Month in Review

May 2022

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

Contents

Click on any state or page number for immediate access

A message from our CEO

Welcome to the May edition of Month In Review

It's no surprise given the number and scale of challenges we have all faced over the past few years that most Australians have grown proficient at quickly responding to change. But while we've become fast to adapt, the focus on the near term can take away from thinking about the long, even mid-range impacts and knock-on effects from any disruption.

Take the recent jump in interest rates, as an example. They were prompted by a higher-than-expected rise in inflation, fuelled by supply chain shortages, international events, and strong domestic demand. The RBA's move, likely to be the first of many, is significant and there is no doubt households and property investors will need to rein in spending and reassess their budgets in response.

While we expect Australians to respond and demonstrate great agility, long lead times and locked-in commitments will make it difficult and could result in an extended period of high inflation coupled with rising interest rates. How this manifests in property markets and different asset classes will of course vary over time.

In the residential space, for example, the construction industry has been hit hard. While owners have been eager to build with good levels of household savings and a desire to upgrade their homes, this is clearly becoming more difficult. Securing materials (let alone a builder) at a reasonable price coupled with lengthy and uncertain build times and now rising interest rates is making the decision to build or renovate harder and less likely.

What we see now is a shift among owners who had been planning a renovation or construction. Many are weighing up whether buying an established home might be more prudent given the cost and time blowouts. Our teams have certainly spotted this trend across the country as you'll see in this month's submissions. We've observed that homeowners and investors alike are being drawn to completed homes rather than those with renovation potential. Given costs are predicted to be elevated over the coming one-to-two years, I'd venture that finished homes will not only retain their price premium for some time, but the value spread between renovated and unrenovated properties will, in all likelihood, get wider.

Everyday cost increases are having a direct impact on the retail sector as well. The rising cost of living is a result of skyrocketing manufacturing and transport costs. Add in the interest rate increase pressures, and household discretionary spending comes into sharp focus.

This plays into the financial security of retail business owners which, in turn, impacts values and yields on certain retail assets.

Our teams have looked at new development and refurbishment in retail and discovered most smart operators are employing strategies to attract and keep retail tenants who can endure over the long term.

As highlighted by retail specialist Vanessa Hoey in her national overview this month, workers are returning to CBD offices in some form too. This improves trading for inner-city retailers who can now rent space at a historically reasonable cost which is presenting opportunities for some companies to re-establish marquee storefronts.

CEO

HERRON TODD WHITE

Depending on the retail asset in question, tenants will also be attracted to recently upgraded space. While a retail tenant's ultimate leasing decision will be most influenced by other elements such as floor space, location and exposure, I recognise that the market is competitive. As such, having an upgraded space completed to a high standard as part of the lease incentives can only sweeten the deal.

Looking toward the rural sector and delays in the supply of production inputs, along with rising costs, do present a challenge. That said, strong commodity prices are offsetting some of the pain. Also, general strong property values across most rural markets aren't likely to fall anytime soon. This fine balance will be monitored closely by operators for a while yet.

The flow-through impacts of inflation and supply chain delays are far-reaching, and the way they affect each household isn't always obvious. In my opinion, if you are trying to sell or lease a quality asset – whether it be residential or commercial – you should be able to get a premium for a property that's new or renovated. How long this premium can be sustained is hard to judge unless you hold expertise in the field. That's where the specialists at Herron Todd White come in. Our leading property experts are well placed to not only identify the immediate impacts of today's challenges but the longer-term fallout as well. Put simply, we're best placed and most able to keep clients informed of changes in the market and how they can best respond.

Gary Brinkworth

CEO

Construction challenges *and the property market*

... or an "Appetite for Construction"

We Aussies love our homes in all their shapes and sizes and while there's charm in their history, the opportunity to build from new or renovate up to modern standards is compelling.

It's satisfying to have a hand in your home's design, fit out and finish. You can mould your property into the ideal abode for you and your family.

The importance of living space adaption was brought into sharp focus over the past two years. The way we used our homes changed and we needed them to flex as much as our workplaces and schools to ensure life could proceed as normally as was possible. In today's market, for example, you'd be hard pressed to find a new or renovated family property that didn't include a dedicated work-from-home space, breakout area for kids and outdoor living.

But anyone who is looking to undertake some sort of build now will tell you there are headwinds to be navigated.

Enter the construction industry. The teams that make the dream a reality for imaginative homeowners across the nation.

But anyone who is looking to undertake some sort of build now will tell you there are headwinds to be navigated. A confluence of events has seen the demand for builders and materials far outstrip the available supply of both. Anyone with an inkling of economic nous will tell you, that means higher costs and longer project times.

But as we often say in our Month In Review pages, not all markets operate at the same pace. If you are planning some construction, then understanding the landscape in your location and at your price point is crucial... and this is best achieved by seeking advice from local experts.

Here's where Herron Todd White steps in.

This month, our residential teams look at the state of construction markets across the nation. They apply their extraordinary skills to give you the rundown on what it's costing to build or renovate in their specialist areas. Our valuers also highlight the suburbs where the most activity is underway. Some even forecast where they think the sector is heading as we all try and put the pandemic further behind us.

For commercial this month its retail and we, once again, take on a construction bent.

We're looking at new builds and refurbs in the retail sector and what this means for tenants and landlords alike. Is there an appetite for construction in a sector that's faced enormous headwinds over the past couple of years? The answers lay within.

Finally, our rural teams again provide a comprehensive report of all things primary production. In addition to their market wraps, they've delivered thoughts on supply chain issues. How have delays in accessing production inputs manifested in the rural property space?

There you have it again folks – an incredible collation of knowledge from shore to shore. Of course, while the information throughout delivers an excellent foundation for your property musings, there's nothing like bespoke advice addressing your own personal property concerns. Remember, no matter what type of real estate your hold, there's a Herron Todd White expert ready and able to guide you through the challenges and deliver an exceptional outcome.

HERRON TODD WHITE COMMERCIAL

Commercial

May 2022

National Retail Overview

Retail trade has been resilient in recent months as consumers increased their spending activity. The Australian Bureau of Statistics reported that Australian retail turnover rose 1.6 per cent in March 2022, reaching a new record level, following a 1.8 per cent rise in February 2022 and 1.6 per cent increase in January 2022. Easing of restrictions across Australia and strong consumer demand resulted in increasing retail trade in the three months of the March quarter. Every state and territory saw a rise in retail sales in the month to March 2022 except for South Australia.

However, the recent increase in interest rates and forecast further rate rises during the remainder of 2022 are expected to place additional pressure on household budgets and may have a negative impact on retail spending. Consumer confidence has been dampened by higher inflation and the expectation of increasing interest rates. Many households however accumulated large savings during the pandemic period and many mortgage holders are ahead in their repayments so this could ease some financial pressure on consumers.

Retail precincts in CBDs now need to be a destination and retailers need to innovate and provide a reason for customers to visit their stores in person.

Reduced retail spending in addition to rising costs such as wages and energy put pressure on retailer affordability of rents and other outgoings. In many areas in Australia, leasing conditions will remain challenging and there will be continued downward pressure on rents for retail tenancies throughout the remainder of 2022. There are some positive signs with increased leasing activity levels evident in many retail precincts with landlords and tenants now more willing to negotiate to achieve mutually agreeable outcomes. Tenants are now seeking greater flexibility including shorter initial terms, sometimes as short as one year, with further option terms allowing also for some certainty to retain the premises should the location prove suitable for the business.

During the past 24 months there have been significantly reduced numbers of people within the major Central Business Districts throughout Australia because of various COVID-19 restrictions and state government advice for workers to work from home. In addition, border closures and travel restrictions have limited tourist visitors and international students. The lack of visitors to CBDs has negatively affected the ability of retail businesses, in particular food and beverage operators, to generate turnover and maintain rental payments. This has resulted in higher vacancy levels and increasing incentives and has placed downward pressure on rents throughout many of the major CBDs in Australia.

It is evident that throughout Australia, even in states that avoided extended lockdown periods and restrictions during the past two years, office occupancy is significantly below pre-COVID-19 levels. This has a direct impact on retail trade in these areas which rely on business from office workers. There are some signs that the number of office workers within CBDs is increasing and will likely continue to grow over the coming months. Higher levels of foot traffic have been recorded in recent months in many major CBDs including Sydney and Brisbane as well as smaller capital cities Hobart and Darwin, however Melbourne is continuing its slow recovery. Moving forward many people are likely to continue to adopt a hybrid schedule, working in the office two to three days a week and at home the remainder of the week.

Vanessa Hoey
Commercial Director

COMMERCIAL - RETAIL

HERRON TODD WHITE COMMERCIAL

Many reports suggest that retail precincts in CBDs are not obsolete – they are just not the same as they were pre-pandemic and are in the process of evolving and changing their purpose and function. Retail precincts in CBDs now need to be a destination and retailers need to innovate and provide a reason for customers to visit their stores in person. With the increase in vacancy and available space in many CBDs some major retailers, particularly those that experienced strong online trade during lockdown periods, have sought to use this as an opportunity to secure new retail space at lower rental rates and open flagship stores or increase their footprints. Leasing agents have noted enquiry from major national and international brands seeking opportunities for retail space in the CBDs including in Sydney, Melbourne, Adelaide and Brisbane. For example, Italian fashion retailer Gucci opened a flagship store at Queens Plaza in Brisbane in 2021.

During 2020, 2021 and 2022 to date, properties with high quality lease covenants to national operators, or those with tenants who operate essential services and demonstrated strong turnover volumes (during the pandemic period) continue to remain attractive to investors. Retail assets such as neighbourhood centres, large format retail, supermarkets, liquor stores, pharmacies and fast-food restaurants with long term leases are receiving strong interest from purchasers when available for sale given the security of income generated.

There are currently very strong levels of purchaser demand for prime retail assets including properties with long-term leases to major tenants such as Woolworths Group Limited and Coles Supermarkets Australia Pty Ltd. Demand exists for assets within this market in the range of up to $40 million from private investors who are high net worth individuals or syndicates, seeking security of income and potential longer-term capital growth. There is currently limited stock of quality assets of this nature available for sale. Most private investors hold this asset type on a long-term basis.

As prime retail properties with secure long-term leases and strong lease covenants continue to be attractive to investors, conversely there has been a decline in demand for secondary or vacant properties.

As prime retail properties with secure long-term leases and strong lease covenants continue to be attractive to investors, conversely there has been a decline in demand for secondary or vacant properties. It is expected that there will be a greater divergence between yields for prime and secondary properties over the next 12 months. Due to the ongoing effects of the pandemic and economic uncertainty, there is evidence of weaker buyer demand, extended selling periods and potentially diminution in asset values for secondary properties within areas with existing low tenant demand and high vacancy rates.

There is limited new construction of major shopping centres planned throughout Australia in 2022, however many retail landlords are seeking to redevelop or expand their properties to include the addition of other uses such as medical, childcare, office and residential. Some landlords with available funds took advantage of the lockdowns throughout 2020 and 2021 to undertake refurbishments or repurposing for alternative uses and are now benefitting from being able to attract quality tenants relatively quickly.

Some of the refurbishments, new development, redevelopments and expansions which have occurred or are planned in Australia include:

- A $400 million redevelopment and expansion of the Central Market Arcade in Adelaide which will be known as Market Square. Construction on the project is scheduled to commence in mid-2022. Upon completion the property will include new retail space, an A-grade commercial office tower, childcare centre, residential apartments and a hotel.
- Quay Quarter Lanes, which recently opened in Circular Quay in Sydney, comprises a mixed-use precinct incorporating retail and residential apartments. There are numerous restaurants, wellbeing and lifestyle retailers with tenants such as Bouillon l'Entrecote, Adora Handmade Chocolates, Humble Bakery and Besuto. Quay Quarter Lanes forms part of Quay Quarter Sydney, an 11,000 square metre mixed use development developed by AMP Capital.
- Ferny Grove Central is a proposed new convenience-based retail shopping centre located approximately 20 kilometres north of the Brisbane CBD. It forms part of larger development scheduled to be completed by late 2023 which will also include apartments and a commuter car parking facility adjacent to the Ferny Grove train station and bus interchange. The shopping centre component will include a Woolworths supermarket, Dan Murphy's liquor store, food and beverage operators, retail services, childcare centre, gym and medical and allied health services.

National Property Clock: *Retail*

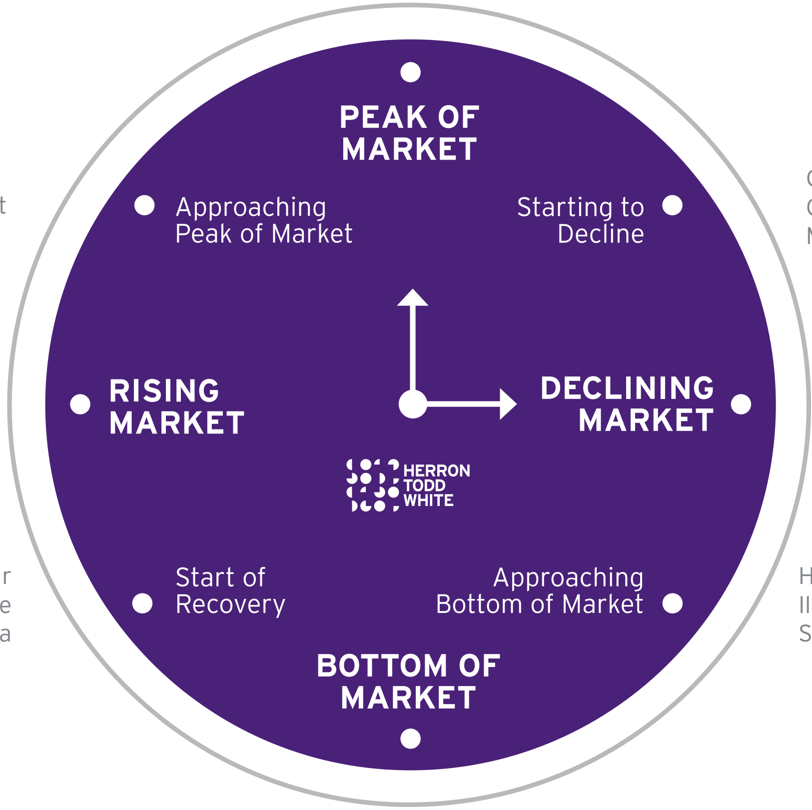
Entries coloured purple indicate positional change from last month.

Balina/Byron Bay
Brisbane
Central Coast
Gold Coast
Ipswich
Newcastle
South East NSW
Townsville

Sunshine Coast

Geelong
Gippsland
Mid North Coast

Ballarat
Bendigo
Burnie-Devonport
Launceston
Lismore
Mackay
Rockhampton



Cairns
Canberra
Darwin
Echuca
Esperance
Geraldton
Melbourne
Sydney
Toowoomba

Adelaide
Adelaide Hills
Barossa Valley
Coffs Harbour
Gladstone
Mildura

Hobart
Illawarra
South West WA

Alice Springs
Bundaberg
Emerald
Hervey Bay
Perth

COMMERCIAL - RETAIL

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New South Wales - Retail 2022

Sydney

The forced closure of many retail businesses due to COVID-19 lockdowns has certainly had a broadly negative impact on the retail market. Some businesses have thrived during and post lockdown but overall, a lack of retail spending and closed international borders has had far reaching implications for businesses and thus the retail market.

We have seen increases in vacancy in most areas and extended selling periods of assets with weak leasing profiles. Retail assets with high vacancy rates and those in areas where supply has increased have struggled over the past 12 months.

That said, assets in prime locations with strong, well-established tenants have been very popular with investors wishing to make the most of the low interest rate environment. A prime example was seen at Circular Quay in the first week of April this year, with a 75 square metre retail shop leased to Guylian Belgian Chocolate Cafe selling for $11.5 million, reflecting $153,333 per square metre and a yield of 4.78%, setting a new Australian retail benchmark.

Similarly, assets providing future redevelopment opportunities remain generally well sought after.

The lockdowns of 2020 and 2021 provided a unique opportunity for savvy investors and tenants to refurbish and renew their premises. We have noted numerous buildings and tenancies that have made use of this time to undertake upgrades, setting themselves in good stead for the end of lockdowns and a return to normality.

Guylian café, Circular Quay   Source: realcommercial.com.au

A 75 square metre retail shop leased to Guylian Belgian Chocolate Cafe selling for $11.5 million, reflecting $153,333 per square metre and a yield of 4.78%, setting a new Australian retail benchmark.

Within the CBD, retail is generally still subdued as the market continues to wait for office workers, tourists and visitors to return. We have seen some new development in the CBD including at Martin Place and surrounding Wynyard. Despite the generally flat nature of the market, it has been reported that this new retail development has been well received by the market as it reinvigorates somewhat tired precincts. New tenants include high end fashion retailers eager to mark their territory in a prime city position and new food operators, particularly around Wynyard station.

New retail construction has been fairly limited in Sydney in recent times. The built-up nature of the inner-city areas mean that there are few opportunities to expand or develop. New retail construction has been typically limited to new housing estates in the outer western suburbs which promise residents new shopping centres and retail hubs to service these newly developed estates. The take up of these centres is reported to be strong with smaller tenancies dominated by local businesses.

The subdued nature of the market means that any new development of retail property at this point in time is really a long-term play, with a return on investment likely to take some time to come to fruition.

Fit outs and refurbishments have increased in cost with the overall supply of building materials being patchy at best and a marked increase in cost of supplies being widely reported. In addition, wait times for trades can be long and hard to plan for, which has deterred some from going down this path altogether.

There are uncertain times ahead for retail as we adjust to the new normal and recover from the far reaching implications of the pandemic.

Angeline Mann
Commercial Director

Wollongong

Probably the biggest impact on the retail market in Wollongong at the moment is the number of new large scale residential unit projects completed over recent times with many more advancing, providing CBD retailers with a growing population base from which to draw. This is a positive outcome for retailers who have been facing steady headwinds while dealing with COVID-19 related trading challenges. While the addition of residential housing is welcome, each of these new projects comes with a retail and commercial component, adding stock to a well-supplied sector. One would encourage Council to review planning regulations to ascertain whether the addition of new retail stock is really required; a live-work concept surely would be more in tune with market demands. As far as major projects go, all eyes are on WIN Corp's Crown Street site which is in concept stage. The final design aims to reinvigorate the western section of Crown Street, however, this is still a long term proposition.

Local leasing agents are reporting improved interest from tenants looking to lease space with good take up evident along Crown Street Mall over the past 12 months. Most interest apparently is coming from food and beverage and service commercial tenants looking to take advantage of competitive rental rates. Investor demand is surprisingly high, as evidenced by the $4.6 million sale of 37-39 Princes Highway, Dapto through Colliers International. Mixed-use assets, particularly those with a residential component, remain popular while owner-occupiers are scouring the market in the sub $1 million range. A possible interest rate rise is expected to cool this activity.

Scott Russell
Director

Most interest apparently is coming from food and beverage and service commercial tenants looking to take advantage of competitive rental rates.

Victoria - Retail 2022

Melbourne

Victorians continue to adjust to amendments to COVID-19 regulations. A further easing of restrictions was introduced from 23 April 2022 which removed the isolation requirements for close contacts, vaccine requirements and mandatory mask wearing for retail workers. Whilst the easing of restrictions has been generally well received, the longer-term impacts of extended lockdowns and reduced foot traffic in the Melbourne CBD are still having a negative impact on many retail tenants, in particular food and beverage operators.

During the past 24 months there have been significantly reduced numbers of people within the Melbourne CBD due to the response to COVID-19 and advice from the Victorian government for workers to work from home if possible and restrictions on tourist visitors and international students. As a result, the ability of retail businesses within the Melbourne CBD to generate turnover and maintain rental payments has been negatively affected. This has resulted in higher vacancy levels and increasing incentives and placed downward pressure on rents.

From 18 February 2022, the Victorian government removed density limits in hospitality venues as well as the need for customers to check-in at supermarkets and retail venues and permitted dance floors. From 26 February 2022, the public health recommendation for Victorians to work or study from home was removed, while masks are no longer needed in most indoor settings.

It is expected that the number of office workers within the Melbourne CBD will continue to increase over the coming months.

From 15 December 2021, fully vaccinated international students were able to travel to and from Australia without needing to apply for a travel exemption. It is expected that the number of office workers within the Melbourne CBD will continue to increase over the coming months. Moving forward many people are likely to continue to adopt a hybrid schedule working in the office two to three days a week and at home the remainder of the week.

The end of the Commercial Tenancy Relief Scheme on 15 March 2022 means that tenants who were previously eligible for rent relief under the scheme do not benefit from the same levels of protection. Generally, leasing demand for vacant or secondary properties is expected to remain at similar levels to those experienced throughout 2021 as tenants remain hesitant to enter into new lease agreements in less popular precincts. We have continued to see increased levels of owner-occupiers seeking to purchase premises instead of leasing in this current low interest rate environment.

At its May 2022 meeting, the Reserve Bank of Australia decided to increase the cash rate by 25 basis points to 35 basis points, marking the first increase since November 2010. It appears likely that further rate rises will occur during the remainder of 2022. The increased cost of borrowing will place pressure on household budgets and may have a negative impact on retail spending. With travel restrictions now easing, spending on tourism and travel-related services is likely to divert spending away from retail. Reduced spending in addition to rising costs puts pressure on retailer affordability of occupancy costs. We consider that because of this, leasing conditions will remain challenging and there will be continued downward pressure on rents for retail tenancies throughout the remainder of 2022.

Rental levels within the wider Melbourne suburban market are generally expected to remain stagnant throughout 2022 due to factors such as the ongoing impacts of the Omicron variant and rental affordability issues. The downward pressure on rents in suburban retail strips experienced throughout much of 2021 is expected to continue throughout 2022. Tenants are continuing to seek shorter initial terms, sometimes as short as one year, with further option terms allowing for flexibility in the short term and some certainty to retain the premises should the location prove suitable for the business. From a landlord's perspective, these flexible leasing terms are attracting tenants, covering operating costs and providing for reviews to market should the leasing market improve.

During the remainder of 2022, the Melbourne retail investment market is expected to see a continuation of the varied results experienced over the past couple of years across different market segments. We are of the opinion that yields will remain stable for retail properties in

We are seeing these works being undertaken both exclusively by landlords and in conjunction with incoming tenants who are completing significant works and sharing the costs with landlords.

strong retail locations with essential retail and service tenants. Some retail property types such as supermarkets and national fast food outlets have shown significant resilience since the onset of the COVID-19 pandemic and continued to strengthen throughout 2021 and year to date 2022 with yield compression evident due to an abundance of capital seeking investment. It is expected that yields may soften further for retail properties in secondary locations, particularly within areas with low tenant demand and high vacancy rates.

Significant refurbishment projects of retail properties within the wider Melbourne market are generally undertaken by landlords to attract quality tenants. We are seeing these works being undertaken both exclusively by landlords and in conjunction with incoming tenants who are completing significant works and sharing the costs with landlords.

Refurbishments of older style premises are generally required to attract tenants. Given the costs associated with undertaking these works, we consider the investment to be relatively long term with landlords expecting to recoup the costs over the term of the lease. We have seen some landlords who took advantage of the lockdowns throughout 2020 and 2021 now benefitting from being able to attract quality tenants relatively quickly with reduced downtimes.

We have seen evidence that some investors have purchased older style retail assets in prime positions during the past two years, then secured lease agreements with the commitment to undertake extensive capital works to suit tenant requirements. We understand that timing for completion of refurbishments has been challenging given the increased demand for materials and labour across the construction sector.

Some of the refurbishments, redevelopments and expansions which have occurred or are planned in Melbourne include:

- Melbourne Central, a major shopping centre in the Melbourne CBD continues to expand with 20 new stores including six major refurbishments being delivered in 2022. The largest Lego store in the southern hemisphere is opening in May at Melbourne Central. Other new stores include Cinnabon, Guess, Foodao and Puzzle Coffee.
- A $270 million redevelopment of the 140 year-old Queen Victoria Market precinct is proposed to provide a major retail and community hub within the expanding northern end of the Melbourne CBD. The Queen Victoria Market was severely impacted by the COVID-19 pandemic and restrictions with visitor numbers dropping by approximately 40 per cent during 2020 to 4.8 million visitors. It is estimated that the revitalised Queen Victoria Market precinct will attract approximately 18 million visitors a year by 2051. The redevelopment, which will include the refurbishment of the market's historic sheds, new facilities for traders, a food court, a library, childcare facilities, a gallery, community centre, apartments and a hotel, is forecast to be completed by 2026.
- A planning permit has recently been approved by the City of Stonnington for the $1.5 billion redevelopment of the Jam Factory on Chapel Street, South Yarra into a five-tower complex which will include retail, commercial, residential and a hotel. The development will provide more than 18,500 square metres of retail space and is forecast to revitalise the Chapel Street, South Yarra retail precinct which has suffered high levels of vacancy and significant declines in rents in the past five years.

Nathanial Ramage
Valuer

Queensland - Retail 2022

Brisbane

New builds in our market are definitely showing signs of slowing down with developers concerned about the increase in construction costs which flows on to the feasibility of a project, given that yields are showing signs of stabilising (i.e. are at peak of the market or not far off) and with real growth in rents, that feasibility is being squeezed. Therefore the supply of new product to the market has slowed. That said, demand is still strong and supply is limited.

Large format retail and shopping centres are experiencing more refurbishment activity compared to their smaller regional counterparts. Existing retail facilities are being refurbished in order to attract potential tenants to leasing their premises and also to attract more customers. Generally speaking, newly refurbished retail properties are more attractive to investors.

Whilst refurbished retail buildings are attracting new tenants, the effective rents have remained static, because as gross face rents may increase, this is offset by an increase in incentives.Therefore, the high construction costs currently being experienced are negatively impacting the feasibility of projects and putting pressure on developers' margins.For example we have seen building contracts that are only valid for 30 or 45 days and finance can take up to 60 days.The financier needs a signed building contract and builders won't sign a contract subject to finance, thus creating a real conundrum.

As mentioned, demand for stock remains strong as illustrated by the following sales:

Large format retail and shopping centres are experiencing more refurbishment activity compared to their smaller regional counterparts.

Unit 1 & 2, The Capalaba, 127 Redland Bay Road, Capalaba sold in January 2022 for $3.2 million at a yield of 4.87%.

Unit 1 & 2, The Capalaba, 127 Redland Bay Road, Capalaba Source: HTW

345 Pine Mountain Rd, Mount Gravatt East sold in November 2021 for $8.6 million at a yield of 5.93%.

345 Pine Mountain Rd, Mount Gravatt East Source: HTW

Edward Cox
Associate Director

Gold Coast

After 12 months of abeyance due to the COVID-19 pandemic, the retail market on the Gold Coast has dusted itself off and is preparing itself for a prosperous future.

As with the whole south-east corner, the most prevalent form of new retail development has been for infill sites and emerging areas, targeting the essential needs of the growing local population. Whilst the delivery of fuel assets has slowed down, the medical and fast-food sectors seemingly still have a good head of steam.

In terms of the coastal strip, the most notable recent development in the southern Gold Coast area has been the refurbishment of the old Kirra Beach Pavilion building, which also includes the Kirra Surf Club. This has resulted in the previous tenant, Pizza Hut, vacating with the reasonably large eastern tenancy having since been fully refurbished internally with a new restaurant, Siblings, being established by experienced operators. The instalment capitalises on the growing population of Kirra and popularity as a focal point for day trip and holiday tourism as well as the significant $380 million redevelopment of the old Kirra Beach Hotel site opposite.

