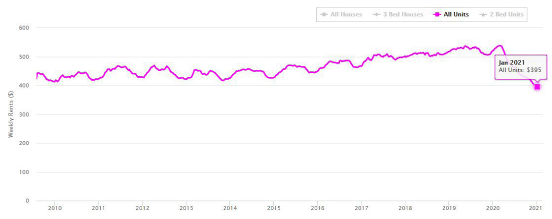
Potentially the greatest risk for Melbourne markets heading into the new year lies within the inner-city suburbs. Modelled sales volumes for last November estimated approximately 4,300 transactions took place across the city and in the same period, 8054 new listings were added to the market. This indicates a figure of round 0.5 sales for each new listing which may lead to a slowed recovery rate in 2021 despite the 0.7 per cent rise in values in November 2020 (Corelogic 2020).

Potentially the greatest risk for Melbourne markets heading into the new year lies within the inner-city suburbs.

Melbourne CBD

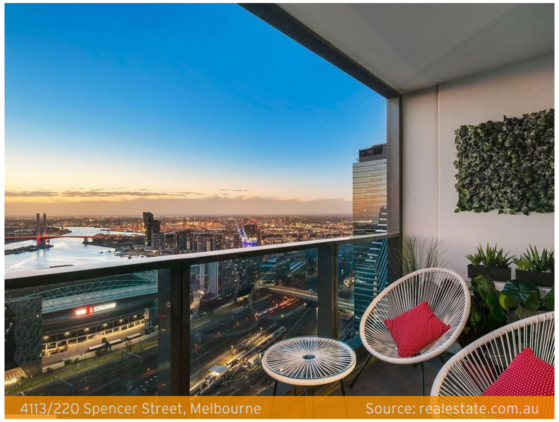
Due to travel restrictions and closure of international borders, we are seeing that the CBD and inner-city apartments have suffered the most due to a significant drop in the arrival of overseas students, tourists and new migrants either from overseas or interstate. As of January 2021, the median asking prices and median asking rents are $536,849 and $395 per week respectively.

Median Price (Melbourne CBD) Source: SQM Research



Weekly Rent (Melbourne CBD) Source: SQM Research

In 2021, we expect that the property market in the CBD and inner-city, particularly the apartment sector, will continue facing a headwind in the first half of the year. As the international border is likely to remain closed in the medium term, the demand for housing in the CBD will continue to be sluggish. With lower or no rental income and the inability to secure new tenants, investors are likely to sell their properties which will add more stock to the market which already has high supply. Consequently, this will put more downward pressure on prices. It is expected that investors will become more cautious due to the oversupply and softer demand in the rental market, however it presents a fantastic opportunity for owner-occupiers as there are plenty of bargains likely to be found in apartments.



4113/220 Spencer Street, Melbourne Source: realestate.com.au

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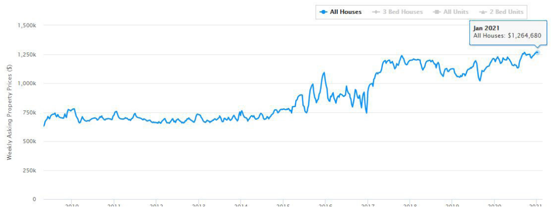
Along with the arrival of an effective Coronavirus vaccine, we expect that the rental market in the CBD apartment will start to recover gradually.

The above apartment features two bedrooms and two bathrooms with spectacular water views and is located in the heart of the Melbourne CBD. The vendor purchased the property for $625,000 in March 2020 and sold for $595,000 in January 2021.

South-East

Amid the COVID crisis, the housing market in the south-east region has been surprisingly resilient. One of the suburbs to look out for is Bentleigh East. Bentleigh East is located approximately 15 kilometres south-east of the Melbourne CBD. It is a well-established and primarily residential suburb with several good quality primary schools and secondary colleges. According to the REIV's current market report, Bentleigh East is one of the best performers in the south-east region, recording a quarterly growth rate of approximately 20 per cent as of Quarter 4, 2020. Due to the high demand for properties in the area along with government incentives and the historically low interest rate, we expect the trend will continue in 2021. As of January 2021, the median asking price in the area is $1,264,680.



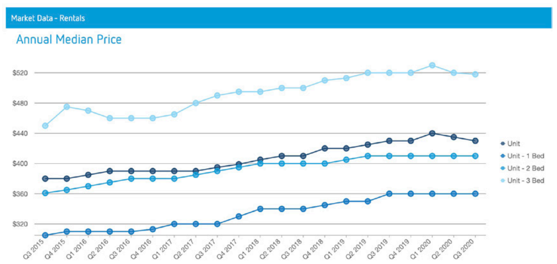
Bentleigh East Median Price (Southeast) Source: SQM Research

With lower borrowing costs and numerous government incentives such as an extension of the Home Builder Grant and discount on stamp duty, we expect that more first home buyers will be driven into the market. Due to affordable housing prices, demand for housing, especially for newly built houses and house and land packages in developing suburbs such as Clyde, Clyde North and Officer, will continue to increase in the coming year.

Inner and Outer East

Historically, investors have looked towards Melbourne's unit markets, however demand has been slowed due to weaker rental conditions coupled with high supply levels in some Melbourne suburbs. As many international students were forced to return to their home countries after the temporary closure of universities and movement towards online and remote learning, it comes as no real surprise that a large number of inner-city units became either vacant or were forced to reduce rental values. It will be interesting to see in the coming months how these property types perform, particularly in LGAs such as Boroondara, Monash and Whitehorse, and how these markets respond when international students return to Melbourne. The graph below highlights the stagnant growth of median rental values of units in the City of Whitehorse in Melbourne's east, covering suburbs such as Burwood, Burwood East, Box Hill South and Blackburn South. These suburbs surround

Whitehorse



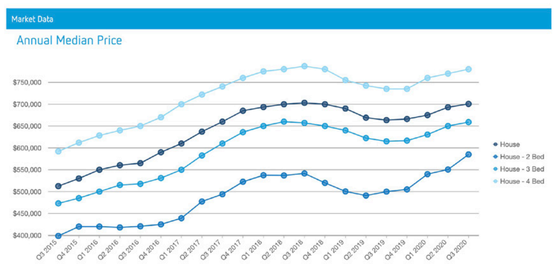
Whitehorse_Annual Median Unit Price Source: PropertyData 2021

Deakin University's Melbourne campus and it will be interesting to see the market response once Melbourne returns to its pre-COVID normality.

The increasing prevalence of remote work arrangements and less focus on mandatory office attendance may lead to an increase in regional market activity as the demand for lower density housing becomes more popular. This coupled with economic factors such as low interest rates and extended government incentives such as the stamp duty discounts and extended Home Builder initiative means that purchasers are able to look towards areas in which they are able to either build a brand new home or purchase an existing property to renovate to meet their individual requirements and taste without being overly concerned about travel times to Melbourne for a daily commute. As the stamp duty discounts remain in place for only the next six months, it is likely to bring forward property purchases and surging housing demand up until July 2021.

In Melbourne's outer East in 2021, a keen focus should be kept on growing suburbs such as Healesville, Badger Creek and Yarra Junction. Property values in these areas should continue to thrive and grow as they have in the previous 12 months. This is highlighted in the below graph for median house prices in the Yarra Ranges area,

Yarra Ranges



Yarra Ranges_Annual Median House Price Source: PropertyData 2021

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showing a strong upward trend from $666,000 (Quarter 4, 2019) to $700,700 (Quarter 3, 2020).

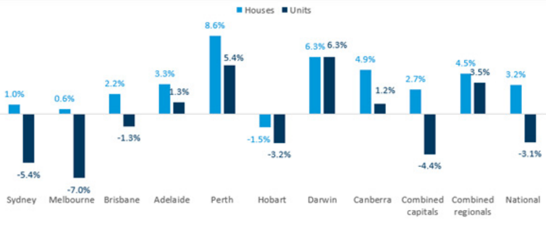
Inner and Outer North

With 2020 finishing with much relief in Victoria, 2021 has brought much anticipation especially in the property market off the back of incredible auction numbers in November and December. With minimal restrictions compared to that of Stage 4 affecting the state and confidence with the successful handling of small outbreaks, many are tipping the property market to continue the growth it saw at the end of 2020. Based on the REIV's auction numbers for the week ending 16 January 2021, up 361 auctions on the same time in 2020, it appears that growth is continuing into the start of the new year.

The outer north growth corridor suburbs such as Mickleham, Donnybrook and Kalkallo performed extremely well in 2020 off the back of the home builder and first home buyer grants available to many buyers looking in the area. Land was selling incredibly well and house and land packages under $700,000 were very attractive to many looking to enter the property market. This trend looks set to continue with the home builder's grant extended until 31 March 2021.

Large land developers such as Stockland and Mirvac will continue to heavily promote and market land in order to attract new buyers and capitalise on the government grants available. It will be very interesting to see whether this sector of the property market will continue to grow at its current pace once the home builder grant finishes in March. If it does slow, some buyers may turn their attention to existing properties in suburbs closer to the city.

The apartment market in the inner north struggled



Growth in rent values - Year to November 2020 Source: Corelogic , 2020

like much of the state during 2020. The travel restrictions implemented to help stop the spread of COVID-19 prevented migration and international students arriving to the country which is the driving factor for this sector. Rent values in Melbourne dropped seven per cent for the year to November 2020 according to Corelogic Data.

This is one market which will be keenly watched by many and could see a turnaround if vaccinations are rolled out and international travel is increased throughout the year. Although with much uncertainty, the downward trend is set to continue for the early part of 2021.

One of the interesting elements that may test not only the property market, but the economy as a whole, is the ending of JobKeeper. Having been extended until 28 March 2021, the government support has helped many businesses through the toughest times of the pandemic. Once this support finishes it may result in unemployment and businesses unable to continue. This would have a dramatic impact on the property market with individuals unable to service mortgages or pay rent and therefore be in a position where they are forced to sell or find cheaper rent options.

Western Suburbs

2021 will remain consistent or continue to grow in the new year in the western suburbs. In the larger new development areas such as Tarneit and Truganina, the supply of land will stimulate the market, creating more opportunities to invest and build homes. In more established areas of the west, the market will stabilise as people in a position to purchase high end property can purchase at a slightly cheaper price with new properties continually entering the market. Areas to watch in 2021 are Point Cook, Tarneit and Truganina as they are largely development areas. The pandemic has forced people to think in a different way. With the ability to work at home efficiently and effectively, Melbournians are now looking for regional property that has space and that is affordable, which targets the large development areas. These large development areas also have opportunities for larger infrastructure development. Infiltration of supermarkets, cafes and restaurants will create economic benefits and increase property values in the area.

One downside to the western suburbs of Melbourne is the possibility of oversupply. Being one of the largest development locales in Australia means that vacant land is constantly available which could potentially drive land value in the area down in price. The year of 2020 brought uncertainty for many and unpredictability as the property cycle fell out of sync with the natural property clock. This being said, property values in the western suburbs

This is one market which will be keenly watched by many and could see a turnaround if vaccinations are rolled out and international travel is increased throughout the year.

will continue to grow given that demand for new houses will be consistent for the foreseeable future.

Geelong
Geelong enters 2021 with a solid foundation to continue growth across the region. Myriad factors including buyers continuing to prioritise lifestyle locations and Melbourne residents flooding the market have boosted the region's population growth. Partner this with local buyers upsizing from current locations, and growth is expected to continue well into the year before stabilising in later months.

Suburbs to watch throughout 2021 include Bell Post Hill and Grovedale. Offering affordable properties on larger allotments within close proximity of major infrastructure, families looking to upgrade and first-time buyers will target these locations. Among Melbourne buyers, more central locations such as East Geelong will be in high demand. The period style homes and proximity to Eastern Beach and the Geelong CBD make this a desirable location for purchasers.

Affordable suburbs within the Bellarine Peninsula are expected to see moderate growth throughout the year. With local agents hinting at limited stock in the region, the suburbs of St Leonards, Curlewis and Clifton Springs offer a more affordable price point for purchasers wanting to live on the Peninsular. Closer to Geelong, Armstrong Creek will continue to be attractive for first time home owners. With a median house price of $575,000, this area will continue to be one of Geelong's most in demand growth markets (source: Corelogic, 2021).

A trend likely to unfold throughout the year is sales over the $1 million price point. Highton and Belmont will be of particular interest to Melbourne buyers due to the quality of homes and land size in comparison to Melbourne markets at that price level. We expect median sale prices to rise across the year.

Perron King
Director

Mildura
A tight rental market and low interest rates are expected to continue to have a positive influence on Mildura's residential property market in 2021. Our local economy has weathered the COVID-19 pandemic reasonably well, in large part due to good returns from the farming community and a strong construction industry. At this stage we expect these conditions to continue.

Having said this, the local tourism sector is facing ongoing uncertainty due to border restrictions and some of our local retail and hospitality industries have also experienced difficult trading conditions so there will likely continue to be high commercial vacancy rates in some sectors and locations.

It should be acknowledged that it is difficult to predict the future with any accuracy at present, due to the global uncertainty that COVID-19 is creating. When combined with ongoing trade tensions with China, there is potential for some of our local rural industries to experience weaker conditions this year. Wine grape growers are already bracing for lower prices for red grape varieties and there is nervousness among table grape and citrus growers, due to their heavy reliance on the Chinese market.

The standout performer in the local residential market in 2020 was vacant land and current indications are that the uplift in selling prices will be maintained, at least for the next six months. The substantial government incentives on offer appear to be underpinning this higher demand. Local developers have seen lots sell much quicker than


Mildura, Victoria Source: realestate.com.au

normal and at prices that are ten to 15 per cent higher than they were 12 months ago.

There are a number of new subdivisions coming online in the next few months, which will improve supply. If this coincides with a reduction in government incentives, it is considered quite possible that land values will plateau mid-year. Home building should continue to be strong throughout 2021, with builders having good orders as a result of the new subdivisions opening and the home builder grants.

Demand for rental accommodation is expected to remain strong, with the region having very low vacancy rates. With interest rates also so low, we expect to see both higher buying activity from investors who are dissatisfied with miserable term deposit rates, as well as some tenants deciding that buying a house now makes sense. This is expected to underpin demand for generic housing in the $250,000 to $400,000 price bracket.

Existing dwellings on larger allotments in the Irymple, Nichols Point, Gol Gol and Birdwoodton regions are expected to remain in high demand with younger families looking to upgrade from their first or second home in Mildura to a larger allotment with room for better ancillary improvements in these outer suburbs.

Values of units in Mildura will also likely continue to trend upwards as they provide an affordable investment with reasonably attractive returns.

Jake Garraway
Residential Valuation Manager

Shepparton

The Shepparton property market has continued to thrive over recent times due to the affordability the region offers. Median house prices have jumped by over ten per cent in the 12 months to October 2020 (source: Corelogic) to $304,781, up from $276,977. Some sectors of the market are outperforming others, with some parts of Shepparton seeing a $50,000 jump since May 2020.

The median price represents a 1960s brick veneer in an established residential area with adequate services. Sometimes, a renovated kitchen or bathroom is featured in these properties and are sought after by owner-occupiers as well as being of particular interest to the investor market.

These properties are renting for around $325 per week, with some achieving up to $375 for fully renovated accommodation in good locations. Yields have been compressing with the market surge as rents have not kept up due to a combination of new tenancy laws and government restrictions due to COVID. Higher yields can be achieved, especially with newer properties.

All signs point to another strong year for growth, with interest from metro buyers wanting to relocate and two large-scale housing developments opening up in Shepparton North East and Shepparton South East which are set to offer some 4000 blocks of land over the coming years.

Luke Jorgensen
Valuer

Warrnambool

Without knowing the full scope of the federal Government's potential economic actions or the greater impacts of the continuing pandemic, we feel very positive about the residential market within and surrounding Warrnambool.

Our expectations for the coming year are for the continuation of 2020's post-COVID market sentiment rebound and ongoing strong value growth.

While the previous year saw increased activity across a range of price points, it was the $550,000 to $650,000 range which was noticeably more active. If predictions were to be made along similar lines for 2021, it would be that volumes in the $900,000 to $1.2 million range will be trending upward.

Throughout the south-west region, some smaller townships will warrant more attention during 2021, notably Camperdown (approximately 70 kilometers north-east of Warrnambool) and Koroit (approximately 20 kilometers north-west). Koroit has recently seen an increase in its vacant residential land supply with growing demand actively welcoming it. The township is considered to be comparatively cheap and offers a strong community connection, primary school and local shopping facilities.

Camperdown is seeing increased interest from investors with significant rental returns possible in the short-term thanks in large part to the gas project and wind farm developments underway proximal to the township. Interest from out of town lifestyle buyers was also a highlight of 2020. With few limiting factors in sight for this trend, this is something we predict will be an ongoing theme of the Camperdown market.

Adrian Castle
Certified Practising Valuer

Median house prices have jumped by over ten per cent in the 12 months to October 2020 (source: Corelogic) to $304,781, up from $276,977.

Queensland

Brisbane

Here we go, here we go, here we go.

Brisbane once again stands at the precipice of what could prove to be a landmark year for property markets. While this claim has been made numerous times by all sorts of experts during the past decade, there is something a little different in 2021 that points to positive overall signs.

The ramifications of 2020 linger – there's no doubt. That said, Queensland, particularly in the southeast, looks sets to benefit from global and national events.

We'll get into market nuances later, but as a generalisation, there are a few numbers worth watching.

The ramifications of 2020 linger – there's no doubt. That said, Queensland, particularly in the southeast, looks sets to benefit from global and national events.

First up, the Brisbane region has historically enjoyed strong capital growth in tandem with a rising Net Internal Migration (NIM) number for Queensland.

