Month in Review

June 2022

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

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A message from our CEO

Welcome to the June edition of Month In Review

Australia's property markets are far more complex than most realise, although prices can be directed in the short term by either confidence or fear. As such, single issues play out prominently if they're garnering attention across media and other outlets.

At present, the subject gaining most notice is interest rates. While there are plenty of articles already devoted to the subject, I think a discussion around potential outcomes from rising interest rates is warranted.

In May, the RBA increased the cash rate to 0.35 per cent, which was a 0.25 per cent basis point rise and the first increase since November 2010. At its June meeting the RBA again increased the base rate – this time by 0.5 per cent to reach a new figure of 0.85 per cent.

While rate rises were telegraphed by the RBA, households already struggling with rising inflation, cost of living challenges and lagging wage growth are concerned about what's to come.

Let's dig a little deeper on how rate rises will manifest and move markets beyond the emotional drivers of fear or confidence.

The current rate setting should be entirely manageable by most households with 2.5 to 3.0 per cent rate buffers already factored in during the loan approval process. Add in the reported uptick in household savings since early 2020, plus those who paid down extra on their loans in recent years, and most families will have adequate financial cushioning to assist in the short term.

Let's dig a little deeper on how rate rises will manifest and move markets beyond the emotional drivers of fear or confidence.

The larger concern is around future rate rises – specifically, we want to know how long, how often and how high.

Indications are we'll see more rises this year with many expecting the RBA to remain aggressive in response to strong inflation. Another 0.5 per cent rate rise would see a $133 per month repayment increase for the average variable-loan borrower with a $500,000 debt. Given the average annual income in Australia is around $77,000, that is a sizable hit to the monthly take home pay of many.

So, I'm convinced interest rate increases will hit different sectors in different ways, but the general fallout will be less dramatic than has been posited by some commentators.

For example, mature property owners with lending in place will, in general, have more than enough buffer to ride out the rises.

On the flipside younger borrowers are faced with a dilemma. While real estate prices are softening, they'll also need to deal with losing a larger chunk of

CEO

HERRON TODD WHITE

There's one thing uncertainty in the current market makes clear – anyone formulating important property decisions without professional assistance is at real financial risk.

their relatively low income to loan repayments. If they are planning to buy, they're also facing more rigorous loan servicing calculations.

That said, there are strategies available to most. For example, don't be surprised to see an increase in the number of aspirant property buyers deciding to live in the family home a little longer while they build their careers, and first property deposits.

In the commercial space interest rate increases play directly to the bottom line. There is rising activity in the office leasing space (at least for Prime and A-Grade floor areas), while industrial remains a hotly contested market among buyers and tenants. Some owners in both these sectors should be able to absorb and/or pass on rising costs to tenants when negotiating leases. In retail, the landscape remains more challenging.

There's one thing uncertainty in the current market makes clear – anyone formulating important property decisions without professional assistance is at real financial risk. You need an expert's guiding hand. Preferably one who's watching these fast-changing markets daily, but can also assist you with long-term plans.

That's why Herron Todd White advisors are such a valuable addition to your team.

The June edition of Month In Review sees our experts deliver a range of information about all major market sectors.

Herron Todd White's residential valuers around the country report on local-level market conditions as we reach the year's halfway point.

In the office property section, discussion is around new construction and refurbishment options, and how they're affecting local markets overall.

Finally, our rural specialists deliver a masterclass in monitoring their sectors for signs of peaking prices.

Please enjoy our June issue of Month In Review.

Gary Brinkworth
CEO

Half time. *What's the score?*

Many people are feeling a touch queasy at the moment.

The one-two punches are coming thick 'n fast as we move through the first half of 2022. Many people are feeling a touch queasy at the moment. The one-two punches are coming thick 'n fast as we move through the first half of 2022.

A lot of property owners were sitting pretty earlier this year. Real estate prices were up, interest rates down, there were plenty of buyers plus there the pandemic felt less significant.

But then it all caught up in short shrift.

International security tensions have driven up energy prices. Existing supply line delays and manufacturing standstills were magnified.

Australia's annual CPI inflation reached 5.1 per cent in the March quarter with the rising cost of living putting a dampener on our normally sunny dispositions. Building cost blowouts have continued as well. It saw the RBA increase the cash rate in May by 0.25 per cent, then again by 0.5 per cent earlier this month with every indication there's more to come.

That said, Australia continues to see some rays of sunshine. For example, we are reopening to the world. That means more visitors and new Aussies to bolster the economy, fill job vacancies and boost our international stature.

But the upshot is obvious – there are mixed drivers pushing local markets in varying directions. Depending what property you own and where it is, the outcomes could be vastly different.

This is the exact environment when independent, expert guidance is essential… (cue a Herron Todd White heroic theme song…😀)

To assist, we've asked our residential teams from coast to coast to deliver their half-time assessments of markets across the nation.

Kicked off by executive director Drew Hendrey, his national address is full of astute observations.

Then, our local teams have dived in with gusto covering a wide range of population centres. In addition, many of our valuers have added an outlook on what's to come over the remainder of 2022 – a brave endeavour when events are moving so quickly.

For our commercial property readers, this month sees a focus on the office sector. It's an investment type that's undergone extraordinary change over the past two years. The great population shift away from traditional commercial centres has meant any successful landlord needed to adapt quickly.

Herron Todd White associate director Edward Cox sets out his national view of office markets. Our locational specialists then describe how they see their new-build and refurb office sectors performing both now and in the coming months.

Our final cohort is the formidable rural team. They've provided wisdom on the various sectors that fall under the wide descriptor that is 'rural property'. In addition, these specialists have identified which measurable metrics will indicate their market is hitting its peak. If you want to remain prescient on rural property price direction, this is the crew for you.

There it is folks, another unique document filled with incredible info delivered straight to your inbox. Of course, if you have specific queries which require an expert focus, look no further than the Herron Todd White team. A call or email will put you in touch with the ideal professional to tackle your real estate challenges.

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FEATURE

HERRON TODD WHITE

Commercial

June 2022

National Office Overview

National office markets have bounced back more quickly than many expected in response to the pandemic. This has been evidenced by continued yield compression across many regions over the past 12 months, largely on account of the low interest rate environment.

While the new normal for markets may look different depending on the extent of lockdowns and any subsequent recovery in each locality, there has been a general sense of increased optimism pervading office markets nationally up until now. This has been fuelled by a push for employees to return to work, if not to a five-day working week, then at least to a three-in-five-day working week. This will be an important metric to monitor further into 2022 and beyond. Put simply, successful office property investment will hinge on the ability of businesses to attract workers back to the central workplace.

Edward Cox
Associate Director

We are now however entering unfamiliar territory, as the recent interest rate rises and forecast for further rate rises are starting to ease some buyer expectations as the cost of funds increases. At this stage it is not a full-on halt to activity, but more likely a deceleration. As at early June, enquiry levels are reportedly down between five and ten per cent from pre-interest rate rise levels, depending on the property type and specific locality.

More than ever, asset values are reflecting the strength of their leasing profile, as leasing risk is becoming more of a consideration for buyers. If a property has existing or looming significant vacancies or requires substantial capital expenditure, values are reflecting a sizeable and widening discount.

Another key market feature is the necessity of substantial refurbishment expenditure in order to both attract and retain tenants. The high levels of competition for quality tenants for new A grade buildings and the need to attract workers out of their homes are necessitating greater levels of tenant-friendly features including funky fitouts, high quality lobbies, end-of-trip facilities and appealing common spaces. Tenants are demanding quality office space and a flight to quality is a very real trend. Workplaces must create a workplace experience and older buildings need substantial upgrades if they are to achieve this.

In addition, companies are eager to find new talent. With a national unemployment rate of 3.9 per cent, there is huge competition among employers to attract and retain staff, particularly in specialist fields. Having prime office space as part of the package is a key drawcard and the power currently resides with workers.

For new developments, there are also now significant challenges. The COVID crisis has placed increased levels of focus for major employers on what their accommodation needs will be and this has not fully worked through the leasing markets. With the significant time from a project's conception to its completion, there is still a heightened level of risk in making a major new leasing pre-commitment.

Put simply, successful office property investment will hinge on the ability of businesses to attract workers back to the central workplace.

As a consequence, the feasibility of many projects has collapsed and financiers are rightly extremely concerned about funding projects without understanding the financial strength and exposure of the builder.

On the development side, investment in major new CBD and fringe office buildings is now primarily being undertaken by larger institutional investors and REITs, with very little private company development. The need to obtain a return on capital for such groups has seen the commencement of major projects with historically low levels of leasing pre-commitment. For example, a Brisbane project at 360 Queen Street being undertaken by Charter Hall has recently commenced construction based on a reported 34 per cent pre-commitment of the lettable space. This level of pre-commitment is low in comparison to historic levels and would not be sufficient for smaller projects that would depend on significant levels of project financing.

We are also now in a period of significant construction cost risk. Increasing material costs and labour shortages are placing high levels of stress on builders and a number have collapsed. As a consequence, the feasibility of many projects has collapsed and financiers are rightly extremely concerned about funding projects without understanding the financial strength and exposure of the builder. These concerns are likely to place a constraint on the commencement of new projects until there is a greater degree of certainty.

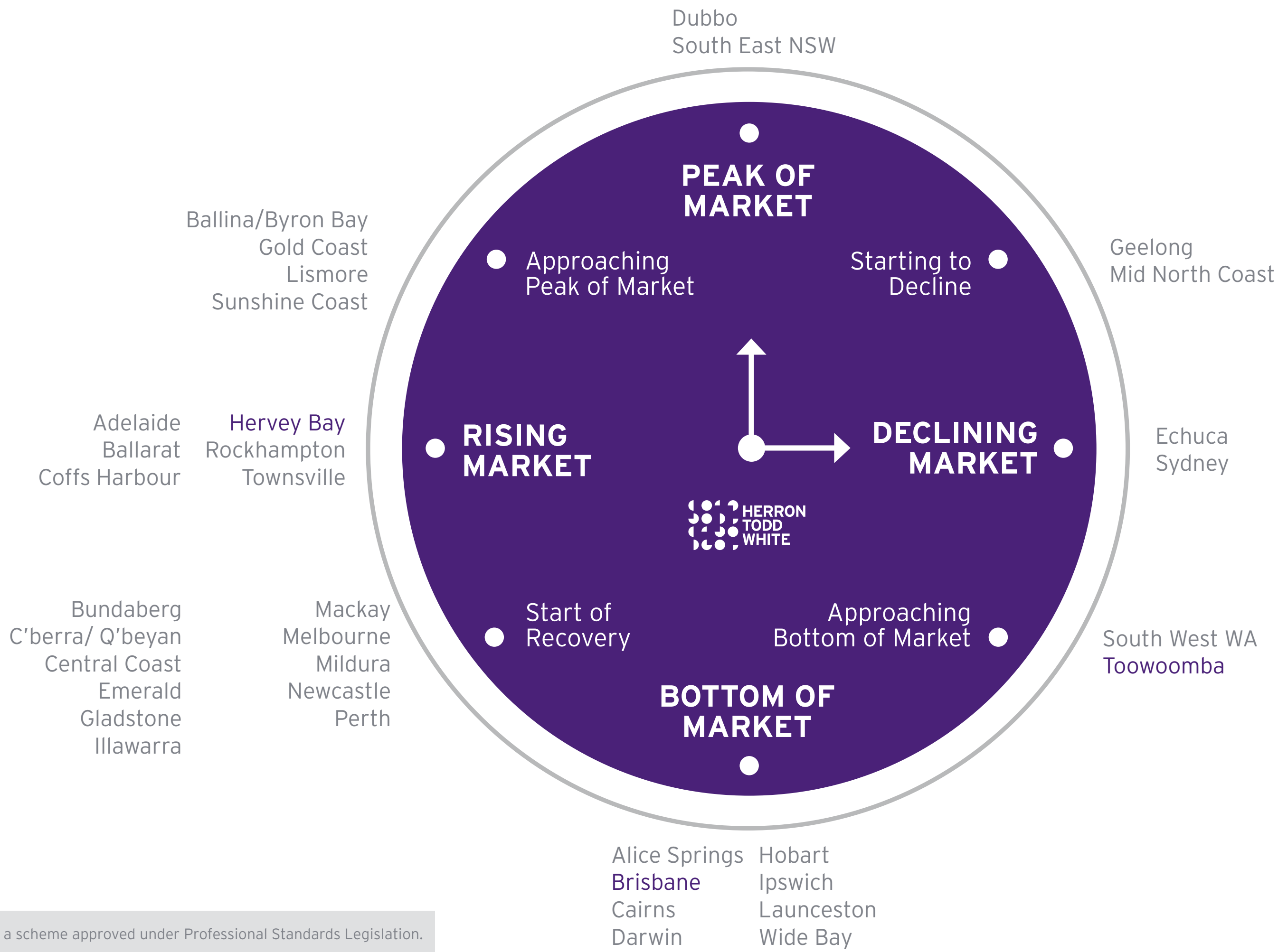
Most capital city markets are more than adequately supplied at the present time. The COVID crisis created far more uncertainty in the markets generally and the new environment of rising interest rates is likely to cause further introspection. This notwithstanding, there is an ongoing move to prime and A grade quality buildings and this will continue to fuel new development as need requires, however the looming problem in these markets is the growing level of lower A and B grade accommodation that needs to be backfilled. Competition in such markets will increase and incentives are unlikely to fall in the short to medium term.

For suburban markets, whilst there is an abundance of development sites, new development is entirely dependent upon need, with virtually no development outside of major pre-commitments. Speculative development is rare.

In summary, the new economic backdrop of rising interest rates and inflation is likely to have a significant effect on office markets generally and there is now a greater level of uncertainty than there has been for some time. Accordingly, caution and careful analysis are critical in all property decisions.

National Property Clock: *Office*

Entries coloured purple indicate positional change from last month.



New South Wales - Office 2022

Sydney

The office market in Sydney remains somewhat subdued but signs of life are emerging. It is positive to see strong numbers of workers returning to offices. The Sydney CBD seems to be on the verge of thriving once again, even if it is slightly more concentrated from Tuesday to Thursday.

That said, there is still low demand and high vacancy which is making market participants cautious. We have seen little new construction except in the institutional grade space most of which was committed pre-COVID-19. Interestingly we are currently seeing the first new strata office suites added to the CBD market in over a decade, with the conversion of 49 serviced apartments to 42 new office suites ranging from 36 to 113 square metres, offering high quality office accommodation in Merchant, located on Hosking Street. These suites are being marketed by Noonan Property and Knight Frank.

There have been some refurbishments taking place as landlords look to capitalise on the quieter times brought about by COVID-19. This demand has also been driven by the changing demands of tenants, who as a result of COVID-19 and changes to working arrangements have changed their main requirements. Demand is now centred around well located, safe and collaborative workspaces that are also aesthetically pleasing and thus attractive to staff. Whilst this is a common requirement of tenants, quickly escalating construction costs are likely to slow demand from landlords and cause delays for tenants wanting to upgrade fit outs.

With high vacancy rates and high incentives, return on investment is low. We are seeing low yields and not a lot of capital growth with the market hesitant about the future and interest rate rises.

On a positive note, the Sydney office market will bounce back. The strong investment in infrastructure will mean we are well placed in the future as a global business centre. It will take time to recover from the events of the past three years but the future prospects remain better than ever.

Angeline Mann
Commercial Director

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Victoria - Office 2022

Melbourne

The repercussions of the COVID-19 pandemic are being acutely felt within the Melbourne CBD office market and are best illustrated by the escalation of the office vacancy rate. According to the Property Council of Australia's (PCA) Office Market Report, Melbourne's CBD office overall vacancy rate increased from 10.4 per cent to 11.9 per cent over the six months to 1 January 2022. Leasing conditions appear to be improving however as leasing enquiry and positive net absorption have returned in Quarter 1, 2022. We expect this will correlate to an improved vacancy rate at some stage in 2022.

The increase in vacancy rates should not be a standalone indication for the state of the office market, as consideration should be given to the constant supply of new office stock entering the market. Companies have been using the pandemic to plan for their future office needs with many building owners also taking the opportunity to undertake significant ground floor and end-of-trip refurbishments to retain tenants. Online reports suggest that up to 40 per cent of 2021/22 leasing transactions involved businesses relocating from outdated office stock into higher quality assets.

Melbourne's extensive lockdowns have been a key barrier in the lagging recovery of the office sector within Victoria. Despite Victoria being slightly slower than New South Wales to recover, it has been reported that there has been a significant uptake in leasing enquiry. In particular, Quarter 4, 2021 recorded the highest ever leasing enquiry (more than 700,000 square metres) for a fourth quarter.

Within the Melbourne CBD, incentives hover around 35 per cent net, however as leasing enquiry strengthens, we expect to see a gradual winding back of these incentive levels and in time, a return to face rental growth.

In the capital markets, the Reserve Bank of Australia lifted interest rates by 25 basis points on 3 May 2022, which was the first interest rate rise since 2010. The impact on the office market of this rate rise, the federal election result and any subsequent rate rises in the coming months is yet to be determined, however this could prove to be somewhat of a handbrake to the market as buyers may show greater caution during this period of uncertainty. Furthermore, with geopolitical factors and inflation rising to its highest since 2000, the convergence of all of these risks could lead to a reduction in buyer demand and thus value levels due to the potential erosion in debt serviceability. Counter-intuitively, it is possible that building owners may seek to increase face rents and lower incentives to mitigate losses.

Despite these risks, we still expect to see continued demand for high quality assets in good locations with strong lease covenants. Assets in secondary locations with short term leasing risk will continue to perform poorly unless they have a viable alternative use option.

Jason Stevens
Director

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Queensland - Office 2022

Brisbane

The office sector has been hit very hard by the COVID crisis, with the explosion of work from home arrangements and negative demand across all markets. This has seen increasing levels of vacancy, sub-leasing, incentives and flat rental markets. As the crisis phase of COVID recedes, businesses are now getting on with life and accepting that living with COVID is going to be the new norm. It appears that employees (with strong encouragement from employers) are drifting back into the office, and demand for office accommodation will likely improve over the next 12 months, albeit modestly at first.

With the national unemployment rate currently at its lowest level since August 2008, many businesses are looking at ways to retain staff and compete for the best talent in what is a very tight labour market. This is creating a flight to quality and experience. Well-located, premium quality and efficient office buildings that offer high levels of amenities are sought after, not only from large national and listed companies, but also SMEs looking to upgrade. Secondary assets that have deferred capital upgrades are less sought after and vacancy rates will remain problematic for these assets moving forward.

Across the principal Brisbane markets, there are numerous sites with approvals for major new buildings. Large institutions and developers remain active in the market and are seeking opportunities to offer new and improved office developments, however significant pre-leasing commitments are critical.

Across the principal Brisbane markets, there are numerous sites with approvals for major new buildings.

There are circa 10 sites within the CBD with approvals, however two have recently commenced. The first of these is the Skyscraper Centre at 205 North Quay which is pre-committed to the Department of Human Services. The second is the recently commenced building at 360 Queen Street which is 34 per cent pre-committed to BDO and Hopgood Ganim. In the fringe markets, there are also numerous approved sites in the Urban Renewal area with two under construction.

360 Queen St, Brisbane Source: Architectural Renderings - Blight Rayner

In the suburban markets, there is minimal new activity, other than where there are major new whole building requirements (typically by government or semi-government bodies).

The flight to quality has forced a number of B-grade office buildings to undergo significant CAPEX and refurbishment programs in order to keep up with market demands and maintain and increase occupancy levels.

Construction costs are now becoming one of, if not the biggest risk the office development market faces as costs are increasing sharply and construction delays are becoming commonplace due to a labour and material shortage.

The difficulties facing the construction industry are exemplified by the recent high-profile collapses of the Probuild and Condev groups. More collapses are likely due to the environment of rapid cost increases in materials, a difficult labour market and endemic supply shortages. In addition, global issues such as the war in Ukraine have created oil and fuel prices to skyrocket globally, whilst domestic inflation levels are at their highest levels since September 2000. The

COMMERCIAL - OFFICE

HERRON TODD WHITE COMMERCIAL

commencement of an interest rate increase cycle will likely further contribute to volatility for the construction industry.

The investment market remains strong for well leased properties with increasing rates per square metre due to the tightening of yields over the past three years, however properties with poor lease profiles remain very difficult to sell.

In coming years, we see an acceleration of the flight to quality and there are numerous new sites available for development when major requirements are sought. However, the overhang of vacant accommodation is likely to be a significant constraint on new development and speculative development is unlikely. We also foresee significant ongoing refurbishment of older premises in order to maintain relevance in the market and backfill major tenancies.

Edward Cox
Associate Director

Gold Coast

The commercial office market on the Gold Coast has largely been in a holding phase for the past decade, with refurbishments and repositioning being the focus of most investors.

It was in January 2010 that the PCA first reported that the Gold Coast had breached a total supply of 450,000 square metres, with around 200,000 square metres being added over the previous decade. Now, some 12 years later, total stock on the Gold Coast is only marginally higher at 460,000 square metres.

This is set to change, with a new wave of development underway as the back to work mindset progresses across the region.

At Robina on the south-central Gold Coast, the Acuity Business Park is nearing completion of Stage 2. This development is the most significant office project on the Gold Coast in recent times and on completion will comprise well over 16,000 square metres of office accommodation. The project will be completed over three stages (Building 1, leased to Metricon Homes headquarters under Stage 1 is already completed), with Stage 2 nearing completion comprising two buildings and including an eco-friendly TAFE campus.

Another development of note is QIC's new Robina Town Centre office building project. Incorporating 7000 square metres of A-grade office space, this development started taking shape in August 2021 and will be a welcome addition to the region.

RB+office+render Source: QIC

Varsity Lakes on the other hand will be seeing a supply withdrawal in the very near term, with a 3650 square metre office building recently acquired by Coles for development of a new neighbourhood supermarket.

Moving further north, Lumina, also known as the Gold Coast Health and Knowledge Precinct, is beginning to gain a head of steam. Adjoining the Gold Coast University Hospital and Griffith University Southport Campus, Lumina is positioned to be a hub for life sciences, health and technology related businesses. The precinct is being facilitated by Economic Development Queensland and is expected to be a 10-to-15-year project that on completion will comprise a mix of intensely developed residential, commercial and medical uses. Of note is the Proxima building, which is the first privately developed commercial building in the precinct and is in the advanced stages of construction. This seven level A-grade building has already been pre-sold in a fund-through deal reportedly valued at circa $80 million, building confidence in the success of the precinct.

Proxima Source: GCKP

Within Southport's CBD, a new office building is being developed at 26 Lawson Street. The building is due for project completion in August 2022 and

This is set to change, with a new wave of development underway as the back to work mindset progresses across the region.

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Our expectation is that the supply of new office buildings will moderate once again over the medium term, as rapidly increasing construction costs begin to bite.

will provide seven levels of office floor space, with basement car parking and communal rooftop bar. We have been advised that the building is currently 60 per cent pre-leased, with the balance floor plates currently under negotiation. This project has successfully targeted full floor occupiers and has achieved strong rental rates for larger floor plates in Southport. This is of interest as the Gold Coast office market has historically been dominated by small businesses.

Our expectation is that the supply of new office buildings will moderate once again over the medium term, as rapidly increasing construction costs begin to bite. Unless rental rates continue to improve to underpin capital value uplift, it is likely that development margins will be squeezed, putting the viability of new projects into question. Will this pave the way for another decade of refurbishment projects, or will there be pressure for additional floor space to be brought on-line to cater to the surging population growth in the region? Only time will tell.

Ryan Kohler
Director

Mackay

Once again, very little to report in the commercial office market in Mackay with no new sales and about 100 tenancies available for lease. Office leasing activity has been ticking over at a reasonable pace and rental rates for better quality office premises are firm.

A major office property at Mount Pleasant which is known as The Hub has recently been listed for sale by expression of interest. It has a net lettable area of 3,681 square metres and is mostly leased to Centrelink. It is advertised with a net income of over $1.3 million and a WALE (by income) of 4.13 years.

On an unrelated matter, we notice some renewed activity in residential development sites around Mackay. A 1.1 hectare site zoned medium density residential at 21-23 Malcomson Street, North Mackay recently sold for $800,000 and a 0.84 hectare site at 6 Jewell Street is under option. This market has been fairly dormant over the past decade. The current rising costs of civil and building construction are now a major challenge for developers.

Greg Williams
Director

Wide Bay

The commercial property market in the Wide Bay has demonstrated a reasonable level of activity throughout the first half of 2022. Notable sales include:

- 10 Takalvan Street (Puma branded lessor's interest service station) which sold in the mid $2 million price range at auction;

10 Takalvan Street   Source: realcommercial.com.au

- 9 Charlie Triggs Crescent which sold in the high $2 million price range; and


9 Charlie Triggs Crescent   Source: realcommercial.com.au

- 39 Bourbong Street which sold for circa $1 million.