The traditional tourist Mecca of Surfers Paradise is also in the process of receiving a well-deserved

Paradise Centre Source: shoppingcentrenews.com.au

facelift (well, two actually). The Challenger-owned Paradise Centre dominates the southern face of Cavill Avenue and Cavill Mall, occupying the entire block from Surfers Paradise Boulevard to the Esplanade and beach, and after more than five years in the planning and negotiation stage, redevelopment of the eastern beachfront precinct is underway. On completion, the $30 million development program will deliver a new public plaza, a beachfront dining precinct and upgraded eastern retail arcade.

Also underway at the corner of Cavill Avenue and Orchid Avenue is a new two storey retail building with a rooftop terrace. All four of the ground floor retail tenancies are pre-leased, with only one first floor restaurant tenancy and the rooftop terrace still available. Completion is expected by the end of 2022.


xgxgxg Source: xgxgxgx

The central Gold Coast areas have seen a new style of retail development introduced to the market. The Southport Lifestyle Hub on Nesbit Street was constructed in 2021 and another similar development (the Labrador Lifestyle Hub) on Turpin Road is nearing project completion. The complexes have been developed with small local business operators in mind, with the dominant tenant profile being hair and beauty users, along with some health and professional services users. Overall, early take up has been strong, with the established Southport complex reflecting occupancy of 95 per cent and the Labrador development being nearly 85 per cent pre committed. Benchmark rental rates well in excess of $1,000 per square metre have been achieved in both locations.

At the larger end of the spectrum are two newer large format retail centres at Robina and Burleigh Waters, both branded Home + Life. The Robina location was completed in 2017 and later sold in April 2021 for $66 million, reflecting a fully leased yield of approximately 5.50%. The more recent development at Burleigh Waters was completed in 2021 and recently taken to the market via an expressions of interest (EOI) campaign. The result of the EOI campaign is not yet public knowledge, however will provide a good litmus test of market conditions over the past 12 months.

Ryan Kohler
Director

Townsville

Townsville has more than 35 convenience centres in addition to 18 neighbourhood shopping centres and three regional centres, along with a number of large format retail and bulky goods nodes. A majority of modern development over the past 10 years has been in the outer suburbs and new estates where developers are meeting the needs of suburban consumers.

There has been a lull in retail development in past years although there is no doubt critical mass will trigger expansion in suburban centres such as Fairfield Waters, Northshore and eventually a new centre at Elliot Springs, however as urban sprawl continues in lock step with outward organic population growth, the CBD retail environment continues to corrode.

It has been 10 years since the former CBD task force was in place, knighted with the mission of igniting the Townsville CBD. In recent months a national property advocate group held discussions with Townsville business leaders in an attempt to reactivate the CBD. The same discussion points are as relevant today as they were 10 years ago!A few common threads continue to be discussed: identity, a key retail anchor, car parking issues, on-line shopping, accessibility and more beds and desks. This does pose the question of new commercial builds or repurposing the dated partially vacant buildings that line the main street.

There are only a handful of sites that could accommodate a major retail development (with

There are only a handful of sites that could accommodate a major retail development (with ample on-site parking) and finding a major commercial retail tenant is as problematic today as it was 10 years ago.

ample on-site parking) and finding a major commercial retail tenant is as problematic today as it was 10 years ago. Smaller scale repurposing of mixed-use development is a real cost effective option for the inner city area with aid from council under possible relaxation of development hurdles and associated costs within the CBD, extending outside the periphery. Smaller scale retail operators are attracted to the lower rents offered outside the major centres, although the lack of car parking and limited custom is a major barrier for the CBD. In my opinion, the suburban and regional centres will continue to flourish whilst the CBD retail sector will continue to tread water, perhaps for another 10 years.

What is an emerging problem in any case is the escalating costs of building materials and supply side constraints plaguing the local property industry. This issue will only get worse for regional cities, especially on the back of the recent flood events of south-east Queensland and northern New South Wales, with ongoing chatter about the overarching global uncertainties.

Jason Searston
Director

Cairns

The Cairns CBD retail sector has been hit hard by COVID-19. Much of the retail sector caters to the tourist trade (cafes, restaurants, duty free stores, tour booking agencies and retail in the central business district). Without the flow of tourists, many businesses have simply closed and it is difficult to gauge what percentage of businesses now closed will reopen now that tourists are free to travel again.

One of the main concerns is that international (and domestic) tourism plays a large part in the Cairns economy and it is unknown how long it will be before significant numbers of foreign travellers return to Australia and Cairns in particular. It is expected that the CBD retail sector will continue to struggle in the short term, although international borders reopening should provide a much needed increase to tourism.

Suburban retail outlets however have had limited fallout from COVID-19 and generally show strong occupancies. Sales of retail properties have been limited, though this is due to a lack of stock, not buyers.

Shane Quinn
Director

Mackay

There have been no new retail developments in Mackay.

The motel market has been particularly active since late 2021. Recent freehold going concern transactions include:

- Marco Polo Motel sold in September 2021 at $2.2 million or $57,895 per room;
- Tropic Coast Motel sold in December 2021 at $2.3 million or $65,714 per room; and
- Bel Air Motel sold in November 2021 at an undisclosed price.

Bel Air Motel   Source: booking.com

Additionally, we are aware of two other older style freehold motels which are currently under contract of sale at prices over $2 million.

Motel occupancy rates and profitability are now at their highest levels since about 2013 and owners who delayed selling through the weaker stage of the market cycle are now taking advantage of improved market conditions.

Greg Williams
Director

Toowoomba

There has been limited retail development in Toowoomba over the past couple of years. Developments of note include:

- A number of new service stations have been constructed in the suburbs of Harlaxton, Harristown, Drayton and Rockville;
- A retail showroom complex has been constructed at 232-236 Anzac Avenue, Harristown. The complex has a floor area of approximately 1900 square metres in two detached buildings. The main tenancy has been leased to 4WD Supa Centre/Kings Camping.

4WD Supacentre Toowoomba   Source: Facebook

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Potential retail development activity in Toowoomba in 2022 includes:

- A partial redevelopment of the Wilsonton Shopping Centre has been approved by Council. The proposed redevelopment includes the demolition of older sections of the centre with the construction of a 7-Eleven service station, food restaurants (reportedly to include Starbucks and Guzman Y Gomez), car wash and a showroom tenancy. Construction works commenced in March 2022.
- A food-based retail centre has been approved on a site on the corner of Anzac Avenue and Devine Street in the suburb of Harristown. The centre is to be anchored by a stand-alone tenancy with drive-through facility with a retail strip of a number of smaller tenancies. Oporto has been linked to the development.
- A development application has been lodged to construct a retail showroom complex on the corner of James and Neil Streets. The complex is to be split into three tenancies with a total lettable area of approximately 3,450 square metres.
- A new McDonald's restaurant is to be constructed in North Toowoomba on the corner of Ruthven and Jones Streets. The site adjoins North Point Shopping Centre.
- A development application has been lodged to construct a new Hungry Jack's restaurant on a site on Anzac Avenue in the suburb of Harristown. The site adjoins a Puma service station.

Ian Campbell
Senior Property Valuer

South Australia - Retail 2022

Adelaide

The South Australian retail property market is seeing significant retail construction and refurbishment in Adelaide. After conflict in Ukraine and surging oil prices paused some activity, investors and consumers have renewed confidence in the retail sector. South Australian suburban retail has remained flat, with refurbishments and developments remaining at previous levels. The majority of activity has been within Adelaide at higher price points and quality levels as landlords look to attract premium tenants on secure covenants.

Retail yields are continuing to compress with prominent CBD shopping centre City Cross reportedly being sold for $60 million, representing a passing yield of 6.25%. North Adelaide Village located three kilometres from the Adelaide CBD was also reportedly sold for $50 million, representing a passing yield of 6.75%. Investor demand remains high for these prime retail assets.

Suburban retail rents remain stable. Incentives in the Adelaide CBD have reduced slightly as workers return from reduced restrictions, however certain retail uses such as cafes may still see stronger incentives.

For refurbishments, the new owner of the City Cross Shopping Centre, Revelop, has released plans to fully refurbish the retail tenancies, food court and amenities along with the exterior of the centre, totalling $25 million. Significant fashion retailers VANS and Sheike, who will be opening their first brick and mortar stores in the state, have already signed up for retail space, with Dumpling House coming on board for the food court. This project reflects a broader trend of prime Adelaide retail space attracting major national and international brands that are yet to have a presence in South Australia. International fashion retailer UNIQLO is slated to open its first South Australian store within the Myer Centre in late 2022 in a new tenancy spanning some 1,000 square metres.

The return on investment for these refurbishments and redevelopments is still enticing, with South Australia continuing to offer higher yields than the eastern seaboard.

The return on investment for these refurbishments and redevelopments is still enticing, with South Australia continuing to offer higher yields than the eastern seaboard. For long term returns, URBIS data shows that bricks and mortar retail spending in Australia is expected to increase by $40 billion by 2025 despite increased competition from online shopping.

A prominent and long-awaited development is the $400 million Adelaide Market Arcade which is slated to begin in June 2022 with an approximate three and a half year build time. It is reported that the builder, Multiplex, is hoping to achieve Adelaide's greenest office tower, with a six-star green star rating being desired for the approximately 15,000 square metre, seven-storey space. Included within the mixed-use development is a 37-storey tower featuring 212 apartments and a 251-room hotel connected by a rooftop terrace, which will be situated above the 8000 square metre, two-level retail space.

The proposed interior refurbishment for City Cross Shopping Centre
Source: revelop.com.au

Overall, the majority of refurbishment and development is concentrated in Adelaide and is focused on higher price points and quality levels. Suburban retail remains stable, however interest from interstate and overseas remains strong due to the higher yields offered in comparison to the eastern seaboard.

Chris Winter
Commercial director

COMMERCIAL - RETAIL

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Western Australia - Retail 2022

Perth

The Western Australian retail sector has been acutely impacted by trading restrictions imposed by the onset of the pandemic, however over the past 18 months, with the aid of tight border restrictions, the cash surplus created by government stimulus measures coinciding with the state's mining boom has been largely retained in Western Australia and has found its way to consumers' pockets, the beneficiaries being local-based retailers.

Certain retailers found themselves achieving record sales and revenue in 2021 and into 2022. No doubt there is some trepidation amongst such retailers following the removal of border restrictions about whether turnover will gradually align to historical trading levels, but as these and other trading restrictions are gradually eased, households are well-placed to bolster sales backed by a resilient state economy and strong growth in the residential property market.

The performance of the residential property market has placed considerable pressure on the local construction industry. Labour shortages and construction material supply chain disruptions have contributed to a pronounced and rapid escalation in build costs across all real estate sectors, while also delaying project timelines.

Nonetheless construction of new retail space has been prevalent in designated activity centres in Perth's establishing, peripheral suburbs. Typically, these projects consist of neighbourhood-sized shopping centres anchored by a major supermarket chain with accompanying fast food outlets and service stations.

Nonetheless construction of new retail space has been prevalent in designated activity centres in Perth's establishing, peripheral suburbs.

Such assets, if appropriately leased, are demonstrating significant returns on investment when put to market. Led by an influx of eastern states-based buyers, demand for modern, leased investment property on the back of the prevailing low interest rate environment has led to significant yield compression and premium sale prices that are well over and above replacement cost.

Investment-grade retail property (e.g. neighbourhood shopping centres) is one such highly sought after asset, often meeting key criteria that sophisticated investors continue to seek, such as long remaining lease terms (i.e. WALE), non-discretionary tenancy mix backed by strong lease covenants to anchor supermarket operators and sound locational attributes with a growing population catchment. Prospective buyers remain focused on the length of agreed lease terms, prospects for rental growth and depreciation benefits.

In terms of major refurbishment, the talk of the town is the launch of AMP Capital's Karrinyup Shopping Centre following an estimated $800 million expansion and refurbishment project. This project focused on delivering a new retail experience for shoppers featuring high end retail brand outlets, leading restaurants and bars, myriad entertainment options such as Hoyts cinemas, mini-golf and bowling, and health care consultants, all under the one roof. One could argue that the centre has become a community centre as opposed to a traditional shopping centre. The next stage of the project will see the construction of 350 residential apartments.

On a smaller scale, traditional high streets are retaining their appeal to customers for their convenience-based shopping, despite their much-publicised trading difficulties. Rather than being repositioned by landlords however, refurbishment tends to be more frequent and often in the form of landlord works included as an incentive in new lease agreements. Non-traditional retailers such as health-care services (e.g., physiotherapists, yoga studios, etc.) are becoming more common as conventional retailers diversify their product or service offering.

Above all, the retail sector is one that is constantly changing. Innovation and re-invention are critical in meeting the evolving needs of customers and are key to the Western Australian retail sector going forward.

Greg Lamborn
Director

Northern Territory - Retail 2022

Darwin

The major talking point in the Darwin retail property sector has been the recent sale of Casuarina Square by GPT Property to the Sentinel Group for about $400 million. Since 1973, Casuarina Square has been the King Kong of Darwin retail, with 190 stores (Big W, K-Mart, two supermarkets and specialties) and further development potential, however the property is not without challenges to maintain its dominance. It is located in the northern suburbs whilst most of Darwin's new housing is developing in the south-east corridor. The ever-present crime issues together with changes in consumer retail habits mean that the new owners will need to be proactive, especially since the development of new competing centres at Gateway and Coolalinga.

There are few other transactions to report. Retail property follows the same general trends in Darwin as all other forms of commercial property, with even strongly let property attracting a significant yield premium over similar assets in other capital cities. Sales of CBD property tend to be more focused on potential for upper level development for office and residential, with CBD retail conditions remaining very difficult. Overall retail property conditions in Darwin are expected to remain fairly static across Greater Darwin over the next 12 months unless a major infrastructure project stimulates demand. The recent federal budget was a positive in this regard, promising $2.6 billion in infrastructure development in the Northern Territory including a new port on Darwin Harbour ($1.5 billion), new logistics hubs in Alice Springs, Tennant Creek and Katherine ($440 million), a hydrogen industry in Darwin ($300 million) and sealing of more of the Tanami Road ($110 million).

Terry Roth
Director

Overall retail property conditions in Darwin are expected to remain fairly static across Greater Darwin over the next 12 months unless a major infrastructure project stimulates demand.

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Residential

May 2022

National Residential Overview

What a difference a month makes! Since our April update we now have a Federal election campaign in full swing and the first RBA cash rate increase in more than a decade.

While Federal elections have traditionally reduced activity as people wait for the outcome, multiple interest rate increases are looming and appear to be impacting buyer sentiment. This has been most notable in Sydney and Melbourne where growth has continued to ease and may have peaked in a number of markets.

The RBA's April Financial Stability Review noted the existence of strong household balance sheets across the nation underpinned by high savings, a robust labour market and rising house prices. Owner-occupiers with a variable loan had a median excess payment buffer sitting around 21 months which is approximately double the levels from the start of the pandemic. The result is that many homeowners should be in a stronger position to weather increasing rates than previous cycles.

Of course, the extent of future rate increases, the speed at which they'll be passed on by the banks or the degree to which property values might fall is difficult to predict with certainty. That said, buyers more generally may be less enthusiastic but there are some individual buyer demographics who may soften the landing.

One group is investors. As owner-occupier demand decreases, investors with new savings and equity may see opportunities to acquire properties and take advantage of low vacancy rates and rental price growth.

As owner-occupier demand decreases, investors with new savings and equity may see opportunities to acquire properties and take advantage of low vacancy rates and rental price growth.

In addition, Australia's low unemployment will attract immigrants as international borders reopen and international travel normalises. Many of these new Aussies may look to purchase a home rather than compete in the tight rental market.

Rate changes and construction

Cash rate increases can be a blunt instrument to curb inflationary pressures which can also have undesirable flow on effects for some sectors.

In the construction industry, rising interest rates will compound existing challenges in particular for inflight projects. Demand for new dwellings and renovations spiked through the pandemic which, in turn, put pressure on the cost of building. But increases in construction costs have been driven primarily by the lack of supply surrounding core materials and labour – it's unlikely rate rises will remedy this.

There were several high-profile builders who collapsed last year in part due to quickly rising costs impacting margins. Continued interest rate increases will only compound this problem for the builders already under margin pressure.

When costs rose during the pandemic, builders had to increase their quotes to protect their margins. Simply increasing contract prices may not be as effective when it comes to interest rate rises. It will be interesting to watch this space evolve and see if builders can find solutions.

In addition, rising interest rates could do little to stymy first homeowners from building. There are several existing grants helping this cohort into new builds, and the tightening rental market makes ownership rather than renting a compelling option.

Ben Esau
National Director, Residential

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National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.

Bathurst
Burnie/Devenport
Canberra
Dubbo

Geelong
Gold Coast
Launceston

Albury
Ballina/Byron Bay
Central Coast
Coffs Harbour
Hobart
Illawarra

Lismore
Mildura
Newcastle
South West WA
Sydney
Wodonga

Melbourne
Southern Highlands

Adelaide
Adelaide Hills
Albany
Alice Springs
Barossa Valley
Brisbane
Broome
Bundaberg
Cairns
Darwin

Emerald
Esperance
Geraldton
Gladstone
Hervey Bay
Ipswich
Kalgoorlie
Karratha
Mackay
Mount Gambier

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

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National Property Clock: *Units*

Entries coloured blue indicate positional change from last month.

Bathurst
Burnie/Devenport
Geelong
Gold Coast
Launceston

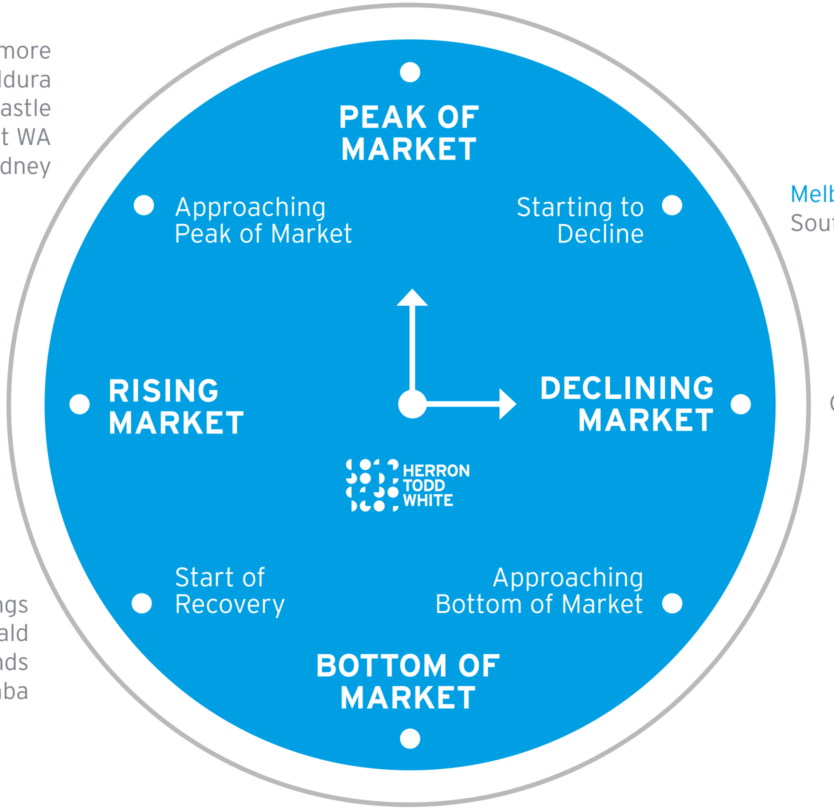
Melbourne
Southern Highlands

Canberra

Ballina/Byron Bay
Central Coast
Coffs Harbour
Hobart
Illawarra
Lismore
Mildura
Newcastle
South West WA
Sydney

Adelaide
Adelaide Hills
Albany
Albury
Barossa Valley
Brisbane
Broome
Bundaberg
Cairns
Darwin
Dubbo
Esperance
Geraldton
Gladstone
Hervey Bay
Ipswich
Kalgoorlie
Karratha
Mackay
Mount Gambier
Mt Gambier
Perth
Port Hedland
Rockhampton
Shepparton
Sunshine Coast
Tamworth
Townsville
Whitsunday
Wodonga

Alice Springs
Emerald
Southern Tablelands
Toowoomba



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New South Wales - Residential 2022

Sydney

Over the past two years, the cost of construction has increased at a quicker rate than normal as COVID-19 and more recently the war in Ukraine have placed increased pressure on supply lines of building materials and transport costs.

CoreLogic reports that New South Wales residential construction costs have increased by 8.8 per cent in the year to the end of March, well above the inflation rate. They also noted the increase was 2.4 per cent over the first quarter of 2022. However, in some parts of Sydney, we are seeing increased costs well above these rates.

Western Sydney

Follow the tail lights of a chippy's ute in the early morning and they will likely take you to a new suburb within one of Western Sydney's growth centres. Suburbs include Marsden Park, Schofields, Box Hill and surrounds in the north-west and the suburbs of Leppington, Austral and Oran Park to the south.

These regions see project homes built en masse as part of house and land packages, individually as selected by land owners or larger master planned estates such as Elara in Marsden Park.

From our experience, building rates have been creeping upwards over the past 12 months with talk around the toolbox being supply issues, a spike in raw material costs, weather delays, domestic and internal issues and inflation being reasons behind the increases. The tenders that come across our desk are typically ranging from $1800 to $2100 per square metre of living area for project homes with individual higher spec homes from $2100 to $3000 per square metre and luxury dwellings $3,000 per square metre plus.

An entry level four-bedroom two-bathroom dwelling can be built for $300,000, similar to the below example in Box Hill.

20 Blazer Street, Box Hill Source: realestate.com.au

An issue faced by consumers of low-cost fixed price building contracts are that delays can cost the builder time and money.Sharp increases in materials or lengthy delays may require the builder to ask for more money to complete the job given the small margins to begin with. This may result in builders completing jobs for no profit or worse, being unable to finish and going bankrupt with a number of incomplete jobs. This has been seen with larger builders over the past 12 months, creating a ripple effect throughout the community with many unpaid subcontractors potentially facing financial hardship.

The outlook for new homes in western Sydney is reliant on the demand for new housing. Government grants have kept this area buoyant over the past few years and we consider this will continue given the economic benefits new housing offers to the community.

The high cost to build and renovate has helped quality renovated homes sell for a premium. If the work has already been done and to a good standard, the market is happy to pay a premium rather than spend the time and effort on project managing the work themselves.

South West Sydney

South-western Sydney has undergone substantial residential growth over the past few years and we consider this growth will continue, fuelled by new estates, expansion of existing estates, master plan developments such as the Aerotropolis and new infrastructure such as the Badgerys Creek Airport.

Whilst the Australian Bureau of Statistics reported a drop in approved dwellings from the peak of April 2021 of 15,254 to February 2022 of 10,240, this does not show the complete story.

In the south-west, you do not need to drive far to see a house under construction in any suburb, however the majority of work is occurring within the new estates.

Yes, demand is at an all-time high for builders, however we consider this problem is mostly mitigated by the way developers stage their land releases, with owners buying land months in advance of their registration date, which gives time

The real problem is seen in those undertaking small renovations or repairs. Delays can be months and work can be very slow as tradespeople are drawn towards the bigger jobs of building a home which comes with financial certainty and stability compared to one-off renovations.

for the prospective owner to organise a builder and for the builder to stage their build projects. The real problem is seen in those undertaking small renovations or repairs. Delays can be months and work can be very slow as tradespeople are drawn towards the bigger jobs of building a home which comes with financial certainty and stability compared to one-off renovations.

Whilst the staging of land releases helps with the lead in time for commencing the construction of a new home, it has created a new headache for builders. Over the past 12 months we have seen materials such as timber and steel double and even triple in cost.

The consequence of the long lead in times between signing the building contract and the ability to commence works on a registered parcel is that costs have significantly increased for the builder.

Most builders have had to take the loss and carry the increase in construction costs for projects already signed, but moving forward, builders have started to protect themselves from price increases through a number of new contract clauses. We have seen provisions or allowances in contracts that the builder can draw upon if costs go up. We have also seen big ticket items such as the timber frame being listed under the provisional prime cost items of a building contract. Larger companies have also been able to set up conditions with suppliers to ensure costs don't go up for a set period of time.

Currently we are seeing the cost for a basic project style home at anywhere between $1700 and $2100 per square metre of living, with the $400,000 mark representing an entry level dwelling. The time taken to construct really depends on materials and the style of home. A basic home can be built within 16 weeks, however the more architecturally designed homes can take up to 40 plus weeks to finish.

From the land owner's perspective, we are seeing more owners trying to cut their build costs by leaving key items out of the contract such as fencing, driveways and landscaping. We are also seeing owners sourcing items such as flooring and PC items themselves in a further attempt to cut costs.

Moving to the market side of things, an emerging issue we are seeing at Herron Todd White is the cost of a new home (the price of the land and the price of the construction) is not equating to the value of a completed dwelling. The dilemma is that land prices are going up, building costs are going up, however the market for completed homes is flattening. Moving forward, owners should be wary of this and do their homework before signing any land or building contract to ensure they have enough funds to complete their project.

North Shore/Ryde

The Upper North Shore, Lower North Shore and City of Ryde Council area are all experiencing the same challenges in relation to skyrocketing building costs compounded by the difficulty of finding a builder to undertake the required work and extended timeframes due to supply issues. Initially it appeared that the market was relatively resilient to these cost and supply issues, with construction and renovation projects increasing dramatically during the latter part of 2020 and continuing throughout 2021. Extremely strong general market conditions enabled owners and developers alike to absorb the increased construction costs, with the premium sale prices being achieved easily absorbing any increased costs.However, as we have moved into a period of market stabilization and softening, the sentiment appears to be changing.

The City of Ryde Council area saw a recent easing in requirements for dual occupancy development, leading to an influx of developer activity in this sector of the market. This increased demand resulted in extremely strong price growth over an extended period of time across multiple suburbs within the council area. Resultantly, construction activity increased with duplexes being built at a fast pace, developers apparently being undeterred by rising building costs.

It does finally appear however that with the current changing market sentiment being experienced, dual occupancy sites are now sitting on the market for a longer period compared to late last year. The continuing increased construction costs combined with current flattening market conditions have obviously reduced the profit margins of these projects. Compounding the above are current supply issues, with construction periods being extended, increasing the overall holding costs for developers which have to be factored into these projects.

A potential duplex site in Ryde, sold 2/4/2022 Source: realestate.com.au

The North Shore market is also starting to see stabilising conditions in general. There have been some interesting insights offered from local selling agents regarding current construction costs and the impact this is having on the market. The same factors are at play as discussed above with increased construction costs, supply shortages and difficulty in finding a builder all playing into the current situation.It appears that properties requiring full renovation or refurbishment, usually a highly sought-after product on the North Shore, are taking longer to sell and vendor expectations are having to be reduced.This directly relates to the current issues in the construction industry, with the risk to potential purchasers buying a renovation product increasing in terms of both cost and time.

It has also been discussed that vendors who want to conduct minor works to their property for marketing purposes prior to listing on the market are having difficulty finding a tradesperson to undertake these works. The strong demand for builders has had the consequential impact of smaller renovation jobs becoming less desirable to them due to being less profitable in comparison to the larger projects on offer.Many of these vendors are therefore selling as is or holding off until they can get the desired renovation works completed at a reasonable cost.

On the flip side, recently constructed or newly renovated homes are in continued high demand, obviously with no risk or concern regarding construction costs. These contemporary style homes are still achieving strong sale results and the time on the market reflects the strong demand. A good example of this is a recently completed, high quality residence in St Ives, selling after seven days on the market for $6 million (as per RP Data records).