The most recent available data from the Australian Bureau of Statistics (ABS) showed that prior to the pandemic, Queensland was increasing its population by 5423 people per quarter due to interstate migration. During the first three months of the pandemic year, this figure rose to 6286, and then continued its upward trajectory to come in at 6750 in the June 2020 quarter.

Quarterly interstate migration

	Jun-19 arr	Jun-19 dep	Jun-19 net	Mar-20 arr	Mar-20 dep	Mar-20 net	Jun-20 arr	Jun-20 dep	Jun-20 net
NSW	24,336	29,705	-5,369	21,005	26,545	-5,540	21,808	25,763	-3,955
Vic.	22,208	19,772	2,436	18,195	17,605	590	15,930	18,972	-3,042
Qld	26,596	21,173	5,423	24,353	18,085	6,268	24,141	17,391	6,750
SA	6,153	7,065	-912	5,736	5,953	-217	5,793	5,689	104
WA	8,427	9,450	-1,023	7,033	7,257	-224	6,689	6,916	-227
Tas.	3,660	3,232	428	3,032	2,734	298	3,160	2,773	387
NT	3,443	4,393	-950	3,378	4,033	-655	3,207	3,467	-260
ACT	5,469	5,502	-33	5,040	5,560	-520	4,723	4,480	243
Total	100,292	100,292	-	87,772	87,772	-	85,451	85,451	-

Source: ABS

This is significant because if this quarterly result is maintained into 2021 (and there's every indication it will), then we're looking at a NIM of around 27,000 for the year – the sorts of figures we saw during the hot market run of 2003.

But this rising NIM shouldn't be a surprise.

Queensland has had a pretty good outcome thus far with containing and controlling COVID outbreaks and, as of today, we are operating with a fairly open economic and social environment – alert but not alarmed. It's easy to see why other Aussies want to relocate to Queensland.

Couple that with historic low interest rates, excellent levels of government support and a stonkingly good outlook for infrastructure programs in and around Brisbane.

It all spells positive news for our capital city and its surrounds.

And it's not just homeowners looking to make their mark.

According to the REIQ's most recent data, the rental vacancy rate in Greater Brisbane (which takes in the LGAs of Redland, Moreton, Ipswich, Logan and Brisbane City) sits at a reasonably tight 2.2 per cent.

In short, rental demand is strong, rents have held firm and investors would be feeling pretty good if they avoided snap selling at the start of 2020.

This is all well and good as an overview, but let's drill down into some market segments.

First up, detached housing is the mainstay property type in our market. Housing, in general, holds its value well and has good demand across the board.

At the affordable end of the market, we're looking at outer and fringe suburbs beyond the 20-kilometre radius. These areas traditionally appeal to budget buyers, as well as investors looking for good rental yields.

Think Petrie (median price $466,000) to the north and Park Ridge (median price $450,000) to the south. A typical Petrie property would be something like this four-bed, two-bath home at 2 Saint Denis Court, Petrie which sold in January this year for $482,000.

2 Saint Denis Court, Petrie Source: realestate.com.au

These outer locations are likely to see values hold steady rather than experience spectacular gains in 2021. Supply of stock is reasonably good, and we suspect much of any uptick in demand will be concentrated closer to the CBD.

At the affordable end of the market, we're looking at outer and fringe suburbs beyond the 20-kilometre radius.

Looking nearer to the city at established family suburbs where property is priced between $550,000 and $750,000, and we expect these locations will enjoy some decent value rises in 2021.

These are locations such as Mount Gravatt, Everton Park and Salisbury where you can secure a solid, detached home on a good size allotment within reasonable proximity of services and facilities. For example, this home at 11 Gaynesford Street, Mount Gravatt which comprises three-bedroom, one-bathroom accommodation sold for $655,000 in November last year.

11 Gaynesford Street, Mount Gravatt Source: realestate.com.au

As you travel further toward the CBD, expect to see prices rises exponentially in 2021.

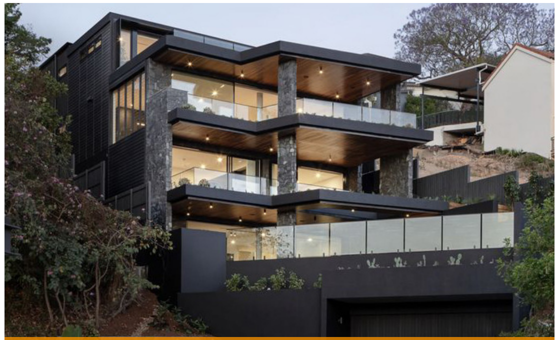
Good quality homes in areas like Taringa, Newmarket and Coorparoo are seeing plenty of demand already, and this looks likely to continue for the time being. These are typically well-maintained homes on good sized suburban blocks priced above $900,000. There will be great access to schools, shopping, amenities and transport and this means solid ongoing appeal from families.

This may well be the sector that preforms strongest in percentage terms in 2021.

31 Newbery Street, Newmarket sold for $1.05 million in December 2020
Source: realestate.com.au

We've already seen some impressive numbers for inner city prestige. Those who do move here from Sydney usually have deep pockets and are pre-conditioned to paying plenty for the right kind of real estate. As such, inner-city, good quality property leads the pack in the price growth wave at present.

Another buyer type which is coming through into the ultra-prestige sector is Aussie expats – again, not surprising given how well we've done in containing the pandemic on an international comparison. Overseas Australians are keen to get home and feel safe, and many of them have a lot of money to spend on their family abode. A great recent example is this property known as 'Noir' at 9 Prospect Terrace, Hamilton.



'Noir' - 9 Prospect Terrace, Hamilton Source: realestate.com.au

It's been reported an expat purchased the home over the internet for around $10 million dollars. It is one of Hamilton Hill's most prestige 'spec' homes and offers head-turningly spectacular accommodation.

So, for detached housing, we are feeling confident 2021 could deliver a sterling year.

Attached housing, on the other hand, may prove more challenging.

First some good news. Much of the 'unit oversupply issue' within inner-city suburbs that's been reported in recent years has substantially dissipated. Certainly, prices for this stock have not improved, but many have stabilised.

Much of the problem was concentrated around investor-style units. Small floor plans in large towers with limited appeal became all too common four years back. The result was that numerous towers were being brought to market and, as demand waned, many off-the-plan buyers were stuck holding a property worth far less than what they'd originally paid.

But the market, as usual, reacted.

Developers pulled back from projects or began adapting floor plans to create units that would appeal to owner occupiers rather than investors. So now as we enter 2021, things look a little brighter. While we wouldn't be necessarily encouraging buyers to go holis bolis into generic investor apartments, it does seem as if the prices will stabilise further.

For owner-occupier units, things are much rosier.

There are buyers willing to pay for high-end apartments with views and/or good city access and/or great facilities within their complex. This sector should continue to do well in 2021.

Another area worth monitoring will be new house-and-land packages in major estates. There was a surge in activity around this property type in 2020 with government stimulus helping drive a serious uptick in demand. Developers were releasing land stages as quickly as possible to try and keep up but were still regularly selling out.

Demand for builders is at an all-time high too.

While the economic powerhouse of construction will continue for much of the coming year, pent up demand may well have been 'brought forward' by the stimulus, so the long-term prospects for vacant land and new build homes mightn't be so rosy in the distant future.

2021 is a year when buying fundamentals will yield results.We are quietly optimistic about the market and look forward to seeing how it plays out in the next 12 months.

David Notley
Director

So, for detached housing, we are feeling confident 2021 could deliver a sterling year.

Gold Coast

The Gold Coast, Tweed Shire & Scenic Rim continued to improve over the months post easing of COVID-19 restrictions, with agents reporting limited stock and strong demand enabling vendors to push prices above previous sales negotiated in recent months.

The majority of the demand has come from owner occupiers and first home buyers, however, in recent weeks we have seen a re-emergence of investors, mainly from interstate residents who are looking to move to South East Queensland in the short to medium term.

With people spending more time at home and less money on travel, record low interest rates and improving borrowing conditions, property values have improved to levels above 2019 and this is forecast to continue into 2021. Vendors are the winners.

We asked our residential valuers to pen their thoughts on the segments they operate in daily, and a summary of their opinions follows:

Central Gold Coast
The central Gold Coast central area has been possibly the most buoyant, particularly for detached houses within walking distance of the beach, coffee shops or fronting a waterway.

More recently, agents have noted even a shortage of stock for good quality highrise apartments within Surfers Paradise and Broadbeach, where typically there is always a healthy level of supply.

Tourists appear to view the Gold Coast as a COVID-19 safe destination and therefore these two locations have seen an influx of visitors over the holiday period. A large volume of recent purchases have been from interstate buyers and this is

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certainly a major contributing factor to the current buoyancy of the property market.

The rental market across the coast is also very tight at the moment. Rental vacancies are at extremely low levels and subsequently this is putting upward pressure on rental prices. Property managers are reporting that demand for good quality rentals are so low in supply at the moment that potential tenants are often offering to pay six to twelve month rent in advance or will resort to paying well above the asking rent in order to secure the property. One of our staff attended an open house for a 1 bedroom unit at Mermaid Beach to find over 20 potential tenants at the inspection vying to be selected. If we see an increase in interstate migration over the next six months this will only add more upward pressure to the soaring cost of rent.

Sales activity for detached housing has remained strong within most central suburbs but suburbs such as Mermaid Waters and Mudgeeraba, both traditionally strong owner occupier areas, appear to be performing exceptionally well. Renovated dwellings within Mermaid Waters priced between $800,000 and $1,100,000 has been very popular with buyers of late. Local agents have advised that in many recent cases, vendors are experiencing multiple offer situations and locals are being out-bid by interstate buyers.

12 Metricup Ct, Mermaid Waters reportedly sold in December 2020 for $865,000 (Source: Realestate.com.au). Previously sold in November 2017 for $780,000. Source: HTW

Agents have also reported strong buyer enquiry for suburban housing within Mudgeeraba between $600,000 and $750,000.

4 Elsa Ct, Mudgeeraba is reportedly under contract as at December 2020 for $686,000. (Source: Realestate.com.au). Previously sold in August 2016 for $580,000. Source: HTW

An agent specialising in the Robina area recently advised he did 5 'off market' sales between Christmas and New Year. This is boom market territory, given what is traditionally one of the slowest weeks of the year. The owner occupier market will continue to be strong throughout the year, but it may possibly correct itself in the later stages.

Waterfront dwellings in Burleigh Waters and the larger dwellings in Robina have all seen great growth in property prices and will likely continue to see further growth throughout the year. The housing market near the $1 million level is very strong at the moment with interest from both local and interstate buyers.

The lower end of the market is also performing really well. The entry level townhouse/unit/duplex market in Burleigh, Miami, Robina and Varsity Lakes is seen as a good, affordable alternative particularly for younger, first home buyers or investors.

Sales of new unit stock in Palm Beach and Mermaid Beach are reportedly going well but with the large amount of projects being proposed or constructed in Broadbeach and Burleigh Heads, there will likely be a good supply of unit product for buyers to choose from along the coast in 2021.

We are expecting market activity within the central suburbs to continue to remain buoyant over the first half of 2021. Provided the Gold Coast can remain a COVID-19 safe zone there is potential for the local economy and property market to remain on an upward trajectory.

Gold Coast North/Broadwater

Buyer activity was erratic within the Gold Coast North/Broadwater region, Southport to Hope Island and east of the M1, coming into the end of 2020.

The year ahead for the Gold Coast North East area is predicted to see continued mild to moderate growth in the established housing suburbs, with established units also benefiting from the overall increased demand, albeit to a lesser degree.

We still hold some concern over pricing of new stock product within some new residential apartment projects in the area. New apartments are still performing below potential and buyers should be cautious and carry out thorough due dilligence before purchasing. For example, a strata unit in Biggera Waters that was purchased from the developer in 2016 for $445,000 re-sold in August 2020 for $350,000. Whilst this may be an extreme example, there have been a number of similar style strata units that have sold during the rising market of 2020 significantly below their previous purchase price.

We are expecting market activity within the central suburbs to continue to remain buoyant over the first half of 2021.

Residential Apartment Buildings at Biggera Waters Source: Core Logic

Suburbs in strong demand with good levels of sales activity in the Gold Coast North-East area include Labrador, Paradise Point, Runaway Bay and Biggera Waters. The market for investor units, in areas such as Southport and Hope Island, is still performing poorly due mostly to the lack of demand.

Northern Corridor

In the second half of 2020, the majority of suburbs either side of the M1 and southern Logan region experienced quite the increase in demand. This increased demand has resulted in listed properties having shorter selling periods, a lack of supply in the region, and a noticeable increase in prices. A market segment which has shown notable growth is vacant land, specifically within the preferred/more sought after suburbs such as: Ormeau Hills, Bahrs Scrub, Windaroo and Logan Village.

As we move through to the start of 2021 we believe demand and prices throughout this area will remain strong and perhaps as we move through this first quarter we will see even stronger demand as more buyers rush to take advantage of the $25,000 government grant before this support concludes on 31 March 2021.

Suburbs to be cautious of include: Flagstone, Yarrabilba and Belivah. These suburbs have been traditionally driven mostly by investors and first home buyers utilising the government incentives. With government incentives scheduled to wind up soon, it is possible demand will fall, which may result in developers having to pay marketing fees or reducing vacant land prices to maintain sale rates. It's also important to remember that many properties in these particular suburbs have been heavily discounted on re-sale relative to the original sale price when sold as new product.

Lastly, soon after the introduction of the $25,000 first homeowner's grant, we saw many developers almost immediately increase vacant land prices. As demand increased and supply struggled to keep up in some residential estates, we saw gradual increases in land prices over the past year. An example of this is demonstrated below within the developing residential estate known as "Elevate" at Ormeau Hills:

Lot	Land Area	Sale Date	Sale Price	Rate/sqm
28	369	Oct-20	$275,000	$ 745
10	375	Aug-20	$269,000	$ 717
71	360	Aug-20	$257,000	$ 714
14	375	Aug-20	$255,000	$ 680
24	346	Aug-20	$232,000	$ 671
23	346	Jul-20	$227,000	$ 656
22	346	Jun-20	$227,000	$ 656

*Data collected from Core Logic

The table illustrates the incremental increase in land prices. The demand for land in this estate sky-rocketed and as a result buyers were willing to pay more and more as supply quickly ran out.

Gold Coast Hinterland and Scenic Rim

The end of 2020 saw the property markets in the western Gold Coast and Scenic Rim regional Council areas continue to show solid buyer demand across the majority of market segments. Agents are still reporting of similar feedback whereby demand is outstripping supply and in turn pushing prices up since the market bounced back from the effects of the Coronavirus Pandemic in mid-2020.

The investor market has been sluggish over the last six months across these areas, however, it can be said the opposite for owner occupier product which has been the main driver of this strong market leading into 2021.

Evidence of these strong market conditions can be seen by recent sales which have sold at or above asking prices in very short selling periods. Townhouses, duplex units and dwellings along the western Gold Coast corridor in suburbs such as Highland Park, Nerang, Pacific Pines and Oxenford continue to perform well due to their proximity to the Pacific Motorway, schools and shopping centers. A property located in one of Nerang's more sought after townhouse complex's – River Springs Country Club, has recently gone under contract for $494,000 and is due to settle within the next week, which if proceeds successfully, will set a new record for the highest price to date in the development with multiple separate offers from other buyers around the contract price. These high prices are a very common sight for well-presented homes in these areas for price points ranging from $400,000 to $700,000.

292/64 Gilston Rd, Nerang QLD 4211 is reportedly under contract for $494,000. Source: Core Logic

The rural residential market throughout the Gold Coast hinterland and Scenic Rim Regional Council areas has been another stand out segment in recent times with a range of local and interstate buyers looking for a lifestyle change due to the Coronavirus Pandemic. Very strong sale prices for acreage properties have been recorded throughout suburbs such as Tamborine Mountain, Mundoolun, Biddaddaba and Canungra. A large undersupply coupled with high demand for these property types have pushed prices up from previous years and this has continued into the new year. Agents, however, have and are still struggling since the market bounced back last year to acquire new listings to cope with the heightened demand.

The Home Builder grant has been another incentive which has brought on new construction activity in housing estates such as the Mahoneys Pocket (by developer QM) in the suburb of Woodhill situated at the fringe of the Scenic Rim and Logan City council areas. An estate that was previously rather slow in selling off their available vacant lots, in the newest stage saw an influx of owner occupiers seeking a lifestyle change taking advantage of this incentive with majority of lots now having sold and construction commenced. This has also been observed with the increase in volume of house and land sales over the last 6 months.

Overall, we believe the year ahead (2021) for the western Gold Coast and parts of the Scenic Rim market are looking optimistic. The owner occupier markets throughout these areas are on trend to potentially experience some further gains.

The telling tale will be how the economy reacts when the Australian Government retracts the economic stimulant packages Jobkeeper, Jobseeker and Home Builder which are due to finish on at the end of March 2021. This could result in some softening on conditions and in turn affect the western Gold Coast and Scenic Rim markets.

Southern Gold Coast

Burleigh Heads to Coolangatta is currently the epicentre of new, high quality, boutique unit buildings targeted at owner occupiers. A number of buildings are close to or have sold out prior to commencement of construction, and developers are amalgamating sites for future opportunities.

As with the other beachside locations, houses are in high demand with a recent auction at 22 Diana Avenue Burleigh Heads selling to a local real estate agent at auction for $1,620,000. The property comprises a 1960's house on a 549sqm lot backing onto the local primary school fields.

22 Diana Avenue Burleigh heads Source: realestate.com.au

The inland suburbs of Elanora and Reedy Creek, and acreage lifestyle Currumbin Valley and Tallebudgera Valley are also in hot demand.

Tweed Shire

Demand for established housing is at an 'all time' high, especially for houses between Kingscliff and Pottsville. The proximity to SEQ without the need to quarantine, coastal lifestyle and quality of houses on good sized blocks has seen unprecedented demand from southern buyers who have 'cashed in' on properties from the likes of Sydney and Byron Bay.

