Month in Review

March 2022

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

Welcome to the March edition of Month In Review

The pace of change in the world is frantic at present. Here we are, about to complete the first quarter of 2022 and the news so far has been historic – even life-changing – for many people. In fact, it's almost unfathomable that so much upheaval has occurred since my previous CEO's message just four weeks ago.

Natural disasters continue to unfold across our country's eastern seaboard with storms from Brisbane to Sydney wreaking havoc and upending lives. Floods and weather events like these can shake our confidence and feelings of permanence. I'd like to extend our support and sympathy to everyone affected by this recent disaster.

Then there's international tensions – specifically the conflict in Ukraine. The scale of the human tragedy is difficult to comprehend from this side of the world. The ramifications are likely to reach our shores economically as well. For example, the battle in Eastern Europe will help drive inflation here in Australia. Petrol price hikes are already delivering pain at the bowser and shipping costs continue to creep up.

Of course, an uptick in inflation usually prompts a rise in interest rates from the RBA and those will directly affect property market confidence.

Australians are proceeding into a year of uncertainty in the real estate sector. Markets have come off record highs in 2021, but a series of events set to unfold this year could slow the momentum.

During these turbulent times, the best course of action is to seek calm, rational opinion from experts, and that's where Herron Todd White can be of service. In this month's issue, there's a wide range of information to assist in your real estate matters.

We have advice from our quantity surveying director, Ben Walpole, on maximising your tax position.

Then there's national overview submissions in residential and commercial delivered by two of the most knowledgeable professionals in their field, commercial director Angeline Mann, and executive director of valuation & advisory Drew Hendrey.

In our main commercial section this month our valuers have delivered their take on what's in store for office property investment in 2022. Among the stories are:

- **Melbourne** - A 'flight to quality' will see businesses move back to the CBD from fringe and suburban locations;
- **Perth** - Borders reopening will spark a wave of intrastate and overseas migration that will help alleviate the skilled worker shortage;
- **Townsville** - There'll be downward pressure on rents in line with smaller office space requirements.

Our residential teams have served up an extraordinary collation of submissions as well.

They've provided a "2022 Investor's Handbook" with guidance on opportunities and pitfalls for all property investors. Among the many stories are:

- **Sydney** - The wide gap between house and unit values will help fuel investor demand in the unit market;
- **Coffs Harbour** - Rent increases of $150/wk and potential tenants offering $100+/wk above asking isn't unusual;
- **Brisbane** - and increasing number of young investors have hit the market.

Finally, our rural teams have outlined factors influencing the direction of their wide and varied markets, as well as an overall wrap on what's happening across primary production sectors throughout the nation.

Please enjoy the March edition of Month In Review.

Gary Brinkworth
CEO

CEO

HERRON TODD WHITE

The investors playbook: 2022

"Buy land, they're not making it anymore." - Mark Twain

While Mr Twain was full of good advice, I'm not certain he was fully across the myriad investment options available to the average Aussie beyond simply buying a block of dirt. Land is great, of course, but the opportunities are more diverse than that.

Property ownership is a time-held tradition among Aussies. We just love a bit of real estate! From your first home through to building a portfolio that ensures you a comfy seat at the pointy end of the airplane in retirement, property investment is something we all have an opinion on.

Of course, a lot of damage can be done by having just a cursory understanding of the subject. 'Near enough' or 'thereabouts' is unlikely to keep you financially secure in the investment space. An opinion delivered by your best mate's uncle at a barbecue isn't necessarily the most reliable source of information. Simply owning property for a long time and enjoying capital gains doesn't make you an expert.

From your first home through to building a portfolio that ensures you a comfy seat at the pointy end of the airplane in retirement, property investment is something we all have an opinion on.

As we head into 2022, the landscape for building a property portfolio has changed somewhat. Yes, there remain plenty of positives with post-pandemic normalcy somewhere in the future, strengthening domestic economic confidence, rising employment and continued low interest rates all helping bolster values. That said, there are international security concerns, increased construction costs, potential interest rate rises, looming inflation, a federal election and even recent weather events that will all have an influence on market performance too.

Central to success will be relying on advice from qualified independent professionals who are keyed into speciality locations, price points and property types.

Enter the crew from Herron Todd White.

This month our residential teams around Australia deliver their opinions on how to successfully invest in 2022. They have provided a comprehensive playbook on what to consider and what to avoid on a location-by-location basis. There is an enviable amount of excellent information throughout this month's report, so anyone with even a cursory interest in property investment can't afford to miss a word.

In our commercial section, you'll discover a compilation of submissions setting out office sector performance in 2022. Again, these are the nation's most respected experts in their sector and service areas. From purchase prices to returns to rent details, there is simply no other source as compelling as this for commercial property stakeholders.

Finally, some of Herron Todd White's rural teams have delivered their round up of primary production property markets throughout various locations and industries. This month's submissions also highlight what's influencing their market's activity.

While the information here is nothing short of incredible, it is general in nature. If you have a specific property query, then get in contact with your nearest Herron Todd White office. Among our crew will be a specialist with the expertise to tackle your real estate quandary.

FEATURE

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QS Corner

Ben Walpole - Quantity Surveying Director

Property investment strategies primarily focus on the potential for capital growth, but to achieve this, whether over the short, medium or long term, the investment needs to support its financial responsibilities, which is generally achieved through rental or business income. The issue every investor then faces is increased tax obligations due to the income derived from the investment.

The Income Tax Assessment Act 1997 allows owners of investment properties to claim annual deductions for depreciation on capital works (such as buildings and structural improvements) and capital allowances for items such as plant and equipment. Depreciation applies to all property investment categories: residential; commercial; and rural.

For the majority of capital works (buildings) the annual rate of depreciation is 2.5 per cent based over a 40-year term from the date of construction. The inclusion of capital allowances (plant and equipment) is industry specific. The ATO list is extensive, but not foreign to our team of quantity surveyors who prepare detailed tax depreciation schedules on a daily basis. Our quantity surveyors are also registered tax agents.

The cost of a Herron Todd White tax depreciation schedule is tax deductible and is usually recouped many times over

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

The cost of a Herron Todd White tax depreciation schedule is tax deductible and is usually recouped many times over in the first year.

If you would like to receive further information or request a quote for a Tax Depreciation Schedule, please email tds@htw.com.au.

FEATURE

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Commercial

March 2022

National Office Overview

Looking ahead, many predict that Australia, and our major cities in particular, will see strong growth in office employment and therefore a good supply of office space is required in the not-so-distant future.

The office market nationally continues to suffer the impacts of the pandemic. Around the country we have seen significant increases in vacancy rates, and sadly many CBDs continue to be substantially unoccupied. Generally speaking, a reluctance to return to office environments remains, with many employees across our capital cities preferring to remain working from home, and businesses facing ongoing concerns about multiple staff simultaneously contracting Covid-19 in the workplace.

As we emerge from the Omicron lockdown of 2021, it is clear that working from home will remain for many businesses. Many employee engagement surveys throughout the pandemic reported a strong preference from employees to continue to work from home, at least a few days a week.

The combined impact of new work from home arrangements and a reluctance to bring large groups of employees together, has culminated in significant increases in vacancy as businesses rationalise the space they require going forward. This may mean reconfiguring existing space to better suit their needs with fewer staff working from an office, reducing overall space requirements or, in some instances, relinquishing their office space altogether.

Angeline Mann
Commercial Director

The Property Council of Australia reported a total vacancy rate for the country in January 2022 of 12.1%.This is a significant increase on the pre-pandemic vacancy rate which was reported by the PCA in January 2020 at 8.4%.

So, what does this mean for the market?

We anticipate the office market to remain generally volatile and uncertain through 2022. We are reasonably confident that a slow return to the workplace around the country is probable, however we do not consider this likely to result in a significant increase in market demand, more a gradual increase.

We anticipate that it will take some time for the market to adjust and for confidence to return. There are already signs in some markets that this has started to happen. The low interest rate environment has seen, in some instances, owner-occupiers investing in smaller, mostly strata offices. Purchasers tend to be favouring well-located, well-presented suites that offer longer term positive growth. In the Sydney CBD in particular this has resulted in an continued increase in values though the pandemic period.

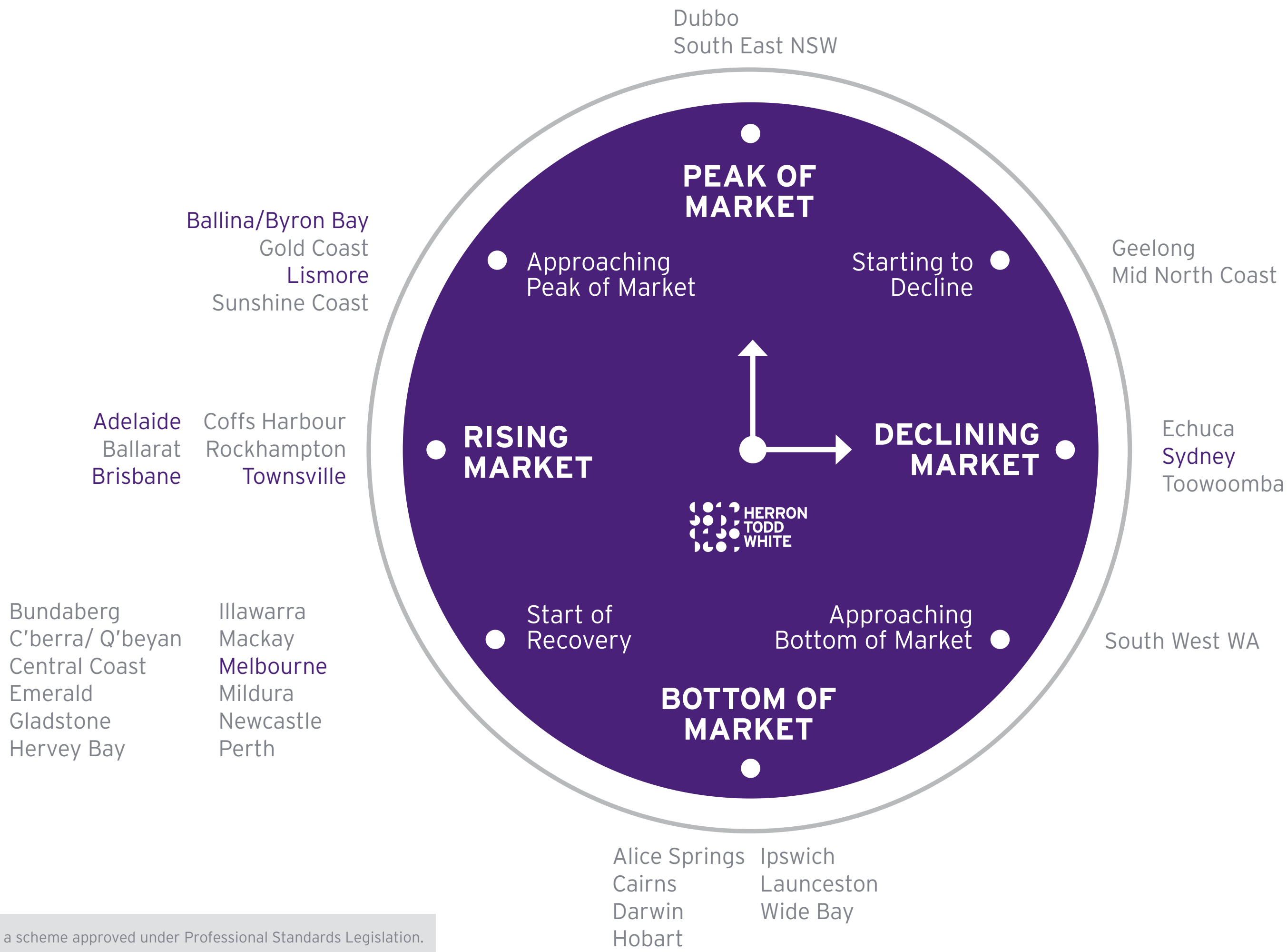
Looking ahead, many predict that Australia, and our major cities in particular, will see strong growth in office employment and therefore a good supply of office space is required in the not-so-distant future. This should lead to a growth in values and a reduction in the vacancy rates.

For the time being, rents remain flat and incentives are high with some cities reporting up to 40 per cent incentives being offered to attract tenants at this time. We do anticipate some tenants will look to upgrade while the market is flat and there have been some businesses that have deferred leasing, both of these things should lead to some increase in demand.

Overall it has been a trying few years for the national office market however it is not all doom and gloom, in fact there are signs of light with some confidence returning to the market. We are optimistic that a slow but gradual increase in demand across most of the major markets will result in an improvement to market conditions and hopefully see growth in values. There are many positive projects underway in most of the major cities which will also help drive demand in the coming years.

National Property Clock: *Office*

Entries coloured purple indicate positional change from last month.



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New South Wales - Office 2022

Sydney

The year ahead for the office sector throughout Sydney is likely to be dominated by uncertainty.

Towards the start of 2021, some semblance of normality had returned and businesses slowly started to have staff back into their CBD offices and other major office hubs, even if that was restricted by roster systems and limits on lift capacities to allow for adequate distancing. While confidence appeared to be slowly returning to the sector, the long lockdown of 2021 and subsequent Omicron outbreak has resulted in both the Sydney CBD and metro CBDs remaining quiet.

Vacancy rates in the CBD have remained stable over the past six months with the PCA reporting a vacancy rate of 9.3 per cent in January 2022 compared to 9.2 per cent in July 2021, a significant increase from the record low of 3.7 per cent in mid-2019. This is not unexpected, as many businesses have begun relinquishing any space deemed surplus to requirements, the significant increase in available sublease space being an obvious consequence.

While asking face rentals appear to be generally stable, significant increases in incentives are being recorded - as high as 30 to 40 per cent - translating to a notable 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.

While we may have assumed that office rents would improve in 2021, it looks as though this will be the challenge for the sector as we head into 2022.

Whilst rents have suffered, the owner-occupier dominated CBD strata market boomed throughout 2021 and has shown no signs of slowing in 2022. While it might be hard to anticipate capital rates remaining at the current level given looming interest rate rises and current rental rates, agents continue to report high levels of demand for well-positioned strata stock. With rates now regularly pushing into the $20,000 plus per square metre range for the best of the smaller suites, demand is anticipated to remain strong in 2022.

Metro CBDs however have not reported the same levels of demand. Vacancy rates are significantly higher in metro areas, with Parramatta and North Sydney reporting vacancy rates of 13.4 per cent and 16.6 per cent respectively in January 2022. Both CBDs saw very few strata sales in 2021 and demand was generally weak. No significant improvement to these markets is anticipated in 2022.

The recent push by the New South Wales government to have staff return to offices in both Sydney CBD and Parramatta is likely to improve the overall use of the major CBDs and see more people returning to offices. That said, there are still major challenges ahead for this market.

Angeline Mann
Commercial Director

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Hunter Region

As we start to think about the year ahead in the office market sector, we inevitably need to make assumptions regarding COVID-19 related office use and work from home requirements. At the time of writing, we are advised by the New South Wales government to work from home if possible. This however will change in coming weeks and a return to the office will be allowable for all. Let's make the assumption that work from offices will be allowable from that time with no further lockdowns (let's not discuss the chances of this actuality arising and we should move on quickly).

What we do know is that a return to normal office use is not going to happen. Companies large and small have worked out how to continue with workers at home at least part of the time. While some will return, many will work at least part time at home and this will inevitably see tenancies shrink and vacancy figures rise.

Ed Thwaites
Property Valuer

Wollongong

We expect to see improvement in the commercial office market throughout 2022 as the government has given assurances that the harsh lockdown

We expect to see leasing conditions improve but enquiry levels being for smaller tenancy sizes as it's clear that the shift to splitting time working from the office and working from home is permanent.

restrictions that plagued 2020 and 2021 are over and most of the country is well on its way to adapting to living with the virus. Of course, no one knows if COVID-19 will spawn a new deadlier variant that will alter current plans, however at present it certainly looks like conditions are favourable for broad improvement in the office market in 2022.

The easing of restrictions that will permit staff to work within the office, travel interstate to other office locations and attend meetings is clearly a positive for this segment, however anecdotal evidence suggests that it won't be until mask mandates are removed that people will venture back into the office as most staff struggle to work all day with a mask, a requirement that does not exist when working from home. This experience has really given a lot of us a far greater appreciation of our healthcare workers who tend to work longer shifts in a full complement of PPE.

We expect to see leasing conditions improve but enquiry levels being for smaller tenancy sizes as it's clear that the shift to splitting time working from the office and working from home is permanent. Rental rates will remain static as the market sorts through the current imbalance.

Office vacancy rates have generally increased over the past 12 months. According to the PCA Office Market Report released in February 2022, the total vacancy rate for all grades was reported at 14.7 per cent, a modest increase from the 14.1 per cent reported in July 2021. The B-grade segment is the strongest, PCA reporting a vacancy rate of 10.1 per cent, with A-grade at 13.1 per cent but showing a strong year on year net absorption of 7422 square metres to January 2022. Further growth in absorption will be needed for the year ahead as 11,500 square metres of stock will be added when the Langs Corner development is completed although a fair amount of this space is pre-committed to Mercer.

The Wollongong office market would typically see two to three transactions a year, noting that only one sale occurred in 2021 ($6.45 million, $3490 per square metre of lettable area, analysed market yield of 6.8%). Industry participants are closely watching the current listing through Knight Frank of 88-90 Crown Street, Wollongong, an asset that last sold in February 2019, setting a new benchmark at the time ($50.38 million, $5493 per square metre of lettable area). We feel that investors will tend to compete hard for assets with strong tenancy and lease expiry profiles but adjust when considering second tier assets that carry a far greater level of risk and all the while the cloud of increasing interest rates hovers above.

Scott Russell
Director

Victoria - Office 2022

Melbourne

The repercussions of the COVID-19 pandemic are being acutely felt within the Melbourne CBD office market and are best illustrated by the escalation of the office vacancy rate. According to the Property Council of Australia's (PCA) Office Market Report, Melbourne's CBD office overall vacancy rate has increased from 10.4 per cent to 11.9 per cent over the six months to 1 January 2022. The second half of 2021 did however start to see a rally in leasing enquiry. The PCA reports that 45,560 square metres of office space was leased during the second half of 2021 including to big companies such as NAB, Monash College and IOOF taking on larger spaces which had proved hardest to move during the height of the pandemic.

With the ongoing effects of the COVID-19 pandemic still being somewhat unforeseeable, in 2022 we anticipate a flight to quality out of the suburbs and fringe CBD locations and into the high-quality CBD office space sector on offer for roughly the same total occupancy cost. This is a typical occurrence when CBD vacancy rates increase. Despite overall vacancies rising, we expect to see a sharp rebound as we have historically observed from other economic downturns. When government services and other major companies return to offices, we should see an uptake in demand for office leasing based on many businesses previously opting for short term lease extensions whilst they planned for future office space requirements.

In 2022, we consider the recovery of the leasing market will be heavily dependent on the easing of restrictions and expect that more businesses will embrace a 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 workspace, collaborative working environments with café style amenities, cutting edge health and hygiene facilities and technologies, spacious floor plates and good air ventilation with outdoor areas.

In the capital markets, yields in both the CBD and metropolitan markets appear to have remained stable and even firmed in some cases for good quality investments in good locations. Our observations are that prime office yields have so far not been affected by the pandemic because the risk premium, the difference between the asset yield and the ten-year government bond rate, has increased due to the falling bond rate. Therefore, purchasers are seeing a higher risk premium to compensate them for the increased risks.

However, with inflation climbing and interest rates expected to increase in 2022/23, we think there will be a wider gap between the two-tier market which currently exists whereby assets with strong tenancy profiles and underlying land value will continue to perform, whilst the downside pricing risks will be greatest for the secondary office stock where buildings may experience substantial vacancies for extended periods. It is possible we will see many of these types of buildings being repositioned for alternative uses. We also anticipate that landlords and investors will favour leases with strong review mechanisms which provide a hedge against rising inflation.

In general, there is still substantial pent-up demand for good quality office investments as well as land-rich properties with good holding income. With restrictions easing and the worst of the pandemic potentially behind us, we could see an increase in both sales and leasing activity over 2022.

Jason Stevens
Director

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Queensland - Office 2022

Brisbane

The Brisbane office market performed well in 2021 across most office sectors with a notable increase in both the volume of sales and capital value levels. However, many businesses remained cautious in light of the uncertainty surrounding border closures, snap lock-downs and mandatory mask mandates. This has resulted in a subdued leasing market.

As the Queensland Government re-opened its borders to domestic and international travellers late last year, COVID case numbers in Queensland spiked and resulted in a delayed start to the year as the vast majority of employees worked from home in January and early February. The government also extended the school holiday break by two weeks, causing further business disruption.

Whilst the start to 2022 was less than ideal, COVID case numbers appear to have peaked and there is now a discernible (though slow) drift back towards working in the office. We consider that this is likely to accelerate, particularly when mask mandates are lifted.

The institutional-grade property markets were arguably the hardest hit by COVID and were also the slowest to recover due to high CBD vacancy rates and the uncertainty in the leasing market. Whilst sub-lease volumes declined in the six months from July 2021, it remains a key feature as sub-lease vacancy rates remain above one per cent (circa 26,400 square metres), up from 0.4 per cent pre-pandemic (circa 8,700 square metres).

Now that interstate and international borders are open, we should see improved activity in the capital markets sector and it's widely expected that yields for prime assets will remain strong in 2022.

Despite the difficult leasing environment, Queensland has experienced positive net interstate migration and we are sitting at our lowest unemployment rate since February 2009. There is now a greater sense of stability in the market and CBD leasing markets are likely to show signs of recovery, particularly towards the back end of the year.

2022 will continue to see a flight to quality as tenants desire good quality office accommodation and quality building services such as end of trip facilities and lobby and floor upgrades. Tenants are also needing to create safe COVID environments and improve space ratios in order to entice employees back into the office.

The majority of leasing deals in 2021 were spec fitout office suites in the sub-500 square metre bracket and it is likely that this will continue in 2022, however secondary office space will continue to struggle as businesses continue to upgrade office space in 2022. Secondary effective rent levels will likely decrease as a result and landlords will either need to reposition such assets by either undertaking capital upgrades or re-purposing.

Now that interstate and international borders are open, we should see improved activity in the capital markets sector and it's widely expected that yields for prime assets will remain strong in 2022.

Fringe CBD office markets achieved solid capital growth in quarter 3 and quarter 4 of 2021, largely fuelled by the owner-occupier market and small property funds and property syndicates (less than $20 million). Some market sectors realised growth of up to 30 per cent over the course of 2021 primarily due to low mortgage rates where there is a significant differential between the costs of leasing and owning.

There has also been a lack of quality investment-grade office assets available for sale and a number have been purchased off-market. A recent example was 55 Russell Street, South Brisbane which was purchased off-market by Barwon Investment Partners in 2021 for $34.7 million, reflecting a yield of five per cent. This

55 Russell Street, South Brisbane Source: Cushman and Wakefield

COMMERCIAL - OFFICE

property was previously purchased by Forza Capital in 2019 for $23.65 million.

Whilst assets of this calibre will be keenly sought in 2022, the RBA has cautioned that interest rate increases are likely to occur in late 2022 as growing inflation fears grip the Australian economy. A sustained uplift is likely to set a floor on investment yields and may reduce buyer demand.

Fringe leasing markets are likely to remain turbulent in 2022 as vacancy rates remain high. The latest PCA Office Markets report indicates that vacancy rates for the CBD fringe are currently at 16.2 per cent as at January 2022, marginally up from the six months prior. Furthermore, with the recent completion of MOBO (South Brisbane) and the pending completion of Jubilee Terrace (Fortitude Valley), 895 Ann Street (Fortitude Valley) and 152 Wharf Street (Spring Hill), vacancy rates will remain high. Even pre-committed space will create additional backfill space that will place additional pressure on the leasing market.

Another buyer group that emerged during 2021 (and will continue to do so in 2022) is that of opportunistic value add buyers looking for lower value fringe buildings with good bones, good locations, good parking etc., that can be refurbished. Demand for properties at the lower levels of the market is likely to continue to drive capital value growth, but at a lesser pace than in 2021.

The suburban office markets have been less impacted and appear to have held their own since the first lock-down imposed in 2020. COVID-19 has created a real need for quality suburban assets as businesses have trended away from commuting into the CBD and have opted for more flexible, local office arrangements. We don't envisage this trend will change in 2022.

Gross face rental levels for suburban properties have remained fairly stable during the pandemic. Incentives are less than the CBD and fringe CBD markets as supply is often limited. Suburban face rental levels are much more in line with fringe CBD effective rental levels.

Leasing agents are still reporting that leasing demand for suburban assets remains positive for well-located commercial assets that have good access to major commuter routes, good transportation, retail amenities (cafes, restaurants, shopping centres) and strong on-site car parking parameters. However, secondary and dated office accommodation is less sought after, and larger incentives or lower effective rental rates are necessary in order to lease up.

The Brisbane commercial market remains a very attractive investment for many investors due to the weight of investor funds, the yield spread between Brisbane and its southern counterparts, positive population growth and a strong long term outlook. Whilst there is still a healthy differential between yields and interest rates, the inflation concerns and potential interest rate rises in 2022 may create some uncertainties and challenges.

Edward Cox
Associate Director

Gold Coast

In 2021, the commercial office market on the Gold Coast certainly found its feet again and we are expecting this sector to have steady performance over the course of the year.

The office market in the southern Gold Coast and northern New South Wales is predominantly comprised of strata units and small buildings that cater mostly to small businesses. Recently, rental rates have been increasing on the back of a generally tight vacancy rate and improving business conditions in this sector. This along with record low interest rates has resulted in strong buyer demand which has been bolstered by the recent reopening of the Queensland and New South Wales border. Strata units are now transacting in the mid-5% analysed yield range and freestanding buildings often sharper than this.

On the central Gold Coast, the office precinct within the master-planned community of Robina continues to expand. Based on current PCA statistics, Robina provides circa 140,000 square metres of office space, or 30 per cent of the Gold Coast total, with a vacancy of about 11 per cent. Modern commercial office developments continue to roll out, with the new Department of Human Services building well underway, the new Robina TAFE building due to open its doors to students this year, and additional contemporary buildings close to the train station currently nearing completion and subject to leasing campaigns.

Moving further north, there remains a comparatively high amount of vacant office floor space in Southport and conditions within this market remain fragile, having been particularly impacted by the COVID-19 pandemic. Whilst the current vacancy rate for office space in Southport has trended downwards, conversations with leasing

In 2021, the commercial office market on the Gold Coast certainly found its feet again and we are expecting this sector to have steady performance over the course of the year.

Zupp Group project Source: www.interciti.com.au

agents active in the area indicate that the strongest demand is for A-grade space and the demand for B and C-grade office space is far weaker (largely due to the large supply of mid-grade accommodation in Southport). Southport's A-grade buildings (Seabank and Zupp Place) have near full occupancy and rental rates typically range from $400 to $500 per square metre plus car parking. Rental rates for mid-grade space can vary significantly, typically ranging anywhere between $280 and $350 per square metre. We also understand that incentives in this market are trending downwards, typically ranging from circa ten to twenty per cent depending on existing fit out and tenancy size.

On the northern Gold Coast, the Zupp Property Group is in the early stages of developing a prominent landholding at Ormeau. The site is positioned near a motorway interchange and is proposed to be developed with a multi-building, 40,000 square metre commercial precinct to be known as Interciti. There is one main existing building and one new building nearing completion. Proposed uses include office, retail and technical, laboratory or warehouse space catering to a wide range of uses. This will bring a substantial amount of floor space to a historically residential and industrial locality, positioned between Brisbane and the Gold Coast proper. It is reflective of the strong population growth on the northern Gold Coast over the past decade.

Ryan Kohler
Director

Townsville

The outlook for the office market in 2022 is one of stability although there is the potential for restructuring as employees return to work in a post-COVID environment.

Ongoing flexibility in the workplace is likely to be a key factor. Changing floor plate ratios and increasing acceptance of work from home arrangements may result in requirements for smaller office space and drivers for businesses to downsize, particularly in the SME sector. A reasonable public department office workplace density benchmark is set at 12 square metres per person, but this is typically much higher in the private sector.

With lower office space requirements, there is potential for downward pressure on rents and absorption particularly at lease reviews or renewals.

Sales activity for this sector is likely to remain relatively stable throughout 2022. Whilst we have seen strong growth and yield compression in the wider commercial market driven by southern investors (chasing regional yields), the CBD office sector has not seen the same level of activity as other market sectors.

Expectations for a rebound in the CBD were somewhat muted by COVID and the local council has recommenced two-hour free parking in the CBD in a bid to reinvigorate subdued custom.

In the current uncertain times, there is little impetus for new or large-scale office developments given the readily available quality office space at affordable rates and limited demand.

Quasi office/retail/residential developments underpinned by allied health is a sector continuing to see strong interest. Redevelopment opportunities and new construction projects are currently underway or touted to begin during 2022, particularly along established medical nodes or strip locales.

Jason Searston
Director

Mackay

There is very little to report on the Mackay office market. There are still about 113 tenancies advertised for lease on realcommercial.com.au, so the market continues to be oversupplied and rental growth prospects remain low. There have been no noteworthy sales in the past six months. We do not expect much investment activity in the year ahead unless an office property with very strong lease covenants becomes available for sale, in which case national yield chasers will compete strongly.

On a brighter note, we are pleased to report that occupancy levels for motels in Mackay are now improving after enduring a fairly long period of low occupancy from about 2015. Our best estimate is

With lower office space requirements, there is potential for downward pressure on rents and absorption particularly at lease reviews or renewals.

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that the occupancy rate is now at about 60 per cent for the current financial year to date, after rising from around 45 per cent in financial year 2021 and from around 35 per cent in 2020 and 2019. There is renewed interest in the local motel sector and we are aware of a couple of freehold going concerns and a lessee's interest currently under a contract of sale at the time of writing.

Based on Queensland Tourism and Events statistics, Mackay has the lowest proportion of holiday visitation and the highest proportion of business visitation in the state. Business visitation is improving and this is largely attributable to an improvement in regional coal mining activity.

Greg Williams
Director

Rockhampton

Rockhampton has a relatively stable office market, with a mixture of well-established professional services firms, businesses and government departments. Strengthening local economic conditions as well as a number of large-scale infrastructure projects slated for the greater Rockhampton area have seen an increase in office demand, although with a preference for sub 300 square metres, modern, well located office accommodation with good onsite car parking. Larger and first floor walk-up office accommodation has a more tempered demand currently. The health and allied services industries have been more active in the market over the past 12 months, with activity mainly in the suburban or fringe medical localities. This has primarily been owner-occupiers, with businesses expanding or relocating to better suited accommodation. We consider that the office market will remain relatively consistent over the next 12 months.

Richard Dunbar
Property Valuer

Based on Queensland Tourism and Events statistics, Mackay has the lowest proportion of holiday visitation and the highest proportion of business visitation in the state.

Gladstone

The local Gladstone economy is strengthening, however there remains adequate office accommodation. There are a number of proposed hydrogen projects for the area and should these commence in the near term, it is expected that there would be an increase in demand for office accommodation. Due to the lack of public transport, office accommodation that provides good levels of staff and customer car parking as well as modern accommodation is more sought after than secondary office accommodation. Consistent with other smaller regional Queensland towns, smaller office accommodation (sub 300 square metres of lettable area) is more lettable and saleable than larger format office accommodation. The year ahead should remain stable, however Gladstone has a cyclical history and should a number of large projects commence, this may change quickly.