10 Takalvan Street   Source: realcommercial.com.au

The rental market has also demonstrated a reasonable level of activity for smaller tenancies up to a total rental value of $40,000 per annum.

There are very few proposed new office builds within the region, however, the medical and allied health sector is most likely to fuel demand for modern stock.

Ben Harnell
Property Valuer

Townsville

The mid-year review of our commercial property market reveals a bullish level of activity throughout 2021 and leading up to June 2022. Notably, transactions have been underpinned by the low interest rate environment in conjunction with once in a lifetime COVID-19 relief packages including JobSeeker and JobKeeper. We have seen unprecedented activity from small businesses seeking property for owner-occupation and almost near panic-stricken activity from southern investors seeking higher investment yields than what is available in the shark tanks of metropolitan markets. The current investor yield spread is 3.94% to 8.57%.

Total non-residential property sales were approximately $450 million from July 2021 to May 2022 with a large volume being in the sub $2 million price bracket. Industrial property sales outperformed the balance of the market by compositional volume at 73 per cent of recorded sales. The broader outlook for the remainder of the year is towards continued activity although we would anticipate some slowdown, particularly at the lower end of the investor market and the owner-occupier segment, tempered by the expected continued uplift in interest rates throughout the remainder of 2022.

The local CBD office market is a vastly shallower segment by sale volume although is a major performer in respect of price point and investor sentiment. A noticeable sale in March 2021 was the 12 storey Verde office tower located at 445 Flinders Street which transacted at $92.855 million, a record for Townsville. The sale demonstrates the following metrics: 7.65 year WALE, 12% vacancy, analysed yield of 7.48% and an IRR of 7.24%.

Verde office tower Source: realcommercial.com.au

Compositionally, the non-CBD office market produces a higher number of office sales, predominantly along commercial strip retail development underpinned by owner-occupiers and small scale investors.

Broadly speaking the outlook for the office market for the remainder of 2022 will be towards continued consolidation bolstered by strong economic drivers. Notably business confidence has again corrected and is now at a five-year high underpinned by major construction projects, continued development in the resources sector and the residential construction explosion. Whilst we do not see a major absorption in available space or significant downward movement on the current vacancy rate, we do predict some tenancy churn with the flight to quality being the major catalyst.

The hot-desking movement paved the way for downsizing with reductions in office space being prevalent in the years preceding COVID-19. The concept lost its way during the pandemic and office configurations reverted to single workstations or higher office ratios (staff per square metre of lettable area) with work from home opportunities and staff rotations common. As COVID-19 restrictions ease, office configurations are expected to change in line with business requirements, with staff productivity being top of mind for most professional businesses. There is elevated focus on staff activation areas, interactional conference facilities and modern office configurations, ultimately enhancing the workplace environment. Other areas that elevate office absorption are the availability of car parking, access to clients and proximity to cafes and convenience shopping. We anticipate that in the short term, landlords will be offering attractive rental incentives and fit out contributions to lure long term tenants as office upgrades of existing buildings far outweigh redevelopment or construction of new buildings given the recent cost increases in building materials and construction labour shortages.

Jason Searston
Director

Toowoomba

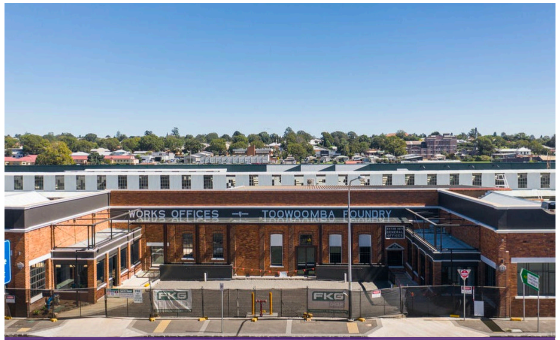
The first half of 2022 continued to see reduced demand for office space in the Toowoomba area. Anecdotal reports indicate that the work from home trend has stabilised and employers are encouraging their employees to return to the office or adopt a mix of office and home based arrangements. This trend is reinforced by a perceived increase in activity in the Toowoomba CBD.

The new norm may potentially result in a number of scenarios in the medium term with employers downsizing existing officespace, not renewing leases or reverting to a mix of office space and shared space for collaborative work, meetings, etc. The current level of demand for housing in the Toowoomba area suggests there is a trend of capital city office employees relocating to regional centres, including Toowoomba, which may have a positive effect on office demand in the medium term.

Office construction activity has been very limited and includes redevelopment of 131 Margaret Street following destruction of the original building by fire. The owners relocated their business into the redeveloped property and have additional office space advertised for rent. The Rowes complex on the corner of Russell and Victoria Streets has been recently refurbished and redeveloped, providing new office and retail tenancies. The office space is advertised at areas of 86 to 225 square metres with onsite carparking, shared meeting rooms, outdoor areas and state of the art technology throughout the building.

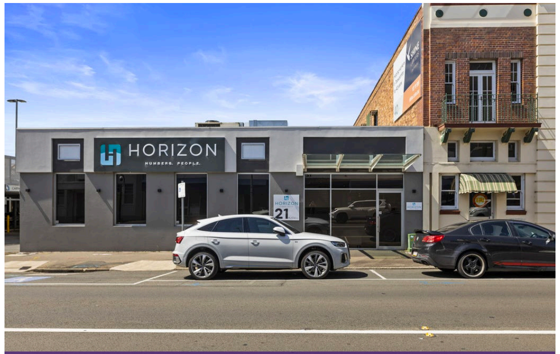
The Rowes complex Source: realcommercial.com.au

We also note that refurbishment of the former Toowoomba Foundry at 259 Ruthven Street on the outskirts of the Toowoomba CBD has been completed with approximately 2000 square metres of architecturally designed A-grade office space ranging from 204 to 692 square metres marketed for rent at $300 per square metre. Fit-out incentives are on offer with 47 on-site carparks and the site is adjacent to Bunnings.



259 Ruthven Street, Toowoomba Source: realcommercial.com.au

In terms of sale transactions, 21 Russell Street, Toowoomba sold in the first half of 2022. The property comprises a 427 square metre site with a mix of office improvements leased for an average of $517 per square metre of building area. The tenant is a local accounting firm with a remaining lease term of four years. The contract price of $1.9 million equates to over $6,050 per square metre of building area and a gross yield of 7.84%.



21 Russell Street, Toowoomba Source: realcommercial.com.au

Investor demand continues to be very strong with interest from non-local buyers and properties generally marketed direct to potential purchasers.

Owner-occupier activity continues to be limited leading to a significant difference in sale prices achieved for vacant versus fully leased properties.

Ian Douglas
Director

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South Australia - Office 2022

Adelaide

Additional construction and refurbishment within the Adelaide CBD will mostly be coming into the market in 2023 and 2024 after little construction activity at the beginning of 2022. These developments have a strong focus on high quality amenities and end of trip facilities, as office workers returning to the CBD seek high quality amenities to lure them back to the office.

As per Property Council of Australia (PCA) data, the office vacancy factor within the Adelaide CBD has now dropped to 14.5 per cent, from 15.7 per cent in the previous year, and is close to the immediate pre-COVID vacancy level of 14.2 per cent. Office workers and businesses are continuing their return to the city with renewed confidence, resulting in the drop in vacancy rates.

The headline development in Adelaide is the 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.

60 King William Street is a fifteen-storey office development with ground floor retail, being developed by Charter Hall. The development will comprise 30,000 square meters of office space along with 3600 square metres of retail. A major pre-leasing commitment has been struck with Telstra, which will occupy two floors for a total of 6,000 square metres on a ten-year lease. The space is slated to be A-grade with a target for six-star green star rating and a five-star NABERS rating. The development is proposed to be finished in mid 2023.

83 Pirie Street is a mixed use eighteen-storey tower being developed by CBUS property and is now nearing completion. As per the developer's website, the development will comprise 360 square meters of ground floor retail space, with the remainder being seventeen storeys of PCA A-grade rated office space and a rooftop terrace. In total, the development will comprise 30,000 square metres of lettable area. The development boasts end of trip facilities including more than 100 bike racks and lockers, with showers included. As per the CBUS website, the project has received a major pre-commitment from the Department of Transport and Infrastructure (DIT) to lease 18,524 square metres of space on a ten-year lease.

Proposed exterior plans for 57 Wyatt Street, Adelaide
Source: Australianpropertyjournal.com.au

57 Wyatt Street is a seven-storey office building being developed by Centuria which is now under construction with completion slated for later this year. The development will comprise some 4600 square metres of A-grade office space, featuring five-star green star rating and a five-star NABERS target. As of late last year the building was already 55 per cent pre-leased, with commitments from Wallbridge Gilbert Aztec, an international engineering firm, and Hindmarsh, a national architectural firm. Having

Overall, construction and refurbishment within the Adelaide CBD has increased from the sluggish start at the beginning of 2022, A-grade space being constructed is showing strong demand with commitments from national and international firms before construction has begun.

Map showing the proposed and commenced developments within the Adelaide CBD Source: plan.sa.gov.au

pre-commitments from strong national and international tenants demonstrates the renewed interest in A-grade office space within the Adelaide CBD.

There have been developments which have been mooted but do not appear to have progressed past the pre-leasing stage, including 42-56 Franklin Street, Adelaide of approximately 21,000 square metres and 200 North Terrace. Both projects may be victims of the increase in construction costs since they were mooted and the recent interest rate rise.

Overall, construction and refurbishment within the Adelaide CBD has increased from the sluggish start at the beginning of 2022, A-grade space being constructed is showing strong demand with commitments from national and international firms before construction has begun. Office yields in Adelaide remain higher than in other capital cities, fuelling interest from interstate and international investors who are seeking better returns. A-grade space remains at a far lower vacancy factor (as per PCA data) than the total with 10.6 per cent vacancy compared to the total 14.5 per centf.

Chris Winter
Commercial director

Western Australia - Office 2022

Perth

There remains a visible vacancy factor in Perth's traditional office districts, particularly for non-premium grade accommodation, despite new tenant demand from emerging companies in the state's mining and resources sector being a major contributing factor to the encouraging statistics from the latest PCA Office Market Report (Perth's CBD total vacancy rate dropped from 16.8 per cent to 15 per cent in the six months to January 2022 with West Perth recording a total vacancy rate of 18 per cent, down from 19.1 per cent for the same period).

The level of occupancy, as opposed to vacancy, is proving to be a key statistical distinction in the performance of the office property sector.

Prior to the arrival of the Omicron variant in Western Australia, companies by and large had already implemented a work from home policy or at the very least provided greater flexibility for employees as to their preferred working environment.

It is likely the work from home movement is here to stay, however it's unlikely to be on a full-time basis with employees retaining a need for collaboration, problem-solving and social interaction in the workplace.

So whilst the need for office space is almost certain to endure, building owners and landlords will have to be creative to entice employees back to the workplace in greater numbers.

Such space is likely to be designed for the hybrid worker with a focus on providing space for professional development, supporting company culture and encouraging social connection.

Refurbishment of existing space is an obvious solution, however it is also a costly exercise.

Many buildings were refurbished on a speculative basis by Perth CBD landlords even prior to the COVID-19 pandemic as a way of enticing tenants during those subdued market conditions. Given this recent capital expenditure (on a speculative basis), landlords are perhaps reticent to spend further on refurbishments until the new normal around office demand is established in light of the shift to the hybrid office / work from home phenomenon brought on by the pandemic.

The performance of the Perth residential property market has also 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.

Nevertheless, refurbished offices are expected to take on a different appearance than the traditional blend of partitioned offices and open plan workstations. Such space is likely to be designed for the hybrid worker with a focus on providing space for professional development, supporting company culture and encouraging social connection.

Features such as increased natural air circulation are also likely to be high on the agenda in a post-pandemic environment.

Bespoke fit-outs for large work forces that adhere to the entity's environmental, social and governance policies are expected to become more prevalent. A building's NABERS rating perhaps takes on greater significance than in previous years.

In general, companies are continuing to take advantage of the considerable incentives on offer (either in the form of landlord works contributions or rental abatements) to relocate to premium and A-grade accommodation, creating a clear two tier leasing market.

Of the very limited stock put to market for sale in the past 12 months, high net worth investors and local syndicates are active, though often seeking opportunistic acquisitions of older stock and embarking on refurbishment programs which under prevailing market conditions are viewed as a necessity to compete for prospective tenants, whilst repositioning the asset in the market place.

Construction of new office space in Perth has been minimal in recent times. A quick glance towards Perth's CBD skyline reveals that a handful of major projects are underway in Elizabeth Quay including Brookfield's One The Esplanade comprising some 57,000 square metres of

One The Esplanade at Elizabeth Quay Source: Multiplex

floor space over 29 levels of which 85 per cent is leased to Chevron for its new corporate headquarters. Other adjacent projects include a combination of apartments, short stay and mixed-use accommodation in addition to smaller office components.

At the western end of the CBD, AAIG's Capital Square precinct is also taking shape on the site of the former Emu Brewery, with Tower 3 which incorporates a full floor co-working space on Level 2, office accommodation (Levels 3 to 23) and a 144 room hotel from Levels 24 to 35 currently under construction.

In any event, if the Perth office property sector is going to have any chance of sustained recovery, ongoing COVID-19 variant suppression and evading further lockdowns is critical over the course of the year.

Greg Lamborn
Director

HERRON TODD WHITE COMMERCIAL

Northern Territory - Office 2022

Darwin

The vacancy rate for CBD office space in the Darwin CBD remains one of the highest in the country, however it should be recognised that most of this vacancy is in large floor plates in lower grade buildings and that the vacancy rate in A grade space is quite low. In fact, any prospective tenant would have difficulty securing 1000 square metres of quality office space in the CBD at the present time.

Such tenants are few and far between however, with many of them choosing to relocate out of the CBD into areas such as Berrimah which are closer to the demographic centre of Darwin and where parking is less of an issue.

The laws of supply and demand dictate that a lack of available office space would lead to an increase in supply to satisfy that demand, however it is just not economical based on current rents to construct that new space. We would estimate that an increase in rents of over 30 per cent would be needed to make such a development economically viable. This is without the challenge that developers are facing on increasing construction costs.

As a result, the only construction currently underway in the CBD is the new Charles Darwin University complex adjacent to the GPO. It is to be hoped that bringing this campus into the CBD will create a more vibrant CBD, as it has in other cities.

We also note the recent decision of the Development Consent Authority to approve a substantial redevelopment of Palm Court at 8 Cavenagh Street in the CBD. This approval is for a 13-level building with ground floor commercial, upper-level offices and two residential penthouses. It will also incorporate vertical landscaping, being a hanging garden over the edge of the building. If this design eventuates, it can only be hoped that the rate of growth is much quicker than on the shade structure which stretches over Cavenagh street adjacent to this site.

Terry Roth
Director

The laws of supply and demand dictate that a lack of available office space would lead to an increase in supply to satisfy that demand, however it is just not economical based on current rents to construct that new space.

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RESIDENTIAL

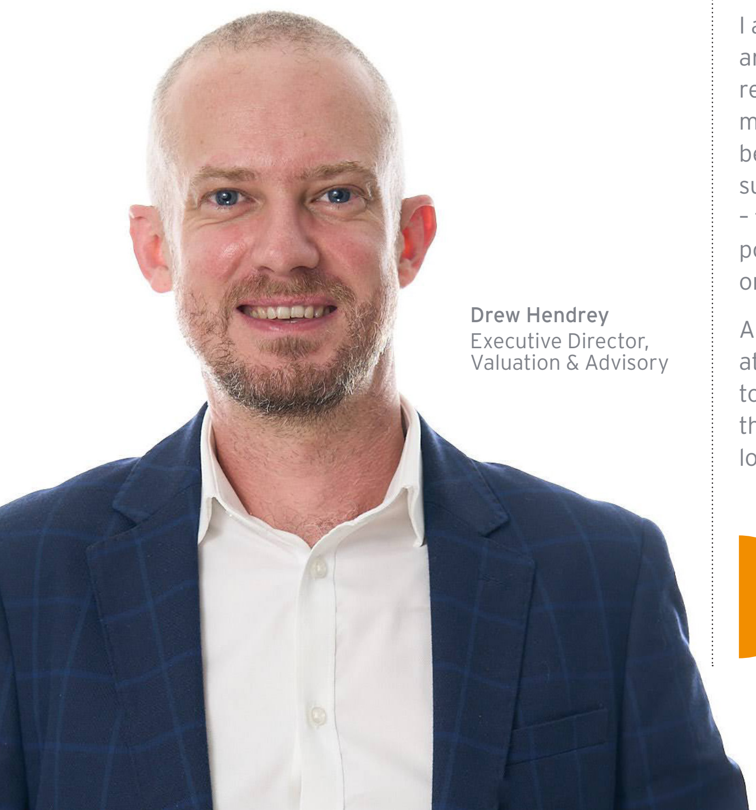
Residential

June 2022

National Residential Overview

The world of residential property is vastly different from what it was just two years ago. Like most things, it's had to adapt and evolve since 2020.

The first element driving markets is the massive redistribution of Australia's population. For example, south-east Queensland has been the beneficiary of the population exodus away from the capital cities of New South Wales and Victoria. The flow on effects have been substantial, with price growth in Brisbane and on the Queensland coasts remaining solid while Sydney and Melbourne house values soften.



Drew Hendrey
Executive Director,
Valuation & Advisory

Another factor is rental markets which continue to be challenging for tenants. We've seen vacancy rates plummet to record lows in cities and centres across the country. Finding rental space is difficult, and rents have risen in response. For example, a recent Courier-Mail article described Brisbane rents as having risen 20 per cent in the past 12-months.

Supply simply isn't keeping up with demand. People moving to new locations, whether they be capital cities or regional centres, are choosing not to buy and instead lease. There are few signs this tight rental situation will ease anytime soon.

I also speculate the affordability crisis will become an even bigger issue in major regional centres. The result will be that a proportion of the population must move to even more remote locations just to be able to afford shelter. Consider places in Victoria such as Geelong, Bendigo, Ballarat and Shepparton – these are towns and cities seeing explosive population growth which is putting upward pressure on prices.

Another affordability element is the move towards attached housing such as units, apartments and townhouses. We've noticed a palpable shift in this market as city and major centre homebuyers look to offset the high cost of detached homes by selecting attached options. Again, expect the level of demand for attached housing to continue in the near term.

The reopening of businesses has seen a push for workers to return to offices. The result is many are now rethinking where they chose to live during the pandemic. Perhaps that seachange or treechange is now impractical when you're required to be at your place of business three days a week.

So those who relocated to addresses an hour and half away from their capital city are now wondering if the commute is worth the lifestyle benefit. I believe we'll see a locational whiplash. Don't be surprised, for example, if regionally located city commuters look to have a bolthole apartment in the capital, or lease (or even sell) their regional home and shift back to the city permanently as the year progresses.

For all those feeling uncomfortable about the bad news around the place, here's a few positive angles to help you on your way.

The conversations I'm having with other property professionals aren't nearly as dire as the media stories surrounding the market slowdown. The feeling is that good quality property will prove

So those who relocated to addresses an hour and half away from their capital city are now wondering if the commute is worth the lifestyle benefit. I believe we'll see a locational whiplash.

The real test of resilience to me will be in the first half of 2023 when a huge number of fixed-rate mortgages become variable.

price resilient, although secondary property might struggle to maintain its value level.

Also, the political fallout from the election won't play into the market as much as it has in the past. The new Labor federal government has made no suggestion of policies that would hurt homeowners or investors – far from it in fact. With the Help To Buy scheme announced during the election, there's every chance the lower-priced end of the market will flourish, which can domino to market demand further up the chain.

Then there are interest rate rises. My call was that interest rate rises were probably a little softer than expected in the first round at 0.25 per cent, and that a 0.5 per cent rise would come. Cue Tuesday, 7 June and that's exactly how things played out. That said, higher household equity and cash buffers will help absorb the pressure of rate rises.

In fact, we may well ride out the rest of 2022 with markets firming. The real test of resilience to me will be in the first half of 2023 when a huge number of fixed-rate mortgages become variable.

So, my overall feeling is that 2022 will be a year of price resettlement and stabilisation across most centres. Of course, things change quickly in this fast-moving world, so make sure you rely on sound professional advice and remain well informed.

National Property Clock: *Houses*

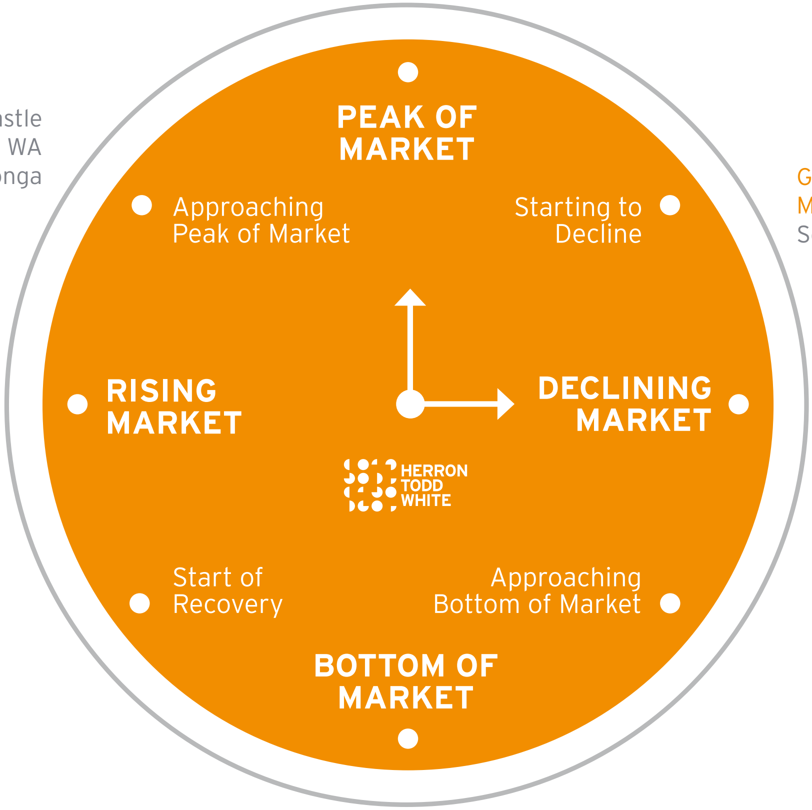
Entries coloured orange indicate positional change from last month.

Bathurst
Burnie/Devenport
Canberra
Dubbo
Geelong
Illawarra
Launceston
Sydney

Albury
Ballina/Byron Bay
Brisbane
Bundaberg
Central Coast
Coffs Harbour
Hobart
Ipswich
Lismore
Mildura
Newcastle
South West WA
Wodonga

Gold Coast
Melbourne
Southern Highlands

Adelaide
Adelaide Hills
Albany
Alice Springs
Barossa Valley
Broome
Cairns
Darwin
Emerald
Esperance
Geraldton
Gladstone
Hervey Bay
Kalgoorlie
Karratha
Mackay
Mount Gambier
Perth
Port Hedland
Rockhampton
Shepparton
S'thn Tablelands
Sunshine Coast
Tamworth
Toowoomba
Townsville
Whitsunday



RESIDENTIAL

National Property Clock: *Units*

Entries coloured blue indicate positional change from last month.

Bathurst
Burnie/Devenport
Geelong
Gold Coast
Illawarra
Launceston
Sydney

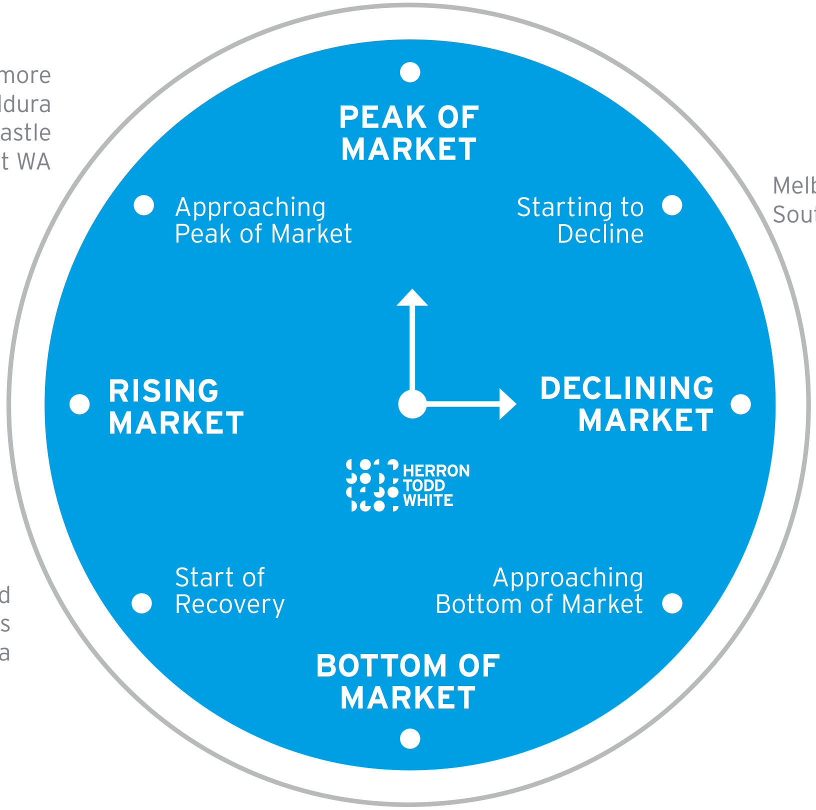
Ballina/Byron Bay
Bundaberg
Central Coast
Coffs Harbour
Hobart
Lismore
Mildura
Newcastle
South West WA

Melbourne
Southern Highlands

Adelaide
Adelaide Hills
Albany
Albury
Alice Springs
Barossa Valley
Brisbane
Broome
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

Canberra

Emerald
Southern Tableands
Toowoomba



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New South Wales - Residential 2022

Sydney

As the half time whistle blows for 2022 and the oranges get passed around, it gives us an opportunity to review the year so far.