A newly constructed St Ives residence, sold 9/2/2022 Source: realestate.com.au

Northern Beaches
Northern Beaches Council reported 2587 development applications through the 2020/21 financial year that included 1271 residential alterations or additions, 123 new residential dwellings and 140 secondary dwellings. This is a year-on-year increase of 8.6 per cent (compared to 2019/20 financial year).The first two quarters of the 2021/22 financial year (1354 applications) suggest this will likely increase and place additional pressure on the construction industry (source: northernbeaches.nsw.gov.au). Interestingly, construction activity is consistent across the board, with most suburbs having around 10 to 20 active applications at any one point in time.

The general consensus is that construction costs have risen around 30 per cent on average, factoring in delays and increased material and labour costs. Builders are generally providing 14-to-21-day quotes to ensure pricing accuracy as well as an increase in cost-plus contract scenarios, enabling builders to charge customers actual costs incurred. Alteration or addition projects can pose extra challenges with regard to tendering, as the style and size of the project may dictate a builder's appetite to take on the project. They are also often harder to price and quotes can vary greatly between builders.

These added costs have fortunately been absorbed by the local market and certainly contributed to rising house prices. A recent example is 46 Dove Lane, Warriewood, which sold in February 2022 for $3.2 million. The sale is of a brand-new home built by Icon Homes on 314 square metres of land. It is an incredible result with consideration to the underlying land value and is indicative of the premium buyers are willing to pay for a newly completed product in the current construction climate.

46 Dove Lane, Warriewood Source: CoreLogic

Southern Sydney
The construction industry has experienced a surge in the Sutherland Shire over the past two years.

Although recent sales evidence suggests that a premium is still being paid to secure large duplex sites, profit margins are becoming thin and the risk associated in constructing high quality duplex projects is increasing due to increasing build costs and the high cost of the land.

As homeowners have been unable to spend their money on travel and social events, they have instead turned to spending their money on home renovations.

Builders have been faced with delays on products anywhere from a few months to almost a year to receive materials from overseas due to the pandemic and also the increase in materials needed as more people decide to renovate their houses. This supply and demand issue has pushed the cost of materials upwards significantly. We have noticed that homeowners who previously had the funds to pay for the renovations themselves are now less likely to be able to self-fund the project and are increasingly relying on lender finance to complete renovation works.

A product to watch in the Sutherland Shire is high quality modern duplex properties. Duplexes have always been popular in this area as they offer a low maintenance house-like dwelling. They appeal to downsizers who can sell their large family home and move to a smaller dwelling and young families who can have a quality product for less than the price of a detached older dwelling.

High quality duplexes in Caringbah and Caringbah South are now achieving prices of over $2 million. A good example of this is a 2019 built duplex at 14B Tergur Crescent, Caringbah. This duplex originally sold in May 2020 for $1.4 million and then again in March 2022 for $2 million, showing the current demand in the market for new or modern homes.

14B Tergur Crescent, Caringbah Source: CoreLogic

Although recent sales evidence suggests that a premium is still being paid to secure large duplex sites, profit margins are becoming thin and the risk associated in constructing high quality duplex projects is increasing due to increasing build costs and the high cost of the land.

There are various high-quality projects amongst the St George and Bayside regions. They are generally situated within the suburbs of Blakehurst, Kyle Bay, Connells Point, Monterey, Ramsgate Beach, Sans Souci and Sandringham. We also note that there are multiple high quality unit complexes within Ramsgate Beach and Dolls Point.

The market has experienced the highest percentage of growth within this property type.A premium is generally paid for these properties given the demand for completed properties over properties which require renovation works.

In the past 12 months we have seen high quality modern dwellings with no water frontage selling at well above prices previously only seen for waterfront properties. A recent example is a 2017 built dwelling located opposite Botany Bay in Sans Souci which sold for $6.5 million in December. The property is a two-story dwelling with basement and roof terrace, with four bedrooms, two bathrooms, four-car garage, four-level passenger lift, but with no pool and on just 456 square metres of land.

Sans Souci sale Source: realestate.com.au

Inner West

The construction industry in the inner west of Sydney is facing the same challenges as much of the construction industry on a macro level in Australia, in that it has been affected by supply chain issues and personnel shortages due to the COVID-19 pandemic.

A large portion of total construction around the inner west encompasses renovations and additions to dwellings, most commonly period style homes and terraces. The majority of these renovations and extensions are being completed by smaller boutique style builders and sole traders who

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rely heavily on larger national retailers such as Bunnings Warehouse who in turn rely heavily on their national and international logistics operations.

Given the delays in logistics experienced both nationally and internationally over the course of the past six to twelve months, construction costs and time have been extended and inflated. In return, these smaller builders in some instances have had to take on less work to accommodate these logistical delays. As such it has been harder for prospective renovators to access the builder they desire, meaning that in most cases they would have to delay commencement of their renovation.

Construction costs on a dollar per square metre basis in the inner west tend to have a broad range and are heavily affected by factors such as access quality, demolition and preparation works and the level of finish. Therefore it is difficult to assess an average rate range per square metre, however indicatively speaking, a range in the order of $4000 to $6000 per square metre is to be expected in the current market.

Given the increased costs in construction and the delays in completing a renovation – with renovations taking longer than 12 months in some instances – newly renovated dwellings appear to be achieving a premium in recent months. However, with the general housing market in the inner west somewhat cooling from the rapid growth experienced during 2021, as well as changes to legislation in regard to COVID-19 close contact isolation procedures, it would appear these supply chain delays and cost increases are reverting to normal and are expected to be back to normal levels by the end of 2022. In saying that, there have been instances over the course of the past six to twelve months where a premium has been paid to secure an extensively renovated dwelling. Examples include the sales at 38 Metropolitan Road, Enmore and 60 Westbourne Street, Stanmore, both selling for substantially more than their listing prices.

Renovation at 38 Metropolitan Road, Enmore Source: realestate.com.au

Inner Sydney
Within inner city Sydney, renovations have always been a popular alternative to moving, due to the high stamp duty and selling costs associated with transacting in an area with high median prices. Furthermore, the majority of dwellings within the city fringe areas are older style terrace dwellings, requiring updates for the modern day lifestyle, such as a fourth bedroom, additional bathroom or ducted air conditioning.

Like most industries and areas, the inner city faced challenges with labour and materials supply during the pandemic and due to the extended timelines associated with additions to older style dwellings, the industry is yet to recover from these challenges, with anecdotal evidence suggesting that renovation costs have increased by as much as 30 per cent since the start of the pandemic.

Renovations and additions to a standard 130 square metre Victorian terrace can vary as much as the length of a piece of string, with something basic such as a lower level addition costing around $400,000 ($3076 per square metre), or a more extensive addition costing circa $800,000 ($6154 per square metre). Extensive re-builds, often retaining only the original Victorian façade, commonly exceed $1 million ($7692 per square metre) and are surprisingly common. Extensive renovations such as this can exceed a year to complete, often taking place on narrow inner-city streets with limited access (sometimes no rear lane access either) and include imported or custom finishes, however more minor additions and alterations can be completed in under nine months – weather depending.

Extensively renovated dwellings within Sydney's inner city have always been sought after due to the hassle and time associated with completing such works. This coupled with the work from home driven demand for upsizing during the pandemic has meant that modern dwellings with period charm have been commanding a premium during the most recent stage of the market cycle.

Such a premium was achieved for 198 Jersey Road, Paddington, a fully re-built three-bedroom, three-bathroom terrace with one-car garage on 127 square

Given the increased costs in construction and the delays in completing a renovation – with renovations taking longer than 12 months in some instances – newly renovated dwellings appear to be achieving a premium in recent months.

HERRON TODD WHITE RESIDENTIAL

For terrace style homes in highly regarded inner suburbs such as Paddington, we have seen very high-quality renovations with significant amounts of imported materials push building rates above $15,000 per square metre in some instances.

metres, which sold in late March for $4.375 million. Just up the road (on the same day) a re-built terrace was also selling, although finished to an inferior calibre. 190 Jersey Road, a three-bedroom, two-bathroom terrace with one-car open space also on 127 square metres sold for $3.715 million, clearly showing that the inner-city market places a premium on good quality, well configured renovations.

198 Jersey Road, Paddington Source: CoreLogic

Eastern Suburbs

Building rates in the eastern suburbs have traditionally been higher than in other parts of Sydney, primarily due to high quality local and imported inclusions, heritage and period style dwelling renovations and other unique architectural features.

Throughout the wider eastern suburbs, dwelling building rates of $5000 to $8000 per square metre are now common, with detached prestige dwellings now pushing above $10,000 per square metre in the upper range. For terrace style homes in highly regarded inner suburbs such as Paddington, we have seen very high-quality renovations with significant amounts of imported materials push building rates above $15,000 per square metre in some instances.

The demand for builders and tradespeople has also increased and typical build times for new builds or significant renovations or extensions range from 12 months up to two years for larger scale projects.

Another feature we are seeing is the increasing percentage of building contracts being written on a cost-plus basis. This type of building contract offers the builder some comfort when pricing a job that an increase in building material costs throughout the construction will not result in an unfeasible project as might be the case in a fixed price building scenario. It can also be appealing to owners as it lessens the likelihood of builders having to cut back on costs throughout the build which may lead to an inferior quality final product.

Lender financing for a cost-plus build contract however is slightly more complicated and a quantity surveyor may be required to advise the lender of where the total construction cost may end up and also to complete progress inspection reports throughout the build to advise the cost to date and cost to complete, and to authorise any progress payments.

Recently constructed or renovated homes are highly regarded in the market and at the prestige end, are generally the properties which often attract the most interest. A prestige property at 12 Bronte Marine Drive, positioned opposite the ocean and Bronte Beach, sold in April for $17.7 million. The property had undergone a recent high-quality renovation with features including Italian terrazzo kitchen with Wolf and Sub-Zero appliances, stone bathrooms, oak flooring, home automation, home cinema, wine cellar and outdoor pavilion with kitchen and mineral pool.

12 Bronte Marine Drive, Bronte Source:CoreLogic

12 Bronte Marine Drive, Bronte Source:CoreLogic

Shaun Thomas
Director

RESIDENTIAL

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Illawarra

The residential construction industry in the Illawarra has been under stress since bushfires and the pandemic caused supply chain issues. After these events, the region, like much of the rest of the country, has had to deal with delays and price rises. Builders and tradespeople have been widely sought after and in demand. Owners in the process of building or renovating or even just after little odd jobs have been struggling to get their projects completed.

Apart from enforced lockdown periods, construction has never halted. Visit one of the region's new subdivisions and there is an abundance of construction fencing, scaffolding, delivery trucks and utes all working together. Established builders with large orders have been prioritised when it comes to material shortages and these project builds have mostly proceeded as normal when under contract, maybe with some delays, but when builders became aware of supply chain issues and material shortages, any new quotes have had to account for these issues.

The price of building works has increased as a result. Rates for basic single level project housing have increased from around $1600 per square metre of living area to $2000 plus. For a 160 square metre home, this can be an increase in cost of over $60,000 and doesn't account for rises in costs of additional items such as window coverings, driveways and landscaping etc. We have also seen building periods in contracts increase from six to nine months to nine to twelve months for standard new residential projects.

The delays and increases in costs have meant a similar thing in the residential market as the car industry has seen. A premium is able to be applied to ready to recently completed or used stock. Instead of the dream of building their own home, many in the market have made a move towards purchasing a completed house, taking out the uncertainty of going through the build process themselves. While the entire residential property market has increased dramatically over the past two years, it appears to have been exaggerated in these new subdivisions where established housing is competing with vacant land. In Tullimbar, a house and land package sold at the very start of the pandemic in March 2020 for $724,000 and resold in February 2022 for $1.08 million, a 50 per cent increase in value in just two years.

The outlook for new home construction still appears to be strong if the uptake in the available vacant land lots is anything to go by.

While supply chain issues do not appear to be as exaggerated as they once were, local and global economic factors are all indicating that higher prices might be around for a while yet so there may not be any benefit to sitting around and waiting to start your next project. It will just require patience and maybe a number of unreturned phone calls to engage with a builder or tradie.

Chris McKenna
Director

Lismore/Casino/Kyogle

"It should gladden the heart to know,

That thy lender prepares for a loan,

Soon we shall be hearing cadence of construction,

As hammer and nail build for function,

Hark the builder that walks upon the gifted building site,

Whom does not lament the fact that the "cost plus price" ain't light,

Whilst the land owner may not wish to enter the lender's domain,

For fear that the variable rate rise will remain,

And as they do, two factors to conspire,

Push the total cost beyond the spire,

However, never fear and do not moan,

For in a little time, you'll have a home.

Ragnar Lothbrok's musing on foreign land acquisition and building construction (perhaps?)

Currently, building activity within Lismore City and the surrounding country towns of Casino and Kyogle is still strong, particularly in the suburb of Goonellabah (Lismore City) where the bulk of the new land development has taken place in the past ten years which in turn gives plenty of work for building contractors over the short to medium term.

With the recent flooding disaster in Lismore City and the surrounding rural and riverside towns of Richmond Valley and Kyogle, the demand for builders and contractors is going to be sky high and securing such talented people is going to be a real challenge, so the war cry for apprentices to be taken on is becoming more apparent as we look to the long term future and sustainability of house construction.

Inflationary pressures and supply chain issues have been around for a while now within the construction industry with the price of key materials rising strongly.

Less than five years ago, we noted the standard local construction cost for a home would range between $1100 and $1500 per square metre (including garage, patio, porch, etc) depending on the location, design layout, floor size and quality of improvements. Today, that same home is likely to range between $1750 and $2500 per square metre locally. Further removed from the regional centre (Lismore City) and country towns (Casino, Kyogle), construction or tender quotes will rise.

To date, these rising construction costs have been commensurate with the dramatic rise in house sale prices as demand continues to outstrip supply and lending interest rates remain low. In practice so far, the cost expended has been met with a corresponding improvement in market value.

But, how much longer will this last?

It has already reached the point where the total household debt loading for housing is at a record high. Once that three-year fixed rate loan of less than two per cent expires and the remaining debt is exposed to a likely higher interest rate in the near future, there will be some significant challenges for the property owner or investor. Only a small rate rise applied to significantly higher mortgage amount will cause some pain in the already strained household budget.

There have been some instances locally where the previously agreed building contract price has been amended prior to commencement of construction in order to account for price rises in building materials over a short time span or where delays have been encountered due to pressures on acquiring said building materials and securing the appropriate tradespeople, hence the time frame for construction has become, shall we say, fluid.

That once oft repeated quote…"Build it and they will come" should read "Build it?....yeah right! When I have the materials and labour, mate!".

The outlook for new home construction still appears to be strong if the uptake in the available vacant land lots is anything to go by.

The small land developments currently in development in Casino and Kyogle have virtually all been purchased off the plan and given the amount of land available in suburbs such as Goonellabah (Lismore City), there is likely to be plenty of work for builders and tradespeople within Lismore City, Richmond Valley and Kyogle Council shires for the next three to five years.

In summary, the sentiment to buy land and build is alive and well despite the threat of potential rate rises and rising construction costs.

Vaughan Bell
Property Valuer

Clarence Valley

Across the Clarence Valley, 2022 is seeing challenges in the building and construction sector, as in many other areas of life. In recent times, demand has increased dramatically with wait times for materials and qualified tradespeople being extended.

Now, recent horrific flood events have caused damage from cosmetic repairs to extensive rebuilds which will undoubtedly place even more pressure on this sector.

Needless to say, if you are looking to undertake a small-scale renovation, there will be a significant wait time.

A noticeable and easily measurable factor is wait times for steel. This is evident as sheds have become increasingly popular in areas such as Townsend and Gulmarrad and reroofing in more established areas such as Maclean and Grafton. For instance, wait times for some shed supplies have blown out to six to twelve months, a factor customers seem to accept without protest.

As for new home construction, whilst there is a delay in commencement, there has been little to no change in handover time frames, however the delivery of new estates in Yamba, Townsend, Gulmarrad and Grafton is likely to see some further delays.

Simply, for those looking to renovate, extend, add or build, the option is viable, however patience is necessary. Good planning will help!

Caitlin Davies
Property Valuer

Coffs Harbour

It appears that the dream of building your own home has never been more popular as it is today within the Coffs Coast region.

The insatiable appetite of buyers trying to secure what little vacant land is available is demonstrated by estates being sold out off the plan months in advance of construction being the norm. We are now hearing reports that these landowners are struggling to secure builders to construct

In fact, most builders will be reluctant to provide you with a signed fixed price contract today, knowing the cost and supply of building materials cannot be guaranteed.

their dreams with wait times of up to two years in some cases and if this was not bad enough, there is no guarantee the cost of that home will be what is quoted today. In fact, most builders will be reluctant to provide you with a signed fixed price contract today, knowing the cost and supply of building materials cannot be guaranteed. Typically what we are seeing is builders providing construction cost estimates at the initial date of engagement with the actual fixed price contract not provided until the soil is ready to be turned, which may be 12 or so months after the initial contact. Over this period the construction cost will most definitely increase, possibly in the 10 to 30 per cent range. This has implications for the owners with regard to funding and bank loans. Often the property owner has a set budget and any significant increase in cost will have severe implications on the ability to fund the project.

The other building option we are seeing in the market is the increase of cost-plus contracts. This is where no fixed price is agreed, rather the contract will be for the cost of materials and labour passed on plus a builder's percentage which may be in the 12.5 to 25 per cent range. These types of contracts can be more challenging to keep to a budget as the end line is often blurry. Typically, a cost estimate is provided with this type of contract, however these are only estimates as cost and supply of materials rapidly change plus changes are made by the owners as the build progresses. These estimates in most cases are well below actual cost. Again, this brings issues with funding: most property owners have tight budgets and any significant increase in the original estimate will affect the ability to secure the money through a lender. We see this type of contract more with the prestige property (high end builds) where owners have the financial capacity to absorb these costs. Property owners are also very reliant on the builder having their best interests at heart, rather than his own bottom line.

The challenges of the construction industry in terms of the limited supply of qualified tradespeople and ever-changing cost and supply of building materials does not just affect new home builders; the renovation market also has the same issues. It is very difficult to find qualified builders who can take on smaller jobs such as bathroom or kitchen renovations and then there is the cost. The old saying of "what you think it will cost, just double it and you might be close" is very true in today's market.

We can only see this issue being exacerbated in the short to medium term with the major construction to take place in the northern New South Wales regions of Lismore and Ballina which will result in more pressure on labour and material supply which in turn will increase the cost to the consumers. Unless we have a significant economic downturn, I cannot see any respite in the construction industry issues. Construction time and cost will only increase in the short to medium term and while property prices continue to follow, this increase in extra time and cost are absorbed. The real issue comes when property prices stagnate or potentially weaken, and this extra time and cost is no longer absorbed. Funding then becomes a major problem for the average person.

Availability of local builders is currently extremely limited, with most construction businesses having fully subscribed work for the next nine to twelve months.

Grant Oxenford
Property Valuer

Tamworth

Traditionally the City of Tamworth has been well serviced by the construction industry. Local new home construction ranges from affordable prefabricated (kit style) dwellings to architecturally designed modern residential projects. The new home market is dominated by modern, project style, brick veneer, freestanding, single storey dwellings. The local economy has long relied on the construction industry, having approximately 8.2 per cent of the full-time equivalent employees within the local government area employed in the sector (source: economy.id.com.au).

The region has historically been generally well-serviced by qualified and skilled trades. Recent strengthening residential market conditions experienced together with the Homebuilder scheme have resulted in unprecedented demand for new home construction. This increased demand has put pressure on the local construction industry. Availability of local builders is currently extremely limited, with most construction businesses having fully subscribed work for the next nine to twelve months. Also apparent is a slight decline in new housing construction projects in the 2022 calendar year in comparison to 2021. This is reflective of delays to current (in progress) construction projects due to material delays and labour shortages.

North Tamworth and Moore Creek residential areas have experienced the largest growth in new homes within the past decade. Estates such as Moore Creek Gardens, Windmill Downs, Windmill Hills and The Meadows have been the most popular residential housing estates within the area in which to build. Due to current supply line challenges and skilled labour shortages, the area has seen construction prices increase in the past 12 months. Price increases are estimated to be as much as 25 per cent over the past 12-month period with current indicative construction costs ranging from $1800 to $2100 per square metre (gross building area). Cost increases for building materials have been generally passed on by trades to the end consumer. Further challenges for construction companies are apparent when providing fixed price building contracts, as variable increases in building materials are anticipated in the short term.

So, what can your money get you in the new home market in Tamworth? House and land packages for single storey, brick veneer and tiled roof dwellings with four-bedroom, two-bathroom accommodation start from $480,000 and rise to up to $800,000 depending on suburb, land size and building size. Property owners are opting for larger residential land sites with close proximity to Tamworth CBD. Also, a consideration is larger dwelling sizes with secondary living quarters or office areas. A focus on a work from home option is evident in modern home floor plan designs.

Due to the strong activity in the new home market, property values of established homes recently constructed (in the past ten years) are also being impacted. There is clear market evidence that purchasers are willing to pay a premium for modern style dwellings in similar locations as opposed to waiting to construct new.

The short-term outlook for the Tamworth region is that the price increases will not subside in the near future. If anything, the availability of residential vacant land will improve as new and extending residential estates push through new allotment registrations. Small adjustments to building plans and slightly more affordable build projects are likely to emerge as increased cost to construct pressures continue to mount in the local industry.

Nick Humphries
Property Valuer

Byron

Construction activity across the Byron Shire is, for the most part, constrained by a lack of land suitable for the construction of new dwellings. In localised pockets such as Mullumbimby where land exists in small quantities, construction tends to be dominated by the first and second home demographic that focuses more on affordability and value for money than prestige or high-end specs. These locations are dominated by volume project home style builders constructing ready to move in houses at a general cost base in the $400,000 to $550,000 range with finished products reselling in the $1.1 million to $1.4 million range.

The balance of domestic construction in the Byron Shire falls into three categories:

1. **Secondary dwellings and studios -** These tend to be relatively low cost projects intended to add value to established properties and generally have a cost base of $175,000 to $250,000 with numerous specialty builders operating in this space.
2. **Renovations and extensions -** These projects are carried out by homeowners looking to add value and lifestyle to existing properties. Costs for these projects vary widely from minor works to major, high-end bespoke construction.
3. **Redevelopment of existing sites -** These projects tend to be centered around the more desirable beachfront and beachside towns where high value land with excellent views or in close proximity to beaches or town centres encourages removal of old or obsolete dwellings in favour of new high quality housing. Building costs for these projects often exceed $1 million.

With the recent flooding that impacted the Northern Rivers region, an already undersupplied building sector is going to be further constrained by supply and labour shortages brought about by reconstruction in flood affected areas. The time taken to complete projects can be expected to lengthen considerably. A local shortage of materials has made box trailers loaded with new appliances sourced from the Gold Coast a common sight on the southbound lanes of the M1 Motorway.

As costs increase, landowners and builders will need to be aware of cost increases that may occur during the construction process. Some builders using fixed price contracts may see their profit margins eroded if costs increase over the time it takes to commence and complete a project. In some instances, an attempt may be made to pass these costs on to the client.

The difficulties around getting a project started and completed may lead some property owners to delay their decision to build or renovate or to avoid

In many cases recently witnessed, the build cost variation can be $50,000 up to $80,000 which the customer would hardly have been expecting when they signed the contract.

the prospect altogether in favour of purchasing an already completed project where someone else has done the hard work.

Mark Lakey
Property Valuer

Newcastle and the Hunter Region

Over the past two years, demand for new build dwellings has been steadily increasing, with many new subdivisions being established in outlying areas such as Louth Park, Farley and Lochinvar in addition to the more established development areas of Thornton, Chisholm, Medowie, Heddon Greta and Cliftleigh. Each of these areas is supported by display villages or individual display homes. Thornton is now developing Homeworld 2 due to open in July 2022 and selling off display homes in the original Homeworld development.

As these subdivisions grow, so do the demands for a house builder, varying from higher end national house builders through to investment type builders. The main issues affecting all projects is the supply of both building materials and available trades. In truth, if there is an issue with the supply of either of these two factors, the project stalls and in some cases fails. Failure is very much a factor of the builder not being able to service the client's needs or simply a delay in the project resulting in increased build costs over time, therefore affecting the client financially to the point of unaffordability. At the end of 2021, a builder decided it was no longer cost effective to continue and many customers lost their dream homes or suffered extensive delays whilst another builder was found to complete the project.

Another example is a builder saying to a customer that the options are either pay the increased build cost or get their deposit back. This may sound honourable by the builder, but the customer would have lost the excitement of building their dream home.

The one saving grace for all parties is the market movement over the past 12 months. With property prices rising circa 25 per cent in the past year, the effects of rising build costs have been absorbed by the rise in the land value and notably the completed house value, allowing for the ability to re-finance since the land was purchased. Only time will tell whether or not this is a short-term fix.

The most local activity for construction is and will continue to be in the Newcastle central area with a number of large unit projects under construction and several more in the pipeline over the next few years. Whilst the demand is there, and the market is buoyant, large developers will seek opportunities to build unit buildings central to the beach, harbour and employment zones.

There are few dwelling opportunities left within 15 kilometres of the Newcastle central area, therefore much of the residential development is now starting to focus within a 10-kilometre radius of Maitland where land is much more freely available, but still offers good access to Newcastle, the coast and the motorway.

These outlying suburbs also offer more affordable price ranges, where a family home is in the region of $650,000 to $900,000 compared to the former subdivision suburbs of Fletcher, Cameron Park and Chisholm that are now well over the $1 million for a family home (formerly $650,000 to $700,000 in 2018 and 2019).

The alternative to people wanting to build their own house are investors wanting to build at a low cost to increase return on their investment. Investment builders know their product and customer needs and build costs can range around $1500 per square metre with some construction times for a dwelling as low as 14 weeks.

The average construction cost for a mid-range specification is around $1800 to $2000 per square metre and provides the customer with a good quality dwelling. Clearly, internal finishes and front facades can vary considerably, as can the builder's quality.

Prestige construction has many variations depending on who you talk to. Prestige in an urban area is very different to prestige in rural and coastal areas. Does prestige mean simply a large house or is it full of technology, or have an expensive pool or landscaping?

Over the past few years the prestige dwelling has delivered some impressive build costs ranging from $5000 per square metre upwards. Each one of these high-end builds is very individual, usually in the most expensive parts of the local area and focused around either the beach or lake. From the builder and customer's point of view, market value is not always the key focus as many are statement pieces whether that is design, quality or simply just to be better than all the rest.

With the pressure on builders regarding material supply and the availability of trades, the building process appears to be getting longer. Pre-COVID, the wait time could be a few months to six months to get started from signing a contract. Now with demand being high, wait times are clearly over a year as we see valuation reports noting a build contract date from early 2021 and no construction at the time of the valuation 12 months later.

The main challenge to any customer is to keep the build cost at the contract price. With many build

If you're a resident of the Central Coast, then you know too well the difficulty in securing tradespeople to complete small scale renovations or general maintenance projects.

contracts dated early 2021 and the obvious delay in supply from the builder, the problem arises over who is responsible for the increased build costs. Some builders fix a build cost for six to twelve months and some don't. The main issue here is the unexpected increase in build costs with the very likely occurrence of a build cost variation. Is this the fault of the customer or is it the builder's fault for not being organised?Then there is the question of why should the customer pay the difference? This is counter-argued by the position of, okay, if you don't want to pay the variation, you're in breach of contract and you lose your deposit which could be $5000.

In many cases recently witnessed, the build cost variation can be $50,000 up to $80,000 which the customer would hardly have been expecting when they signed the contract. This goes one step further when questioning affordability and over-capitalisation.

Clearly whilst the market has been rising, the increased build cost has been swallowed in the valuation process. The challenge to the customer is when build costs are rising and the market has stabilised.