Richard Dunbar
Valuer

Wide Bay

Redevelopment for office premises within the Bundaberg, Hervey Bay and Maryborough CBDs has been very limited in recent years, constrained in part by limited car parking, soft demand within the CBD for tenancies and a stagnant rental market for professional office space. Demand from health and allied professionals has improved but in a market segment focused on smaller lettable areas up to approximately 200 square metres for consulting or treatment of patients. We see the professional office market remaining challenging over the next six to twelve months for large tenancies, while the continued trend of developing new medical and allied health buildings in fringe commercial locations will continue in the Wide Bay localities, particularly for medical premises of scale if an arbitrary benefit can be achieved with a purchase price in the $100 to $200 per square metre for the land and net rents remaining around the $300 per square metre mark.

Ben Harnell
Property Valuer

Toowoomba

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

Leasing demand has been low to 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 $450 per square metre per annum with limited demand for secondary office space resulting in lower rentals. The impact of COVID-19 over the past two years 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.

HERRON TODD WHITE COMMERCIAL

Tenancies with a good car-park ratio appear to be much easier to lease with tenancies with poor car-parking experiencing extended lease-up periods and often requiring additional incentives.

There has been strong demand from owner-occupiers for smaller offices in the $500,000 to $1 million 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. We note that some of these buildings are not PWD compliant and this will likely discourage some buyers and tenants, as will the ongoing repairs and maintenance costs of older timber character buildings. 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 2021 (source: CoreLogic):

96 Neil Street, Toowoomba City:
This is a CBD fringe office property on 1270 square metres with a net lettable area of 416 square metres and 20 on-site car-parks. Reported under contract at $3.05 million, fully leased with a reported rental of $190,046 per annum resulting in a net yield of 6.23%.

160 Hume Street, Toowoomba City
This is a two-level office building with a net lettable area of 1192 square metres and 40 on-site car-parks. The building was fully leased. Sale price of $2.95 million.

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

300 Ruthven Street, Toowoomba City:
This is a two-level office building with a net lettable area of 300 square metres. The building was sold subject to a leaseback arrangement. Sale price of $1.715 million with a passing yield of circa 7.00%.

152 Hume Street, Toowoomba City:
This is a single level building with a net lettable area of 882 square metres and nine on-site carparks. The building was sold fully leased. Sale price of $5 million with a passing yield of circa 5.9%.

158 Hume Street, Toowoomba City
This is a two-level building with a net lettable area of 675 square metres and limited parking. The building was sold fully leased. Sale price of $1.855 million with a passing yield of circa 8.46%.

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

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 that 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 have less impact and employees have the benefit of reduced commute times and improved parking options.

Our expectations for 2022 are for a continued 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

South Australia - Office 2022

Adelaide

South Australian office markets have continued the strong performance seen in late 2021. Vacancy rates remained steady throughout 2021, with Adelaide CBD vacancies decreasing by 0.3 per cent from January through to July 2021. At the start of the pandemic, office markets were in good shape. The latest Property Council of Australia office market report indicates slight decreases in vacancies in January 2022. Adelaide CBD Core, Frame, Total Marker and Fringe vacancy rates all reduced between July 2021 and January 2022, indicating that there are still tenants eager to absorb space in the current climate.

Vacancy Rate

Office Sector	January 2021	July 2021	January 2022
Adelaide CBD – Core	17.4%	17.1%	15.5%
Adelaide CBD – Frame	10.6%	10.5%	11.0%
Adelaide CBD - Total Market	16.0%	15.7%	14.5%
Adelaide - Fringe	11.2%	10.7%	10.1%
Australian Non CBD - Total Market	13.0%	13.6%	13.9%

Source: PCA Office Market Report July 2021

Throughout the past six months, yield compression has been evident at the majority of price points for most property sectors. Evidence suggests that the sales that have occurred in the office market indicate that prices have not suffered as much as initially predicted. In the office market, we may see increased letting up periods and there is the potential for more sub-leasing activity with tenants potentially looking to reduce space. Vacancy rates are steady despite the work from home push. Whilst vacancy rates remain relatively stable, incentives have been noted at 45 per cent for prime CBD office space and 50 per cent incentives for secondary space.

Much of the upward pressure on incentives has come from tenants with expiries over the past six to nine months seeking short term hold-over agreements to allow market conditions to settle.

Much of the upward pressure on incentives has come from tenants with expiries over the past six to nine months seeking short term hold-over agreements to allow market conditions to settle. This has translated to an increase in competition between landlords to attract the few active tenants. Under these conditions, face rents are certainly not increasing and the upward pressure on incentives is increasing.

19-29 Young Street, Adelaide Source: RealCommercial.com.au

There are a number of opportunities in the Adelaide CBD market for lease and for sale. Currently on the market for lease is 19-29 Young Street, Adelaide, through Colliers. The property comprises a converted warehouse in the north-western sector of the CBD. The building offers 2916 square metres of lettable area across four levels. The agent indicated that converted warehouse space is currently highly sought after for office users and this particular lease offering has attracted a lot of interest from prospective tenants.

Hitting the market for sale in Adelaide recently is 144-150 Hindley Street, offered for sale through Savills. The property comprises two levels of office space with 820 square metres of lettable area. The building is located towards the western end of the Adelaide CBD close to Rundle Mall, UniSA City West campus and the Convention Centre. A smaller scale opportunity exists for purchase in the form of 233 Rundle Street, Adelaide. Situated at the eastern end of the CBD, the property comprises 244 square metres of lettable area over two levels and is tenanted for three years with an identified net income of $106,000 per annum.

Chris Winter
Commercial director

COMMERCIAL - RETAIL

HERRON TODD WHITE COMMERCIAL

Western Australia - Office 2022

Perth

The Perth office property market concluded the 2021 calendar year showing welcome signs of life with further positive news to kick off 2022. The most recent PCA Office Market Report indicates that Perth's CBD total vacancy rate dropped from 16.8 per cent to 15 per cent in the six months to January 2022, the lowest vacancy rate recorded since January 2015! The West Perth vacancy rate followed suit, recording a total vacancy rate of 18 per cent down from 19.1 per cent for the same period.

New tenant demand from emerging companies in the mining and resources sector is considered a major contributing factor to these encouraging statistics. Whilst this may prove to be the start of a recovery, there remains a visible vacancy factor in Perth's traditional office districts, particularly for non-premium grade accommodation. Statistically speaking, West Perth still holds the title of the worst performing non-CBD office locality in Australia.

Perth offices Source: commercialrealestate.com.au

From a leasing perspective, a two-tier market is clear 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. We expect this trend to continue in the short term.

We expect demand for large-scale floor plates greater than say 500 square metres to remain soft as prospective tenants demonstrate a preference for smaller premises, citing uncertainty as to the performance of the state economy ahead of the eventual re-opening of the state's borders and continued spread of the COVID-19 Omicron variant.

In terms of capital transactions, we expect high net worth investors and local syndicates to seek opportunistic acquisitions of older stock and embark on refurbishment programs which, under prevailing market conditions, are viewed as a necessity in order to compete for prospective tenants. Alternatively, we may witness such buildings being entirely withdrawn from the market and re-purposed.

Institutional buyers on the other hand are likely to remain focused on other asset classes which have proven to be far more resilient during the past 18 months. South-east Asian based buyers have been prevalent in the Perth CBD in recent years, however the state's closed border policy has limited their ability to physically inspect buildings and has adversely impacted marketability.

Yield compression characterised the 2021 calendar year. Although the prevailing cost of funds in the current debt finance market remains at a historical low, rising inflation may trigger the RBA to raise

The opening of the state's borders is likely to spark a wave of intrastate and overseas migration this year and help alleviate the skilled worker shortage currently plaguing the local economy.

the cash rate sooner than originally forecast, with major lenders following suit. Many economic commentators and market traders are factoring in at least two interest rate rises during 2022. Such a reversal of fiscal policy may lead to a slight softening in achievable yields during the year.

Prior to the arrival of the Omicron variant in Western Australia, companies by and large had already implemented a work from home policy or at the very least provided greater flexibility for employees as to their preferred working environment. It is likely that the work from home movement is here to stay, however this is unlikely to be on a full-time basis with employees retaining a need for collaboration, problem-solving and social interaction in the workplace.

In any event, the work from home movement raises the question of future office space requirements and has sparked ongoing board room debate. This remains the great unknown and one of the biggest threats to the local office market.

Whilst it would seem logical for companies to reduce their workspace footprint, it may transpire that economic drivers such as record low unemployment combined with the federal government's focus on job creation and the continued solid performance of the Western Australian economy on the back of the mining and resources sector could eventually off-set such challenges.

The opening of the state's borders is likely to spark a wave of intrastate and overseas migration this year and help alleviate the skilled worker shortage currently plaguing the local economy. The introduction of skilled workers may assist in easing local inflationary pressures by normalising wage growth, however the forecast influx of people brings with it heightened risk in the midst of a global pandemic.

In any event, whilst there is cause for optimism, if the Perth office property sector is going to have any chance of sustained recovery, ongoing COVID-19 variant suppression and evading further lockdowns is critical in the year ahead.

Greg Lamborn
Director

Northern Territory - Office 2022

Darwin

Occupancy in the Darwin CBD office market appears to have been less affected by COVID issues than some other capitals. Whilst the Northern Territory was able to keep the pandemic at bay for an extended period, it is now well and truly upon us in the Top End, but by and large, most office workers have continued to commute, and Darwin has not seen the dramatic fall in CBD foot traffic that developed elsewhere. Mind you, the level of foot traffic was low well before the pandemic started.

In relation to investment, we have seen extraordinarily low yields (by Darwin standards) for well-tenanted commercial investment property both in the CBD and in decentralised office areas. Yields touching on 6.0% are now achievable for property which is well located, modern and with a strong lease profile, as demonstrated by the recent sale of a double storey office building in Palmerston with a ten-year lease to the NT Government.

It is especially noted that most of the purchasers of this type of property have been interstate investors who see these as relatively high-yielding investments. We have even seen Casuarina Square, the largest single retail centre in the NT, sell for $400 million.

Property that does not have such a strong lease profile or provide a suitable standard of accommodation continues to overhang the market. Darwin's overall office vacancy rate (as reported by the Property Council of Australia) remains the highest Australian capital at 17.6 per cent, but there is a limited supply of available A-grade space in the CBD.

What this all means for 2022 remains to be seen, however the NT Government's immediate requirements appear to be satisfied and there is a lack of construction in the CBD (excepting the university's new campus). We therefore anticipate that the Darwin CBD office market will continue in a holding pattern for the next 12 months.

Terry Roth
Director

Darwin has not seen the dramatic fall in CBD foot traffic that developed elsewhere.

HERRON TODD WHITE RESIDENTIAL

Residential

March 2022

National Residential Overview

According to the ABS's recent Lending Indicators report (published in February 2022), new investor loans increased by 2.4 per cent to a record high of $10.3 billion in new loan commitments.

This suggests a significant shift in purchasing activity occurring from owner occupiers to investors as they look to capitalise on strong returns driven by some of the largest rent increases the market has seen in years.

As affordability becomes more and more of an issue across capital cities, an increasing number of people are moving away from buying and into renting.

In Melbourne the median dwelling price is now hovering at just under $1 million, which is out of reach for a large proportion of purchasers.

As we know there has also been a significant shift to the regions, driving rental market growth in these areas after years of stagnation. The question remains if regional rental demand will continue as people adjust to economic re-openings and the return to offices in capital cities, or will those who have moved away sustain their remote working environment.

Southeast Queensland continues to outperform other markets in terms of demand for rental properties on the back of continued strong interstate migration and limited available stock. This is driving strong returns and low vacancy rates.

Much of the demand for rental properties across Brisbane, Sunshine Coast and Gold Coast markets

> *We observed a significant increase in demand for rental properties in the final quarter of 2021 in Queensland, which coincided with the reopening of state boarders.*

can be attributed to the severity of lockdowns in Victoria and, to a lesser extent, New South Wales. We observed a significant increase in demand for rental properties in the final quarter of 2021 in Queensland, which coincided with the reopening of state boarders.

Fast forward to February, and the Sydney and Melbourne CBDs are beginning to emerge from their slumber. The return to office in some form for many businesses could place pressure on personal housing decisions some made in the heat of the moment during lockdown. This may result in increased rental stock in regional markets surrounding capital cities, with the outcome being softer asking rents to keep vacancy periods limited.

The shift north, however, seems more sustained. I expect the Queensland market to continue seeing strong demand for rental properties as those who move there secure short-term accommodation while looking to buy... or those already living there get priced out of their desired suburb and become renters.

Another interesting input that has been absent from the headline numbers is overseas net migration. While this figure remains at historic lows, there is the potential for imminent demand to put pressure on rental availability, particularly given our low supply of available rental stock. This is due to the number people either returning to Australia from overseas, or from those looking to relocate here on the back of our low case numbers and excellent health system.

If we do see increased immigration, expect the education sector to make up a significant proportion with in-person classes resuming at universities across the country. While much of the focus has been in regional locations and the Sunshine State, this is cause for optimism in inner city Melbourne and Sydney as well.

Drew Hendrey
Executive Director,
Valuation & Advisory

National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.

Bathurst
Burnie/Devenport
Canberra
Dubbo
Launceston
Melbourne

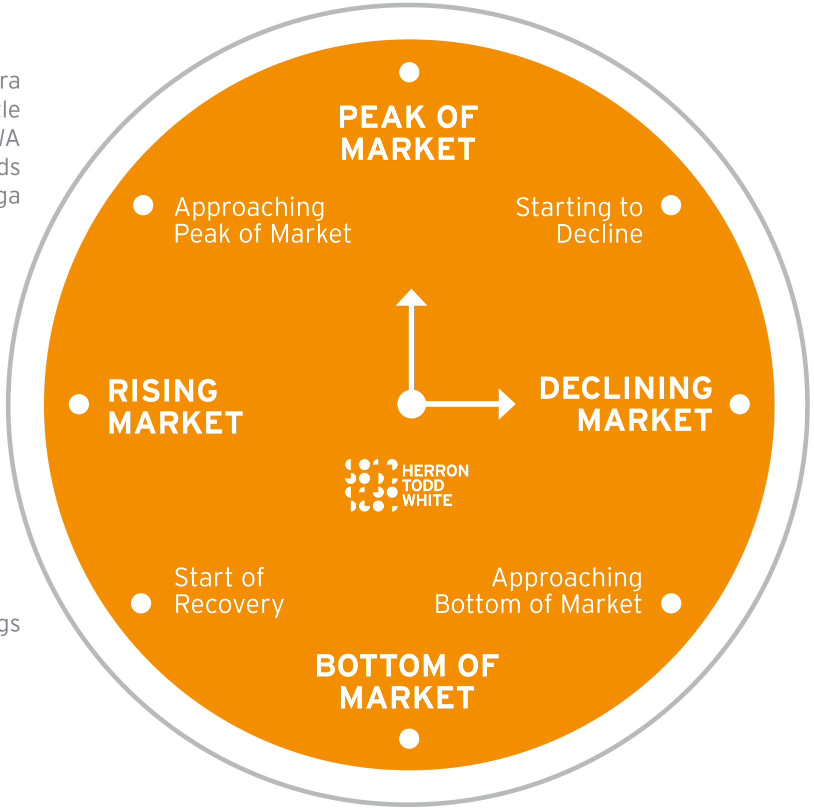
Albury
Central Coast
Geelong
Hobart
Illawarra
Mildura
Newcastle
South West WA
S'thn Highlands
Wodonga

Adelaide
Adelaide Hills
Albany
Ballina/Byron Bay
Barossa Valley
Brisbane
Broome
Bundaberg
Cairns
Coffs Harbour
Darwin
Emerald

Esperance
Geraldton
Gladstone
Gold Coast
Hervey Bay
Ipswich
Kalgoorlie
Karratha
Lismore
Mackay
Mount Gambier
Perth

Port Hedland
Rockhampton
Shepparton
S'thn Tablelands
Sunshine Coast
Sydney
Tamworth
Toowoomba
Townsville
Whitsunday

Alice Springs



RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

National Property Clock: *Units*

Entries coloured blue indicate positional change from last month.

Bathurst
Burnie/Devenport
Launceston

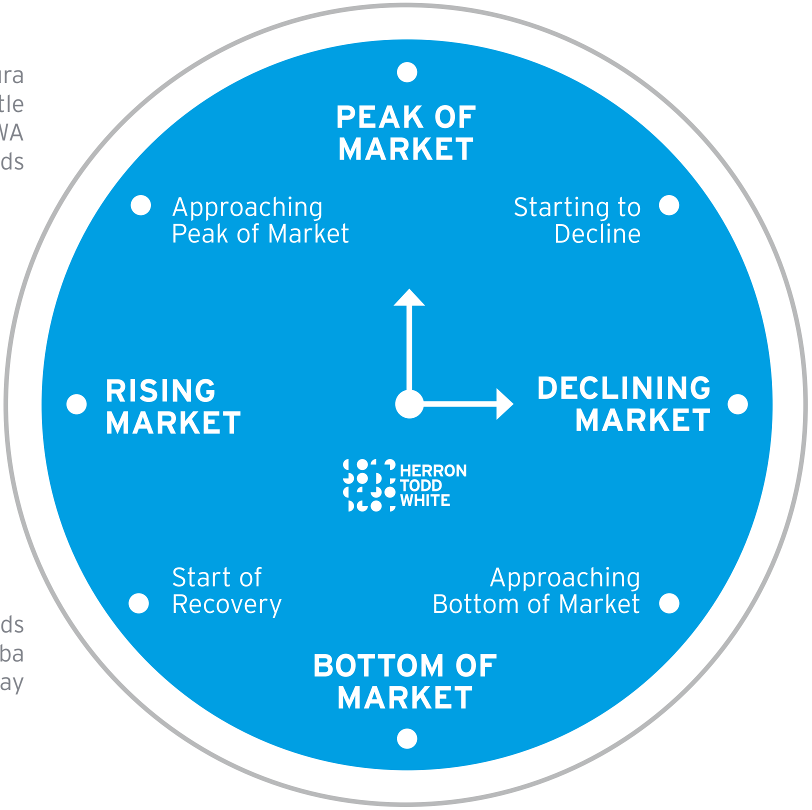
Central Coast
Geelong
Hobart
Illawarra

Mildura
Newcastle
South West WA
S'thn Highlands

Adelaide
Adelaide Hills
Albany
Albury
Ballina/Byron Bay
Barossa Valley
Brisbane
Broome
Bundaberg
Coffs Harbour
Dubbo

Esperance
Geraldton
Gladstone
Gold Coast
Hervey Bay
Ipswich
Kalgoorlie
Karratha
Lismore
Mackay
Melbourne

Mount Gambier
Mt Gambier
Perth
Port Hedland
Rockhampton
Shepparton
Sunshine Coast
Sydney
Tamworth
Townsville
Wodonga



Canberra

Alice Springs
Cairns
Darwin
Emerald

S'thn Tableands
Toowoomba
Whitsunday

New South Wales - Residential 2022

Sydney

Investor activity in 2021 continued to be somewhat subdued in the Sydney residential market, with those investing tending to be enticed by cheap finance and short-term price growth over rental returns.

Sydney residential property returns as at 31 January 2022

	All Dwellings	Houses	Units
Annual Growth	25.5%	29.8%	15.4%
Gross Yield	2.4%	2.2%	3.0%
Median Value	$1,106,279	$1,389,948	$837,640

Source: CoreLogic

The strong increase in prices for both houses and units in 2021 overshadowed something else that was happening in the market – increasing rents. According to SQM Research, house rents increased by 15.2 per cent over the 12 months to mid-February, with unit rents also up 7.2 per cent over that time.

This is on the back of increased demand for rental properties as potential buyers are priced out of the market and international students and workers starting to return to Australia. The vacancy rate for residential properties across Sydney was 2.1 per cent in January 2022, down from 2.7 per cent in July 2021 and 3.2 per cent in January 2021, according to SQM Research.

Whilst rental yields are at historically low levels, these are expected to improve over the short to medium term as capital growth slows and asking rents continue to strengthen.

Western Sydney

With the cash rate still at record lows, many investors have been turning to residential property for greater investment returns. And for good reason. The wider Sydney property market has been resilient during the global pandemic and for many local investors, the security of bricks and mortar as an investment is familiar and often the first go-to strategy.

Western Sydney has always been a smart choice for investors and owner-occupiers alike and this should continue throughout 2022. The high level of infrastructure investment in the region coupled with relatively lower median house prices and the shift to more people working from home has highlighted that more affordable and larger homes with backyards are hot property now.

The ever-popular house and granny flat is a staple for Western Sydney given the larger block sizes and versatile living arrangements for extended families or as an investment. An example is the recent sale of 6 and 6a Brunswick Close, Colyton, a modern three-bedroom dwelling and modern two-bedroom granny flat that sold for $1.155 million. The potential gross annual rental was calculated at $46,280 per annum which reflects a gross yield of four per cent.

6 and 6a Brunswick Close, Colyton Source: realestate.com.au

This is a higher return than a typical three-bedroom dwelling in Colyton as realestate.com.au has the median price for a three-bedroom house at $732,000 and median rental at $420 per week, reflecting a three per cent yield. This yield further drops as you move further east to Blacktown with its median three-bedroom dwellings selling for $835,000 with a similar median rental of $420 per week, reflecting a lower 2.6 per cent yield.

Another option for investors is to chase yield and invest in a unit in Blacktown. The median price for a two-bedroom unit is $420,000 with the median two-bedroom rental being $370 per week, reflecting a much larger 4.58 per cent yield. This is higher than the other options and is a lower entry point. The risk with this option is that any increases in value over the short to medium term would be more limited than for a detached house. Even as

The strong increase in prices for both houses and units in 2021 overshadowed something else that was happening in the market – increasing rents.

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

Moving forward this year, we should expect to see a slower but continued growth in the South-West region, with investors playing an increasing part in this growth, particularly in higher-yielding property types synonymous with investors such as apartments, townhouses, granny flats and duplexes.

prices skyrocketed in Sydney over the past 12 to 18 months, many units in Western Sydney did not see this same growth.

For example, Blacktown recorded an approximately 20 per cent uplift in house values over 2021 and units recorded 1.28 per cent growth, a significant difference not limited to Blacktown.

Residential units as an investment are popular for first time investors given the potential lower entry point and location much closer to the CBD. Investors need to be cautious given the potential for large supply to occur of a similar product which can place downward pressure on growth in the short to medium term. We advise buyers to make sure to check the body corporate records as that will highlight whether any building issues have been identified or special levies enacted.

South West Sydney

As 2022 kicks off, there has been no doubt it has been a phenomenal 12 months for owner-occupiers

Portion of new lending for investment housing (excluding refinance)

Source: ABS

in South-West Sydney, who have ultimately driven the market, however investors have not been slouching either. Over the past 12 months from December, new investment loans have increased a whopping 73.9 per cent nationally, with investors now borrowing 31.5 per cent of all new loans, equating in December to $10.34 billion nationally.

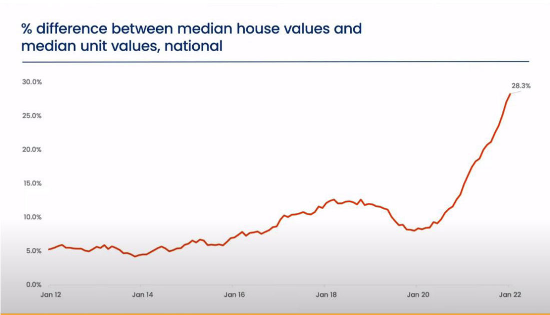
Of course, some of those loans are from the now cashed up owner-occupiers themselves, with Australian household wealth now being the highest it's ever been in history. Nevertheless, investor borrowing is still significantly below what we saw during the previous property cycle and due to a tightening on foreign investment, we are not seeing the massive international residential investment we saw previously.

Moving forward this year, we should expect to see a slower but continued growth in the South-West region, with investors playing an increasing part in this growth, particularly in higher-yielding property types synonymous with investors such as apartments, townhouses, granny flats and duplexes. While overall growth in Sydney is expected to soften, South-West Sydney still offers an attractive opportunity for investors who want to remain within the basin. Being more affordable relative to the rest of Sydney and with the recent jump in rental costs, some particular suburbs and assets in the region remain some of the highest yielding within the Sydney metro area.

Becoming more prevalent to the South-West has been the continued emergence of granny flats, providing a much-needed boost in rental yields to the already tightest yielding Australian city. Local government areas such as Liverpool, due to the expected growth from the Badgerys Creek airport, have opportunities to build granny flats on some of the smallest allotment sizes within the basin at only 300 square metres, an attractive proposal for investors and home-owners looking to help pay off their mortgages. Newly establishing areas such as Edmondson Park, Oran Park and Leppington have seen an influx of specially designed dual-occupancy dwellings among the sea of owner-occupied homes, built specifically with the ease of rental return in mind.

Further in, we see a similar story in established areas, however in some areas such as Canley Vale, Busby and Lurnea, the increased demand has opened opportunities to also subdivide and build duplexes, as well as the added granny flat to each allotment, a common occurrence we see now as home-owners choose to either sell to developers or proceed with the endeavor themselves.

The gap between the median house value and median unit value grew to a new record of 28.3 per cent in January. With this and the increase in investor demand, we should expect to see a better performance in the unit market this year as more people are priced out of traditional houses. Coinciding with this, we have seen increased apartment prices in both Liverpool and Fairfield LGAs in the past three months to December, and especially townhouses which are also in demand by owner-occupiers. While we expect a better performance from units this year, there is still a prevailing stigma to mid to high rise units and fundamentally, we would still expect the unit market to follow behind the overall softening Sydney property market.



Source: CoreLogic

Overall, we expect an increase in investor activity in the South-West, particularly in assets such as apartments, townhouses, granny flats and duplexes, however growth in these assets will still have to obey the overall Sydney property market conditions.

Northern Beaches

Investors have been less active as rising house prices have lowered yields in addition to facing strong competition from owner-occupiers – effectively pricing out some investors from the housing market. Investors will be wary of rising interest rates and concerned about the impact this may have on capital values.

For units, Queenscliff is a popular investor grade suburb due to its higher housing density, suburb demographic and lifestyle drivers. The median price for a one-bedroom unit is currently $795,000, $1.21 million for a two-bedroom unit and $2.2 million for a three-bedroom unit (source: Domain.com.au).

A recent example of an investor style product is 13/132 Queenscliff Road, Queenscliff that sold for $1.25 million in February 2022 through JDH Real Estate. The property leases for around $700 per week equating to a gross yield of 2.9 per cent. The disparity in value between the housing and unit market has never been greater and there is potential for the unit market to outperform the housing market in the short term.

13/132 Queenscliff Road, Queenscliff Source: JDHRealestate.com.au

For houses, Frenchs Forest is a popular area for both investors and owner-occupiers. The suburb offers long term redevelopment upside due to the Northern Beaches Hospital Precinct Structure Plan. The Frenchs Forest Place Strategy was finalised on 17 December 2021, paving the way for Stage 1 to move forward imminently – creating a new town centre with shops, restaurants, cafes and offices. The precinct is being developed in stages over the course of a ten-plus year period. Phase 2 is anticipated to commence in ten years, making an ideal investment opportunity for long term investors. A recent example is 11 Holland Crescent, Frenchs Forest, selling in November 2021 for $2.2 million. The property leases for around $900 per week equating to a gross yield of 2.2 per cent and has the added benefit of being situated in a proposed R3 Medium Density designation.

Northern Beaches Hospital Precinct Structure Plan
Source: Northern Beaches Council

Southern Sydney

Over the past 12 months, activity in the Sutherland Shire has been stronger in the owner-occupier segment than in the investor market. Whilst there are expectations of investor activity increasing as rental yields begin to recover, this will be offset by tightening of credit policies and the expected raising of official interest rates in the second half of 2022.

Older style units and villas in the Sutherland Shire have not had the same strong results that detached houses have had in the past six months and although they have increased in market value it has not been the same growth as it has been for detached houses (current average yield is 2.55 per cent for units and 2.89 per cent for houses).

Investors in recent times appear to have been buying with an eye to capital growth over rental returns. It does appear that yields will increase in 2022 as vacancy rates tighten and asking rents increase, with some buyers now priced out of the market, meaning that renting is the only option if they want to remain living in the same location.

In the St George and Canterbury-Bankstown regions, investor activity has slowed significantly over the previous year, with owner-occupiers dominating the local market.

The continuous rise in inflation will play an important role in investor decisions in regard to construction and development around these local areas. Home maintenance and repairs have seen a median rise of 4.6 per cent from January to December 2021 (Source: SMH).

With interest rate increases and tightening lending criteria being a hot topic of conversation currently, this may create a higher stock supply on the market and potentially result in higher vendor discounts.

The predominant investment option within the St George locale is low to medium rise units. Investors hold these property types long-term and for rental income purposes.

Another strong market which is more balanced between owner-occupiers and investors are villa or townhouse properties. Investors tend to decide to renovate and sell for capital gain within this market sector. These properties are particularly popular in bayside suburbs including Sans Souci, Monterey and Brighton-le-sands.

Across both the St George and Canterbury-Bankstown regions we have seen tremendous growth for individual duplexes, with prices significantly higher than 12 months ago. This is predominantly due to the ease of lending, low interest rates and simply that there are various highly sought after locations. These locations include suburbs within the bayside area (Sandringham along the bay through to Brighton-le-sands) and along the Georges River and M5 corridor (including Peakhurst, Mortdale, Penshurst, Padstow, Revesby and Panania).

Another strong market which is more balanced between owner-occupiers and investors are villa or townhouse properties.

In Sans Souci, duplex properties that were selling at around $2 million 12 to 18 months ago are now selling for around $2.5 million, as illustrated by the sale of 47 Evans Street in September for $2.59 million. The newly constructed semi-detached property comprises four bedrooms, three bathrooms, one car garage and inground pool on 393 square metres of land. A similar property is currently advertised for rent at $1500 per week, offering a gross yield of around three per cent.

47 Evans Street, Sans Souci Source: CoreLogic

The house and granny flat market is a more sought after property type across most suburbs within Canterbury-Bankstown, as the demographic surrounding this location is typically larger families, however these properties also attract investors for one or both of the dwellings. This market has seen strong capital growth throughout the past 12 months.

Unfortunately, it is a tough market to invest in given the capital growth experienced across these regions. Feasible investment opportunities are becoming quite scarce along the duplex or duplex site markets and a distressed or forced sale when interest rates rise may provide the best opportunity to lock in a property for a price that allows a feasible development return.

Although we have seen a relatively strong start to property sales and clearance rates this year, the housing market across these locations is likely to slow if any further lending restrictions are introduced or interest rates increase. Despite this, it is unlikely that these price points will see any significant declines.

Inner West

Whilst there are a large variety of investment properties available in the Inner West, for this edition we have focused on flats buildings. The sales activity for properties including flats buildings and strata buildings comprising the sale of multiple units in one line appears to have strengthened across the Inner West of Sydney over the course of the past six months.

Our searches of sales databases including realestate.com.au and realcommercial.com.au indicate there have been a total of approximately 25 sales of in-one-line strata buildings or flats buildings across the Inner West in the past six months. In comparison to the 18 recorded over the course of January 2020 to June 2021 (18 months), this illustrates the rising level of stock and sales activity in this sector of the residential property market.