In some cases vendors are listing with 'expressions of interest' to lure a southern 'cashed-up buyer' who may then unknowingly offer more than the vendor hoped for. The flow on is locals are either then purchasing land to then try and repeat the windfall, or moving to a cheaper location with similar lifestyle benefits e.g. sell in Casuarina for $1.9 million and buy a little further walk from the beach or in say, Pottsville, for $1.2 million.

An example of land price growth is:

- 2 Echo Lane, Casuarina sold in October 2017 for $950,000 and resold June 2020 for $1,430,000. The land has an area of 711sqm with bushland views and 28 metres of frontage to a beachfront nature reserve.

2 Echo Lane, Casuarina Source: realestate.com.au

Many prices are now at or above Gold Coast beachside suburbs. It is questionable how long this boom can continue given necessity for most residents to commute to work and the limited growth prospects for local employment other than the new regional hospital under construction (due to complete 2023).

Conclusion

The first couple of weeks of 2021 suggest the market will remained strong as long as listings remain in short supply, outweighed by demand and vendors remain only willing to budge for a premium price. It appears the trend of 'off market' transactions should continue as agents attempt to lure property owners to sell.

The potential resurgence of cluster outbreaks and threats of lock-up restrictions still poses a risk to the market. Assuming a successful roll out of a vaccine, we may however see further upward pressure on property prices and values, particularly if buyers from the southern states continue to show enthusiasm for less populated, lifestyle driven, regional property markets.

One funny thing about the real estate market is that every time one person buys, another sells, and both think they are astute.

Time will tell who read the market best.

Janine Rockliff
Director

Sunshine Coast

After our rollercoaster year last year, 2021 looks to be set up for a continued strong property market. Market fundamentals suggest this will continue due to good levels of demand and low levels of competing stock. This has in turn placed upward pressure on values and in some cases these increases have been significant over a relatively short period of time. It is almost like there is a fear of missing out driving the market.

As always, the first quarter is typically a good indicator of how the year will unfold. The underlying influences that have been driving the market are still in play.

- Record low interest rates look to be here to stay for the foreseeable future.
- With the ability to work remotely, people are looking to live where they want to live rather than where they work.
- People are making the decision to move sooner rather than later.

A lead indicator is that the rental market continues to be incredibly tight with little to no vacancies, especially in sought after areas. Also, unlike most years, the Christmas and New Year period has remained very busy with few agents taking time off given the continued strong enquiry, so we shouldn't be surprised too much by the value increases which are a natural function to encourage vendors to sell. The question will be whether they are sustainable.

On the Sunshine Coast and the northern region of Gympie, it is fair to say that most areas will continue to do well as most areas are experiencing similar market fundamentals. It is just that there will be some areas and asset classes that will outperform others and typically that comes down to the amount of product in an area and whether it can be replicated.Coastal areas typically do well given they are not making any more coastline, whereas when you look at some of the inland areas where there are more properties and also the ability to create more, there will still be good sale volumes but the value growth will be more modest.

Looking at the detail, we expect the estates of Aura at Caloundra South and Harmony at Palmview to continue to generate good interest from both owner-occupiers and investors. We also expect to see good interest in hinterland subdivisions in the railway townships, such as Habitat and Panorama in Palmwoods, with larger land sizes continuing to be the driver. The rural residential market through the hinterland is expected to continue to show good signs of growth with agents reporting good levels of buyer enquiry with a lifestyle shift continuing to drive this market. Further north, the Gympie region is expected to have another good 12 months as affordability drives demand within this region with a number of coastal buyers making the shift north.

There are a number of unit complexes under construction with some due for completion this year. From what we have seen, the majority of interest is in owner-occupier style units with complexes that directly target this market going well. We feel that this owner-occupation market will continue to remain strong given the growing downsizer and empty nester market and that they can potentially exit out of their existing homes at a good price.

The prestige markets across the coast had been operating at a number of different speeds. The main region that grabs the most attention is the northern Sunshine Coast area around Noosa Heads but over recent months, areas on the central and southern Sunshine Coast have shown that strength has also returned to those markets. Sure, they are not at the same levels, but have certainly performed better than where they were. At our last count, in 2020 we tracked

A lead indicator is that the rental market continues to be incredibly tight with little to no vacancies, especially in sought after areas.

at circa 55 sales or properties under contract at over $4 million; our previous best was in 2018 at 32 sales.

Clearly there remains issues surrounding COVID-19, as evidenced by recent lockdown. Will the vaccination program prove effective enough? When will it be distributed? When will overseas travel resume? What will happen when the final stage of JobKeeper finishes at the end of March? There is just so much uncertainty out there, but I guess when you look back, there is always uncertainty, just the level varies.

Stuart Greensill
Director

Rockhampton

2020 saw the property market in the Rockhampton region end on quite a high and has set us up for a prosperous year ahead.

Each market sector in the region is expected to perform well with continued growth. The basic principles for an improving market are ongoing, including low vacancy rates across the region with local agents continuing to report very strong demand.

Major infrastructure projects are still underway or have fast approaching commencement timelines. Projects such as Rookwood Weir, the Rockhampton Ring Road and the Shoalwater Bay Military training area expansion will each provide an economic benefit across a number of sectors, including employment.

Interest rates remain at record low levels, proving attractive to owner-occupiers and investors alike. Whilst 2020 saw prices increase, affordability remains an appealing feature of Rockhampton and the Capricorn Coast residential markets.

Rockampton Source: www.aussietowns.com.au

Regional Queensland has overall performed very well despite the COVID-19 pandemic as we have been fortunate to have very limited cases of the virus over the past 12 months. Rockhampton and the Capricorn Coast are experiencing a trend of population growth off the back of people deciding to relocate to regional areas, as the pandemic has highlighted the possibilities of working remotely for many people, combined with affordable housing in comparison to the metropolitan areas and many other benefits of regional living. Further, healthcare has always been a major employer in the region and the pandemic has provided even more employment opportunities in this sector. As the region comes to grip with the new normal, there seems to be a sense of far less uncertainty surrounding the future.

Construction activity is expected to continue as demand for vacant land remains strong. Government grants have no doubt played a significant role in the number of major renovations and new builds in the last quarter of 2020, which is expected to have a flow on effect into 2021.

Really, the only uncertainty of the year ahead is the rate of the expected capital growth. Whilst 2020 saw rapid growth over a relatively short period, it remains to be seen whether this rate of growth will continue for the entirety of 2021 or conditions will revert to steady growth later in the year.

Cara Pincombe
Property Valuer

Mackay

Welcome to 2021!! Once again, we pull out the crystal ball and try to predict the next 12 months. In previous issues, our predictions have pretty much panned out, however this year we find it quite difficult to predict. Looking back on the unprecedented 2020, the Mackay residential market (along with the rest of regional Queensland) performed strongly. After an initial slowing in May, the market steamed ahead for the remainder of the year. The main economic base in the region is employment in the Bowen Basin and associated mining services in Mackay as well as large infrastructure projects and government employment which were all virtually unaffected. Coupled with extensive government stimulus including the building boost, record low interest rates and increased population growth, all the signs were there for good property growth. This led to a very strong residential market with demand outstripping supply in both sales and

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rentals and residential vacancy rates ending the year at below one per cent.

So how will that translate to this year? That's the big question. At present, on the back of the building boost, there are extensive residential building projects in the pipeline, with some builders reporting that their calendar year is almost filled up. Local real estate agents are reporting strong demand, a shortage of available stock, very short list times and multiple offers being received. On the rental side, agents are reporting multiple applications on all properties available to rent with a shortage of available rental properties to meet this demand. We think this strong momentum from last year will flow into 2021 with good indications for modest growth in values for the first six months. After this, it gets a bit tricky; does the world recover from the pandemic and start to free up, or have we now got a glimpse of the new normal?

The only issues to this will be how the resource sector fares, with the price of metallurgical coal still low and volatile, plus the repeated sabre-rattling of China over trade relations, however the mining sector appears to be unconcerned for the time being and with more infrastructure projects underway, continued record low interest rates and migration into regional areas, we feel pretty confident of a strong year for the Mackay residential market.

Michael Denlay
Director

Gladstone

I must admit, I've been thinking about writing this issue for a few weeks and trying to work out in my head what I would predict for 2021. It's definitely harder to predict what's going to happen this year after the rollercoaster that was 2020.

The short answer is easy – growth! We expect growth in the Gladstone region market in 2021.

The short answer is easy – growth! We expect growth in the Gladstone region market in 2021. The basic fundamentals for a rising market are in place. To put it simply, demand is outweighing supply. Many factors come into play here including a number of local infrastructure and industrial projects on the horizon (such as the proposed Gladstone Energy & Ammonia plant and two solar farms) and record low interest rates. Despite the increase in values over the past two years, affordability is still a key driver of our market and one that has led to population growth from both interstate and intrastate investors and owner-occupiers looking to take advantage of a regional lifestyle, especially now that COVID has demonstrated the ability to work from home.

We expect most market sectors to perform well in 2021. Vacancy rates remain low, around the one per cent mark, with rents still climbing steadily. We predict vacancies will remain fairly stable over the next 12 months with rents continuing to steadily rise.

Construction activity is expected to continue as demand for vacant land remains strong. Government grants have no doubt played a significant role in the number of new builds in 2020, which is expected to have a flow on effect into 2021. The supply of vacant land in the region is fairly limited, to the point where we have seen blocks with significant slope starting to sell due to lack of other options. Further to this, we are aware of a number of developers starting to ramp up plans for new construction of vacant lots in existing estates.

Whilst 2020 saw rapid growth over a relatively short period, we expect 2021 will see steady and sustained growth over the course of the year.

Regan Aprile
Associate Director

Bundaberg

Welcome to the new year of 2021. This issue we are looking at the year ahead and what we consider will be in store for the Bundaberg area. If we cast our minds back to this time last year, we were thinking that we would be seeing a marked drop off in market activity. Well, were we wrong!

What happened was quite the opposite. The volume of sales picked up quite substantially and we had one of our busiest years to date. The activity wasn't just from locals but also interstate buyers who realised that when working from home, that home could be anywhere, so quite a number of interstate buyers made the switch to the best region in this state.

Most agents are reporting that they are running out of stock. If this demand continues, we anticipate that there will be an upward swing in prices. We believe that this has already happened in new dwelling construction contracts as most builders are increasing their new construction prices as demand ramps up.

Catherine Kersnovske
Property Valuer

Hervey Bay

Following a similar trend to most coastal centres, Hervey Bay is currently experiencing strong demand for all asset classes with very limited supply. Rates of sale for vacant land has dramatically increased with most new estates selling lots that aren't even developed yet and developers scrambling to develop more stock to ride out the strong level of demand. River Heads has experienced similar demand for lots that have been sitting inactive for a number of years. Some re-sales at River Heads have seen a more than 50 per cent increase in value over the past 18 months.

Local builders are looking for staff to meet construction demand with some reporting project bookings out to September 2021 already.

The established home market has seen some price increase, however not to the extent experienced for land. Some recent activity has seen two- to five-year-old homes reselling for 15 per cent higher than their original purchase price. New units have also been in demand and sell quickly however new stock is limited. Older units, although experiencing strong demand, don't seem to be showing good growth as yet. This is, however, only a matter of time as yields are typically higher for these older units.

Vacancy rates for investment property are very low with numerous reports of 20 to 30 people attending open houses. Rental rates are beginning to lift due to this strong demand and lack of supply however gross yields above five per cent per annum gross can still be achieved in a number of cases.

Buyer profiles range from local owners and investors to interstate owners waiting for borders to open and relocate. Sight unseen sales are becoming common with buyers reporting missing out on numerous properties. Agents have multiple buyers ready with a large number of recent sales not even making it to advertised listing.

Hervey Bay

Source: realestate.com.au

Maryborough is also experiencing similar conditions with a strong level of demand, limited supply and limited rental accommodation.

Looking forward, we are likely to continue to experience strong demand for land and construction for the first quarter while grants are on offer. Activity may begin to slow thereafter and there is a risk that some interstate buyers may resell in a short period if the pandemic comes under control. This may see some balancing of supply and demand towards the end of the year. The outlook is however changing on a daily basis and we wish everyone a safe and healthy 2021.

Doug Chandler
Director

Townsville

The year ahead in the residential market is likely to continue on from the increasing volumes and sentiment experienced during 2020. With demand now widespread across most suburbs of Townsville, latent stock is expected to be absorbed, resulting in some upward pressure on prices within the wider suburban areas.

The rental market experienced ultra-tight vacancy rates during the back end of 2020. This is likely to ease somewhat during 2021 and provide some relief as investors are enticed back to the market, along with the exodus of renters who have taken advantage of the home builder grant to enter the homeowner market.

The flurry of land sales and new home construction currently underway is expected to slow once the home builder grants expire on 31 March 2021, but to what extent remains uncertain. Land sales and new home construction have increased from a low base with the market caught somewhat off guard by the 2020 grants and ensuing demand. This sector will be very much a wait and see market.

It is anticipated that population growth may continue throughout 2021 as families exit the major capitals in favour of secure and functional regional cities such as Townsville where people can still work from home for capital city employers.

Nevertheless, a concern is that market conditions are being buoyed by support measures such as JobSeeker, JobKeeper and home builder packages. The key question will be whether the existing conditions are sufficient to carry the market past the current support measures to maintain market continuum throughout 2021.

Darren Robins
Director

Toowoomba & Darling Downs

2020 saw increased demand for vacant land in Toowoomba and surrounding suburbs due predominantly to the well-publicised introduction of government stimulus packages. It is likely that 2021 will continue this trend with significant demand expected for both vacant land and established housing. New construction activity across the Darling Downs region is expected to continue deep into 2021 with a number of builders already reporting a full calendar of work for the next twelve months. The market should be further buoyed by the ongoing interest from interstate buyers with local agents reporting strong levels of enquiry.

The biggest constraint facing the local market in 2021 is the availability of vacant land. Fringe suburbs to both the north and south of Toowoomba present the highest availability of vacant land. New housing estates such as the Avenues at Highfields, along with a number of other developments in the suburbs of Kleinton and Cotswold Hills along with suburbs to the south such as Darling Heights and Kearneys Spring make up the largest segment of new land supply in Toowoomba. These areas are expected to continue to perform strongly within the local market. A challenge that will face buyers in the coming year will be the availability of suitably skilled tradespeople with strong demand for their services expected to push out construction times.

The Avenues- Highfields   Source: The Avenues- Facebook

A trend to watch in 2021 will be the demand for affordable inner-city product with renovation potential. This product can largely be found in suburbs such as Newtown, Toowoomba City, North Toowoomba and South Toowoomba. The market should see strong demand for sub $400,000 product where buyers perceive an ability to value add to their property post purchase.

A driving factor in the market is the significant trend away from renting to owning for segments of the population. This trend is caused by a number of factors, including strong competition for rental properties and the very low cost of borrowing money.

As exhibited below, the residential vacancy rates in Toowoomba continued to drop throughout the year to a low of 0.6 per cent in November. Tenants are faced with increased difficulty trying to find a suitable rental property and with increasing rents. Tenants are turning to owner-occupying or purchasing investment property more readily than in the past.

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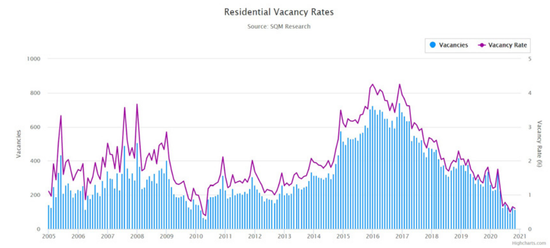

Source: SQM Research

A cause for concern in the year to come will be the broader economy and how it affects the local market. South-east Queensland was largely insulated from Coronavirus throughout 2020, both physically and economically. If the economy sees a downturn in 2021 through stimulus packages ceasing or lockdowns like those experienced in other parts of the country, the market could face an oversupply of new construction and investment housing.

An interesting trend to watch in the year ahead is the growing tree change movement that began in 2020. With the lockdowns imposed in major metropolitan areas of the nation, some people are looking for a move to the country. In the year ahead it is reasonable to expect demand for rural lifestyle properties in the Darling Downs to continue to trend upwards as people shift out of major metropolitan areas.

Bradley Neill
Director

Whitsunday

Wow, what a year 2020 was for us all! The COVID-19 pandemic has seen us change in many ways.

I can see 2021 as a great year for the Whitsundays, with more people seeing the benefits from working from home. Why would you not live in

Lifestyle properties such as with ocean views and small acreages are appearing to be quite popular in the marketplace as are high end luxury properties.

the beautiful Whitsundays?

Agents are talking of a stock shortage, with local and interstate buyers active. With this demand we are seeing an upward swing in values.

Lifestyle properties such as with ocean views and small acreages are appearing to be quite popular in the marketplace as are high end luxury properties.

With everyone now looking to holiday at home, it is expected that the tourism market will increase activity in the market for 2021.

Construction activity is expected to continue as demand for vacant land remains strong. Government grants have no doubt played a significant role in the number of new homes constructed within the Whitsunday locality. Construction contracts appear to be increasing as demand ramps up.

Hold on to your hats - the Whitsundays will be the place to be in 2021!

Noelene Spurway
Property Valuer

South Australia

Adelaide

The new year began in the same way that 2020 ended: COVID-19 continuing to disrupt everyday life across Australia and the South Australian residential property market trending on an upwards cycle. The September 2020 quarter data released by the state government had the median house price at its highest ever level of $492,500. Corelogic's Hedonic Price Index indicates that the market continued to perform strongly throughout the historically slow December and January holiday period. It's expected that a new record median dwelling price will be achieved once the December 2020 quarter data is released. Across the board in various market segments we are seeing days on market reduce and purchase prices being achieved within and above asking price ranges. Infrastructure projects being undertaken, the low interest rate environment and the rollout of the COVID-19 vaccine are considered factors that will positively affect the market in 2021.