Newcastle and Lake Macquarie have a strong new home construction base with many large developments being planned over the coming years. With developments in Minmi and Cameron Park likely to come into play in the coming years in addition to the Maitland catchment suburbs, the outlook is strong. The challenge is very much held within the land price as subdivisions are sold off plan and construction won't start for several years by which time land prices may have stabilised or even fallen.

The challenges with the new build sector are unlikely to affect the established housing market too greatly as the two have been hand in hand for many years. The challenge is with the impatient buyer. The question becomes whether you want to wait 12 months for construction to begin then another six months until the house is ready, and what do you do in the meantime? Do you sell and move into a rental or stay and hope you sell when you're ready to move in, when the market could change in that 18 month period. The same question does not arise in the established housing market where the house is there ready to move in.

Darren Sims
Property Valuer

Central Coast

The Central Coast region is where many tradespeople, handymen, and mum and dad DIY renovators call home. Over the time of its inception, the region has been in a state of growth from a construction viewpoint with the residential expansion of the region continuing to this present day. In recent times, we've experienced vacant land in short supply, primarily in the south of the region. Buyers looking at renovating or building a new home have turned to properties advertised for sale as a renovator's delight or knock down and rebuild to redevelop or renovate. With the most recent surge in values, this type of value adding exercise has been quite successful.

In the north, new residential land subdivisions are giving a reprieve to buyers wanting to secure their own block of dirt and turn it into an attractive investment or their dream home. New land continues to be released in Warnervale, Woongarrah, Wyee and a newly created suburb known as Crangan Bay which borders Gwandalan. These land releases have provided local jobs for building industry professionals to apply their trades, providing a much-added boost to the available pool of professional tradespeople in our region.

It is no secret though that the national building industry is experiencing building material shortages, and the Central Coast region is embedded in supply issues. Major building companies are experiencing delays in construction projects from the time of signing contracts to commencement of construction and additionally, longer than expected construction periods. This has been a result of a sudden surge in demand within the construction industry, unusual wet weather conditions reducing the number of days on-site, quarantine rules for COVID infections and international shipping delays.

All of the above have led to continual rises in building material costs, in turn increasing overall building construction contracts. Although many major building companies are persisting with issuing fixed price contracts, some master builders or sole traders have resorted to offering cost plus contracts to limit their risk exposure to the volatile costs of building materials.

Over recent years what has transpired has flowed through to measurable building costs indicators. Generally speaking, in areas in the northern end of the Central Coast, building rates have increased from $1450 to $1650 per square metre for a typical project style dwelling to these days anywhere from $1600 to $2200 per square metre, with the wider range due to the volatility in the marketplace.

These increased building costs have to some extent been absorbed by the booming property market conditions across the Central Coast region in the past 18 months, however with economists predicting multiple interest rate increases in the latter part of 2022, a cooling property market may cause an element of over-capitalisation in some projects which may impact funding at the feasibility stage of new loan applications.

If you're a resident of the Central Coast, then you know too well the difficulty in securing tradespeople to complete small scale renovations or general maintenance projects. If you think tradies have something against you and your phone calls either ring out or a well constructed voicemail falls on deaf ears, you're not alone. It is often the case with these types of projects to seek referrals from friends, family or even on Facebook community pages, with various successful accounts verified by our daily interactions with homeowners in our region.

Over the course of 2022, the supply shortages of building materials have no foreseeable end, and we suggest that aspiring new homeowners and renovators in the region adopt a wait and see approach, especially with some emerging signs that the local market may have peaked.

Todd Beckman
Associate Director

Shoalhaven

As we head into the second quarter of 2022, the Shoalhaven residential property market is showing some signs of flattening compared to the crazy boom times experienced during 2020 and 2021. Real estate agents are advising of fewer potential purchasers attending open houses and noting lower clearance rates at auctions. This could be the result of the upcoming federal election and the threat of potential interest rates rises by the Reserve Bank towards the end of 2022. Let's take a look at the construction challenges facing owners, investors and builders in the region, including supply line issues and the level of demand for contractors at present.

With ongoing supply chain issues and record demand, we are seeing some builders wait months for certain products that would have generally been available within a matter of weeks two years ago.

The COVID-19 pandemic has had a significant impact on the construction industry in the Shoalhaven region, like many other areas of the state. Builders in the region are noting that the costs of materials, most notably timber, are increasing substantially while also highlighting the struggle to obtain and source other materials in general. It's safe to say that a build pre COVID-19 would have cost significantly less that a build today. Builders are also noting the difficulty in currently hiring contractors and labourers to complete their projects. This is placing stress on builders and owners as build timeframes are pushed out. These factors, combined with the recent wet weather, have also put many builders behind schedule and therefore compounded wait times for owners. Many project builders in the region advise that they are at near full capacity and booked out for the remainder of the year.

The new subdivisions in South Nowra and Cambewarra will see construction start soon for many owners as these allotments are starting to become registered, thus allowing owners to start their build. This could result in demand for builders outweighing the number of builders in the region, resulting in the cost of construction continuing to rise and also pushing out not only wait times for owners to start building but also the actual build time. Many building supervisors advise that they are under pressure to complete their projects within their timeframes.

Where demand for their product is high, some project builders in the region are seeking contractors and labourers from outside the region, such as Wollongong, in order to complete projects and keep build times down. Some owners have noted delays in obtaining a builder and for the build to start. It will be interesting to see how the construction challenges facing the industry and the region play out for builders and owners as we move further into 2022.

Joshua Devitt
Associate Director

Southern Highlands

The past 12 months have seen construction and construction costs across the region boom. This has been a direct result of multiple factors including record low interest rates, government grants, supply chain issues for materials and high demands. As we push into 2022, the cost to construct looks likely to remain high, with volume beginning to trend downward.

We are currently seeing the most new homes being

Over the past two years the construction of new homes has come in waves, not unlike the pandemic itself.

erected in recently established developments including Renwick, Retford Park and Darraby estates, as well as other moderate scale subdivisions that are just beginning to be registered such as The Yards in Bundanoon and Three Oaks Moss Vale. These developments have typically attracted standard project home builders and we have seen building rates per square metre jump by upwards of 25 per cent over the past 12 months. A basic project home previously run at a rate of $1500 per square metre is now trending toward $1750 and some better quality project builders are now equating to rates of $2200 to $2500 per square metre. The other challenge that has been relevant over the previous 12 months and is expected to remain in 2022 is the overall timeline to complete a dwelling. With ongoing supply chain issues and record demand, we are seeing some builders wait months for certain products that would have generally been available within a matter of weeks two years ago.

Moving forward, we expect these supply chain issues to reduce as products become more readily available, however given escalating transport costs, we do not foresee a reduction in overall construction costs any time soon. As for the volumes of new constructions, the recent ABS data indicates that new dwelling construction Australia wide is down 47.1 per cent from the same time last year, which clearly helps to indicate that the trend in new construction is continuing to soften. This is to be expected given the short supply of land available as well as impending interest rate hikes and increased inflation.

Kurt Bismire
Valuer

Albury/Wodonga

It is not breaking news that regional property markets have experienced a sustained and substantial lift since mid-2020. Much the same can be said for construction challenges for our markets across all our locations including Albury-Wodonga, Wangaratta, Benalla, Shepparton, Yarrawonga-Mulwala and also affecting smaller popular townships such as Bright.

Over the past two years the construction of new homes has come in waves, not unlike the pandemic itself. The first wave was an unprecedented demand for acquisition of vacant land allotments. It was not unusual to see new stages in a new subdivision sell out before release and many lots were purchased with registration still several months away. The next wave involved securing a builder, taking advantage of government grant deadlines if applicable, and agreeing a start date and our team was inundated with new construction loan valuations. The third wave was the significant increase in vacant land prices due to the demand and limited supply continuing. The fourth wave saw the market as a whole increasing and builders dealing with escalating costs of materials and increases in time to construct. The market lifted again and builders began capitalising on understanding that the increase in new home sales could be built into the next wave of building contracts. Some builders may have been trying to recoup losses from dated fixed price contracts, some may have been reaping the rewards of the housing market rising so sharply and so quickly and for some, it was a combination of both factors.

So pardon the pun, but it has been a very choppy time to build a house, however if you have ridden the waves into shore, your new house is worth more!

Very often we break down different locations and then different estates within different suburbs to identify factors that may be affecting values in a specific way. Not so with our region-broadly speaking, the median house price has increased in the range of 30 per cent to as much as 60 per cent in the past 12 months, construction costs are up as much as 30 per cent and new land allotments have increased between 30 and 50 per cent with much higher lifts in some locations and rural lifestyle areas. The property market has astonishingly absorbed all the higher costs associated with building a new home, so for those who received the government grant early on or secured vacant land before prices rose, we have seen dwelling values far in excess of the cost of land and build before they have even moved in!

The entry level for a new home, irrespective of whether basic, mid-level or prestige, has increased significantly and in many locations priced out first home buyers and investors. Vacant land continues to be in short supply, although some locations have a better supply in the pipeline than others. Building a house involves longer construction time, higher build costs and a possible risk of reduced value as all committed new stock nears completion which may create an oversupply depending on interest rates and inflation. We have seen all existing house stock experience strong growth as many homeowners and investors have been willing to pay a premium for the certainty and availability of existing stock.

Rachel Anderson
Associate Director

Victoria - Residential 2022

Melbourne

An increase in new builds and renovations along with supply chain disruptions and a shortage of materials have resulted in an unprecedented spike in construction costs. The surge in dwelling approvals, which peaked last year, has progressed through to construction, causing a strong demand for materials and trades. This increased construction activity has coincided with a disruption to supply chains and placed further pressure on the construction industry due to the many different restrictions caused by COVID. For those looking to build or renovate, or for someone who owns a business involved in the residential construction industry, it means they are all likely to be facing significantly higher costs.

Following the introduction of the HomeBuilder grant in June last year and a subsequent record setting surge in house approvals which peaked in March 2021, Australian dwelling commencements have lifted by more than 50 per cent over the year to June. Price volatility has been demonstrated in the Australian market, with quarterly price rises primarily driven by increasing timber costs, notably structural timber, metal products and plumbing supplies. Although the pipeline of new housing supply is now easing, with total dwelling approvals trending lower since March, it will take some time for the record number of approved houses to transition to completion.

Melbourne CBD and Inner City

With the continuance of the infamous labour and supply line shortages of recent times, Melbourne's inner city, along with many other regions, has felt the full force of these issues.

With many existing off-the-plan apartment sale contracts in place, builders and developers have found it difficult to generate profit as material and construction costs rise with no signs of slowing down.

With many existing off-the-plan apartment sale contracts in place, builders and developers have found it difficult to generate profit as material and construction costs rise with no signs of slowing down. This is represented by the construction giant ProBuild recently going into administration. The construction company had 15 projects in progress when they went under, many of which were located in Melbourne's CBD (theurbandeveloper.com, 2022).

The developments have since been taken over and recommenced by alternative construction firms however the closure is quite concerning for those looking to buy metropolitan property.

These price rises have the potential to combine with the returning demand of inner-city living to see a significant increase in prices and rents across the CBD.

South-east

The popularity of south-east Melbourne has continued into 2022 despite the increase in costs of construction and labour shortages. With estate land still being released at affordable prices in urban growth areas such as Clyde North, Officer, Berwick and Cranbourne, many are remaining to choose to build as opposed to purchasing existing dwellings.

Recently built homes and house and land packages can still be purchased within the price range of $600,000 to $850,000 depending on location and build sizes.

This currently listed stylish Henley Homes-built property is less than five years old and available within a reasonable price range of $725,000 to $775,00. With four bedrooms, two bathrooms, a two-car garage on a 400 square metre block, the house is situated in the ever-growing Delaray estate.

For Sale: 61 Castillo Avenue, Clyde North Source: realestate.com.au

For Sale: 61 Castillo Avenue, Clyde North Source: realestate.com.au

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For Sale: 61 Castillo Avenue, Clyde North   Source: realestate.com.au

Inner and Outer East

The latest data from the Australian Bureau of Statistics indicates that building costs are now up 6.5 per cent for the year to be at a 12-year high. According to the Urban Developer, the December quarter of 2021 was impacted by social distancing requirements, lockdowns, labour shortages, materials shortages and angry workers which also led to construction strikes and protests across the city. Ultimately, this has led to Melbourne experiencing increased construction costs city wide. However, it is predicted that these will return to a level of normality in the coming quarters, when shortages of labour and materials improve as we go back to pre-pandemic living conditions.

However, with these shortages and increased delays, Melbourne's eastern suburbs have seen no reduction in demand for builders or their tools, with many using the pandemic as the perfect opportunity to renovate their family homes.

This property at 1250 Toorak Road, Camberwell was purchased in March 2010 for $855,000. Since then, it has been transformed into this delight, which is now currently listed for auction on 8 May.

1250 Toorak Road, Camberwell   Source: realestate.com.au

1250 Toorak Road, Camberwell   Source: realestate.com.au

1250 Toorak Road, Camberwell   Source: realestate.com.au

1250 Toorak Road, Camberwell   Source: realestate.com.au

Regardless of these current conditions and cost escalations, Melbourne's eastern suburbs have traditionally had high construction costs strongly correlated with the affluent areas of Kew, Hawthorn, Camberwell and Surrey Hills. In these areas, heritage overlays are prominent, making renovations more difficult as parts of the existing property are protected by such overlays.

This limits a purchaser's ability to knock down and rebuild and can make it more difficult for the builder due to access and closely located neighbouring dwellings. These areas also tend to go with higher builder specifications and use more expensive materials which keep construction costs higher than their surrounding neighbourhoods. However, with these constraints on builders, the area is able to keep its periodic feel, producing some great Edwardian and Victorian renovations in these leafy suburbs.

Inner and Outer North

First homebuyers are targeting areas such as Mitchell Shire which is one of Victoria's fastest growing outer metropolitan municipalities. Suburbs such as Beveridge have been a prime target for first home buyers, upgraders and investors due to affordability of house and land packages. The suburb itself has 16,000 builds planned and has led to the median house price soaring to $640,000 which is a 31 per cent increase over the past year. Being a commutable 55 kilometres from the CBD has seen first home buyers and upgraders utilise Mitchell Shire suburbs, as the region remains considerably less than the median property price in Melbourne which was $1.038 million in October 2021.

Greenfield areas in these suburbs are having mass developments of estates with house and land packages being the popular choice for new homeowners and second home buyers upgrading house and land sizes. Construction timelines have been set back to normal with more activity occurring for builders as COVID-19 setbacks have become a thing of the past.

The Mandalay Estate in Beveridge has been a hotspot for first and second home buyers due to the exclusive amenities provided such as an 18-hole golf course, gym and tennis courts. This is one of the ways estates are competing to be more attractive to potential homebuyers.

The property at 110 Golf Links Drive, Beveridge on the Mandalay Estate offers massive living spaces across both floors, premium inclusions and ancillaries such as alfresco deck and a cool bar. This would be the ideal property for a young family looking to upsize their home within a growing area. The property is currently on the market for $770,000 to $830,000 and offers four bedrooms, two bathrooms and a double garage.

110 Golf Links Drive, Beveridge Source: realestate.com.au

Western Suburbs

The west is home to a large portion of new residential construction in Melbourne. The outer west is unique in comparison to many other suburbs as there is great opportunity for home builders to purchase vacant land ready to be built on. Suburbs in the outer west such as Tarneit, Melton and Point Cook are all attractive to those interested in building a brand-new home to customise to their liking and move into. The area is also home to many young families which is appealing to those who value community and belonging. With the construction grants in 2021, the construction industry, especially in the west, peaked in some of the fastest growing new development areas. Naturally, when there is an increased demand for trades and supplies, construction prices increase and home builders face a restriction in the progression of their development.

This doesn't look like a short-term spike. The surge in construction costs is due to the amount of construction activity that's been approved at a time when we can't import more skilled labour and are facing significant supply chain disruptions. Victoria's recent construction activity was up 3.5 per cent in the past quarter, however it is the largest quarterly growth Victoria has recorded since the GST was introduced in 2000. Due to the increase in construction across the board, supply and labour shortages are the main issues construction companies are facing at the moment. There are seemingly endless estates in the outer western suburbs including The Grove, Windermere and Mt Atkinson. A feature to draw in buyers to these estates is that most of them have new schools and shopping centres that help to strengthen community values and spirit, increasing the appeal to start construction in these areas.

Geelong

Future homeowners across regional Victoria are facing heavy delays in the construction and renovation of their homes due to supply chain disruptions and shortages in labour supply. Data for the first quarter of 2022 has indicated that Victoria has seen a decline of $1.8 billion compared to the same time last year. This has particularly hit regional areas such as Geelong, where supply of materials and labour is less accessible as opposed to the metropolitan region.

Many of the new constructions within the Geelong and Surf Coast region are within the estate housing developments and operate under fixed price contracting, which in the current climate

Around twelve months ago, the average net profit on a job was around four per cent and build time was about six to seven months; now net profit is an average of around 2.5 per cent but the builds are taking around nine months.

The higher costs and delays are expected to result in stronger demand to buy established homes, particularly homes that are under 20 years of age and which already have ancillary improvements including landscaping, sheds etc.

has meant that many builders are now operating with next to no profit margins as the price of labour and supply shortages has increased throughout the pandemic. Over the past year, the industry has seen the cost of steel rise by 80 per cent, timber has more than doubled and PVC piping has risen by more than 45 per cent. These elements prove that it is near impossible for builders operating under a fixed price contract to make a profit, especially when considering the labour shortage companies are facing, meaning the builds are also taking longer. Around twelve months ago, the average net profit on a job was around four per cent and build time was about six to seven months; now net profit is an average of around 2.5 per cent but the builds are taking around nine months.

Around 140 workers also lost their jobs after a Geelong construction group was forced into liquidation after low margin contracts, further emphasising the impact these high supply costs are having on the industry.

We have seen considerable growth in the areas surrounding Geelong. The majority of the population growth has been directed towards Armstrong Creek which spans over 2500 hectares, with a new growth area forming in the north-western part of Geelong near Lovely Banks and Batesford, an area which spans over 5500 hectares.

The Armstrong Creek growth area is already home to more than 24,000 residents and will reach a population of up to 60,000 people due to the number of estates with large new housing developments, providing hundreds of new homes for residents.

Perron King
Director

Mildura

Local demand for construction of new dwellings has remained high with several subdivisions completed since late 2021 and the new owners of allotments in the subdivisions keen to get started. After struggling last year with the supply of materials and the ability for local trades to meet the demand of new builds, this year has seen materials become more available, however build costs have risen significantly.

A number of builders have recently needed to issue tender price variations to clients who signed building contracts in late 2021 to ensure they preserve an adequate profit margin. This in turn poses risks to the homeowner, as they are required to take on additional debt at a time when interest rates are expected to rise.

The saving grace has been the increased value of vacant land which has helped maintain equity levels, however it is possible that some aspiring new homeowners will elect to sell their vacant allotment rather than construct a dwelling and incur an uncomfortable level of debt.

Over the past 18 months the cost of constructing an average standard dwelling has increased from levels of between $1450 and $1650 per square metre of living area to now be in the range of between $1650 and $2000 per square metre of living area depending on size and quality of the build.

The result is that the starting cost of buying land and building a new home is now in the order of $450,000 and costs of over $500,000 are now common.

The other noteworthy trend we are seeing is an increase in the construction period to now usually be over nine months, compared to what had been a more usual six months. This places additional cashflow challenges on builders and also deters anyone looking to buy a new home in a shorter timeframe.

The higher costs and delays are expected to result in stronger demand to buy established homes, particularly homes that are under 20 years of age and which already have ancillary improvements including landscaping, sheds etc.

Jake Garraway
Valuer

Warnambool

Demand for construction services and advisory right across the spectrum of the construction industry continues within Warrnambool and surrounding townships. From new builds to renovations, insurance work or odd jobs, and establishing works such as fencing, driveway, decking and landscaping, if you have the qualifications to swing a hammer in Warrnambool there's a good chance you have a lot more best friends than you did two years ago.

Increasing materials costs continue to make headlines and of course this is an issue that potential new homebuilders or renovators should be mindful of, however it is an issue that can somewhat be mitigated within the construction process by the architect or draftsman, the builder or the client themselves. We believe that the larger, unavoidable challenge of the timing and length of time for construction should be front of mind for potential building clients.

Anecdotally, a number of smaller operators are reporting a backlog of requests for quotes on top of a calendar already booked out for the next two years and larger companies are echoing this timeframe. The time allowed for construction within the building contracts we regularly see has also noticeably increased since the Australian Homebuilder Grant.

We are keeping a close eye on the numbers and watching for signs that the delay in starting construction is impacting the market for established properties in Warrnambool.

Adrian Castle
Valuer

Queensland - Residential 2022

Brisbane

Despite natural disasters, political machinations and interest rate movements, Brisbane remains an attractive option for anyone looking to live or invest in Queensland.

A quick look at the latest numbers from CoreLogic shows we have continued to achieve capital growth of around six per cent per quarter, while Sydney and Melbourne have seen their price gains flatten.

While it's great that our housing is so appealing, this popularity does bring with it some logistical challenges. This is perhaps best illustrated in the construction sector where there is, quite simply, substantially more demand than supply. This is due to multiple factors – some universal and others more local.

For starters, there's the hangover of the construction boom that got underway in 2021. Government assistance designed to ramp up the industry during the pandemic's economic struggles saw plenty of owners look to complete a build or refurbish their current homes. As a result, all contractors have been in hot demand.

Then there's supply chain issues around manufacturing and delivery. Again, the production of supplies used in home building has slowed. Items sourced from overseas have been impacted by worker shortages. Also, the cost of shipping materials from overseas is now expensive and substantially slower than before the pandemic.

So, whether it be new builds or renovations, demand is high and supply is limited for builders, materials, fittings and fixtures.

So, whether it be new builds or renovations, demand is high and supply is limited for builders, materials, fittings and fixtures.

This situation began in the pandemic but was exacerbated by the February 2022 floods. A marketplace that was already stretched was now being hit by an influx of insurance claims. Quotes have been heading out left, right and centre and many repairs are urgent because owners simply need a place to live.

There was even a tradie incentive for post-flood rebuilding proffered by the Queensland government. The first 1000 tradespeople who moved to the state and worked for eight weeks rebuilding communities impacted by the floods received up to $1750 as a bonus.

We've heard anecdotally that builders are now prioritising larger jobs because they're more profitable than smaller renovations or rectifications. This makes smart business sense for builders. Many struggled after signing fixed-price contracts and then seeing their profit margins hammered by rising materials costs. If there's now a chance to pick and choose the work that delivers the most upside, that is exactly what they'll do.

As you can see, we are in a competitive environment in construction. So how does that play out in locations across our service area?

Northern Corridor

The northern corridor extends from the North Pine River through to the Caboolture region. There's been a hive of construction activity throughout this corridor over the past few decades with master planned communities (such as North Lakes) and multiple smaller projects delivering vacant blocks to the markets.

Two great examples of new home construction are Central Springs Caboolture and Riverbank Caboolture South.

This is affordable living for new-build owners. The location suits because you have train and road access to both Brisbane's CBD and Sunshine Coast centres.

Construction costs start at around $1500 per square metre, which puts a completed build at the low to mid $300,000 price point. For this you'll

Central Springs Caboolture Source: realestate.com.au

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get a four-bedroom, two-bathroom, two-car home on a 450 square metre block with an end value of $550,000 to $600,000.

This sort of entry-level property used to take six-to-eight months to complete, but that timeframe is now closer to 12 months.

The problem is amplified by the lack of available vacant land in this market. Developers simply can't keep up with demand. In other words, it's hard enough securing a block now, let alone a builder.

As a result, demand is increasing for second-hand stock available in the area. Houses that are two or three years old will see more interest. They allow residents to move in immediately and are still new enough to have a good quality fit out in excellent condition.

Southern Corridor

The southern corridor radiates from Eight Mile Plains and Rochedale and extends along the Pacific Motorway, with the Mount Lindsay Highway indicating a loose boundary to the west.

Some examples of estates in this corridor include Everleigh Greenbank by Mirvac and Kallara Logan Reserve.

Again, this is entry-level construction where building contracts are priced at $1500 to $1600 per square metre. Final construction contracts come in within the high $200,000 to low $300,000 bracket.

For this money you will secure a four-bed, two-bath, double garage home on a 400 square metre site. On completion, the property will value to around $500,000 to $550,000.

Our valuers in this area have noted that the lead time for securing a block and builder has blown out. In some instances, it can take longer to lock in the builder than it does to complete the construction.

This area is also seeing more interest from investors. In fact, we're observing increased activity among buyers' agents representing investors looking to profit from our strong market.

Ipswich and the western corridor

Brisbane's western corridor is, effectively, a wedge encompassing the area running out to Ipswich and a little beyond.

The Ripley development corridor is part of this sector, as is Springfield Lakes and a range of other smaller developments delivering vacant land at relatively affordable price points.

In Ripley, there are estates such as Stockland's Providence and Sekisui House's Ecco Estate.

Building costs for standard homes in the western corridor run at around $1700 to $1850 per square metre. This will deliver a four-bedroom, two-bathroom, two-car detached dwelling suitable for a 400 square metre allotment.

On completion the property will be valued around the $600,000 mark.

Display home décor in Ripley Source: realestate.com.au

As with other corridors, there remains high demand and limited stock. Construction times are also blowing out. Where a build used to be completed in six-to-eight months, owners can expect a planning and construction horizon of 10-to-12 months (or even more).

This is helping drive demand for near-new homes. Second-hand product that's anywhere up to five years old is fetching attractive premiums.

Inner Brisbane and infill development

There are construction projects throughout Brisbane City's suburbs as well. Because of our density, most constructions are renovations although new builds are possible via splitter blocks or demolition of a previous dwelling.

Construction costs within Brisbane City are substantially greater than you'll find in fringe and corridor estates due to multiple factors. One is the lack of uniformity of infill blocks in terms of shape and topography. The hilly streets of Brisbane or the unusual dimensions created by realigning boundaries can be a challenge to builders.

In addition, house prices are substantially higher in inner Brisbane than they are in fringe areas. Owners are willing to invest a little more in terms of construction, floor area, fittings and fixtures as the risk of overcapitalisation is lower.

Construction costs can range mightily here – anything from relatively affordable builds of around $2500 per square metre up to architectural homes of $7000 per square. Of course, the very prestige end of the market can be many, many thousands more. There is almost no limit when your pockets are deep enough.

Of course, renovations are the usual option for those seeking a "new home" in inner Brisbane. Laws around heritage and demolition make it challenging to find demolishable homes in proximity of the CBD. Town planners and architects are kept busy turning modest cottages into masterpieces.

Construction costs can range mightily here – anything from relatively affordable builds of around $2500 per square metre up to architectural homes of $7000 per square.

There are some excellent examples in areas such as Paddington. This property named Vogue has just hit the market.

Vogue, 6A Agars Street, Paddington Source: realestate.com.au

Built by the renowned local Graya team, this home actually incorporated an existing cottage into an architectural renovation and extension. As you can see, it looks effectively new with an upgrade that resulted in a five-bedroom showpiece property in the heart of Paddington's Rosalie Village café precinct. The home is so eye catching, it was rented out for events and photo shoots.

For those who want to spend less on their build than the annual income of a movie star, there is the option to carry out smaller renovation projects. Of course, costs vary, but remember that most of these projects attract a renovation premium. That means on a per square metre rate, renovations tend to be more expensive than new builds due to added complexities such as partial demolition and incorporating new elements to existing structures.

While there is plenty of money swimming around Brisbane at present for new builds and renovations, there is a flow on benefit to existing homes. If buyers with plenty of money can find an existing home that ticks their boxes, they will be tempted to secure it rather than wait for a build to be completed.