The low interest rate environment as well as a recovery and subsequent strengthening in the residential property rental market from the lows of the COVID-19 pandemic during 2020 and early 2021 are considered the main drivers of this increase in sales activity. The increase in sales activity has also correlated with a strengthening of capital prices and a tightening of gross yields.

Gross yields analysed from recent sales evidence indicate a range between 2.6 and four per cent. The yields being reported are heavily affected by the underlying re-development of the site being acquired as well as the number of units or residences being acquired (generally the fewer units within a building equates to a lower yield) as well as the value-add opportunities and condition and characteristics of the unit or flats building.

As such this attracts a range of investor types, with investors predominantly seeking the benefits of rental security from the residential property market as opposed to the volatility experienced in the commercial or retail property market, especially during this COVID-19 pandemic.

Recent sales show a broad range in capital prices. A flats building at 72-74 Hercules Street, Dulwich Hill recently sold for $7.12 million and reflects a passing gross yield of four per cent. The building comprises ten renovated units made up of eight two-bedroom and two one-bedroom units. The sale of another flats building at 85 Holden Street, Ashfield for $2.745 million reflects a sharp passing gross yield of 2.6 per cent. The property comprises three residences within a former Victorian manor house.

72-74 Hercules Street, Dulwich Hill Source: CoreLogic

Inner Sydney

Most dwellings within inner city Sydney are attached or semi-detached terrace style dwellings, with a limited supply of larger detached homes in more premium locations that more commonly form part of the owner-occupier market.

Inner city areas commonly targeted by investors include Ultimo, Chippendale, Redfern and Darlington. These areas are popular due to the tenant heavy demographic (as a result of being close to popular educational institutions) and their rapid gentrification. Often the dwellings are in fair condition and present as either two-bedroom properties or larger share house configuration.

Redfern is commonly known as the bridesmaid suburb to the popular neighbouring suburb of Surry Hills, meaning it is slightly cheaper although provides many of the same amenities. There have been recent sales along Lawson Street, a popular street set between Redfern Station and Sydney University. 125 Lawson Street, a two-bedroom terrace with a single bathroom and no parking on 130 square metres of land, recently transacted for $1.675 million with expected rental returns of $725 per week, equating to a tight yield of 2.25 per cent.

125 Lawson Street, Redfern Source: CoreLogic

Redfern is commonly known as the bridesmaid suburb to the popular neighbouring suburb of Surry Hills, meaning it is slightly cheaper although provides many of the same amenities.

The pandemic has hit rental returns hard, with the inner city faring worse than most areas due to the huge reduction in rental demand causing record high vacancy rates, however throughout the pandemic, government schemes (such as the Home Builders grant) and record low interest rates have fueled property prices with median prices rising as much as 23 per cent in some areas. So whilst the pandemic has not been favourable to rental returns, investors who have been able to afford to hold on have been rewarded with solid capital growth returns.

Whilst house prices have improved strongly in the past twelve months, unit prices have been somewhat more subdued due to their lesser market appeal (apartment living is still considered inferior to a dwelling by some), however this is providing some good buying opportunities within the inner city with unit values around Chippendale appearing to have remained stable in recent months.

A unit at 2209/18A Park Lane in the popular Central Park precinct in Chippendale sold towards the end of 2021 for $770,000, with comparatively limited growth from its off the plan sale price of $705,000 in 2013. RP Data shows that it was leased in 2019 for $760 per week, however recent comparisons in the area show that a current rental return of $675 per week would be more achievable in the current market, equating to a yield of 4.55 per cent.

The jury remains out on which way the market is going to go in 2022 due to limited sales volumes in the first month of the year, however it is likely to see some small increases in dwelling prices and increases in unit prices – although this will be closely tied to rental prices.

Eastern Suburbs

The Eastern Suburbs is a popular region for renters, being close to beaches, the harbour, universities and commercial hubs including the CBD, Bondi Junction, Sydney Airport and Port Botany. Units make up the majority of properties listed for rent in the Eastern Suburbs, with 76 per cent of listings in January being for units, according to SQM Research.

In the 12 months after the first COVID-19 lockdown, most suburbs experienced increasing vacancy rates and downward pressure on asking rents, with those suburbs which relied upon international students, workers and travelers the hardest hit. Over the past 12 months however, vacancy rates have fallen, sharply in some suburbs, and asking rents have begun to rise. According to SQM Research, vacancy rates in January were just 2.1 per cent for the Eastern Suburbs region, down from 3.2 per cent a year earlier.

The increased demand for rental properties is likely on the back of people being priced out of buying in the area as property prices jumped sharply over 2021. International borders have more recently started to open up for international students and workers and this will see vacancy rates continue to tighten over the next 12 months and put further upward pressure on rents.

The increased demand for rental properties is likely on the back of people being priced out of buying in the area as property prices jumped sharply over 2021.

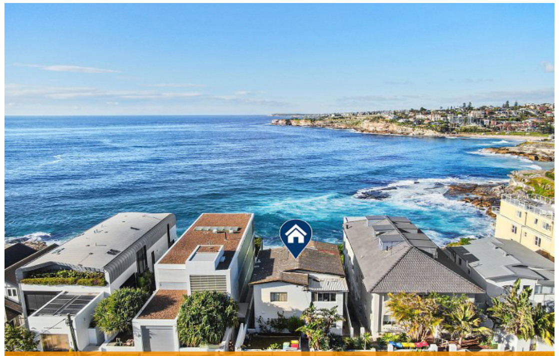
The beachside suburbs of Coogee, Maroubra and Bondi are amongst the most popular for rental properties. Coogee had the tightest vacancy rate in January at just 1.4 per cent and was also the tightest in January 2021 at 1.8 per cent, which highlights the strong underlying rental demand in the suburb; 68 per cent of its rental properties are units. According to realestate.com.au, the median two-bedroom unit price is $1.375 million and the median two-bedroom rent is $670 per week, representing a gross yield of 2.5 per cent. The gross yield is 3.2 per cent for the median one-bedroom unit and 2.3 per cent for the median three-bedroom unit. The median unit price in Coogee increased by 18.4 per cent over 2021 which pushed yields lower.

As discussed in previous editions, rental properties in suburbs close to the University of New South Wales struggled during the course of the pandemic, however with the return of international students late last year, vacancy rates have dropped dramatically. Vacancy rates compared to this time twelve months ago dropped in Kensington from 5.4 per cent to 2.3 per cent and in Kingsford from 6.5 per cent to 2.1 per cent. The median two-bedroom unit provides a gross yield of 2.7 per cent for Kensington and 2.8 per cent for Kingsford.

Paddington is also a popular suburb for renters and therefore investors, being close to cafes, pubs, restaurants and the Sydney CBD. Terrace homes make up a large percentage of housing stock in Paddington and this is reflected in the listings for January for the Paddington and Centennial Park post code, which had just 41 per cent of listings being for units, well below the Eastern Suburbs region. Vacancy rates have fallen over the past 12 months from 3.8 per cent to 2.3 per cent for the 2021 post code. The median three-bedroom house price is $3.2 million according to realestate.com.au, with a median rent of $1,200 per week representing a gross yield of two per cent. Gross yields are similar for the median two-bedroom house (2.1 per cent) and the median four-bedroom house (two per cent). The median house price for Paddington increased by 26.7 per cent over the course of 2021, but capital growth is expected to slow over the short to medium term which will see yields increase.

The Eastern Suburbs also provides a number of other options for investors including serviced apartments, student accommodation, car spaces, mixed use residential and commercial properties, boarding houses and flats buildings. A block of six two-bedroom and three one-bedroom units at 225 Avoca Street, Randwick sold in October for $8.3 million with an annual return of $236,080, or 2.8 per cent gross yield. Many of these flats buildings are undercapitalised and have potential for renovation, extension and strata subdivision, which provides additional opportunity for investors for increased yields and capital growth.

A sale of note late last year was an oceanfront reserve block of five units on 563 square metres of land at 9 Kenneth Street, Tamarama.



9 Kenneth Street, Tamarama Source: CoreLogic

The property sold in October for $29.2 million offering significant redevelopment potential to take advantage of the incredible ocean and coastline views.

Shaun Thomas
Director

Lismore/Casino/Kyogle

"Property: An important ingredient to our collective and personal wealth. It has enabled us to evolve from a single-wage income earner into a property investor or homeowner. This process can be slow, normally taking many years, even decades. But every few years, sometimes property investing appears to leap forward. This short-term period can sometimes witness a frenetic sugar rush of buying and selling activity. Give someone cheap finance and they may fly too close to the red line. Give them the power of investing and they may live in hope of finding that one income-producing property and then another one and, again, another one. Give them powers beyond imagination and they may think they can build a portfolio." (Professor X, Marvel Comics (adapted)).

One particular property type that has been the flavour of the month over the past nine months is the humble block of flats.

In the current environment where the choice of investment vehicles is somewhat limited if one is not an avid share market player, cashed up savvy property investors are researching and roving the land for property that provides a safe and reliable return with a decent yield.

So, what's on offer within the Lismore, Casino and Kyogle region?

One particular property type that has been the flavour of the month over the past nine months is the humble block of flats, particularly in the regional areas of the Northern Rivers where Lismore, Casino and Kyogle are located. Whether it be an original 1970s brick and tile "sausage" attached residential flats with attached carports at one end OR modern, detached split level units on one title, the property investor is interested (or should be) in two factors - net and gross yield and capital gain.

To be fair, most property types have benefited from capital gain over the past two years, known in common parlance as "the COVID era". Median price statistics (Corelogic) for houses within Lismore City, Casino and Kyogle have risen between 25 and 35 per cent annually (depending on location, suburb and number of bedrooms), however such capital gain cannot be realised unless the property is sold... and then the awkward situation develops where if you are looking to acquire another property, you are ultimately buying within the same heightened property market.

If that is the driving force behind your investment strategy, then buying a block of flats to renovate, strata title and sell separately for a decent profit can be a worthy option in a strong market.

Consider wisely the renovation and subdivision costs, potential Council obfuscation (it does happen!) and the design of the building (whether the block of flats can be internally subdivided legally regarding fire and building regulations) which ultimately impact your overall return.... and oh yeah, remember if all is done and dusted within 12 months, be prepared to pay capital gains tax on the total profit. And if you create a history of engaging in such development, then the tax treatment may change, i.e. treated as an income generating business.

A more long-term option is to concentrate on locating a block of flats that provides a net yield above the current low interest rates on offer in the bank. Whilst fixed interest rates are indicated to rise slightly over the short to medium term, it does appear that such rises are going to be somewhat measured as there is a concern that any significant rate rise will hurt a lot of the heavily indebted population.

Some examples include two blocks of flats which were sold in late 2021 in the regional country town of Casino. The first is an original block of three two-bedroom, brick and tile attached residential flats at 63 Dean Street for $700,000 at a gross yield of approximately 6.57% per annum. The second is a partially renovated block of flats at 34 Cope Street which sold for $775,000 at a gross yield of approximately 5.72% per annum.

Not bad when you consider that the returns on even a sizeable term deposit in the bank are barely enough to purchase half a custard apple at a roadside stall per month.

HERRON TODD WHITE RESIDENTIAL

Given the relatively cheap finance (even with tougher restrictions in place), the lure for new development is a potent force. The suburb of Goonellabah within Lismore City has a number of developing residential estates in which the property investor may wish to indulge in new build construction, particularly erecting two detached houses on one lot or even a large home. Sure, the costs of construction are high, however the rise in property prices has been relatively commensurate with construction cost price hikes over the past two years. Will this continue? Maybe. The demand for new build detached and attached housing seems relatively strong as there is plenty of building activity thanks to the supply of land in areas such as Goonellabah. A sale price in the region of $750,000 plus for a detached, semi modern three or four-bedroom, two-bathroom home with a double garage is now the baseline starting point.

The yields for such new build development have also fortunately improved with increasing rental accommodation rates going along for the ride with gross yields at three to four per cent gross per annum.

Lastly, renovating existing residential properties for capital gain or improved rental return are another option if funds are somewhat constrained. For those with a talent for refurbishment or nuance for restoration, the transforming of a tired house to a modernised living space and enhanced features has the potential to capture a segment of the property market that is not interested or financially backed to jump the property ladder to a new build product or is looking for some improved digs to rent. This has been a common theme within this region over the past two years.

Vaughan Bell
Property Valuer

Clarence Valley

The investor market across the Clarence Valley has traditionally been a driving force, however whilst values have increased rapidly in recent times, particularly in Yamba and Gulmarrad, rents have risen albeit to a lesser degree, thus causing returns on investments to be less than previously achieved. Where investors once were willing to snap up any offering under $500,000 with rental or gains potential, a recent general observation has been that investors are becoming more discerning. Flats or multiple occupancy, extremely dilapidated and even rural residential properties seem to be stealing the attention of this market more than ever.

In Gulmarrad for example, rent for standard accommodation seldom surpasses $600 per week despite market values in excess of $900,000.

Looking forward, if rental vacancies remain scarce, it is likely rental rates will stretch. It is predicted that the traditional investor will continue to morph towards a more modern and adaptive profile.

Caitlin Davies
Property Valuer

Coffs Harbour

Without doing an in-depth analysis of the purchaser profile within the region, it is difficult to ascertain what the real statistics are between homeowners versus investors.

The general feeling over the past 12 months is that investors were finding it more difficult to compete in the market with high levels of demand from owner-occupiers. Rental returns were not meeting normal parameters for investors, i.e. spending $500,000 to receive a $500 per week return. What we have seen are dramatic increases in values over a short period of time, however rents were lagging behind. Typically, the same $500,000 property increased to $650,000 (on average 30 per cent) but rents were still stuck around the $500 per week mark as tenants remained on existing leases. We are now seeing those leases expire and rentals skyrocket as the supply and demand cycle turns the screws hard on the rental market.

Traditionally within the Coffs Harbour region, any rental above $650 per week was considered the realm of the executive class and there was little demand in the market. Now $650 is becoming entry level for a three or four-bedroom home. We are hearing evidence that existing tenants are vacating and rentals are increasing by $150 per week or potential tenants are offering $100 plus per week above asking to secure available rentals.

Although this is not good news for anyone trying to secure a rental and only highlights the increasing housing affordability issue that now plagues the coastal regions of New South Wales, it is a silver lining for investors looking to come into the market. The parity of property prices to rental returns will again become a more level playing field albeit on the back of some sectors of the market that now see home ownership as a thing of the past. Notwithstanding the social issues every region faces and the challenge to provide affordable

We are hearing evidence that existing tenants are vacating and rentals are increasing by $150 per week or potential tenants are offering $100 plus per week above asking to secure available rentals.

accommodation, the outlook for investors in the Coffs Harbour region is only one of positivity. Yes, if you already own an investment property you have just gained on average 30 per cent in value over the past twelve months, however a new investor can be confident the region will continue to grow as limited supply will always see the market remain stable even during the next global financial crisis, which may be closer than you think.

As a direct result of the housing issue, we have seen an increase in dual and multi accommodation properties which take full advantage of the rental returns. On the flip side, if you are an investor looking to improve the capital value by renovating, then you may have hit a slight hurdle. Although improving homes by renovating is an age-old and tested method of capital gain, the increased building costs, lack of materials and ability to secure tradespeople may dampen that enthusiasm.

There is a major issue locally (if not nationally) with these building issues which all lead to extra time and cost to undertake any proposed renovations. As a rule of thumb, whatever you think it will cost and the time it will take, just double it and you will be closer. The good news is that the market shows no signs of decreasing and the extra cost associated with renovations so far has been absorbed by the increase in property values. What the future holds we do not know, however at a basic level it is supply versus demand and the smaller coastal regions of New South Wales such as Coffs Harbour have limited supply. Coupled with the lifestyle benefits and ever-increasing employment opportunities, the investor would be foolish not to consider this region over the next five to ten years.

Grant Oxenford
Property Valuer

Byron

The past 12 to 18 months in the Byron Shire have seen a generally low vacancy rental market and increasing weekly rentals interspersed with shorter periods of extreme shortages in rental stock for tenants.

Current asking prices for a permanent rental vary widely from around: $450 to $500 per week for a one-bedroom studio or apartment; $800 to $1200 per week for a typical three or four-bedroom house; and up to $2500 to $5000 per week for a luxury house. Many of the properties listed for rent in the Byron Shire, particularly Byron Bay and the other coastal towns, are offered for rent fully furnished which does not suit some tenants.

With this in mind, an investor could be forgiven for thinking that the Byron Shire is the perfect place to invest in a rental house or unit. Whilst finding a tenant might be fairly easy and rental returns attractive, the (sometimes) extraordinarily high buy-in price can be prohibitive for many investors.

Essentially, investing in a rental property in Byron Bay and the Byron Shire more broadly is not a one-dimensional exercise in determining yield from income divided by purchase price. There is a bit more to it than that. Many investors have the option of undertaking short term holiday rentals as opposed to the traditional long term permanent rental. Historically, short term holiday rentals provide better financial returns but at the risk of prolonged vacancy periods during the low holiday seasons (not good if you are locked into monthly mortgage repayments). Holiday rentals also suit some investors as they have the added bonus of having their dream holiday home by the sea to use as they wish.

Some buyers will also pay a premium for their investment property as a form of future-proofing their retirement plans. That is to say, buy their retirement home now and rent it out in the meantime. For these buyers, the suitability of the property as an investment may be less significant than its suitability as a retirement home or bolt hole.

The dynamic of the holiday versus permanent rental market is set to change with the recent introduction of a mandated 180-day cap on the length of time each year that a house or unit can be occupied as a holiday rental. The Byron Shire is lobbying to have this period shortened to 90 days in the hope of taking some of the pressure off tenants who have been priced out of the rental market or who have been unable to find suitable rental accommodation.

Whether capping holiday rental periods will have this desired effect is yet to be seen but it is something an informed and prudent investor should consider. If an investor is wishing to purchase a property that has been used in the past as a holiday rental, any historical occupancy rates being provided by the vendor through their agent should be considered regarding how they may be impacted by the new rules.

The Byron Shire has historically offered fairly low yields to investors, but many buyers purchase in the

Essentially, investing in a rental property in Byron Bay and the Byron Shire more broadly is not a one-dimensional exercise in determining yield from income divided by purchase price. There is a bit more to it than that.

shire with the expectation of capital growth in their asset. Like almost all the rest of Australia, Byron Bay has seen its share of capital growth in property values so most investors who currently own residential property in the Byron Shire will be more than happy with their investment decisions over the past two years. It has been widely reported in the media that the median house price in Byron Bay is now $1.68 million making it the most expensive town or suburb in Australia outside of a capital city.

Whilst it is prudent to bear in mind that the property market operates in a cycle of highs and lows, the potential for capital growth in the Byron Shire can be foremost in the minds of investors. Irrespective of whether your investment goal is centred around rental return or capital growth, the Byron market is one where even sophisticated investors need to tread carefully.

Mark Lakey
Property Valuer

Tamworth

Property investment has featured heavily in Australians' investment plans in the past 12 months. Widely viewed as a less volatile investment vehicle, property markets in the Tamworth region have experienced strong annualized growth for this financial year to date. Investors targeting Tamworth property feature mostly conventional free standing single dwelling property.

When it comes to the question of which suburbs investors are targeting, well it's all Tamworth suburbs (within the 2340 postcode). Tamworth suburban property priced within entry level market segments from $250,000 to $399,000 have been the most sought after. These property investments have typically attracted gross returns from five to 6.5 per cent.

The strong sales achieved in the past six months have been influenced largely by the perception of affordability. Arguably, Tamworth property markets have been one of the slowest markets within the New South Wales region to firm in the 2021 calendar year. This relative lag in market movement has enticed property investors from a wide range (demographic and geographic).

Much like other parts of the state, Tamworth is experiencing a perfect storm of historically low rental vacancy rates, limited supply of new property listings (for sale) together with longer than average new build wait times. These factors have created a sense of urgency within the established local housing property market. Continued growth in the Tamworth residential property market is anticipated, with only the influence of a looming federal election, probable RBA interest rate rises and a possible correction in rural commodity prices slowing this market from a canter to a trot.

Nick Humphries
Property Valuer

Newcastle and the Hunter Region

The Newcastle investor market over the past six to twelve months has generally seen robust activity to say the least with local and Sydney purchasers acquiring a wide range of property, mainly due to the high level of modern properties becoming available.

Newcastle has seen substantial growth around the harbour area, with a number of new unit buildings both being under construction or recently completed, generating the opportunity of a highly attractive residence for tenants to occupy. This opportunity provides an investor a hassle-free, maintenance-free property where demand should be good compared to older property.

In addition to the city areas, inner city suburbs such as Adamstown have seen a number of unit buildings being built, the most noticeable being the Foundry which is due for completion in March. This property provides three buildings in a prime location for the beaches, employment and public transport.

When affordability and availability are being considered, outer suburbs such as Thornton, Chisholm, Fletcher and Cameron Park have been regular hunting grounds for tenants due to the modern lifestyle and better value for money.

During a rising market, investors have a number of key objectives to consider:

1. **Rent** return / capitalisation rate
2. **Demand**
3. **Risk** of vacancies
4. **Accountability** - income versus expenditure

When the market is inflated such as it was during 2020 and 2021, the key ingredient is the purchase price and the likely rental income. As property prices have risen sharply over the past six months (say 15 per cent), the risk of over-capitalisation is extremely high, resulting in mortgage payments possibly being higher than the rental income. Newcastle has seen sharp increases in value of the regular investment stock price. For example, in 2018 a one-bedroom unit would have been priced around $450,000 to $500,000 in comparison to late 2021 at circa $600,000 to $650,000, an average 20 per cent plus increase. Compared to rental values for this type of property, these have increased around ten per cent.

The most positive aspect for the investor is the regular reporting about the lack of rental

Houses will always provide a solid and secure investment due to their appeal to families, particularly in modern suburbs and those areas with good schools.

properties available. During buoyant times, the risk to the investor is relatively low as demand is high and vacancy levels are low.

As reports filter through on the likelihood of interest rate rises in the middle of the year, the investor is required to forward think their objectives. In today's market they are paying inflated property prices that may not be sustained for much longer whilst benefiting from low interest rates.

A key factor will be the interest rate increase and the impact on mortgage payments as these will go up whilst rental levels will most likely remain constant, resulting in a net decrease in profitability.

Newcastle has a strong unit investment market due to substantial levels of construction over the past five to ten years providing over 1000 units in good locations such as the harbour and foreshore areas as well as the central city areas such as King Street and Hunter Street. Each location is well positioned for the beach and local transport routes.

Houses will always provide a solid and secure investment due to their appeal to families, particularly in modern suburbs and those areas with good schools. As suburbs become more expensive over time, popular investment suburbs such as Mayfield, Islington and Hamilton become less attractive due to the decreasing capitalisation rates and therefore less profitability.

In terms of housing, modern developments such as Cameron Park, Fletcher, Thornton and Chisholm are popular with investors generally due to the lack of maintenance and high levels of demand from prospective tenants. Property prices in the range of $550,000 to $750,000 are particularly attractive to investors who seek around $500 to $600 per week return. Older suburbs such as Mayfield, Islington, Hamilton and Charlestown within the above price range are also very desirable due to their locations close to the shops and beaches, but rents can provide less value for money as the properties are generally smaller.

Capitalisation rates vary considerably in a heated market locally with high value areas achieving three to four per cent at times compared to the more reasonably priced suburbs averaging five to 6.5 per cent. These factors should determine where investors concentrate their efforts when looking to invest.

As interest rates rise over the next 12 to 18 months, capitalisation rates will be a key driver in the investment market as investors seek value for money in their returns.

Units within the Newcastle city locations have been popular with investors over a lengthy period however as prices rise, these types of property provides less value for money to the investor and due to oversupply, the risk of higher vacancy levels when markets become less buoyant present a higher risk to investors.

Property prices vary considerably, from studio units at the lower end at circa $450,000 to a recent one-bedroom unit achieving over $800,000. Two-bedroom units also vary considerably in size and therefore the price range is an average $650,000 to $700,000. Although capitalisation rates are around 5.5 to seven per cent, the management costs and vacancy rates can influence a less attractive capitalisation rate over a period of say three years compared to the dwelling market.

As the year progresses to a likely interest rate increasing world, the investor should be alerted to a changing mindset of thoughtful and calculated purchasing rather than an objective of buy if the property is available.

Darren Sims
Property Valuer

Central Coast

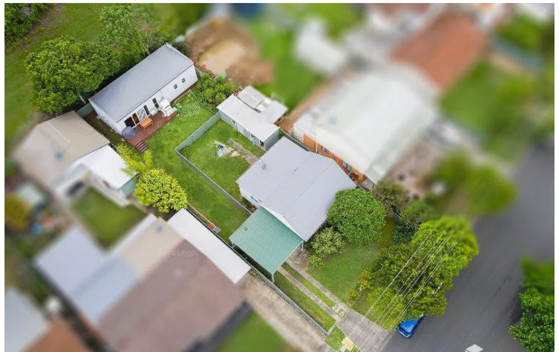
The Central Coast is conveniently positioned between Sydney and Newcastle and when compared to Sydney is still relatively affordable and considered one of the state's fastest growing regions. With the area increasing in popularity and a preferred destination for so many Sydneysiders over the past few years, the population of the region has strong growth prospects. If you were unable to enter the market before the period of growth over the past 12 months, the ship hasn't necessarily sailed. We believe there are still great investment opportunities for those seeking to expand their investment portfolios within the region.

There appears to be increasing supply levels of dual-occupancy properties over many northern Central Coast suburbs such as Toukley, Berkeley Vale, Buff Point and Gorokan. Many homeowners

If you were unable to enter the market before the period of growth over the past 12 months, the ship hasn't necessarily sailed.

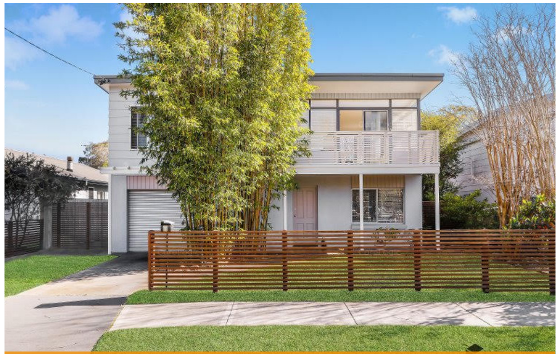
and investors, if the capacity is there, are cashing in on what is typically a much higher yield return by opting to transition single older style properties to dual-occupancy, with a secondary dwelling located in the rear yard. Rents have been on the rise and vacancy levels are at records lows with many property managers reporting high levels of interest in rental listings. This is especially seen in the secondary dwelling market where rents are considered to be an entry level into these local areas, providing affordable living options.

Take this property for instance at 64 Kingsford Smith Drive, Berkeley Vale that at time of writing was under contract for $930,000. It's an old fibro two-bedroom home at the front and a brand new two-bedroom, one-bathroom modern granny flat constructed at the rear, sitting on a 626 square metre block. Based on the expected combined income, an investor could expect a gross yield of between 4.5 and five per cent.



64 Kingsford Smith Drive, Berkeley Vale Source: CoreLogic

On the other hand, 11 Windsor Road, Berkeley Vale within close proximity to our example property above sold for $840,000 in September. Based on the expected rental, this free-standing dwelling could achieve an analysed gross yield of between 3.5 and four per cent. Although higher yields are attractive for dual-occupancy properties, investors must understand the associated risks. Some include the reduced potential pool of buyers as they mainly target the investor market, increased risks of higher vacancy levels if economic conditions were to change and possible GST implications to investors wanting to develop and construct a dual occupancy by building a secondary dwelling in an already established property or purchasing land and developing from scratch.

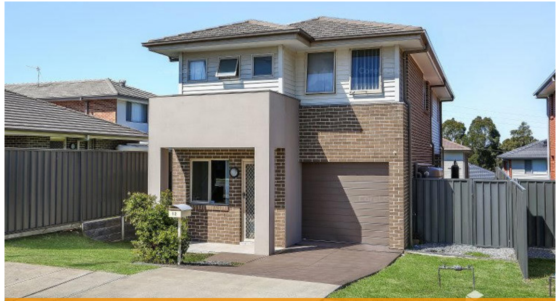


11 Windsor Road, Berkeley Vale Source: CoreLogic

Reflecting back on our monthly review this time last year, we identified the northern region of the Central Coast as an area where you could find a reasonable investment. We highlighted that a four-bedroom house and land package could be purchased in Woongarrah for around $650,000. Well, it turns out that if you did this, you would be a happy camper. Fast forward 12 months and you can no longer find a four-bedroom house at this price in the area.

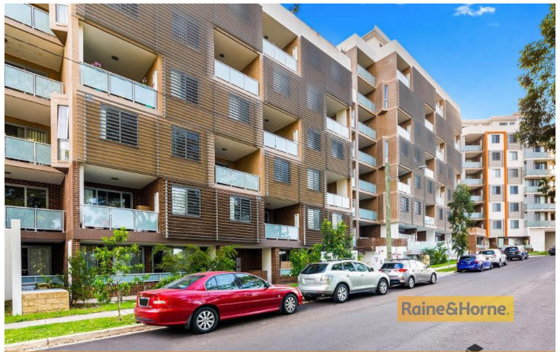
This region has become more appealing to first home buyers who were being driven out of less affordable areas on the southern end of the Central Coast. As a result, prices were driven up.

That being said, investors are still active in this area. The below sale at 12 Noble Court, Woongarrah is an example of a property that may appeal to investors, selling for $775,000 and achieving a rental of approximately $550 per week, a gross yield of 3.7 per cent.



12 Noble Court, Woongarrah Source: CoreLogic

Houses are generally more appealing to investors looking for capital growth. While the unit market typically doesn't increase at near the same rate as dwellings, they can provide a strong rental return for those looking for a reliable yield. In Gosford, a newer two-bedroom, two-bathroom unit close to the hospital can be purchased for $500,000 to $600,000 and rented for $440 to $550 per week. Below is an example of a sale at 11/6 Hargraves Street, Gosford of a two-bedroom unit for $530,000, which may be rented for $440 per week, a gross yield of 4.3 per cent.



11/6 Hargraves Street, Gosford Source: CoreLogic

Historical data indicates that over the past twenty years, investment in property in the Central Coast region has been rewarding for most, with consistent long term capital growth in median values and positive growth in rental prices. Recently we have seen the emergence of short-term investors in our market, profiting on our recent booming market conditions. The capital growth prospects have been front of mind for this type of investor with successful stories across the region in this investment strategy. Good things must come to an end eventually and it is predicted that throughout the year this type of investor will diminish in numbers and the more conventional long term investors will re-emerge. Considering the in and out costs of buying and selling an investment property, these long term investors mainly target reliable rental returns with capital growth prospects secondary. Based on the uncertainty surrounding the local and national economic forecast, we expect this approach to be wise.

Todd Beckman
Associate Director

Shoalhaven

As we start to settle into another year of uncertainty due primarily to the COVID-19 pandemic, it will be interesting to see how the investor market plays out in the Shoalhaven residential property market in 2022. Possible interest rate rises and the continued effects of the pandemic are likely to be the key influences this year.

The last six months of 2021 saw the investor market, along with the general market overall, continue to go from strength to strength with plenty of activity and strong sale results. This was largely driven by low interest rates, increased savings held by prospective purchasers due to COVID-19 restrictions impacting interstate and international travel, and demand outweighing supply. Local investors were also competing with out of town investors from regions such as Wollongong, Canberra and Sydney, resulting in demand outweighing supply and pushing up property prices as well as rentals. Local agents were advising of plenty of investor interest as rental returns were increasing coupled with low vacancy rates.