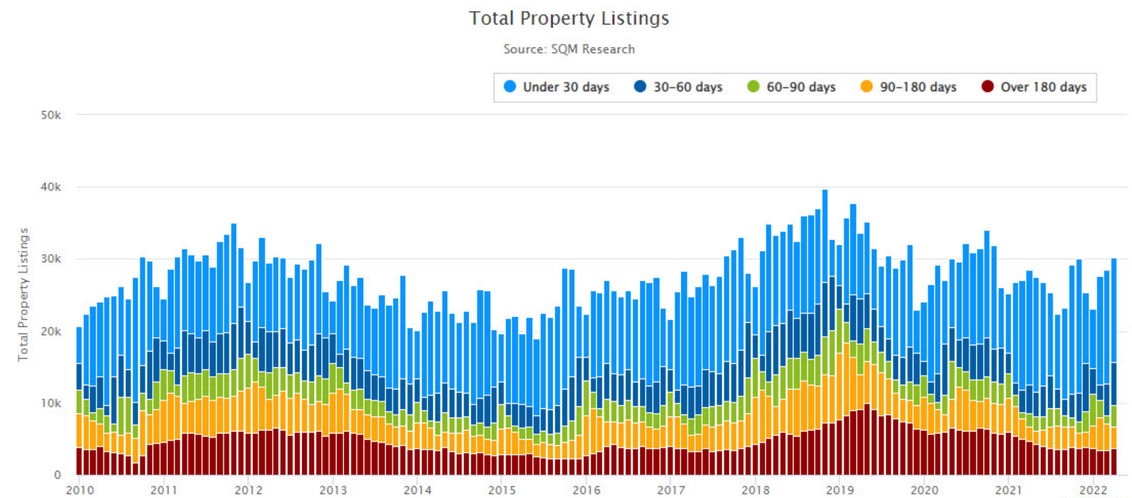
In Sydney the year began like most others with a quiet January, but signs of a weaker market were soon to follow as listings increased across the board and auction clearance rates began to reduce.

When focusing on the more recent months, the total listings across Sydney have been increasing on a month to month basis. This increase in supply has given buyers more options and local agents are noting that less desirable properties are being hit hardest.

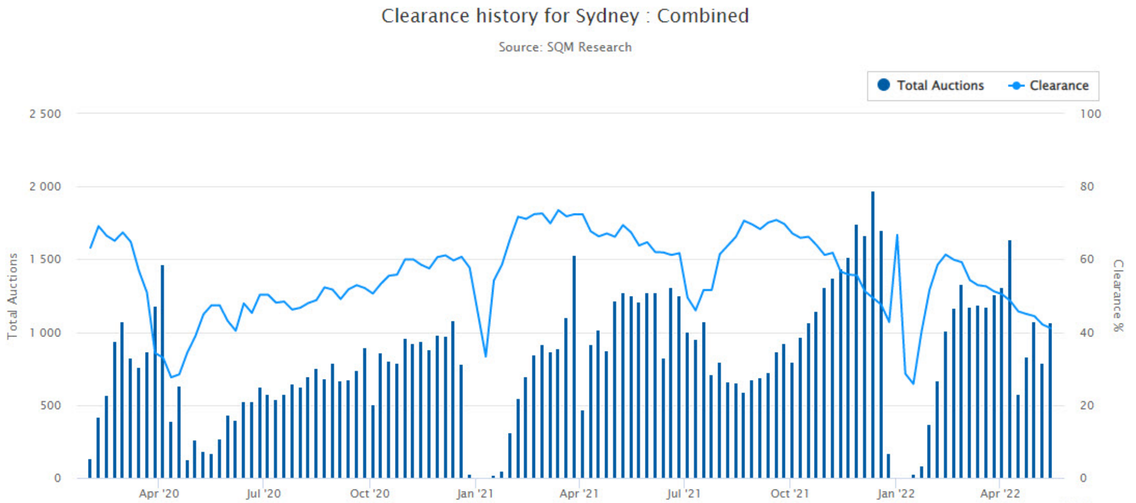
January started off with a clearance rate of 66.2 per cent following months of strong auction clearance rates but has since continually fallen to the current rate of 42.1 per cent. We consider this will balance out as vendors' expectations are recalibrated given the weakening market conditions. In addition, many vendors have been selling pre-auction as quality buyers dry up given the increase in supply and weakening consumer confidence.

With official interest rates rising in May for the first time since 2010 and further interest rate increases likely over the next 12 to 18 months, there are predictions that this is the beginning of a decline in property prices in Sydney, with many leading economists predicting a 10 to 15 per cent decline in the Sydney median price over that time.

CITY: SYDNEY



Total Property Listings - Sydney Source: SQM Research



Auction Clearance Rates - Sydney Source: SQM Research

RESIDENTIAL

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Western Sydney

In Western Sydney and surrounds there were still strong results for prime property but given the reduced consumer confidence and larger supply of listings, the less desirable properties were beginning to take a hit.

Examples of some strong results were the $9 million sale of 2 Dural Downs Way, Dural in March, sold by Black Diamondz Property and more so the vacant land sale of 602 Old Northern Road, Dural for $6 million sold by LJHooker Dural. These sales underpin the notion that the prestige section of the market is more resilient than many predicted with continued strong results at the upper end.

2 Dural Downs Way, Dural — Source: realestate.com.au

A huge result in West Pennant Hills was 17 Governor Phillip Place, selling for $7.8 million in February 2022 through local agents Louis Carr. This large 1200 square metre masterbuilt home included a tennis court, large pool and improved upon 2054 square metres of landscaped land. This dwelling has had some updates but is largely unrenovated and highlights the strength of the prestige market in the north-west as it now competes with upper North Shore buyers looking further afield for their trophy home.

The year began with continued talk of a looming election, multiple interest rate rises and continued conflict overseas, seemingly overshadowing the Coronavirus pandemic. These issues impact on consumer confidence and as a result, there is less willingness to spend a large amount of money on housing. For Western Sydney it likely means property price declines over the coming months as interest rates rise and cost of living issues continue to bite.

North Shore

After an extremely strong 2021, Sydney's North Shore market remained resilient throughout the first part of 2022, however we are starting to see some trends which are evidence of a change in the market cycle, and this appears to be across most price sectors.

The general market on the North Shore appears to be going through a period of stabilisation, with no evidence of any price decline at this stage. The latest auction clearance rate in the North Sydney and Hornsby sub-region was 67.3 per cent (as per CoreLogic reporting), considerably lower than the peak of the market. As a point of view, this time last year the auction clearance rate in the North Sydney and Hornsby sub-region was 84.3 per cent (as per CoreLogic reporting), so although we are seeing a definite cooling in the general North Shore market, the result appears to be stabilising prices at this time.

The prestige market on the North Shore appears to be stabilising in terms of activity, although sale prices remain very strong. As proof of these strong results still being achieved, the North Shore sale record was set in March this year, with the sale of a property on Mosman's Balmoral Slopes for a reported $33 million. Set in a prime position on approximately 1200 square metres of land, the property appreciates expansive elevated views over Middle Harbour towards the distant headlands and ocean. The luxury residence comprises substantial accommodation and is finished to a very high standard. This is the first $30 million plus sale in Mosman and may set a precedent for future high-end prestige sales on the North Shore.

$33 million North Shore record — Source: CoreLogic

As another concrete example of growth in the higher-end market sector over the past twelve months, a recently recorded sale of a property on Pymble Avenue, Pymble showed approximately 10 to 15 per cent price growth. This contemporary residence was purchased near the peak of the market in May 2021 for $5.7 million and has just re-resold after only 16 days on the market (as per RP Data records). Although the re-sale price is currently undisclosed, it does appear to indicate between 10 to 15 per cent price growth over the twelve-month period. The relatively short selling period of 16 days also points to continued strong demand at this price point on the North Shore.

The North Shore high density unit market has remained relatively stable so far this year, following on from the trend throughout 2021. There were expectations that as international borders reopened and international students returned, the unit market sector would come to life, although we are yet to see any real strengthening. This still may come to fruition in the later part of the year although with multiple interest rates rises on the horizon and escalating construction costs for developers, the chances are that this sector may continue to remain relatively soft for some time.

Boutique style unit developments, especially on the Lower North Shore, have bucked this trend and experienced strong demand and resulting prices so far this year. Downsizers are driving this demand as they seek to capitalise on the sale of the family home and make the move to apartment living. The demand is particularly for high quality, boutique style developments comprising larger living and outdoor areas in comparison to the average unit. An example of such a development is ENSO Neutral Bay, currently being sold off the plan, with nine bespoke units and advertised as having high-end finishes.

ENSO Neutral Bay Source: Domain.com.au

Northern Beaches

There is no doubt the heat has come out of the Northern Beaches market and current conditions are weaker than the second half of 2021. Median data is not yet available but anecdotal evidence would suggest capital values are down roughly

As usual, good quality products will have higher levels of interest and the opportunity for best results, whilst secondary products and investor grade stock will typically underperform broader metrics.

five to ten per cent from previous highs across most price points and property types. As usual, good quality products will have higher levels of interest and the opportunity for best results, whilst secondary products and investor grade stock will typically underperform broader metrics. Rising interest rates, inflation, the federal election, negative market sentiment and rising supply levels are the main contributing factors to the shift in market conditions.

The housing market between $2 million and $3 million has cooled and there is certainly value and opportunity for buyers to secure a product for less than they would have paid six to nine months ago. Areas such as Frenchs Forest, Belrose and Forestville have modest properties in side street locations available at around $2 million for the first time in six months.

The unit and townhouse markets are in similar situations. We have found scenarios of similar products selling during different points in the market that best reflect market movements.

Townhouses in the Blair Athol complex in Warriewood are similar in terms of overall strata size and floor-plan, with potential differences in regard to renovations and often the second bedroom will be converted into two bedrooms, although nearly all townhouses in the estate have the same capability and are marketed as such.

6/28 Macpherson Street, Warriewood, sold in April 2022 for $1.38 million, being a two-bedroom townhouse in predominantly original condition. A previous sale occurred in December 2021 for $1.725 million although the second bedroom had been converted into two bedrooms. Prior to that, the most recent two-bedroom townhouse sale was $1.6 million in August 2021, suggesting quite a softening throughout 2022.

6/28 Macpherson Street, Warriewood Source: realestate.com.au

One-bedroom units are also struggling. 38/79-91 Macpherson Street, Warriewood is a ground floor one-bedroom unit that sold for $885,000 in October 2021. A similar ground floor unit, 51/79-91 Macpherson Street, Warriewood, sold in May 2022 for $840,000.

Southern Sydney

Like other parts of Sydney, the southern suburbs have seen price growth ease over the first few months of 2022 and prices appear to have now peaked across most property types and price points. New listings increased through the early part of 2022 as buyer demand eased, which has shifted the market towards a buyer's market. With interest rates now beginning to increase and the federal election campaign taking place, sale volumes have declined in the latter half of autumn.

Agents have advised of significantly less interest at open homes and note the increasing length of time required to sell a property as some vendor expectations have not adjusted to the current market. The further interest rate increases expected in the second half of the year are likely to put more downward pressure on prices.

The lower and middle sections of the market are generally those that are most sensitive to interest rate movements and we have already seen some examples of prices decreasing from where they were late last year and early this year.

In Peakhurst Heights, two recently constructed detached homes with similar land areas and accommodation have sold this year. In February, 32 Isaac Street sold for $2.11 million and 32A Issac Street sold for $2.055 million in April.

In Caringbah South, a pair of recently constructed duplex properties have both sold in the past six months. In December, 280A Willarong Road sold for $2.325 million and 280B Willarong Road then sold in April for $2.1 million.

280A and 280B Willarong Road, Caringbah South Source: CoreLogic

We have noticed a stagnant trend in activity within the Bayside area of southern Sydney since the start of 2022. There has been lower buyer confidence and a significant reduction in interested parties per property, particularly for more affordable property products such as units, villas and detached housing on small land or in secondary locations. Median house prices in the area saw significant growth throughout 2021, however there was evidence that prices were stagnating in the late stages of 2021 and early parts of 2022.

With buyer hesitation slowing market activity, along with the first official interest rate increase in over a decade, we have seen less properties being listed for auction as well as auction clearance rates continuing to fall.

Interestingly, we have continued to notice steady market activity within the prestige sector of these areas, with no signs of any significant reduction in their respective price points. A non-waterfront property at Connells Point sold in May for $9.45 million, up from the $7.6 million it sold for in November 2020, which at that time smashed the record for a non-waterfront sale in the St George region.

28 Queens Road, Connells Point Source: CoreLogic

A twist for the property market post-election will be the ability for first home buyers to access a shared equity scheme with the federal government. The policy will likely to generate activity in the lower end of the market which may lead to upward pressure on prices should supply of new houses continue to lag.

Inner West

The general residential property market in the Inner West of Sydney continued to experience a rise in property values over the course of the first six months of 2022. The rate of growth has decreased in comparison to the rate of growth experienced during 2021. The decrease in the rate of growth may be attributable to the uncertainty surrounding the May 2022 federal election. The increase in interest rates in May has also impacted the rate of growth with local real estate agents describing a drop off in the number of prospective purchasers at open home inspections.

Detached housing remains the strongest performing sector of the market, with a relatively low number of detached houses for sale in the area. This has resulted in demand continuing to outstrip supply. The mid-tier range of strata property, including townhouses, villas and large apartments in boutique or lower density buildings, has also continued to experience growth throughout 2022. An example of this is illustrated in the sales within a circa 1974 villa unit development at 1 Corby Avenue, Concord. Unit 6 was sold on 3 December 2021 for $1.16 million and Unit 2 (in a similar condition) sold for $1.26 million on 10 May 2022.

The biggest surprise in the market is the continued rise in the cost of construction. This has caused some hesitance in homeowners looking at renovating or extending their dwelling. The likely possibility of continued rises in interest rates throughout the remainder of 2022 may cause a significant slowdown in capital growth rates. With construction costs continuing to increase, renovators persevering with their renovations are doing so at the risk of possibly overcapitalising. This risk has been almost non-existent in recent years which saw renovated dwellings selling for a significant premium.

Housing affordability continues to be an issue across the Inner West with the majority of first homebuyers priced out of the detached or freehold Torrens title housing market. In most areas of the Inner West, a two-bedroom, one-bathroom house will sell for more than $1.3 million. This has continued to increase over 2022 but at a slower rate than the three- to four-bedroom housing market, with price points now generally in the $2 million to $4 million range.

Strong results have also been recorded in the above $5 million prestige market over the course of 2022. 42 Campbell Street, Abbotsford sold for $5.325 million on 3 February 2022 which was considered a strong result given the property is away from the bay and water and on a relatively small block for the Abbotsford area at 348 square metres.

42 Campbell Street, Abbotsford Source: realestate.com.au

With rate rises expected for the remainder of 2022, the question of whether the Inner West market can continue to experience capital growth is an intriguing one for homeowners and prospective investors.

Inner Sydney

Coming off the market's post-lockdown peak in the final quarter of 2021, inner city property price growth generally began to slow in the first quarter of 2022 before plateauing in the second quarter, with Sydney (as a whole) recording its first month of negative growth since the start of the pandemic in March 2022 at -0.1 per cent. The change in market sentiment could largely be attributed to uncertainty surrounding interest rates, inflation and the federal election.

It seems that no segment of the market has been immune from these changing conditions, including dwellings within the perennially popular suburb of Surry Hills, with 56 Nickson Street, a three-bedroom terrace dwelling with parking, selling recently for $2.575 million after previously selling in 2016 for $2.1 million – reflecting 23 per cent growth. Whilst this is still a solid growth figure, it is important to remember that 2021 saw a record 20 per cent plus growth in dwelling prices across most inner city suburbs, so within the context of the inner city market, this result does indicate some cooling of current market conditions.

Whilst the prestige end of the market is showing some signs of slowing, there has been less impact by these headwinds and strong sales results are still evident, such as 216 Glebe Point Road, a five-bedroom, Italianate, two-level property on a large block in the area's popular high street precinct, selling for $6.225 million at auction after a guide price of mid $4 million throughout the campaign.

216 Glebe Point Road, Glebe Source: CoreLogic

More affordable properties at the investor end of the market appear to be showing a more pronounced slowdown, with units beginning to experience increased selling periods. An example is 5/380 Harris Street, Pyrmont, a one-bedroom warehouse conversion selling for the asking price of $630,000 after 76 days on market (as per RP Data).

Surprisingly, despite slowing price growth and extended selling periods being evident within the investor market segment, the rental market made a strong recovery throughout the first half of 2022, with leasing agents and property managers anecdotally reporting increases of 10 to 20 per cent in weekly rental figures. Perusal of rental sites shows that areas with high vacancy rates throughout the pandemic, such as Zetland, where two-bedroom rentals dropped to as low as $600 per week, have rapidly increased with the average

The change in market sentiment could largely be attributed to uncertainty surrounding interest rates, inflation and the federal election.

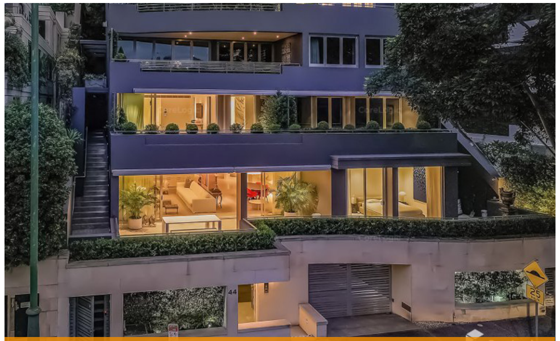
two-bedroom unit in this area now attracting a $750 per week return.

Eastern Suburbs
The Eastern Suburbs saw huge growth in 2021, particularly for houses and high end units, but a flattening of prices was already evident in the early stages of 2022. As supply of new listings continued to increase in the first quarter of 2022, buyer demand continued to taper, taking much of the heat out of the market compared to 2021.

Whilst there haven't been many real signs of prices decreasing in the East so far, it is apparent that most sub-markets have reached their peak and we are likely to see some price decreases in the remainder of 2022.

In a 2008 built unit complex at 140 Maroubra Road, Maroubra, three sales of two-bedroom, two-bathroom units over the past six months gives some insight. Unit 404 sold in December for $925,000, unit 405 in February for $950,000 (with timber flooring and a better view), and unit 206 sold for $915,000 in May, although two levels lower with limited views. Taking into account the different characteristics, it would indicate that prices were still increasing slightly in the first two months of the year and are now flattening or showing early signs of decline.

Prices for detached housing are holding up better than units, particularly in prestige beachside and harbourside suburbs. In September, 16 Ocean Street, Clovelly, a 2019 built, four-bed, two-bath home on 272 square metres of land sold for $7.4 million. In February, 14 Ocean Street, a 2016 built, three-bed, two-bath home on 264 square metres of land sold for $7.95 million. This is a result of continued limited stock of quality detached housing, although agents have noticed a decreasing numbers of genuine buyers at open homes and at auction in more recent months.



1/44 New Beach Road, Darling Point Source: CoreLogic

High end units continue to perform strongly, with particularly high demand from cashed up downsizers. Whilst more suited to the family market, a large two-level, five-bedroom unit in Darling Point with views over Rushcutters Bay towards the Harbour Bridge sold in May for $16.2 million. The property underwent a high-end renovation since the previous sale a year earlier for $11.15 million, despite already having modern interiors. This is just one of several unit sales above $15 million in 2022 across suburbs including Double Bay, Point Piper, Rose Bay, Vaucluse and Tamarama.

Shaun Thomas
Director

Lismore/Casino/Kyogle

"Trying to predict the future is like trying to drive down a country road at night with no lights on while looking out the back window" (Peter Ferdinand Drucker).

So, how did this foresight play out in the rear-view mirror?

At the beginning of 2022, it was predicted that the property market for the Lismore, Casino and Kyogle Council regions would continue to improve, albeit at a less vigorous rate than 12 months ago on the back of continuing low interest rates and general uptick in confidence from the local community following a 2021 interspersed by the ongoing COVID-19 drama which played out like an episodic storyline from The Sopranos.

Well, the property market has proven once again to be resilient in Lismore, Casino and Kyogle over the past six months BUT no longer is there the frenetic offers above the asking price mentality. Prices are still strong with reduced selling and marketing periods, but buyers are far more measured in the offers put forward.

The trend for properties being advertised as by negotiation rather than with a fully disclosed asking price persists, especially for properties with inherent special features such as rural residential property with creek frontage and wide rural or mountain views.

However, there was a nasty whip in this positive start to year 2022 and that came in the form of a watery nightmare in late February and early March that devastated the Northern Rivers region, in particular Lismore City, local rural villages and the surrounding rural landscape of Lismore City, Richmond Valley and Kyogle Council areas.

Given that the recent flood events are still fresh in the minds of the local community and the region at large, it is difficult to surmise the overall dollar impact these two flood events (approx. 14.4 metres on 28 February 2022 and 11.4 metres on 30 March 2022) will have on real estate due to a likely extensive period of repair and recovery over the next 12 to 18 months at least.

Suffice to say, it was significantly more disastrous than the last major flood event of March 2017. It is not just the physical damage to property but its impact on the emotional and mental state of the community at large.

Over the next few months, as some property owners and investors find themselves in the unenviable position of having to make some truly painful decisions (do I leave or rebuild and stay?), the market value of flood affected properties will likely be severely impacted.

Demand for properties situated in flood free locations may face renewed vigour, however this is likely to be tempered somewhat by the recent RBA cash rate increase of 25 basis points from 0.10 per cent to 0.35 per cent, the first time the cash rate has been increased since November 2010. It has also been touted that there will be more increases to come before the end of the year. Expect the majority of the lending institutions to follow suit.

Rental accommodation queries remain strong as rental rates improve across the board for houses and units and supply is stretched. This is likely to be exacerbated by the loss of hundreds of rented houses and units in flood affected areas.

In summary, the property market in Lismore, Kyogle and Casino certainly has significant challenges to endure over the next six to twelve months as the recovery and repair phase settles in, but the resilience and determination of the local community is second to none – they will not be defeated.

To quote a "Wiseguy":

"You steer the ship the best way you know. Sometimes it's smooth. Sometimes you hit the rocks. In the meantime, you find your pleasures in life where you can along the way" – Junior Soprano

Vaughan Bell
Property Valuer

Clarence Valley

Residential property sales in the Clarence Valley started the year strongly and have recently seen a plateauing and slight decline in some cases. It seems the market has been fueled by COVID government incentives and attractive low lending interest rates, however, the federal election, rising inflation, fuel prices and interest rates have dampened interest levels and enquiries. For example, at the cheaper end of the market in South Grafton, between January and February there were 21 sales with prices mostly between $300,000 and $400,000. This area has been attractive to investors as well as first home buyers to shelter from rising rents. From March to April there were also 21 sales in this period, however prices increased with at least six above $500,000 including a record at $910,000. It appears that the traditional market view of South Grafton is changing from an area with social issues to an area enabling entry to the market.

At the high end of the market above $2 million, seven Yamba and Angourie beachside properties have sold since January. Notably, four of the highest ever residential property sales in the Yamba or Angourie area occurred in 2021/2022. Early last year, sales of $4.6 million, $4 million and $5.72 million were recorded and then early in 2022, there was a $4.3 million sale. Throughout 2021 and at the start of 2022 this market was strong however similarly to the general market these property sales have cooled too. Of late, agents are noting less interest levels and enquiries due to similar concerns to property buyers in lower segments of the market.

An interesting feature of the recent change in market sentiment is the speed of reduced interest levels reported. In a few cases, agents have actually reduced listing prices to gain enquiry. It is likely that the large increases in values we saw in 2021 and the early part of 2022 were influenced by low interest rates and incentives would still be highly responsive to that influence. It stands to reason that when rates are less attractive, values also are likely to be influenced.