Underlying uncertainty remains with the ever-changing COVID-19 situation and a rising market. Vendors should ensure that properties are correctly priced whilst purchasers should avoid overextending themselves.

Market segments to watch in 2021 will be the middle ring, prestige market and lifestyle properties. Each of these segments has characteristics which are supported by current market forces.

The middle ring continues to be hotly contested with low stock levels and a price point attainable for a broad portion of the market. Depending which direction you drive from the CBD, property types vary from turn of the century character dwellings to 2000s infill development providing a price point of $500,000 to $700,000. Middle ring suburbs to keep an eye on in 2021 include Klemzig, Woodville South, Clovelly Park and Magill.

Market segments to watch in 2021 will be the middle ring, prestige market and lifestyle properties. Each of these segments has characteristics which are supported by current market forces.

Established in the 1960s and 1970s, Klemzig is located approximately seven kilometres north-east of the Adelaide CBD and is characterised by a mixture of free standing brick dwellings on large allotments and strata units. The suburb is in a stage of urban renewal with many of the older homes making way for medium density infill development. The suburb is serviced by North East Road and the O'bahn interchange and shares its southern boundary with Linear Park. Klemzig has a median house price of $560,000. The sale of 15 Hender Avenue for $543,000 represents what's available at the median house price in Klemzig. This property comprises a circa 1950s single-level, cement sheet dwelling disposed as three bedrooms and one bathroom on a 680 square metre allotment. Klemzig provides value over the adjoining suburbs of Marden and Vale Park which have median house prices of $630,000 and $741,000 respectively.

15 Hender Ave,Klemzig Source: realestate.com.au

Woodville South is located approximately nine kilometres north-west of the Adelaide CBD and is characterised by early 1900s dwellings on large allotments with 2000s infill development making up a small proportion of the suburb. The suburb is home to the Queen Elizabeth Hospital, Woodville West Torrens SANFL Football Club and is serviced by Port Road. Woodville South has a median house price of $568,000. The sale of 20 Ledger Road for $565,000 represents what's available at the median house price in Woodville South. This property comprises an updated circa 1950s single-level brick dwelling disposed as three bedrooms and one bathroom on a 730 square metre allotment. Woodville South provides value over the surrounding suburbs of Woodville and Allenby Gardens which have

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HERRON TODD WHITE RESIDENTIAL

median house prices of $630,000 and $718,200 respectively.

20 Ledger Rd, Woodville South Source: realestate.com.au

Established in the 1950s and 1960s, Clovelly Park is located approximately ten kilometres south of the Adelaide CBD and is characterised by a mixture of free standing brick dwellings on large allotments and recent medium infill development. The suburb is serviced by South Road and is located approximately one kilometre north of the recently duplicated and expanded Main South Road Motorway. Clovelly Park has a median house price of $505,000. The sale of 11B Byron Avenue for $485,000 represents what's available at the median house price in Clovelly Park. This property comprises a circa 2018 single-level, semi-detached dwelling disposed as three bedrooms and two bathrooms on a 298 square metre allotment. Clovelly Park provides value over the adjoining suburbs of Pasadena and Melrose Park which have median house prices of $610,000 and $588,000 respectively.

11B Byron Ave, Clovelly Park Source: realestate.com.au

The suburb of Magill is located approximately eight kilometres east of the CBD and is one of the largest suburbs in the area. Magill has upwards of 200 transactions annually and provides a broad breadth of property types and price points. The suburb is serviced by both The Parade and Magill Road and shares its eastern boundary with the Adelaide foothills. Magill has a median house price of $660,000. The sale of 13 Armson Avenue for $660,000 represents what's available at the median house price in Magill. This property comprises a partly renovated, circa 1963 split-level detached dwelling disposed as four bedrooms and two bathrooms on an 870 square metre allotment. Magill provides value over the adjoining suburbs of Kensington Gardens and Royston Park which have median house prices of $925,000 and $922,500 respectively.

COVID-19 and the low interest rate environment have resulted in increased activity in the prestige market which typically begins at the upper $1 million price point.

13 Armson Ave, Magill Source: realestate.com.au

COVID-19 and the low interest rate environment have resulted in increased activity in the prestige market which typically begins at the upper $1 million price point. Agents have been reporting increased buyer enquiry from interstate and overseas expats looking to relocate back to South Australia. Many of these purchasers are cashed up professionals looking to buy in the metropolitan area's blue ribbon suburbs. The low interest rate environment has also benefited this market. With money being the cheapest it has ever been to borrow, the prestige price point has become attainable to those who may have previously been on the fringes. Suburbs with median price points pushing into the prestige price range include St Peters ($1.425 million), Springfield ($1.61 million), Medindie ($1.32 million) and Toorak Gardens ($1.5 million).

At the beginning of the COVID-19 pandemic, the lifestyle property market was expected to be first affected by any onset of a downturn. With the arrival of travel bans and remote working arrangements, South Australians turned to this market for both a permanent lifestyle change and as an alternative to interstate and overseas travel. Agents from coast to country have reported increased buyer activity with many agents speaking of a lack of stock in a historically high supply market segment. Examples of stock sold during the COVID-19 period include both 1077 Point Riley Road, Wallaroo Plain which settled in December 2020 for $1.38 million and 323 Forrest Road, Hamley Bridge which settled in October 2020 for $770,000. These sales represent the highest sale prices achieved within their respective townships. The thought of this occurring in 2020 would have seemed inconceivable in March. It's expected that this market will continue to be popular in 2021, with no end in sight for travel restrictions and the continued move to remote work places.

1077 Point Riley Rd, Wallaroo Plain Source: realestate.com.au

323 Forrest Rd, Hamley Bridge Source: realestate.com.au

South Australia's property market has historically been stable in its cycles. With all things being equal, the current upward cycle is expected to continue into 2021. The stability of the market should provide participants comfort that any disruptions should be felt with a stabilising of growth or a gentle downward cycle.

Nick Smerdon
Property Valuer

Mount Gambier

The Mount Gambier property market in recent years improved slightly year on year with no significant changes, however 2020 gave us plenty to talk about with our improving residential market. This was fueled by an increase in sales volume and demand, coupled with a large reduction of supply, the building grant incentive and low interest rates. Vacant land sales increased throughout the end of 2020 with a larger number of transactions taking place. We expect demand for vacant land to soften in 2021.

Mount Gambier continues to show good yields with a modern house within a price range of $350,000 to $450,000 showing gross yields of around five to six per cent and lower value houses within a range of $150,000 to $250,000 achieving yields of up to eight per cent. Local agents are reporting a number of out-of-town investors entering our market for these returns as a lack of supply is currently increasing rental prices.

A 6.5 per cent yield for this rental Source: Herron Todd White

The above property is currently advertised for rent for $350 per week indicating a gross yield of approximately 6.5%. The property is a recently constructed, three-bedroom, one-bathroom house in a modern division on the edge of Mount Gambier city in proximity to industrial development.

Throughout the lower and upper south-east, some towns worth keeping an eye on in 2021 are the popular coastal townships of Robe and Beachport. Robe has seen significant growth in certain segments of the market and currently there is very little supply and strong demand. Beachport, located approximately 50 kilometres south of Robe, is a smaller, quieter township than Robe however recent months have seen a considerable number of transactions take place with supply also decreasing.

We consider the Mount Gambier market will continue in 2020's footsteps with agents reporting the market is the best they have ever seen and continued strong demand over the Christmas holiday period. We do note a number of our major industries are reliant on exports to China, including timber, wine, fishing and agriculture and if trade tensions escalate further, it could pose a risk to our property market and local economy; it will be worthwhile keeping an eye on this which could add an interesting element to 2021.

Adrian Castle
Property valuer

Western Australia

Perth

There's no doubt that the Western Australian property market has entered 2021 with a bang! All key indicators point to a resurgent market after years of slumber. Whilst this sounds extremely optimistic, we do caution that in the new world of COVID-19, anything can happen!

December 2020 saw sales activity some 41.3 per cent higher than December 2019. From the prestigious western suburbs to CBD city view apartments, all the way to the Perth foothills and indeed, in almost all areas of this vast state, agents are reporting significant levels of demand. In fact, one home open I attended at four o'clock on a Sunday afternoon was so busy that there was no parking available in the street. A key factor in this upswing has been the positive net migration into the state that COVID-19 has brought on. Resources workers required to reside in the state to avoid regular quarantine periods, returning expats now looking for places to rent or buy after years of living abroad, residents unable or unwilling to leave the state and individuals with cancelled weddings and vacations now with spare cash all seem to be competing for stock, fuelled by record low interest rates and a lack of stock. This is evident in Perth's rental market, which has now hit crisis point with a record low vacancy rate of 0.8 per cent. The limited rental stock available has also pushed up median rents by 8.5 per cent from $350 to $380 per week, all whilst COVID-19 protocols result in rents unable to be raised for sitting residential tenants. With domestic borders opening up, 1000 international arrivals a week expected back into the state and COVID-19 rental protocols expiring in March, rents are likely to increase further in 2021. General economic conditions in the state have also been favourable, with the state government avoiding a deficit and forecasting a $1.2 billion surplus in 2020. No doubt a renascent mining sector has aided this, with the iron ore price up from $US66.20 per tonne to $US96.60.

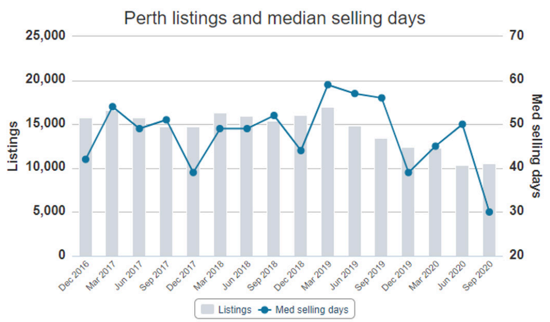
A key factor in this upswing has been the positive net migration into the state that COVID-19 has brought on.


NEWS 7

800 inquiries for 1 unit

How this simple property represents WA's housing crisis

This strong and currently insatiable demand has resulted in stock levels declining rapidly. Total listings at the end of December 2020 were down 31 per cent from the same time a year ago (13,300 properties to 9,167). Why this lack of supply? Well, the main contributing factor is that no one's leaving and for the most part, buying options are slim with relatively low stock numbers so potential sellers have no buying options. It's hard to think about selling your own house if you can't find a suitable property to upgrade to.



Source: xgxgxgx

Given these factors and as we look into the crystal ball for what lies ahead in 2021 for the residential market, we can predict that the $500,000 to $1.5 million price range in established suburbs will be a key market segment to watch. The owner-occupier market has been very hot lately and it will be interesting to see what it does over the next 12 months as investors also re-enter the market.

Pinpointing specific suburbs that will see growth in 2021 appears to be a hard task when the whole market and most market segments are on an upward trajectory. Established coastal suburbs such as Hamilton Hill and Coogee in Perth's south seem to be very in demand of late and this is echoed in the north in suburbs such as Ocean Reef, Burns Beach and Mullaloo.

We believe there is a "nearology" factor that will play out through 2021 as the recent demand has focused on the most sought-after suburbs, whether for their coastal location, proximity to facilities or school catchment zones. The price disparity between these suburbs and some of their neighbours is worthwhile considering. A classic example is the suburbs of Willetton and Parkwood. Whilst in different school catchment zones which has a significant effect, the price differential is increasingly out of whack, even when you factor in the savings you might achieve in school fees by being located in the catchment zone of a highly regarded public school versus private school options. The median house price in Willetton currently sits at $685,000, whilst its lowly neighbour Parkwood has a median of just $419,000. You can pay for a heck of a lot of school fees for that price difference.

Other examples in the north include the suburbs of Duncraig and Padbury. Padbury has a median house price of $517,500 compared to its southern neighbour of Duncraig, which has a median house price of $675,000. To outline the situation, a property in Chadwin Place, Padbury recently sold for $680,000, comprising a 1987-built brick and tile dwelling offering 166 square metres of living on a 724 square metre allotment. The property was on the market for a total of three days! (source: RPData).

Compare that with this property in Maybud Road, Duncraig which recently sold for $670,000, however comprises an older, smaller dwelling on a smaller allotment.

Maybud road front Source: realestate.com.au

Maybud Road kitchen Source: realestate.com.au

In terms of the investment market, investors appear to be seeing value in older villas in well located suburbs. Places such as Scarborough, Wembley and Churchlands have become even more attractive recently, boosted by increasing rents which reflect attractive yields and strong capital growth prospects. Other areas to watch include Maylands, Midland, Parkwood and Thornlie.

There is no denying that current government builder incentives aimed at stimulating the economy have done more than stimulate, but rather have supercharged the Perth housing market. The combined Building Bonus and Homebuilder Bonus schemes have largely helped the state's construction industry and created huge demand for land translating into substantial building activity for the industry. The City of Swan, Wanneroo, Cockburn, Armadale and Rockingham have been the localities in which most of this activity has taken place, as reported by the Housing Industry Association house sales heat map. These local government areas are situated on the fringes of Perth and are known for their cheap, affordable land with many of them having numerous large, competing new estates. This indicates to us that first home buyers are being pulled towards building in outlying suburbs, as this is where the bulk of the available land is.

Over the six month period from March 2020 to September 2020, we saw an astonishing 117 per cent increase in sales of land, from 1745 sales in March to 3793 sales in September, with the median land price increasing 1.6 per cent over that time – which seems minimal on paper, but when we combine this with the $10,000 and $20,000 rebates that disappeared overnight, the actual rise is significantly higher than the stats show. Perth's northern coastal section has seen the brunt of the influx, with suburbs such as Alkimos, Eglinton, Jindalee and Yanchep completely selling almost all stock in their new estates, leading to a rush to push forward more releases by developers to compensate for this huge lack of supply. This was replicated through Piara Waters and Byford in the south-east and Treeby, Mandogalup and Baldivis in the south-west. Brabham and Dayton in the north-east also experienced a large surge in activity.

Our concern here is that significant supply is being added to areas which are only just recovering from the last period of oversupply. Many of these areas have experienced high levels of negative equity due to declining market values since 2014. Recent sales activity has finally seen a reduction in stock on market in these areas and price growth has returned – but only just. We are nervous about how this plays out in late 2021 when new constructions reach practical completion resulting in newer products coming to market adding significant competition to a vulnerable sector of the market.

We're also seeing speculative developer activity return to the market and this is likely to continue throughout 2021. The established market is seeing mum-and-dad developers entering the market to help fill the land shortage, with suburbs including Craigie, Ocean Reef, Mullaloo, Edgewater, Kallaroo and Beldon all seeing an upsurge in land subdivisions, which have been selling like hot cakes according to our valuers on the ground. This sentiment has been echoed in the south of Perth, in suburbs such as Kardinya, Hamilton Hill, Spearwood, Coolbellup, Riverton and Lynwood. Langford is our sleeper suburb here – it does face some antisocial issues, but value wise, it's looking attractive and is starting to garner attention.

To the east of Perth, along the foothills, demand for development sites and duplex sites where the front house can be retained have greatly increased, particularly in Forrestfield and High Wycombe. We expect this growth to continue, particularly as the Metronet rail expansion through the area heads towards completion.

The general market sentiment for vacant land in Perth is that the market has peaked for the outer, establishing areas, although there may be some run left in infill locations as those who do want to build within their current location continue the hunt for the right block of land. The overall consensus however is that a retraction or correction in land prices is a strong possibility throughout 2021 as the majority of demand was brought forward into 2020 by the government stimulus package. Builders order books are full or close to it and buying a block of land and waiting for a year or two before building is an expensive holding exercise for many.

For the first time since the end of the last resources cycle, the inner city and coastal apartment market has begun an upward trend, spurred on by investors as the rental vacancy rate in the CBD has shrunk from 3.3 per cent last year to 1.5 per cent, along with a maturity in the stock being produced by developers. During the last cycle, the majority of apartment stock brought to market was lower grade, and targeted investors as opposed to owner-occupiers. This has changed somewhat in the years since, although there is much more that needs to be done yet. We foresee an increase in demand for both apartment styles, however we expect the largest increase in demand to come from investors seeing the returns on offer as rents rise throughout the year.

The overall consensus however is that a retraction or correction in land prices is a strong possibility throughout 2021.

Figure 1 Source: realesate.com.au

Figure 1. Apartment on Hay Street Perth sold for $470,000 in October 2020 (two-bedroom and two-bathroom boasting city views).

Heading out of Perth, an interesting market to watch in 2021 will be Port and South Hedland. One agency reported an average premium above asking price of 6.7 per cent in settled sales during the month of November 2020, with some properties selling as much as $46,000 above the asking price! The main market driver in Port and South Hedland appears to be caused by limited investor activity since 2014 which has resulted in fewer rentals being available, creating a significant upshift in rents. Whilst investor activity is increasing, record low interest rates and rising rental prices result in owner-occupiers driving the market – buying a home has become a cheaper alternative to renting, hence most properties offered for sale are receiving multiple offers, with the majority coming from owner-occupiers. Also in 2021, the Port Hedland Voluntary Buy Back Scheme will see diminishing stock levels throughout the West End area of Port Hedland, as the Port Authority oversees a scheme to purchase properties from land owners. This will further deplete housing options for owner-occupiers. It's definitely a market to keep an eye on.

This will further deplete housing options for owner-occupiers. It's definitely a market to keep an eye on.