One of the key benefits of investing in the Shoalhaven residential property market, or to be more precise in the coastal suburbs, is that the vendor can use their investment house for their own use as well as use the property for holiday rental or Airbnb. This can make a considerable return, as well as allowing the vendor to use their property from time to time, compared to that of leasing the property on a conventional six- or twelve-month residential lease. Popular coastal suburbs such as Hyams Beach, Currarong, Vincentia, Callala Beach, Callala Bay, Huskisson and Culburra Beach are examples of where a greater rental return may be achieved as a short-term holiday accommodation investment than from a conventional six- or twelve-month lease arrangement.

Although purchasing a holiday home is not the purest form of property investment, many buyers often purchase a holiday home with the intention of utilising its potential for short-stay accommodation, such as Airbnb, due to the strong demand and interest in holiday stays in the Shoalhaven region. Local agents advise that many buyers rely on this income to help supplement their mortgage repayments.

As the 2022 year moves forward, we predict a slowing of the investor market in the Shoalhaven residential property market. We believe this will be driven largely by the uncertainty relating to possible interest rate hikes during the year.

Joshua Devitt
Associate Director

Illawarra

Local and Sydney based investors still appear to be active in the Illawarra market as 2022 commences. While rents have been rising, rental returns from residential property are low right now because of the huge increases in property prices recently. Despite the low returns, current interest rates and expectations of capital gains are still bringing investors into the market.

The Illawarra traditionally has varied investor stock. Most investor properties fall into the entry level price category and are usually modest units, townhouses or dwellings. Here we think of older two-bedroom units in the Wollongong CBD for $500,000, townhouses in Woonona for $850,000 or in Figtree for $750,000 and dwellings in Warilla or Barrack Heights for $700,000.

However there has also been an increase in demand for newly built investment properties in the region's new housing estates. Depreciation allowances on new builds can be used to maximise

The last six months of 2021 saw the investor market, along with the general market overall, continue to go from strength to strength with plenty of activity and strong sale results.

an investment. Tenant demand for housing in Horsley, Kembla Grange, Wongawilli, Calderwood and Tullimbar have been strong, particularly from families, which means that these properties are ideal investments as tenants are easy to find. Four-bedroom dwellings less than five years have recently sold for between $830,000 and $950,000 in these locations and these can rent for $650 to $750 per week.

In recent years there has been an increase in build-to-rent properties comprising a main three to four-bedroom dwelling and an adjoining one or two-bedroom granny flat under the same roofline. This provides the owner with two rental streams however tenant turnover, maintenance and management costs are higher. This is now a product most project builders are offering and while most are kept by the owner for their rental income, some do get sold soon after completion. A recent sale of this type of property is a four plus two-bedroom property in Horsley for $1 million which is returning $935 per week.

Investment properties in the more expensive northern suburb areas still exist, however the rental return on these is much lower due to their higher value. That doesn't stop investors though, who in this market are more interested in the capital gain available.

Chris McKenna
Region Director

Southern Highlands

Is 2022 the year we see investors re-enter the market in big numbers? 2021 was still largely owner-occupier driven within our regional areas. This was off the back of continued lockdowns and growing acceptance of the 'hybridisation' of our workforces. As a direct result we saw limited activity from typical mum and dad investors who

Is 2022 the year we see investors re-enter the market in big numbers?

continually got blown out of the water by big money tree-changers out of Sydney.

Moving into 2022 the main opportunities appear to be any properties within good central locations in proximity or walking distance to the major townships. These style properties offer good long-term prospects for better quality tenants as well as being more appealing for long-term capital growth given the increasing popularity of the region. Whilst residential yields are often considered to be low in comparison to commercial yields, the current returns are significantly lower off the back of the high demand for properties in the region. Thus, we believe investors in the region are far better suited ensuring they purchase good quality stock that will result in good long-term capital growth over higher rental yields for an inferior product.

As always, our long-term view is strong for the region. As mentioned in last month's write up, there are significant infrastructure projects starting within the region which include the Southern Highlands Data Campus, which is a large-scale data storage facility operated and managed by Cloud Carrier, in addition to the recent acquisition of a 51-hectare site by TrueGreen (an entity of Nexport) for the manufacture of electric buses and vehicles. All this in our opinion bodes well for ensuring the area maintains a tight rental market. This will inevitably come as the population continues to grow and more jobs are created.

Kurt Bismire
Valuer

Albury/Wodonga

The maxim of the property investor in our service area may very well be hurry up and wait! The ship is leaving the port. How do we know this? Because every little one-horse town has auctions as the preferred and most successful method of sale. In other words, no one knows any more, not even the agents. This does not happen in a normal property cycle, but we left normal two years ago now. 'Has the ship sailed for good or is it coming back?' is the chatter on the street and the question of 2022. Will there be a correction? Is there still time to jump in and invest in property in our fantastic region?

The sub-$300,000 market across all our area is fast evaporating. $650,000 is the new $450,000 new home package and the $1 million to $2 million bracket no longer seems emerging or thinly traded but every day. So, the traditional higher rental yields available in regional locations are decreasing with the extraordinary capital growth experienced in 2021 in Albury-Wodonga and surrounds, Wangaratta, Shepparton and even more growth in the holiday destinations of Bright, Mount Beauty and Yarrawonga-Mulwala.

Common sense may dictate that decreasing rental yields may soften investment across the region and it is highly unlikely we shall see the same capital growth in 2022, however comparative to metropolitan markets, we are still so affordable and attractive investment wise. Possibly we are heading for the long game now and rental vacancy is still very low, having witnessed many property owners double their investment if they bought pre-pandemic and new homeowners sitting pretty if they managed to build a home in the same time frame. With instant equity, it is easy to feel fear of missing out is now just… missed out!

There is no denying that entry levels to our market are now much higher and possibly prohibitive for first home buyers in many segments and locations, especially Bright, Yarrawonga and the central CBD locations of all larger towns. Rents have increased, on average around 15 per cent which is hardly keeping up with capital outlay, but demand is high and supply still low. The pick of segments and locations for investors currently (which may change next month) is the higher end of each market, where value for money and demand from Sydney, Melbourne and Canberra buyers is set to continue as work from home and tree-change relocations remain a substantial profile of purchasers. The top investment smart money locations currently are Shepparton and Myrtleford.

Rachel Anderson
Valuer

Victoria - Residential 2022

Melbourne

With COVID-19 heavily impacting the expenditure and savings of individuals, real estate has remained a popular investment platform. As the different markets of Melbourne have had varying performances over the past few years, many investors have taken the opportunity to better their financial positions and will look to continue to do so as the market corrects and continues to grow.

Those who have invested have been aided by the ongoing government-run incentives and record low interest rates which are finally forecast to rise during 2022.

Melbourne CBD and Inner City

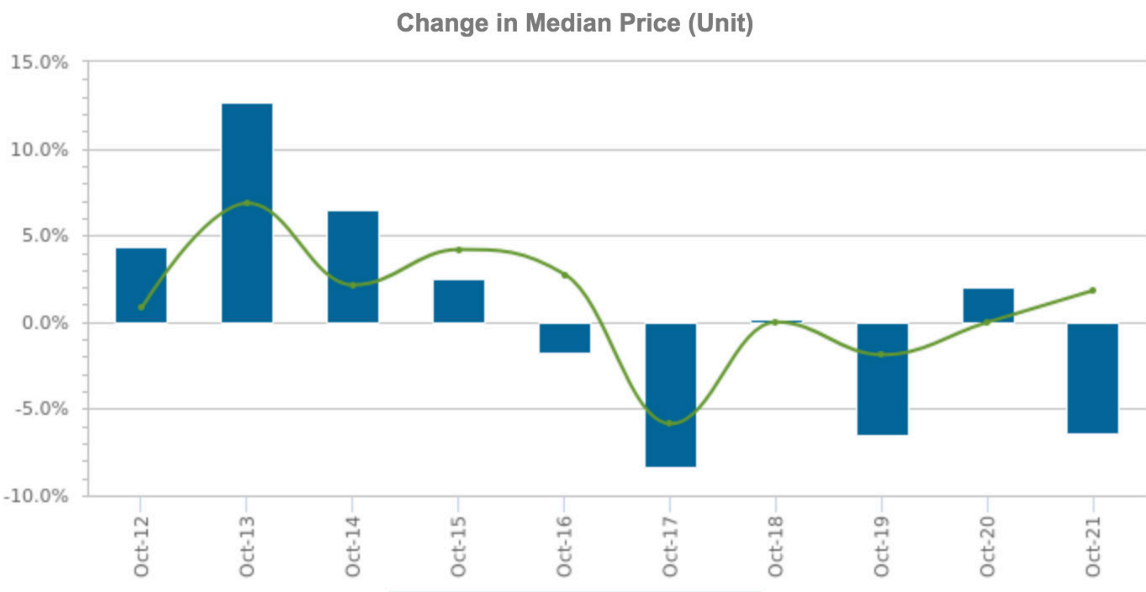
Melbourne's metropolitan area has been one of the many property victims of COVID-19. High vacancy rates have been a result of a lack of international students and travellers and a move towards working from home. This has ensured prices and rents within the CBD remained low.

The graph above represents the volatility of the CBD market across the past few years.

With the recent announcement that fully vaccinated travellers and international students will be allowed into the country without having to isolate, the increased number of people in the city should only cause prices and rents to rise. Many investors will look to enter the market prior to the CBD correcting to match some of its surrounding suburbs.

This one-bedroom penthouse apartment is currently listed with a reasonable price guide of $480,000 to $520,000. It previously sold (25 January 2021) at a price of $500,000. Buyers may look at a property of this calibre to achieve both rental income and capital growth.

1908/480 Collins St, Melbourne Source: realestate.com.au



XGxgxgx Source: rpdata.com

South-east

The property markets in the south-east Melbourne and Mornington Peninsula regions have remained strong. With the popularity of working remotely, buyers and renters are focusing on the lifestyle features and local amenities that the area and the property have to offer rather than the proximity to the CBD. This has seen a spike in median prices and median rents.

One area of interest in relation to investment property is Capel Sound. This suburb has remained

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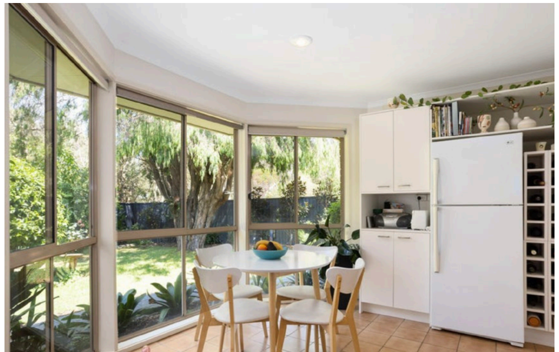
relatively affordable in comparison to some of its neighbouring Peninsula patches with a current median sale price of $755,000 (rpdata.com). What may attract investors is the number of units and apartments listed, a rarity in the Peninsula region. As the popularity and exclusiveness of the area grows, those looking to live on the Peninsula may be forced to rent a smaller property or a unit.

This two-bedroom townhouse is currently listed for an affordable price guide of $650,000 to $700,000.

3/21a Howqua Drive, Capel Sound Source: realestate.com.au



3/21a Howqua Drive, Capel Sound Source: realestate.com.au

With a rental appraisal of $480 to $500 per week, investors could look at this property as an opportunity to ease their way into the limited Peninsula market

Inner and Outer East

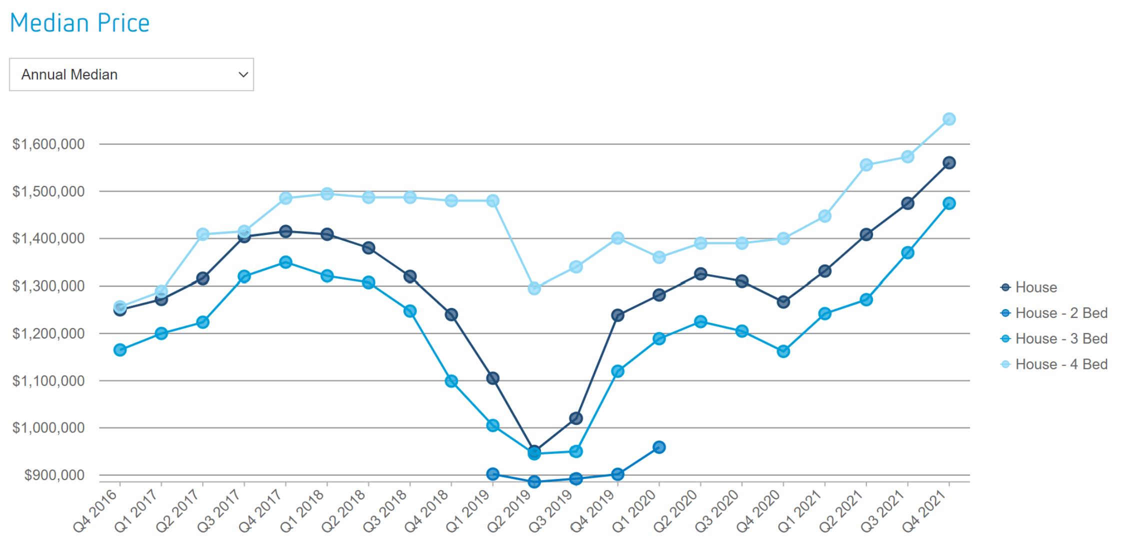
Melbourne's eastern suburbs provide investment opportunities for a variety of age demographics - those looking for their first investment through the form of apartments and townhouses and more experienced investors who may be seeking larger parcels of land with development opportunities. Chadstone shopping complex and notable educational institutes, Deakin and Swinburne Universities, create more opportunity and appeal within the area for investors.

Box Hill South is a suburb where we have seen investors reap the rewards of their purchases over the past 12 months with respect to the detached housing market. History suggests the suburb has appealed to Asian investors which has led to significant increases in median house prices over the past 12 months.

The appeal of Box Hill South is not only its close proximity to the CBD and Deakin University but its future prospects of becoming a suburban CBD in its own right, however with interest rates expected to rise and a forecast market correction ahead in the not-so-distant future, investors might seek alternative and lower priced investment options going forward. Those who have already invested in this location should receive steady rental returns as university students go back to study and Australia welcomes back international students which has already commenced.

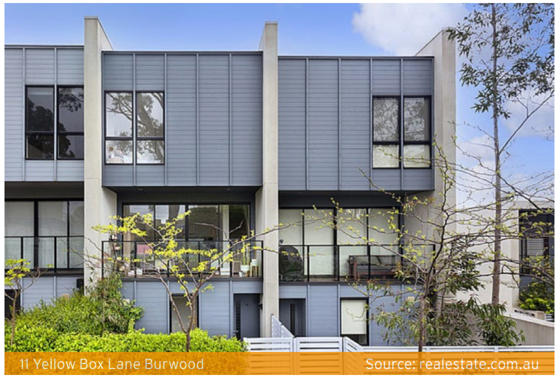
Townhouses also present an opportunity to invest in great locations at much more affordable prices. With these investments, capital growth and rental returns become a possibility in desirable locations.

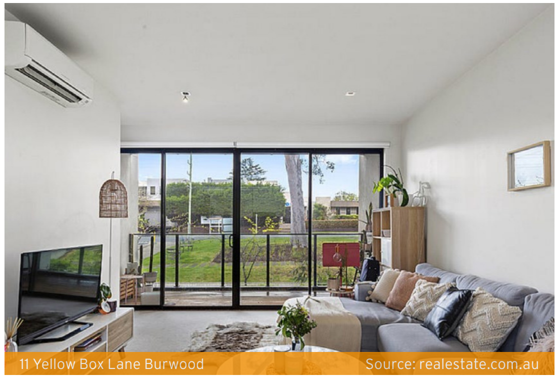
The property at 11 Yellow Box Lane, Burwood is currently for sale with an asking price of $660,000 to $695,000. Bordering the affluent suburb of Glen Iris and within close proximity to Burwood and

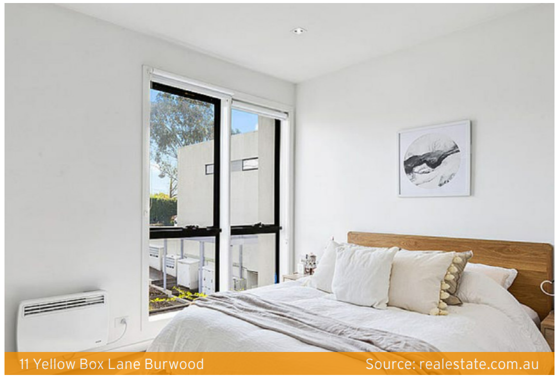


Box Hill South annual median price Source: REIV

Ashburton shopping strips, it presents an appealing investment opportunity as it could service the needs of university students at nearby Deakin University.


11 Yellow Box Lane Burwood Source: realestate.com.au


11 Yellow Box Lane Burwood Source: realestate.com.au


11 Yellow Box Lane Burwood Source: realestate.com.au

Inner and Outer North

Like most areas, the inner and outer north have seen considerable growth over the past 12 months, with significant capital growth, however we have seen rental yields fall as a result. With lockdowns finally a thing of the past, Melbournians are breathing a collective sigh of relief and those who have invested in its real estate market are no exception.

Investors may pounce on an incentive from the Victorian Government for purchasers of new residential property before 30 June 2022, offering a 50 per cent stamp duty concession or 100 per cent stamp duty concession if the property has been on the market for more than 12 months. There has been a shift in demand towards bigger three and four-bedroom dwellings, which is likely here to stay, meaning demand for inner-city housing is not only continuing, but will likely rise.

One of the more popular suburbs in Melbourne's inner north, Carlton, has had a really difficult 18 months due to the number of international students who left during the pandemic. Despite this, it has remained one of the most desirable suburbs in Melbourne. Currently, the median price of a house in Carlton is $1.44 million, up 17 per cent year-on-year. Apartments are doing even better - the median price for units in the suburb is $515,000, up 51 per cent from the previous year. Carlton's current asking price for housing rent is $635 per week and $350 per week for apartments. Investors are also likely to be circling due to these suburbs being closely located to Melbourne University, the RMIT city campus, along with retail and restaurants on Lygon Street.

Though many have traditionally looked to invest close to their own capital cities, many investors are investing regionally or in other states to get better returns. Heading further out to the outer northern suburb of Mickleham is always a top consideration for property investors. An affordable and ideal location for growing families, the suburb offers a median house price of $578,000 and rental returns averaging around 3.77 per cent, meaning great opportunity for investors.

Western Suburbs

Investing in real estate is starting the year off strong, with a greater proportion of Melbourne homes being sold to investors than ever before. Investors bought 90,215 homes in the third quarter of 2021, totalling $63.6 billion. Investors make up around 20 per cent of home sales in Victoria, which is a significant jump from previous years. Due to record low interest rates and rents being at an all-time high, many of those investment homes will be used as rental properties.

Location plays a major role when looking at investments. Investors tend to look for generous community areas that would attract a lot of young families who are looking to rent in a safe and family orientated neighbourhood. Key areas in Melbourne's outer west are Melton, Mount Cotterell, Tarneit and Truganina. Melton made it into the best suburb to invest in Melbourne in 2021 because it showed an 8.9 per cent capital growth in house prices. Even for those eager to buy units, this

One of the more popular suburbs in Melbourne's inner north, Carlton, has had a really difficult 18 months due to the number of international students who left during the pandemic.

suburb shows potential with a 7.1 per cent growth rate. Investors won't have to break the bank when looking at these areas in comparison to the rest of Melbourne as prices are still quite affordable with the median price for property in 2021 being around the $390,000 to $450,000 bracket. This gives a lot of investors the opportunity to start or build on their property portfolios.

Melton property, 1A Swan Street, sold on 1 February 2022 for $395,000. This three-bedroom, two-bathroom home is in a prime family location with many schools and local amenities nearby. The property has nearly doubled in price since 2009, when it last sold for $200,000.


1A Swan Street, Melton Source: RP Data.com

1A Swan Street, Melton Source: RP Data.com

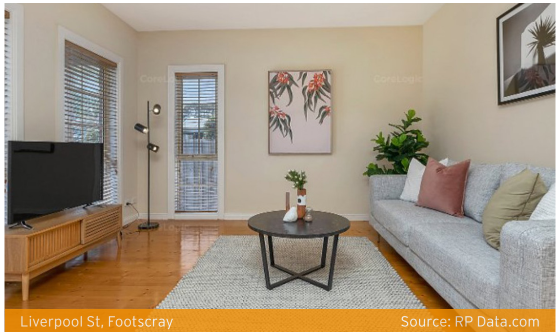
Investors looking to have a slice of the property market closer to the city should keep an eye on suburbs such as Pascoe Vale and Footscray. Just six kilometres from Melbourne's CBD, Footscray is considered one of Melbourne's new "it" suburbs. The area features highly sought after period style homes as well as modern apartment developments. One of the main reasons it is on our watch list is because of the commencement of the $1.5 billion development of the new Footscray Hospital. The area has a current median house price of $922,500 and a current median unit price of $480,000. Compared to surrounding suburbs, Footscray is deemed an attractive location for investors.

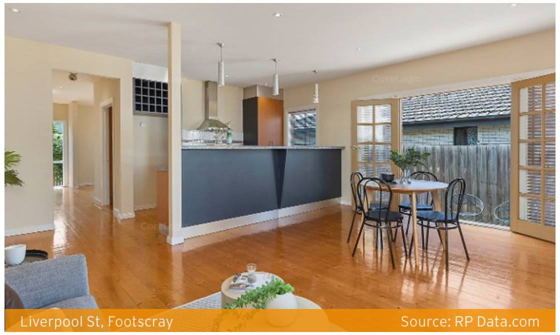

1A Swan Street, Melton Source: RP Data.com

1A Swan Street, Melton Source: RP Data.com

Recently, 29 Liverpool Street, Footscray, sold for $860,000. The 2005 property is a two-bedroom, one-bathroom terrace with well-kept original features. The property was last sold for $480,000, increasing just over $400,000 in ten years.


Liverpool St, Footscray Source: RP Data.com


Liverpool St, Footscray Source: RP Data.com


Liverpool St, Footscray Source: RP Data.com

Geelong

The property market within the Greater Geelong and Surf Coast regions continues to be part of the highest booming property markets in Victoria. With restrictions still being enforced from the pandemic throughout the majority of 2021 forcing people to spend more time at home, regional living appealed to many who wanted to access affordable property and a slower, less congested lifestyle. This rise in demand for regional living made the Geelong and Surf Coast regions extremely attractive to investors throughout 2021 however 2022 may be a different story with many believing the heavily inflated Geelong market may correct itself.

Many believe the Geelong market will remain steady throughout 2022 after the runaway growth recorded in 2022, however NAB's Quarterly Australian Residential Property Survey (Quarter 3 2021) reports that demand for lifestyle-oriented properties and holiday homes is likely to continue in 2022. The prediction is for the median house price in Geelong to reach $824,000 by June 2024, which is a rise of more than 18 per cent. Geelong also boasted a clearance rate of 93.3 per cent over the September 2021 quarter. Many agents and experts are still confident in the Geelong property market due to ongoing investment in a diverse range of sectors including government, manufacturing, technology, education and health which is expected to drive further growth.

Perron King
Director

Mildura

The investor market has had to adjust to lower yields during the past 12 months. While rents have increased, capital values have increased at a faster rate. Gross yields of between five per cent and six per cent were the norm in the decade up until 2020, however investors wanting to enter the market now need to accept yields that are closer to four per cent.

Historically the Sunraysia investment market was generally focused on two-bedroom brick units, three-bedroom, one-bathroom older style 1950s and 1960s dwellings and also three-bedroom, two-bathroom modern dwellings constructed within the past 15 years on smaller allotments. Although these properties remain in demand, it has been their yield which has shown a dramatic shift. Increased buyer activity from out-of-town investors contributed to the large increase in values during the second half of 2020 and 2021, with these investors seeking higher returns than were possible in capital cities and larger regional centres.

The higher expected returns offset an expectation that capital growth would be slower in the Sunraysia region, however in recent times many investors would have seen their investment property values sharply increase.

The expectation of interest rate rises during 2022 will likely see some tapering of demand from investors. Buyers may decide to hold off for a time to see whether the market will plateau as the year progresses. With vacancy rates remaining very low, it is likely that rents will continue to gradually rise, which will perhaps see yields improve slightly.

Jake Garraway
Valuer

Warnambool

Weekly rental costs in Warrnambool have continued to rise in line with the surging demand from tenants and limited housing stock available at present. Unsurprisingly, this is good news for cash-flow chasing property investors.

Any type of modern or semi-modern four-bedroom detached housing should comfortably be bringing in $500 per week with a median price being around $445,000. While we feel confident that this trend should continue over the next six to twelve months, it should be noted that Warrnambool offers alternatives to the standard buy-property-install-tenant option.

For example, the decision to opt for a new build is commonly showing an assessed market value higher than the sum of the land and construction. Combine this with the added depreciation benefits and it's a winning option.

Two other investment options we like within the Warrnambool market are urban in-fill (actively encouraged by planners) which has great potential for investors chasing both capital gains and cash flow and renovation for profit.

Renovation for profit is possible with re-sale gains on display across most segments of the market. Even the most basic of renovation activities is being welcomed and favoured by the market at present. This option however has one sticking point and that's the availability of labour. Warrnambool is not immune to the effects of the building grants program and general rise in construction activity and as such investors pursuing this option may want to weigh the potential gains against the time required to source the required labour and materials needed to complete the project.

Looking forward, the lag between titled land becoming available and housing stock entering the market appears to be quite large and as such we expect the current conditions driving the capital gains and rental returns to continue.

Jordan Mowbray
Valuer

Queensland - Residential 2022

SPECIAL FLOOD COMMENTARY 2nd March 2022

Our main Brisbane submission (right) was compiled prior to the major flood event that hit south-east Queensland just a few days ago. Firstly, we want to extend our support to everyone impacted by the floods and hope recovery and rectification will be swift.

Before we dig into the main section of our report, I wanted to address what could be the potential fallout for property markets due to this weather event.

Days of sustained rain throughout south-east Queensland and its catchments resulted in an outcome that saw two-thirds of Brisbane's annual rainfall come down in just five days.

Flood levels rivalled those of 2011. During that flood, just 11 years ago, property prices were immediately impacted – most dramatically in the suburbs that were highly inundated of course.

How markets respond to this recent weather bomb is yet to play out. That said, we suspect history will repeat to a degree. Houses that were up to their rooflines in water will be most seriously impacted in terms of value loss. Even dry homes located in flood-affected suburbs could see a pause in the runaway demand that fuelled price growth last year.

There will also be more purchasers – both homebuyers and investors – who will no longer consider any property that saw even minor inundation. In time, however, the market will find its own level and properties that remained flood-free will likely attract more interest.

Beyond all this, we continue to believe property markets are best viewed through a long-term lens. Brisbane's fundamentals remain good and if we set aside the recent flood, it would be safe to say our city remains among the most desirable investment destination in the country in 2022. Relative affordability (compared to Sydney and Melbourne), low interest rates (for the time being at least), infrastructure projects, promising employment prospects and the Olympics are all playing their part.

Another big attraction for investors is rental demand. We are currently tracking at historically low vacancy rates in Brisbane. This tight market has driven rents higher. This situation may tighten further in the coming months too, as flood-displaced residents look to relocate while repairs are underway.

This is not the first time Brisbane has had to deal with flood events, nor will it likely be the last. The key is to be fully informed about the potential impacts of flooding and the mitigation measures in place for your property of interest. For this reason, seeking guidance from the qualified independent professionals at Herron Todd White is crucial.

Gavin Hulcombe
Managing director

Brisbane

Brisbane remains a go-to capital city among the nation's investors. There's plenty of good news pointing to continued capital gains in 2022. That said, buyers need to be more selective about their property choices. This year will be less forgiving than 2021 to those who purchase secondary quality investments.

Inner city and mid-ring suburbs

Inner city and mid-ring addresses were dominated by owner-occupiers throughout 2021. The hot price run experienced in these locations has been impressively strong with capital gains streaking ahead.

This, in turn, saw less activity from investors. Most were simply priced out of the market with many looking towards outer suburbs to build their portfolios.

We expect that this will switch somewhat in 2022. In fact, there has been an uptick in investor activity over the past six months or so. Spurred on by a range of boosters – including our successful 2032 Olympics bid – more and more buyers feel confident of long-term capital gains in Brisbane, particularly in blue-chip inner and mid-ring suburbs.

The trade-off for these buyers is that while they're chasing mighty value gains, they're also having to accept lower yields. Of course, continued low vacancy rates, limited stock and high demand for rentals are a recipe for rent growth, so the prospect of solid cashflow remains good in the long term.

The strategy for many smart investors will be to buy a home that requires some renovation or upgrade work. This is a chance to buy in at a more reasonable price point and then add immediate equity through elbow grease. This work also enhances the ability to boost rent returns.

Investors remain keen on detached homes that are sub-$1 million. To achieve this, you need to look at listings of fair to good quality homes in Brisbane suburbs a bit further out. Areas such as Rochedale or Ferny Hills would be on the list. It's possible to gross a 3.5 per cent to 4.0 per cent yield on these properties, which is very attractive compared to housing in Sydney or Melbourne. Given interest rates remain low, this sort of return brings the home close to cashflow neutral in some instances.

If we were to pick a prime investment in our inner-city and mid-ring suburbs, it would be properties with potential to split, or with a demolishable house. There's huge demand for land at present, so if you can secure something that generates income via rent and can be effectively land banked for future small development, you will do very well. Mind you, competition for these holdings is strong, so you need to be ready to jump if an opportunity comes along.

While many investors would obviously like to own house-and-land in Brisbane's inner suburbs, truth is the most affordable options are units and townhouses. There's plenty of older unit stock in near-city suburbs that can be acquired and easily rented. Up until now, it hadn't seen much in the way of value gains – mostly an oversupply hangover from five years ago – but this is turning around.

Areas worth checking out include St Lucia, Toowong, Auchenflower, Milton and Morningside.

This basic but well-presented townhouse at 3/23 Hobbs Street, Auchenflower sold in November last year for $470,000. Its two-bedroom accommodation would suit a sharehouse situation and its location close to the city and all facilities can't be beaten.

3/23 Hobbs Street, Auchenflower Source: realestate.com.au

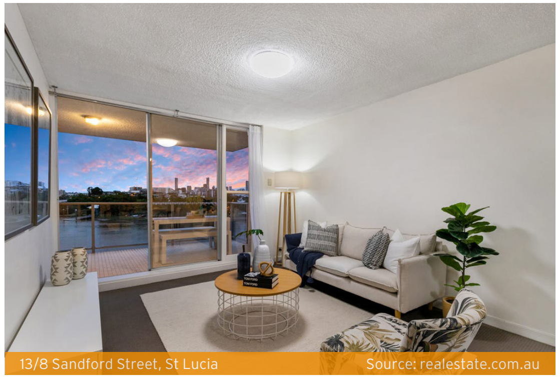
There are options a little further out too where you can renovate for profit. A great example is 3/28 Bindaree Street, Greenslopes which recently sold for an undisclosed sum.