Simon Evans
Property Valuer

Coffs Harbour

We are finally seeing a slowing in the market because of a general uncertainty regarding broader economic conditions impacting consumer confidence. These conditions include the negative talk around increasing interest rates with the recent rate rise to 0.35 per cent which is an indication of rising inflation and pressure on household spending. Couple this with a federal election which historically can experience a slowing in the market given the anticipation of a changing government and financial policy. Now we are not suggesting property values are going backwards, rather we have noticed that the panic has disappeared. With days on market getting longer and no sales above asking price, it seems that buyers have a bit more breathing room.

An interesting feature of the recent change in market sentiment is the speed of reduced interest levels reported. In a few cases, agents have actually reduced listing prices to gain enquiry.

Agents are advising that most pressure is still on the affordable sector of the market which in today's terms means sub-$900,000.

The area we are still seeing significant upward lift is the rental market. Given the ever-tightening vacancy rates and dramatic increases in property values, rentals have not increased at the same pace. We consider this pressure on the rental market will be with us for some time and rental values being achieved will slowly come in parity with property values which is not good news for non-homeowners but good news for investors.

The prestige market appears to have been the most affected by the slowing, with very limited recent activity in the $2 million plus category over the past six months which typically is a thinly traded market for the Coffs region driven by the out-of-town market. Reports of the greater Sydney market slowing would also be a factor in this market segment given the high percentage of buyers who traditionally come from city locations.

Agents are advising that most pressure is still on the affordable sector of the market which in today's terms means sub-$900,000. Entry level for a freestanding three-bedroom, one-bathroom dwelling on a small lot (sub 500 square metres) in the suburbs is $650,000 whilst the basic unit product would see not much under $400,000. A typical four-bedroom, two-bathroom, double garage home on a standard residential block in the suburbs would start at around the $800,000 mark.

The winner so far this year would be the rural residential market which has gone from strength to strength. Not only has the migration of city dwellers to the regions taken place throughout this COVID driven market, it appears the appetite is for more land around you rather than inner city living. This market is experiencing very limited stock and not much under the $1 million mark.

Have there been any great surprises over the first half of 2022? The answer is no, we have always expected the market to come off the boil at some stage. Talk around increasing inflation and interest rates has been around now for at least 12 months, coupled with an election year and let's not forget the broader economic effect of the recent catastrophic flood events in northern New South Wales. These will have repercussions on all who live in this beautiful part of the world.

There should be no real concern with this current market trend, rather embrace the breathing space with the knowledge that supply is still limited and the lifestyle factors that make the Coffs Coast region attractive have not gone away. Let's also not forget the major infrastructure project about to ramp up, the Coffs Harbour bypass, which is set to bring a whole lot more cash into the region.

Grant Oxenford
Property Valuer

Byron

At the outset of the year, I was keen to have an each-way bet on how the Byron Shire property market was going to perform in 2022. Back in January, the key points that would impact the market in the shire were stated as the performance of the capital city markets, interest rates and COVID-19. The unforeseen curveball was the widespread flooding that affected the Northern Rivers in February and March this year.

As it has transpired, the market in Byron Shire appears to have reached its zenith for now, at least. Notwithstanding the fact that the flood disaster has increased pressure on already overstretched rental and first home buyer markets, we have seen capital city markets slowing, interest rates have already increased in May (the talk at the start of the year was August and rates are predicted to increase further several times during the rest of the year) and the threat of COVID-19 appears, at least for now, to be waning.

These influences have combined to turn the tide towards a more balanced property market where, broadly speaking, neither buyers nor sellers have the upper hand. The previous 12 months to two years had seen sellers with all the power in a negotiation with the luxury of receiving multiple offers with little or no selling period required. The current state of play has seen property sales occurring after 30 to 60 days on market with some properties requiring longer. Sellers need to be more considered in their pricing expectations and we have noted several cases where properties have sold at the bottom end of their price guide or after a list price adjustment.

With interest rates almost certain to increase further, affordability is going to be a key driver of price over the remainder of the year. The impact of the first rate rise of 0.35 per cent is more psychological than material for most mortgage holders, however further increases will erode confidence and spending power.

Offsetting this was the desire of both major political parties to attract votes with the promise of financial support to first home buyers, so first home buyers are going to be incentivised into entering the property market. For the Byron Shire this will mean lower priced property is likely to remain in shorter supply as first home buyers remain in the market for longer, while the higher priced and prestige property owners will feel the pain of higher interest rates.

Given the high entry level prices for property in the Byron Shire, any government incentives for first home buyers is likely to be of little real benefit to them until such time as the private and public sector can sort out the critical supply issues that have prevailed in the Byron Shire for many years.

Mark Lakey
Property Valuer

Tamworth

How time's flown and haven't you grown? The calendar year of 2022 was forecast to be a big year for New South Wales property. Initial forecasts from Herron Todd White local valuers indicated that continued activity within the New England and the north-west was expected, albeit at a more conservative rate than the previous 12 months. Here is a rundown on what we've seen in the first six months of 2022.

Tamworth, the regional city of the north-west, was poised for continued growth in 2022 and that is exactly what has happened within the first six months. According to Domain's most recent house price report, Tamworth's medium house price sits at $410,000, rising 9.3 per cent over the past 12-month period. A continuance of limited available properties listed for sale is apparent, along with low vacancy rates for rental property.

The entry level and affordable residential market segment in Tamworth has been one of the most competitive markets. Entry level price points have seen upward pressure on property values, from $300,000 to $400,000 for modest freestanding residential dwellings in the South Tamworth and Hillvue areas.

Indications from local agents reveal that there has been a slight decline in buyer enquiry in the past three to four weeks.

Within the first six months of this year, new home construction in Tamworth slowed from the fanatical pace of 2021. This has been largely due to local and regional builders working through existing workflows, variable project delays due to labour constraints, ongoing material supply chain issues and the delay of registration and development of newly subdivided allotments in the majority of new and extended residential estates. In particular, the delay of registration of new residential vacant land allotments has resulted in a backlog of buyer interest for new and future stages released in some if not all of the actively marketed residential estates. Subsequently, the pace of take-up of newly released land (rate of vacant land being sold and holding deposits) has skyrocketed. Enquiry to local developers indicates that some staged releases of 15 to 25 residential vacant land allotments are being completely sold prior to release. These new developer sales are reflecting strong increases of up to 33 per cent from previous land sales only 12 months prior.

The prestige and rural lifestyle markets have also experienced continued strong market activity. Prestige listings within East Tamworth, Hillvue, North Tamworth and Moore Creek have achieved house sale prices in excess of $1 million and in some cases exceeding local suburb market records. Rural lifestyle property within a 20-kilometre radius of Tamworth CBD has continued to perform strongly, with a preference for property characterised by equine improvements or developed irrigation further indicating that this market segment (small acreage and rural lifestyle) is the premier market segment in the area.

Visiting a local agency's auction house recently illuminated one major influence in the Tamworth and greater north-west and New England property markets, and that is the increased participation in sales negotiation and enquiries from interested parties either looking to return to regional New South Wales, or tree-changers exiting from metropolitan or coastal markets. The influence of this type of purchaser is largely reflective of the perceived affordability of the Tamworth property market in comparison to other coastal and inland regional markets. The city of Tamworth represents a diverse economy, growing investment in infrastructure and most of all (comparative to other New South Wales regional and metro areas) housing affordability.

Whilst some metro and coastal markets have reported a slowing in capital growth, the Tamworth regional property market has indicated continued and sustained growth for the first six month period. That being said, there is a sense of caution in the air regarding rising interest rates in light of the announcement from the RBA increasing the cash rate to 0.35 per cent in May. This is an indication of rising inflation and pressure on household spending, something that regional areas are certainly not immune to and has had a displayed effect on local consumer confidence.

In summary, the Tamworth regional property market performed strongly in the first six months of the year. Indications from local agents reveal that there has been a slight decline in buyer enquiry in the past three to four weeks. This is something typical of the cooler seasons, however, with the recent federal election and further interest rate rises looming, it is anticipated that (at least) the rate of capital growth within the region will slow in the second six months of 2022.

Nick Humphries
Property Valuer

Newcastle

It's now halfway through the year and time to reflect on our new year's resolutions of predicting the market and what will happen after a very surgent 2021.

At the end of 2021, we saw rapidly rising property prices across the Newcastle, Lake Macquarie, Port Stephens and Hunter regions and what looked like a peaking market in November with high volumes of sales as vendors wanted to sell at the top of the market and purchasers wanted to buy anything they could afford for the fear of missing out.

Our predictions indicated that this could not possibly continue and with the threat of interest rates rising in the near future, we thought the peak was there for all to see.

The year started slowly with the usual seasonal cycle but this was mainly due to lack of property availability rather than a change of sentiment. By the end of February, the high sales continued, interest rates did not rise and the threat seemed to have quietened down.

Agent feedback was that buyers were still in the market but there was just nothing to buy so sales numbers had fallen since the peak in November.

As we close the first half of the year, we continue to see record sales in the region.

32 John Parade, Merewether achieved $10.25 million in May, a record up from the previous records of 44 Kilgour Avenue, Merewether at $8.7 million and previous to that, 38 John Parade for $7.25 million. This can only be regarded as a huge jump since the latter sale in October 2020, for what appears to be an inferior property.

The same can be said for Port Stephens, where the record sale was $7.25 million for a high specification house which did not have water frontage. In May this was improved by the new record of $7.6 million for a property that had not been marketed for over 50 years and was clearly inferior to the previous record.

The booming Port Stephens market escalated the unit market which saw the previous record sale price eclipsed twice in one week when two penthouses sold at record prices, the first for $5.25 million, the second for $5.5 million. It was reported that this bettered the previous record unit sale by some $2 million.

As we review these sales and think the market cannot possibly be booming still, we look at buyer sentiment again and ask whether the market is really out of control or is it the case that buyers are desperate, and the market is driven by buyer desperation rather than the usual market forces at play.

As interest rates rise in May and with the threat of more to come, the ripple effect will eventually take control of the market and desperate buyers may have to rethink their strategies. Whether the market peaked in November or is still going is difficult to see until hindsight kicks in, but there is a slowing in the number of property sales in the region which suggests the market is possibly on the turn, just a little later than we predicted.

The other important question to ask, which appears to be the key market driver, is how long buyer desperation can continue in an inflated market without the serious threat of an escalation of mortgagee in possession sales. This is the question for the future.

Darren Sims
Property Valuer

Central Coast

The Central Coast region experienced surging property prices and growth throughout the course of 2021 with many homeowners, investors and property professionals predicting it would continue into 2022 on the back of record low interest rates and national economic conditions. As we have now navigated the first half of the year, data is emerging that may contradict the early predictions made.

At the time of writing, local agents are reporting weakening buyer enquiries, lengthier marketing campaign periods and sale price adjustments, dependant on owner expectations. These are all signs of a market that is close to, or has already reached the peak. In saying this, some residential pockets on the Central Coast showed resilience in Quarter 1 of 2022 with strong sale prices recorded.

At the northern end of the Central Coast region, affordability continues to attract buyers to these suburbs with suburbs such as Gwandalan and Woongarrah still showing strong sale prices.

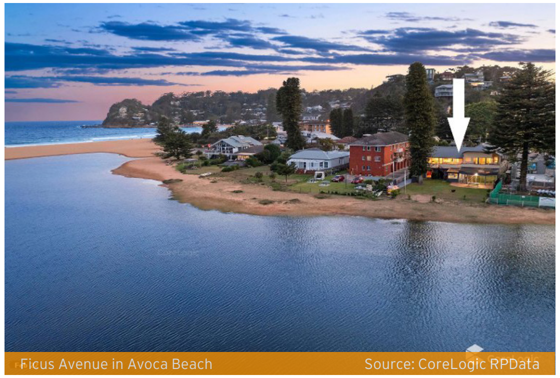
73 Noamunga Crescent, Gwandalan sold in March 2022 for $1.7 million. The property is located on the lakefront reserve of Lake Macquarie with a substantial and modern four-bedroom, two-bathroom dwelling.

73 Noamunga Crescent, Gwandalan Source: CoreLogic RPData

Another notable sale reflecting recent market conditions was 36 Cascades Road, Woongarrah, selling for $1.3 million in March 2022. The property is a large, modern style, five-bedroom, two-bathroom, two-storey dwelling with a double lock up garage and a swimming pool in the backyard, all set on a near level lot with local nature reserve views across Cascades Road. The property represents the upper end of market parameters in Woongarrah, indicating value for money is still front of mind for buyers in this area compared to buyer options at a similar price point on the southern end of the Central Coast.

36 Cascades Road, Woongarrah Source: CoreLogic RPData

In the prestige market on the Central Coast, sale volumes remain low and although marketing campaign periods are lengthening, it appears values are stabilising for now. A sale that proved market conditions were strong at the beginning of the year was a lagoon front property on Ficus Avenue in Avoca Beach. Marketed and sold by McGrath Real Estate Terrigal, the property sold in February 2022 for $8 million.



Ficus Avenue in Avoca Beach Source: CoreLogic RPData

The performance of the Central Coast property market in Quarter 2 is emerging as the peak of the market, however this can only be verified once further data is released in coming months. The market is switching to a buyer's market with buyers slowly regaining the upper hand in negotiations, confirmed through our discussions with local agents. The change in market sentiment has been led by the first of possibly many interest rate increases, the calling of the federal election and the recent inflation figures causing cost of living concerns. The success of our region's property market has been built on strong affordability levels and although this may protect the market from steep price corrections, it appears inevitable that for all the aforementioned reasons, property buyers will have less in their wallets. What this means is the market is precariously balancing itself on a knife's edge with the second half of 2022 likely to determine the state of our local market.

Todd Beckman
Associate Director

Shoalhaven

It has been an interesting start to the year for the Shoalhaven residential property market with many external factors at play impacting sale results and supply and demand of properties in the region. We have seen the Reserve Bank of Australia increase interest rates for the first time in 11 years, a federal election causing a degree of uncertainty and, to a degree, the COVID -19 pandemic still having an influence on property prices. But, can you believe it? We are already halfway through the year, so let's check in and see the half time score card to see how the Shoalhaven residential property market is travelling and take a quick look at what surprise factors have been at play.

On 4 May, for the first time in 11 years, the Reserve Bank of Australia increased interest rates, increasing the cash rate by 25 basis points from 0.10 per cent to 0.35 per cent, marking the first rate rise since November 2010. According to the RBA, rates had to increase due to inflation picking up quickly and to a higher rate than expected

The market is switching to a buyer's market with buyers slowly regaining the upper hand in negotiations, confirmed through our discussions with local agents.

combined with very low levels of unemployment. This has seen a slowdown in the Shoalhaven residential property market. Local agents are advising of less potential purchasers at open houses, less bidding at auctions, properties spending more time on the market and overall less urgency by prospective purchasers. This has seen particularly investors and, to a lesser extent, first time buyers cool off the market.

The federal election on 21 May has in many ways hit the pause button on the Shoalhaven residential property market. Agents are of the belief that many prospective purchasers are holding off buying in the market until the election result and fanfare has been finalised. The uncertainty at play due to the election has slowed and flattened the market to an extent.

While some parts of the conventional residential market have slowed to start the year, the surprise factor has been that many prestige coastal properties and prestige rural residential lifestyle properties are still achieving strong and high sale results. When a market slows, it is often most evident and most significant in the prestige market, however this seems not to be the case in the current point in time. There is still a lot of out-of-town money and purchasers from the likes of Wollongong, Sydney and Canberra propping up the prestige market.

Joshua Devitt
Associate Director

Illawarra

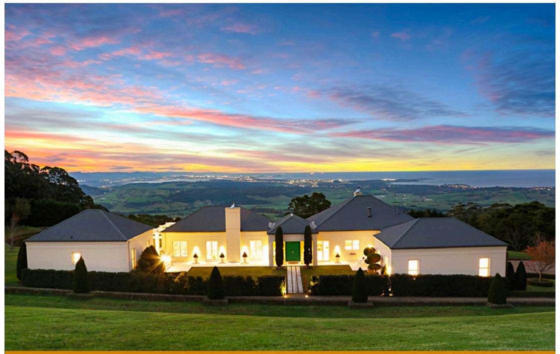
The year began under a cloud of uncertainty due to looming interest rate hikes and a federal election. Now at the middle of the year, interest rates have commenced rising and the election result is known. Growth in the residential market has continued however at lower rates than the previous year. Whilst other areas in the state have seen marginal decreases in property values, the Illawarra has still been reporting minor increases.

Most sectors of the market have had a slowdown in growth, with real estate agents reporting lower levels of enquiry and attendance at open homes. Selling periods are yet to blow out however it is becoming more common for a property to have an extended sale period, particularly if the vendor expectation is still an elevated price. That said, new listings are still coming to market and sales are still occurring.

One level of the market that has still been throwing out strong sale results is the prestige market. The northern Illawarra region has reported eight sales in excess of $4 million in the year to date with two in each of Thirroul, Bulli and Coalcliff and one sale in Darkes Forest, plus the highest sale so far in this region in 2022 of 363-367 Lawrence Hargrave Drive, Scarborough for $5.94 million. In a sign of the softening market, this property did take longer than others to sell, originally coming to market in October 2021 and selling in early May. Sydney buyers are still the dominant active buyer in this market with a number of these sales occurring to Sydney buyers as weekender or holiday homes.

363-367 Lawrence Hargrave Drive, Scarborough Source: realestate.com.au

The $6 million mark has been breached on a number of rural residential properties in the Kiama and Berry region with $8 million being paid for a 3.6 hectare property on Nuninuna Drive, Jamberoo and $9 million for 38 hectares of vacant rural residential land on Halls Road, Jerrara.



219 Nuninuna Drive, Jamberoo Source: realestate.com.au

33 Halls Road, Jerrara Source: realestate.com.au

The entry level price point in the more affordable Illawarra suburbs is around $700,000 for detached housing at the moment with a number of sales occurring under this mark but mainly for very basic accommodation requiring immediate renovation works. Older two-bedroom unit prices range from $350,000 in Dapto and Barrack Heights to $450,000 around Wollongong.

It will be interesting to watch how the rest of the year plays out with the impacts of interest rates and the election influencing the market.

Chris McKenna
Region Director

Southern Highlands

2022 began with an air of uncertainty around the residential property market. The region saw record price growth throughout 2021 and most experts predicted it would be unsustainable for these increases to continue.

Thus far, the region has yet to see any major discounting occur, however given the recent federal election and significant media commentary about interest rates hikes, 2022 started with a very different feel to the end of 2021. Overall we have continued to see low growth across the board, which has gradually slowed as the year has progressed. Sales volumes appear to be easing in pace, with days on market beginning to return to more sustainable levels.

Generally speaking, the fundamentals have still been strong, with low interest rates and low supply available across the region. As such we continue to see good quality stock being snapped up quickly and in some cases still quite competitively. The more marginal products have begun to see days on market extend, as buyers are now realising they have more time and significantly more stock to choose from.

One section of the market that hasn't shown any signs of slowing is the prestige section. We have seen some of the largest sales ever within the Highlands with the property known as Braesyde, formerly owned by the Ainsworth family, selling in February for over $20 million dollars. This sale came after more than a year on the market and was then eclipsed by the widely reported $50 million purchase of Mereworth by Roy Medich, who snapped up the 1300 acre holding this month. These trophy properties are typically always in short supply within the region, however to see two sales at this price point in quick succession indicates that some remain bullish about the market moving into the back half of 2022 and beyond.

As the year continues to unfold, we remain keenly attentive to local markets and how they will react to the outcome of the federal election and rising inflation. One thing for sure is that the property market so far this year has been somewhat undecided and has become more and more cautious as the year progresses.

Kurt Bismire
Valuer

Port Macquarie

Apologies for the hiatus but as I am sure you are all aware, the demands of a property valuer in these times have been extraordinary. So, it is time for a half time score card on the market for 2022. The past two years have been something to behold in terms of property growth, only matched by the last local property boom in circa 2002. I think there might be something in the old adage of the 18.6-year property cycle (refer to The Secret Life of Real Estate and Banking, by Phillip J Anderson).

We have seen some of the largest sales ever within the Highlands with the property known as Braesyde, formerly owned by the Ainsworth family, selling in February for over $20 million dollars.

The past few weeks however have seen somewhat of a slight slowdown, not so much in price terms but more in terms of days on market. On average, most dwellings are taking slightly longer to sell, with the somewhat frantic pace coming out of the market. This could be due to the first interest rate increase in 11 years and the federal election. I think that perspective will prevail on interest rates however, as we are coming off historic lows and returning to more normal levels and it will take almost six increases (at 0.25 per cent) to return to the level we were at three years ago.

What we continue to see is the insatiable desire for vacant land with many potential buyers opting to build new rather than buy an older established dwelling. This is becoming increasingly hard however, as land releases are now slowing and ever increasing building costs and building material shortages must be considered.

We do however see the market for the remainder of the year being buoyant with continual demand for local product and shortages of supply.

Adam Lipscombe
Associate Director

Victoria - Residential 2022

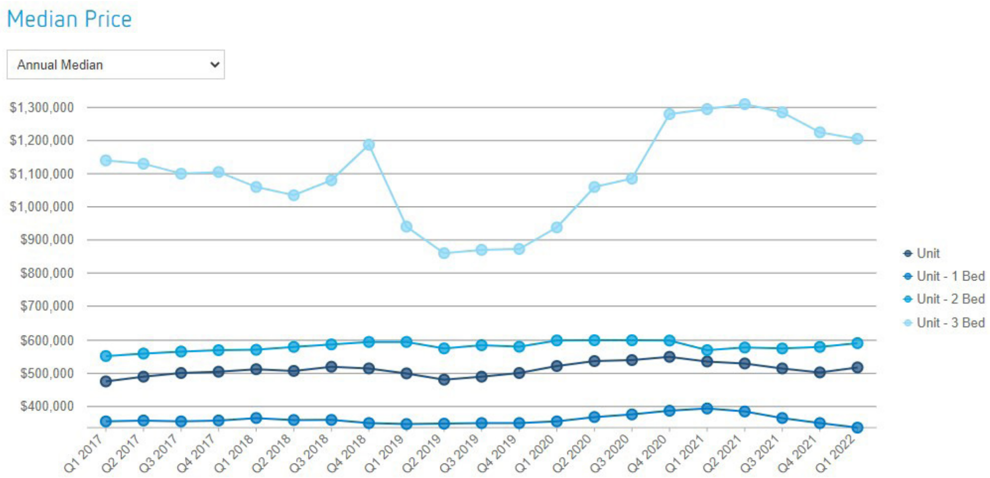
Melbourne

As we approach the halfway mark of 2022, we are starting to witness a softening of the market after a strong end to 2021. The federal election and a confirmed increase in interest rates for the first time since 2010 has led to some uncertainty in the market. It will be interesting to see the effect of the election on the property market.

Demand for freehold properties in good locations still rests at a healthy level, however the RBA's decision to increase rates coupled with the completion of many government stimulus programs has led to a commentary that the market may have reached its peak. Political unrest in Europe and the threat of rising inflation also loom detrimental to the property market which is yet to be fully quantified in the first quarter of 2022.

Six months into 2022 and Melbourne's CBD has seen some mixed results with its price fluctuations. The one-bedroom unit median prices have dropped slightly, whilst three-bedroom units continue on a downward trend with the median price now at $1.205 million. This is a $105,000 decrease since the conclusion of the second quarter of 2021. The two-bedroom unit prices have trended upwards slightly in the past quarter, but the limited growth is far less attractive in comparison to areas further from the CBD. An oversupply of these dwelling types in the CBD may be the reason for this and with many new developments still being constructed, these results may continue for some time.

Due to the majority of people spending an increased amount of time at their homes, the more spacious properties with study areas and balconies have been the most sought after, achieving the strongest prices. The lack of international students has led to minimal growth within the CBD market. Also, an increased capability to work from home means one-bedroom apartments may now be too small a space to work and reside in. This might deter potential purchasers from buying one-bedroom units and could be the reason we have seen a slight increase for two-bedroom units as they provide more space for singles and couples.



Median Price - Q1 2022	Median Price - 12 months ending Q1 2022			
Unit	Unit	Unit - 1 Bed	Unit - 2 Bed	Unit - 3 Bed
$580,000	$518,000	$336,000	$591,250	$1,205,000

Melbourne CBD median price — Source: propertydata.com.au

Due to the majority of people spending an increased amount of time at their homes, the more spacious properties with study areas and balconies have been the most sought after, achieving the strongest prices.