David Notley
Director

Gold Coast

Southern and Central GC

It's a common sight to see old dwellings being demolished as you drive through the southern and central suburbs of the Gold Coast. Vacant land is scarce in these localities and many homeowners are choosing to demolish an old dwelling and construct a new dwelling in its place. The builders of these new homes vary depending on the wants and needs of the homeowner. Custom homes and project homes are both popular choices.

Construction cost increases have had an impact on the demolish and new construction approach with some buyers now choosing to pay a premium for a renovated, new or near new dwelling to avoid construction cost increases and the pressures that accompany it.There is a scarcity of supply of these properties within the established southern Gold Coast suburbs. Many agents report they have multiple buyers, but not the supply of new product.

In April 2021, a custom part two-level four-bedroom, three-bathroom turnkey dwelling with double garage and swimming pool in Burleigh Waters equated to $2663 per square metre based on a gross floor area of 360 square metres.

In December 2021, a custom part three-level four-bedroom, four-bathroom turnkey dwelling with double garage and swimming pool in Burleigh Waters equated to $3676 per square metre based on a gross floor area of 369 square metres.

Northern Gold Coast

The construction industry is going at full steam on the northern Gold Coast, southern Logan and the Scenic Rim and developers are wasting no time in launching new projects as vacant residential sites for sale start to run out. However, some may be a tad too late as it feels that the residential market is taking a breath over the Easter period and prices have found a new level of normal.

Currently there is a huge demand for builders as many sites sold in the past six months are yet to commence construction of new houses. Buyers of vacant land looking to build have to be patient and wait their turn for their new home within these areas as developers struggle to meet the pent-up land supply issues from the previous 12 months.

We have recently seen several builders contact their clients and advise that due to the rise in construction costs, they have the option to terminate or renegotiate at a higher rate with more variable costs included within the prime cost and provisional sum amounts. Builders are returning deposits in some cases and owners are forced to shop around for a different builder.

Builders are returning deposits in some cases and owners are forced to shop around for a different builder.

The majority of construction activity is occurring within Gainsborough Estate, Pimpama, Brookhaven in Bahrs Scrub, Holmview, balance stages of estates in Coomera, Yarrabilba, Flagstone and Riverton at Jimboomba, a number of QM estates at Cedar Vale and some smaller estates around Beaudesert.

Similar to the southern Gold Coast, this area has also seen a jump in the rate per square metre for construction. For example, 12 months ago the turnkey price for a four-bedroom, two-bathroom, double garage home with a gross floor area of 215 square metres was $254,000 or $1181 per square metre.

One of the more recent contracts for a similar house with a gross floor area of 189 square metres is $312,480 or $1653 per square metre.This is an increase of around 30 per cent in 12 months.

Not only have the costs increased, but builders are quoting between 200 and 300 days for practical completion today with many builders increasing this from 16 weeks a year ago.

The south-east corner of Queensland has a number of greenfield sites still mooted for development into residential housing estates including master planned communities. Migration and interstate buyers will continue to impact the housing industry as prices here are relatively cheap compared to Sydney, Melbourne or even Brisbane.

Inflation, rising construction costs, shortage of qualified tradespeople and supply issues are the biggest challenges at the moment for anyone undertaking a new build or renovation. Some buyers have reverted to purchasing older homes in central locations, however obtaining materials and tradespeople to complete renovations is proving difficult and lengthy delays are occurring.

Sam Gray
Associate Director

Sunshine Coast

Clearly we are in extraordinary times in regard to the residential property market. On the back of a global pandemic, we have experienced a seismic shift in the market, especially on the Sunshine Coast. Lifestyle, working from home, early retirement and government stimulus have come together to create strong levels of demand and breathtaking increases in property values.

The effects on the building industry have been widely reported. Supply chain issues, labour force issues, increasing costs and time delays are all combining to make the current period one of the most challenging builders have ever experienced. Looking at the tea leaves and with the benefit of hindsight, we probably should have seen this coming.

For example, if we start off looking at the main land estates of Aura at the southern end of the Sunshine Coast and Harmony at Sippy Downs, over the past 12 to 18 months, new releases have sold out within a day of being released. Some reports are that they sold in a matter of minutes. The numbers in these land releases can vary from anywhere between 30 and 70 lots. This activity has been replicated in most estates. The mad scramble now is to finish the construction of these land releases which typically can be anywhere from six to twelve months.

Looking at the sheer volume of land sold, it's pretty clear some capacity constraints are going to be expected. Then throw in the odd natural disaster with the insurance work that is on offer and the supply of all facets that go into building a dwelling are being stretched to the limit. Houses or unit construction, they are all affected.

Another effect noted in the market is that premiums are being paid for built or completed dwellings. It would appear that purchasers are willing to pay a premium for the time, effort and uncertainty that go into the construction process. This market effect is being experienced across most of the markets including the sought after beachside and waterfront areas.

So back to Aura, those who bought a block off the plan early to mid-last year and are nearing completion would have seen significant jumps in construction costs. The fortunate thing here is that the demand and increase in values for the completed product has covered the increase in costs and in some cases by some margin. For example, a house to be constructed in Aura all up was costing $600,000. When looking at current sales for a completed equivalent house, a value figure of $700,000 can be supported so more than enough to absorb an increase.

At present this scenario is working in favour of supporting the current building pressures. In our experience this can change to the negative. If you are building and your builder comes to you seeking some additional funds, it is really important to have a conversation with them and maybe seek some advice. The worst possible outcome would be your builder falling over and you being left with an incomplete house.

Stewart Greensill
Director

It would appear that purchasers are willing to pay a premium for the time, effort and uncertainty that go into the construction process.

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Cairns

Cairns and Far North Queensland experienced a rapid increase in demand for the construction of new houses after the introduction of the HomeBuilder Grant in June 2020.The timing of the grant roughly coincided with the last three cuts to the RBA cash rate target from 0.75 per cent in February 2020 to 0.10 per cent in November 2020.

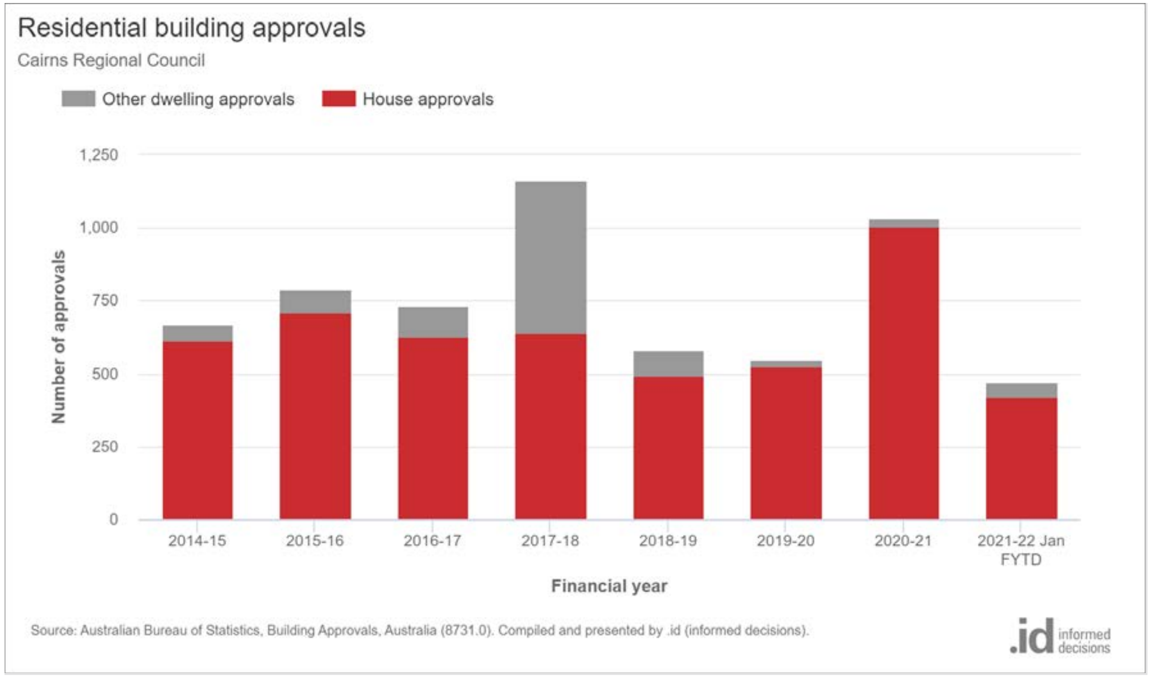
Consumer spending was also curtailed by COVID-19 restrictions and when combined with JobKeeper, many people found themselves in a much stronger financial position than they had been for many years.It isn't an overstatement to say that almost every vacant residential allotment in Cairns was sold within a few months. Developers rushed to produce new stages with many contracted lots nearing completion and settlement only now.The graph below shows dwelling building approvals of 528 in financial year 2020 rising to 1,005 in financial year 2021 and 422 in financial year 2022 (to date).

Building costs for new homes showed only limited increases during the second half of 2020 as there was capacity in the local building industry and the price and supply of materials had not yet been impacted by external factors. Costs increased throughout 2021 and into 2022. We have noticed the following in the market:

- Builders trying to add in various clauses and amendments to standard construction contracts which supposedly allow them to pass on price increases to the client;
- A much higher proportion of provisional sum (PS) items which allows the builder to pass on price increases if the final price is above the allowance. We have seen some contracts with over 50 per cent of the build cost listed within PS items and including items such as roof trusses and windows.These contracts are starting to move to more of a cost-plus style contract which is good for the builder but it is possible many clients don't really understand what they are signing up to;
- Opportunistic builders who are quoting at levels well above the rest of the market on the basis they can get the house built more quickly.

Although the above comments are made from the perspective of the client, it is totally understandable that a builder would be trying to minimise their risk as much as possible. There is no doubt builders are taking on a large amount of the risk when signing up to build houses that may not start for six months and might not be finished for more than 12 months after that.

Craig Myers
Director



Source: ABS

Gladstone

Construction of residential housing in the Gladstone region is the highest it has been for many years and we are seeing vacant land that has sat in developers' portfolios since 2012 now being purchased to build on. This of course is a direct result of multiple factors and the resurgence of the construction industry is not localised to just the Gladstone region, it is nationwide. The introduction of the building grants saw local builders booking up to 18 months in advance to allow for the overwhelming and sudden demand to build new.

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With regard to the phenomenal housing price growth across the country over the past eighteen months, building a new home is still considered to be good value in comparison to older housing stock arguably in better locations, however requiring imminent renovations or repairs.

Prospective homeowners or investors wanting a house built in the current market should allow at least 12 months due to supply chain constraints and material shortages. These shortages have led to substantial building cost increases. For a standard four-bedroom, two-bathroom dwelling, building costs have increased by approximately 30 per cent over the past 18 months.

The low vacancy rate is driving a significant amount of activity in the investment sector with an increase of turnkey house and land packages being purchased for investment. Hillclose Estate in Clinton is one area where house and land packages are being taken advantage of by investors.

Owner-occupiers are having to decide if they are willing to wait 12 months to have a house built or purchase a pre-existing dwelling. Due to the difficulties in securing a builder to complete renovations, not to mention the cost, existing homeowners are choosing to purchase pre-existing property that accommodates their requirements rather than wait.While the construction industry continues to overcome challenges in cost and supply of new product, existing product will continue to be a convenient alternative.

June Button
Property Valuer

Mackay

Residential building construction in the Mackay region grew substantially alongside the government's First Home Builder grant when the Coronavirus pandemic first began. At the time, developers were very keen to expand their developments in an attempt to keep up with demand. Demand was so great that builders started to decline new build contracts.

New house builds have slowed since the First Home Builder grant ceased, although new residential construction continues. However, the pandemic resulted in a sudden shortage and dramatic price increase in building supplies, which initially placed pressure on builders, forcing the builders to revisit newly signed building contracts in the hopes of recovering some cost as a result of the sudden price hike. In spite of this, building continues even though builds are at a higher cost now compared to builds during the government's First Home Builder grant. Reportedly, owners have advised of an approximate two-to-three-month extension to their original completion date, due to building supply shortages and tradesperson shortages. Whilst builders have been faced with these challenges, residential construction in the Mackay region continues as the property market in general continues to show signs of strengthening.

Samantha Morgan
Valuer

Hervey Bay

The building industry on the Fraser Coast is still in high demand however there are several factors which are stunting growth. Many builders are experiencing a lack of quality tradespeople with the region in desperate need of more quality tradies to service the relentless building demand. There is a significant shortage of building materials (across the country) which is proving very frustrating for both builders and owners, subsequently pushing out completion dates by weeks and sometimes months. New construction is constrained somewhat in the area due to many proposed lots in new subdivisions awaiting new titles. Builders cannot start site works without the lots being titled which creates a bottleneck once this finally occurs. Moreover is the ongoing pandemic with staff shortages now common on many work sites. Most building activity in Hervey Bay is located in Nikenbah, Eli Waters, Wondunna and Urangan.

Despite all these challenges, some builders are still completing new homes within a six-to-nine-month timeframe from when the slab or footings are installed. Most builders have a waiting period of between nine and twelve months before the new home can be started. To cope with the rising costs of materials, some builders have charged customers additional fees over and above their fixed price contract which hasn't been popular. Rates per square metre now typically range from $1700 to $2100 which is a rise of around 30 per cent compared to a few years ago. It is now common to see most building contracts over $300,000 and $400,000 which will provide a comfortable modern home with ducted air-conditioning and quality appliances. With regard to the phenomenal housing price growth across the country over the past eighteen months, building a new home is still considered to be good value in comparison to older housing stock arguably in better locations, however requiring imminent renovations or repairs. The demand for new housing is expected to continue particularly over the next two years as builders absorb waiting lists and hopefully make some headway due to improved availability of land, materials and staff.

Tracy Lynd
Property Valuer

Rockhampton

This month we look at the challenges facing our local construction industry and how these are impacting our property market. Without a doubt this has been a significant factor in the Rockhampton and Capricorn Coast markets. The Queensland Master Builders Association reports increased building costs due to supply shortage of materials as a result of increased demand – a direct result of the Home Builder grant (now ended) as well as ongoing disaster recovery work and continued low interest rates.Further, many materials imported to the country are experiencing supply chain shortages due to COVID-19. Delays in construction as well as significant increases to building costs are being experienced.

This has resulted in several vacant allotments being re-listed for sale rather than being constructed upon and has led to a reduction in demand for vacant allotments due to increasing construction costs and extended timeframes to complete builds. Currently this is seeing a change in the market conditions where the preference has turned to established homes which have increased in value at an unprecedented rate of growth by generating a heightened sense of urgency among buyers to enter the residential market and in turn, driving strong demand and increasing prices as a result.

Many builders had to reluctantly withdraw from quoting new builds for a period of time due to the above issues. Securing an available builder is extremely difficult with many having to wait over 12 months before they can begin construction. This is also the same problem for those wishing to complete renovations. Some major unit complexes planned have also had to delay works due to unknown price increases affecting the overall feasibility of the project. On a brighter note, there appears to be some slight improvement in recent weeks with a few more builders opening up their quoting databases, albeit it is a slow recovery.

Alistair Gunthorpe
Valuer

Bundaberg

Bundaberg, like many other locations around the country, is experiencing high demand for new builds. Clients are reporting delays of up to 12 months or more for new home constructions to be completed. Builders are facing multiple challenges including delays in materials, increases in building materials prices and a shortage of available labour and tradespeople. Despite the challenging circumstances for both builders and buyers, the industry continues to carry on.

The majority of new building activity in the region is occurring in the Bargara Headlands Estate in Innes Park as well as Parklands Estate in Branyan and Gooburrum Grange.

Samantha Morgan
Valuer

Emerald

The Central Highlands is experiencing strong demand for housing as a result of increased activity in coal mining in the region. This demand has driven up rental prices and most towns in the region are reporting a near lack or in some cases total lack of rental properties. Naturally as rental demand increases, so do residential sales volumes and prices and in many of the larger hub towns demand is meeting and, in some cases, outstripping supply.

As demand for new houses increases, COVID-19 complications combined with increasing construction material costs and scarcity is resulting in a shortage of builders and trades and increasing construction build times. Builders are under increasing pressure as they try to source trades and building materials and this is evident during progress inspections. It is becoming more common to see projects not necessarily completing a stage before commencing the next based on what materials and trades are available to the builder at the time.

The majority of new home activity in the Central Highlands is occurring in Emerald with new contracts ranging from around $1700 per square metre for a standard on slab dwelling up to around $2200 per square metre for a dwelling of high quality with high end fixtures. These rates are a significant increase on 2021 rates. A major challenge for anybody looking to borrow to build a new home in this market is that available sales evidence doesn't support these increasing construction rates, and building costs are increasingly not recoverable in the current market. As consumers are priced out of the new home market, they are turning their attention to already built product and there is a corresponding increase in prices of that product.

Kerry Harrold
Valuer

Townsville

Similar to the rest of Queensland, the increase in costs for building materials due to demand and supply chain issues has resulted in a heightened demand for established stock which is, in turn, driving values upwards.

Delays in construction periods are also being experienced with some exceeding 12 months not only in new homes but also renovations or extensions and pools.

Current construction activity is scattered around Townsville although predominantly happening within the northern and southern suburbs where master planned communities are continuing to expand due to the high demand.

The strong demand within the rural residential market (over 2000 square metres) continues to quickly absorb any released land stages, placing pressure on developers and driving up prices of the existing stock within this market.

Vacant land supply is limited within the CBD and fringe suburbs.

Darren Robins
Director

Whitsunday

The Whitsunday building industry is still in high demand however there are several factors which are stunting growth. Builders are experiencing a lack of tradespeople with the region in desperate need of more tradies to service the relentless building demand. There is a significant shortage of building materials (across the country) which is proving very frustrating for both builders and owners alike, subsequently pushing out completion dates by weeks and months.

New construction also has the constraint of some proposed subdivisions waiting for titles to be issued.

New builds are scattered throughout the Whitsundays as owners scramble to purchase new lots as they come onto the residential market. The supply of vacant land is limited at this point in time.

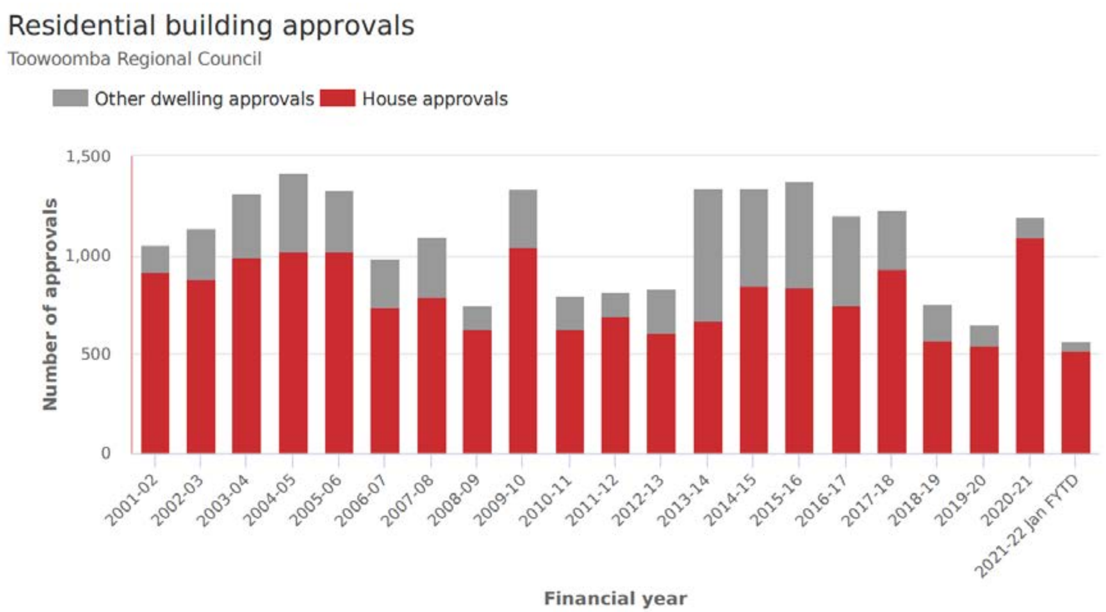
Noelene Spurway
Valuer

Toowoomba/Darling Downs

The Toowoomba region was a major beneficiary of the Australian government Home Builder grant, with a surge in vacant residential land sales and building approvals since the grant was announced in June 2020. This fuelled a residential construction boom throughout 2020 and 2021 which has continued in 2022. The residential vacant land market throughout Toowoomba and the broader Darling Downs region continues to remain robust due to affordable property prices, strong interstate migration, the current low interest rate environment and a rise in consumer confidence which have all contributed to the growth in this market segment, even given the conversation regarding interest rate rises that are likely to occur in mid to late 2022.

A number of estates that had previously carried excess stock are now fully sold with developers and selling agents continuing to report unprecedented demand for additional allotments even with the increase in construction costs and extended lead in times to begin construction (up to 12 months). Estates in fringe suburbs such as Kearneys Spring and Cotswold Hills and satellite suburbs including Highfields, Kleinton, Gowrie Junction, Meringandan and Withcott are generally sold out, which continues to make it challenging for first home builders to enter the market, with resales in these estates recording stable and steady growth within less than a year or two of ownership.

There has been a steady demand from owner-occupiers and investors in these localities, which has been primarily driven by the affordable entry



Source: Toowoomba Regional Council website level price point (in comparison to those closer to Brisbane) where you can purchase land and construct a dwelling for under $550,000 to $600,000 (depending on the locality) and the migration of purchasers from larger city centres to these satellite suburbs that are offering all general amenities in their master plans, generally larger allotment sizes and varying construction style options. We do highlight that there are a number of estates currently under construction within this general locality and future developments are proposed, which whilst providing continued growth for the supply of land into the future, may see an impact on current sale prices and values if the market weakens from its strong current position.

In the well regarded and sought-after suburb of East Toowoomba, which generally comprises older, character timber dwellings, some with expansive rangeside views, there is limited availability for the potential for new development due to there being very limited vacant parcels of land available for purchase. Some notable renovations in this locality have maintained the original cottage style façade and have been extended to the rear with two storey contemporary style additions or gut-renovations internally of existing properties at considerable cost.

The challenge now facing buyers who have purchased vacant allotments throughout the Darling Downs area is the availability of suitably

RESIDENTIAL BUILDING APPROVALS

Toowoomba Regional Council	Number			Annual change		
Year (ending June 30)	Houses	Other	Total	Houses	Other	Total
2021-22 Feb FYTD	594	53	647			
2020-21	1,088	106	1,194	+542	0	+542
2019-20	546	106	652	-27	-74	-101
2018-19	573	180	753	-355	-119	-474
2017-18	928	299	1,227	+179	-149	+30
2016-17	749	448	1,197	-89	-90	-179
2015-16	838	538	1,376	-4	+42	+38
2014-15	842	496	1,338	+175	-180	-5
2013-14	667	676	1,343	+62	+450	+512
2012-13	605	226	831	-87	+100	+13
2011-12	692	126	818	+63	-38	+25
2010-11	629	164	793	-408	-134	-542
2009-10	1,037	298	1,335	+406	+184	+590
2008-09	631	114	745	-156	-194	-350
2007-08	787	308	1,095	+45	+65	+110
2006-07	742	243	985	-276	-66	-342
2005-06	1,018	309	1,327	+2	-90	-88
2004-05	1,016	399	1,415	+27	+74	+101
2003-04	989	325	1,314	+111	+68	+179
2002-03	878	257	1,135	-34	+118	+84
2001-02	912	139	1,051			

Source: Toowoomba Regional Council website

The challenge now facing buyers who have purchased vacant allotments throughout the Darling Downs area is the availability of suitably skilled tradespeople with the current strong demand for their services now drastically extending construction times, and increasing construction prices.

skilled tradespeople with the current strong demand for their services now drastically extending construction times, and increasing construction prices, where in some instances, the added value of improvements plus the land purchase is not currently reflected as added value on a dollar per dollar basis (as perceived by the market). Many local construction companies have commented that the increase in construction prices (materials) has increased building contract amounts by between 15 and 25 per cent on similar building contracts entered into 12 to 24 months previous, with further price increases expected – up to as much as 50 per cent in some areas. This is evident with construction costs for an entry level dwelling ranging from $1350 to $2200 per square metre across much of the Darling Downs, which is an increase from $1100 to $1250 per square metre only 24 months ago and more executive style products ranging from $2000 to $2750 per square metre (an increase from $1500 per square metre only two years ago).

This is continuing to erode builders' margins with some construction companies choosing to rescind these fixed price contracts or requesting further payments from their customers during construction to cover the additional increased costs. It was evident that 2021 was a challenging year for the construction industry and it is apparent that the challenges faced in 2021 will continue into and throughout 2022. The number of construction companies entering into external administration continues to rise, with COVID shutdowns of building sites, prolonged supply problems, skilled and unskilled labour shortages and delayed projects mentioned as the leading causes.

Advice for any consumer building a new product is of course to plan a budget and stick to that as closely as possible and to understand that there are always going to be delays. It is important to select a builder who is going to communicate effectively with you and explain the process thoroughly so that you know what is happening at each step of the build and who is going to take the time to discuss all the costs associated with your construction prior to beginning any project. It is also important that any consumer carefully read through any building contract and to understand the contents and to seek a solicitor's advice before signing any documentation so that there are no surprises as to what the building costs cover and what they do not, to confirm that the building contract includes detailed plans, specifications, warranty and insurance information and that there are specific details relating to a progress payment schedule that is in line with industry parameters. It is also important for any consumer to make sure any variations to the original contract are well documented and mutually agreed upon. This should ensure that the build can be completed as smoothly as possible without any additional surprises that can result in a dispute or costly additions.

Marissa Griffin
Director

South Australia - Residential 2022

Adelaide

To help spur on the building industry through the COVID-19 pandemic, the federal government announced the Home Builder Program. The program commenced in mid 2020 and ceased on 14 April 2021. The basis of the program was to provide $25,000 grants to those constructing a new home or substantially renovating an existing dwelling. The stimulus ignited the construction industry, leading to record levels of development approvals and new dwelling commencements, with activity peaking in mid 2021. The uplift in activity provided those working in the industry job security during an uncertain time however created a number of challenges as the industry tried to keep pace with demand.

Building activity is typically subdued during the summer holiday period, resulting in sharp rises in first quarter construction activity. As at February 2022, new dwelling building approvals were up 35.9 per cent month on month in South Australia alone.

A combination of fragile global transport networks and lack of building materials has seen both construction costs and building timeframes increase since the beginning of the pandemic. Corelogic has reported that construction costs increased 3.8 per cent nationally in the September quarter of 2021 with a year-on-year increase of 7.1 per cent. This year-on-year increase is the highest yearly growth since 2005. Historically, building timeframes have been six to eight months from contract signing to handing over of the keys. These timeframes have increased to ten months or greater with some builders reporting delays of up to 18 months.