3/28 Bindaree Street, Greenslopes Source: realestate.com.au

The estimated cost of the renovation to this property was between $100,000 and $150,000 after it sold in May 2019 for $425,000. The four-car accommodation is rare for a townhouse, so interest from buyers would have been good.

In the same vein, a well-presented, second-hand unit in a prime location will receive plenty of interest from buyers in today's market. If there's the ability to do a little renovation, all the better. Some folks are even flipping these quickly to take advantage of the market.

This property at 13/8 Sandford Street, St Lucia sold unrenovated for $820,000. The buyer was ready to go with a full reno prior to settlement, so they're certain to enjoy some immediate uptick in value.



13/8 Sandford Street, St Lucia Source: realestate.com.au

We are also seeing a turnaround in pricing for high-rise apartments. Stock levels were exceedingly high five years ago, but the excess has been slowly absorbed over the past half decade. We are now at a point where well-presented units with the right fundamentals will enjoy value gains – especially owner-occupier designed apartments with plenty of floor space, high-quality fit out and car accommodation.

Another interesting change in the market has been the rise in younger investors looking to build portfolios. The strong market has seen some older investors cash out of their holdings and take advantage of the gains. Younger investors, with equity in their principal place of residence, are

Another interesting change in the market has been the rise in younger investors looking to build portfolios.

keen to become landlords. Given they have plenty of time to hold onto their property and enjoy value increases, now seems like a prime time for them to acquire an asset.

Finally, we do want to highlight changes to the calculation of land tax in Queensland which will likely dampen enthusiasm for property investment among a section of interstate investors.

Until recently, land tax was calculated on the unimproved value of your total property holdings (excluding your principal place of residence) in Queensland only. However legislative amendments delivered in December 2021 will see holdings nationwide included in the threshold calculation and rate at which land tax is applied. That means if you owned an investment in, say, New South Wales with a rateable value of $700,000 plus another in Brisbane with a rateable value of $400,000, you would now be required to pay land tax on your Queensland holding at a much higher rate than previously. This move makes investing in Queensland less attractive for many out of towners.

Northern Corridor

Our northern corridor takes in the stretch of suburbs from the Brisbane City LGA limits along the Brice Highway and up towards the Sunshine Coast. The area offers a mix of new house-and-land packages as well as more established housing on various block sizes.

Throughout 2021 and into this year, there's been increased activity from investors in this corridor. While it was predominantly interstate buyers looking to take advantage of relatively affordably real estate last year, local investors now want a larger piece of the pie.

Tight vacancy rates in Brisbane and on the Sunshine Coast have played their part in driving tenant demand and rents in the corridor. This region is a commutable distance to major centres both north and south, so its popularity with renters has been on the rise. Higher rents attract investors seeking better yields.

That said, supply will continue to be a challenge for buyers, as sellers remain hesitant to list.

Another source of concern for investors is those owner-occupiers who've been priced out of suburbs closer to Brisbane. We suspect the total market share of investors will decline in 2022 as they find competition from owner-occupiers for the limited available stock.

Overcoming this hurdle may be a matter of asset selection. For example, townhouses have been less popular in this corridor in the past. There's always been plenty of relatively affordable stand-alone house options available, so the idea of attached housing hasn't been as appealing. Of late, however, we've seen the value of townhouses tick up. This property type could prove attractive to investors keen to avoid owner-occupier competition and eager to achieve reasonable yields and some capital gains in the short term.

For example, this property at 13/10 David Street, Burpengary sold in January for $340,000.

13/10 David Street, Burpengary Source: realestate.com.au

It's a three-bedroom, two-bathroom, single-garage townhouse in reasonable proximity of facilities and with easy access to the highway. At this price, it would be a very affordable option for an investor and tenant demand should be good. That said, capital gains would be a long-term prospect for this type of accommodation.

Redcliffe Peninsula and Brighton

The peninsula has often been an attractive destination for investors – particularly those from out of town. The waterfront lifestyle on offer and the ongoing gentrification of the area are appealing. Add to that improved public transport options and plenty of facilities in terms of retail, lifestyle, medical and education, and you can understand why the area brings in buyers.

Entry level markets worth watching are those near water. For example, Newport has four-bed, two-bath, two-car modern homes on 350 square metre blocks for around $800,000. Rent for one of these homes is around $550 to $600 per week. Back in 2020, this same product would have been priced at $550,000 to $625,000 and achieved rent between $500 and $550 per week.

Another near-water suburb worth mentioning is Brighton. Entry level properties here are around

$700,000 for a detached home on a 600 square metre site.

This property at 10 Rensburg Street, Brighton is a great example.

10 Rensburg Street, Brighton Source: realestate.com.au

The home delivers a solid three-bedroom, one-bathroom, one-car home on 632 square metres and was purchased for $730,000 in December last year. This is just the sort of real estate that should achieve steady capital gains and rental demand in Brighton.

For anyone seeking a more price accessible option in and around the peninsula, a townhouse might be the solution. Entry level three-bed, two-bath, single-garage townhouses are priced between $350,000 and $450,000 depending on proximity to water. Most of these are early 2000s construction, with rents around $350 to $400 per week.

Ipswich and the South-Western Corridor
The Ipswich and south-western corridor have been substantial growth zones in our region for decades now. Fuelled by the gentrification of Ipswich plus establishment of large-scale estates such as Forest Lake and Springfield Lakes, this corridor has become a focal point for affordability-driven buyers looking to be part of the market.

For investors, there are plenty of opportunities worth considering.

Detached home sales in Ipswich are particularly active in the sub-$500,000 sector. You can secure a home within reasonable proximity of the Ipswich CBD for below half-a-million, and it will have plenty of tenant interest.

As an example, check out this property at 25 Cullen Street, Bundamba which sold in March for $440,000.

25 Cullen Street, Bundamba Source: realestate.com.au

The home is a two-level brick dwelling providing three-bedroom, one-bathroom, four-car accommodation. It is near TAFE Queensland Ipswich Campus and the train station and is a short drive to the Ipswich CBD.

Looking at new estates, areas such as Ripley and Deebing Heights are garnering interest. Detached housing offering four-bedroom, two-bathroom accommodation on about 350 square metres of land is available for around $500,000. Best of all for investors, yields of 5.0 per cent to 6.0 per cent are entirely achievable.

When it comes to units and apartments, this region is a bit more challenging. Ipswich residents have a long history of preferring detached homes on good-sized allotments. Units have never had the same sort of take up.

In fact, throughout much of the past five years, attached house prices had been in slow decline. But things have changed a little since mid to late 2021 with the segment picking up the pace. Three-to-five-year-old townhouses are now selling for near their initial purchase prices of circa $300,000 and returns of $320 to $350 per week make yields attractive.

Older townhouses and units in established parts of Ipswich are selling for between $200,000 and $250,000. Returns are impressive at $250 to $300 per week, but capital gain potential is limited.

Looking at the rest of 2022 and there are still good opportunities for investing in Ipswich and enjoying strong rental growth plus low vacancy. Depending on the price point, capital gains are most likely in more established suburbs, as prices had stagnated prior to the recent rises.

Put another way, Ipswich house prices are playing catch-up and will continue to do so in 2022.

Southern Corridor and Bayside
Heading both south and out to our bayside markets and it's safe to say most transactions have been driven by owner-occupiers… however investors are starting to make their mark.

Investors for outer suburbs are largely locals from mid-ring to inner suburbs using the equity they've earned in recent years to help build a property portfolio.

And there are some affordable options with great returns on offer.

In Logan, for example, investors seem to like entry-level townhouses in the early $200,000 price points. This amount can secure a circa

1980s two-bed, one-bath property achieving a 6.0 per cent to 7.0 per cent gross yield. That's a very attractive return.

Looking towards more traditional housing and its possible to achieve a 4.5 per cent to 5.0 per cent yield on a three-bedroom, one-bathroom home purchased for around $400,000. Again, solid real estate that should do well over the long term.

Stepping towards the bayside, in Wynnum and surrounding bayside suburbs there's investor interest in entry-level, post-war homes between $650,000 and $800,000. These properties are achieving 3.5 per cent to 4.0 per cent gross yields and present the right fundamentals for long-term value growth.

This home at 3 Ogilvie Street, Wynnum is a great example.

3 Ogilvie Street, Wynnum Source: realestate.com.au

The property sold in January 2022 for $780,000. It provides a three-bed, two-bath, two-car highset home on 733 square metres of land. Its condition is good and it would appeal to a wide range of tenants if listed for rent.

If your budget is a little tighter, then Manly and Wakerley townhouses for $500,000 to $550,000 are an option. With yields around 4.0 per cent to 4.5 per cent, long-term investors will make a decent return as they ride out a price cycle or three.

David Notley
Director

Gold Coast

The surge in local and interstate investor activity has certainly contributed to the strong performance of the Gold Coast residential property market over the past six months. Investors have always viewed the Gold Coast as a location with vast affordable investment options in comparison with other major cities and whilst traditionally the focus has been on affordable unit product, investors now appear to be broadening their pursuit for other housing options and at varied price points as well.

Rental agencies across the coast are reporting that vacancy rates are at an all-time low and as a result rental values are rising at a rapid rate. Whilst this is good news for investors, getting into the property market can be quite a hurdle at the moment. Buyers have very little time to carry out due diligence and make decisions, therefore there is a real risk that they may find themselves paying top dollar to secure a property. Despite these challenges, the buoyancy in the market along with the low interest rate environment and the recent tightening of the rental market should maintain investor confidence at an elevated level this year.

Our team takes a look at some of the recent investor trends within their service areas and reveals some of the residential buying options worth keeping an eye on in 2022.

Southern Gold Coast and Far North New South Wales

The Tweed Shire is fast becoming the location to buy a holiday house, with many cashed up interstate buyers looking for a coastal escape or for somewhere with a view to rent out with the intention of eventually moving in. These investors are currently looking across all property types from serviced apartments to multi-million dollar homes.

Mantra On Salt Beach,Kingscliff Source: realestate.com.au

Cabarita Beach, NSW Source: Booking.com

Two-bedroom strata units close to the beach have also been highly sought after. Recent sales of two-bedroom units in Kingscliff have ranged between $600,000 and $1 million. Investors will find it challenging at the moment to secure a property without having to pay top dollar as stock levels are very short in supply. The on-site manager of a beachside holiday complex opposite Norries

Headland at Cabarita Beach recently reported to one of our valuers that several visitors who had stayed over the school holiday period had asked if any owners would be willing to sell their units. This is not uncommon now where prospective buyers are actively looking to find alternative ways to get into the market.

The Tweed Coast has come to the attention of investors partly due to it being within close proximity of Byron Bay and investors are trying to capitalise on the Tweed as being a lifestyle destination. All along the Tweed Coast many of the $1 million plus homes listed on the market have been snapped up by Sydney and Melbourne investors. Some of these homes are being put on Airbnb with great success. Byron Bay property demands huge premiums these days; areas such as Kingscliff and Casuarina Beach will benefit from this with investors seeing property here as a more affordable alternative.

Gold Coast Central / Central-South

There is no doubt investor activity has strengthened in and around the central hub of the Gold Coast over the past six months. Apartments within traditional investor locations such as Surfers Paradise and Broadbeach have been very popular of late, whereas pre-COVID-19 pandemic, demand levels were steady at best and there was generally a good supply of these units available on the market but stock levels this year have almost completely dried up.

Local agents are reporting that many out-of-town investors are typically seeking investments that offer a circa two to four per cent net return which can also act as a weekender style retreat on occasions throughout the year. Some investors have found buying opportunities which tick these boxes within Chevron Renaissance, Hilton Hotel and Residences and Q1 developments in Surfers Paradise in recent months.

Some anecdotal evidence regarding the above agent feedback was provided in a recent transaction of a two-bedroom, one-bathroom apartment within the Chevron Renaissance – Skyline Central Tower recently purchased by an interstate investor for $515,000. The property was reportedly achieving a rental of $580 per week on a permanent rental basis which is reflecting a circa three per cent net return (after outgoings).

Surfers Paradise City Skyline Source: myguidegoldcoast.com

The recent uplift in investor market activity can be attributed to a broad range of factors. Record low rental vacancy rates, the likelihood of increased tourist activity and higher occupancy rates for holiday letting properties post pandemic are among the factors that will help boost investor confidence in the apartment market space this year.

There is no doubt investor activity has strengthened in and around the central hub of the Gold Coast over the past six months.

In regard to detached housing, the focus for investors has generally been on the more outlying suburbs where housing is typically more affordable. Investors face stiff competition from owner-occupiers as enquiry from local owner-occupiers is far outweighing investor enquiry according to agent feedback. Property owners selling up in this market need to find a new home and with the tightening rental market, there is also greater motivation for renters to buy rather than remain in the rental market. It has become cheaper to buy into these suburban areas than rent and consequently demand has exploded.

With there being such strong competition for detached housing, investors have turned to other housing types (ie attached townhouse or villa units) and this has evidently driven up the entry level price points, particularly in areas such as Carrara and Mudgeeraba.

Some examples of entry level townhouse product are outlined below:

- A two level, circa 1998 built, three-bedroom, one-bathroom townhouse unit in Ancona Street, Carrara recently sold for $510,500. The property was largely in original condition with some cosmetic updates. We note the same property sold in July 2021 for $335,000 in similar condition.
- A two level, circa 1996 built, three-bedroom, two-bathroom townhouse unit in Old Coach Road recently sold for $505,000 with a newly signed 12-month lease at $430 per week which equates to a four per cent gross return (with two week vacancy allowance period). Investors in this market are typically chasing a rental yield of circa four to five per cent.

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56/28 Ancona Street Carrara recently sold for $510,500 Source: CoreLogic

4/98 Old Coach Rd, Mudgeeraba recently sold for $505,000 Source: CoreLogic

In a higher price bracket, a two-level, modern, circa 2018 built, four-bedroom, two-bathroom townhouse within the Artisan Parkland Terraces complex at Mudgeeraba recently sold for $700,000 to an interstate investor. The townhouse unit is currently rented at $625 per week giving a four per cent gross return (with two-week vacancy allowance period. The property previously sold by the original developer in March 2018 for $565,000.

Looking towards Robina and Varsity Lakes areas and here the situation is very much the same for investors. Whilst investors are taking more interest in these more owner-occupier dominant suburbs, it has largely been owner-occupiers competing for detached housing stock. Recent sales for entry level detached houses within Robina range between $800,000 and $900,000. Asking rental prices for a typical four-bedroom dwelling in this area typically range between $800 and $1200 per week.

For townhouse product, recent sales are ranging between $500,000 and $800,000 and rental returns are generally between $600 and $900 per week

Residential properties within the surrounding area of Bond University may be worth keeping an eye on in the next few months. After being hit with the pandemic it is likely the university will be looking to bolster both their local and international student numbers again and these students will need rental accommodation within proximity of the campus.

Western Gold Coast and M1 Northern Corridor

The suburban areas of the western and northern Gold Coast have experienced improved investor activity over the past six months on the back of strong market conditions.

The popular established suburbs of Pacific Pines, Maudsland and Oxenford continue to offer investors good affordable detached housing opportunities that offer potential for both capital growth and good rental yields. The detached housing segment has seen strong growth, with land values alone increasing by up to $150,000 since the beginning of 2021. A mix of mostly local investors and owner-occupiers are predominantly driving this price growth, however agents are now reporting increased enquiry from interstate buyers.

Pacific Pines and Oxenford provide a high concentration of townhouses and duplexes and rental demand for these is high with vacancy rates near one per cent. Recent sales for this product type within Pacific Pines are generally ranging between $400,000 and $450,000 for entry level townhouses and then up to $550,000 for the more modern, better-quality townhouses.

Typical three-bedroom, two-bathroom townhouses within Pacific Pines were achieving a weekly rental of between $400 and $450 per week in early 2021 but rental values have now jumped to around $500 to $550 per week.

A three-bedroom townhouse currently for sale on Universal Street, Pacific Pines with an asking price of offers over $465,000 Source: realestate.com.au

A similar style townhouse currently for rent on Universal Street, Pacific Pines with an asking rent of $540 per week Source: realestate.com.au

In the northern region where more affordable property investment opportunities can be found, investors are becoming more active and competing well with local buyers. The scarcity of

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stock available is becoming more heightened as prospective sellers are being spooked by the high probability of not being able to find another home to buy within the area. As a result, investors are seeing that there are not that many opportunities to enter the market.

Market rental values are also shooting up within the northern corridor due to the tightening rental market. Again the traditional investor stock in this region is the townhouse type product. Recent sale prices for townhouses typically range between $400,000 and $550,000 and yields are in the three to four per cent bracket. Rising competition from owner-occupiers due to affordability being reduced has resulted in increasing prices for this traditional stock. Suburbs such as Upper Coomera and Eagleby which traditionally hold a large proportion of investment housing are increasingly being the alternative choice of owner-occupiers and interstate investors due to being a more affordable price range bracket. Due to the current stock shortage, investors are having to pay more than $600,000 to secure a detached house in some of these areas to get an opening into the market. Some interesting feedback from rental agencies has been that whilst rental values are on the rise, some investors are happy not to push for rental increases to match going market rate as they favour having a good quality tenant in place instead.

Sam Gray
Associate Director

Janine Rockliff
Director

Sunshine Coast

Leading into February 2022, the Sunshine Coast residential property market is still extremely buoyant. The supply of property appears to be at an all-time low and combined with strong demand has led to new value benchmarks being set. Looking for areas that don't hit an investor's radar and may offer some value is becoming increasingly difficult. As the saying goes, a rising tide lifts all boats, and this certainly appears to be happening.

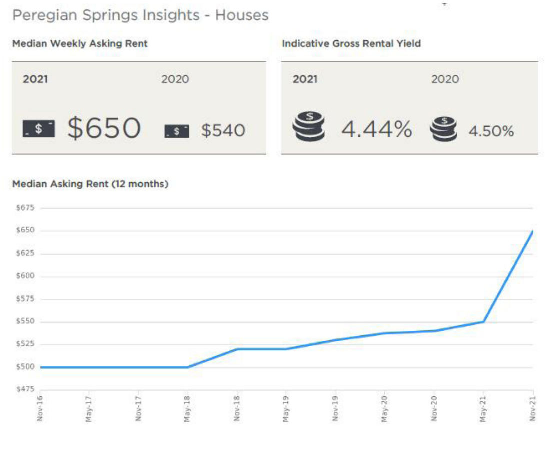
The property market is clearly very diverse. Properties cover a wide spectrum through the various sectors of units, dwellings (homes) and rural residential properties. What we find is that the market remains strongest at the more sought-after areas and tends to radiate out from there. That is to say that as values improve in one area and purchasers get priced out, they will typically look a little further afield.

One of the big draw cards for individuals to invest in the Sunshine Coast is the coastline and the magic beaches on offer. When we combine this with the major centres of Noosa Heads, Maroochydore, Mooloolaba and Caloundra, this occurrence can be seen as you move along the coast and inland from these areas. If you compare similar properties, you can see that change in value levels but at the moment it is a little less clear as value relativities change.

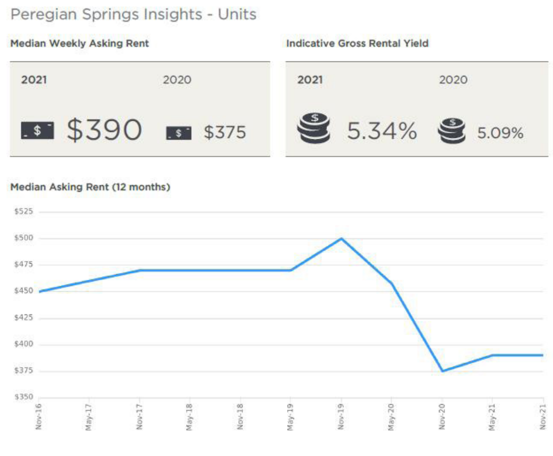
We note that at present the Sunshine Coast is experiencing strong rental growth due to a shortage of supply. This is a result of the shifting increase in population the region is experiencing at present.

Examples of this can be found in Peregian Springs and also in Aura within the suburb of Caloundra West which is the region's largest land release.

In Peregian Springs, detached dwellings rent for a median of $650 per week with a yield of 3.8 per cent with a median purchase price of $880,000. Units rent for a median of $390 per week with a yield of 3.44 per cent with a median purchase price of $684,500 (source: Corelogic). This activity is displayed in the graphs below.



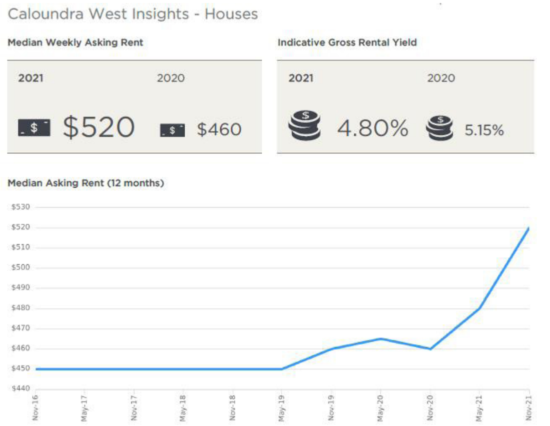
Source: Corelogic

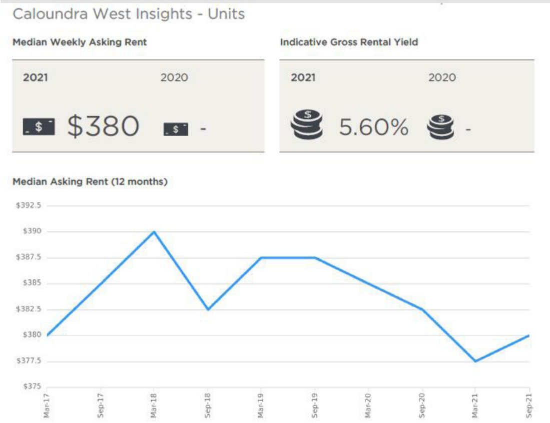


Source: Corelogic

In Aura, detached dwellings rent for a median of $520 per week with a yield of 4.8 per cent with a median purchase price of $640,000. Units rent for a median of $380 per week with a yield of 5.6 per cent with a median purchase price of $466,250.

(source: Corelogic). This activity is displayed in the graphs below.





Source: Corelogic

Stewart Greensill
Director

Gladstone

Despite the Gladstone region experiencing remarkable growth in residential transactions over the past six months, it remains an affordable option for investors compared to other Queensland regional centres. The median house price of a three to four-bedroom dwelling in Gladstone remains below $400,000 with rental returns ranging between five and seven per cent. Units also remain affordable with two-bedroom and one-bathroom properties close to the CBD under $200,000 still readily available. Units seem to be achieving generally higher gross yields of between six and nine per cent. Of course, the gross yield will depend upon the locality, age and quality of the property with properties closer to schools and shopping facilities in higher demand.

The December 2021 quarter showed a vacancy rate of 1.2 per cent for the Gladstone region, tightening from the previous quarter of 1.4 per cent. Due to the pressure of vacancy rates, rents continue to rise in the area and one would anticipate increases to continue throughout 2022.

Investors appear to be a mix of interstate, intrastate and locals taking advantage of low interest rates, affordable housing and the low vacancy rates. While Gladstone does have the benefit of sustained employment within the industrial sector, small projects such as the proposed hydrogen processing plant and solar farms, while not yet confirmed, do increase investor confidence within our economy.

June Button
Property Valuer

Mackay

This month we take a look at investors and the activity and opportunities available within the Mackay market. Firstly, a little snapshot - residential vacancies still sit at around or just under one per cent and have done so for the past 18 months. Rental values across all locations and property types have been steadily increasing on the back of increased demand and softening stock levels available for rent. With conditions like this, how has the investor market been?

Investors appear to be the most active in firstly large blocks of flats (if you can find one for sale!) and secondly, stand-alone units. This can be attributed to strong gross yields available, particularly in flats but even in lower priced units. For example, units within the $175,000 to $225,000 price range are currently renting at around the $300 per week mark, equating to gross yields of between 7.5 and eight per cent! Duplex complexes roughly fall into this yield band and flats buildings of four flats and greater can show analysed gross yields of between eight and ten per cent. When you compare that to the cost of a loan at between three and 3.5 per cent for investment purposes, they are definitely an attractive option.

However, investors are not as active for established housing in Mackay. This can be attributed to a couple of factors. Firstly, the residential market is currently very tight, with short listing times and multiple offers on almost every property which has seen price growth over the past 12 months. The majority of purchasers are owner-occupiers, who are driving up prices and often pricing investors out. Secondly, a median house at say $400,000

Despite the Gladstone region experiencing remarkable growth in residential transactions over the past six months, it remains an affordable option for investors compared to other Queensland regional centres.

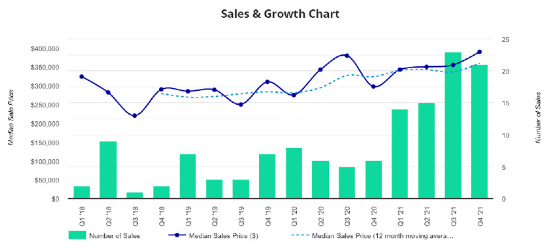
and rental of around $450 per week shows a gross yield of 5.85 per cent, which isn't bad compared to the capitals, but is well below units and flats. One of the big hurdles for investors is competing with owner-occupiers and first homebuyers. A quick check on a home loan calculator shows why – the repayments on a $400,000 loan are $1,644 per month over 30 years based on an interest rate of 2.8 per cent which equates to $380 per week, or less than the price of renting.

Mick Denlay
Director

Rockhampton

Well it's been an unbelievable surge in demand for rental properties, in particular, demand for multiple unit complexes of two or more flats on one title. We have seen a huge number of sales occurring in this space across all areas of Rockhampton. Most managing agents are calling their entire landlord database and advising that now is the time to sell. With vacancy rates at record lows and demand for rental houses being red hot, it has made for the near perfect storm to offload your rental property. Rents have increased dramatically, in the order of 25 to 40 per cent for many of these entry level accommodation options, and most properties have a near 100 per cent occupancy.

The below graph shows the trend in multi-unit sales (duplex or greater) in the Rockhampton Regional Council local authority area from 2018 to 2021. It is only early but indications for 2022 are that this trend has continued at possibly a higher rate than the back half of 2021.



Source: CoreLogic

This has come about largely due to the low interest rates offered by the banks, shaky ground on the share market and COVID-19 causing an influx of people to the regions. The limited new housing and accommodation supply pipeline due to the building industry facing unforeseen difficulties in giving their clients a firm price and time frame is also a contributing factor.

Purchasers are acquiring these properties in all forms with varying ages, locations and quality however the gross yields are showing a pretty close range generally from seven to nine per cent when assessed at 100 per cent occupancy.

Alistair Gunthorpe
Valuer

Hervey Bay

Investors are currently very scarce across the Fraser Coast with owner-occupiers dominating property sales for the area. Brokers are reporting that the majority of finance activity is related to owner-occupiers buying new properties or refinancing to either get a better interest rate or downsize or upgrade their current home. Agents have noted that some future owner-occupiers have purchased on the Fraser Coast with the intent to move to the area in a few years, renting their property in the meantime.

Historically, investors purchased in this area due to the great affordability and reasonable gross yield of over four to six per cent. Throughout the past twelve months, prices have skyrocketed in line with many other regional locations with most investor stock priced well over $400,000 compared to $250,000 (for some suburbs) only eighteen months prior. Along with this price increase, some existing investors have sold their properties to owner-occupiers which has created a dwindling supply of homes to rent.

Along with rising property prices, rents have also steadily appreciated with most four-bedroom, two-bathroom dwellings now achieving at least $480 per week. Some modern homes located close to schools and hospitals are now asking $600 per week. A two-bedroom, one-bathroom unit within a modern complex is earning $325 per week, with very limited supply and high demand. Sales of dwellings (circa 2015 to 2017) with an attached auxiliary unit (similar to a granny flat) have increased in Hervey Bay over the past six months. This type of property typically achieves over five per cent gross yield, selling for between $530,000 and $560,000. Whilst high demand outstrips current supply, it is difficult to see these market conditions changing in the short term until interest rates finally increase or other fiscal measures are introduced.

Tracy Lynd
Property Valuer

We have seen a huge number of sales occurring in this space across all areas of Rockhampton.

Toowoomba/Darling Downs

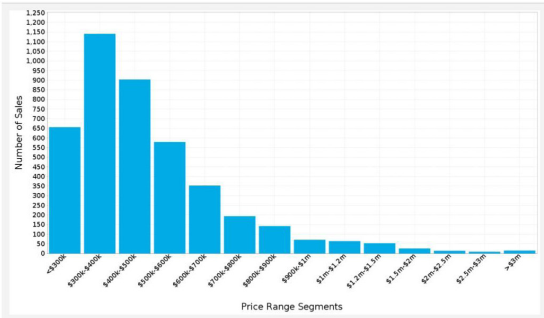
Investor activity in the Toowoomba region has increased significantly since the start of the 2021/22 fiscal year with low housing stock, historically low interest rates, high consumer confidence and household savings, more flexible job arrangements and the fear of missing out all being listed as contributing factors to the rapid price growth in the Darling Downs region.

Despite growing median prices, Toowoomba continues to provide more value for money for real estate investors looking to stretch their investment dollar further, with Toowoomba being one of Queensland's most affordable cities, particularly for interstate buyers. This has led to long-term investors taking advantage of Toowoomba's improving sales market to sell their tightly held investment properties for prices significantly above the original listing price, generally in multiple offer situations.

The majority of the residential investment property market in Toowoomba is divided into three categories: detached homes; units; and multi-occupancy buildings. Of these, detached housing has witnessed the greatest positive movement in prices in the previous 12 to 18 months. East Toowoomba (including surrounding Rangeville, Mount Lofty, North Toowoomba and South Toowoomba) and the recently developed estates in the western corridor (Glenvale, Cranley, Torrington and Cotswold Hills) are the most popular areas for investors. According to Real Estate Investar, Toowoomba's median home prices have risen by 26.32 per cent in the past year, while unit prices have risen at a slower rate than the Queensland average of 9.69 per cent.

Toowoomba has experienced rapid expansion. The vacancy rate in December 2021 was 0.5 per cent.

There were approximately 4,221 house sales in 2021, with a median transaction price of $425,000. The most common price range was $300,000 to $400,000 with 1,150 sales, followed by 650 sales under $300,000 and roughly ten sales in the $3 million or above range.



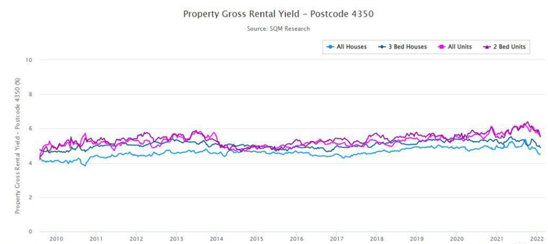
Graph One Source: PriceFinder

$300,000 to $400,000 house sale, Harristown Source: realestate.com.au

Over $4 million prestige sale, Preston Source: realestate.com.au

Local real estate agents are remaining positive that the market will continue to remain strong for the detached housing market, similar to 2021, especially over the first six months in 2022 with continued strong buyer demand which has been compounded by extremely limited stock levels. This is evident with the recent sale of a property in Cabarlah (situated 20 kilometres from the Toowoomba CBD) that recently sold for $1.05 million in a multiple offer situation. This was $300,000 above its previous sale price in 2017 with only minor improvements made to the property since this previous sale date. This level of growth is being experienced in a number of suburbs across the Toowoomba region, especially in the highly sought-after East Toowoomba locality.