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South-East

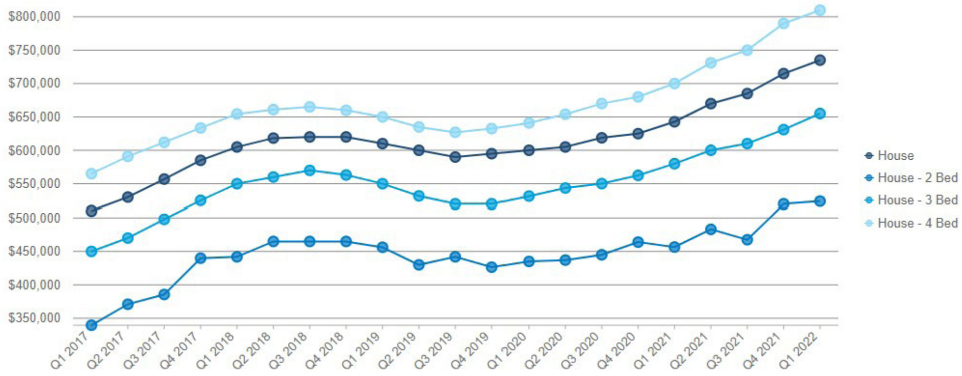
Melbourne's South-East performed strongly throughout the first quarter of 2022, with notable growth recorded in the LGA of Casey. There has been an increase in sale prices with early signs of flattening. The RBA has increased interest rates for the first time since November 2010, which may put stress on many mortgages and reduce demand. This may cause a dip in prices as it would be naive to assume prices can continue to soar with rates on the climb.

Moving closer to the city to the Bayside LGA, the softening of the market is evident compared to the Casey LGA. In the past quarter we already began to see a decline in both two- and three-bedroom median house prices in this region as evident below. These results might be more prominent in the Bayside LGA as it would be less affected by current government incentives that continue to push development in newer areas such as Clyde, Cranbourne and Botanic Ridge. Eligible Victorian first home buyers planning to purchase or build a new home valued up to $750,000 can receive a $10,000 grant which is why prices have continued to rise in these areas of the Casey LGA. However, Bayside homes have much higher price points targeting a different demographic, which is why the flattening and even decline of prices for some of these dwelling types seems more prominent in this area.

However, even with the market softening, it has not deterred the potential seller of 97 South Road, Brighton, with expressions of interest currently being welcomed for the property. The house boasts five bedrooms, four bathrooms, tennis court and a pool spanning 1,456 square metres in a blue-chip beachside location. Potential buyers should be prepared to splash out on the property, with an indicative selling

Median Price

Annual Median

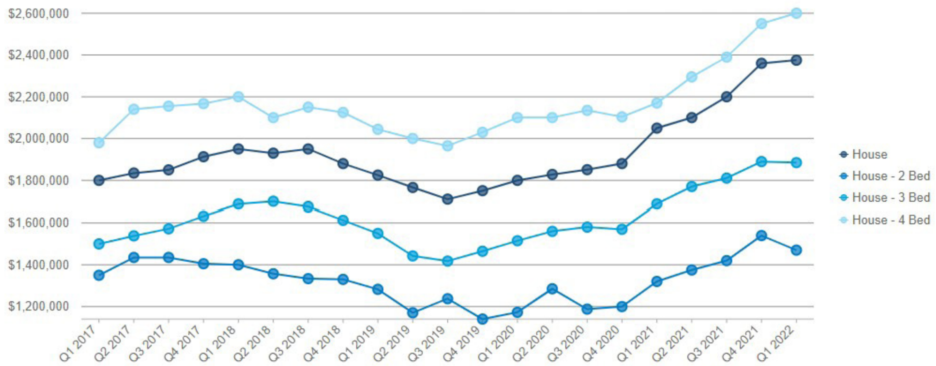


Median Price - Q1 2022	Median Price - 12 months ending Q1 2022			
House	House	House - 2 Bed	House - 3 Bed	House - 4 Bed
$761,000	$735,000	$524,000	$655,000	$809,825

Median Sale Prices for the Casey LGA. Source: propertydata.com.au

Median Price

Annual Median



Median Price - Q1 2022	Median Price - 12 months ending Q1 2022			
House	House	House - 2 Bed	House - 3 Bed	House - 4 Bed
$2,300,000	$2,375,000	$1,470,000	$1,884,500	$2,600,000

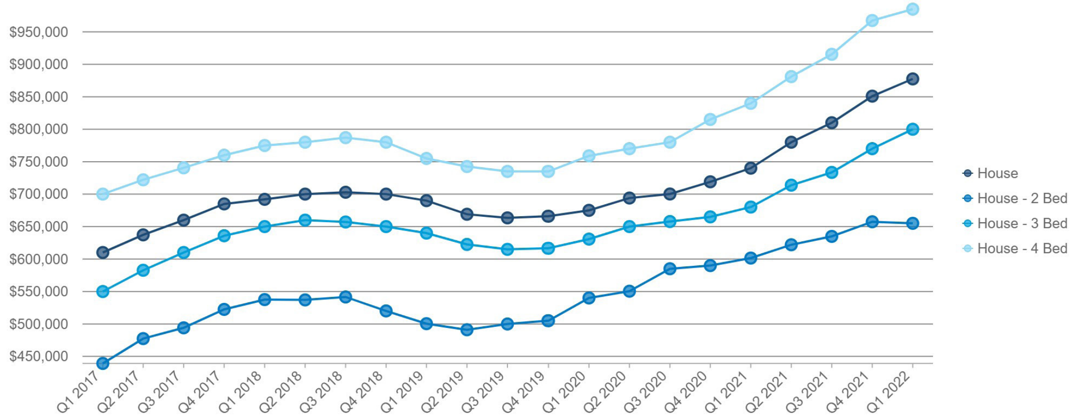
Median Sale Prices for the Bayside LGA Source: propertydata.com.au price currently listed between $5.9 million and $6.3 million!

97 South Road, Brighton Source: realestate.com.au

97 South Road, Brighton Source: realestate.com.au

Inner and Outer East

The general commentary that the property market may have reached its peak has all but been confirmed in some parts of Melbourne's eastern suburbs. In the first quarter of 2022, a softening in the market has begun flattening median sale prices in areas such as the Whitehorse LGA. An increase in interest rates confirmed by the RBA has been one of the many factors contributing to this. Global issues such as the threat of further COVID-19 outbreaks, political unrest in Europe, supply chain shortages and rising inflation are some of the many other factors that have led to the uncertainty we are beginning to see in the market.



The median sale price in the Yarra Ranges LGA continued to rise over the last quarter. Source: propertydata.com.au

Whilst demand for inner east freehold properties remains healthy in the Boroondara LGA, a slight decrease in unit prices has been witnessed. The attraction of living close to the CBD is not as prominent as it once was, with many now drawn to the option of freehold properties further out. Flexible working arrangements have been encouraging this preference, as this allows families to reside in areas that were once impractical. The results experienced in the Yarra Ranges LGA support this, as solid growth has been experienced in the most recent quarter despite softening in other areas of Melbourne.

The median sale price in the Yarra Ranges LGA continued to rise over the last quarter.

A common project observed in Melbourne's east over the first half of 2022 has been dual occupancy development. For those with the financial means, these offer further opportunity to increase wealth. Larger parcels of land in areas such as Doncaster and Box Hill have been subjected to two-in-one line developments with the ability to be subdivided. However, with construction costs still on the rise coupled with increasing interest rates, maybe there will be a reduction in the amount of these projects in the latter half of 2022.

Inner and Outer North

The continuously inflating property prices in northern Melbourne suburbs has resulted in the first homebuyer market shifting further away from the proximity to the CBD. The aftereffects of COVID have enabled working from home arrangements,

The continuously inflating property prices in northern Melbourne suburbs has resulted in the first homebuyer market shifting further away from the proximity to the CBD.

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giving the freedom for property owners to move further from the city to greener areas.

First home and second home buyers have targeted areas seen as good value for money in the past. One such area was Diamond Creek with a median price of $845,000 in February 2021. That has changed in the past year, with the median house price at $1.02 million as at January 2022 which highlights a 21 per cent growth.

Suburbs such as Beveridge have been a prime target for first home buyers, upgraders and investors due to affordability of house and land packages as well as being accessible to the city. The suburb itself has 16,000 new 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.

Inner northern suburbs such as Carlton and North Melbourne have started to recover over the past couple of months with lower vacancy rates after COVID-19 resulted in a vast majority of international students going back to their homelands. This has had a ripple effect on high rise apartments in the Melbourne CBD and inner northern suburbs within close proximity to universities where students had taken residence.

Western Suburbs

The cost of borrowing is increasing, causing many buyers to keep a cautious eye on the inevitable shift in the housing market. Historically, changes to the cash rate can take multiple months to have an effect on the current market. Although expected to slow down, the west remains one of Melbourne's top growth areas for both new and existing homes. The western suburbs is a top area for people from all different stages of life; whether it be first home buyers, established families or investors, these suburbs have something to offer everyone.

The median house price in Newtown in inner Geelong sits at $1.13 million after an 18.9 per cent rise over the past year.

House prices in inner-suburban hub Kingsville grew 13.2 per cent to $1.155 million, while Albanvale and Sunshine were also among the best suburbs of the west where buyers could still get into the market for less than $1 million.

Many buyers have become aware of the potential Werribee South has to offer as an affordable area to obtain a waterfront lifestyle. Normally waterfront property buyers look in areas such as Altona, Williamstown or Port Melbourne where it is easily a million-dollar premium, but Werribee South offers a similar lifestyle with more affordable prices. The Werribee South median house price is $647,500 and the median unit and apartment price is $456,500.

Geelong

With a total population of around 270,000 and growing, the coastal city of Geelong is the second largest city centre in Victoria and 13th largest in Australia. This famous bayside region has been on the radar of many first home buyers over the past few years, especially following the COVID-19 pandemic. Over the past six months, we have slowly seen the market soften.

The median house price in Newtown in inner Geelong sits at $1.13 million after an 18.9 per cent rise over the past year. Geelong CBD is at $950,000 and East Geelong has a median of $927,500. CoreLogic's Hedonic Home Values Index is showing further signs that the rate of growth is easing in Geelong. We have seen the activity of the past two years start to dissipate.

The Surf Coast Shire has a significantly higher median house price, while Wyndham and Moorabool Shires are slightly lower than Greater Geelong City. The Surf Coast Shire has a median house price of $1,002,525, showing growth in 2022, however this could slow as we move to the back end of 2022 as interest rates slowly rise.

Affordable suburbs within the Bellarine Peninsula have seen slow growth in 2022 compared to last year. With local agents hinting at limited stock in the region, the suburbs of St Leonards, Curlewis and Clifton Springs offer a more affordable price point for purchasers wanting to live on the Peninsular.

In the Geelong region, properties are taking slightly longer to sell as new listings volumes rise. From January to March, we saw the median number of days on the market recorded at 30, up from a recent low of 21 days in the three months to December 2021.

The threat of increased interest rates and the view of a peaked market have seen more advertised stock on the market compared to the past year or so. In the Geelong region, new listings trend 4.8 per cent higher than the equivalent period of 2021, indicating that sellers are wanting to sell and that buyers are potentially dwindling. This is evidence of a potential declining market and we could see a softening over the next 12 months

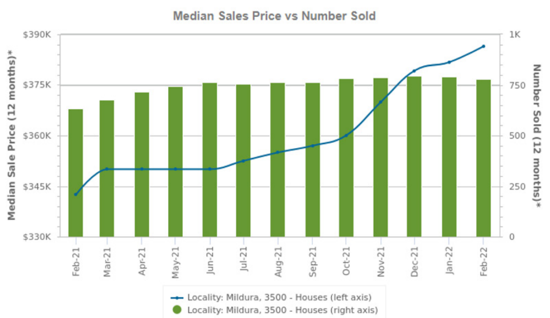
Perron King
Director

Mildura

The Sunraysia property market has held up throughout the first half of the year, however while high prices are still being achieved, local agents are reporting that buyer numbers have decreased from last year. It is evident that homebuyers are now showing less urgency in their pursuit of a home. The reduced buyer activity has not yet resulted in any reduction in price, however is starting to increase the average days on market and is a sign that the market has cooled somewhat.

The local economy remains relatively buoyant, with a number of construction projects underway and population growth still evident.

Accurate data is hard to come by for the past three months, however data prepared by Corelogic indicates that the median house price in Mildura was relatively stable between mid 2021 and February 2022. We expect that the median price will not have shifted since February.



Source: Corelogic

The very upper end of the local property market has shown no signs of letting up, with a record price ($3.65 million) being paid for a residential property earlier this year at 14 Riverview Rise, Gol Gol. A high standard home with extensive landscaping fronting the Murray River, the property sold in a relatively short period of 95 days with the agent reporting several genuine interested parties. The scarcity factor generally means that these properties receive good interest when they are marketed.


14 Riverview Rise, Gol Gol. Source: realestate.com.au

Jake Garraway
Valuer

Warnambool

Six months in and Warrnambool remains active, with solid results achieved in the market across all price points. While most pundits are noting early signs of interest rate induced hesitation from buyers and a distinct fall in the number of offers received per property, the final sales results remain firm.

Central period style property still commands the greatest interest in town with strong


42 Howard Street, Warrnambool, Source: RP Data

results achieved regardless of the state of the improvements, as shown below.

With all the desirable features, prominent location and large allotment, the winning purchasers of 42 Howard Street had a little over 1.3 millon reasons to look past the scale of works to undertaken, the final sale price being $1.33 million in March.


28 Howard Street, Warrnambool Source: RP Data)

The other side of the coin is provided by the sale of 28 Howard Street, Warrnambool. The beautifully presented property featured fully renovated improvements set on a nearly 1400 square metre corner allotment. It's level of fitout was reflected in the price which was $2.9 million.

Jordan Mowbray
Valuer

Queensland - Residential 2022

Brisbane

Ask most folk in the property game which Australian capital city delivers the best opportunity at the moment and a large portion would say Brisbane.

We've enjoyed a stellar run of price increases throughout the past two years. Pandemic fuelled interstate migration continues and with borders opening up, we're set to benefit further. Throw in infrastructure spending and a little event called the Olympic Games 2032, and our long-term prospects look pretty tasty.

Of course, we face the same challenges as the rest of the nation. Rising interest rates have put a dampener on things. Also, increased cost of living and ever steeper prices for materials and labour in the construction space all add to the misery. Many of the selling and buying agents we talk to say there are still purchasers keen to buy in Brisbane, but there's less desperation in the market.

That's the overview. Let's dig down a little to see how performance is tracking across locations, price points and property types.

Many of the selling and buying agents we talk to say there are still purchasers keen to buy in Brisbane, but there's less desperation in the market.

Central and mid ring suburbs

The Brisbane house market continues to see strong demand although anecdotal discussion suggests listings are up a little while inspection numbers are down. The consensus is there are less offers being made on each property, but certainly enough to achieve a good sale price if the vendor is open to meeting the market.

The unit space is doing well too. Activity remains good with price growth across a range of price points.

Inner suburbs more generally have slowed very slightly since the start of the year in terms of activity. Our valuers are rating this market as firm rather than strong. Agents continue to receive multiple offers on properties but are maybe fielding two serious enquiries as opposed to the six they were receiving a few months back.

Families looking for a decent four-bed, two-bath, two-car home on 500 to 600 square metres of land must be prepared to have a budget of around $1.7 million in the inner west, for example.

Renovate-able homes are in good demand but properties that require minimal upgrade work are the ones fetching a premium. This reflects the rising cost of construction and demand for contractors.

Vacant land is also limited in supply, and demand is running hot for parcels when they become available. Often, it's a case of securing a post-war dwelling and generating some rental income or living in it while planning for future works to get underway.

We also see limited options for anyone hoping to pick up a unit in the inner suburbs for below $500,000.

Let's dig down a little and look to the north. Units and townhouses are performing very well in locations such as Grange, Gordon Park, Lutwyche and Windsor. There's strong demand for this product with open homes seeing 30 to 40 visitors at a time. It's obviously a function of price. Because detached housing prices have moved beyond the reach of many, townhouses offer an affordable alternative.

Price points in these suburbs reflect $550,000 to $650,000 for a two-bed unit or townhouse, increasing to $750,000 to $900,000 for three-bed attached product.

Looking a little further north and Carseldine and Aspley are achieving $500,000 to $600,000 for three-bed townhouses, and $600,000 to $650,000 for four-bed townhouses.

Entry level detached housing in Chermside West, Aspley and Carseldine on 405 square metres is fetching $750,000 to $850,000. In comparison, a home on 607 square metres will be priced between $850,000 and $950,000

Traditional housing in Grange, Gordon Park, Lutwyche and Windsor have seen extraordinary growth since 2020 with prices reaching historic highs. Expect to pay $1 million to $1.2 million for homes on 405 square metre blocks, while dwellings on larger sites around 600 square metres are fetching $1.3 million to $1.5 million.

Wavell Heights and Kedron are extremely strong too when it comes to detached homes with school zones being part of the appeal, such as those in the Padua precinct.

A great example is 46 Tarm Street, Wavell Heights which sold for $1.025 million in September 2020. This property recently resold without any improvements having been made and achieved $1.72 million.

46 Tarm Street, Wavell Heights Source: realestate.com.au

Heading south of the river and there are some highly desirable inner and mid-ring locations here.

Camp Hill and Coorparoo are full of great homes and there's been some very telling sales. Of note, large homes or those with potential on good size sites are finding appeal among buyers.

Demand for new and near-new dwellings is strong too given the cost of building and difficulty securing trades. A new house on 607 square metres that would have been in the mid $2 millions in 2020 would now fetch in the low to mid $3 millions today.

14 Verry Street, Coorparoo is one. The property originally sold for $2 million in 2018. It recently resold for $3.25 million with a DA for an extension in place.

14 Verry St, Coorparoo Source: realestate.com.au

43 Newman Avenue, Camp Hill sold in September 2020 for $3.3 million but recently resold for $4.25 million. This is a large home on an 810 square metre site – perfect for a cashed-up family buyer.

43 Newman Avenue, Camp Hill Source: realestate.com.au

Other locations of note include Seven Hills in the south-west. There's evidence of strong demand for big blocks with project-style houses. For example, 80 Porteus Drive, Seven Hills was a basic Metricon house purchased in September 2019 for $1.275 million. After a capital outlay of between $80,000 and $100,000, it resold for $1.9 million in March 2022.

Looking at attached housing, Woolloongabba units appear to be strengthening in price due in part to confidence around the 2032 Olympics. The price of an average unit in Gabba Central (which has 297 units) was mid to high $400,000s in 2021. A similar unit is now fetching low to mid $500,000s. We've also noticed that second-tier, investment-grade units – which have been ignored by many buyers until now – are being purchased by first homeowners who're keen to live close to the city.

Attached housing at Morningside is of interest too. Townhouses have seen strong demand due to people being priced out of the housing market in this area. Townhouse prices have increased between 10 and 20 percent in the past year depending on the level of finish of each of the townhouses and locality.

Northern Corridor

Traditionally affordable suburbs in the outer north of the city have seen plenty of activity.

Small lots (sub-350 square metres) throughout Strathpine and Lawnton saw project builders such as Villaworld deliver price-accessible housing. That said, capital gains are pushing them beyond the reach of low-budget buyers. If you bought one of these properties in 2020/21, you'd have paid somewhere in the low $400,000s. Today, expect that same home to be $610,000 to $700,000 depending on location and finish.

There's also good demand for townhouses in Brendale and Strathpine. These properties are priced in the high $300,000s to mid $400,000s. The same in Warner and Albany Creek will set you back from the high $500,000s to low $600,000s. Some of the higher-end product will even fetch $700,000-plus. This property type is seeing plenty of owner-occupier demand as buyers find themselves priced out of detached houses.

Downsizers also find townhouses appealing.

Onto detached housing in areas such as Albany Creek, Eatons Hill and Warner, and demand remains strong. There are very few sales in these suburbs below $800,000. If you're looking for something cheaper, then you may need to step a bit further out to somewhere such as Bray Park. Houses there are still available in the $600,000 to $700,000 bracket. It's good, solid property too – 600 square metre blocks with decent size low set brick and tile homes. Mind you, prices are creeping up so don't expect them to stay at this level for too long.

1 Karenia Street, Bray Park sold for $650,000 Source: realestate.com.au

There could be more supply due to come online in this general area. An Ausbuild estate in Warner is currently selling land by tender and a large Villaworld project is about to get underway. There are also a few projects in Lawnton about to come online. The good news for house-and-land buyers is that most contract prices are stacking up to valuation here.

The more prestige end of this northern reach is Bridgeman Downs. There's a mix of acreage and high-end homes on traditional allotments throughout this area. The suburb's higher price point has seen transaction numbers slow a little of late. Prices remain strong, but the desperation from

Interestingly the unit market is doing well after being in hiatus for some years.

buyers has eased and the pace is a little less frantic.

If you're hankering for vacant land in Bridgeman Downs, it's not plentiful. Prices have risen strongly though. A block that sold for $550,000 in early 2021 will now fetch in the high $700,000s. Not bad growth in such a short space of time.

Stepping to the farther fringe suburbs in the Moreton Bay Region and a lack of stock is driving price increases for vacant land. Buyers are a mix of locals and interstate purchasers looking to relocate to Queensland or invest here. It's hard to make some of these house-and-land contract prices stack up at present based on comparisons to established house sales. The increased cost of construction is behind the disparity really.

The kick off price for a home in Caboolture is now $550,00 for a 15-year-old, four-bed, two-bath dwelling on 600 square metres. That's about $150,000 more than 18 months ago. Anything at this price point sells very quickly too because first home buyers are eager up to $600,000.

If you've got a little more to spend then you're probably in the market for a rural residential property. Caboolture sites up to 3000 square metres with new homes are now fetching more than $1 million, and demand is strong.

Most duplex sales appear to be off-market transactions or are being sold very quickly after listing. With yields of 5.0 to 5.5 per cent, these returns are attracting cash flow investors.

Interestingly the unit market is doing well after being in hiatus for some years. Two-bedroom units that were $225,000 last year are now $275,000.

While that doesn't sound like much of an increase, it could be the start of an affordability-led drive in this sector.

Looking at rents in Caboolture and demand remains high while available rental properties are limited. Expect to pay $475 to $500 per week for a basic four-bedroom, two-bathroom home in the area.

In Caboolture South, another market that's seen strong demand of late, a standard house on a traditional size block is priced from $350,000 up to $670,000. Caboolture South has done very well of late with good demand for all types of property. Agents are still reporting strong levels of enquiry and are receiving multiple offers on most listings. A small portion of agents are reporting less people through open homes, but that hasn't affected prices as yet.

The townhouse market here has also seen an increase in value. There have been a larger portion of owner-occupiers entering the townhouse market due to affordability.

In addition, the lack of vacant land here means premium prices are being achieved for those blocks that do become available.

Just one suburb south is Morayfield which has seen its market strengthen as well. A standard home will set you back between $500,000 and $600,000, with some better properties now breaking the $700,000 barrier.

Acreage is also an option in Morayfield. You could kick off with a vacant acreage site for $500,000 to $650,000 or buy an entry level home on a large block for $800,000-plus.

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Attached housing in Morayfield includes townhouses which range in price from $350,000 to $400,000 and offer an excellent buy in for those on a budget.

Heading slightly south again and you're in Burpengary where a standard home on a traditional block will be priced from $550,000 but can achieve up to $850,000. In fact, a small percentage of homes are now breaking this upper price barrier.

If acreage is your thing, then $850,000-plus will secure a home on a good size allotment.

Townhouses, again, deliver an affordable alternative to housing with prices ranging from $370,000 to $450,000.

Just next door is Burpengary East where you'll discover standard housing priced from $600,000, all the way up to $1 million. This seems like a huge variance, however house size, level of specifications and the extent of ancillary improvements all play their parts in the end price.

Acreage in Burpengary East kicks off at $850,000 for a site with a house, while a vacant acreage block will fetch approximately $600,000 to $650,000.

19 Lakewood Drive, Burpengary East sold recently for $850,000 and delivers a 3000 square metre allotment improved with a lowset brick home providing four-bedroom, one-bathroom accommodation. The property includes a large workshed among its ancillary improvements.

Other northern region suburbs of interest include the area encompassing North Lakes, Mango Hill, Griffin and Rothwell. Values are continuing to rise steadily with the median sale price being approximately 15 to 20 per cent higher than 12 months prior. Detached housing has shown the most growth.

19 Lakewood Drive, Burpengary East   Source: realestate.com.au

Vacant land here remains scarce. With demand exceeding supply, any sites that hit the market are fetching premium prices, particularly in sought-after developments such as North Lakes.

Townhouses are available in these suburbs too. Those in Griffin are performing particularly well with approximately 10 to 15 per cent growth in value over the past 12 months. Mango Hill off-the-plan townhouses contracted late 2021 are well supported by recent resales of older townhouses in the area too. This was not something that might have been the case a few years back.

In addition, Rothwell is seeing good growth for the older, good quality dwellings and duplex units.

Other northern suburbs of note are Deception Bay, Narangba, Dakabin, Kallangur and Petrie. Although the market remains strong, there are reports of longer sale periods for listings. Listing numbers also appear to be on the rise week-on-week from what we've observed. A huge difference from six weeks ago when listings were extremely rare.

Kallangur, Dakabin and Deception Bay townhouses are also selling well to owner-occupiers seeking a home at a lower price point. The flow on from this is that supply within the rental pool is dropping, meaning tighter vacancies and potential rent hikes.