The southern part of the state has also been doing well post lockdown, not necessarily with value increases across the board at this stage, but very strong sales activity. The holiday home market in particular is doing well with many people looking to secure a place to holiday given the lack of overseas potential in the next few years. Similar to Port Hedland, a declining level of rental stock throughout the Great Southern area has resulted in many tenants looking to buy in order to secure stable housing. We're hearing stories of some towns having no rental stock remaining, so towns such as Busselton, Dunsborough and Margaret River are definitely expected to see pressure on values. The increase in demand for vacant land throughout the Busselton area has been dramatic, and whilst this will decline during 2021, it does show the level of demand in the area. Special rural properties under $750,000 are experiencing strong demand and we consider this likely to continue throughout 2021 as buyers seek the relative safety of lifestyle properties

With the threat of COVID-19 far from over, there still looms the possibility that active cases could once again reach Western Australia which would likely have a flow on effect on the state's residential property market. When COVID-19 first hit the state, a number of precautions were instigated that would most likely be re-instated if the state was to experience a return in cases. However, the current level of demand has largely been influenced by the onset of COVID-19, hence we consider it likely that demand will continue throughout 2021 as ex-pats flock back to the safe haven of Western Australia.

COVID-19 re-entering would most likely result in a closure of businesses across the state which may result in a number of job losses. In response to this, the McGowan government announced the emergency period under the Commercial Tenancies (COVID-19 Response) Act WA 2020 would be instigated in order to place a moratorium on evictions and a freeze on rental increases. This has now been extended to 28 March 2021 which also coincides with the ending of various government support packages and the restriction on altering rents of sitting residential tenants. This is a key date for Western Australia – what happens after this date will set the tone for 2021. We're expecting a more positive outcome than we envisaged 12 months ago, but it's hard to gauge how markets will react. We do expect a spike in median rental prices over the changeover period – sitting tenants may be looking to move into new premises in March and April, but more likely, this is the time period when landlords can remove problem tenants, which will create a surge in demand and potentially a gap in supply.

Overall, we can safely predict reasonable growth in most residential property markets throughout Western Australia in 2021, particularly in the first half of the year, with the potential for a decline in land transactions later in the year due to the lack of stimulus and the inability to secure a builder. We expect the rental vacancy rate to decline further before increasing in the second half of the year as new stock starts to come on line.

Chris Hinchliffe
Director

Northern Territory

Darwin

A number of factors continue to play into where the Darwin residential market is heading for 2021 as we watch the dust settle from 2020. The COVID-19 pandemic is not likely to be forgotten any time soon and while its impact on the residential market would have likely mirrored the negativity that surrounded other aspects of our lives, intervention from both state and federal governments has certainly changed market sentiment.

Through significant stimulus packages aimed both directly at the residential market and more broadly at the economy we are likely to see the continuation of a market recovery. Certain first home buyers have been entitled to $55,000 to encourage them to commence construction. Due to these grants for house + land packages coupled with first home owner grants we have seen developing outer suburbs like that of Muirhead, Berrimah and Zuccoli see lots of activity. This level of demand was hard to see 12 months ago, however as building grants have already been wound back from $20,000 to $12,000 and will likely no longer be available after April, coupled with the remaining limited land stock, we could likely see buyers interest in this market slow.

Due to the NT comparatively seeing very little impact from the pandemic, it has been somewhat a safe haven from those lucky enough to already be here as well as those from other states and territories. This has resulted in a population influx to the point where vacancy rates have decreased, however once southern states again become a safe and stable place to live, we wait and see if long term employment prospects are strong enough to support their life up in the top end.

Muirhead, NT Source: dha.gov.au

Overall, the market is heading in a positive direction not many predicted 12 months ago. That said, with the world, and more specifically Australia, predicted to return to some normality in 2021 we'll be watching closely to see if this recovery continues at its current rate. Despite a favourable interest rate environment, it may well be that the surge in growth through the back end of 2020 is not maintained as there are no large scale infrastructure projects on the short term to sustain the current levels of demand for housing.

Terry Roth
Director

Overall, the market is heading in a positive direction not many predicted 12 months ago.

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

Australian Capital Territory

Canberra

The performance of the Canberra residential property market in 2020 surprised many, once again highlighting the ability of our capital to outperform national trends. Will 2021 hold any more surprises? There are a few factors worth examining as we look to the year ahead.

The tumultuous year that was 2020 may have officially ended, but has anything really changed? The year definitely ended strongly, as evidenced by the continuing high auction clearance rates. Whether or not this momentum will continue in 2021 will be dependent on a number of factors.

Market sentiment may continue to improve. The more risk averse vendors who elected not to sell in 2020 due to the general economic uncertainty may take solace in the proposed vaccine rollout. Coupled with the potential to capitalise on the premiums of a strengthening market, this may in turn bolster the historically low stock levels and bring some parity back into the marketplace. Adding to this, buyers will continue to be incentivised by record low interest rates, which are expected to remain in place in the medium term. If the above scenario plays out, we will see a return to the linear stability Canberra is known for.

Unfortunately, one aspect which is not possible to forecast is the potential of a COVID-19 outbreak. While numerous measures are being taken to mitigate the likelihood of this occurring, it remains the most significant risk to the property market in 2021, as implementing a lockdown would not only stifle the current momentum but also have negative future implications, both on the commercial and residential fronts.

Sandra Howells
Property Valuer

The year definitely ended strongly, as evidenced by the continuing high auction clearance rates. Whether or not this momentum will continue in 2021 will be dependent on a number of factors.

Tasmania

Hobart

2020! Well, what a year it was. What will 2021 bring for the Hobart property market?

With record low interest rates and Tasmania being considered one of the safest places on the planet, I think we are in a good position to see steady growth throughout 2021.

As always, properties in the sub-$600,000 price bracket are generating huge amounts of interest, both in the house and unit markets. Multiple offers are still being fielded by agents with offers more often than not exceeding vendors' expectations. With the increased sale prices, rental yields are slipping slightly, but there is still huge demand for reasonably priced rental properties throughout the region. Gone are the days (for now) where a seven per cent return was the norm. Tasmania has the lowest average salaries in Australia and rental affordability is also a concern.

Outlying suburbs, whether they be east, north or south of the capital are on the radar for good growth in 2021. Inner and near city localities may now be out of reach for your average Joe as prices continue to grow and yields slide further.

Affordable suburbs tend to be (as mentioned) in outer lying areas, particularly to the north of the capital, including Herdsmans Cove, Brighton, New Norfolk and to the east, Rokeby and Clarendon Vale. These areas are generally low to mid socio-economic areas with good signs of growth and high demand.

Herdsmans Cove

Source: domain.com.au

Given Tasmania's clean green image, I think we are in for relatively good times ahead on the proviso that interest rates remain low, the vaccine for the dreaded Coronavirus is successful and employment rates remains stable. Watch this space.

Stephan Ning Liu
Property valuer

Outlying suburbs, whether they be east, north or south of the capital are on the radar for good growth in 2021. Inner and near city localities may now be out of reach for your average Joe as prices continue to grow and yields slide further.

HERRON TODD WHITE RURAL

Rural

February 2021

Overview

Welcome to the start of another year, which is coming off one of the strongest rural land value growth years in recent history. This time last year, I suggested there would be positive value growth but in the single digits as a percentage. What actually occurred was double digit growth in most regions and commodity classes nationally on the back of improved seasonal conditions in the southern eastern states, another significant harvest in the west, falling interest rates and strong price growth in beef and lamb markets.

So what is the view for this year? Well, my view is that we will see positive value growth but single digit (noting however there is still limited supply and unmet demand) and a lower number of actual sales for the year. There are new sources and capital interest in the sector, however some simple economics also apply around return profiles which make the decision to buy a bit harder now than 12 to 18 months ago. How much higher can the cattle market really go?

Those seeking to invest to lease property are also having challenges as yields compress further on higher asset values. We are also starting to see or read more about the natural capital of rural holdings and some investors are seeking traditional commodity-based returns along with monetising carbon biodiversity, regenerative agriculture or impact investing.

As part of our last 30 years, Herron Todd White has delivered annual market updates which aim to bring all the brains together to reflect on the year that was and then look into the crystal ball. We are still aiming to have an annual update this year but the planning is a bit more difficult so the timing and format may be slightly adjusted. We will keep you all up to date with when and how this year's annual update will be held as we progress our planning.

Tim Lane
National Director - Agribusiness

Central NSW

Market activity remains reasonably strong at present.

Numerous sales have occurred during the start of 2021 and there remains a reasonably large body of listings of properties for sale.

The sales that have occurred indicate that the market is maintaining the robust, upward trajectory we've seen over the past several years. This is more so for better presented, well-located, more productive country.

We are noticing that many are private sales where the purchasers are neighbours and locals, and sometimes tenants, reminding us that this is a key buyer cohort in the rural property market.

We expect that demand for property will remain strong in coming months. The fundamentals driving the high levels of demand over the previous several years are still in place and there has been an improvement in seasonal conditions throughout Central New South Wales.

In our conversations with landowners, we are hearing optimism.

Craig Johnstone
Property Valuer

Those seeking to invest to lease property are also having challenges as yields compress further on higher asset values.

Mount Marsden NSW SourceHTW

Orange NSW Source: HTW

Tamworth

The rural market throughout 2020 continued to surprise many as land prices continued to increase across most of New South Wales. This was on the back of improved seasonal conditions and well above average rainfall across most areas, together with continued strong commodity and livestock prices.

There is an abundance of feed for graziers in most parts of the state, however the reduced numbers of cattle and sheep and the cost to restock have been the main issues we are seeing on a day-to-day basis. We anticipate that this will be an ongoing issue for many throughout 2021 until herd numbers can be built up.

There continues to be increased demand for rural holdings, especially those in higher rainfall areas, from local landholders looking to expand and new entrants into the market and we expect this will continue throughout 2021 assuming there is continued rainfall and stable commodity and livestock prices. So far in 2021, we are aware of a number of grazing properties either under offer or under contract which confirms our view that the demand for rural land remains strong.

Currently there is limited supply of rural land for sale and we predict that if sheep and cattle prices remain at their current levels, it may lead to an increase in potential listings due to the costs associated with restocking.

A snapshot of some of the significant results for 2020 for the various LGA areas covered in excess of 250 hectares and over $1 million include:

- **23 transactions** within the Walcha LGA area with three in excess of $10 million;
- **37 transactions** within the Tamworth LGA area with two sales over $10 million and the sale of Middlebrook Park at Garoo for around $49 million;
- **19 transactions** within the Armidale LGA area with the top sale price of $16.25 million;
- **Nine transactions** within the Gunnedah LGA area with a top sale price of $8.5 million;
- **20 transactions** within the Liverpool Plains LGA area with a top sale price of $14.6 million; and
- **Seven transactions** within the Upper Hunter LGA area.

Angus Ross
Property Valuer & Rural Director

Mildura

Using a crystal ball is a bit tricky at present, with trade tensions with China and the global impact of the COVID-19 pandemic causing some uncertainty in many of our key local rural industries. Virtually every producer is reliant on export markets and consequently, anything that disrupts trade has the potential to have a detrimental knock-on effect.

The table grape harvest has just commenced, with growers enjoying a relatively mild growing season whilst also benefiting from high water allocations. However, there is a shortage of labour this season and real concerns that it will be difficult to harvest the crop at optimum times. While China has not imposed tariffs on fresh grapes, they can easily pull the quarantine lever and there are reports of delays in receiving the necessary importation approvals.

Values of table grape vineyards have increased by ten to 20 per cent in the past two years and we expect to see either a plateauing of values or perhaps some contraction during 2021, with the outcome entirely dependent on market access and grower returns.

The other main local industry which could be similarly affected by any trade tensions is the citrus industry. Growers are hoping that they can again direct a large percentage of their crop to China, which has consistently been the highest returning export market over recent years. While it is hoped that other markets are available, returns may well be lower than they have been.

Having said this, both the table grape and citrus industries have enjoyed good returns in recent years and some reduction in commodity prices probably can be absorbed. The risk is more of a

Mildura vineyard Source: Ray White

major disruption which prevents fruit being able to be sent to market.

The wine grape sector appears to have accepted that there will be reduced red grape returns in 2021, but at the same time there is a sense that white grape varieties, which are less reliant on China, will see some price improvement. We haven't seen any recent vineyard transactions to indicate the impact of higher tariffs, but at this stage would expect values to remain at similar levels.

The dryland farming and grazing sectors continue to experience high confidence levels on the back of one of the best seasons on record and near record livestock prices. With forecasts indicating that 2021 will also see at least average rainfall, we expect to see value levels in north-western Victoria and south-western New South Wales continue to at least be maintained.

Irrigation water availability continues to be a roller coaster ride, with allocations this season returning to higher levels. Irrigators are currently looking to capitalise on cheaper water leasing costs to park water for the 2021-22 season. Not surprisingly the improved supply has caused permanent water entitlement values to ease slightly over the past year. We expect value levels to remain at around current levels during 2021.

Shane Noonan / Graeme Whyte
Property Valuers

Dorrigo Plateau

The prime beef grazing market is very strong on the Dorrigo Plateau on the back of a good season and strong commodity prices.

The most recent large grazing sale in November 2020 at Meldrum (via Ebor) achieved $10.3 million. The sale of two adjoining properties was made to a single purchaser. The combined property contained 440 hectares of good quality cleared grazing and 136 hectares of timbered land with an estimated carrying capacity of 450 breeders. Improvements included a brick homestead, cattle yards, machinery shed and water tanks. The sale analyses to a land value rate of $17,000 per hectare fenced and watered or $22,000 per breeder at 450 breeders.

Agents report strong demand for land closer to Dorrigo within the prime basalt soil area. Recent sales for smaller allotments are in the range of $35,000 to $40,000 per hectare.

There is a current sale at $42,000 per hectare for 52 hectares of prime basalt soil with an 18 megalitre water licence.

The Blueberry market north coast NSW
There has been a slight shift in the blueberry market and growers are divided in their opinions on market direction. This follows a sustained period of high-level investment and substantial expansion.

Dorrigo — Source: realestate.com.au

There have been limited sales of in use established farms with a market preference for greenfield sites.

There are a couple of significantly sized farms priced in excess of $5 million available to the market, but these are meeting with limited interest.

Agents report some downward shift in enquiry for greenfield sites and some price correction on available sites.

Value levels are in part reliant on location, access to water and size of the holding. Water allocation and irrigation licences are crucial to profitability and therefore the value of water licences in blueberry growing areas has rapidly escalated.

Commodity prices have sensitised but established growers are generating sound profits, particularly those established growing in substrate or tunnels.

Avocado and Macadamia
The mid-North Coast macadamia market is strong. Farms tend to be smaller than in other areas which limits the capacity for full-time farm income but purchasers are attracted by the opportunity for a rural residential lifestyle with the added advantage of supplementary farm income. Commodity prices have been firm for some years and many farms which were let go when prices were low have now been re-established.

There has been strong corporate interest in avocados on the mid-North Coast featuring strong prices and significant investment but limited recent sales evidence.

Agents report some downward shift in enquiry for greenfield sites and some price correction on available sites.

Bananas

The North Coast banana market is attracting some renewed interest with numerous recent plantings on favourable north facing slopes. A number of greenfield site sales have subsequently been developed to bananas. This follows a sustained period of limited development.

Commodity prices for niche markets are sound at present, having improved from the lower levels of past years which discouraged growers.

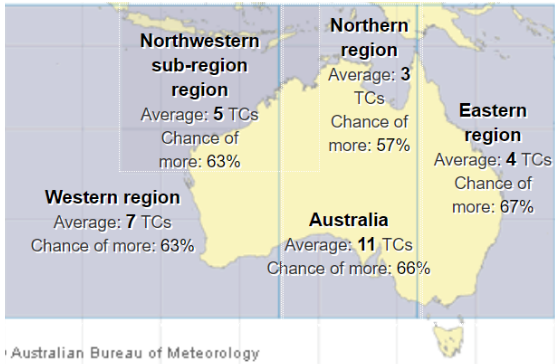
There is limited sales evidence as most plantations are operated on a generational basis.

Ken Potter
Director

Cairns

The outlook for far north Queensland rural industries in 2021 is mixed. Market prices for sugar, bananas, avocadoes, tropical fruit and beef remain the major influences on local far northern rural markets. Weather as always, is another major variable. The Bureau of Meteorology forecasts an average to slightly-above-average number of tropical cyclones for the 2020–21 Australian tropical cyclone season (November-April).

La Niña conditions in the tropical Pacific Ocean and average to warmer-than-average ocean temperatures to the north of Australia have influenced this year's tropical cyclone outlook. The Eastern region outlook has a 67 per cent chance of more tropical cyclones than average, with a 33 per cent chance of fewer tropical cyclones than average. The average number of tropical cyclones for this region is four and about a quarter of tropical cyclones in the eastern region make landfall, however the outlook accuracy for this region is low. Source: Australian Bureau of Meteorology.



BOM Cyclone Aus Map Source: Australian Bureau of Meteorology

Sugar

Sales of sugar cane farms in coastal growing localities remained steady throughout 2020. The market in 2021 is expected to be more of the same despite forecast lower world sugar prices. Refer to the Indicative ICE 11 futures price table below.

INDICATIVE ICE 11 PRICES

ICE 11 US c/lb 15.46 -0.21 13-Jan-21
USD/AUD 0.7772 0.0075
AUD/mt

Season	2020	2021	2022	2023
Target Price Contract	432.42	396.59	365.22	348.90
	-10.51	-7.58	-6.93	-5.92
Grower Floor Price Contract		379.40	344.40	
Individual Futures				
Jul		400.64	368.54	350.80
Oct		395.90	364.21	349.23
Mar	436.79	402.93	368.31	350.98
May	412.11	381.07	358.00	341.82
Total Actual Roll Adjustment per tonne of sugar				-9.43

Source: www.qsl.com.au/sugar-prices/market-snapshot

The local sugar property market has shown resilience to low and volatile prices for many years in growing areas from Mossman down to Cardwell. Market players comprise mainly family growers who purchase for reasons other than short term profitability. A reasonable number of farm transactions involve harvesting contractors that are adding tonnage to their existing operations and thereby saving harvesting costs on their own farms. This type of vertical integration appears to be an emerging trend in the market. Other purchasers have existing off-farm income and are acquiring farms for a sideline income or are part of a larger family entity purchasing for longer term strategic reasons or due to family succession.