Dwellings approved, states and territories, seasonally adjusted

	Private sector houses	Private sector houses	Total dwelling unit approvals	Total dwelling unit approvals
	no.	Monthly % change	no.	Monthly % change
New South Wales	2,653	27.2	5,543	48.8
Victoria	3,246	20.1	7,130	91.0
Queensland	1,997	6.4	2,719	-14.6
South Australia	753	7.6	1,127	35.9
Western Australia	1,189	11.5	1,230	8.0
Tasmania	na	na	285	12.2
Northern Territory	na	na	na	na
Australian Capital Territory	na	na	na	na
Australia	10,240	16.5	18,675	43.5

Source: ABS

Home builders, renovators told to expect more delays, price rises

ABC Ballarat / By Steve Martin, Jane McNaughton, and Tyrone Dalton
Posted Sat 5 Mar 2022 at 10:28am

Builders are waiting nine months for trusses and up to 16 weeks for laminated veneer lumber. *(ABC News: Luke Bowden)*

Source: ABS

Construction costs vary depending on the extent and quality of fit out. Base building contracts for volume-based builders typically exclude turn key items such as floor coverings, air conditioning, light fittings, window furnishings as well as both hard and soft landscaping. Building costs for this style of specification can range between $1500 and $2000 per square metre of building area. Those wanting a turnkey fitout could expect to pay between $1725 and $2250 per square metre of building area. Build costs for bespoke builders with increased levels of

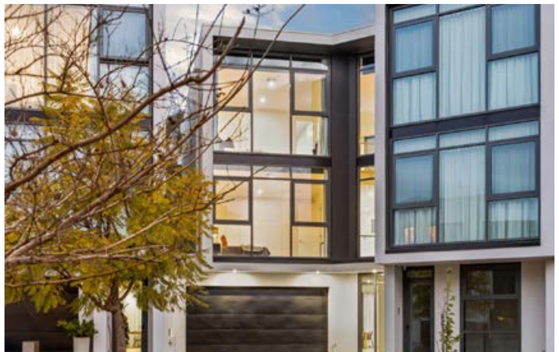
RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

specification can be upwards of $3000 per square metre of building area. Building specifications at this level may include items such as imported internal fixtures and fittings, swimming pool, passenger lift, wine room and extensive landscaping.

Examples of finished products at each end of the construction cost spectrum can be found in the sales of 34 Clementine Avenue, Munno Para, a single level brick veneer dwelling disposed as three bedrooms and two bathrooms with a standard fitout; and 31 Mersey Street, Gilberton, a three-level architecturally designed dwelling disposed as four bedrooms and two bathrooms featuring a highly specified fit out inclusive of a passenger lift. These properties achieved sale prices of $478,000 and $1.65 million respectively.

34 Clementine Avenue, Munno Para Source: realestate.com.au



31 Mersey Street, Gilberton Source: realestate.com.au

The majority of construction is occurring within the large estates at the extremities of the greater metropolitan area.

The majority of construction is occurring within the large estates at the extremities of the greater metropolitan area. Estates are typically centred around existing established suburbs which provide ready-made community infrastructure.Examples of this are Mount Barker south-east of the CBD, Gawler north of the CBD and Seaford Heights south of the CBD which are generating a bulk of the new construction within metropolitan Adelaide.

Bucking this trend and going it alone is the new estate Riverlea within the rural living suburb of Buckland Park, 35 kilometres north of the Adelaide CBD. The development is being undertaken by the Walker Corporation in conjunction with upwards of 16 home builders. Once completed the development will accommodate upwards of 40,000 residents, four schools and 50 hectares of waterways. As at the 2016 census, Buckland Park had a population of 176 with only five residential transactions in the past three years.

Demand for fully established dwellings in new subdivisions has historically been subdued as purchasers have an abundance of land and building options to establish their own vision. The increase in building costs and delay in building timeframes have seen a strong increase in demand for near new established homes in developing estates. In a number of instances, we have seen established lived-in homes achieve sale prices exceeding available land and build options. This has given purchasers confidence to enter the market with a land and build option with the knowledge that the total land and build cost should be achievable on resale. An example of this is the sale of 9 Ogilvy Road, Gawler East for $655,000. This property comprises a single level brick veneer dwelling disposed as four bedrooms and two bathrooms on a 640 square metre allotment. Land and build packages comprising partially established dwellings within Gawler East currently range in price from $525,000 to $575,000.

9 Ogilvy Road, Gawler East Source: realestate.com.au

As many builders try to make hay as the sun shines, the slowing of construction activity from the mid 2021 peak may come as a blessing in disguise. It's expected that construction activity will settle at a more sustainable level throughout 2022. This will allow builders to complete works pertaining to pre-existing contracts whilst taking on new clients without the burden of an unhealthy workload.

Nick Smerdon
Director

Mount Gambier

The construction industry in Mount Gambier is very busy with all trades still highly demanded and in short supply. It is becoming increasingly difficult to get trades to look at potential new jobs as most are fully booked and do not have the capacity to complete the jobs in the near future. As material costs continue to increase, builders are also wary when quoting new jobs and are making allowances for a potential increase in costs. As the trades are in such short supply, the price of labour has also increased. The challenges facing those looking to build would largely be the current build time which is around 12 months. This has changed significantly in the past few years due to the government incentive that came in a couple of years ago. Prior to this incentive, average build time was approximately six months.

In terms of building activity in Mount Gambier, it is predominately residential homes being constructed on the city fringe or outskirts of town. This is due to most of the vacant land available in the town being situated in these estates. Vacant blocks generally range from 800 to 5,000 square metres with prices starting around the $135,000 mark and increasing to as high as $250,000. We are seeing prices for vacant land increase due to buyer demand pushing the prices up.

With the increase of construction comes an increase in build costs. Build costs for homes in Mount Gambier at the moment are ranging from $1300 to $1700 per square metre for a basic build and up to $1700 to $2500 for a higher quality build.

There have been a couple of recent sales which show what you can get for your money in the Mount Gambier market. These sales are of new homes hitting the property market.

The first sale is 33/20 O'Leary Road, Mount Gambier. This property has been built in a new estate and building was completed in late 2020. The property is approximately 134 square metres of living (three-bedroom, one-bathroom) and build cost was approximately $212,000 (approximately $1,500 per square metre) with land being

In terms of building activity in Mount Gambier, it is predominately residential homes being constructed on the city fringe or outskirts of town.

purchased for $70,000. The total cost of the build was valued at $282,000. The property has just sold for $408,000.

33/20 O'Leary Road, Mt Gambier Source: RP Data

Another great example is 24 Woodlands Drive, Mount Gambier. This property was built just six months ago. The land was purchased for $123,000 and the build cost is estimated at approximately $350,000. The property sold this month for $645,000.

24 Woodlands Drive, Mt Gambier Source: RP Data

We believe the current build time of 12 months is having an impact on the sale prices of these new homes when they hit the market. Buyers are opting to buy brand new homes at a premium price instead of waiting for a 12 month build. As there is not a large amount of these new houses on the market, the price point is still quite high.

In future, new home construction in the area will more than likely slow down compared to the past year as builders will eventually catch up on the work. The available vacant land will also impact this as supply gets low.

The established housing market in Mount Gambier has been relatively unaffected by this new construction as buyers and investors are still opting to purchase established homes in the inner city with strong yields of four to six per cent.

Lauren Kain
Valuer

Western Australia - Residential 2022

Perth

Western Australia is currently experiencing construction challenges like never before. Construction prices are skyrocketing and wait times on builds are blowing out as a shortage of building supplies and labour impacts the Western Australian construction industry. In this edition we'll look at what is causing these issues and how these issues are impacting the housing market.

State and Commonwealth government measures originally introduced in 2020 to build a strong pipeline of work have been instrumental in supporting the economy and lowering the national unemployment rate. When the state and federal government building stimulus packages were first announced, they were the most generous in the country, with up to $70,000 available for first home buyers. In hindsight, the grants and incentives were overly generous and have created significant issues that may end up causing more harm than good for many buyers.

Due to mandatory vaccination laws, a lack of overseas migration and strict border restrictions, there has been a shortage of skilled trades within the industry. Building companies have seen a loss of workers due to vaccination requirements, with reports of up to a ten per cent loss of workforce, as per an MBA media release. This loss of workers is only making things worse in an industry that was already crying out for workers as a result of the effects of the pandemic. The lack of workers meant that wage pressure increased exponentially, with brickies charging $1.20 per brick pre pandemic now charging over $3 and up to $3.50 per brick today.

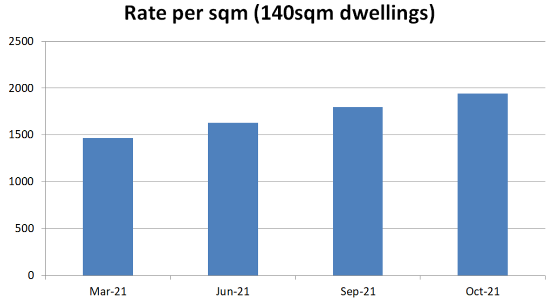
In addition to the labour crisis comes the issues of material supply shortages and price escalations. We are witnessing delays across the whole of Western Australia with building companies waiting months for essential building materials. In a 9 News media report, a major brick supplier had given their clients only a few days notice of a price increase on bricks used in common project style homes. A $2.20 increase per brick was reported which equates to a jump of about 25 per cent. Furthermore, it was reported that steel prices had experienced a 30 per cent increase, while timber has seen an 80 per cent price increase. These figures are supported by the Financial Review reporting that timber prices had risen by 50 to 100 per cent, steel by 30 to 60 per cent and concrete by 20 to 40 per cent throughout 2021. In addition, building companies are also facing issues in the transport department, with fuel prices skyrocketing due to the Ukraine and Russia conflict.

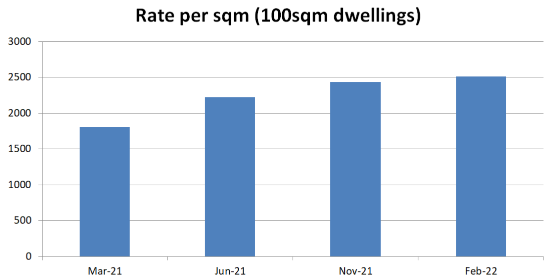
The market has seen an increase in construction costs over the past 12 months as a result of these significant supply shortages as well as labour shortages. Due to the pandemic, the state has struggled to source labourers, especially bricklayers, and has been hit with lengthy delays of building materials. As a result, material and labour costs are increasing for building companies and this is being passed on to customers, regardless of whether they were in a supposedly fixed price building contract, as these contracts allowed builders to pass on certain costs, especially if construction was delayed for any period of time not due to a fault of the builder. Hence any delays in settlement of land, finance approvals or contract signing resulted in builders passing on increases in costs to unsuspecting and very ill prepared customers.

To give you an idea, we have seen examples of building contracts with low to mid specifications costing approximately $1450 per square metre for around 135 square metres of living in March 2021 rise to costing $200 per square metre more six months later for a similar product. The price increases didn't end there either; one can expect to pay up to $1950 per square metre in 2022, equalling an approximate 25 per cent price increase. This can't be avoided by building smaller either. Gone are the days when you could build 100 square metres for less than $200,000 pre-pandemic; this is also likely to set you back at least 25 per cent more than what you would've typically paid pre-pandemic.

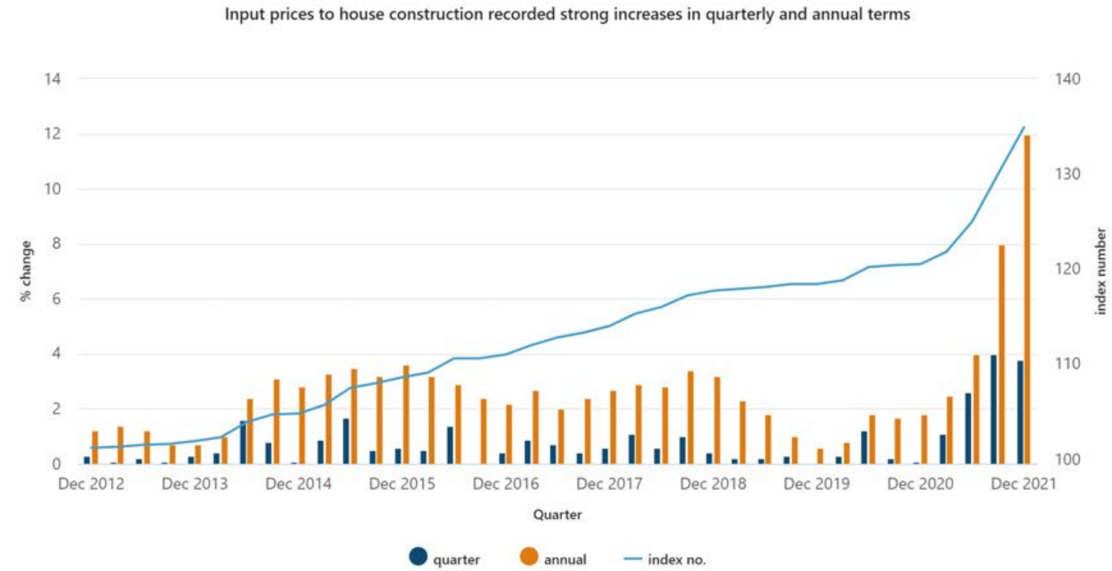
Gone are the days when you could build 100 square metres for less than $200,000 pre-pandemic; this is also likely to set you back at least 25 per cent more than what you would've typically paid pre-pandemic.

The following graphs reflect the construction cost increases (on a rate per square metre of living area basis) we have seen over the past 12 months:





This is then supported by data from the ABS:



Source: Australian Bureau of Statistics, Producer Price Indexes, Australia December 2021

Western Australian housing

Source: onthehouse.com.au

Our valuers are reporting stories of potential buyers scouring areas for newly built dwellings and door knocking to make cash offers to avoid building.

In completing construction valuations, we have also seen some examples of what would previously have been considered as grossly excessive building costs. A valuer recently completed an as if complete valuation in the eastern suburbs of Perth for a two-bedroom, one-bathroom, double brick and Colourbond home with a living area of just 73 square metres with a contract price of $235,000, and that's without any car accommodation. Pre-pandemic, a contract price of this amount would be typical for a small three- to four-bedroom house with a two-car garage and alfresco.

With the increase in building costs, it's now common to see these incorporated as variations to building contracts. For example, after a building contract was entered into in March 2021, the delay in commencement of construction resulted in a variation in March 2022 for a pure price increase of $30,000, equating to an 8.1 per cent increase in the contract price – and this is now pretty common.

To avoid some rising costs and delays, we have seen builders looking at substitutions for materials that can have big influences on their contracts, for example, building companies who have predominantly built double-brick homes the Western Australian way have recently incorporated brick veneer construction to reduce the costs associated with brickwork. Builders are also noting state-wide shortages in glass and garage doors, as well as other materials, creating delays in handovers and project completion considering there are few alternatives.

We are seeing these issues also reflected in the apartment market, with the Property Council of Australia reporting some 10,000 apartments had been delayed due to a lack of available workforce. This delay in construction was resulting in serious affordability issues with a lack of stock coming to a market already experiencing a supply shortage. It was reported these delayed projects accounted for more than a third of approved projects in Perth.

Based on data from the Australian Bureau of Statistics, the number of dwellings approved in Western Australia has changed throughout the period of the pandemic, government grants and supply and labour shortages. Whilst specific pre-pandemic data for Western Australia is not available, the number of houses approved in Australia remained steady in the first quarter of 2020. When the Australian government Homebuilder grant was announced in June 2020, the number of approvals began to increase and as the grant neared an end in April 2021, the state had high rates of approvals. There were 2498 houses approved in February 2021, almost 50 per cent higher than the same time in 2020. With this increase in approvals however, the housing commencement rates declined throughout 2021 due to the lack of availability in materials and labour, with Western Australia's commencement rates declining by 28 per cent in the September 2021 quarter. The statewide shortages have proven to have had a tougher impact than anticipated, with several Perth building companies going into liquidation in the same week and many more are expected to follow. The delay in construction timelines means that whilst builders might have full order books, they have limited cashflow but significant holding costs. Those building companies that signed on more customers than they could handle (and there are plenty) are likely to come under significant financially viability pressure in 2022.

Customers of a variety of building companies have claimed experiences of year long wait times before construction commencement, receiving bricks but bricklaying being delayed for months, as well as receiving price increase invoices after the contract.

First home buyer suburbs are seeing increasing demand for brand new or newer built dwellings and are experiencing sale prices higher than anticipated. Our valuers are reporting stories of potential buyers scouring areas for newly built dwellings and door knocking to make cash offers to avoid building. Currently the market has limited stock of these homes, and with delayed construction periods, the delay in the availability of this stock will flow through the market.

The delayed build times and rising construction costs are some of many factors contributing to a rise in values and demand for established dwellings across the Western Australian market. In December 2021, the median house price of the Perth metropolitan region was $525,000, up from $490,000 in December 2020 (as per REIWA). Our extremely strong economy is the envy of the nation, with record low unemployment rates, increased wage pressure, record low interest rates, increased disposable income and positive net migration all putting upward pressure on the established housing market.

Surprisingly, land values are still rising as demand remains strong, despite the uncertainty of building costs and construction timelines, and we consider that this reflects the confidence in the economy and the amount of equity slushing around.

These construction issues remain a challenge throughout Western Australia for the foreseeable future with prices continuing to rise. We anticipate that once the backlog of construction clears there will be some respite for customers, however until this is cleared it will remain a challenging time for the construction industry in Western Australia and we don't foresee much respite in 2022.

Chris Hinchliffe
Director

Northern Territory - Residential 2022

Darwin and surrounds

Skilled labour shortages have been evident for some time now and have stretched the construction industry's ability to deliver housing on budget and on time. Add to this the more recent shortage of building materials and it should come as no surprise that these challenges are now being passed on to the consumer. The rise in construction costs being felt across the whole of the Northern Territory is the combined result of many demand and supply factors within Australia and the international market.

Looking back 24 months, the COVID climate and lockdowns in Australia saw many workers beginning to work from home. Since then, many workers have been less inclined to travel into office spaces and have moved from the big cities to smaller regional hubs such as Darwin. This, in addition to Australians putting away savings that would have otherwise been spent on holidaying, entertaining or eating out and the $10,000 home renovation grant available to Northern Territory residents has resulted in a massive increase in home renovations, pushing demand for skilled labour.

As this was occurring and with the official cash rate siting at 0.10 per cent, we saw the federal government issue cheap credit to banks which in turn handed it out in the form of record low interest rates, resulting in a spike in new mortgages. Here we saw record levels of buyer demand for existing stock until prices exploded, going up 20 per cent in 2021 (source: CoreLogic). With little existing stock available, consumers were forced to turn more and more to new housing, putting further pressure on skilled labourers. In a comparatively small economic landscape like the Northern Territory, the flow on effects of these shortages can impact the market rapidly.

The added construction costs have been further exacerbated here in the Top End as freight costs have also blown out due to the rising cost of fuel.

Increasing demand though is only one side when exploring why many construction timeframes have blown out from six months to over twelve months more recently. COVID has meant that supply chains have been disrupted, though this had somewhat recovered until more recent international conflicts. Recent events have seen the cost of materials such as metal products, plumbing supplies and most notably structural timber increase by nearly 30 per cent. With so many of the major materials that go into building a house increasing in price, many consumers are now having to wear the increases as construction companies can no longer absorb cost increases within their margins. To overcome this, we are seeing build contracts being rewritten or changed to simplify designs to make them more cost effective. With numerous factors both on the demand and supply side compounding to increasing costs and with the amount of construction activity that has been approved when we cannot import more skilled labour and materials, it is likely an issue that will continue for the foreseeable future.

Here in Darwin, the majority of new residential development is coming in the form of detached dwellings in Muirhead, Northcrest/Berrimah and the Palmerston suburb of Zuccolli. Land has been quick to sell in all three with the first stage of Lee Point just north of Muirhead selling off the plan. Price points for each are $350,000 for Muirhead, $280,000 for Northcrest and $230,000 for Zuccoli. Though these have increased over the past 18 months, the price point for a finished dwelling has jumped due to the cost of construction. For example, 5 Follington Street, Zuccoli, a standard four-bedroom, two-bathroom house on a 600 square metre block sold in March 2022 for $650,000.

5 Follington Street, Zuccoli   Source: realestate.com.au

Compare this to 20 Oatgrass Street, Zuccoli, another standard four-bedroom, two-bathroom house on a similar size block that sold for $585,000 in September 2021. This highlights the pressure felt by consumers previously looking to build new and now looking instead towards established housing stock which is in turn feeling the squeeze.

The added construction costs have been further exacerbated here in the Top End as freight costs have also blown out due to the rising cost of fuel. Price hikes for an average ground level dwelling have increased from about $2200 per square metre to $2400 per square metre in Darwin and three hours south in Katherine even more where previously a new build would come to about $2400 per square metre and now it will be upwards of $2600 per square metre. This jump in costs comes when CoreLogic is reporting a 20 per cent rise in housing values nationally over the 12 months, so these higher construction costs will add to affordability challenges already at play across the established housing market.

Tom Dickinson
Residential Property Valuer

Australian Capital Territory - Residential 2022

Canberra

Construction continues to be fuelled by low interest rates and the Homebuilder scheme, along with rising dwelling prices. The demand for construction remains high, with extended wait times for construction start dates and completion dates.

Many see value in designing and building their own home, allowing the option to personalize, however the construction industry is still experiencing global supply shortages. Australia is also experiencing labour shortages in the sector as net overseas migration numbers plummeted during the pandemic. The most recent figures from the Australian Bureau of Statistics indicate that the nation's population growth is at a near standstill and the country is experiencing negative net overseas migration for the first time since 1946.

Beyond the huge rise in new construction activity, Australians who have been living through multiple lockdowns have also been spending big on home renovations. The Commonwealth Bank reports that lending in the home renovation space is "incredibly strong" (Mark Eggleton, 2021).

Build rates start at $2000 to $2500 per square metre for very basic standard project homes in the ACT (source: Achieve, Rawson, McDonald Jones), offering limited choices with alterations and standard floor plans to suit blocks. Size will impact rates. Basic terrace homes show higher rates, sitting at around $4000 per square metre plus.Regional rates in surrounding areas differ, with Goulburn, Bungendore, and Yass all having lower build rates.

Tahleah Williams
Assistant Property Valuer

The demand for construction remains high, with extended wait times for construction start dates and completion dates.

Tasmania - Residential 2022

Hobart

Getting a builder to start in a timely manner in Hobart and surrounds is becoming more difficult by the day. Upon placing your deposit and getting plans approved, don't expect to move into your new house within 12 months, in some cases up to 18 months depending on the degree of difficulty of the build and who you decide to go through.

Construction costs have skyrocketed in the past 12 to 18 months.Costs for an average standard dwelling are coming up between $2700 and $3000 per square metre.Higher end constructions are now pushing the $5000 per square metre depending on the level of finish.

$600,000 to $650,000 will get you a slightly above average four-bedroom, two-bathroom dwelling with outdoor areas and double lock up garage. Landscaping is not included in this contract sum. The external cladding is not brick, it is lightweight composite clad (imitation weatherboard). This is due mainly to increased labour costs due to a lack of qualified bricklayers. Rumour has it that the local brickies have increased the price per brick by up to double from previous quieter times. All trades have increased their labour costs along with a sharp increase in material costs.

The outlook for new home construction is believed to remain pretty much the same as it is now with shortages of both qualified labourers and materials.

The number of on completion valuations undertaken by the Hobart office has decreased significantly since the start of the year due to the increase in prices. First home builders are being offered pretty good incentives from the state government, however when you purchase a block for say $300,000 and get a quote to build a modest home for say $500,000 to $550,000, you are up for $800,000 to $850,000. If you are lucky enough to have a 20 per cent deposit (which alleviates mortgage insurance) you will still have a mortgage in the $600,000 to $650,000 range after the government incentives.

Rumour has it that the local brickies have increased the price per brick by up to double from previous quieter times.

Most first home builders will not have the 20 per cent and funnily enough, the number of valuations undertaken for mum and dad to become guarantors has increased significantly. Trust me, I know, as I have had to do it for my eldest!

Gone are the days when it was easy to find a block large enough and with the dwelling positioned in such a way that you could throw a unit behind the existing dwelling. There is fierce competition out there for these rare gems as you can still generate an income through the existing dwelling and make a hefty profit on the new unit.

The sub $750,000 market in Hobart and surrounds still appears to be strong, however the heat in that segment market has slowed. There are early signs of flattening in the $750,000 to $1 million price bracket.$1 million and above still generates a lot of interest as purchasers in this price bracket may not be affected as much as first home buyers when interest rates increase later this year.

The uncertainty with interest rates, COVID-19 and the federal election are sure to have some effect on the market in the coming months and all signs are pointing in the direction of a flattening market.Will the Hobart market drop?Who knows? We will just have to wait and see.

Mark Davies
Residential Manager

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

Rural

May 2022

Central Tablelands

We are seeing an active market, with sales indicating continued rising value levels.

Our analysis of the sale of Numeralla, 2319 Hill End Road, Hill End (18 February 2022, $2.75 million, 890 hectares) indicates excluding buildings rates of $3300 per hectare for the open to lightly timbered hilly grazing country and $850 per hectare for its steep timbered country. The dollar per hectare rates indicated by Numeralla point to a rise in local value levels compared to the generally similar nearby property, Avila, which sold in July 2021.Our analysis of Avila at 2641 Hill End Road, Hill End (02 July 2021, $3.22 million, 1383 hectares) showed excluding buildings rates of $2650 per hectare for its small area of open arable country, $2400 per hectare for the open to light timbered grazing country and $650 per hectare for its dense green timber.

2641 Hill End Road, Hill End Source: realestate.com.au

The size of interest rate rises will be keenly followed. Commodity prices and seasonal conditions appear to be remaining very strong as we continue into 2022.

When talking to landowners whilst on farm, we are reminded of the rapid rate at which inputs costs are rising (steel, fencing materials, fertiliser, fuel and many more items).

Craig Johnstone
Valuer

Southern NSW

The rural property market is still showing signs of heightened demand across all parts of Southern New South Wales and Northern Victoria. Agents have reported strong enquiry for newly listed properties throughout the autumn season.

In April we saw the successful transaction of Bangadilly Station located in Canyonleigh, approximately 120 kilometres south-west of Sydney in the Southern Highlands region. The holding offered a total 1815 hectares (4484 acres) and is considered to be one of the largest holdings in the Southern Highlands region, offering significant subdivision potential. The property had expectations of $21,000 per hectare ($38 million), however, these expectations were exceeded considerably and the property achieved $30,300 per hectare, totaling $55 million. The selling agents indicated the result was a reflection of the scarcity of these properties within the Southern Highlands region.

The main concerns surrounding the rural market at present are interest rate hikes as well as further disruption to supply chains and markets due to COVID-19 and growing international tensions. As always, continued timely rainfall is required for dryland and livestock producers. Across Southern New South Wales, April rain has been welcomed by many, however has been inconsistent in areas. Southern upstream water storages are at near maximum capacity and the outlook for continued allocations is very positive.

Liam Griffiths
Valuer

Northern Tablelands

Most are aware of the strength in the rural market in and around the Northern Tablelands with ongoing sales that are continuing to break records, and this is also the case for the rural lifestyle market. This is particularly evident in the 55-to-120-hectare bracket.

There have been several recent sales in the Walcha, Armidale and Glen Innes regions which have continued to surprise both vendors and agents, surpassing expectations on a number of occasions.

Recent sales include:

- **1644 Oxley Highway, Walcha Road** (110.20 hectares) for $2.5 million in February 2022 reflecting $9,185 per acre;

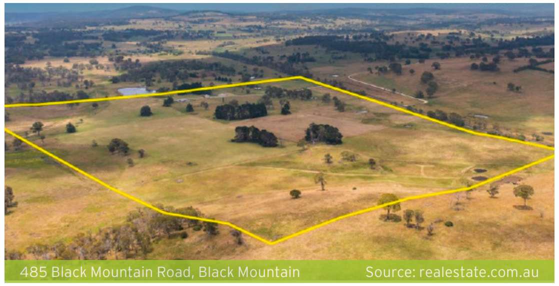
1644 Oxley Highway, Walcha Road Source: domain.com.au

- **8 Harveys Road, Dangarsleigh** (75.84 hectares) for $2.3 million in March 2022 reflecting $12,784 per acre;

8 Harveys Road, Dangarsleigh Source: realestate.com.au

HERRON TODD WHITE RURAL

- **485 Black Mountain Road, Black Mountain** (64.75 hectares) for $1.7 million in February 2022 reflecting $10,629 per acre; and


485 Black Mountain Road, Black Mountain Source: realestate.com.au

- **part 216 Glen Legh Road, Glen Innes** (87.59 hectares) in June 2021 for $2.3 million reflecting $10,631 per acre.