Vacant land in Narangba and Dakabin is reselling at a premium, due to limited new releases available in the area's estates and a slowdown in land development because of recent rains.

Bayside

City centric folk in our neck of the woods sometimes forget about the exceptional lifestyle delivered by our bayside suburbs. The community to the east is well serviced and established, with water access a magnet for new residents.

We're seeing lots of activity across most price points here. While gains are being made, there's little doubt the rate of value growth has slowed since the start of the year. This is particularly obvious in the $1 million-plus sector.

Mind you, attached housing is doing well. Like many other areas, affordability is a huge driver, so townhouses and units are delivering options to those on a tighter budget.

Activity remains strong across most price points in southern bayside suburbs according to our valuers.

The lower end of the market is still extremely active with property priced between $400,000 and $600,000 garnering plenty of interest and decent value gains. Investors are picking up in their activity

One property type well worth watching is townhouses. There are signs that these properties are starting to enjoy decent value gains as people are priced out of detached houses.

too – more so than owner-occupiers – which is a noticeable change from last year.

One property type well worth watching is townhouses. There are signs that these properties are starting to enjoy decent value gains as people are priced out of detached houses.

Southern Corridor
Brisbane's southern corridor has enjoyed substantial price gains over the past two years.

What we've observed lately has been strong interest in duplexes. Gross yields for these properties are now firming with returns in the low five per cent region. It's a sign that investors are getting busy in our markets, with reports that interstate investors are among the most active.

Other areas around Brisbane may be showing signs of a slowdown, but that is not the case in our southern corridor according to our valuers. Agents report multiple offers on every campaign with properties selling after the first open home, or in off-market situations.

Land remains a hot commodity among buyers with agreements to purchase in place for allotments that won't be available until at least 2023 and, in some cases, 2024.

When it comes to construction and house-and-land packages, the cost of contracts continues to climb. Many building contracts signed last year are now subject to substantial variation increases. While we were adopting around $1600 per square metre last year for builds, they're now more like $1700 per square metre – a six per cent rise in a fairly short space of time.

Western Corridor and Ipswich
Ipswich has often been viewed as the affordable alternative to Brisbane. Its status has grown over the past ten years with a burgeoning arts, music and restaurant scene helping improve its cachet with buyers.

The western corridor also offers plenty of options for land buyers – a sector that's been hard to service in Brisbane.

New suburbs such as Ripley and Ripley South continue to see value growth, although the rate of gains has slowed. A four-bedroom, two-bathroom house in Ripley will start at $590,000. In South Ripley, the same configuration will kick off at $630,000.

Looking towards more established suburbs in Ipswich and there's still good demand for real estate, although activity has slowed somewhat since the start of the year. Affordability remains key, but buyers appear less anxious about missing out.

One property type that's experienced good growth is townhouses. Over the past six-to-12 months, townhouses have experienced price gains of up to 50 per cent. Interestingly that hasn't slowed activity with demand continuing to be strong. A five-year-old, three-bedroom, two-bathroom townhouse in Ipswich will start at $300,000 to $320,000 which is a very reasonable buy in for many owners and investors.

Rural residential north-west
Rural residential property has seen plenty of interest in the past two years driven by demand for bigger blocks and more space during the pandemic.

Price points in some of the most recognisable areas such as Samford Valley, Mount Samson, and Dayboro are hitting highs compared to historic performance.

Entry level housing in these areas has also increased substantially in value. The market has been driven by buyers keen to shift from inner city and suburbia living to a rural residential lifestyle. There is still limited stock available at present, although some agents have reported a general slowdown in recent weeks with less numbers at inspections and slightly longer selling periods.

Overall, rural residential – in particular good quality properties with nice dwellings and ancillaries suitable for horse owners – have generally out-performed entry level and mid-priced properties in this part of the world.

Prestige property
Brisbane's prestige property sector has enjoyed some stellar sale results since 2020 with incredible outcomes achieved across several suburbs.

Prestige dwellings are still performing strongly however we do have limited stock available in Brisbane. The market is tightly held, and this invariably leads to rising prices at the upper level.

We've seen 15 sales recorded so far this year in excess of $5 million (11 of which are currently under contract). It's likely we'll see continued upward pressure on sale prices too. Buyers appear eager to secure quality property, and with limited listings to choose from, the process can be extremely competitive.


84 Markwell Street, Hamilton sold April 2022 for $5.4m Source: realestate.com.au

RESIDENTIAL

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Prestige apartments are also achieving some standout sales due to limited stock in some of our city's best locations. To date, the strongest demand for apartments appears to be from owner-occupiers, particularly at the upgrader end of the market. In recent months a number of apartment sales in Brisbane have been setting new benchmarks for measures of both total price and rates per square metre. This has been in both the established and off the plan markets. Demand is coming from a range of buyer types including local owner-occupiers, interstate buyers (both investors and people looking to relocate to Queensland) and expatriates returning to Australia.

In summary, while Brisbane's residential market remains strong, there has been a material lift in value levels since mid-2020 which has resulted in declining affordability levels. There are now signs that rising interest rates are further impacting affordability. This may be the catalyst for the market beginning to slow. Historically, markets can turn quickly with a significant decline in buyer activity being quick to reduce sale rates. If you're considering selling, it will be key to stay well informed about how your market is tracking over the coming 12 to 18 months.

David Notley
Director

Gold Coast

It has still been a fairly hot seller's market on the Gold Coast over the past six months, but it may be finally showing signs of losing its steam. The interest rate rise by the Reserve Bank and increased speculation of further rate hikes for later this year, a federal election, along with more volatility in the global economic environment appears to have calmed the property market in the past month or two.

At the beginning of the year, we reported that most economic experts were forecasting the Reserve Bank would lift the cash rate in early 2023 or possibly late 2022 (at the earliest) and now the revised expectations are that interest rates will increase by one or two percentage points at the end of the year. This issue will likely be a concern for buyers who will be worried about where borrowing costs are headed.

The Gold Coast property market has had an extraordinary ride over the past 18 months, but it looks as though the tide might be changing. Whilst we predicted that demand for residential property would gently ease in 2022, now the market overall appears to be cooling quicker than expected. So, have we already reached the peak in residential property values in 2022?

Let's look across the various parts of the Gold Coast and see how they have performed so far this year.

Tweed Shire/Northern NSW

Up until the recent floods in February this year, demand for all types of residential property had been substantial across the board. However, more recently, we have started to see a slightly different picture with property in Tweed Heads and Kingscliff remaining very much sought after, but in Murwillumbah and beyond there is mixed sentiment.

The Gold Coast property market has had an extraordinary ride over the past 18 months, but it looks as though the tide might be changing.

The demand for housing in secondary locations seems to be cooling a lot quicker than expected. Agents are reporting that a softening in enquiry is most evident for residential and rural residential property in spots just off the coast, particularly in areas where roads have been extensively damaged by the recent flood events.

While it is too soon yet to analyse the impact of the recent flood event and its effect on property prices, we are aware of one property at 37 Bawden Street, Tumbulgum which was reportedly under contract just prior to the floods for $935,000, however, the contract fell over after the flood and subsequently the vendor ended up accepting an offer of $842,000.

The major flooding in the Tweed Shire has no doubt been a significant event this year with Chinderah, Tumbulgum, South Murwillumbah and Murwillumbah all being affected. In fact, the February 2022 flood was one of the biggest in the Tweed's recorded history. Agent feedback suggests that residential properties in these locations are certainly not selling quickly like they were six months ago.

Homeowners who have experienced flood damage now face many challenges such as finding a tradesperson to complete repair work and higher home insurance premiums. Despite many property owners having a long road ahead in repairing their properties to a sellable condition, it has been reported that some listed properties which suffered only minor flood damage are still attracting reasonable buyer interest.

121 Tweed Valley Way, South Murwillumbah was reportedly under contract prior to the floods for $620,000. We understand that flood water went through the lower-level storage areas of the house and as a result the contract fell over, however

we have been advised that the property is under contract again for $630,000.

121 Tweed Valley Way, South Murwillumbah Source: Realestate.com.au

12 Stafford Street, South Murwillumbah Source: Realestate.com.au

12 Stafford Street, South Murwillumbah was reportedly under contract prior to the floods for $630,000. The selling agent advised that a few inches of flood water went through the main living area and subsequently the contract fell over, however it is now under contract for $620,000.

As mentioned earlier, residential property in Kingscliff, located just south of Tweed Heads, remains in high demand. Only a small part of the suburb was only mildly impacted by the recent floods and over the past six months, sales activity has been consistently strong for both houses and units at all price points. Lately there have been a number of sales of freestanding homes well in excess of $2 million on Kingscliff Hill and in the Salt estate. Banora Point has also been tracking along well where in many cases, comparable sales are approximately $100,000 more than what they were transacting for at the end of last year. 106 Winders Lane, Banora Point is currently under contract for $960,000, whereas a very comparable property at 13 Narara Crescent, Banora Point sold in November 2021 for $870,000.

106 Winders Lane, Banora Point Source: RPData CoreLogic

13 Narara Crescent, Banora Point Source: RPData CoreLogic

Head down the coast to Pottsville and agents are advising that whilst buyer demand has been strong in this pocket in 2022, they have more recently seen an easing in buyer interest for houses priced above the $1.5 million mark.

Having experienced a historic flood event that caused such widespread damage and disruption to the region, we are expecting the Tweed Shire market to cool further over the remainder of this year. In recent weeks a lot more flood affected properties have been placed on the market, so it will definitely be a space to watch.

Southern Gold Coast

The beachside suburbs on the southern Gold Coast have enjoyed remarkable price growth in the past one to two years. Stock levels for residential property have remained very low over the past six months and strong demand from both owner-occupiers and investors has kept property prices firm. Burleigh Heads, Palm Beach and Currumbin continue to be the hottest suburbs on the Gold Coast. However, only in the past two months there have been signs that the buyer frenzy is weakening with properties now taking a bit longer to sell in comparison to the conditions experienced at the beginning of 2022.

There is a sense that buyers are lately being more cautious. Whilst prospective buyers are still facing a shortage of stock to choose from, agents are reporting less panic buying which suggests that we may be returning back to a bit of normality in the market. Notwithstanding these observations, there have still been some very strong prices achieved in the past couple of months and this has been mainly evident in the lower to mid-level price brackets.

2906/1328 Gold Coast Highway, Palm Beach recently sold for $668,000. This is a one-bedroom, one-bathroom strata unit in a circa 2020 built, modern style medium rise building known as Magnoli Apartments developed by the Sunland Group. The unit has a floor area of 73 square metres (including the balcony area) with good local, district and distant hinterland views available and has one basement car space. The unit originally sold through the developer in July 2020 for $469,000. That's a 42 per cent increase in value.

1328 Gold Coast Highway, Palm Beach Source: Realestate.com.au

48/302 Christine Avenue, Varsity Lakes Source: RPData CoreLogic

48/302 Christine Avenue, Varsity Lakes is reportedly under contract for $705,000. The property comprises a circa 2003 built, two level, three-bedroom, two-bathroom townhouse unit with one car garage and mainly original fitout. Previous comparable sales within the same complex ranged between $610,000 and $640,000 in late 2021 and early 2022.

4/91 Bienvenue Drive, Currumbin Waters is reportedly under contract for $760,000, which comprises a circa 1995 built, two level, brick and fibrous cement clad, three-bedroom, two-bathroom townhouse unit with one car garage and features a renovated kitchen and ensuite. We note that a comparable townhouse at 8/91 Bienvenue Drive sold in late 2021 for $650,000 in mainly original condition.

Although buyer interest from both local and interstate remains high, current buyer enquiry numbers are down in comparison with early 2022 levels and this is most noticeable with listed units priced above $1 million and detached housing above $1.5 million according to local agents. We have now perhaps reached the market peak and it would be no surprise if property prices were to flatten or even decline over the upcoming months.

Gold Coast Central

There has been considerable market activity within the central Gold Coast areas over the past six months, although it is noticeable that current price growth is slowing. A continued shortage of properties for sale has meant that local buyers must be still ready to compete with out-of-town investors who remain very active. The market for unit or townhouse product from Surfers Paradise and out towards Mudgeeraba appears to have performed very well in the first quarter of this year. Properties priced below $750,000 have been attracting strong levels of demand and entry level apartment stock (priced below $400,000) is being snapped up very quickly, particularly in the Surfers Paradise and Broadbeach areas.

Some recent examples of solid sales results under the $700,000 threshold are outlined below:

- **16/20-26 Anne Avenue, Broadbeach** recently sold for $402,000 and is a single level, circa 1997 built, one-bedroom, one-bathroom strata unit situated in a walk-up complex. The apartment is in mainly originally condition and has a floor area of 53 square metres including balcony. It has no views but has one basement car space. Comparable style units within the complex in similar condition were selling for between $300,000 and $330,000 early last year.
- **1402/9 Hamilton Avenue, Surfers Paradise** is under contract for $615,000 and is a single level, circa 2005 built, one-bedroom plus study, one-bathroom modern high-rise strata unit, situated on lift level 14 within the well-known Q1 tower. The unit has a floor area of 97 square metres (living area of 83 square metres and outdoor area of 14 square metres) and has a north-easterly aspect with views towards the Surfers CBD area along with beach and ocean views. The unit previously sold in similar condition in February 2020 for $420,000. A comparable style unit situated directly 10 levels above and featuring far superior views sold in late 2021 for $585,000.
- **7/17 Douma Drive, Mudgeeraba**, is under contract for $566,000 and is a circa 1997 built, three-bedroom, two-bathroom townhouse unit with one car garage that has been partly updated internally and presents well. The unit previously sold in January 2021 for $400,000 in slightly inferior condition. A comparable style townhouse within the complex sold in September last year for $449,500.

In the past month, the overall feedback from agents is that there are signs of easing buyer enquiry and attendance numbers at open home inspections has dropped in comparison to the beginning of the year. The drop in enquiry has been most evident in the $1.5 million to $2.5 million price range across most suburbs for both freestanding dwellings and prestige style units.


Overlooking the western fringe of Ashmore with Surfers Paradise skyline to the east Source: Realestate.com.au

Not all suburbs are showing signs of cooling down. The demand is still red hot for freestanding homes priced between $700,000 and $1.5 million in suburbs such as Ashmore and Mudgeeraba. Entry level priced detached housing which typically ranges between $700,000 and $850,000 in these suburbs is currently scarce and with rental values soaring, we expect the demand for these more affordable homes to remain for the rest of 2022.

In Broadbeach Waters we have noticed healthy sales volume for properties over $2 million. In fact sales activity has almost doubled when comparing the first half period of 2021 with the first six months of this year.

We note that 2/25 Merrimac Boulevard, Broadbeach Waters (AKA 1A Winterhaven Key) recently sold for $2.4 million which appears to be a record price paid for a non-waterfront duplex unit in the suburb. The property was a former Art Union prize home, built in 2019, and provides four-bedroom, three-bathroom accommodation with two-car attached carport and features a rooftop terrace and plunge pool. The property has city skyline and canal views available. We understand that it previously sold in September 2019 for $1.4 million.


2/25 Merrimac Boulevard, Broadbeach Waters Source: Realestate.com.au

At the prestige end of the market, we have seen impressive prices being achieved with a steady volume of sales in the past six months. Locals, interstate buyers and also ex-pats returning to Australia are all still active in this space. For property priced above $5 million, the majority of sales have transacted in Surfers Paradise and on the beachfront at Mermaid Beach. Only a small number of sales above $5 million have been luxury apartments. Overall, pricing for this market segment remains firm, albeit there are signs of a cooling in demand and market activity. There has been talk amongst some property experts that perhaps one interest rate rise might not make a significant dent in buyer confidence at the top end of the market but the concern may be considerably heightened if there were to be multiple rate rises in the second half of 2022.

Gold Coast Central North

We continue to see strong sales activity for detached housing within the central north suburbs of Labrador and Southport, and further up towards Hollywell and Paradise Point. The price growth for residential property in these locations over the past twelve months has been unprecedented. Asking prices for entry level detached dwellings now typically start in the low to mid $700,000 range and availability remains low.

Chirn Park has been gentrified over the past few years with a vibrant café restaurant scene and therefore we have seen a greater amount of local buyer interest in and around this spot. Subsequently, there have been more property sales creeping above the $1 million threshold. Situated in very close proximity to the Chirn Park precinct, 52 Brooke Avenue, Southport, sold earlier this year for $1.7 million. This property comprises a fully renovated, circa 1960 built, two storey, five-bedroom, three-bathroom weatherboard dwelling with three car garage and is a record price for this part of Southport with other fully renovated houses typically selling recently in the $1.1 million to $1.5 million range.

52 Brooke Avenue, Southport Source: Domain.com.au

While agents have noted that there have been some early signs of demand weakening in the past few weeks, mainly for detached housing in the higher price brackets, the affordable product found in Southport is still sought after and selling fairly quickly. We are still hearing that budget conscious purchasers are being priced out of the detached housing market and shifting focus to the duplex and townhouse villa market. Houses that were previously circa $500,000 two years ago are now up to circa $800,000 and as such, there has been a corresponding jump in demand and price for duplexes and townhouses where you still get a small yard; these have jumped from say $350,000 to $450,000 and are now starting in the low $500,000s.

The affordable end of the market which consists of walk-up strata units and high-rise strata units has leaped markedly in value and with higher rental values being achieved in comparison to last year, this is attracting investors. These properties are also seeing higher interest from potential owner-occupiers too as they are priced out of other market sectors. Even though there appears to be a few more cautious buyers in the market, selling periods are generally still under three weeks for property that is priced appropriately.

Western Gold Coast

The local market on the western Gold Coast and throughout the hinterland has continued to show booming results in the first half of 2022. Suburban markets close to the M1 Pacific Motorway such as Highland Park, Nerang, Pacific Pines, Maudsland and Oxenford have all performed well with sales prices and market activity mainly driven by owner-occupiers.

A residential house at 33 Hoop Pine Circuit, Maudsland which recently sold for $1.1 million is an example of a strong sale price achieved in this patch of the Gold Coast. The property consists of a 2018 built, four-bedroom, two-bathroom dwelling on a 510 square metre allotment. Similar four-bedroom properties in the immediate area have been generally selling in the range of $750,000 to $850,000, so this goes to show the high demand for detached housing and extraordinary prices that some buyers have been willing to pay to get their foot into the market.

33 Hoop Pine Circuit, Maudsland Source: RPData CoreLogic

In more recent months, demand levels for townhouses and duplexes throughout these suburban areas has caught up with detached housing demand due to their more affordable price point and the fact that detached housing stock under $600,000 is basically non-existent. If we look at secondhand unit product within the Studio Village precinct of Oxenford, basic two-bedroom units approximately 12 to 18 months ago were selling between $200,000 and $300,000. Fast forward to today in 2022 and with the high demand for property at this entry level price point, units of this type are now selling for upwards of $400,000.

It is a similar story with the majority of three-bedroom, two-bathroom townhouses and duplexes in Pacific Pines, with these unit types still experiencing good levels of demand and price growth, now fetching prices between $550,000 and $600,000.

The rural residential market including prestige acreage throughout the Gold Coast hinterland has also been another stand out segment in the first half of this year. Very strong sale prices for acreage properties have been recorded throughout suburbs such as Tamborine Mountain, Guanaba, Wongawallan and Mount Nathan, many of those in excess of $2 million. According to agents who specialize in these areas, the activity in this segment can be attributed to cashed-up buyers who have migrated from interstate and local buyers seeking a lifestyle change.

Gold Coast Northern Corridor

Looking further north towards the areas of Coomera, Upper Coomera, Pimpama, Ormeau and Eagleby, and demand for housing has either stagnated or cooled in the past two months after a good start to the year. In Pimpama there has even been some reasonable evidence to suggest a slight fall in house prices already by as much as say $30,000 compared with sale prices back in February. However, in the neighbouring suburb of Upper Coomera, agents are reporting better levels of demand and this is keeping prices relatively firm in comparison.

The latest sale prices of duplex units and townhouses in these areas are falling around the low $500,000s. Agents are saying that property is still moving fairly quickly, but selling periods are now typically three to four weeks as opposed to circa two weeks six months ago. A telling sign of a cooling market is that buyers' initial offers are now generally below the asking prices. Up until recently, buyers were making offers far more than the asking price or looking to make off market offers to entice owners to sell.

The preferred property choice in the norther corridor is the detached house providing four bedrooms that generally fall in the low to mid $600,000 price bracket. Recent sales volumes indicate that there is no shortage of buyer activity in this segment. At this time, it is too early to call whether prices will fall below $600,000 for detached dwellings given that this is the entry point for detached housing and there is a shortage of stock, however if the market slows down further in the next few months, it is more likely we will initially see a big price correction with the higher priced properties that fall within the $900,000 to $1.2 million range.

With there being some anticipation of rising interest rates in the second half of this year, there may be an influx of panic sellers should property prices weaken. In turn this may present opportunities for renters who have been waiting patiently to secure ownership of a property and wanting to leave the rental market.

Here's my final note on the Gold Coast market. It has only been noticeable in the second quarter of this year that the rate of price growth, buyer demand and overall market activity has slowed somewhat across most market segments. It remains to be seen whether the cooling in the market will gain further momentum. Further interest rate changes and the uncertainty of where borrowing costs will be in the near future will no doubt impact buyer confidence.

Sam Gray
Associate Director

Sunshine Coast

Looking back at the first half of 2022, the market has remained pretty strong. Good volumes of sales with strong prices have reinforced the Sunshine Coast's position of being a place a lot of people want to be, but there is little doubt that there are some winds of change occurring.

As we've gotten further into the year, a number of factors have come into play with a lot of people trying to pick the top of the market. The two main headwinds are the increasing pressure on interest rates and uncertainty surrounding the federal election. Around election time, it's not really surprising that there is a slow down as that happens each time but it will be interesting to see the effect on the market of the interest rate issue given that we haven't had an increase in 12 years.

Discussions with various agents through various market sectors on the Sunshine Coast have indicated that enquiry levels have certainly dropped away from where they were. Instead of having six registered bidders at an auction, it's down to three and from standing room only at an open home to having only a few turn up. These are some of the comments that have been made.

Anecdotally in our office we have started to see some contracts falling over and then being re-contracted at a lower figure. An example of this is a rural residential property that was contracted for $1.38 million and then subsequently re-contracted for $1.3 million. The difference in $80,000 is a bit like the FOMO premium that had applied to the market, so it's not surprising to see this urgency start to dissipate in the market. One thing we all must remember is that whilst the loss of $80,000 is a lot of money, the fact that that property has increased by around $500,000 in two years shows that you are still a fair way ahead. We have also started to see the first signs of agents having to reduce asking prices in some instances to generate interest, something we have not seen a lot of over the past 12 months.

In the larger land estates, they are still selling out stages however instead of over a day, it's maybe over a week. We have had reports that there have been a few lots where purchasers have not been able to settle and have re-listed the lot for sale. The proportions of these however is very low.

When looking at the unit market, this has also been performing pretty well. The smaller older, walk-up style units close to beaches are still offering that first home buyer option with demand and values being strong and the empty nesters are still looking for the large permanent occupancy style units, so this market still seems to be chugging along well.

When we turn towards the prestige market, this also continues to power along. At the southern end of the Sunshine Coast, we have seen a record sale for a non-beachfront property at 2 Banksia Street, Shelly Beach for $4.5 million.

2 Banksia Street, Shelly Beach Source: realestate.com.au

On the central part of the Sunshine Coast, we have seen a record price paid for a riverfront site at 38 Culbara Street, Mooloolaba for $6.75 million.

38 Culbara Street, Mooloolaba Source: realestate.com.au

Then when we look the northern Sunshine Coast and the headline area of Noosa, this market has seen some exceptional activity with three north facing riverfront sales of older homes ranging between $15 million and $16.75 million. On the beachfront there has been an $18.75 million sale and a new record for a single site at 24 Arakoon Crescent, Sunshine Beach for $28.5 million. These sales have all transacted since February or March this year.

24 Arakoon Crescent, Sunshine Beach Source: realestate.com.au

So generally speaking, the markets have been strong but some of them are showing some signs of a slowdown and less activity. As we move further along, we believe that the market will become more and more segmented with some pockets performing really well and others lagging. It remains to be seen whether owners will be able to weather the apparent interest rate increases or any change in economic conditions.

Stewart Greensill
Director

Gladstone

The Gladstone market continued to strengthen over the first half of 2022. Demand remains strong for all property types and values have continued to increase in this time period. As an example, a dwelling located at 2 Leonie Court in New Auckland sold in January for $721,500.

2 Leonie Court, New Auckland Source: realestate.com.au

It is a large, five-bedroom, two-bathroom, well presented home with a pool and a shed. It previously sold in June 2021 for $645,000 and prior to that in 2017 (bottom of the market) for $510,000. The 2022 sale price reflects a 12 per cent increase from the 2021 sale and a 41 per cent increase since the bottom of the market sale (see attached photo from RP Data).