Overall, depending on the property, gross returns of 4.5 to 6.2 per cent for detached housing and residential units are currently being achieved with residential housing investment becoming more popular in future commercial (medical precinct) corridors, with recent sales suggesting that investors have begun purchasing properties near hospitals in the hopes that the medical industry will buy them out in the future at a premium price.



Graph Two Source: SQM Research

Whilst we have watched detached housing prices continually climb over the past year and out of reach for some buyers, there are still affordable options for buyers out there. Reflecting on

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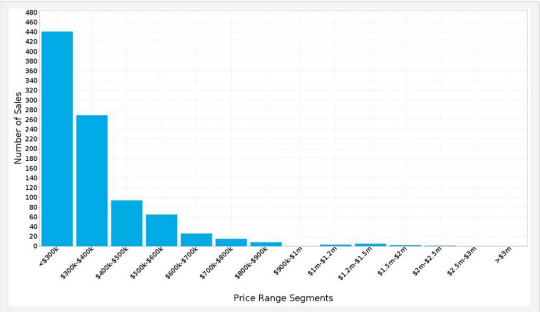
Toowoomba's unit market, this has remained far less affected by the supply and demand issue that drove both new and established detached housing prices up over the past year with only a small increase in price rises evident, given years of oversupply. Local agents have observed that the stock of units is still readily available at various price points and localities. To put this into perspective, in 2021 there were 929 unit sales for a median price of $308,000. The highest price group included 440 units sold under $300,000, followed by 275 sales in the $300,000 to $400,000 range and almost 100 properties sold in the $400,000 to $500,000 bracket.



Graph Three Source: PriceFinder


$300,000 to $400,000 unit sale, Glenvale Source: realestate.com.au

As of February 2022, the gross yield being achieved for unit accommodation was 5.5 per cent with consumer confidence rising as a result of genuine returns on capital investment in the market. It is projected by Domain's Chief of Research and Economics that units may see "minor price hikes as investors and international students wade back into south-east Queensland."

Due to lower asking prices and the opportunity to renovate and resell with shorter turnaround times than house-and-land packages (which can have a nine-to-twelve month turnaround period before seeing a profit), duplexes continue to be the most popular of the multi-occupancy dwellings currently on offer with investors. From 1 August 2021, triplexes were the lowest selling multi residential property type, with only 21 per cent of the market share. Duplexes remained the most popular with 45 per cent and all other multi-occupancy stock in second place with 33 per cent. Duplexes built in the 1980s are generally being sold for prices under $450,000 (depending on the locality) and renting for $280 to $290 per unit per week with gross yields of 5.8 to six per cent. The higher yields are attributable to the increased capital expenditure necessary over the life of the structure due to its age. Duplexes constructed from 2010 are generally selling for $650,000 (depending on location) and earning rents totalling $650 per week, yielding 5.2 per cent. The lower yield is attributable to the building's age and no capital expenditure being required.


Under $400,000 duplex sale, Darling Heights Source: realestate.com.au

As vacancy rates continue to tighten, upward pressure on growing rents will be exerted, resulting in an increase in the attached investment's yield. The Toowoomba rental market is at an all-time high, which is propelling the investment market. As the investor market grows, yields are expected to tighten, with high four and low five percentages expected (tighter gross yields). Due to increased activity, yields have declined from the low sixes to the high fives in the recent year. Outlying townships Cambooya and Wyreema are still currently yielding 6.5 per cent without capital growth, making them ideal for investors seeking a non-growth investment.

Moving forward to the year ahead (or at least for the first six months), the Toowoomba region is expected to see continued capital growth, given not only the low interest rate environment but also due to the slew of infrastructure projects expected to commence or already completed, including: the recent approval of the Airport Drone Training

Whilst we have watched detached housing prices continually climb over the past year and out of reach for some buyers, there are still affordable options for buyers out there.

Facility at Wellcamp Airport which will employ 300 people; the recently built Wellcamp COVID quarantine facility; road network upgrades; and the ARTC inland rail project, coupled with the city's proximity to the Surat Basin resources province, as well as its traditional agricultural, tourism and manufacturing base.

Although there are predictions that the general property market may begin to stabilize in the second half of 2022 with many believing that property prices will begin to start levelling out as demand eases given the potential for interest rates rises and financiers tightening their lending requirements, it is considered that the demand and price rise for units relative to detached houses may continue to increase in the coming years, especially when they are now significantly less expensive than a detached home. Other causes, such as the reopening of international borders and the return of migrant workers and international students may also contribute to the increase in demand.

Marissa Griffin
Director

South Australia - Residential 2022

Adelaide

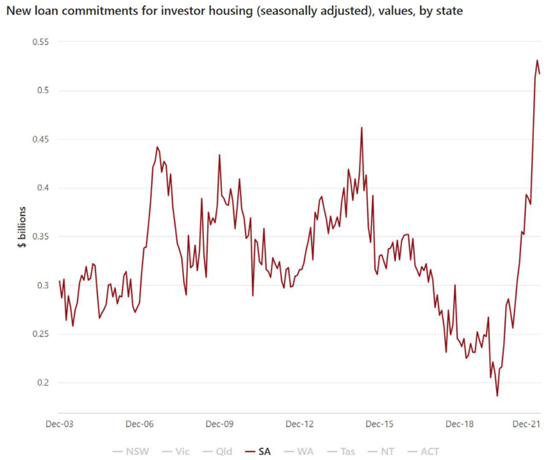
State government housing data has recently been released indicating that the 2021 December quarter had another strong period of growth with the median metropolitan house price now sitting at $600,000. Year on year the median house price has risen close to 18 per cent with six consecutive quarters of growth dating back to June 2020. Early sales data and market feedback suggests that the strength seen during the back end of 2021 has carried over to the early stages of 2022.

2020 - 2021

Quarter	Metropolitan Adelaide	Non-metro (major towns)
Dec 2021	$600,000	$295,000
Sep 2021	$560,500	$279,000
Jun 2021	$540,000	$280,000
Mar 2021	$520,000	$280,875
Dec 2020	$510,000	$272,000
Sep 2020	$492,000	$272,000
Jun 2020	$477,375	$278,000

Source: sa.gov.au

Broadly, national investor activity has been rising steadily since the early stages of the COVID-19 pandemic when we saw a bottoming out. February data released by the Australian Bureau of Statistics indicates that investor loan commitments nationally rose 2.4 per cent in December and are 73.9 per cent up year on year. Within South Australia the increase in investor activity has been driven by local and interstate demand. Investors have been capitalising on the strong market growth and buoyant rental returns.



Source: ABS.com.au

Depending on proximity to the CBD, the investor market has historically been driven by rental returns within the outer ring and capital growth within the middle and inner rings. Rental returns have tightened in the outer ring however this has been offset by the uncharacteristic capital growth seen in the past 18 months. Gross yields of five to seven per cent are common within the established suburbs of the outer ring. Advertised rents range from $250 to $450 per week with median house prices ranging from low $200,000s to high $300,000s. Representative of typical investor stock is the sale of 1 Romsey Court, Salisbury North for $251,133. At the time of sale this property was achieving $270 per week, generating a gross yield of 5.6 per cent.

1 Romsey Court, Salisbury North Source: realestate.com.au

Popular within the outer ring are multiple-occupancy properties, typically comprising former housing trust maisonettes. We have seen strong demand for this style of property over the past 12 months with sale prices continually exceeding expectations of both agent and vendor. Providing its purchaser with multiple options was the sale of 27 and 29 Worthington Road, Elizabeth East which recently achieved a sale

Within South Australia the increase in investor activity has been driven by local and interstate demand. Investors have been capitalising on the strong market growth and buoyant rental returns.

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price of $500,000. The property comprises two individually titled maisonettes with a combined land holding of 1,560 square metres. At the time of sale, both maisonettes had tenancies running till mid 2022, generating a combined weekly rental of $465 and suggesting a gross yield of 4.84 per cent.

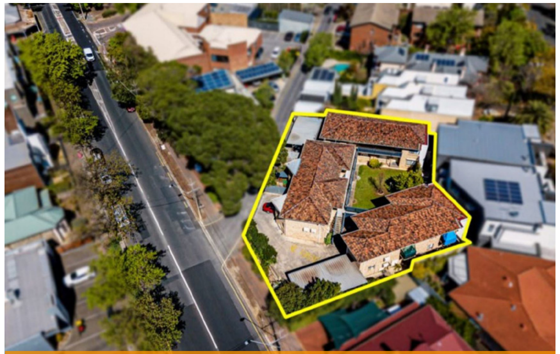
27 & 29 Worthington Road Elizabeth East Source: realestate.com.au

Rental returns within the inner and middle rings are eroded as values increase and achievable rentals reach a ceiling. Advertised rents range from $400 per week and cap out at $1300. Median price levels vary through the inner and middle rings ranging from the mid $400,000s to $1 million plus. The high value to low rental ratio produces gross yields of two to five per cent. Investors are typically seeking out capital growth with holding income being an added bonus. Realestate.com.au has released figures for suburbs which have achieved increased levels of capital growth in the December quarter year on year, including St Peters (107 per cent), Oakden (68 per cent), South Brighton (98 per cent) and Hackham West (58.34 per cent). Capitalising on the strong market activity within West Lakes Shores were the vendors of 23 Sissinghurst Drive, Oakden who purchased the property in February 2020 for $606,000. The property was cosmetically updated and sold for $836,000 in December 2021.

23 Sissinghurst Drive, Oakden Source: realestate.com.au

Strata units provide an affordable entry price point for those making their first foray into the market. These properties can be seen as a stepping stone and provide a forced savings style of investment for younger investors. Capital growth can be limited whilst gross yields can be eroded by additional fees and charges associated with strata levies. For the typical 1970s cream brick strata unit, gross yields fluctuate around five per cent. Selling for $349,000 and let at $330 per week is 3/8 Weaver Avenue, Richmond. The unit comprises two bedrooms, one bathroom and is located in a single level group. The sale indicates a gross yield of 4.91 per cent.

Higher density flat buildings are popular with sophisticated investors given the multiple income streams and entry price point. The inner eastern suburb of Kent Town has seen two significant multi-occupancy transactions in the past 12 months. 55 Fullarton Road, Kent Town achieved a sale price of $3.44 million and 1-10/21 Wakefield Street, Kent Town achieved a sale price of $3.325 million. Both properties comprise twelve and ten units respectively across multiple levels of accommodation. The properties each sold fully let and generated gross returns of 5.2 per cent and 4.87 per cent respectively. Interestingly, 1-10/21 Wakefield Street, Kent Town transacted for $2.62 million in 2019 with the recent transaction amount being a 27 per cent increase in achieved sale price.



Fullarton Road, Kent Town Source: realestate.com.au

1-10/21 Wakefield Street, Kent Town Source: realestate.com.au

The South Australian market has historically provided purchasers a more stable option than the larger metropolitan markets around Australia. Investors should have confidence in the South Australian market moving forward as demand remains high in both the sales and rental markets.

Nick Smerdon
Director

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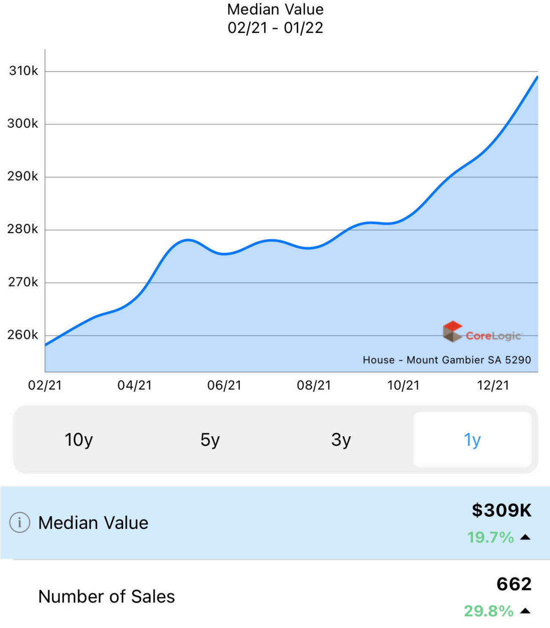
Mount Gambier

The Mount Gambier residential property market has begun 2022 where 2021 left off, with continued strong interest from investors. The median house price in Mount Gambier has just ticked over $300,000 for the first time with a near 20 per cent increase over the past 12 months.



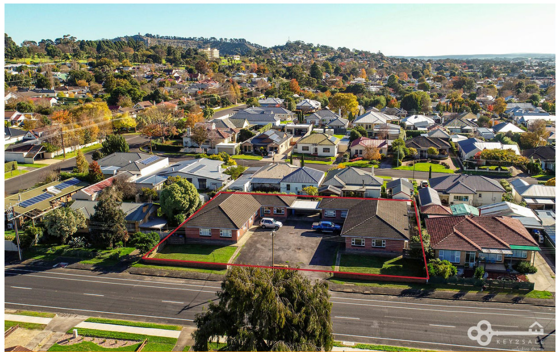
Mount Gambier median value Source: CoreLogic

Investors are seeking our strong yields with a typical dwelling and unit achieving a four to six per cent return. A basic unit at 26/2A Coolabah Street is currently achieving a five per cent yield after selling for $259,000 in February 2022.

26/2A Coolabah Street, Mount Gambier Source: CoreLogic

Prior to COVID-19, Mount Gambier had limited capital growth, however with markets still affordable and yields strong, investors are currently seeking out most property types.

Flats have seen further interest from investors over the past 12 months with yields beginning to tighten. We are seeing yields range from five to eight per cent and listing times shorten. 68-70 Crouch Street South recently sold for $700,000 with a gross yield of 7.68 per cent.



68-70 Crouch Street South, Mount Gambier Source: realestate.com.au

The median house price in Mount Gambier has just ticked over $300,000 for the first time with a near 20 per cent increase over the past 12 months.

The next 12 months has an optimistic outlook with supply still constrained, demand still strong and relative affordability compared to nearby regional cities such as Portland and Warrnambool with median price points of $407,000 and $608,000 respectively. Mount Gambier still sits at an affordable price point given what the region has to offer and we expect this to appeal to investors.

Adrian Castle
Valuer

Warrnambool

Weekly rental costs in Warrnambool have continued to rise in line with the surging demand from tenants and limited housing stock available at present. Unsurprisingly, this is good news for cash-flow chasing property investors.

Any type of modern or semi-modern four-bedroom detached housing should comfortably be bringing in $500 per week with the all beds count median price being around $445. While we feel confident that this trend should continue over the next six to twelve months, it should be noted that Warrnambool offers alternatives to the standard buy property, install tenants option.

For example, the decision to opt for a new build is commonly showing an assessed market value higher than the sum of the land and construction. Combine this with the added depreciation benefits and it's a winning option.

Two other alternative investment options we like within the Warrnambool market are urban in-fill (actively encouraged by planners) which has great potential for investors chasing both capital gains and cash flow and renovation for profit.

Renovation for profit is possible with re-sale gains on display across most segments of the market.

Even the most basic of renovation activities is being welcomed and favoured by the market at present.

Even the most basic of renovation activities is being welcomed and favoured by the market at present. This option however has one sticking point and that's the availability of labour. Warrnambool is not immune from the effects of the building grants program and general rise in construction activity and as such investors pursuing this option may want to weigh the potential gains against the time required to source the required labour and materials needed to complete the project.

Looking forward, the lag between titled land becoming available and housing stock entering the market appears to be quite large and as such we expect the current conditions driving the capital gains and rental returns to continue.

Jordan Mowbray
Valuer

Western Australia - Residential 2022

Perth

The Western Australian residential property market is off to a cracking start, continuing the growth seen in 2021. Despite a delay in Western Australia's border reopening, a slight easing of border restrictions is allowing more arrivals into Western Australia and placing more pressure on an already tight residential property market. With these arrivals set to continue and an eventual full border reopening anticipated very soon, we are seeing a definite increase in investor activity due to the strong yields on offer along with prospective capital growth. In this edition we take a look at where some of these investment opportunities are in the Western Australian market.

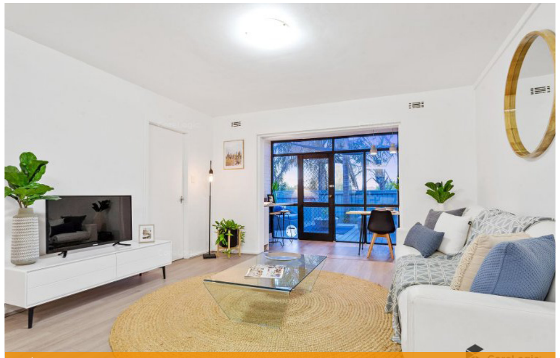
Towards the end of 2021, Perth dwelling sales somewhat stabilised with the median selling price remaining stable at $520,000 (as per the Real Estate Institute of Western Australia (REIWA)), while the median unit selling price was up from $410,000 for the September quarter to $415,000 for the December quarter. Sales volume has remained consistently strong despite a lack of supply and the median selling period of just 16 days is well below the mid-2019 figure of 57 days. This is a dramatic change of conditions, largely as a result of the pandemic, but the market was already tightening before the pandemic began.

The Perth rental market continues to strengthen due to a lack of available stock. The vacancy rate currently sits at an all-time low of just 0.7 per cent (as per REIWA), surpassing the previous all-time low of 0.8 per cent in 2007. Over the past 12 months rental prices have grown by 9.8 per cent for houses, while for units the growth seen sits at 10.8 per cent - direct results of a super tight rental market, with property managers reporting almost auction-like conditions for rental properties in some areas.

These conditions are replicated through most of regional Western Australia, with many towns reporting that no rental properties are currently available.

It is clear to see that current market conditions are appealing opportunities for investors (if they can get in on a hot property market), so let's take a look at what's on offer across our beautiful state!

We will start our analysis in the popular coastal suburb of Scarborough. Scarborough just about has it all, with older style units available for circa $300,000, higher end apartments available for well over $1 million and a mixture of everything in between. We expect to see strong investor activity in the attached housing market in this area as investors snap up affordable apartments and villas in a beachside location with rising rental prices. For the first week of February, Scarborough was the hottest suburb in the Perth metro area with a sales volume of 26 dwellings (as per REIWA). An example of what type of properties investors may look at in these areas is this property in Wilton Place, Scarborough. This renovated 1970s, two-bedroom flat sold in early December for $415,000 and offers investors a gross yield of 5.1 per cent.



7/11 Wilton Place, Scarborough — Source: RP Data

Baldivis was a close second in terms of sales activity for the first week of February, with 23 dwellings sold. This suburb in Perth's south is popular with owner-occupiers and investors, with larger land holdings and conventional dwellings on offer at affordable prices. This is an area experiencing strong capital growth after years of chronic oversupply and coupled with good rental returns on offer, is proving to be a very popular location for buyers. As of December 2021, the median sales price was $426,000, with growth of 9.5 per cent over the past 12 month period. 19 Segovia Street is a typical example of what you can expect in Baldivis. A 2014 built, four-bedroom, two-bathroom dwelling on 480 square metres of land, this property recently sold for $385,000 at a gross yield of 5.1 per cent.

Over the past 12 months rental prices have grown by 9.8 per cent for houses, while for units the growth seen sits at 10.8 per cent

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Further south in Mandurah and Rockingham, our valuers are seeing strong investor activity. These areas are experiencing strong capital growth which appears to be catching the eye of investors. Suburbs such as Meadow Springs (16.2 per cent), Singleton (15.5 per cent) and Lakelands (12.5 per cent) are all experiencing very strong annual growth. These areas are affordably priced with median house prices sitting in the low $400,000s. A good example of this growth is 6 St Annes Terrace, Meadow Springs. This is a typical property for the area, an early 2000's four-bedroom home on 700 square metres of land which sold for $375,000 in early 2019. The property again sold in December 2021 for $520,000.

6 St Annes Terrace, Meadow Springs Source: RP Data

We now take a look at the inner city where apartment prices have been on a downward trend in recent years. 2021 saw significant growth in the median unit price in Perth for the first time in recent years. The median unit price rose from $409,000 to $445,000 and with a lack of stock on the market, this is expected to continue. Apartments in Perth have struggled in recent times and with established housing in short supply there are opportunities available to get established stock at a reasonable price. These apartments can also offer good yields as low vacancy rates continue to drive rental prices upwards. It is not uncommon for older units in Perth to attract gross yields above seven per cent in the current market.

Similarly, the suburb of Wembley is fast becoming a popular location amongst investors after years of neglect. Wembley is an ideal location for many, being just 7.5 kilometres from the CBD and located close to City Beach. Investors in Wembly are enjoying solid returns in terms of capital growth as well as rental yields, particularly on older style units. A great example of this is 7/181 Cambridge Street, a circa 1965 one-bedroom, one-bathroom unit which sold for $275,000 in December 2021. This represents a $43,000 profit from the purchase price of $232,000 back in 2018 and combined with a rental yield of 5.29 per cent, this would be seen as a very attractive investment by many. With its great location and demand expected to remain strong, we believe there is even more upside to come for investors in suburbs such as Wembley.

Units like these shown in Wembley and the Perth CBD are an attractive option for investors who may be looking to diversify or add to their portfolio. Many suburbs across Perth recorded very strong growth in unit prices throughout 2021, however this is only beginning to make up some of the losses seen by investors, as unit prices across the Perth metro region dropped 17 per cent from $450,000 in 2014 to $375,000 in 2020 (as per the West Australian). Given the market is coming off such a low base, and with demand forecast to remain strong throughout 2022, there is still room for values to continue to increase and with attractive yields on offer the unit market is definitely a space worth watching for investors.

7/181 Cambridge Street, Wembley Source: RP data

Another area worth looking at is Bentley, which is located close to Curtin University, making it a popular spot for students. Bentley is situated 8.5 kilometres south-east of the Perth CBD and has good access to the freeway from Manning Road. An example of the types of investment properties you will find in Bentley is 18B Sill Street, a circa 2010, five-bedroom, two-bathroom home which sold in

Apartments in Perth have struggled in recent times and with established housing in short supply there are opportunities available to get established stock at a reasonable price.

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18B Sill Street, Bentley — Source: RP data

January for $415,000. This property generates a yield of 5.26 per cent and benefits from being within walking distance of the university, public transport and Waterford Plaza, making it a great location for investors. Noting that many international students are yet to return to Perth, Bentley is likely to experience a surge in demand once borders reopen.

The rest of the state hasn't missed out on the hot property market either. The Pilbara export towns of South and Port Hedland have experienced huge growth. The median house price of South Hedland has increased to $384,000 (a 54 per cent increase in the past year), with much of this driven by owner-occupier activity. Rents have increased strongly, with the median rent currently at $675 per week, but do now appear to be stabilising somewhat with a slight increase in stock available. There is a prominence of corporate tenancies, with most seeking to secure extensions for staff accommodation. This four-bedroom, two-bathroom townhouse in South Hedland for example recently sold for $446,000 with a government lease in place receiving $950 per week (a gross return of circa 11 per cent) and has been leased to the same government tenant since 2013.

Karratha has also experienced similar market conditions and although investors are in the mix, there are far less compared to previous cycles. The town has mainly seen investors picking up high yielding properties that offer a low cost base and usually ones with long government leases or smaller houses in the suburbs. It seems investors are wary of the market during this cycle and are watching from the sidelines to see where the market goes, however local residents are creating activity by re-drawing equity to purchase multiple properties in established suburbs or are upgrading and leasing their own homes. Karratha is still experiencing a wait and see outlook from the type of investor activity it has seen in the past, but as rents continue to rise, investing is still an attractive option.

14A Banksia Street, South Headland — Source: RP data

The tropical town of Broome has experienced some investor activity, however the majority of the market is consumed by owner-occupiers who call the holiday destination home. Broome is currently experiencing strong tenant demand with a limited supply of properties, causing rents to skyrocket in the area and with only 20 properties currently listed for rent (as per realestate.com.au) and less sales transactions, this trend is likely to continue. The suburb of Djugun is currently the most expensive area to rent, with three and four-bedroom houses costing tenants, on average, $850 per week. Houses are not the only dwellings experiencing this demand; apartments, units and townhouses have also increased in price whilst

18/1 Bernard Way, Cable Beach — Source: RP Data lacking availability. This two-bedroom, two-bathroom apartment in Cable Beach is currently listed for rent for $690 per week after selling in October for $415,000 (an approximate eight per cent gross yield).

Kalgoorlie continued to strengthen throughout 2021 with 14 per cent annual growth in the median house price despite a fluctuating gold price. The town has a low vacancy rate of one per cent and is experiencing a tight rental market which is beginning to increase rental prices, but the town is yet to experience a surge similar to other areas. Whilst the expected average return of eight per cent can be attractive for investors, investor activity is still low. Kalgoorlie offers various entry

1/15-17 Burton Place, West Lamington Source: RP data

Many homes have been taken out of the rental market and are now operating as short-term Airbnb style accommodation which has put even further pressure on rentals.

level investment opportunities including units, villas and townhouses available from $100,000 with the median rent in the region starting from $300 per week for such properties. This partially renovated three-bedroom, one-bathroom unit in the suburb of West Lamington recently sold for $225,000 whilst receiving $350 rent per week, achieving an eight per cent gross return.

Geraldton has been an affordable option for buyers and renters for some time now, but as experienced throughout the state, rents have significantly increased recently and limited stock is making it difficult to secure a rental. The town is also seeing many young families getting into the property market, proving Geraldton isn't missing out on the hot market.

There has also been plenty of activity in the South-West region and with the low cost of money, investors are coming back into the market. Rents have increased due to a lack of supply as a result of investors selling their rental properties to take advantage of the significant capital growth or to transition to short term Airbnb style accommodation. The international travel bans have led to a significant increase in demand for domestic tourism and many of these short stay properties are achieving strong returns and very low vacancy rates as a result. This transition has been prevalent in coastal holiday locations such as Dunsborough and Margaret River, however was also the case in many South-West locations.

The lack of supply of land, particularly in Dunsborough and Busselton, has also led to a backlog of new builds placing upward pressure on rental values. Vacancy rates remain at record low levels across many areas in the South-West. The state and federal government stimulus packages led to a massive increase in residential houses being approved, however the backlog in housing construction due to limited skilled workers and a shortage of building materials has stalled new stock coming to the market to alleviate the rental supply issue. It is anticipated that many of the houses currently under construction will be completed in mid to late 2022 which is likely to stabilise the rental market somewhat, with many renters transitioning to home ownership. It is also likely that a significant portion of this could be utilised for short term Airbnb style accommodation, which will further limit rental supply. Due to the current under-supply of rentals, rental values are likely to remain robust in the medium term.

Investors have been active in larger residential subdivisions such as Treendale, Yalyallup, Vasse, Brookfield and Dunsborough Lakes. With vacancy rates at an all-time low and rental values at an all-time high in many areas, the main impetus for investors getting back into the market is rental return, with yields currently sitting around five to six per cent on average. However this is backed up by some potential for capital growth, with the predicted population growth to the region being amongst the highest in the country.

There are still various opportunities for investors in the current market. These include well located properties on the coastal side of Caves Road in

Many homes have been taken out of the rental market and are now operating as short-term Airbnb style accommodation which has put even further pressure on rentals.

areas such as Busselton and Dunsborough, as well as coastal areas of Bunbury and South Bunbury. These offer opportunities for astute investors to take advantage of not only the high rents and high yields but also the potential for capital growth.

Like many other coastal holiday destinations in regional Western Australia, Albany has also experienced a rental squeeze. The number of people relocating to Albany increased significantly in 2021, putting further pressure on demand for established homes and rental properties. The demographic of Albany appears to be changing from a retirement destination to a popular location for young families and professional couples.

Many homes have been taken out of the rental market and are now operating as short-term Airbnb style accommodation which has put even further pressure on rentals. Rental vacancies historically are very low and rental values have therefore increased significantly. Similar to the South-West region, the completion of many new builds will likely lead to a stabilisation of rental values, however the predicted population growth is likely to see capital values remain robust.

Spencer Park is one area in Albany that may be seen as an attractive investment opportunity. This area is an affordable location, situated between the city and Middleton Beach and is currently seeing historically high rental values.

With minimal rental and sales stock listed throughout the state, there are numerous areas offering attractive yields and capital growth prospects. There is no sign at present that rental pressure will ease, although we do expect that to occur later in 2022 to a small degree. As always, please do your own research or engage a valuer to provide pre-purchase advice. The lack of stock is resulting in many sellers attempting to set new value benchmarks and caution is always advised.

Chris Hinchliffe
Director

Northern Territory - Residential 2022

Darwin

There are signs of investor resurgence in the Darwin residential market with positive news stories of the market's performance starting to filter down south. We are yet to see the heights of the influx of investor capital experienced in the unit construction boom from 2010 to 2015 leading up to the Inpex project. The revival of the Darwin residential market has been driven by owner-occupiers since the start of the pandemic in 2020.

As has been well reported, the Darwin residential market declined from 2014 through to the start of 2019 with many investors losing out. The high yields experienced in Darwin attracted the investor dollars, but with capital losses these yields were wiped away during those years. The latest growth has been driven by owner-occupiers which is a positive sign that the Darwin market may become less volatile and be less of a boom-and-bust city.

Investors in the Northern Territory chase the yield and yields can be found across different market segments. The three property types most desirable to investors are affordable units, new-build homes and DHA homes with long term leases.

When considering a new home, there are three new suburbs an investor can choose: Zuccoli

Silverleaf Road, Zuccoli Source: realestate.com.au

(affordable), Northcrest (mid-range) and Lee Point/Muirhead (premium). If we take Zuccoli for example the cost of land and construction of a three-bedroom home on a 400 square metre allotment is circa $550,000 (however build costs are on the rise). A comparable three-bedroom home within the area is currently renting for $620 to $650 per week. This is a gross yield of 5.9 to 6.2 per cent, while also taking advantage of all the depreciation off-set come tax time. In Northcrest and Muirhead, the yields will be slightly lower and even when the current low interest rates rise, it is evident how attractive such a property would be for an investor chasing higher yields not seen on the eastern seaboard.

The vacancy rates across Darwin tightened from

186 Forrest Parade, Rosebery Unit Source: realestate.com.au

2020 through to 2021 and are currently sitting at around 2.7 per cent. Rental rates have risen accordingly. The affordable unit market was the hardest hit during the downturn and some properties have been trading at a 50 per cent discount to their value during the Inpex peak. Values have started to rise, but there are some great opportunities still available for investors. For example, a two-bedroom, two-bathroom unit recently sold for $240,000 in the suburb of Rosebery in the satellite city of Palmerston. Comparable units to this are currently renting for between $400 and $420 per week. This shows a passing gross yield of 8.7 per cent to 9.1 per cent, however, body-corporate or strata fees in the Northern Territory can be higher than those down

Investors in the Northern Territory chase the yield and yields can be found across different market segments. The three property types most desirable to investors are affordable units, new-build homes and DHA homes with long term leases.

south, so ensure you do your research first, as these fees can quickly eat into your returns.

DHA is a solid investment no matter where in Australia. With the best tenant you could ask for, DHA properties are selling at 4.9 to 5 per cent yields with nine to twelve years plus three-year options directly from DHA. You will find these properties in Muirhead in the northern suburbs of Darwin. However, if you are looking for slightly higher returns you can often find a DHA property on the secondary market selling at a higher yield with a shorter lease term. DHA properties that come to the market mid-term can have gross yields in the range from 5.2 per cent up to 6.87 per cent. These properties can be found across Darwin and Palmerston.