Projected Increase in Sugar Production in the 2020/21 season

Sugar production in the 2020/21 season is forecast to increase to approximately 188 MMT, a 21.8 MMT increase compared to the 2019/20 season, according to the USDA – Sugar: World Markets and Trade report. Production is forecast to recover from Brazil, India, and Thailand. Sugar production in Brazil is forecast to increase to approximately 39.5 MMT, due to a change in dynamic from sugar-ethanol plants. Low gasoline prices have negatively impacted the ethanol industry thus causing a shift in dynamic from ethanol to sugar production, leading to a 46 to 54 per cent split compared to the 35 to 65 per cent split last season.

Consumption Forecasts Higher in the 2020/21 Season

Global sugar consumption is forecast to increase in the 2020/21 season by 6.2 MMT to approximately 177 MMT compared to the 2019/20 season, according to data released by the USDA. Consumption is forecast to recover slowly, due to the impact of Coronavirus on the economies of different countries. The disruptions in global supply chains, trade flows, and economies caused by the pandemic due to restrictions in movement have had a massive impact on global sugar demand in the 2019/20 season. Slowly, governments globally are easing lockdown measures and implementing strategies that will assist in economic recovery and strategies to prevent further infections or waves, as countries adjust to the new normal. It is likely that economies will recover and a solution will be found for the virus thus positively impacting demand in the 2020/21 season.

Danny Glasson
Director

Toowoomba

The markets for land and stock in general have been reaching and pushing through new heights over the past 12 months. A general sentiment of concern appears to be emerging regarding the sustainability of cattle prices, raising the difficult question of whether this concern will flow through into a reduction in demand for property.

Locally we have continued to see strong demand from adjoining owners, taking advantage of improved equity positions, low interest rates and generally strong commodity prices to ensure the purchase of these often strategic neighbouring and nearby holdings. These acquisitions will likely aid the sustainability and continued development of these businesses, reducing the risk in the long term of negative market movement or interest rate increases.

As is typical over the Christmas break, listings reduced significantly, and market activity slowed. We are beginning to witness new listings come to market reflecting recently achieved premium prices. A number of grazing properties recently listed appear to have benefited from low stocking rates and improved rainfall and are well presented with a large body of feed. These properties appear well placed to test the strength and depth of current market demand.

Moving forward, status quo appears relatively likely with borders still restricted, low stock numbers set to remain and difficulties in securing farm (and general) labour. This scenario would appear to support continued strong demand or perhaps a stabilisation towards the top of the market for at least the next 12 months in many locations. It would also appear likely that in the longer term, renewed interest may be witnessed in carbon sequestration due to political pressure from the USA.

Bart Bowen
Property Valuer

HERRON TODD WHITE RURAL

Property Market Indicators

February 2021

Capital City Property Market Indicators – Houses

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Steady	Tightening	Steady	Tightening	Tightening	Tightening	Steady
Demand for New Houses	Fair	Strong	Very strong	Strong	Very strong	Strong	Strong	Strong
Trend in New House Construction	Steady	Declining	Declining significantly	Declining	Declining significantly	Declining significantly	Declining	Declining
Volume of House Sales	Increasing	Increasing	Increasing	Declining	Increasing	Steady	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market	Start of recovery	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Frequently	Occasionally	Occasionally	Occasionally	Frequently

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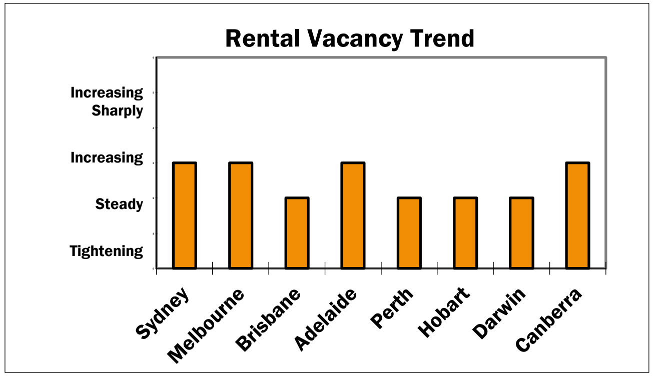

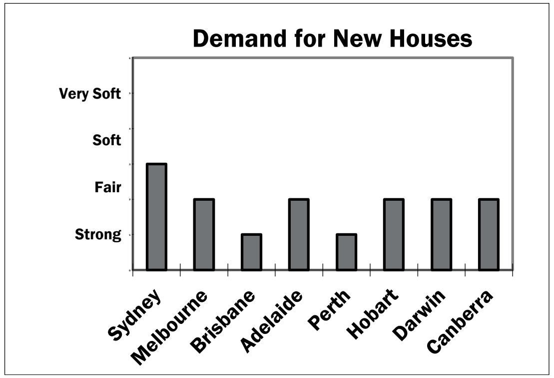

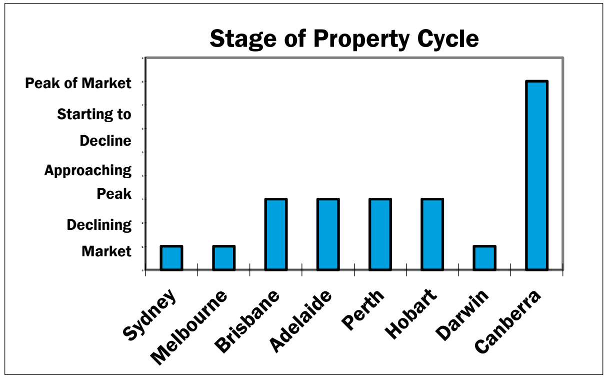

Capital City Property Market Indicators – Units

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

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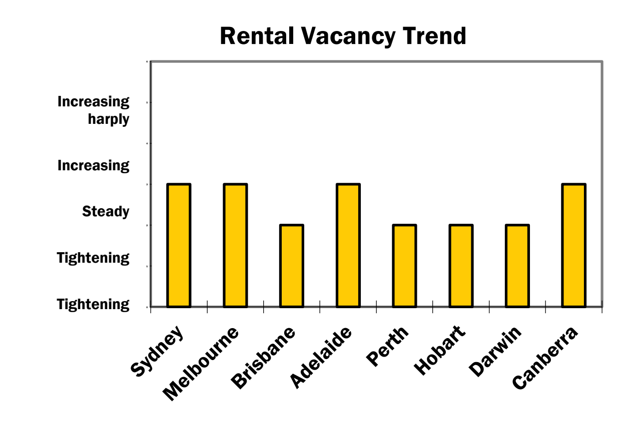

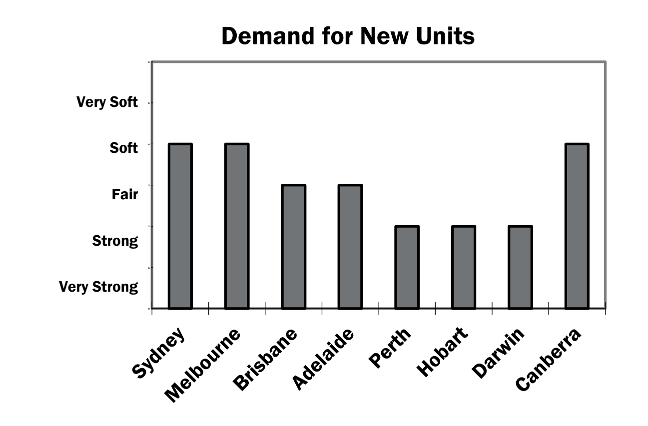

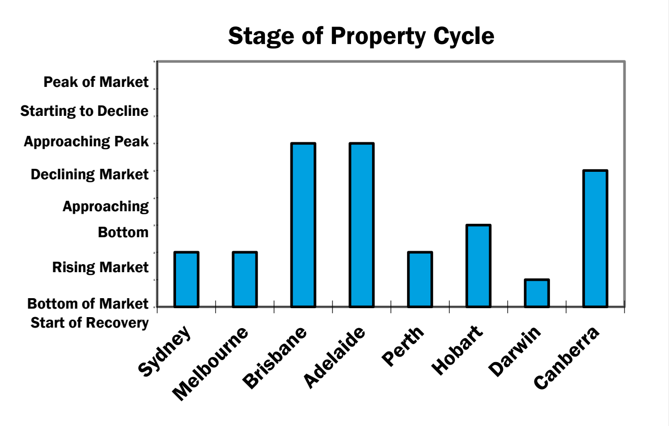

Capital City Property Market Indicators – Office

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

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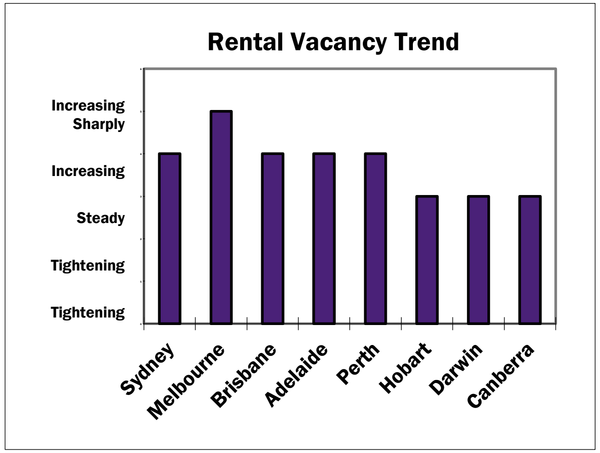

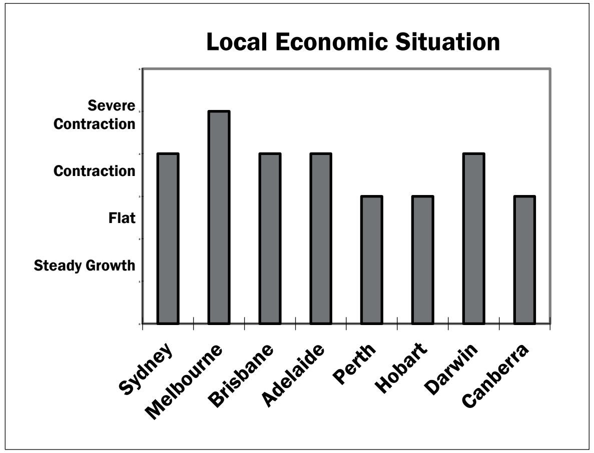

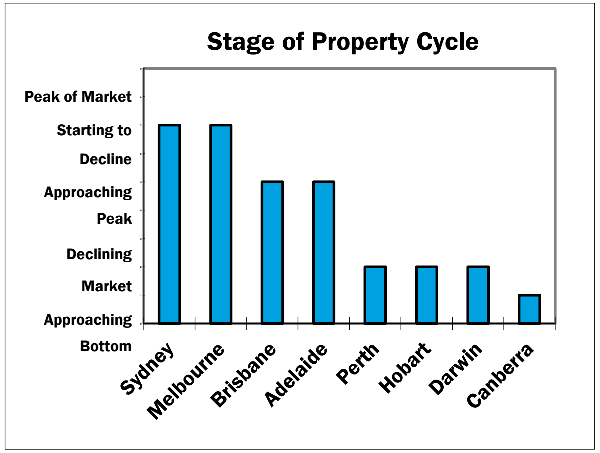

East Coast New South Wales Property Market Indicators – Houses

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Sydney
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening sharply	Tightening	Tightening	Steady
Demand for New Houses	Strong	Fair	Strong	Strong	Strong	Strong	Strong	Fair
Trend in New House Construction	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Steady
Volume of House Sales	Increasing	Increasing	Steady	Steady	Steady	Increasing	Increasing strongly	Increasing
Stage of Property Cycle	Peak of market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Occasionally	Almost never	Almost never	Almost never	Occasionally	Almost always	Occasionally

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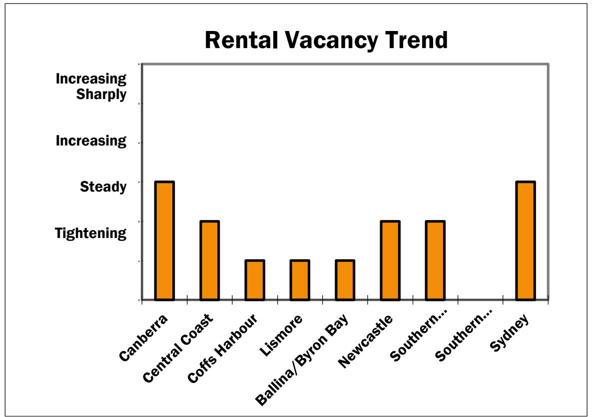

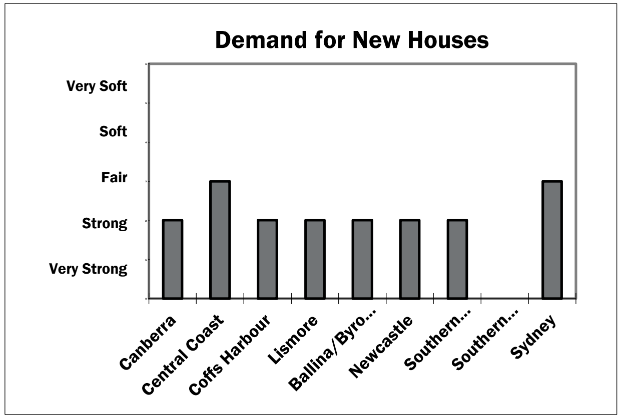

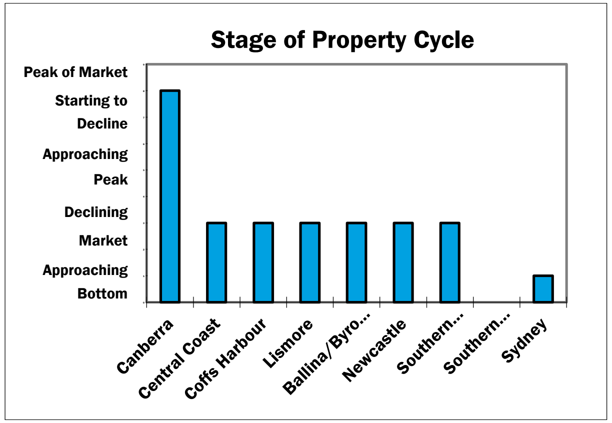

Country New South Wales Property Market Indicators – Houses

Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady	Steady	Steady	Declining	Steady
Volume of House Sales	Steady	Increasing	Steady	Increasing	Steady	Increasing
Stage of Property Cycle	Peak of market	Peak of market	Starting to decline	Peak of market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Very frequently	Occasionally	Frequently

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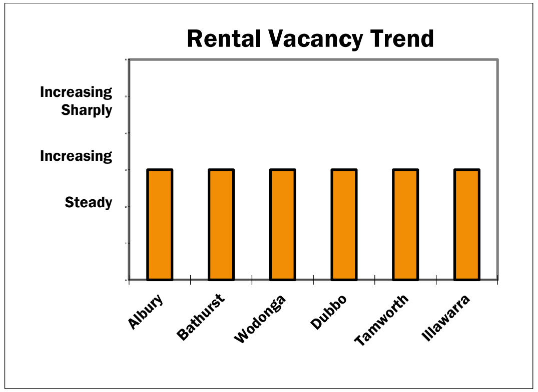

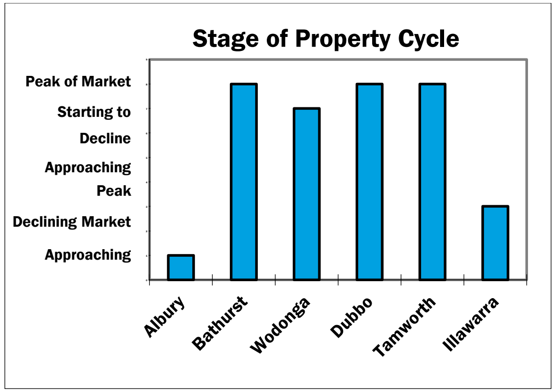

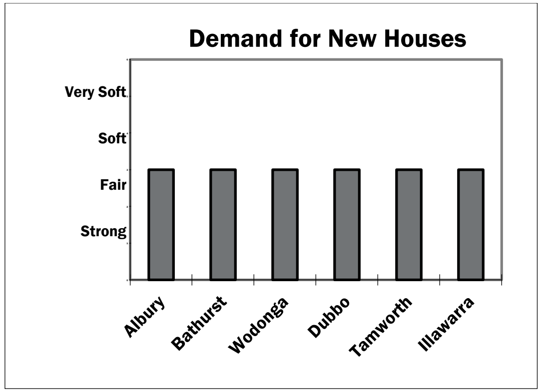

East Coast New South Wales Property Market Indicators - Units

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Sydney
Rental Vacancy Situation	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Tightening sharply	Tightening sharply	Tightening sharply	Steady	Steady	Steady
Demand for New Units	Soft	Strong	Strong	Strong	Very strong	Fair	Fair	Soft
Trend in New Unit Construction	Declining	Declining	Increasing	Steady	Declining significantly	Steady	Steady	Increasing
Volume of Unit Sales	Steady	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Approaching bottom of market	Rising market	Rising market	Rising market	Start of recovery	Start of recovery	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Occasionally	Frequently