Reputable agents continue to advise of very strong buyer enquiry. I recently completed a valuation on a property that sold for $950,000. The selling agent advised that they listed the property on the Thursday, had 12 local couples inspect at the open home on Saturday and ended up with seven written offers that day. The property ended up selling for just over $100,000 above the list price. Now if that doesn't show that demand is there, I don't know what does!

The vacancy rate remains tight in Gladstone at 1.3 per cent in April however is not as critical as our northern (Rockhampton 0.5 per cent) and southern

The vacancy rate remains tight in Gladstone at 1.3 per cent in April however is not as critical as our northern (Rockhampton 0.5 per cent) and southern (Bundaberg 0.4 per cent) neighbours.

(Bundaberg 0.4 per cent) neighbours. Agents report multiple applications are still being received for new listings and rents continue to rise.

Buyer profiles comprise a good mix of owner-occupiers (made up of first home buyers, upgraders and downsizers) and investors. New building (for owner-occupiers) has slowed considerably, mainly due to the time constraints in having a house built. New building for investors has increased. We have seen the re-emergence of project marketers targeting investors for new small homes in various small lot estates in the region. Most of the new builds in these estates are over inflated and simply do not stack up despite the increase in values.

The prestige market in the region has seen significantly increased activity in the past six to twelve months with more sales over the $1 million dollar mark than have been seen in a number of years. The demand is there, however there is a general lack of supply in this sector which will likely result in further price increases.

June Button
Property Valuer

Bundaberg

The first half of 2022 has seen continued low supply and high demand for residential properties. The coastal markets of Bargara and Woodgate in particular are achieving record prices, well above historical averages. High demand and low supply is pushing up housing affordability in the region. Whilst the median price for the Bundaberg region is well below that of Brisbane, we are seeing premium prices being paid for some property types.

In speaking with local agents though, we are starting to hear that some of the heat may be coming off the market. Price levels are being maintained, however enquiry rates are down slightly compared to last year.

The recent interest rate rise has had no noticeable impact as yet, however it is early days. Economists are predicting future increases to interest rates which may then start to flow through to housing prices.

In regard to rentals, Bundaberg has continued to have tight vacancy rates with the REIQ reporting 0.4 per cent vacancy in April 2022. Overall, the balance of 2022 looks like it will continue the same trajectory as the first half of the year.

Catherine Kersnovske
Property Valuer

Mackay

We definitely came out of the blocks well in 2022, continuing on from good gains recorded throughout 2021. All market sectors have fared well, with local agents reporting strong demand. Agents report that the difficulty was keeping up with demand. Many list prices now are offers over rather than single prices, with multiple offers received usually well above this price. One agent advised earlier in the year that if your property was on the market for four weeks, it was old stock!

The rental market continues to be extremely tight, with vacancies below one per cent, limited stock and rising rents. Strangely, this has not brought investors back into the Mackay housing market; rather, investors are extremely active with multi-unit properties. We have seen a large increase in sales of blocks of flats across Mackay. Yields have not really tightened, however the large increases in rent have seen values increase over the past 12 to 18 months.

One of the most active areas is the prestige market. We saw back-to-back sales smash the highest residential sale in December last year. This year, agents report strong local demand above $1 million in all market classes, from large modern dwellings, rural residential and lifestyle properties to large executive beachfront homes.

Mick Denlay
Director

Rockhampton

Approaching the halfway mark the year is an ideal time to take a moment to reflect on the performance of the residential market to date in 2022. Starting strong off the back of an exceptional 2021, 2022 has not disappointed from the perspective of capital growth. Activity across all market sectors remains strong with demand continuing from both local and non-local buyers.

In the Rockhampton region, it would be fair to say the middle sector of the market ($400,000 plus) up to prestige is outperforming the entry level sector. This can be attributed to the combination of relative lack of supply, low interest rates, population growth and buyers' reluctance to purchase property that requires renovation.

Another notable performer in the market is new homes, particularly on the Capricorn Coast. With

This year, agents report strong local demand above $1 million in all market classes, from large modern dwellings, rural residential and lifestyle properties to large executive beachfront homes.

the well documented issues facing the construction industry, many potential purchasers are preferencing recently constructed (or even homes up to about ten years old) over waiting for builder availability and risking substantial price increases throughout the construction period.

Duplexes and sets of larger flats have also been showing record numbers of sales in the region. Whilst gross yields remain fairly consistent between seven and eight per cent broadly, strong capital growth is being recorded and rents continue to increase as vacancy rates remain at critically low levels across the region. For instance, the Rockhampton vacancy rate remains at 0.5 per cent and has been consistently below one per cent since mid 2020.

2022 has also seen a new price record set in Rockhampton with a notable sale of a property on The Range in south Rockhampton selling this year for $2.25 million, exceeding the previous sale record of $1.795 million set in 2019. The recent sale comprises a substantial Queenslander style dwelling which has been renovated and restored with a living area of 616 square metres on a well positioned 3035 square metre allotment with dual street access.

Further, the recent increase in the cash rate is yet to have an effect on our local market with many agents reporting continued high levels of enquiry since the RBA's announcement in early May. Given the low base from which these rate rises are starting, regional areas are not expecting a significant impact on the residential market in the short to medium term as a direct result of interest rates.

Cara Pincombe
Property Valuer

Fraser Coast

The first half of 2022 has followed a similar trend to the last half of 2021 with strong demand across all asset classes and limited supply. The volume of sales appears to have slowed over the past month however this is potentially due to a lack of stock rather than falling demand. Prices being achieved appear to be at the upper end and agents report that multiple offers are still being presented on most properties.

Vacant land in Hervey Bay is in very strong demand and most re-sales are showing a 15 to 30 per cent price rise on 2021 prices. Base level house and land packages experienced a significant jump in price from $379,000 to $499,000. Re-sales for packages purchased 12 to 18 months ago at the $379,000 price have seen some achieve over $650,000, however between $570,000 and $630,000 appears to be more supportable. These re-sale prices reinforce the fact that demand is extremely strong for built homes.

Mid-range stock in Hervey Bay now sits in the $600,000 to $750,000 price range and agents are reporting very short selling periods and multiple offers for most listings. Historically the park residential locations of Wondunna and Urangan saw a price ceiling of sub $850,000. These locations are now consistently achieving above that and even over $1 million for extensively developed properties. Dundowran Beach and Craignish continue to be in high demand given the proximity to the beach and larger lots. These two locations have recorded seven sales over $1 million since 1 January with the highest settled at $1.85 million, and ten sales between 1 July 2021 and 1 January with the highest at $2.2 million.

Esplanade property is also in high demand with some recent activity indicating that base level, low density zoned quarter acre land is sitting at around $750,000 to $850,000. Older homes are being demolished and replaced with executive homes.

Both Esplanade and non-Esplanade units have also experienced a jump in prices. Most demand appears to be for single level, villa style units with either two or three bedrooms, however supply is limited with most new stock already sold. Esplanade units appear to be gaining momentum however some are only just getting back to prices achieved in the 2006/2007 boom.

Property in Maryborough priced between $250,000 and $350,000 is the most sought after in 2022. This is the lower end of the market for houses with property in this price bracket comprising mostly older timber homes in need of refurbishment works. Buyers in this bracket generally comprise first home buyers and investors. Modern brick dwellings along with renovated Queenslanders are still sought after by owner-occupiers looking to upgrade and also retirees looking to downsize. These properties are generally priced between $450,000 and $600,000. Rural residential property continues to be in very high demand with agents reporting very short selling periods and multiple offers for listings. These properties range in price generally from $650,000 upwards. 2022 has seen a new

Esplanade property is also in high demand with some recent activity indicating that base level, low density zoned quarter acre land is sitting at around $750,000 to $850,000.

price record set for rural residential property with a notable sale of a property in Yengarie for $1.355 million to a local purchaser. The recent sale comprises a substantial modern brick dwelling on an elevated 1.61-hectare block.

Vacant land across Maryborough and surrounding areas continues to be in short supply. Strong demand is shown for vacant blocks listed for sale, especially rural residential sites. There have been several re-sales of vacant blocks which are showing a 20 to 50 per cent increase in price since 2021. The outer small coastal townships of Maaroom, Boonooroo and Poona are showing a significant price rise in vacant blocks since 2021. This is due to limited supply and continual strong demand in these areas with some sales showing a 60 per cent rise in price.

Construction rates continue to rise across the Fraser Coast due to increasing material and labour costs. Currently, sale prices are supporting the price hike and construction timeframes continue to be in excess of nine months.

The Fraser Coast has continued to have tight vacancy rates with the REIQ reporting Maryborough having a 0.2 per cent vacancy in the March 2022 quarter and Hervey Bay 0.8 per cent, with this trend looking set to continue due to the number of owner-occupiers purchasing property at present.

Local economic news continues to improve in Maryborough. The long awaited $60 million munitions factory officially opened in May and the Queensland Government has also committed $7.1 billion to significantly increase the capacity of Queensland's train fleet through the Queensland Train Manufacturing Program (QTMP). The project will see a staged pipeline of train building work undertaken in Maryborough over the next ten years. 65 trains will be built at a train manufacturing facility north of Maryborough. The project will create 800 new full-time jobs in the Wide Bay Burnett region. This has given a boost of confidence to the market.

Doug Chandler
Director

Emerald

The Emerald and coalfields market have been quite active and strong through the first half of 2022. Near record high prices for metallurgical coal plus a strong resource sector in the Bowen Basin have seen good employment opportunities and flow on to local service industries. This has led to a tight rental market with rents currently on the rise and low vacancy rates. Housing has continued along this trend, with good demand and increasing value levels over the first half of the year. This has also been present in the smaller mining towns, which are all experiencing solid growth across all sectors.

Whitsunday

The Whitsundays has been off and racing for the first half of 2022. We have seen increased values with lots of southerners moving to the Whitsundays all cashed up from their sales down south. The downside to this is that the market has been so strong that investors have been cashing in, so the rental market is really tight. Investors still out there are getting some great returns.

The construction market is struggling a little with timeframes blowing out past dates and the costs of building materials increasing, making profit margins tight.

So hang on to your hats with the announcement of the interest rate rises (it still has a long way to go to get to the interest rate I paid on my first home loan of 17%). I don't believe the interest rate rise will have a big impact on the Whitsundays as we are located in an affordable lifestyle destination.

It is hoped that now that international travel is back, the tourism industry will go from strength to strength. This will also help with the employment need on the Island however we are limited with affordable housing.

I think it will be full steam ahead for the remainder of 2022!

Queensland, where your heart is! Source: www. queensland.com

Noelene Spurway
Valuer

Cairns

Core Logic has reported the median house price for Cairns LGA sits at $490,000 for the year ending 28 February 2022. This compares to $435,000 for the year ended February 2021. This is a 13 per cent increase for the period. The increase has been fairly consistent with the median price of houses in Edmonton of $350,000 in 2021 and $400,000 in 2022 (14.3 per cent), Palm Cove at $745,000 in 2021 and $900,000 in 2022 (20 per cent) and Brinsmead at $507,500 in 2021 and $572,570 in 2022 (12.9 per cent). Prices appear to have continued to increase since February.

We are hearing reports from agents in recent months of a slight increase in stock on the market and also an increase in enquiries from prospective vendors seeking appraisals for listing purposes. Core Logic statistics indicate an increase in houses on the market of 13 per cent from February 2021 to February 2022. We consider the increase in stock on the market along with the recent increase in official interest rates to suggest we may have started our approach to the peak of the market. That being said, median days on the market were 16 in February 2022, down from 37 in February 2021 which indicates strong demand and a shortage of stock.

The unit market in Cairns is trailing the market for houses with the median price increasing by 11 per cent to $246,000 in 2022. Median days on the market have dropped significantly from 54 in February 2021 to 23 in February 2022. Strong gross yields of around eight per cent are attracting increasing numbers of investors back to the market. There is also an expectation that insurance will drop in July due to the start of the $10 billion reinsurance pool.

112/1-2 Maytown Close, Manoora   Source: realestate.com.au

One of the standouts of the Far North Queensland market is the established rural residential and rural lifestyle property market. There has been a significant price increase for this type of property across Cairns, Cassowary Coast, Tablelands, Mareeba and Douglas LGAs. It seems the main reason for the increase is the preference for space and lifestyle due to the COVID-19 pandemic combined with lack of builder availability and increasing construction costs which makes new-builds and renovations challenging.

Craig Myers
Director

Townsville

The Townsville market continues to show market gains across all residential sectors. The strongest performers are the prestige market, the inner city, fringe city and the rural residential market.

All suburbs have shown market movement with the best outcomes being houses that have been renovated recently. Older homes that require work are less attractive due to long lead times for trades and increased costs of materials. House flippers remain in the market, however the entry level to a renovator's delight has increased in line with the market. Fortunately for this market segment, end product prices have kept pace or even increased recently.

The unit market continues to lag behind the housing market, however some good growth has been seen in the inner city unit market with more subdued gains in the fringe and suburban markets.

Townsville has experienced high volumes in the $1 million plus bracket (all market sectors) with 35 recorded sales since 1 January 2022. Of particular note, we had a never-before-seen sale in Burdell at $1.2 million for a 2015 built home set on an inside allotment opposite parkland, eclipsing the next highest sale in the suburb occurring in October 2021 of $860,000.

Vacant land sales have slowed this year as builders batten down, not looking to take on work and trying to get through the work already at hand. Increased costs and long wait times appear to have driven more market participants into the established housing market.

Property investors have certainly made a return to the Townsville market this year. Duplex and flat sales abound with (generally) interstate buyers sourcing good local rental returns. Buyer's agents are also prevalent in this market sourcing assets for their clients to purchase. Some of these sales are well above the local market.

The overall market shows no signs of abatement. It appears as though the market will continue to be driven by upgraders, investors, high net worth individuals and graziers seeking a sea change (particularly in the prestige market).

Darren Robins
Director

Toowoomba/Darling Downs

Market activity in the Darling Downs region remained steady during the first half of 2022 with agents continuing to report a lack of available listing supply in both the affordable housing market (sub $500,000) and in the market segment below

Townsville has experienced high volumes in the $1 million plus bracket (all market sectors) with 35 recorded sales since 1 January 2022.

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$1 million. A challenge for the housing market in Toowoomba and across the Darling Downs region is that buyer demand is still outstripping supply.

In Quarter 1 of 2022, Toowoomba (4350) recorded a median house price of $489,000 and median unit price of $311,000. This represents annual (Quarter 1, 2021 to Quarter 1, 2022) median price growth of 17.2 per cent for houses and 6.5 per cent for units. Between Quarter 1, 2021 and Quarter 1, 2022 total sales in both markets reduced by 41.3 per cent for houses (716 to 420 sales) due to this limited supply of availble stock and by 32 per cent for units (source: Pricefinder.) Whilst we have watched housing prices continually climb over the 24 months and become out of reach for some buyers, there are still affordable options for buyers out there. Reflecting on Toowoomba's unit market, this has remained less affected by the supply and demand issue that drove up both new and established detached housing prices over the past 24 months, with only a small increase in price rises evident, given years of oversupply. Local agents have observed that a stock of units is still available at various price points and localities.

Also in January 2022, SQM Research recorded that Toowoomba had a vacancy rate of 0.4 per cent, on par with Toowoomba LGA. Vacancy rates in Toowoomba have trended below two per cent for the past two years and remain well below the national benchmark of 1.2 per cent (February 2022). This demonstrates that there is a healthy rental demand, indicating that Toowoomba remains a good place to invest.

Sales of vacant allotments within new housing estates in Toowoomba have slowed due to limited land stocks available for purchase (landowners unwilling to sell land) and development industry challenges including rising costs, availability of construction materials, contractor capacity and labour shortages. An article released by Toowoomba Regional Council on 29 April 2022 states that a report is currently being drafted which contains "extensive residential development assistance measures to release more housing to the market". This report will be considered at the Planning and Development Committee meeting on June 14. The initiatives tabled in the Report "will assist in the provision of [more] rental accommodation across the region, as well as making it easier for developers to provide new housing lots for owner-occupiers".

The entry price point in Toowoomba is in the sub-$350,000 bracket with the bulk of these properties in suburbs such as Drayton, Harlaxton, North Toowoomba, Rockville and Wilsonton Heights. The homes are generally three-bedroom houses with considerable yard space, which for first-time homebuyers is an ideal starting point; 14 per cent of residential sales in the Toowoomba region were within this market segment.

Hagan Street, North Toowoomba, Sold $330,000 Source: RPData

The market in the sub $500,000 price bracket has been more active, reaching a record 35 per cent. $500,000 will buy a renovator's dream in the suburbs of East Toowoomba, North Toowoomba or Mount Lofty. A townhouse or unit can be secured in Middle Ridge and Rangeville and in Glenvale, Harriston or Cotswold Hills, this amount will buy a modern, new, four-bedroom brick dwelling on 400 to 600 square metre allotment.

20 Satinwood Court, Glenvale, Sold $450,000 Source: RPData

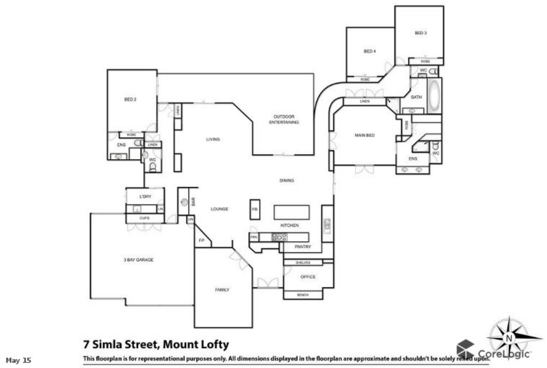
This is caveated with the comment that whilst there is the stock available in sub $350,000 and $500,000 market segment, these properties are going under contract within a very short time of being advertised with many buyers paying at or above the advertised list price in a multiple offer situation.

In the Toowoomba region, a very well-presented residence or property holding can be purchased for $750,000 or more; approximately 17 per cent of all residential sales in the Toowoomba region are in this bracket.

Argus Court, Middle Ridge, Sold $865,000 Source: RPData

Some of Queensland's most stunning historic and architecturally constructed residences can be found in Toowoomba. Despite its size, Toowoomba is essentially a country town and a prestigious market has established itself. The properties in this market are tightly held and in great demand. The Toowoomba prestige property market (over $1 million) also saw an increase in the volume of transactions in the previous 12 to 24 months which has generally resulted in increases in sale prices being achieved (in some instances, this has been between 10 and 20 per cent on previous sale prices).

Simla Street, Mount Lofty, Sold $2.6 million Source: RPData



Simla Street, Mount Lofty, Sold $2.6 million Source: RPData

Even though there is a level of national economic uncertainly given the Reserve Bank's decision to increase interest rates (which will continue throughout 2022), current inflation rates, cost of living pressures, and the federal election, the Darling Downs region's residential property markets remain generally affordable, which will continue to drive demand. We foresee that the general residential property market will continue to perform at a steady rate, in part due to the region's livability factor (affordability, low unemployment rates and quality educational institutions).

Marissa Griffin
Director

South Australia - Residential 2022

Adelaide

The South Australian property market has gone from strength to strength throughout the first half of 2022. March quarter data released by the state government indicates that the metropolitan median sale price has reached a historical high of $650,000 which is a 25 per cent increase year on year. The strong market activity isn't isolated to the metropolitan area, with regional South Australia also reaping the benefits. The non-metropolitan (major towns) median sale price has risen to $325,000 which is a 15.3 per cent increase year on year. Days on market have significantly reduced in regional South Australia with agents reporting buoyant levels of buyer enquiry.

In May the RBA made its first cash rate rise since November 2010. The rate increase has been the talk of the town however doesn't appear to have scuttled the market so far. Agents have reported that buyer enquiry has slowed marginally, however buyers remaining in the market are motivated to buy.

Price points have not been discriminatory with growth across the board from the affordable to the prestige markets. At the affordable end, eight of the nine suburbs which make up the larger satellite city of Elizabeth, north of the CBD, have recorded price growth of greater than 20 per cent year on year. The suburbs of Elizabeth Park and Elizabeth Grove were standout performers, each having ten-plus transactions in the March quarter and recording increases in their median sale prices of 41.21 per cent and 43 per cent respectively. Price points within the greater area of Elizabeth begin at $150,000 and rise to a ceiling of $475,000. An example of market movement in this location is seen in the recent sale of 41 Collingbourne Drive, Elizabeth Vale. This property was purchased in May 2019 for $261,500 before selling for $460,000 in April 2022 without any visible cosmetic upgrades.

2022

Quarter	Metropolitan Adelaide	Non-metro (major towns)
Mar 2022	$650,000	$325,000

2020 - 2021

Quarter	Metropolitan Adelaide	Non-metro (major towns)
Dec 2021	$600,500	$295,000
Sep 2021	$561,000	$279,000
Jun 2021	$540,000	$280,000
Mar 2021	$520,000	$281,875

Median price data Source: sa.gov

41 Collingbourne Dve, Elizabeth Vale Source: realestate.com.au

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The highest proportion of properties available at the median sale price of $650,000 fall within the middle ring. The middle ring is typically characterised by 1960s to 1980s dwellings on medium to large allotments as well as small pockets of character dwellings and newer infill development. North of the city, the neighbouring suburbs of Clearview and Enfield have been two of the best performers. These suburbs have median house prices of $647,000 and $657,000 respectively and have both recorded year on year growth in line with the greater metropolitan area. At the median price point south of the city, Sheidow Park has been a standout performer. Sheidow Park had a median sale price of $691,000 as at March 2022 showing year on year growth of 46.6 per cent. Recent sales in these areas include: 18 Clearview Crescent, Clearview a circa 1960s brick dwelling disposed as three bedrooms and one bathroom on an 864 square metre allotment for $645,000; 16 Bradford Court, Enfield, a circa 2013 courtyard home disposed as three bedrooms and two bathrooms for $611,700; and 4 Platform Avenue, Sheidow Park, a circa 2003 brick veneer dwelling disposed as three bedrooms and two bathrooms for $649,000.


18 Clearview Cr, Clearview Source: realestate.com.au


4 Platform Ave, Sheidow Park Source: realestate.com.au

We have seen a significant increase in activity in the $1 million to $2 million price bracket. This price point is typical of the inner ring and western beachside suburbs. The growth in this market has led to the number of Adelaide suburbs with a $1 million-plus median dwelling value increase from 54 in Quarter 1, 2021 to 110 in Quarter 1, 2022. Some of the biggest movers at this price point have been: Kensington Gardens with a median up 82.74 per cent to $1.8 million; Glenunga, up 87.7 per cent to $1,918,500; Glenelg, up 89.43 per cent to $2.51 million; and Malvern, up 69.89 per cent to $2,242,500.

At the top end of the market, the inner ring and beachside suburbs have had several transactions between $4 million and $6 million. Agents have continued to field interest from both local and interstate buyers with some international buyers beginning to dip their toes back into the market as global travel options become more available. Sales of significance in this price range include 46 Church Terrace, Walkerville and 4 Elizabeth Court, Burnside achieving $4.5 million each and 29 Esplanade, Somerton Park achieving $5.99 million.


4 Elizabeth Ct, Burnside Source: realestate.com.au


29 Esplanade, Somerton Park Source: realestate.com.au

The surprise packet of the first half of 2022 has been the middle north-west. This region is filled with character houses on tree-lined streets only a couple of kilometres from the North Adelaide Parklands. The market appears to have finally seen the prospects of this region with the suburbs of Woodville Park, Croydon, West Croydon and Cheltenahm all benefiting. Each of these suburbs achieved record sale prices in the first half of the year, far exceeding their suburban medians. Record sales include: 14 Harriet Street, Croydon for $1.62 million; 14 Blanford Street, West Croydon for $1.95 million; and 35 Stanley Street, Woodville Park for $2,010,800. Each of these sales comprises renovated and extended character dwellings on allotments ranging in size from 675 to 1300 square metres.

14 Blanford St, West Croydon Source: realestate.com.au

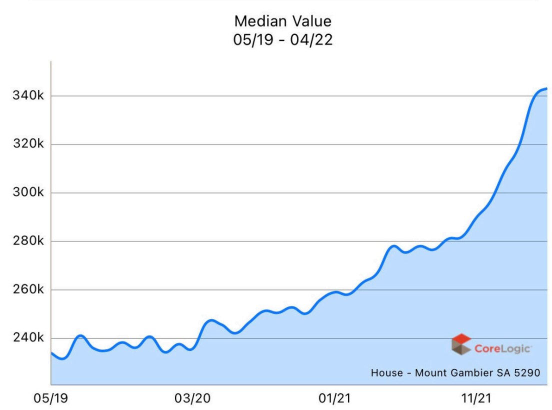
14 Harriet St, Croydon Source: realestate.com.au

In the first six months of 2022, market growth remained strong throughout both metropolitan Adelaide and greater regional South Australia. The waters have become somewhat muddied as the RBA cautions of future rate rises. The South Australian property market has historically followed the same trend as the larger east coast capital city markets which have begun to trend downwards. The South Australian market has shown stability in the past with downward trends being marginal and over extended periods of time, providing both purchasers and vendors a level of confidence entering the second half of 2022.