216 Glen Legh Road, Glen Innes Source: realestate.com.au

In comparison to larger holdings, these sales have a high rural lifestyle appeal and in many instances these types of lifestyle properties are purchased on a lump sum basis with limited consideration taken into the rate paid per acre or hectare.

The strong demand for lifestyle country is not limited to the Northern Tablelands with most areas of regional New South Wales experiencing high growth and record sales.

Angus Ross
Property Valuer & Rural Director

Central West NSW

The rural property market is still seeing strong levels of demand in the Central West, similar to most areas across New South Wales.

Notable recent transactions in the Central West include:

- **Fairview, Bournewood:** Fairview comprises a total of 186.74 hectares which is considered to be a small rural holding in this district. The holding sold for $1.55 million in February which equates to an overall rate of $8300 per hectare including buildings and $6801 per hectare on an ex-buildings basis for the cultivation and support land.
- **Lockdale, Narromine:** Lockdale is a 1236 hectare mixed farming holding which sold for $9.95 million in March 2022. The property is located approximately 24 radial kilometres south-west of Narromine and shows an overall per hectare rate of $8,050. Our analysis of this sale shows a rate of $8,100 per hectare on an ex-buildings basis for the dryland cultivation country and $5,800 per hectare on an ex-buildings basis for the grazing and support country. This sale shows the continued strength in values and demand within the Narromine district in 2022.
- **Three Mile Creek, Cobbora:** Three Mile Creek is situated in the broader Dunedoo district, approximately five radial kilometres north of the village of Cobbora. The property comprises a total of 2,544 hectares and sold for $7.6 million in April. Three Mile Creek had been held within one family for four generations and hit the market in January because the family was leaving the district. The property was advertised to go to auction on 24 February but was pulled from the market on 22 February under private negotiations. This sale equates to $2987 per hectare overall including buildings and $4000 per hectare on an ex-buildings basis for the arable country.

The area and location range of sales analysed demonstrate the strong level of demand and value across all rural classes in the Central West region of New South Wales. The outlook for the 2022 winter cropping season is looking positive with full moisture profiles across multiple regions in the state. The main concern for the season ahead is the fact that paddocks are too wet to sow at optimum sowing times in certain regions, therefore requiring aerial sowing or delays.

Scott Fuller
Valuer

Echuca/Deniliquin

Despite rising input costs and the threat of rising interest rates, the market for rural property continues to break records, noting there is plenty of upside in the rural sector with record commodity prices and generally excellent seasonal conditions in the southern Riverina.

A 2400-hectare dryland aggregation south of Berrigan in the Riverina region of south-west New South Wales sold prior to auction (April 2022) for a reported price range of $33 million to $36 million dollars or $13,750 to $15,000 per hectare.

Of interest is that an adjoining dryland parcel of excellent red loam sold in May 2013 for $2,471 per hectare and was the first dry cropping block with no buildings to hit the $1000 per acre mark.

Based on that sale price, the above aggregation would have been worth in the vicinity of $5 million to $6 million as at May 2013.

John Henderson
Director

Central and Western Qld

Feral pest fencing in former sheep country has created a swing from cattle back into smaller animals. While this has created a welcome diversity for regional areas, it has exacerbated labour supply issues, principally, a lack of shearers. The inability to find suitable shearing staff, which will continue to be an ongoing problem throughout the wool industry, coupled with the more labour-intensive nature of wool growing, has seen former wool growers stepping into meat sheep and goats. Goats are showing stunning returns at present, outstripping cattle in terms of dollar per kilogram prices.

The days of the iconic shearing shed and nearby quarters may be numbered.

While still regarded as small animals, meat sheep and goats are generally more robust, larger animals than merinos. This usually means that infrastructure such as stock yards and fencing require upgrading to handle the larger animals safely. Investment in suitable livestock handling equipment has increased substantially in recent years.

In summary, labour shortages and savings coupled with wool prices showing returns below pure meat animals will probably continue to drive graziers away from the wool industry into more protein based production. The days of the iconic shearing shed and nearby quarters may be numbered.

Chris Dyer
Property Valuer

Darling Downs

The Darling Downs and broader south-western Queensland rural market can generally be described as strong. This has been assisted by good rainfalls across the region over the past few months. Good falls in the Upper Condamine, Maranoa and lower Border Rivers have seen inflows into the region's dams, river and creek systems which have also created significant water harvesting opportunities for irrigators.

Agents are still reporting very strong demand for quality holdings with corporate and large private farming companies driving the upper end of the market.

This includes a highly anticipated auction later in May 2022 of a 608 hectare irrigation property at 2828 Grosmont Road, Wondoan. Local Roma agents have seen plenty of local interest with a high inspection to enquiry ratio. They describe the market as still on fire and powering along with many producers looking to expand.

436 Croftby Road, Moogerah — Source: HTW

Mt Moon at 436 Croftby Road, Moogerah recently sold at auction for $7.65 million and comprised of 816 hectares (2015 acres). The Ray White agent conducted 29 inspections and six second inspections which produced 11 registered bidders with six actual bidders. The property sold to a family partnership from the Brisbane and Darling Downs area.

Tarcoola, a well established grazing property at Moonie, is a 1444 hectare (3568 acre) property which recently sold at auction for $6.2 million or $1738 per acre. Buyer demand was strong with 15 inspections, nine registered bidders and four active bidders. The Central Queensland buyer is looking to spread risk and expand holdings.

Moonie grazing property — Source: HTW

The region's strong rural sales correlate with strong beef and grain and other commodity markets. Rising costs due to increased inflation, fuel prices and the recent interest rate rise equates to increased input costs for producers.

HERRON TODD WHITE RURAL

There is little doubt that input costs for producers are increasing. For example, an agricultural supplier advises that a 20 litre drum of Roundup herbicide has had a 60 per cent increase in price over the past three years. The reasons for this are complex however include the rolling shutdown of COVID and the associated cost of freight and competition for space on shipping, plus a hurricane in Florida USA affecting the Monsanto manufacturing plant. Other situations affecting chemicals were the Winter Olympics in China where manufacturing plants were shut down to provide clean air for the event and the war in the Ukraine which has tripled the price of urea and phosphates. All manner of machinery and other agricultural supplies appear on the increase for similar reasons.

Strong commodity prices and property values in the region have served to negate some of these increased input costs for producers. The broad acre market would be particularly conscious of increased input costs and would be impacted more in the case of a static or downturned market.

For now, confidence and demand in the region's rural sector remain strong with some recent and prospective quality sales.

Bart Bowen
Director

Western Australia

That was quite the selling season in Western Australia on the back of a good rainfall year and record harvest result. Recently settled sales throughout the Wheatbelt, Mid-West, South-West and Great Southern agricultural regions have shown very strong price growth with global uncertainty, labour and skills shortages and supply chain issues seemingly unable to halt price momentum in broadacre farming.

Other cost inputs currently affecting the industry include the rapidly increasing price of fuel and fertiliser, however these are currently being absorbed by high commodity prices.

For example, Willerene, located near the Wheatbelt townsite of Wickepin, recently achieved a price per arable hectare approximately 50 to 80 per cent above what was achieved throughout 2020/21.

Muggawa, located on the Midlands Road near the Mid-West town of Three Springs, also recently achieved a price per arable hectare approximately 50 to 80 per cent above what was achieved throughout 2020/21.

Specialty and labour-intensive agricultural industries including dairies, abattoirs and horticulture however are still suffering the effects of severe labour shortages. There is hope that shortages may be alleviated somewhat with Western Australia's hard interstate border and international border reopening.

Western Australia Source: HTW

Other cost inputs currently affecting the industry include the rapidly increasing price of fuel and fertiliser, however these are currently being absorbed by high commodity prices. With the 2021/22 selling season at an end, the full impact of these higher inputs on values likely won't be seen until the next selling season.

Luke Russell
Valuer

Northern Territory

The company behind the $1.87 billion project Sea Dragon has announced that the project will not go ahead in its current form due to lack of economic viability. The project proposed developing three separate sites across northern Australia, with about 10,000 hectares of aquaculture ponds on Legune Station and was expected to produce about 100,000 tonnes of tiger prawns per annum, which would have been the world's largest prawn farm. A smaller 10-hectare pilot project will be developed instead, to try to establish economic viability. Sea Dragon enjoyed major project status with the NT Government, who had already invested $56 million in supporting infrastructure including new roads and bridges at Gunn Point, Bynoe and Keep River.

For the past 150 years, the history of the NT and Kimberley has been littered with proponents of large scale agricultural-type projects which have never eventuated, sometimes after expending substantial funds and causing significant environmental issues. In this case the plug has been pulled at a reasonably early stage with only 21 ponds built and Seafarms has indicated it will proceed with a much smaller pilot program. This would appear to be a wise decision as a reduced size will enable the company to develop its processes on a much smaller, more affordable scale and then gradually build up to a larger project, thus lowering risk.

It has recently been reported that Hancock Agriculture has sold two adjoining properties in the western VRD, Riveren and Inverway to Hughes Pastoral for about $100 million. This sale involves two adjoining pastoral leases totalling 5,552 square kilometres accessed from the unsealed Buntine Highway about 600 kilometres south-west of Katherine and in a 550-millimetre rainfall belt. We understand that the sale includes about 40,000 head of cattle, heading into what appears will be a difficult dry season. This sale confirms the continued strength in demand for breeder country suitable for supplying the live export market where prices are well over $5 per kilogram at present.

Frank Peacocke
Director

HERRON TODD WHITE

Property Market Indicators

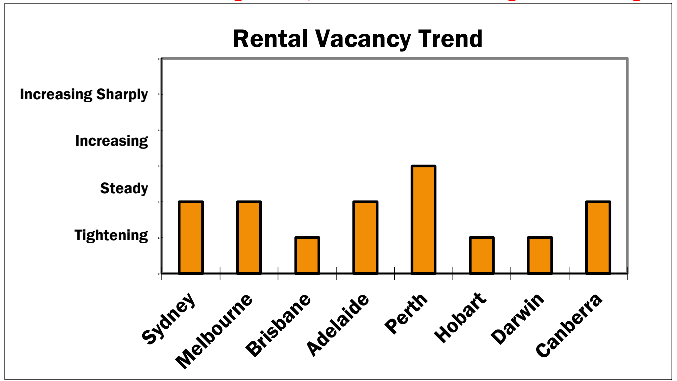
May 2022

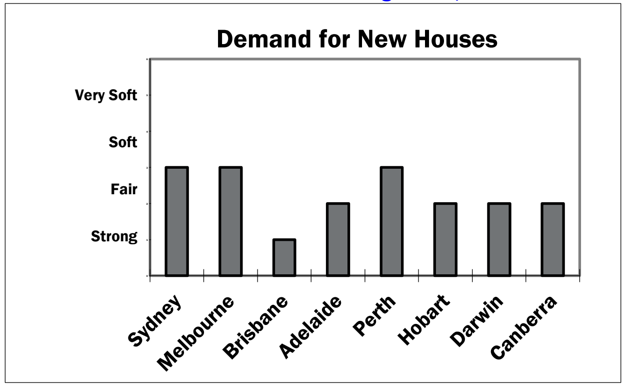
Capital City Property Market Indicators – Houses

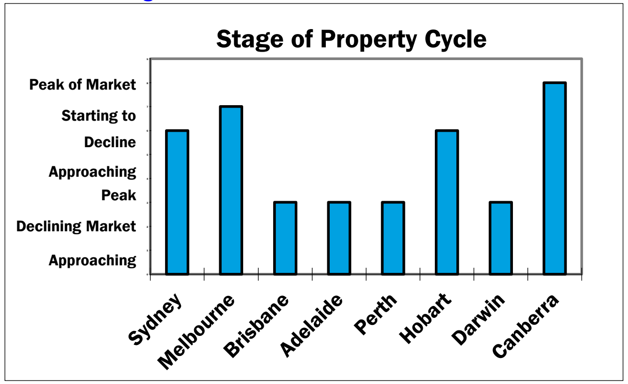
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Steady	Tightening sharply	Tightening sharply	Tightening
Demand for New Houses	Fair	Fair	Very strong	Strong	Fair	Strong	Strong	Strong
Trend in New House Construction	Steady	Steady	Declining significantly	Declining	Steady	Declining significantly	Declining significantly	Declining
Volume of House Sales	Increasing	Declining	Increasing strongly	Increasing	Increasing	Increasing strongly	Increasing	Increasing strongly
Stage of Property Cycle	Approaching peak of market	Starting to decline	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	Very frequently	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



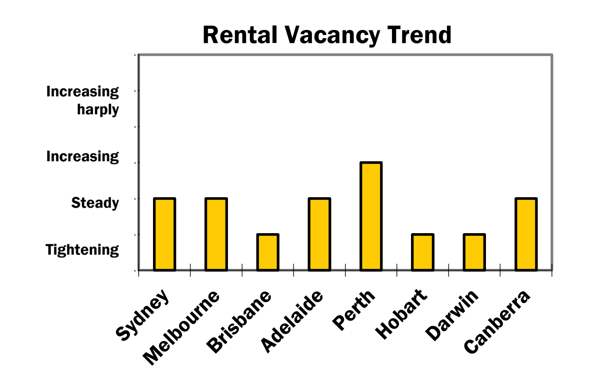


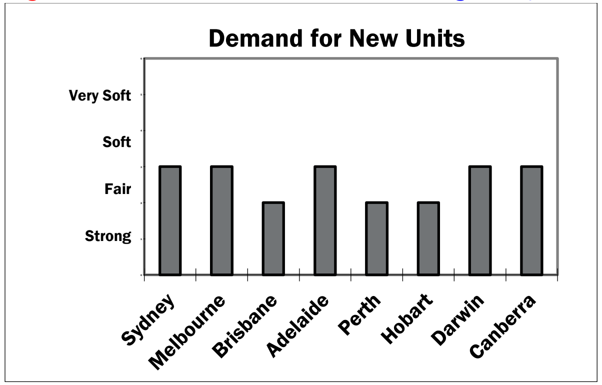


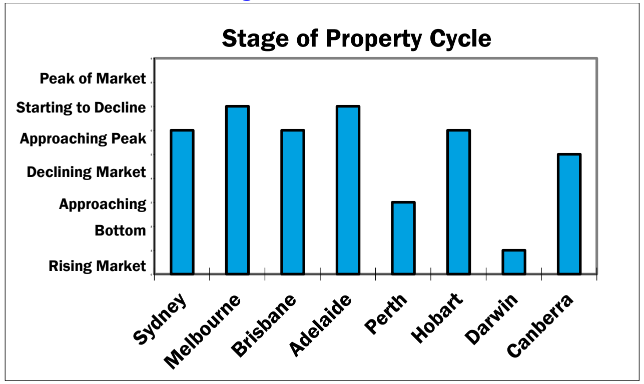
Capital City Property Market Indicators – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	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
Rental Vacancy Trend	Tightening	Tightening	Tightening sharply	Tightening	Steady	Tightening sharply	Tightening sharply	Tightening
Demand for New Units	Fair	Fair	Strong	Fair	Strong	Strong	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Declining	Steady	Declining	Declining significantly	Declining	Declining
Volume of Unit Sales	Increasing	Declining	Increasing strongly	Steady	Increasing	Increasing strongly	Increasing	Steady
Stage of Property Cycle	Approaching peak of market	Starting to decline	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	Very frequently	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





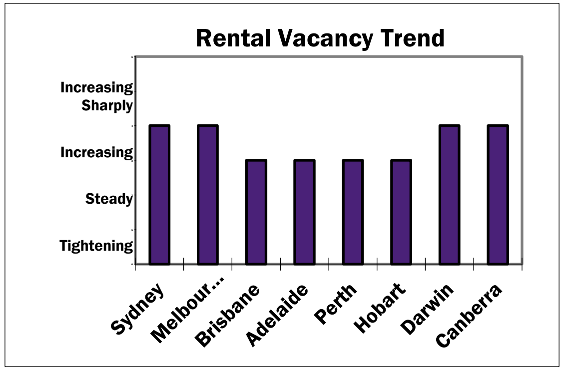


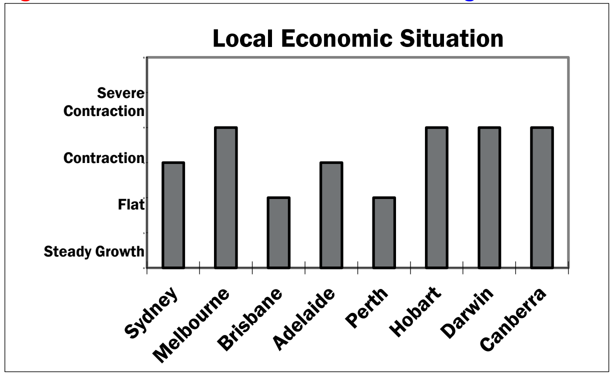
Capital City Property Market Indicators –Retail

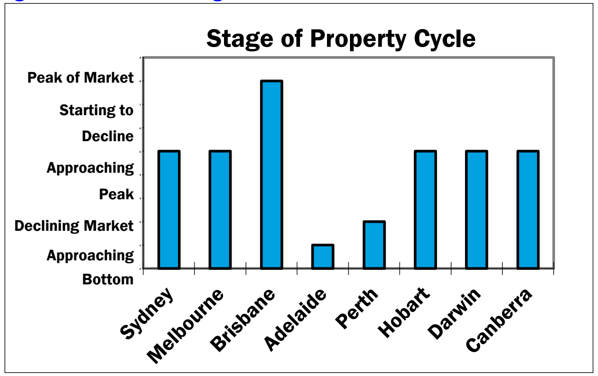
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available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

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

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





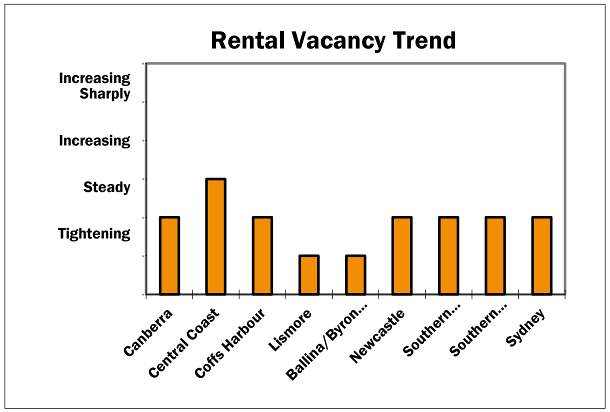


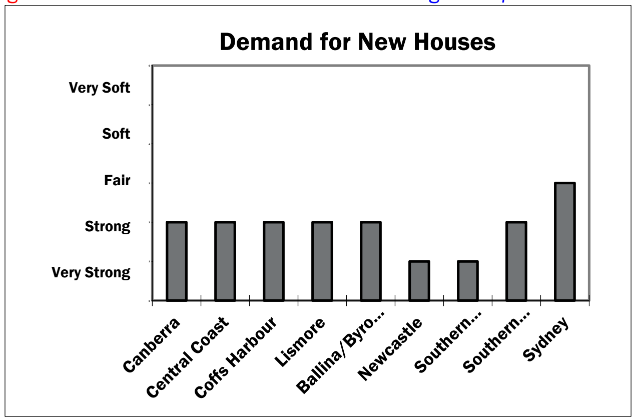
East Coast New South Wales Property Market Indicators – Houses

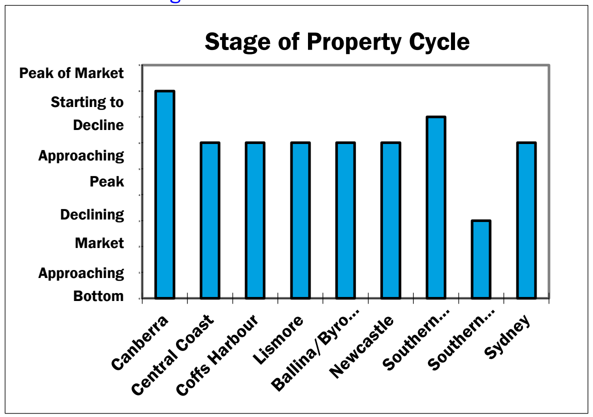
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	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	Tightening sharply	Tightening sharply	Tightening	Tightening	Tightening	Tightening
Demand for New Houses	Strong	Strong	Strong	Strong	Strong	Very strong	Very strong	Strong	Fair
Trend in New House Construction	Declining	Steady	Steady	Steady	Declining	Declining significant-ly	Steady	Declining	Steady
Volume of House Sales	Increasing strongly	Steady	Increasing	Steady	Increasing	Increasing strongly	Declining	Increasing strongly	Increasing
Stage of Property Cycle	Peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Starting to decline	Rising market	Approaching peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	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



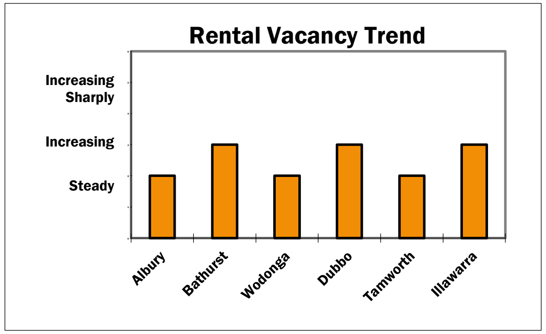


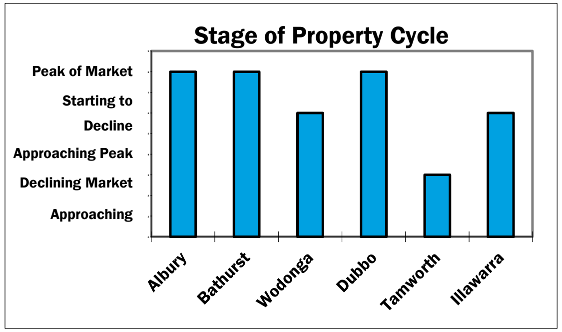


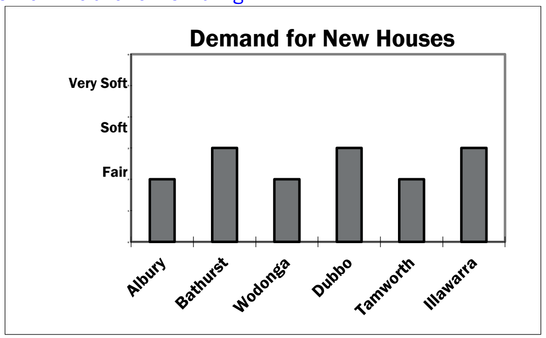
Country New South Wales Property Market Indicators – Houses

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

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





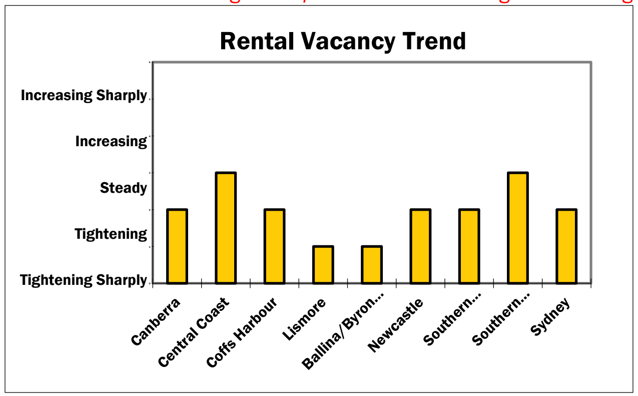


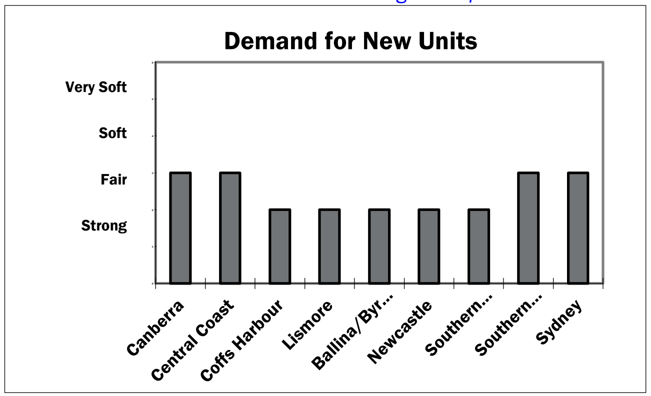
East Coast New South Wales Property Market Indicators - Units

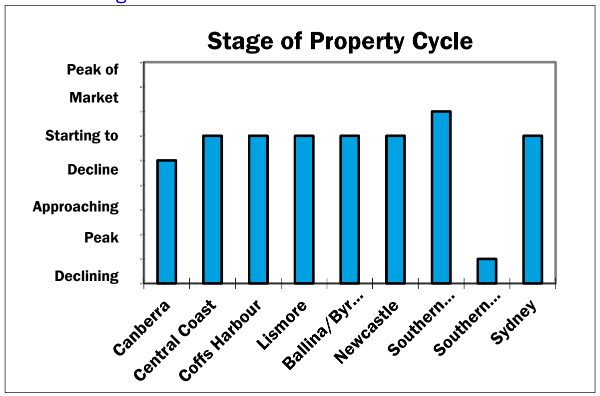
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	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	Balanced market	Shortage of available property relative to demand
Tightening	Tightening	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening	Tightening	Steady	Tightening
Fair	Fair	Strong	Strong	Strong	Very strong	Strong	Strong	Fair	Fair
Declining	Declining	Declining	Steady	Steady	Declining significantly	Declining	Declining significantly	Steady	Steady
Steady	Steady	Increasing	Increasing	Steady	Increasing strongly	Increasing	Increasing	Steady	Increasing
Declining market	Declining market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Starting to decline	Start of recovery	Approaching peak of market
Occasionally	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





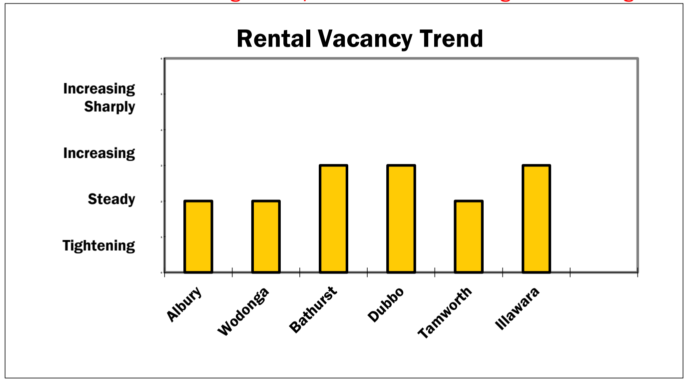


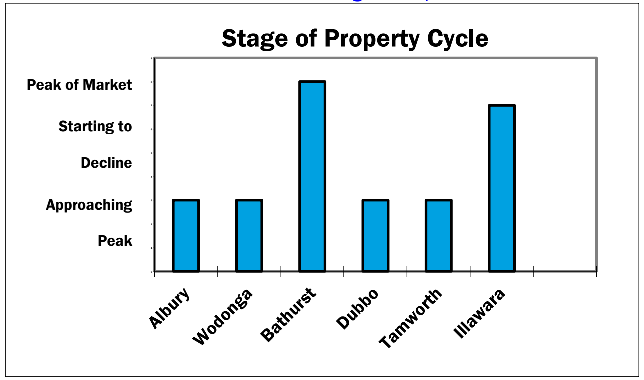
Country New South Wales Property Market Indicators - Units