I am always hesitant to give an opinion on what the future may hold; with so many factors at play, predicting the future is fraught with danger. However, it should be noted that there are currently no new large unit developments on the horizon and new supply of titled land is still being drip-fed, so supply is pretty well understood. The demand side is harder to predict with many variables that can affect buyer sentiment.

With monetary policy always a hot topic and the looming rate rises around the corner, how will this affect home finances? Have homeowners over-extended?

Are there further lockdowns, mandates or restrictions due to COVID-19 on the horizon, or have they finished?

How will the tourism industry rebound now the borders are open and will local businesses who have been struggling for the past two years benefit?

It is an election year, which often brings uncertainty...

These are just some factors affecting the demand side of the equation and there are many more. All I can say is that currently, buyer sentiment is strong and prices and the market are strengthening. There was an auction on 16 February in Rapid Creek. There were over 100 people in attendance and over 25 registered bidders, with the property selling well above the set reserve. Record prices in certain suburbs are being achieved while other segments of the market are still well under the historical prices of the peak.

2 Becker Place, Rapid Creek Source: realestate.com.au

The Darwin property market may have taken a beating throughout 2014 to 2019, but has rebounded strongly, showing the resilience Darwin is known for. There are strong yields to be had and as we have seen in the past 24 months, strong capital growth as well.

Cameron McDonell
Valuer

Alice Springs

Alice Springs has historically shown strong yields on residential property. Looking into the factors behind this, the relatively transient nature of the population base is a major influencer. Many people relocate to Alice Springs for work and given the relatively short nature of some of these work contracts, people are happy to rent rather than buy. The cost of purchasing housing here is also quite expensive and people only planning on being here for a short period are reluctant to enter into a property market that historically does not offer even mediocre capital growth.

A fair proportion of people arriving in Alice Springs are employed at Pine Gap, which until recent years basically provided accommodation for their employees in dwellings and units owned by the Joint Defence Facility. They are gradually moving away from providing housing for employees and over the past ten or more years have been progressively selling off their residential housing portfolio. This has meant more participants in the rental market which has guaranteed continuing low vacancy rates and high rental returns as demand outstrips supply. The latest vacancy data for dwellings reveals a 3.6 per cent vacancy rate and slightly lower at 2.7 per cent for units.

The most recent data from the REINT reveals that rental yields are sitting at 5.7 per cent for houses and seven per cent for units. Over the past 12 months, dwelling yields have been steady at around 5.5 to six per cent whilst unit yields are

Despite all these positives, the investor market in Alice Springs is quite dormant and a large proportion of investment properties are tightly held, predominantly by locals.

actually on the rise, having been sitting at 5.9 per cent a year ago.

Despite all these positives, the investor market in Alice Springs is quite dormant and a large proportion of investment properties are tightly held, predominantly by locals. Professional investors from interstate have shown interest in the Alice Springs market, lured by the high yields and low vacancy rates, but these are the exception rather than the rule. For those who venture out here, the higher rental returns are more often than not tempered by the lack of capital growth. It seems the old adage is true (at least in Central Australia) that you can't have your cake and eat it too.

The majority of valuations that come across our desks in Alice Springs are for impending owner-occupiers, indicating that the investment market is only a small proportion of all residential sales, or alternatively that investors are cashed up and don't need finance. We suspect that the former is the case. We have also noticed a trend towards existing tenants of properties negotiating to purchase the property they are renting, which of course takes some investment properties out of the rental market.

It will be interesting times ahead for investors in Alice Springs, with a 70 unit multi-storey complex under construction which will provide accommodation for hospital staff. Upon completion, it is likely to have an impact on the local rental market, with doctors and nurses relocating to this development and vacating private rental accommodation. It is expected that vacancy rates will increase, which may lead to a slight downturn in yields.

Peter Nichols
Valuer

Australian Capital Territory - Residential 2022

Canberra

Corelogic's December Quarter Rental Review confirmed that Canberra is still the most expensive city in which to rent in Australia, with median rent for a house at $714 per week and a unit sitting on an average $541 per week. It also currently has a vacancy rate sitting at just 0.8 per cent, compared to 3.6 per cent in Melbourne and 2.6 per cent in Sydney.

Canberra is known for having low unemployment and higher than average incomes thanks to its large public sector workforce. The local market has also proven to be relatively pandemic-proof which is another reason it continues to attract investors.

Whilst detached housing is quite a safe bet, it is also a huge initial outlay. Domain reports for the September quarter showed Canberra's median house price reaching a record high of $1,074,187, up 32.4 per cent year-on-year.

With Canberra also having the title of the largest price gap between houses and units in the country, units can be a more achievable option for most investors and still have low vacancy rates and higher yields than other capital cities.

The demand for modern apartments offering location and lifestyle benefits has been strong, especially throughout the pandemic, with amenities such as gyms and pools more appealing to tenants.

Capital growth for established apartments has traditionally been more volatile compared to the detached housing market. This has in part been the result of a strong supply of off the plan apartments being available for sale throughout Canberra, however with record low vacancy rates and international students yet to return to the city's universities, there is value in older developments for the foreseeable future.

Nicole Claughton
Assistant Property Valuer

Snowy Mountains

Some interesting albeit now dated information from the 2016 Census is that 38.8 per cent of private dwellings were unoccupied at a time when the New South Wales average was 9.9 per cent.

Like many of the coastal and more desirable regional areas however, the pandemic accelerated the trend of tree-changers who can now work remotely and enjoy a particular lifestyle. Those who may have previously only holidayed in the area have now made their homes in the Snowy Mountains, putting upward pressure on the housing market.

It has become much less common for a valuer to pick up a key from an agent for a vacant holiday property as locals and agents are desperately looking for rooms and properties to lease.

In the same statistical data, Jindabyne also had a lower percentage of detached houses (55.1 per cent compared to the New South Wales average of 66.4 per cent) and much higher than average unit and townhouse dwelling type, especially for an inland location. With the requirement to still try to cater for the seasonal influx of workers and tourists in the snow season on top of the new permanent residents, it is all about dual occupancy.

7 Willow Bay Place, East Jindabyne Source: realestate.com.au

Increasingly we are seeing new builds in areas such as East Jindabyne, with its flexible RU5 zoning allowing for single and dual occupancy whilst also allowing permanent and short-term holiday usage (STCA). Land is being snapped up at auction and building a duplex townhouse or house with studio is becoming the norm.

Typical of this trend is 7 Willow Bay Place, East Jindabyne, 753 square metres of vacant land with DA for two four-bedroom townhouses, which sold for $675,000 at auction by Henley Property in December 2021. It had previously sold for $235,000 in October 2019.

Whilst demand is still strong, it is worth mentioning that the Snowy Mountains property market has in the past exhibited fluctuations linked to the strength of the economy and is still largely dependent on the strength of the tourism industry so tends to exhibit weakness in periods when the tourism industry softens.

Nicole Claughton
Assistant Property Valuer

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

Tasmania - Residential 2022

Hobart and surrounds

As reported in previous Month in Reviews for Hobart and surrounding areas, the more affordable areas for both first homeowners and investors appear to be on the outskirts of the capital.

Areas to pay particular attention to are Midway Point, Sorell, Dodges Ferry, Lewisham and the likes, as the airport roundabout is nearing the finishing stages which is predicted to free up traffic flow significantly. This has always been an issue when prospective purchasers were looking in these areas.

It doesn't really matter where you look to invest in the current market as it has been predicted that Hobart and surrounding localities may rise between nine and twelve per cent this calendar year. Rental vacancy rates are still at record lows with rentals in short supply and interstate migration starting to pump up since the borders reopened in December.

In previous years when Hobart property was not as buoyant as it has been recently, off-the-plan purchases were pretty much non-existent. Now with the market the way it is, prospective buyers are taking the plunge and buying off-the-plan in the hope of capital gains without the pain whilst waiting for the property to be completed.

BUT BUYER BEWARE!!! If your property is nearing completion, make sure you have all your ducks lined up with your finance pre-approved, as in most instances, the developer will have a sunset clause in the contract (generally 12 months after signing the contract). Some banks will not allow a valuation until titles are released, whilst some will allow a valuation at lock up or fixing stage. If the developer holds back on releasing the title and only gives you one week to go unconditional, you have no chance of getting a valuer on site in time – and if you are fortunate enough to get one, the lender may struggle to meet the requirement. This is when the developer has the right not to extend the finance clause. It's not fair, but when you are talking upwards of $70,000 more in the current market, it's not rocket science.

Mark Davies
Residential Manager

It doesn't really matter where you look to invest in the current market as it has been predicted that Hobart and surrounding localities may rise between nine and twelve per cent this calendar year.

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

HERRON TODD WHITE RURAL

Rural

March 2022

Southern NSW

Despite the prolonged wet harvest, the rural property market in southern New South Wales in early 2022 is still showing signs of heightened demand. Agents reported strong enquiry throughout the Christmas period with several larger holdings due to hit the market shortly. Friday, 11 February saw the successful auction of the aggregation Courtines, Windmere and Baileys at Oaklands located approximately 98 kilometres west of Albury in the Southern Riverina. With a total area of 906.78 hectares (2241.25 acres) the properties have access to the West Corurgan irrigation scheme and were advertised with a 200 megalitre water licence. Approximately 158 hectares is laid out to flood irrigation with the balance mostly arable cropping country. Spirited bidding from seven registered parties saw the properties sell under the hammer for $9.9 million which is a substantial increase on historic values in this part of the world. Excluding the water value, this equates to over $10,400 per hectare overall. The selling agents (Elders Albury) indicated the result was a reflection of the sound management history and versatility of the aggregation and the confidence in mixed farming at present.

From a farming perspective, despite the downgrades in quality for grains and legumes due to the wet harvest, high yields and favourable feed grains prices have meant most operators have had at least an average cash return in 2021. Looking forward, the rural property outlook

Southern Riverina Source: HTW

remains very positive. This is due to historically high grain prices, a cattle market trading in new territory most weeks, a continuing profitable prime lamb market and the current low interest rate environment.

The main issues to be mindful of in 2022 are a tightening of lending as potential interest rate rises are factored in by banks and any further disruption to supply chains and markets due to COVID issues or international tensions. As always, continued timely rainfall is required for dryland farmers and livestock producers. For the irrigators, the wet summer has placed them in a very good position with all southern upstream water storages at near maximum capacity and the outlook for continued allocations very positive.

Andrew Garnsey
Valuer

Mildura

The key factors affecting sentiment in the local horticultural sector are considered to be the strength of export markets, the availability and cost of irrigation water and the availability of credit.

While the dryland cropping and grazing sector has enjoyed good recent seasons backed up by high and relatively stable commodity prices, our local horticultural industries are experiencing a period of uncertainty. The horticulture sector relies heavily on export markets and so factors that directly affect demand and pricing from global markets impacts on producer confidence. Trade tensions, exchange rates and tariffs can all change quickly and are also things which are outside a grower's control.

Export returns for wine and table grapes have been impacted significantly, particularly red wine grapes which have felt the full brunt of China's exit from the market. While other markets are being actively sought, it may take a number of years to get back to the desired scale and prices achieved in recent times, particularly for red wine grapes. Wineries are understood to be carrying large inventories from the 2021 vintage and with a weak export outlook, will be forced to reduce their intake in the current season.

Pricing as low as $250 per tonne is being quoted and growers are expecting that some fruit will be left on the vine. The full impact this will have on grower sentiment remains to be seen, however it is disheartening for growers to witness a

The main issues to be mindful of in 2022 are a tightening of lending as potential interest rate rises are factored in by banks and any further disruption to supply chains and markets due to COVID issues or international tensions.

The full impact this will have on grower sentiment remains to be seen, however it is disheartening for growers to witness a sudden decline after many years of gradual price improvement.

sudden decline after many years of gradual price improvement.

Table grape growers have also braced for a below average season with the main issues being the lack of available refrigerated containers, shipping space, increased shipping costs and associated delays along with a shortage of workers. These are all critical factors in the supply chain for exporting of table grapes (and other horticulture commodities such as citrus).

The positive news for grape growers is that the very good rainfall across the Murray catchment area sees storage capacities at near record levels for this time of year (95 per cent capacity). All local horticultural industries are vulnerable in years when allocations are low and the cost of leasing irrigation water rises above $400 per megalitre, however the past two to three good seasons have yielded 100 per cent allocations and the leasing market has hovered around $100 per megalitre.

The rural sector has enjoyed a sustained period of low interest rates and while this has previously provided greater confidence to take on debt to fund any acquisitions or expansions, there appears to now be some hesitancy in jumping into new developments, particularly by family operations. Behind these decisions is the ever-present threat of interest rate hikes which are expected this year which is likely to see some growers scaling back or holding off on any future expansion plans.

Recent market activity has continued to show firm levels with agents reporting strong sales in the dryland cropping sector, particularly in the Mallee and Wimmera regions of Victoria and south-east South Australia, continuing the strong growth of recent years. There has been less activity in the local horticultural space due to the comments outlined above.

Shane Noonan & Graeme Whyte
Directors

Darling Downs

As the memory of the festive season fades, the rural property market appears to be gearing up, with many new listings becoming available at various price points throughout our coverage area. At this relatively early point, only a few sales have tested the strength of the rural property market in the new year with a few sales which occurred late last year having now also settled. Sales noted include:

- Wathopa, Thargomindah sold at auction for a reported $4.4 million for 35,075.9 hectares, reflecting approximately $125 per hectare improved;
- Waterside and Brentleigh, Montrose (via Kogan) sold via expression of interest for $5,831,738 for 2822.88 hectares of grazing country with 45 gas wells providing substantial gas compensation income (confidential);
- Sidney Downs, Roma sold at auction for a reported $505,000 for 64.75 hectares grazing country improved with a three-bay shed and steel cattle yards;
- Lonesome, Warkon (via Surat) is reportedly under contract post auction for $8 million for 2067 hectares of grazing country reflecting $3870 per hectare improved.

Wathopa, Thargomindah Source: Ray White Rural

Bart Bowen
Director

Western Australia

The 2021/22 selling season is nearing completion and sales have now settled or are approaching settlement. We can now see fairly clearly what has happened in the market over the previous 12 to 18 months. Whilst almost all agricultural localities in the wheatbelt, Mid-West, South-West and Great Southern regions have achieved capital growth in the previous 12 to 18 months, the relatively low number of transactions has made it difficult to pinpoint exactly what kind of growth has occurred.

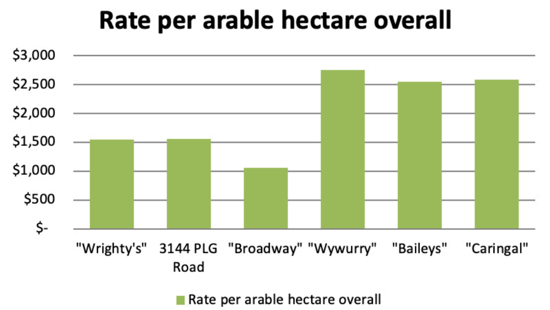
Let's put the spotlight on the broadacre farming locality of Pingrup, which achieved a rush of transactions late in 2021 and showed a marked improvement in value rates achieved in the 2020/21 selling season.

Wywurry sold for $5.11 million in September 2021 ($2,755 per arable hectare), Baileys in September

2021 for $2.5 million ($2,548 per arable hectare) and Caringal in October 2021 for $7.5 million ($2,586 per arable hectare).

Previous sales in the locality include Wrightys for $3 million on 10 November 2020 ($1,549 per arable hectare), 3144 Pingrup-Lake Grace Road for $2.8 million on 5 November 2020 ($1,559 per arable hectare) and Broadway for $2.5 million on 25 March 2020 ($1,063 per arable hectare).

The below graph provides a quick visual representation of the improvements in value rates in Pingrup over the previous 12 to 18 months.



Source: HTW

What can be causing such a drastic increase in value rates over such a relatively short period of time? There is currently huge demand in this price bracket of dryland farming properties due to high grain prices, low interest rates and high confidence from a record season in Western Australia. However, the key component behind the surge in pricing appears to be low supply. Many localities have limited or no properties on the market. When a good quality property is offered for sale, there are many local and regional operators looking to expand operations and driving the price up as they compete for a rare offering.

Source: HTW

The most interesting question going forward is what happens to prices when supply inevitably meets demand?

Luke Russell
Valuer

RURAL

HERRON TODD WHITE RURAL

Property Market Indicators

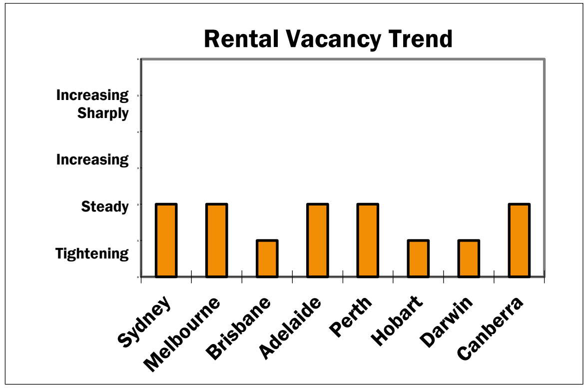
March 2022

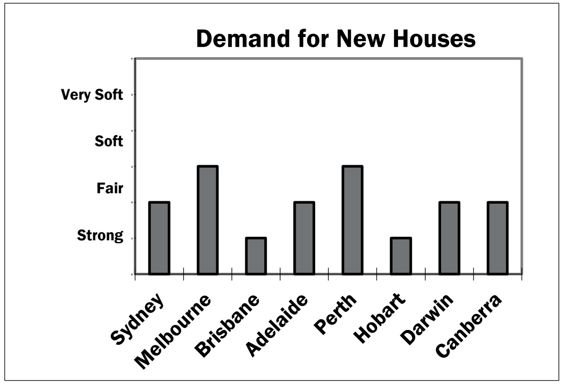
Capital City Property Market Indicators – Houses

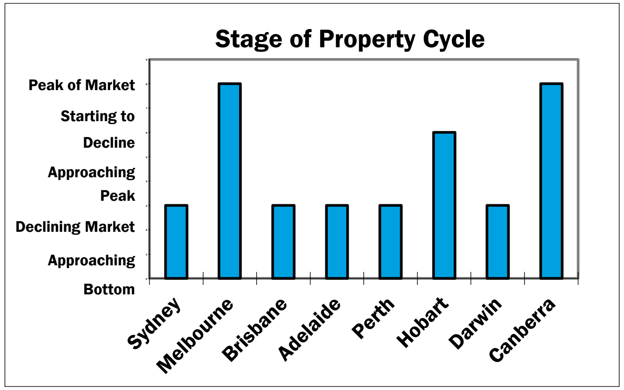
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to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

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

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



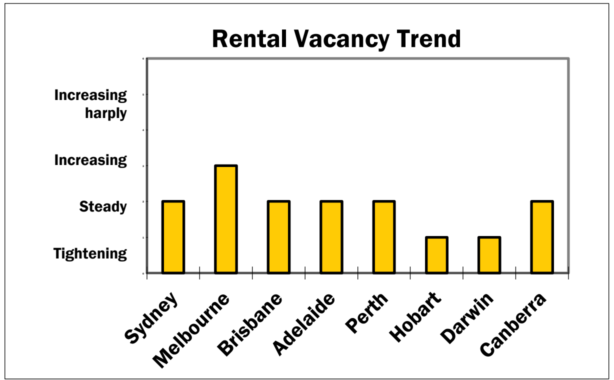


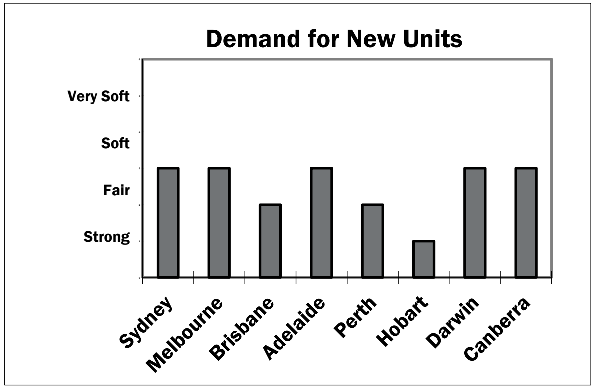


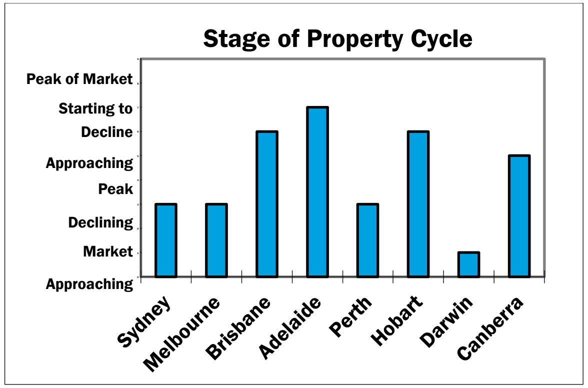
Capital City Property Market Indicators – Units

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

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





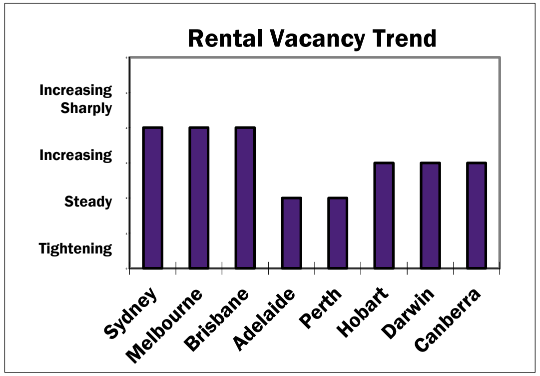


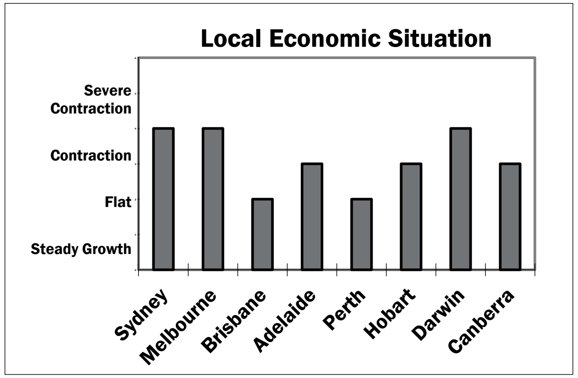
Capital City Property Market Indicators – Office

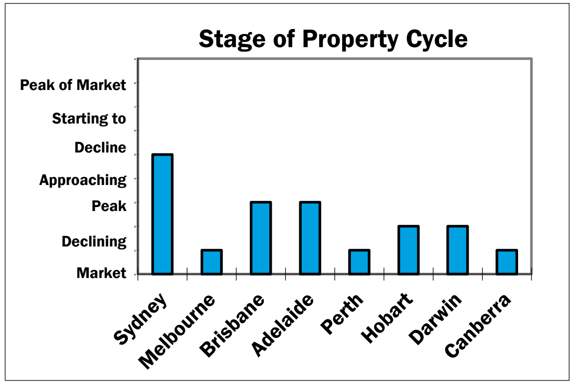
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property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



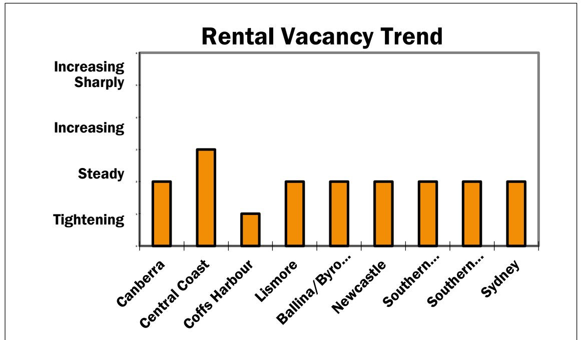


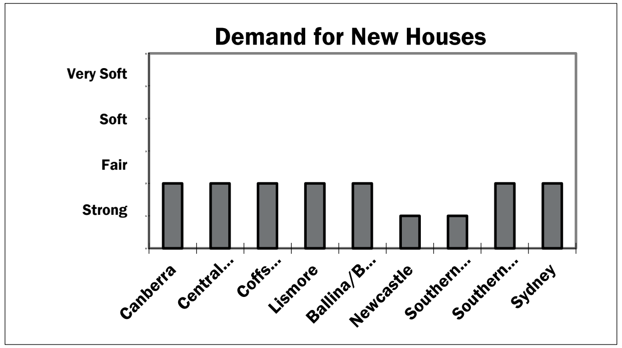


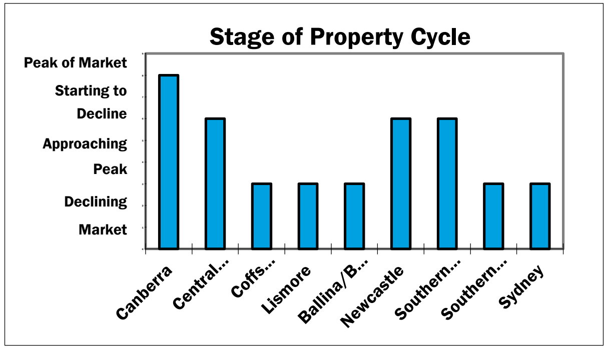
East Coast New South Wales Property Market Indicators – Houses

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

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







Country New South Wales Property Market Indicators – Houses

Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Steady	Tightening	Steady
Demand for New Houses	Very strong	Fair	Very strong	Fair	Strong	Fair
Trend in New House Construction	Declining significantly	Steady	Declining significantly	Steady	Declining	Steady
Volume of House Sales	Increasing strongly	Increasing	Increasing strongly	Increasing	Increasing	Steady
Stage of Property Cycle	Approaching peak of market	Peak of market	Approaching peak of market	Peak of market	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Very frequently	Occasionally	Frequently

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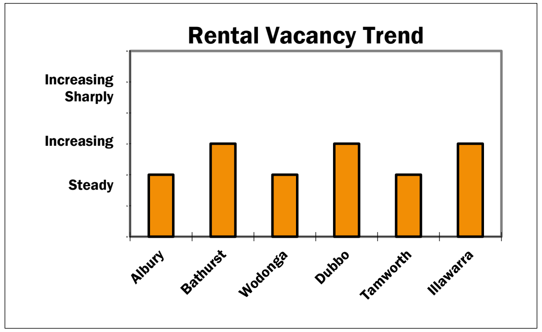
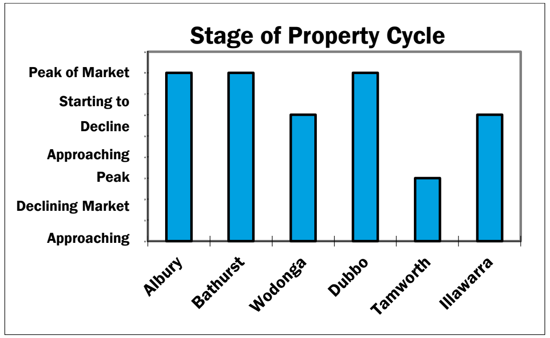
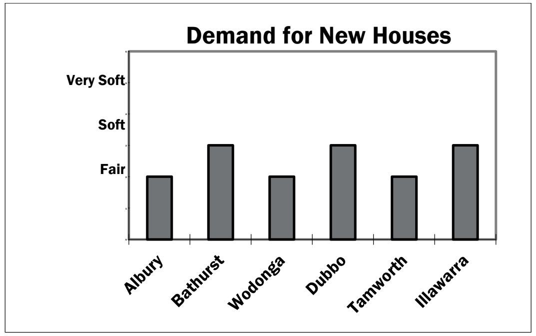




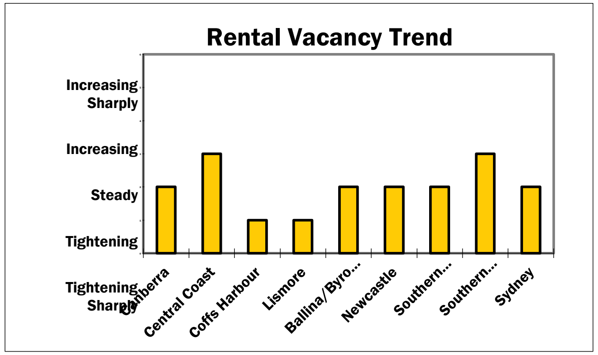


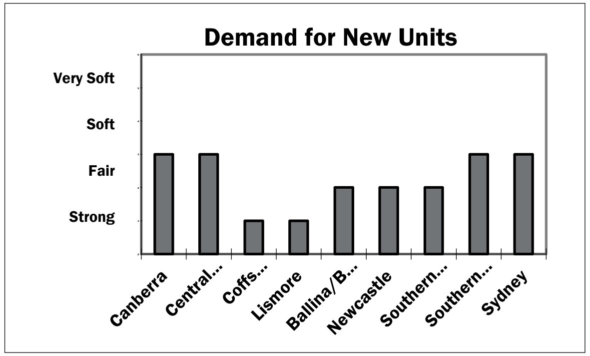
East Coast New South Wales Property Market Indicators - Units

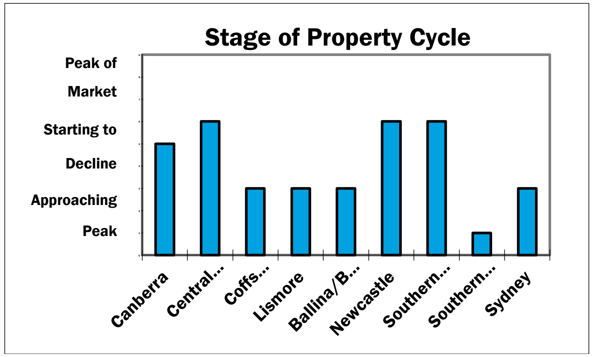
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative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

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

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







Country New South Wales Property Market Indicators - Units

Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Steady	Steady	Tightening	Steady
Demand for New Units	Strong	Strong	Fair	Fair	Strong	Fair
Trend in New Unit Construction	Steady	Steady	Declining	Declining	Declining	Steady
Volume of Unit Sales	Increasing	Increasing strongly	Increasing	Steady	Increasing	Steady
Stage of Property Cycle	Rising market	Rising market	Peak of market	Rising market	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Frequently

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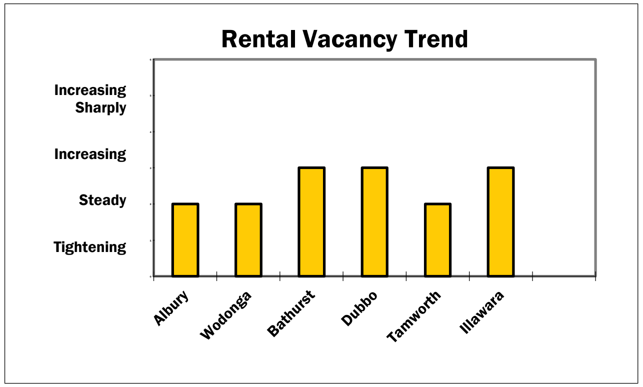