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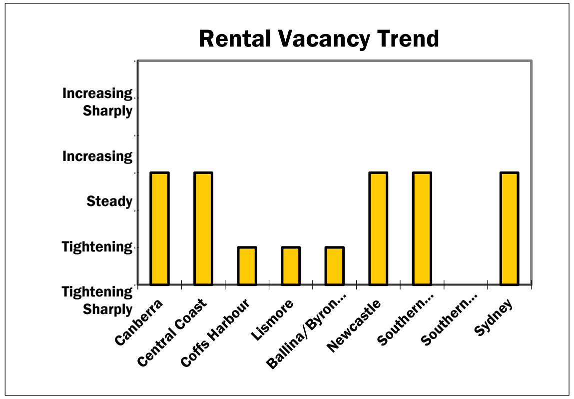

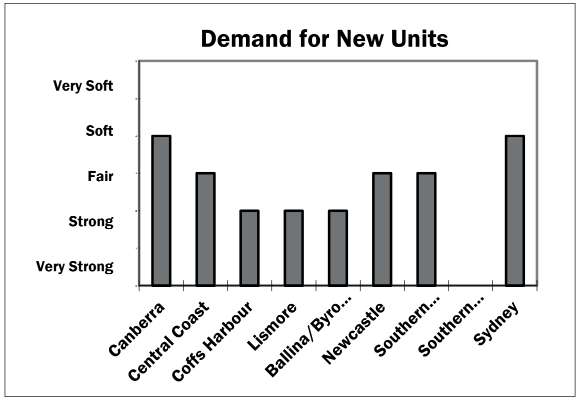

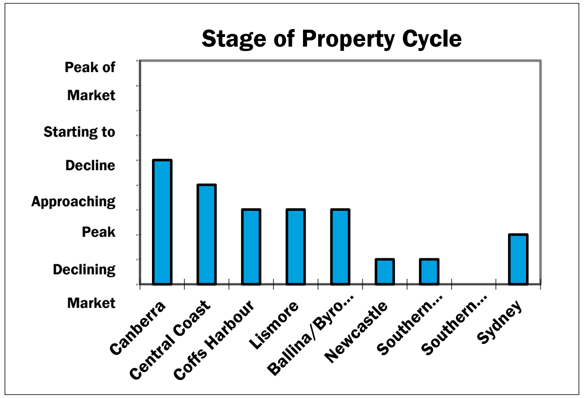

Country New South Wales Property Market Indicators - Units

Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Declining	Declining	Increasing	Steady
Volume of Unit Sales	Steady	Increasing	Increasing	Steady	Steady	Steady
Stage of Property Cycle	Peak of market	Starting to decline	Peak of market	Rising market	Peak of market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Frequently

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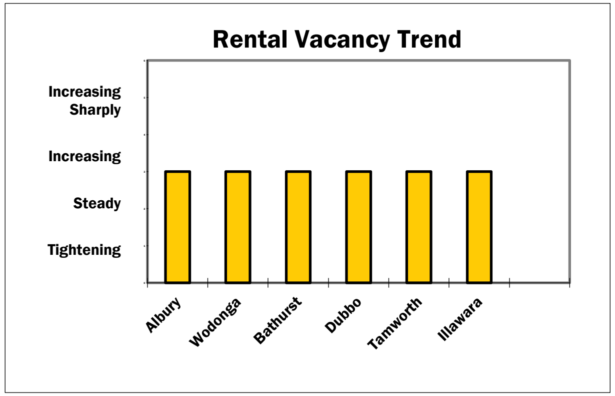

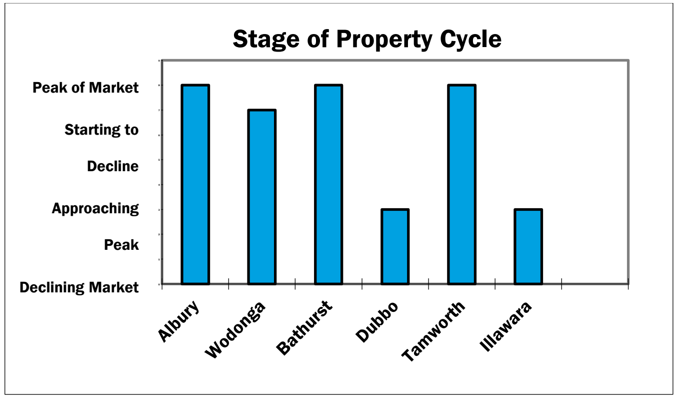

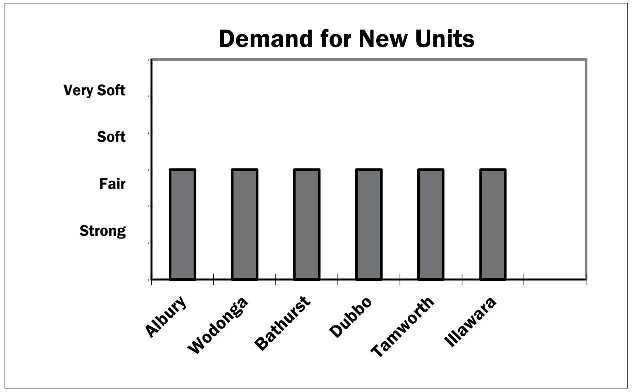

East Coast & Country New South Wales Property Market Indicators – Office

Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Ballina/Byron Bay	Mid North Coast	Newcastle	South Est NSW	Sydney
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Increasing	Tightening	Increasing	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Declining	Declining	Declining	Declining	Declining	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Starting to decline	Starting to decline	Starting to decline	Starting to decline	Starting to decline	Peak of market	Starting to decline
Local Economic Situation	Flat	Steady growth	Contraction	Contraction	Flat	Flat	Contraction	Steady growth	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Significant	Significant	Significant	Significant	Large	Large	Significant	Small

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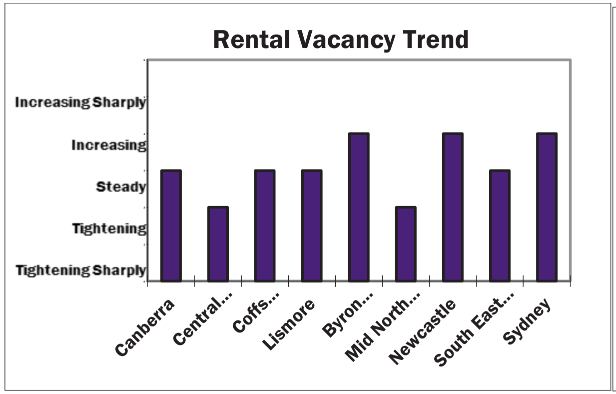

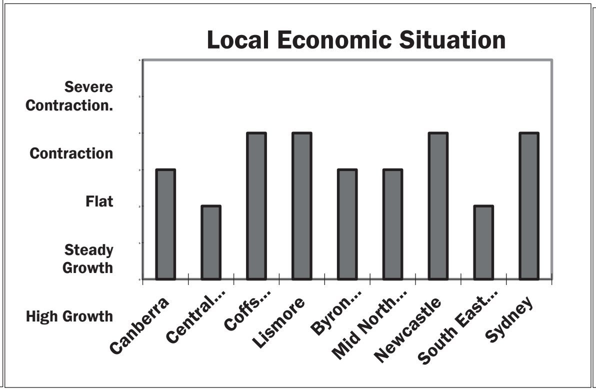

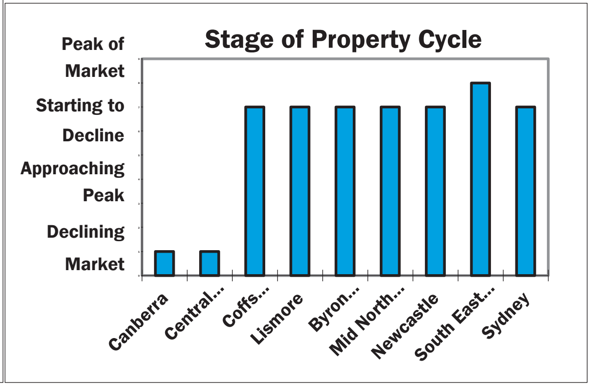

Victorian and Tasmanian Property Market Indicators – Houses

Factor	Geelong	Melbourne	Shepparton	Mildura	Mount Gambier	Hobart	Burnine/ Devenport	Launceston
Rental Vacancy Situation	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening sharply	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady
Demand for New Houses	Strong	Strong	Strong	Strong	Strong	Strong	Very strong	Very strong
Trend in New House Construction	Declining	Declining	Declining	Declining	Declining	Declining significantly	Declining significantly	Declining significantly
Volume of House Sales	Increasing	Increasing	Increasing	Steady	Increasing	Steady	Declining	Declining
Stage of Property Cycle	Approaching peak of market	Start of recovery	Rising market	Rising market	Rising market	Rising market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Occasionally	Frequently

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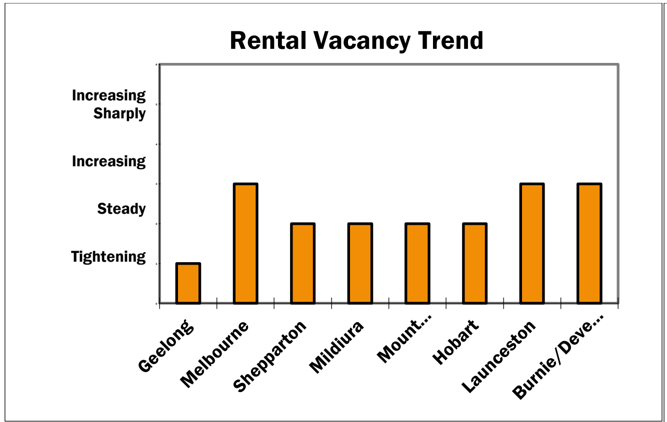

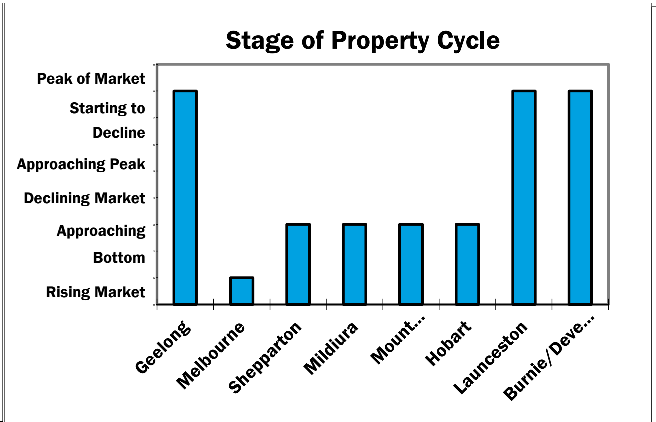

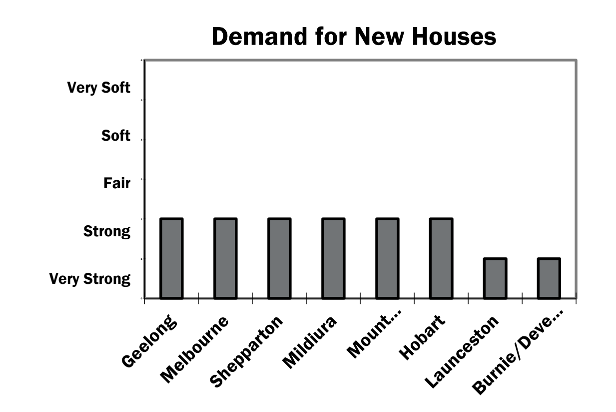

Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mount Gambier	Mildura	Hobart	Launceston	Burnie/Develport
Rental Vacancy Situation	Shortage of available property relative to demand	Large over-supply of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Steady	Steady
Demand for New Units	Strong	Soft	Strong	Fair	Fair	Strong	Very strong	Very strong
Trend in New Unit Construction	Declining	Increasing	Steady	Steady	Steady	Declining	Declining significant-ly	Declining
Volume of Unit Sales	Increasing	Steady	Increasing	Increasing	Steady	Increasing strongly	Declining	Steady
Stage of Property Cycle	Approaching peak of market	Bottom of market	Rising market	Rising market	Rising market	Rising market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Occasionally	Almost never	Occasionally	Frequently	Occasionally

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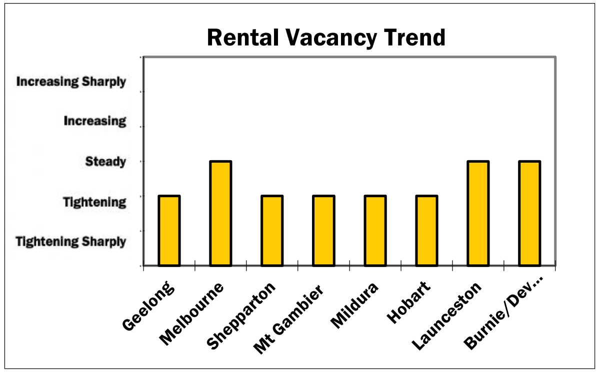
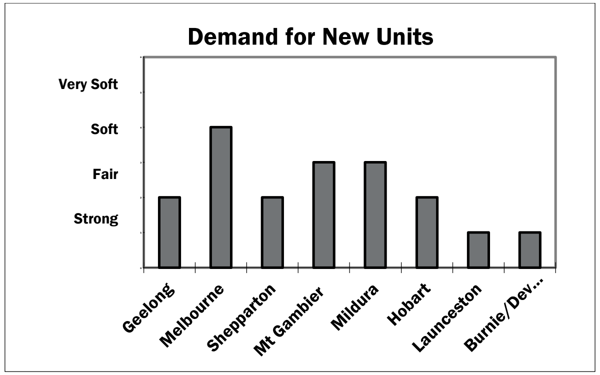
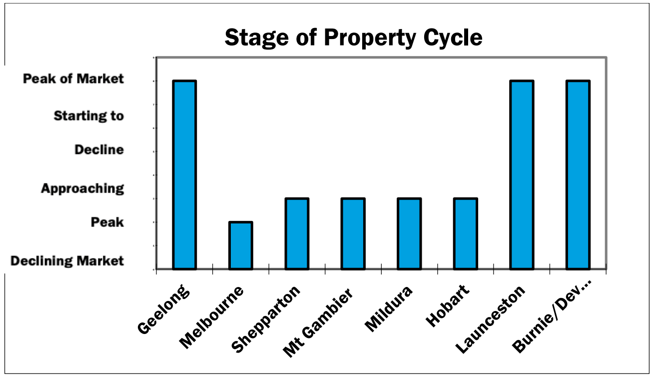




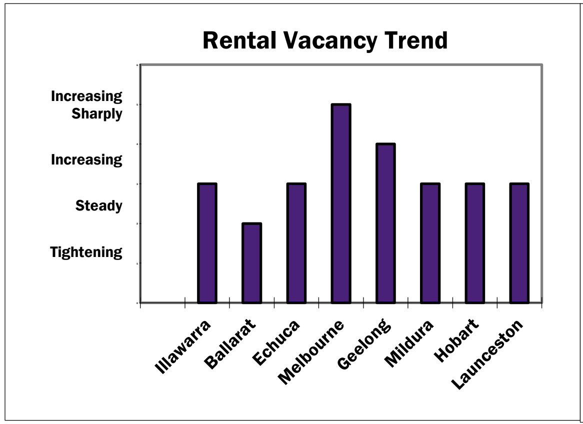


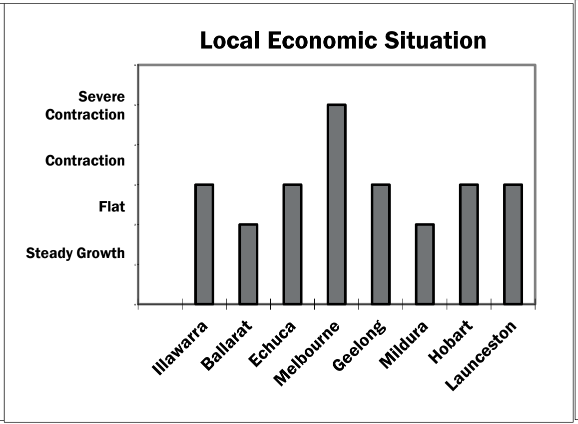
Victorian and Tasmanian Property Market Indicators – Office

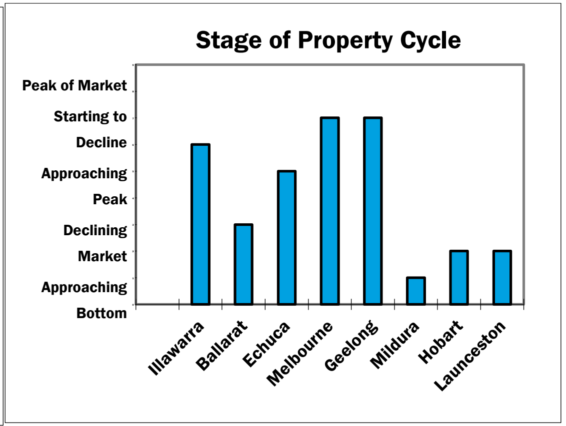
Factor	Illawarra	Ballarat	Echuca	Melbourne	Geelong	Mildura	Hobart	Launceston
Rental Vacancy Situation	Balanced market	Balanced market	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Increasing sharply	Increasing	Steady	Steady	Steady
Rental Rate Trend	Stable	Increasing	Declining	Declining	Declining	Stable	Declining	Declining
Volume of Property Sales	Steady	Increasing	Steady	Declining significantly	Declining	Declining	Steady	Steady
Stage of Property Cycle	Bottom of market	Rising market	Declining market	Starting to decline	Starting to decline	Start of recovery	Bottom of market	Bottom of market
Local Economic Situation	Flat	Steady growth	Flat	Severe contraction	Contraction	Steady growth	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Small	Small	Significant	Significant	Small	Significant	Significant