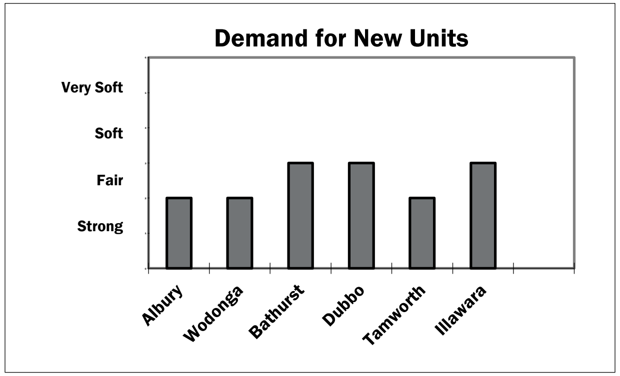
Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Balanced market
Rental Vacancy Trend	Tightening	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

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

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





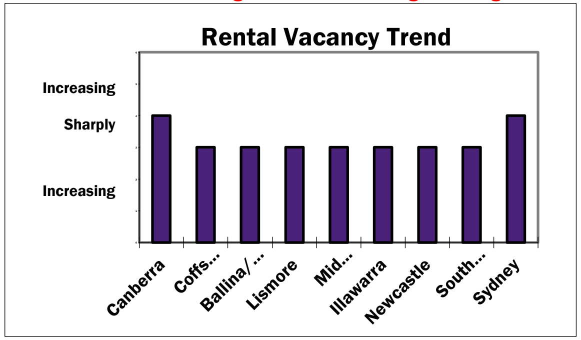


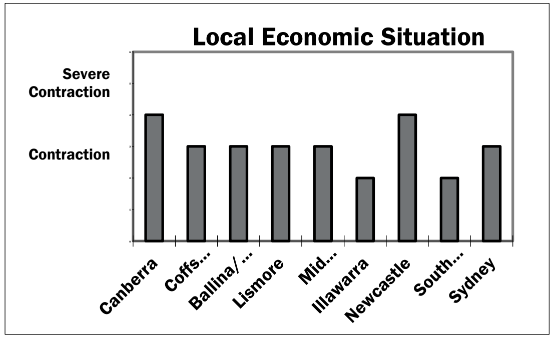
East Coast & Country New South Wales Property Market Indicators – Retail

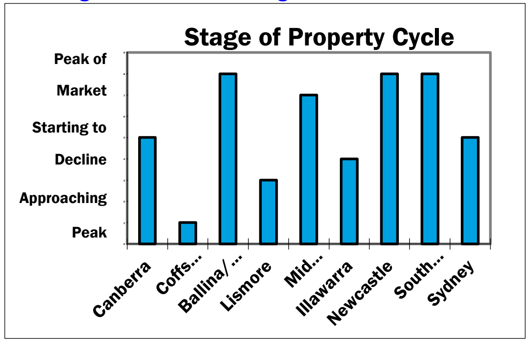
Factor	Canberra	Central Coast	Coffs Harbour	Ballina/Byron Bay	Lismore	Mid North Coast	Illawara	Newcastle	South East NSW	Sydney
Rental Vacancy Situation	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Shortage of available property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

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

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







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	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	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	Peak of market	Starting to decline	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	Very frequently	Occasionally	Frequently

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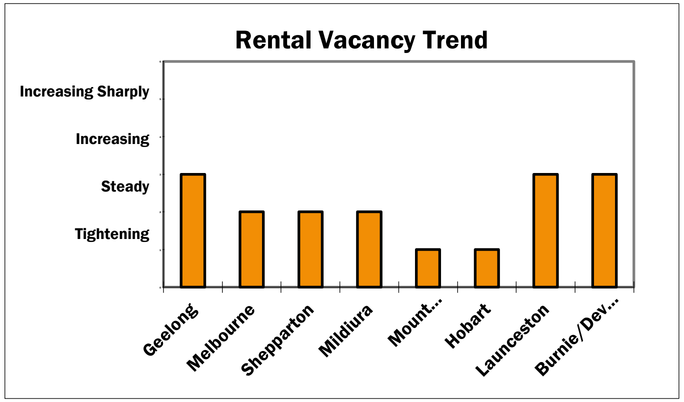

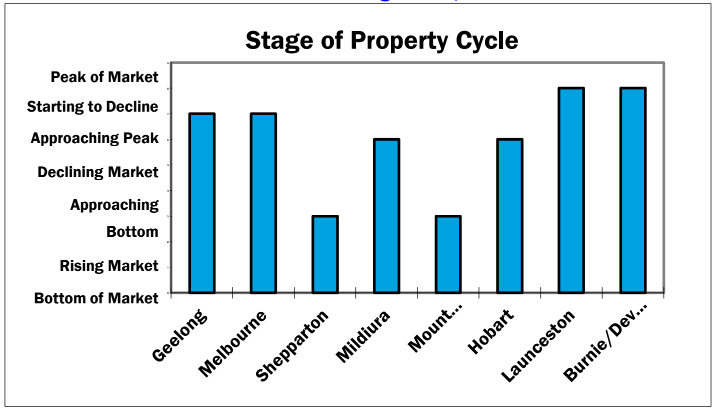

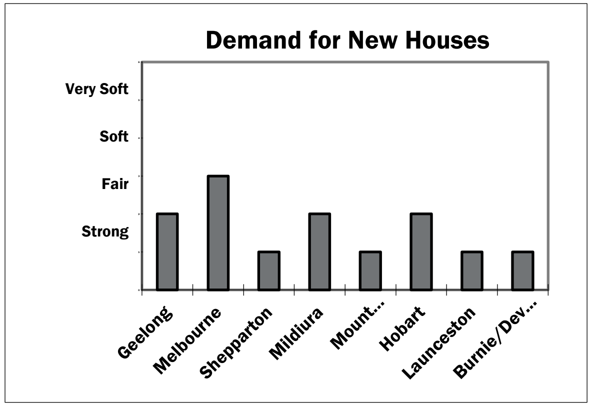

Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mount Gambier	Mildura	Hobart	Launceston	Burnie/Develport
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Tightening sharply	Steady	Steady
Demand for New Units	Very strong	Fair	Strong	Strong	Fair	Strong	Very strong	Very strong
Trend in New Unit Construction	Declining significantly	Steady	Steady	Steady	Steady	Declining significantly	Declining significantly	Declining
Volume of Unit Sales	Increasing	Declining	Increasing	Increasing	Steady	Increasing strongly	Declining	Steady
Stage of Property Cycle	Peak of market	Starting to decline	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	Very frequently	Frequently	Occasionally

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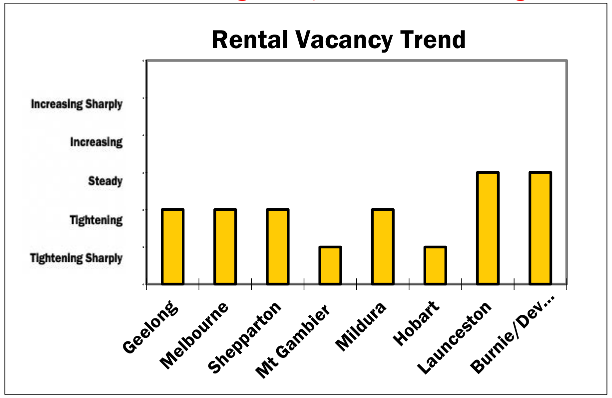

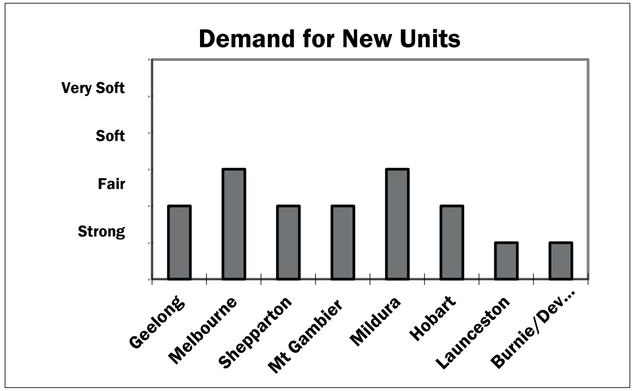

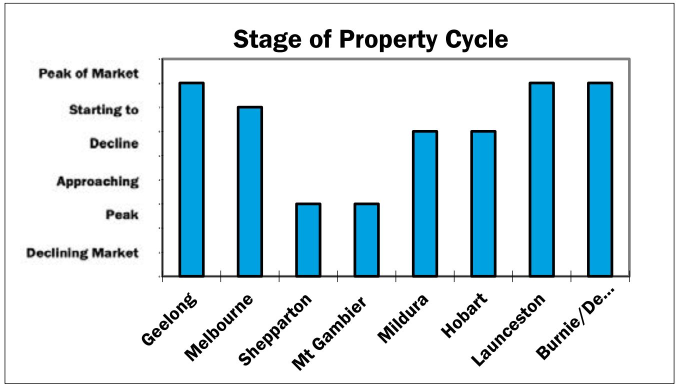

Victorian and Tasmanian Property Market Indicators – Retail

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

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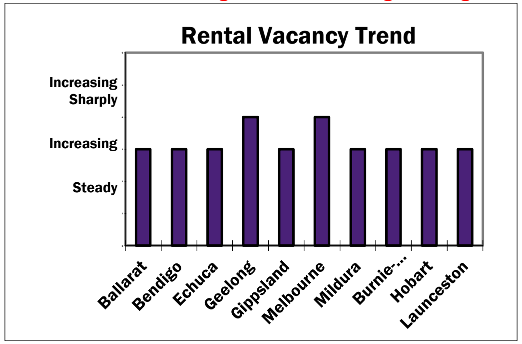

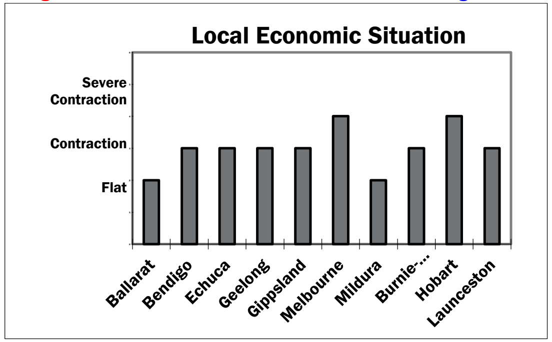

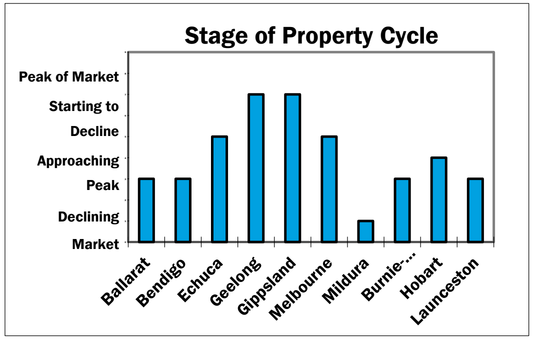

Queensland Property Market Indicators – Houses

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	Severe 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 sharply	Steady	Tightening sharply
Demand for New Houses	Strong	Fair	Strong	Strong	Strong	Strong	Strong	Strong	Very strong	Very strong	Very strong	Very strong	Fair	Very strong
Trend in New House Construction	Declining	Steady	Declining	Steady	Steady	Declining	Declining	Declining	Declining significantly	Declining significantly	Declining significant-ly	Declining significantly	Steady	Declining
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Increasing strongly	Steady	Increasing	Increasing strongly	Increasing strongly	Increasing	Increasing strongly	Increasing strongly	Steady	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	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasion-ally	Occasionally	Occasio nally	Frequently

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

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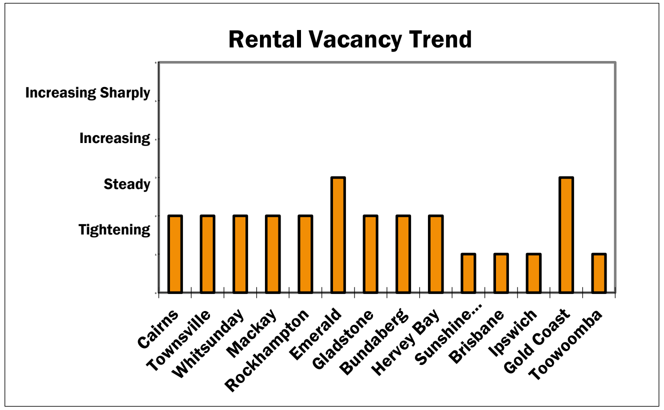
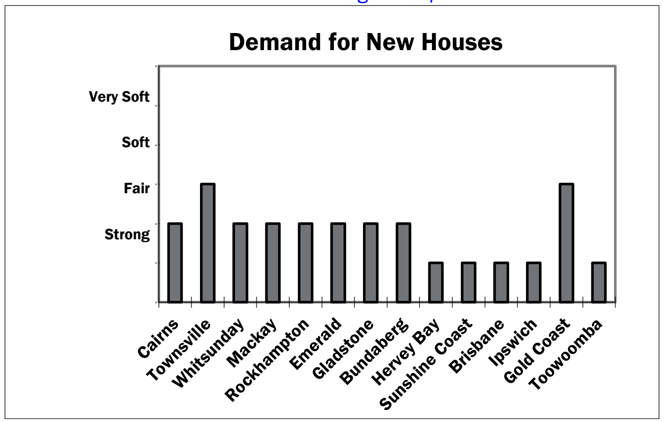
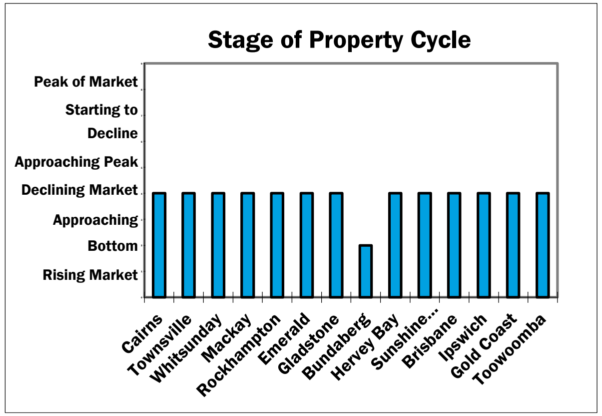


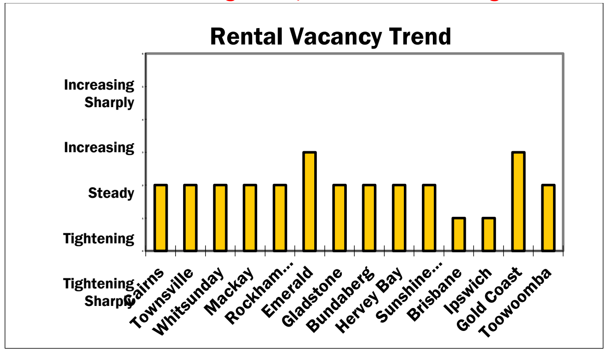


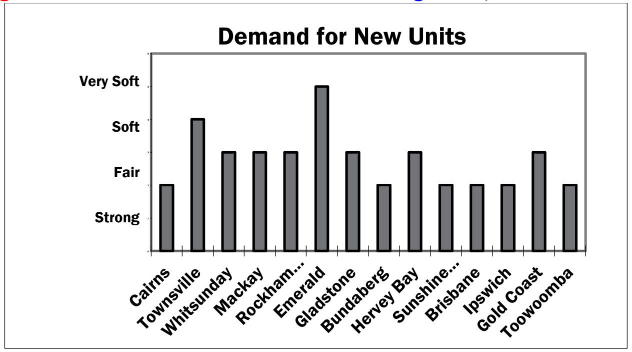


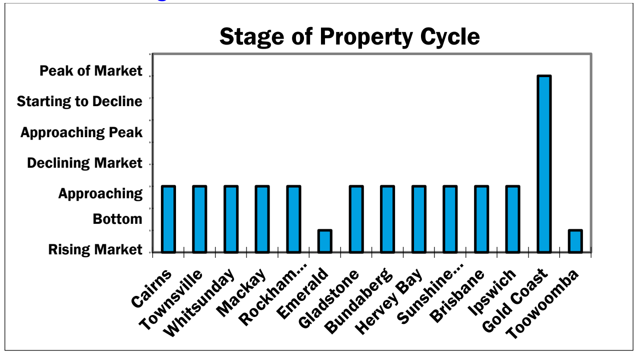
Queensland Property Market Indicators – Units

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	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
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Tightening sharply	Tightening sharply	Steady	Tightening
Demand for New Units	Strong	Soft	Fair	Fair	Fair	Very soft	Fair	Strong	Fair	Strong	Strong	Strong	Fair	Strong
Trend in New Unit Construction	Declining	Increasing	Increasing strongly	Declining	Steady	Increasing strongly	Steady	Declining	Steady	Declining	Declining	Declining	Declining	Declining
Volume of Unit Sales	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing strongly	Increasing	Increasing	Increasing strongly	Increasing	Steady	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Start of recovery	Rising market	Rising market	Rising market	Rising market	Rising market	Rising market	Peak of 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	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*







Queensland Property Market Indicators – Retail

Factor	Cairns	Townsville	Mackay	Bundaberg	Rockhampton	Gladstone	Emerald	Hervey Nay	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	Balanced market	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	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
Rental Vacancy Trend	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Increasing	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Increasing	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Steady	Steady	Increasing	Steady	Steady	Steady	Increasing	Steady	Steady	Declining significantly	Steady	Steady
Stage of Property Cycle	Declining market	Peak of market	Rising market	Bottom of market	Rising market	Start of recovery	Bottom of market	Bottom of market	Approaching peak of market	Peak of market	Peak of market	Peak of market	Declining market
Local Economic Situation	Flat	Steady growth	Steady growth	Flat	Steady growth	Flat	Flat	Steady growth	Steady growth	Steady growth	Steady growth	Steady growth	Flat
Value Difference between Quality Properties with National Tenants, and Comparable Properties with Local Tenants	Small	Significant	Significant	Significant	Small	Significant	Small - Significant	Significant	Significant	Significant	Significant	Small	Large

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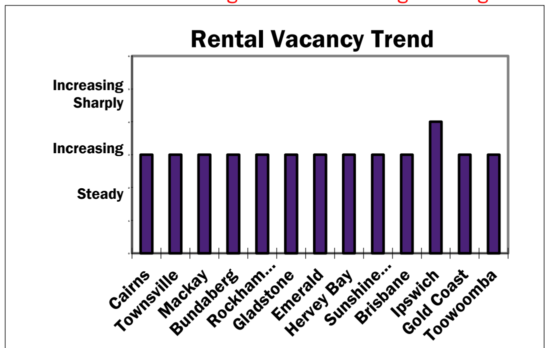
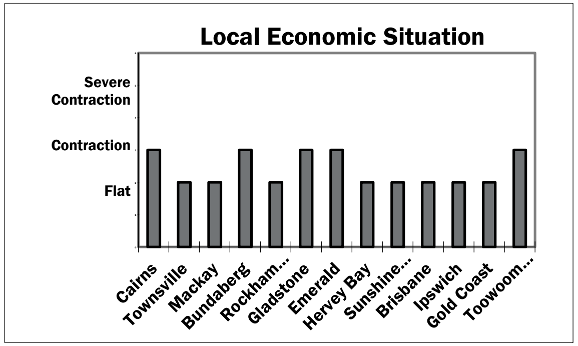
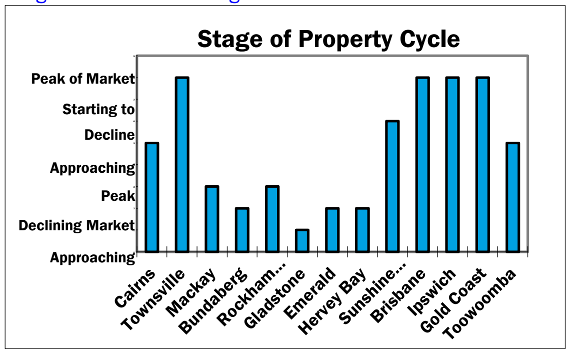
Blue entries indicate change from 3 months ago to a lower risk-rating







SA, NT and WA Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	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	Steady	Steady	Tightening	Steady	Steady	Tightening	Tightening sharply	Tightening	Steady
Demand for New Houses	Strong	Strong	Strong	Strong	Strong	Fair	Fair	Fair	Strong	Strong	Strong	Strong	Strong	Fair
Trend in New House Construction	Declining	Steady	Steady	Steady	Declining significantly	Steady	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	Rising market	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

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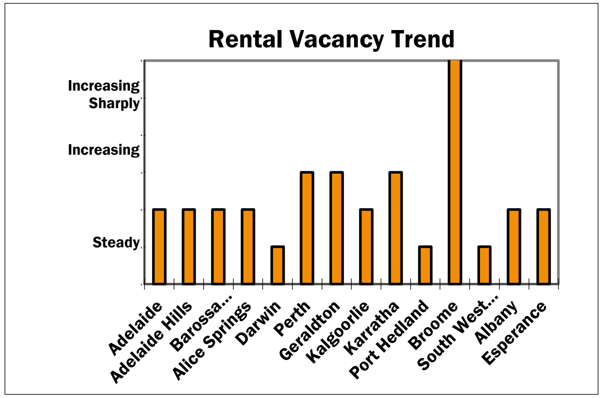

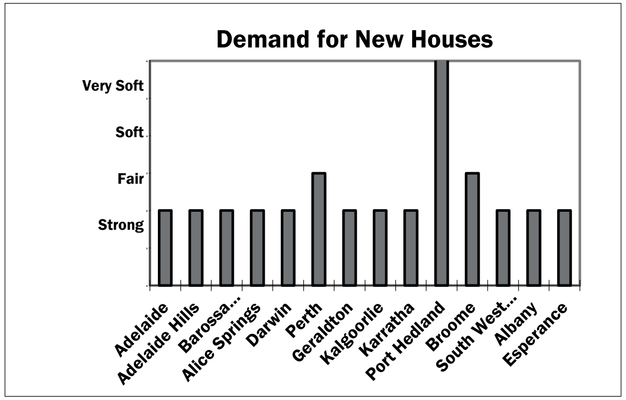

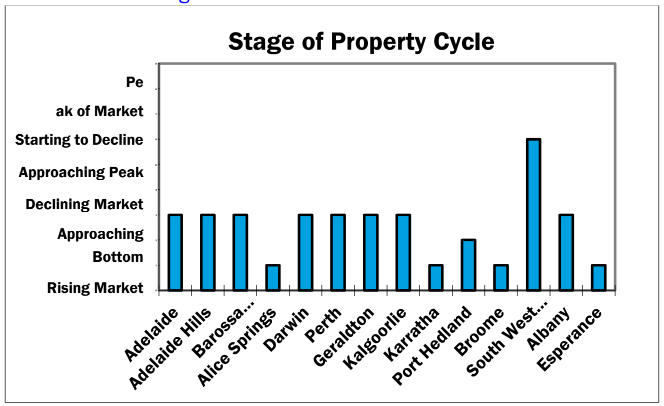

SA, NT and WA Property Market Indicators – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Mount Gambier	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	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	Steady	Steady	Tightening	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening	Steady
Demand for New Units	Fair	Fair	Fair	Strong	Fair	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	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	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion ally	Occasion ally	Occasion-ally	Almost never	Almost never	Frequently	Occasionally	Almost never

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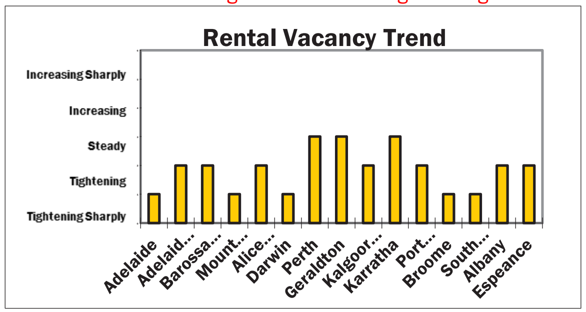

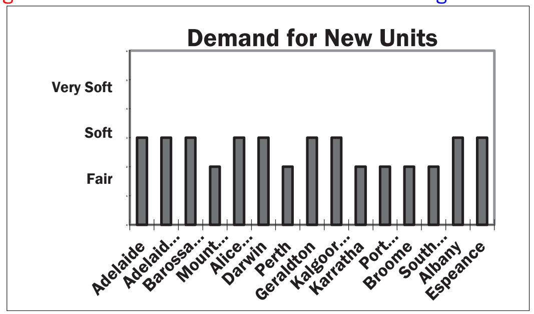

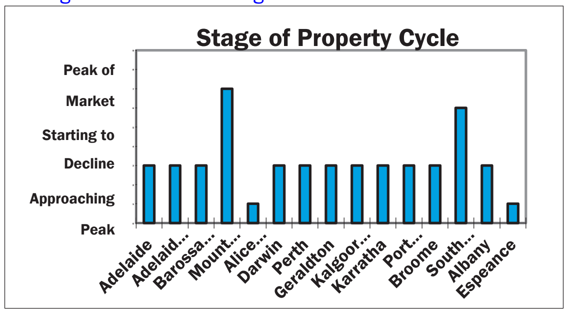

SA, NT and WA Property Market Indicators – Retail

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

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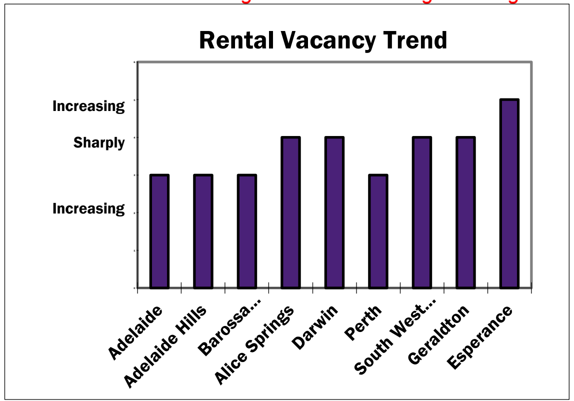

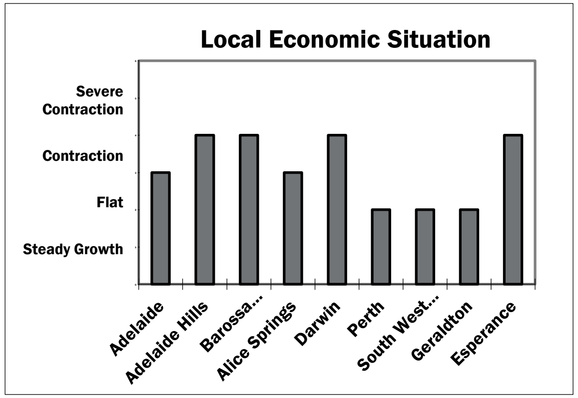

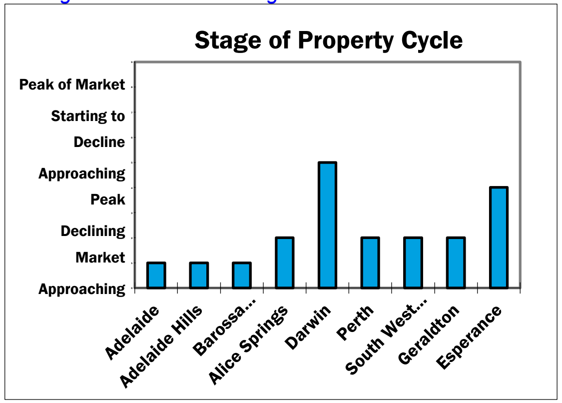

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