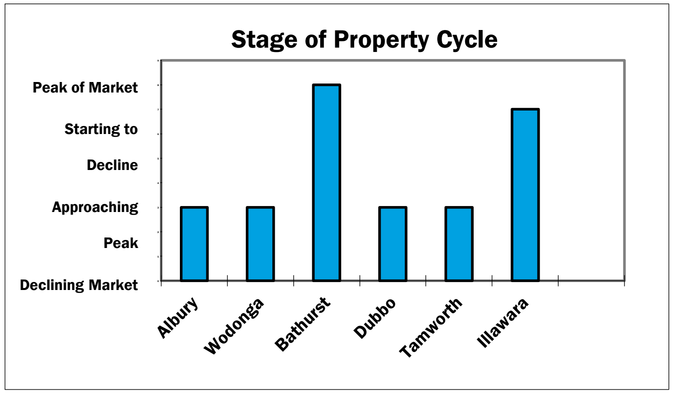

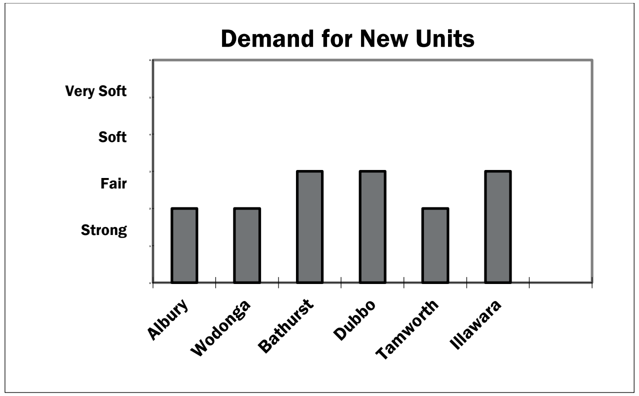

East Coast & Country New South Wales Property Market Indicators – Office

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	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Steady	Steady	Tightening	Increasing	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Steady	Steady	Steady	Declining	Declining	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Approaching peak of market	Approaching peak of market	Starting to decline	Start of recovery	Peak of market	Declining market
Local Economic Situation	Flat	Steady growth	Flat	Flat	Steady growth	Flat	Contraction	Steady growth	Contraction
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Large	Significant	Significant	Significant	Small	Large	Large	Significant	Significant

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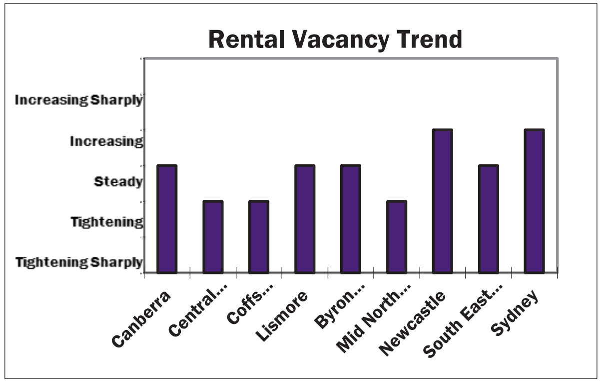
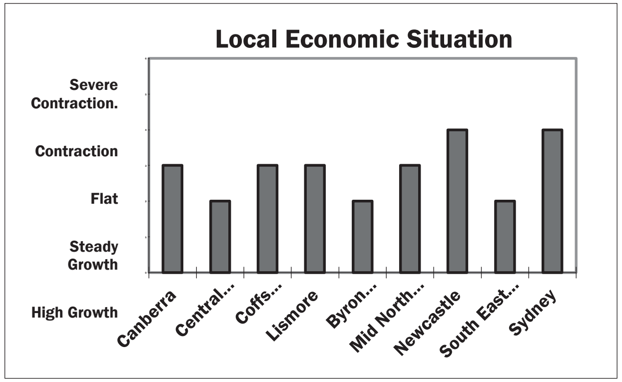
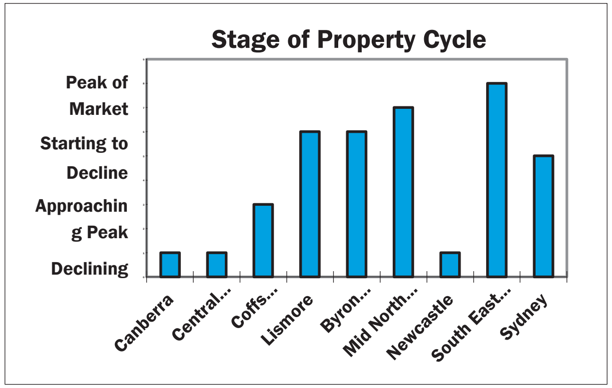
Blue entries indicate change from 3 months ago to a lower risk-rating







Victorian and Tasmanian Property Market Indicators – Houses

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

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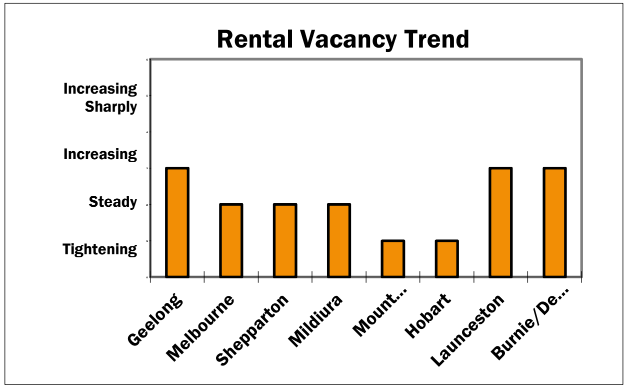

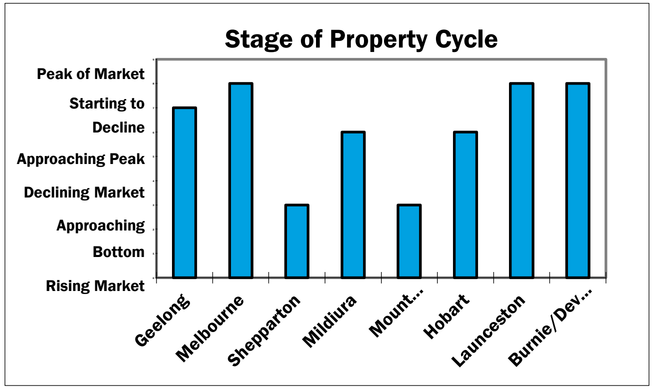

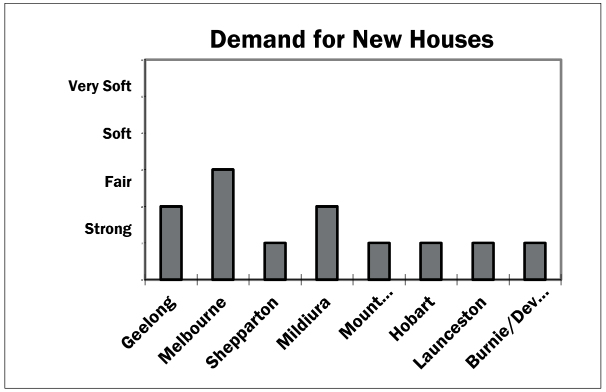

Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mount Gambier	Mildura	Hobart	Launceston	Burnie/Develport
Rental Vacancy Situation	Shortage of available property relative to demand	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	Severe shortage of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening sharply	Tightening	Tightening sharply	Steady	Steady
Demand for New Units	Very strong	Fair	Strong	Strong	Fair	Very strong	Very strong	Very strong
Trend in New Unit Construction	Declining significant-ly	Steady	Steady	Steady	Steady	Declining significant-ly	Declining significant-ly	Declining
Volume of Unit Sales	Increasing	Declining significantly	Increasing	Increasing	Steady	Increasing strongly	Declining	Steady
Stage of Property Cycle	Approaching peak of market	Rising market	Rising market	Rising market	Approaching peak of market	Approaching peak of 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	Almost always	Frequently	Occasionally

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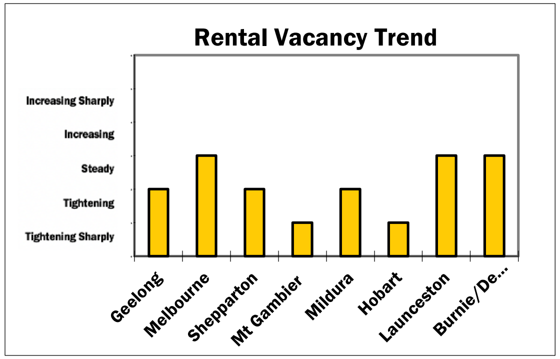

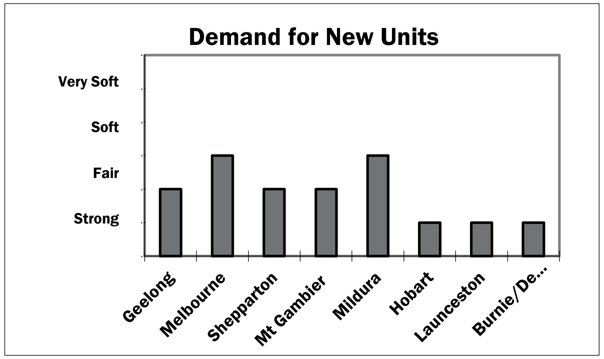

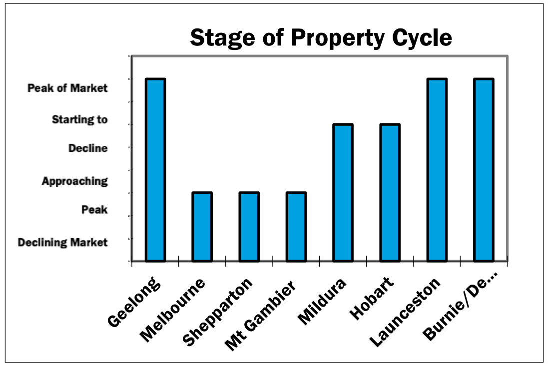

Victorian and Tasmanian Property Market Indicators – Office

Factor	Illawarra	Ballarat	Echuca	Melbourne	Geelong	Mildura	Hobart	Launceston
Rental Vacancy Situation	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	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	Increasing	Steady	Steady	Steady
Rental Rate Trend	Stable	Increasing	Declining	Declining	Declining	Stable	Declining	Declining
Volume of Property Sales	Steady	Increasing	Steady	Steady	Declining	Declining	Steady	Steady
Stage of Property Cycle	Start of recovery	Rising market	Declining market	Start of recovery	Starting to decline	Start of recovery	Bottom of market	Bottom of market
Local Economic Situation	Steady growth	Steady growth	Flat	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

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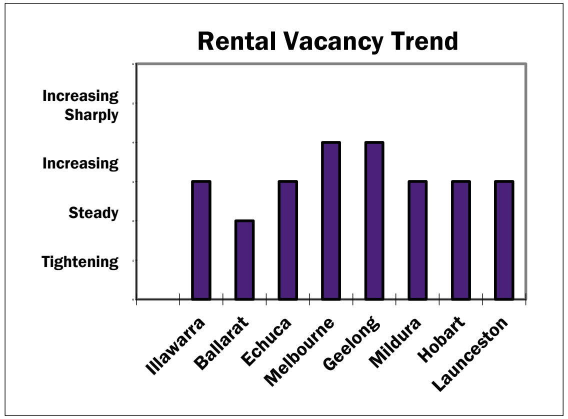

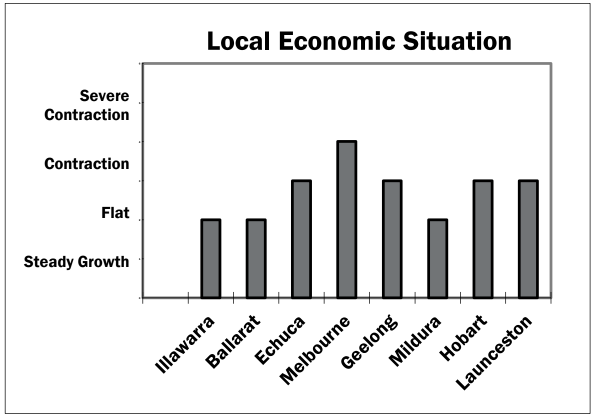

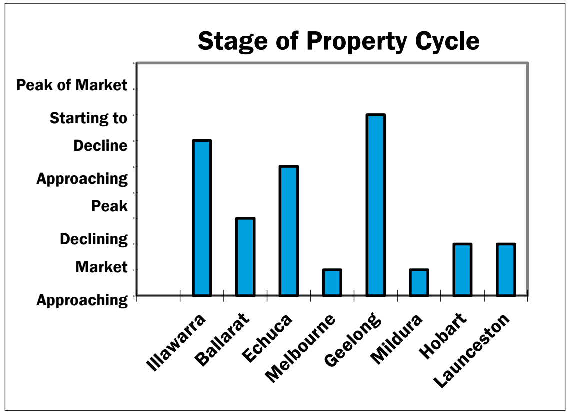

Queensland Property Market Indicators – Houses

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	Severe 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	Severe 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	Severe 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 sharply	Tightening sharply	Tightening	Tightening sharply	Tightening sharply
Demand for New Houses	Strong	Fair	Strong	Strong	Strong	Strong	Strong	Strong	Very strong	Very strong	Very strong	Very strong	Very strong	Very strong
Trend in New House Construction	Declining	Steady	Declining	Steady	Steady	Declining	Declining	Declining	Declining significantly	Declining significantly	Declining significantly	Declining	Declining significantly	Declining
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Increasing strongly	Steady	Increasing	Increasing strongly	Increasing strongly	Increasing	Increasing strongly	Increasing strongly	Increasing strongly	Increasing strongly
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Rising 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	Occasionally	Occasionally	Occasionally	Frequently

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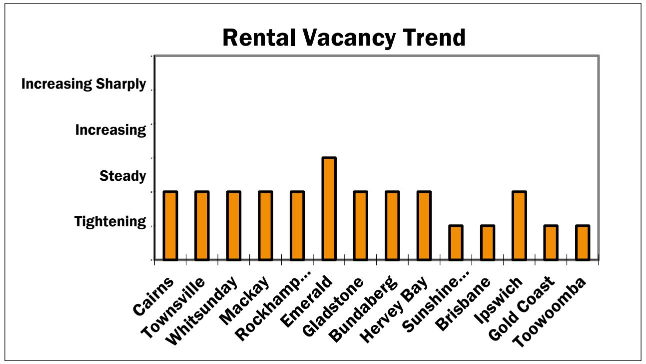

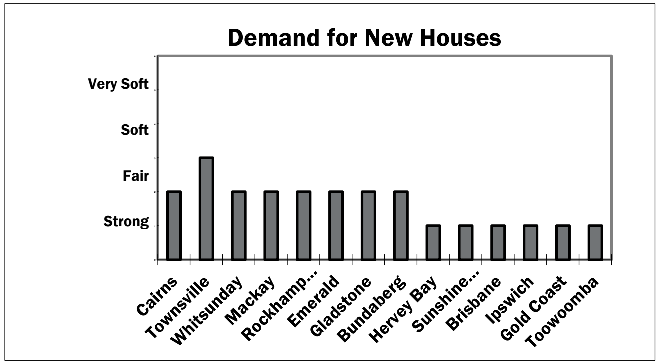

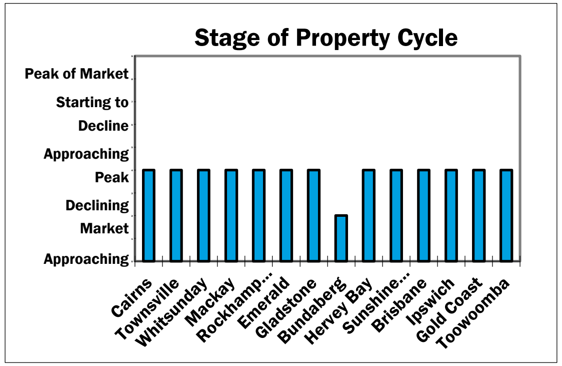

Queensland Property Market Indicators – Units

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	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	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	Severe shortage of available property relative to demand	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
Demand for New Units	Fair	Soft	Fair	Fair	Fair	Very soft	Fair	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Trend in New Unit Construction	Steady	Increasing	Increasing strongly	Steady	Steady	Increasing strongly	Steady	Declining	Declining	Declining	Declining	Declining	Declining	Declining
Volume of Unit Sales	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing strongly	Increasing	Increasing	Increasing strongly	Increasing	Increasing	Increasing
Stage of Property Cycle	Start of recovery	Rising market	Start of recovery	Rising market	Rising market	Start of recovery	Rising 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	Occasionally	Almost never	Almost never	Occasionally	Occasion-ally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasion-ally	Occasion-ally	Frequently	Occasionally

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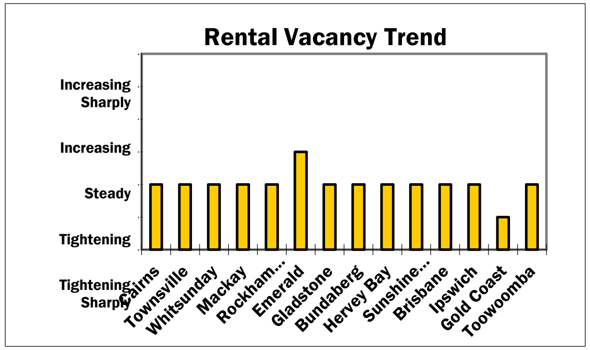

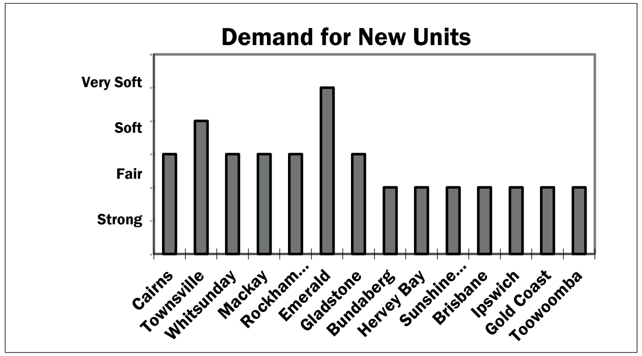

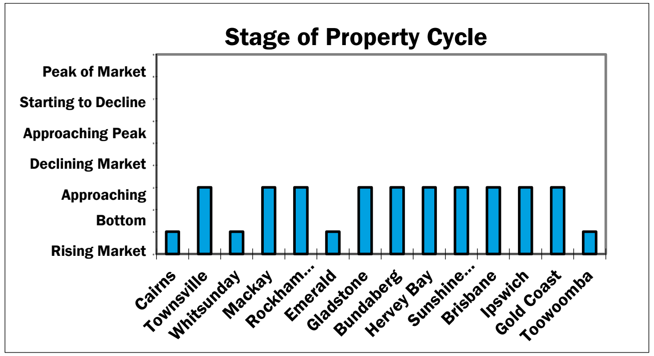

Queensland Property Market Indicators – Office

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	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Steady	Steady	Steady	Steady	Steady	Tightening	Increasing	Increasing	Tightening	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Steady	Increasing	Steady	Steady	Declining	Steady	Steady	Steady	Increasing strongly	Steady	Steady	Increasing
Stage of Property Cycle	Bottom of market	Rising market	Start of recovery	Rising market	Start of recovery	Bottom of market	Start of recovery	Start of recovery	Start of recovery	Approaching peak of market	Rising market	Bottom of market	Approaching peak of market	Declining market
Local Economic Situation	Flat	0	Steady growth	Steady growth	Flat	Flat	High growth	Steady growth	Steady growth	Flat	Steady growth	Flat	Flat	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Significant	Significant	Significant	Significant	Significant	Significant	Large	Large	Small	Small	Large	Large	Significant	Large

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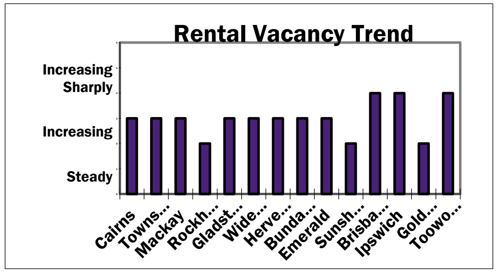
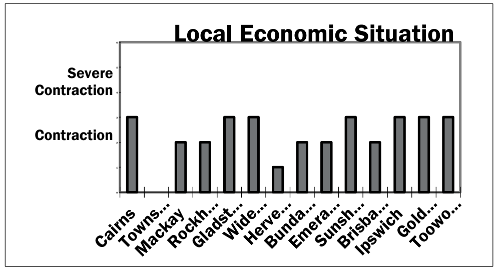
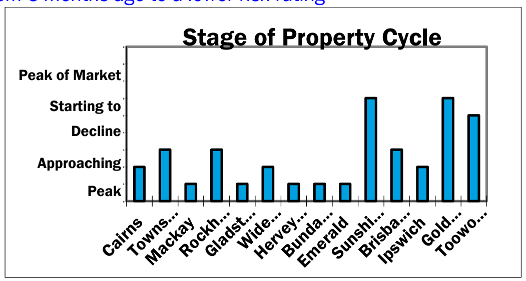




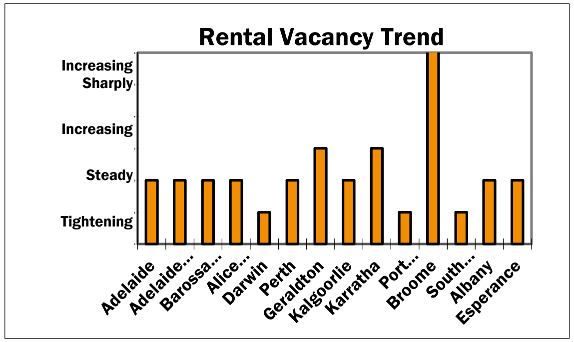


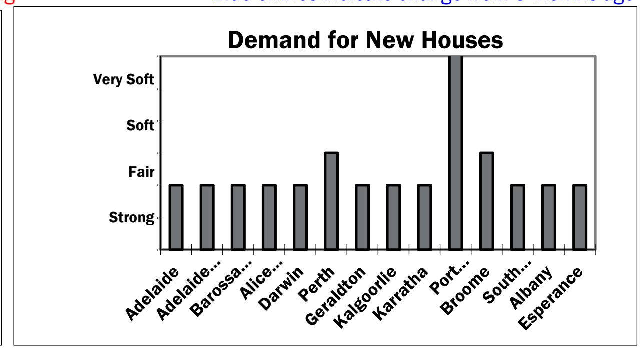
SA, NT and WA Property Market Indicators - Houses

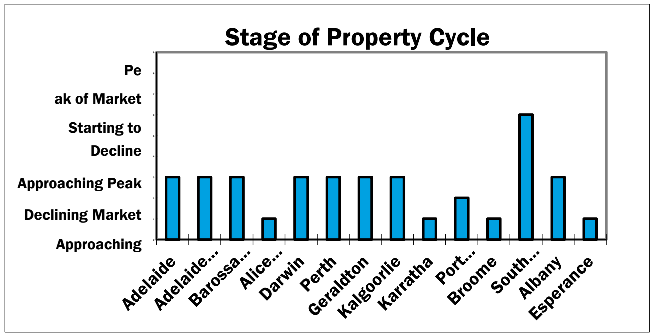
Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage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

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

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



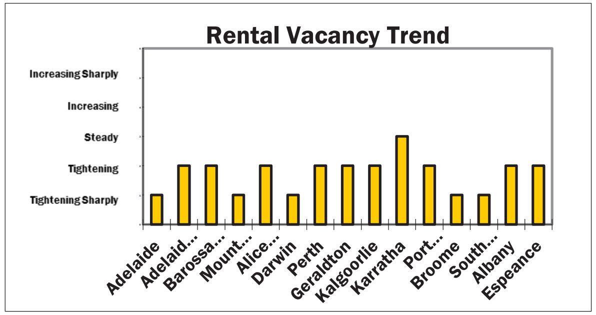


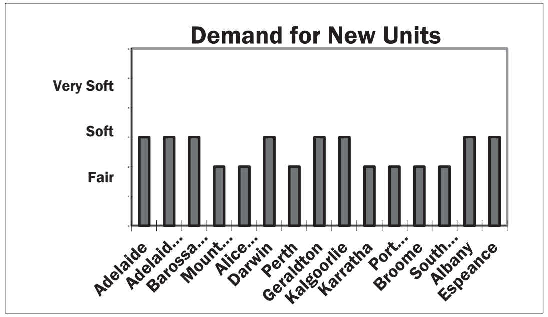


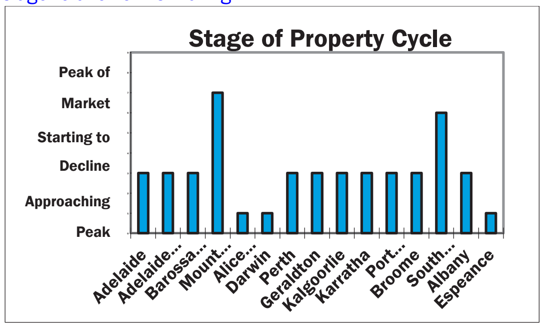
SA, NT and WA Property Market Indicators – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Mount Gambier	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	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	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	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Tightening sharply	Tightening	Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening	Tightening
Demand for New Units	Fair	Fair	Fair	Strong	Strong	Fair	Strong	Fair	Fair	Strong	Strong	Strong	Strong	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Steady	Steady	Steady	Steady	Steady	Declining significantly	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Declining	Increasing	Steady
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Start of recovery	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Approaching peak of market	Rising market	Rising 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	Almost never	Frequently	Occasionally	Almost never

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



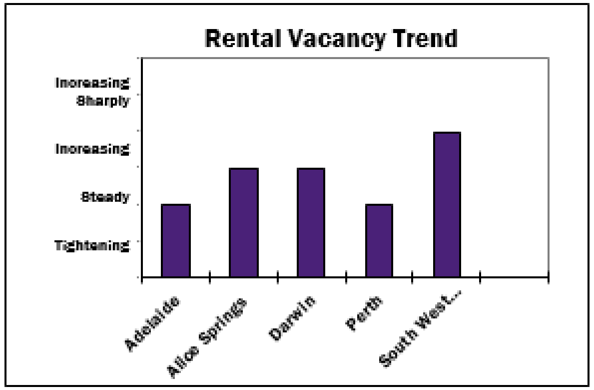


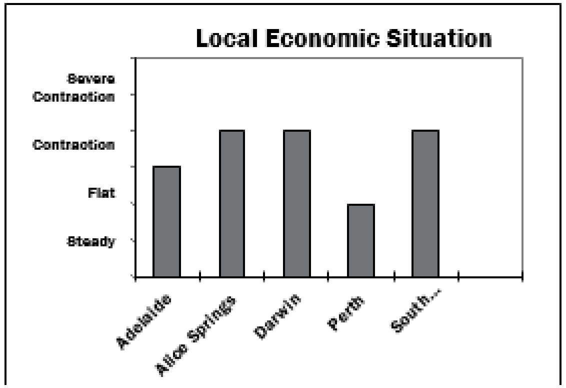


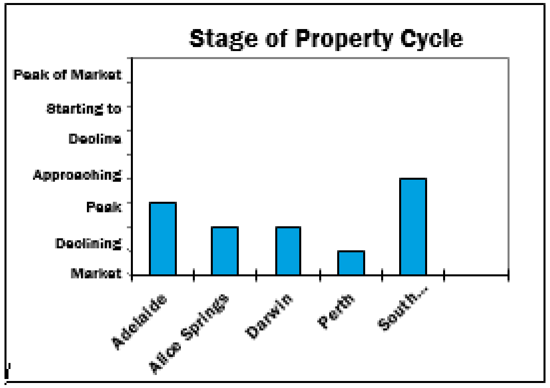
SA, NT and WA Property Market Indicators – Office

Factor	Adelaide	Alice Springs	Darwin	Perth	South West WA
Rental Vacancy Situation	Balanced market	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	Tightening	Steady	Steady	Tightening	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Declining
Volume of Property Sales	Steady	Steady	Steady	Steady	Declining
Stage of Property Cycle	Rising market	Bottom of market	Bottom of market	Start of recovery	Approaching bottom of market
Local Economic Situation	Flat	Contraction	Contraction	Steady growth	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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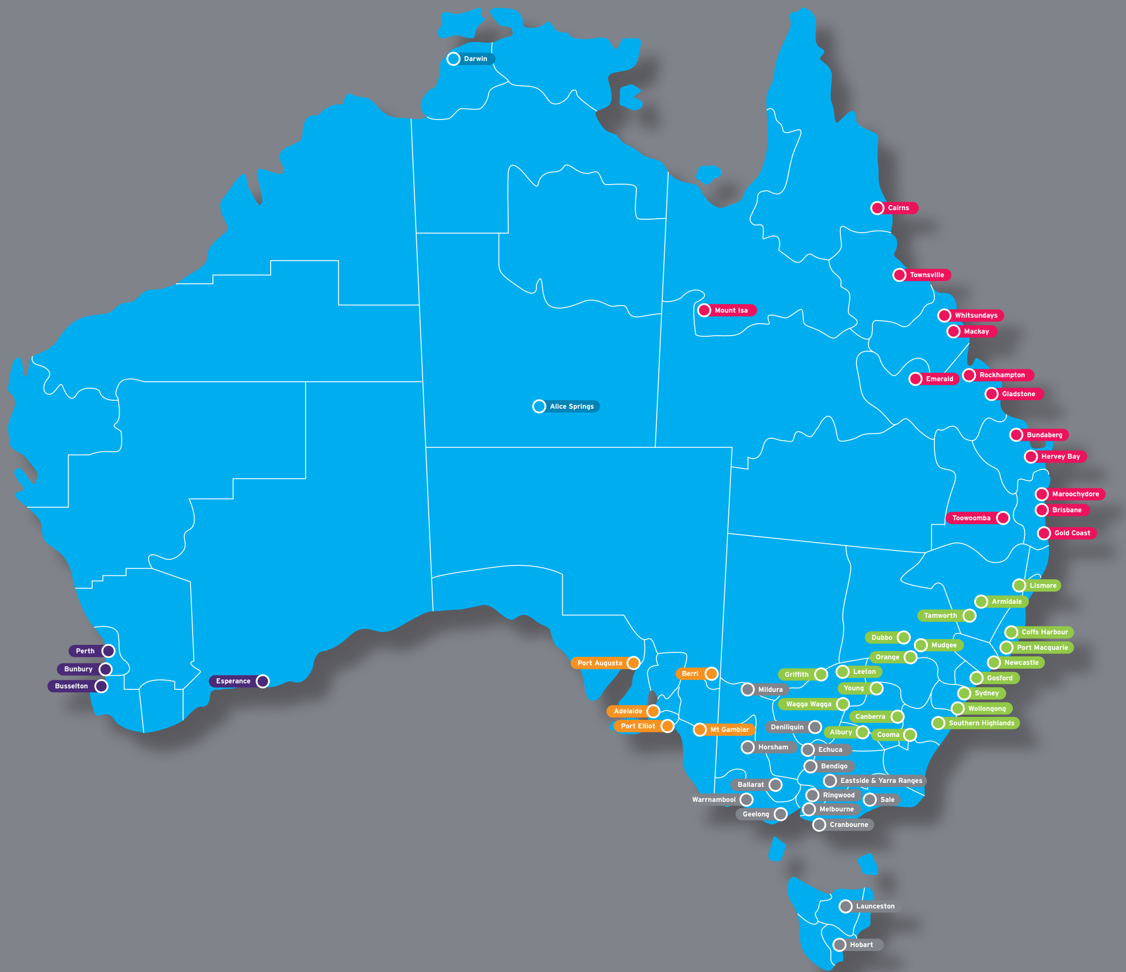

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