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

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





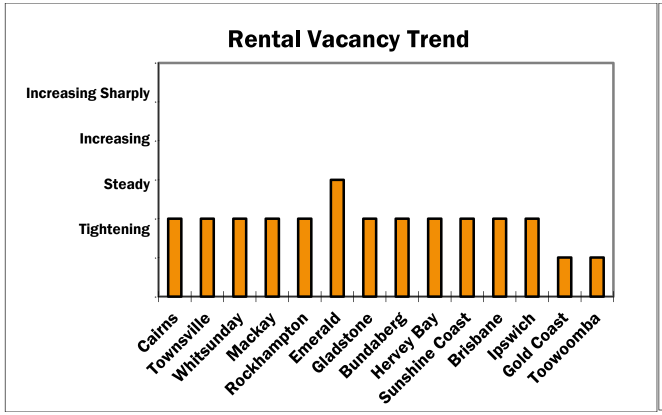


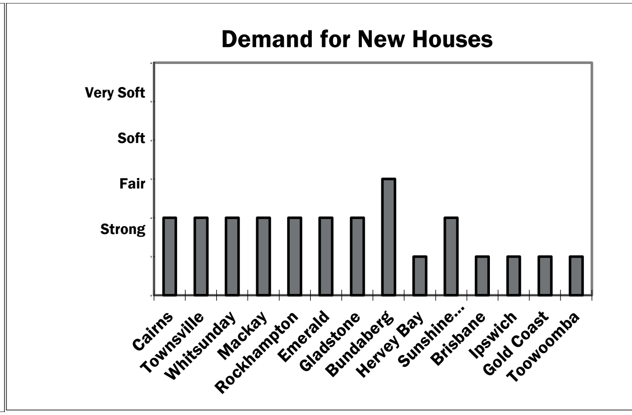
Queensland Property Market Indicators – Houses

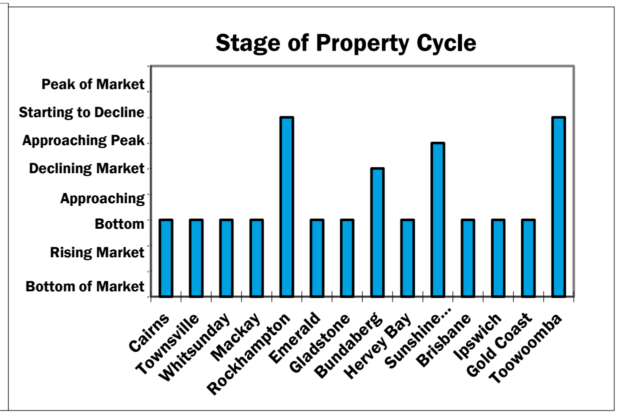
Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening sharply	Tightening sharply
Demand for New Houses	Strong	Strong	Strong	Strong	Strong	Strong	Strong	Fair	Very strong	Strong	Very strong	Very strong	Very strong	Very strong
Trend in New House Construction	Declining significantly	Declining	Declining	Declining	Declining	Declining	Declining	Steady	Declining significantly	Declining	Declining significant-ly	Declining significantly	Declining	Declining significantly
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing strongly	Increasing	Increasing strongly	Increasing	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Bottom of market	Rising market	Approaching peak of market	Rising market	Rising market	Rising market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasion-ally	Occasionally	Frequently	Very frequently

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

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





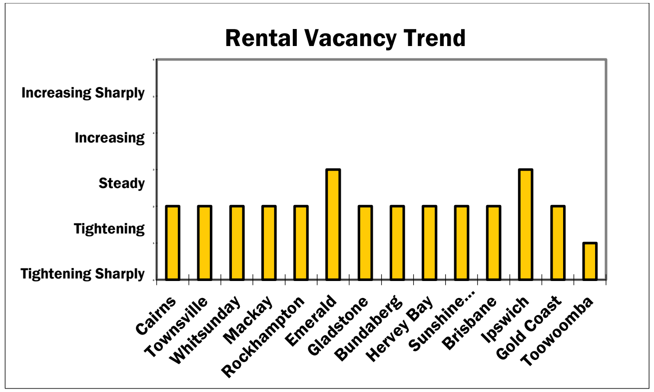


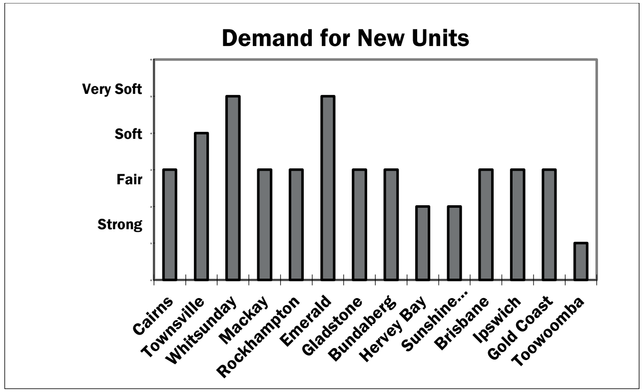
Queensland Property Market Indicators – Units

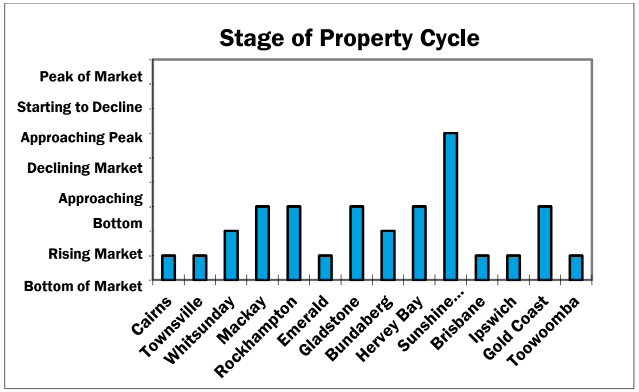
Factor	Cairns	Townsville	Whitsunday	Mackay	Rock-hampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening sharply
Demand for New Units	Fair	Soft	Very soft	Fair	Fair	Very soft	Fair	Fair	Strong	Strong	Fair	Fair	Fair	Very strong
Trend in New Unit Construction	Steady	Increasing	Increasing strongly	Steady	Steady	Increasing strongly	Steady	Steady	Declining	Declining	Steady	Steady	Declining	Declining
Volume of Unit Sales	Steady	Increasing	Steady	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Steady
Stage of Property Cycle	Start of recovery	Start of recovery	Bottom of market	Rising market	Rising market	Start of recovery	Rising market	Bottom of market	Rising market	Approaching peak of market	Start of recovery	Start of recovery	Rising market	Start of recovery
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasion-ally	Occasion-ally	Frequently	Very frequently

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

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



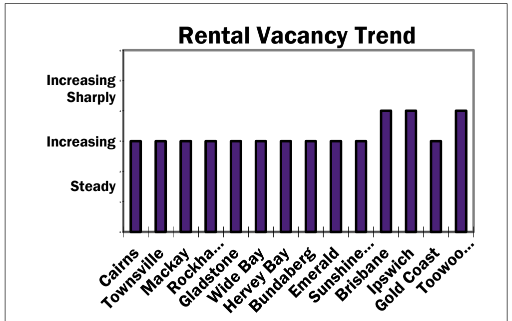


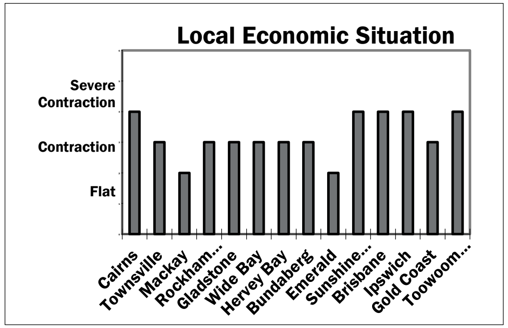


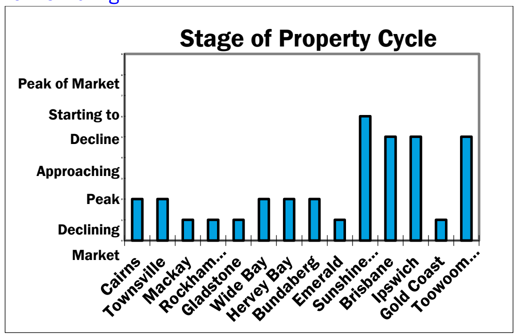
Queensland Property Market Indicators – Office

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

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







SA, NT and WA Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany
Rental Vacancy Situation	Balanced market	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening
Demand for New Houses	Strong	Strong	Strong	Strong	Strong	Very strong	Strong	Strong	Strong	Strong	Fair	Very strong	Strong
Trend in New House Construction	Declining	Declining	Declining	Declining	Declining	Declining significantly	Declining	Declining	Declining	Declining	Declining	Declining significantly	Declining
Volume of House Sales	Declining	Declining	Declining	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Start of recovery	Start of recovery	Rising market	Bottom of market	Approaching bottom of market	Rising market	Rising market	Start of recovery	Rising market	Bottom of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Frequently	Occasionally	Almost never	Occasionally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally

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

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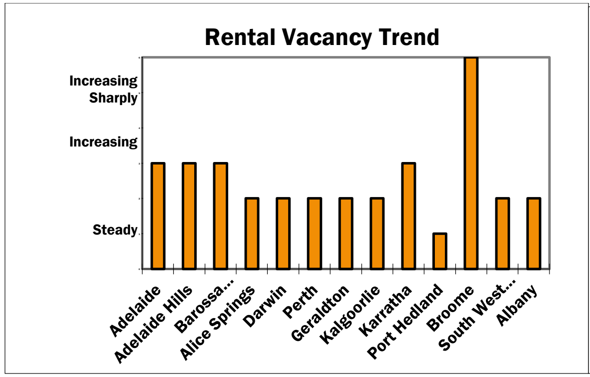
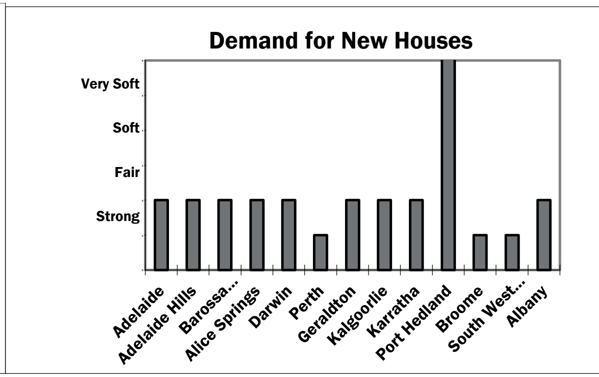
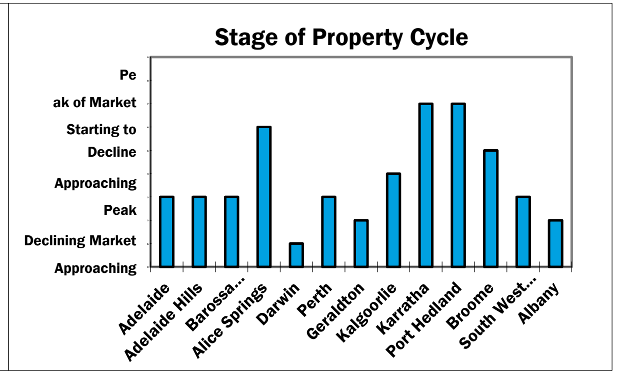


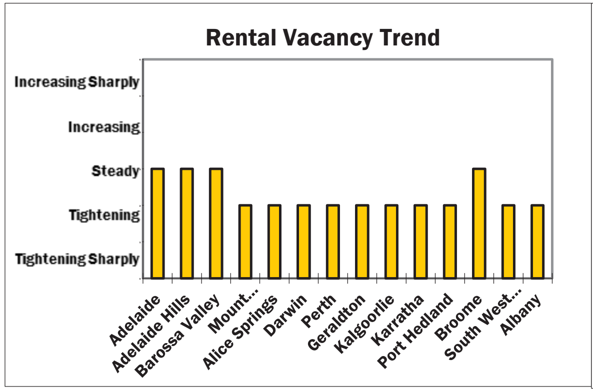


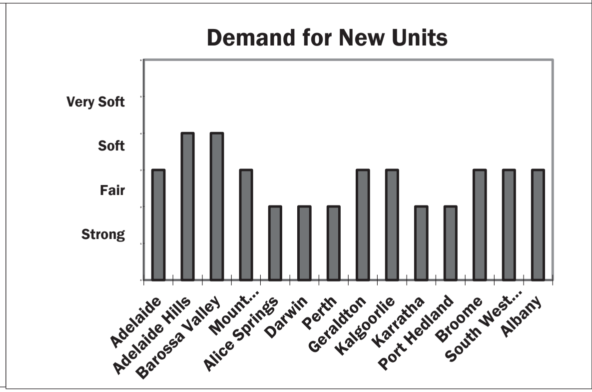


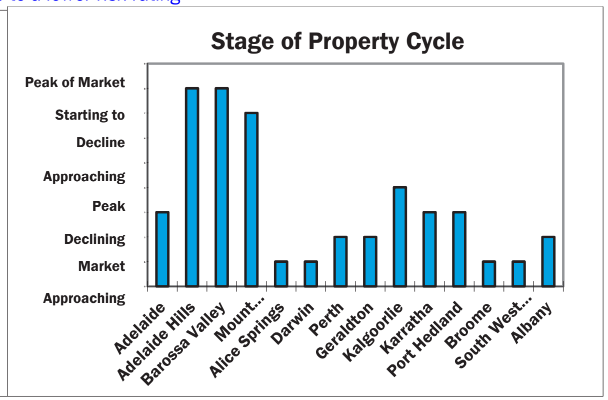
SA, NT and WA Property Market Indicators – Units

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

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





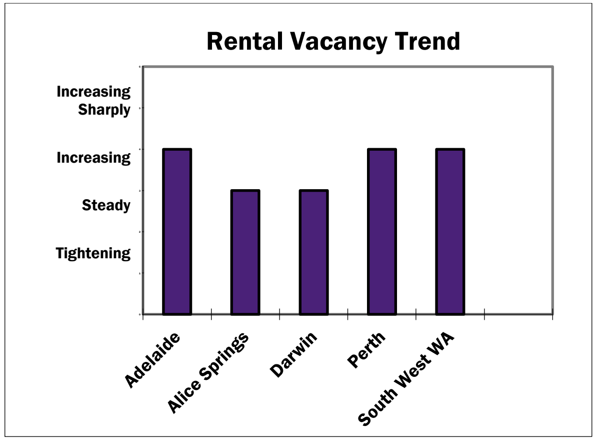


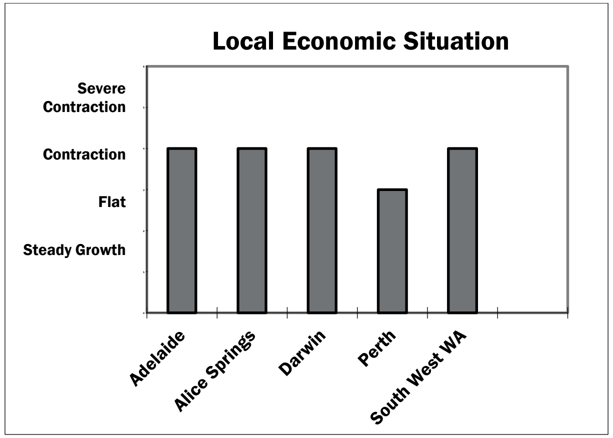
SA, NT and WA Property Market Indicators – Office

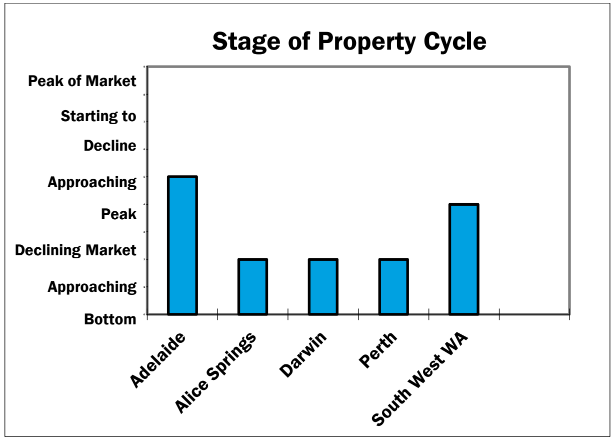
Factor	Adelaide	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand
Rental Vacancy Trend	Increasing	Steady	Steady	Increasing	Increasing
Rental Rate Trend	Stable	Stable	Stable	Declining	Declining
Volume of Property Sales	Steady	Steady	Steady	Declining significantly	Declining
Stage of Property Cycle	Declining market	Bottom of market	Bottom of market	Bottom of market	Approaching bottom of market
Local Economic Situation	Contraction	Contraction	Contraction	Flat	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Large	Large	Small

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

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







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Commercial

NT	Terry.roth@htw.com.au
SA	Chris.Winter@htw.com.au
QLD	Alistair.Weir@htw.com.au
ACT	Scott.Russell@htw.com.au
VIC	Jason.Stevens@htw.com.au
WA	Matt.Tanner@htw.com.au
NSW	Angeline.Mann@htw.com.au
TAS	Andrew.Peck@htw.com.au

Residential

NT	Will.johnson@htw.com.au
SA	Jarrod.Harper@htw.com.au
QLD	David.Notley@htw.com.au
ACT	Angus.Howell@htw.com.au
VIC	Perron.king@htw.com.au
WA	Brendon.Ptolomey@htw.com.au
NSW	Matt.Halse@htw.com.au
TAS	Andrew.Peck@htw.com.au

Rural

NT	Frank.Peacocke@htw.com.au
SA	Angus.Shaw@htw.com.au
QLD	Will.McLay@htw.com.au
ACT	Scott.Fuller@htw.com.au
VIC	Angus.Shaw@htw.com.au
WA	David.Abel@htw.com.au
NSW	Angus.Ross@htw.com.au
TAS	Angus.Shaw@htw.com.au

HERRON TODD WHITE

Telephone 1300 880 489
admin@htw.com.au
htw.com.au