Nick Smerdon
Director

Mount Gambier

The Mount Gambier housing market is currently performing very well. The median value in Mount Gambier at the beginning of 2022 was approximately $300,000 and since then in just a short few months we have seen the median value increase to approximately $340,000. The chart below shows the strong increase in median value in Mount Gambier over the past few years, especially over the past six months.



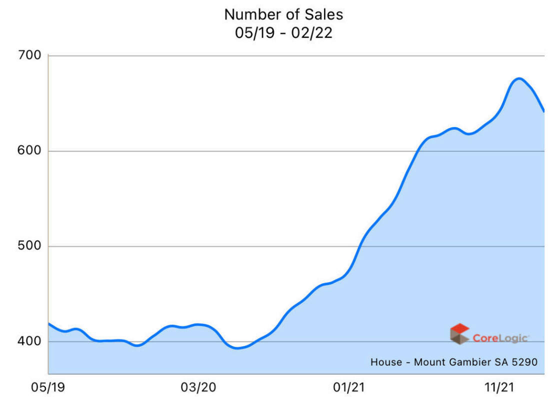
Source: CoreLogic

There has been a large increase in sales between the $300,000 and $400,000 price range in Mount Gambier. These properties range from three to four bedrooms and one to two bathrooms. The reason why this price bracket is popular is because it is still quite affordable for most demographics. This range appeals to a wide variety of buyers such as first home buyers, investors, downsizers and growing families. Investors have particularly been interested in this price range due to the strong yields it offers.

In previous years the price range of $400,000 to $600,000 was more of a limited market segment with far fewer transactions each year. In the past 12 months we have seen an increase in buyer demand in this price range.

One of the most surprising factors we continue to see in the current market is the increased interstate interest. Interstate buyers, whether for owner-occupier or investment purposes, are driving prices up. The rental market in Mount Gambier is very strong with investors purchasing a lot of properties due to the return they can receive. Local agents are reporting that they have investors looking to purchase multiple properties for a portfolio sight unseen.

Unit prices in Mount Gambier have also seen an increase in median value over the past 12 months of approximately 19 per cent from $195,000 to $232,000.



Source: CoreLogic

The overall sales per annum from 2021 to 2022 have also increased by approximately 140. The below chart shows the increase in house sales since 2019 with an increase of over 50 per cent.

Lauren Kain
Valuer

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Western Australia - Residential 2022

Perth

We are now at the midpoint of 2022 and the Western Australian property market has performed strongly throughout the start of the year, carrying on from an impressive 2021. Demand is still strong across the board and values generally continue to rise as we continue to experience supply issues. In this edition we break down the Western Australian market to see how different property types are faring and what trends are being experienced in different areas.

First up, let's look at the modern housing market across Perth's mortgage belt which is continuing to perform well. This demand is largely driven by families and first homebuyers, however there has been a recent surge in demand from interstate investors seeking the relative affordability on offer in comparison to the eastern states, albeit taking the risk of buying the property based on marketing photos which can have variable outcomes.

Suburbs such as Treeby and Hammond Park continue to perform well with growth of 3.4 per cent and four per cent respectively for the first quarter of 2022 (as per REIWA). Further south in Mandurah, suburbs such as Golden Bay performed strongly early in 2022 with 5.2 per cent growth for the first quarter. This suburb is a real hit with families, offering a relaxing environment with plenty of parks and amenities nearby, with many properties located within walking distance of the beach.

We have seen similar demand in the northern coastal suburbs of Perth, with suburbs such as Alkimos and Jindalee continuing to perform well. Jindalee has seen growth of 1.6 per cent for the first quarter bringing the median price for the suburb to $625,000, while Alkimos offers a more affordable option for families and first home buyers with a median price of $430,000 despite growth of 3.6 per cent for the first quarter. Alkimos is a real hit amongst younger families and couples due to its affordability and coastal location. The median age in the area of 28 demonstrates its younger demographic.

Another area in which we are seeing the modern housing market perform well in the Perth region is the north-eastern suburbs of Brabham, Aveley and Dayton. These suburbs all have a younger buyer profile and once again are a real hit with families with strong investor activity as well. It is clear to see that across the Perth region, modern stock has been in very hot demand, especially due to the extended wait times being experienced in the construction industry.

Now to the established housing market where the northern coastal suburbs have continued to do well in 2022, with valuers and agents reporting that whilst buyers are not as desperate as they were in late 2021, it's still a very buoyant market. Owner-occupiers are dominating these suburbs, demanding family homes in a more central location than the majority of the modern stock available on the market. The coastal suburb of Mullaloo has experienced a huge 8.4 per cent growth rate just in the previous quarter, carrying on from the 29.3 per cent annual growth rate (REIWA).

This is similar to the majority of the northern established corridor where family homes are also in strong demand in suburbs such as Tapping and Carramar, with many sales occurring at the first home open, such as this 2000 built Tapping four-bed, two-bath dwelling with a swimming pool that sold for $630,000 in just five days:

6 Oriole Way, Tapping — Source: RPData

6 Oriole Way, Tapping — Source: RPData

The south-east and south-western established suburbs are experiencing similar market trends

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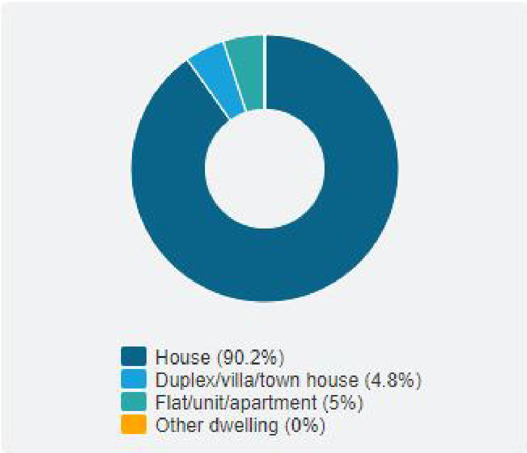
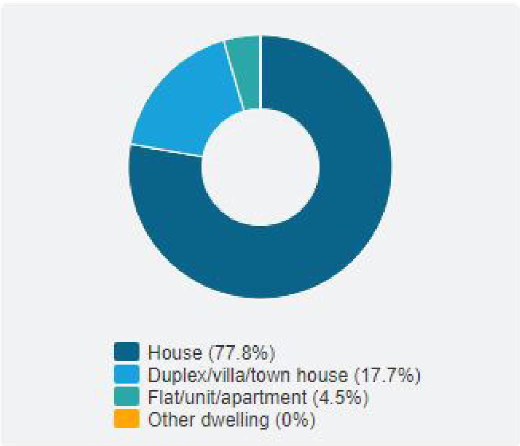
with steady demand across all areas. Willagee has proven to be a hot area for those who may be priced out of suburbs such as Melville but value the location. Willagee experienced strong growth of 8.9 per cent in the previous quarter (REIWA) and consists of a mix of buyers and

Willetton property types



Willagee property types



various housing products such as sizeable family homes and strata units. Willetton is another well-established suburb in the south showing strong increases, with a 6.2 per cent increase in values for the previous quarter and 17.1 per cent for the year. Similar to Willagee, Willetton is a conveniently located suburb and is seeing strong activity, particularly for family homes on well sized blocks seeking access to some of Perth's best performing public high schools.

The Perth apartment market has continued the resurgence we saw throughout 2021 into 2022, however at what appears to be a steadier rate. Across 2021, the median price of units in the Perth metro region rose from $380,000 to $415,000 largely on the back of investment activity and affordability levels of traditional housing. The below graph from the Urban Developer shows how price growth peaked in mid-2021 and cooled off towards the end of the year.

However, demand continues to be solid in this sector of the market and although price growth does appear to have stabilised somewhat, there are still high numbers of transactions occurring with available stock generally being snapped up quickly. Our valuers are noting that the majority of activity is in the modern apartment market, with older apartment complexes performing far slower. Higher end apartments are also tracking strongly with good demand in the prestige apartment sector. Demand is generally strong across the region whether it be stock located centrally in South Perth, the Perth CBD or coastal areas such as North Fremantle and Scarborough, and is being largely driven by downsizers as well as investors capitalising on strong yields. An example of the transactions we are seeing at the higher end of the market is 409/1 Cattalini Lane, North Fremantle which sold in February for $1.7 million. This two-bedroom, two-bathroom apartment located at Leighton

Perth unit prices % change

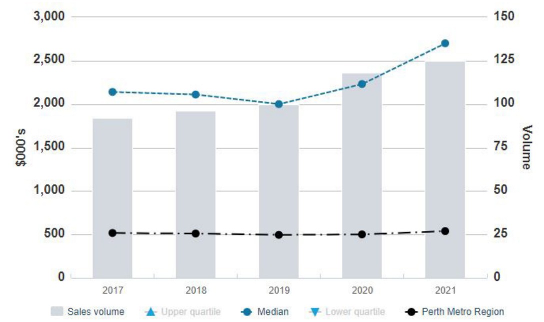
Source: The Urban Developer

Beach with ocean views spent only seven days on the market. It previously sold in 2018 for $1.355 million when it was purchased from the developer. This transaction shows the strong change of market conditions we have seen in this time in the apartment sector.

409/1 Cattalini Lane, North Freemantle Source: RPData

The wider prestige market has continued to strengthen in a big way throughout the first half of 2022. Suburbs such as Dalkeith, Cottesloe and Peppermint Grove are still experiencing strong demand with each suburb possessing a 17 per cent, 21 per cent, and 45 per cent increase over the past 12 months respectively, as per REIWA. These figures really prove that the notion of location, location, location really does ring true.

Taking a look at Cottesloe, since the pandemic kicked off in early 2020, we are able to see from the graph below that the market movement in the suburb has shown a strong positive trend. The median price was quite stable from 2017 to 2019, however has now risen from $2 million to $2.7 million on the back of a very strong two years. This growth has continued early into 2022 with a 4.5 per cent rise for the previous quarter.



Based on settled sales as at 09 May 2022
1 January 2021 - 31 December 2021

UPPER QUARTILE	MEDIAN	LOWER QUARTILE
$3,500,000	$2,700,000	$2,000,000

Cottesloe Median Prices Source: REIWA

A prime example of this growth is 256 Marmion Street, Cottesloe, a circa 1938, five-bedroom, two-bathroom home which was fully renovated in 2009. The subject property sold for $3.21 million in 2018 and sold in February this year for $4 million after being on the market for just two weeks.

256 Marmion St, Cottesloe Source: RPData

The prestige suburb of Peppermint Grove is experiencing similar trends having seen the fifth highest annual growth rate over the past year in Western Australia. The suburb recorded a massive 45 per cent increase in annual growth (as per REIWA). The median house price for the suburb in 2020 was recorded at $2,897,500; fast forward a year and that number has increased to $4.2 million for 2021 and there appear to be no signs of this slowing, with a massive 39.4 per cent growth recorded for the previous quarter.

Across the Perth metropolitan region, the land market showed a different trend in comparison to the established market throughout 2022. On the back of strong growth over the past 18 months, land values have been relatively subdued with a slight increase in value but not relative to established prices. This is a result of increasing construction costs and uncertainty in the building industry due to labour and supply issues making building a less attractive proposition. As such, sales volume has also been lacking with only 79 land sales in Perth in the past four weeks (REIWA).

In the south-west region of Western Australia, values are continuing to strengthen after a very strong 2021. Our valuers are noting that there is good growth in secondary locations which are playing catch up to the activity experienced in more premium areas in 2021. This is similar to what was seen in 2007 and 2008, when these secondary locations were the last to fire and the first to correct once the cycle was over. The market is currently being driven mainly by a large number of prospective buyers looking to get into a market with very limited stock, with multiple offers often placed on properties within days of the property being listed for sale.

Land values in the south-west are also on the rise after stabilising throughout 2021 and we are seeing a renewed interest in new builds. There are also good levels of new land entering the market and with a shortage of established stock available, there is strong demand for available land. Due to the significant increases the established market has seen over the past 18 months, the cost of a new house and land is now equating to be the cheaper option despite significant increases in construction costs. This has driven significant interest in this segment of the market in the early stages of 2022.

Further south in Albany, we are seeing very similar conditions to the south-west region with good demand across the board. Like the south-west region, secondary locations are now grabbing the attention of buyers after significant increases in the most sought-after localities, while land values are strengthening on the back of renewed interest in building.

Further east, the Esperance market is seeing high levels of enquiry for detached dwellings across all areas which has continued from 2021. Sales volumes have remained steady overall, with demand outweighing supply. Well-presented houses are still experiencing the highest demand from local buyers. The upper-end, prestige and ocean-front segments have continued to perform well since last year and have seen an increase in upper-end sales throughout 2022. The lifestyle market is also going strong with high demand with almost no supply. Surprisingly, there was a noticeable increase in land sales between January and March this year, which is very dissimilar to mid-late 2021 when sales volume was low because it proved difficult to start building and this is still the case now. The outer mining town of Ravensthorpe has reportedly experienced an increase in enquiry from investors and both Ravensthorpe and Hopetoun have sparked interest from out-of-area buyers from both Western Australian and interstate buyers looking for lifestyle properties or second homes.

In general, the smaller wheatbelt towns have seen a definite increase in market prices and demand in 2022, which has continued from mid-late 2021. The market is strong with lifestyle property in high demand and limited supply, but this is mostly restricted to localities considered within reach of Perth such as Toodyay, Northam, York and Beverley, with Toodyay and Northam achieving strong growth rates of 7.6 per cent and 5.5 per cent respectively (REIWA). A high percentage of demand for lifestyle properties (15 or more hectares) is coming from fly-in-fly-out workers who have time to maintain their properties. The Narrogin area is also seeing strong demand in the lifestyle market but has very limited supply.

Our valuers are noting that there is good growth in secondary locations which are playing catch up to the activity experienced in more premium areas in 2021.

The coastal city of Geraldton has continued to strengthen in 2022 with good activity in all sectors of the market. Rents are rising in the area and vacancy rates are low, which is driving the established market. For the previous quarter, Geraldton has seen an increase of eight per cent in the median house price and remains relatively cheap in comparison to other coastal cities along the west coast.

Taking a look at what's going on in Karratha, the land market has largely stabilised and is even retracting in certain areas of the town due to the rising costs of building, which is reaching unaffordable levels for many prospective home builders. In the established property sector, we are seeing the lower price bracket of Karratha outperforming the mid-range properties. This is largely a result of rising rents. Demand is being driven predominantly by owner-occupiers looking to escape the rental bubble, as well as some investor activity. The average rental return remains strongest at the lower end of the market.

The market in Port and South Hedland has stabilised with almost double the number of properties on the market than there was six to nine months ago. We are starting to see supply meeting demand in the area. Furthermore, any properties that aren't priced appropriately just sit on the market. The investor market has continued to strengthen with the majority of investor activity in the Pilbara now being eastern states buyers. This movement is seen to be relatively similar to the last Pilbara boom. Strong returns remain on offer, with gross returns of ten per cent not uncommon, but investors remain cautious.

What surprised us in 2022? The main consensus from our valuers is how the strengthening market has continued into 2022. Whilst there has been a slight pause in market confidence as is usually seen during an election period along with the first interest rate rise, demand remains strong and supply is limited throughout the state. The key for the second half of the year will be interstate migration – with the borders now open, will more people relocate to the west for employment or affordability drivers or will more people relocate back east and commute to Western Australia for work opportunities? Time will tell!

Chris Hinchliffe
Director

Northern Territory - Residential 2022

Darwin

Coming off a very strong 2021, the greater Darwin market has continued to perform well overall. We have seen a cooling in value growth in some sectors of the market, however sales volumes continue to grow with demand across all sectors strong. Looking back on the past six months and with a look into the next six months, the greater Darwin market outlook is optimistic.

The Darwin inner market has seen the most fluctuation over the past six months and year on year changes. The inner market, a mix of attached apartments, townhouses and dwellings, saw a reduction in sales volumes of 23.6 per cent for the first quarter of 2022 for units and townhouses, however an increase of 12.5 per cent for homes (source: REINT). The apartment market usually sees a higher percentage of investors, while the detached dwellings market is dominated by owner-occupiers, with sentiment in this sector remaining strong. Dwellings in this sector of the market are generally at the higher end, circa $700,000 and up. What remains to be seen looking forward is how interest rate rises and government policy regarding first home ownership will impact this market.

The northern suburbs of Darwin have also shown a downward trend in both dwellings and unit volumes. The March 2022 quarter recorded a 24 per cent reduction in sales volume but saw an overall increase in median values of 7.6 per cent (source: REINT). Typically homes in these areas are sought after by owner-occupiers and on traditional 800 square metre blocks in proximity to schools and shops, with values ranging from $500,000 to $1 million. The overall impact remains to be seen for the remainder of 2022, however this section of the market has traditionally performed well, being a well-established area of Darwin. Sales volumes here reducing can be attributed in part to the removal of the stamp duty concession for first home buyers in July 2021.

Palmerston, Darwin's satellite city, has also shown differences to 2021. This area features both new and established sections of the market, traditionally at a lower price point. The changes here are in contrast to Darwin with a small increase in sales volumes and a reduction in median prices for dwellings. This section of the market, due to its price point, was hit hardest with the removal of building incentives and first homeowner concessions in 2021, however the continued strong sales volumes can largely be attributed to the lower end price point in comparison with the northern suburbs and inner Darwin. The unit market here tells a different story with a 33 per cent reduction in unit sale volumes and slight reduction of 3.1 per cent in median prices for the March 2022 quarter (source: REINT).

For an area such as Darwin with vast stretches of land, a surprising factor has been the lack of available land. With the reduction in incentives, we anticipated a slowdown in 2022 in vacant land sales. This has not been the case. Some notable areas are showing record sales for vacant land as blocks become extremely scarce. REINT shows a reduction in volumes of land sales for the quarter of 42 per cent however this can directly be attributed of the sheer lack of supply, rather than loss of demand.

Looking back on the past six months and with a look into the next six months, the greater Darwin market outlook is optimistic.

What is certain is that the remainder of 2022 is unclear as to which direction the homeowner market will go. The current crisis in Ukraine, lingering COVID-19 concerns, monetary policy from a newly formed government and cost of living are all going to dictate how all property markets perform for the remainder of 2022. Darwin specifically has performed well over the past 18 months during some of these events and with homeowner sentiment remaining positive, we are in a great position to weather some of these issues brewing nationally and globally.

Jeremy Callan
Valuer

Alice Springs

As we approach the middle of 2022, the Alice Springs market is beginning to show signs of a slight easing in the strong activity levels we have seen in the past 12 months. After two consecutive quarters with over 100 house sales and three consecutive quarters of over 50-unit sales being recorded, results for the March 2022 quarter have shown a slowdown in activity. For the quarter, only 82 house sales were concluded and 39-unit sales recorded. Median house prices have continued

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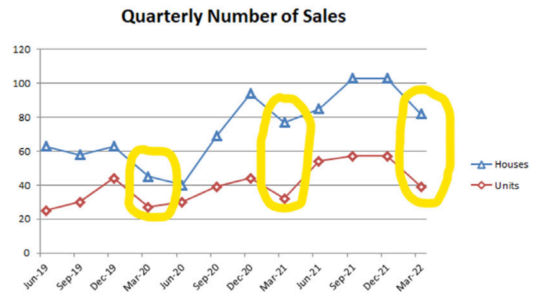
These statistics do need to be treated with some caution however, as the March quarter is historically one where there are reduced levels of activity.

their upward trajectory, now sitting at $527,500, whilst median unit prices are still fluctuating up and down, with the March quarter median price sitting at $365,000. The annual growth rate in the median house price is now 12.8 per cent and for units a more modest 1.4 per cent.

Drilling down to suburbs, Araluen has proven to be the star performer over the past 12 months, with an annual growth in the median house price of 26.3 per cent. Gillen continues to prove popular for buyers, with 22 house sales for the quarter, with the trendy suburb of East Side coming a distant second place with 13 sales. Gillen was the only suburb to record a growth in transaction numbers compared with the previous quarter, whilst the number of house sales in Araluen fell by 52.9 per cent over the past three months. The only suburbs showing negative growth in median house prices over the past 12 months were Larapinta and The Gap.

The best performing suburb for units was Larapinta, with an annual growth rate of 41.4 per cent in the median unit price. As with houses, Gillen achieved the most unit sales for the quarter with ten, followed by Larapinta with six sales. Median unit prices contracted over the past 12 months in Araluen, Gillen, Sadadeen and Braitling (with Braitling only just in the red by 0.3 per cent).

From these figures, we can speculate that some of the heat that was present in the market in the latter half of 2021 seems to have come off, with transaction numbers falling. These statistics do need to be treated with some caution however, as the March quarter is historically one where there are reduced levels of activity. The graph below illustrates this point, with dips in transaction numbers evident over each of the past three years.



Source: REINT

Will we see transaction numbers bounce back in the June quarter as they tend to have done in previous years? There is nothing to suggest that it won't happen, however political and financial influences may impact significantly on the future. The spectre of rising interest rates may also play a part in the health of the market over the coming years, with some media outlets predicting almost apocalyptic consequences in the wake of interest rate hikes.

Peter Nichols
Valuer

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Australian Capital Territory - Residential 2022

Canberra

As we approach the mid-point in the year, we can summarise the first half in a few key points. Construction is full steam ahead again after some pandemic stop-starts in 2021 in the developing newer suburbs such as Whitlam, Taylor and just over the border in Googong, as well as a lot of redevelopment and major renovations throughout the capital. In terms of existing dwellings, there is still limited stock coming onto the market and whilst we are yet to observe any significantly lower prices achieved, the auction clearance rates are lower each week with April ending in 72 per cent (down from 91 per cent at the same time last year). Agents are reporting a smaller buyer pool and much more caution in the market.

As we ease into the second half of the year, a number of factors will influence the housing market, but to what degree? We will be closely observing.

The RBA announced its first interest rate rise in over a decade off the back of a 21-year inflation rate high of 5.1 per cent. With the addition of the federal election and with housing affordability and cost of living key areas of concern, any policy changes or stimuli that will affect certain price-points or sectors of the property market will be monitored carefully.

Nicole Claughton
Assistant Property Valuer

Snowy Mountains

The unique market of the past two years has been interesting to say the least. Despite two years of snow seasons not operating at full capacity due to COVID restrictions, Jindabyne in particular has seen an influx of tree-changers moving to the area permanently which has seen very strong growth and record prices being achieved. Whilst we are yet to see a decline in prices, many of these purchases have been fuelled by equity gains in capital city markets and if significant changes happen in those markets, it will be reflected here as well.

We are now approaching the snow season and the increasing concern is where seasonal staff will live in an already tight rental market. Social media has already been flooded with seasonal workers desperate to secure accommodation for the upcoming season after already unsuccessfully approaching agents and other accommodation providers. We have even seen the new buyer type of business owners purchasing property solely to attract and retain staff.

In July, we will also see the smaller Selwyn Snow Resort reopening after being rebuilt following extensive damage in the 2020 bushfires. Again, accommodation for both workers and visitors will be difficult with surrounding small townships of Anglers Reach and Adaminaby currently housing many of the Snowy Hydro 2.0 workers.

Selwyn Centre - Snow Resort is reopening in 2022 Source: selwynsnow.com.au

Nicole Claughton
Assistant Property Valuer

We are now approaching the snow season and the increasing concern is where seasonal staff will live in an already tight rental market.

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Tasmania - Residential 2022

Hobart

Well, we are now halfway through the year and what a year (to date) it has been.

It didn't really matter what type of property you were looking for up to the halfway mark of the calendar year, demand was extremely high with a low supply. Multiple offers were presented to vendors and on many occasions, purchasers waived their right to a building inspection just to secure a property.

I was talking to a respected building inspector recently and he indicated his workload has increased significantly since the announcement of an increase in interest rates. Buyers now do not have the pressure to waive certain rights when purchasing a property (be they building inspections or finance clauses).

The market seems to have cooled slightly with open homes recording fewer prospective purchasers attending and days on market extending marginally. Prices in all property types are still strong, however gone are the days when the vendor is offered hundreds of thousands of dollars over the asking price.

The prestige market is still performing quite strongly in areas such as Sandy Bay, Battery Point (if you can find a property to purchase) and suburbs on the Hobart CBD fringe. Properties listed for sale over the $2 million mark are still attracting strong interest with some instances when interstate purchasers are looking to secure a property to rent out in the short term and reside in the property in the future.

7 Dresden Street, Sandy Bay   Source: realestate.com.au

First homeowners are still very active in the market, particularly in the sub $750,000 range.

With rental vacancy rates below one per cent and weekly rents still on the rise, investors are still on the hunt for a property with a good return.

Now that the election has been decided it will be interesting to see how Hobart and the surrounding areas will perform under new leadership.

Mark Davies
Residential Manager

Multiple offers were presented to vendors and on many occasions, purchasers waived their right to a building inspection just to secure a property.

HERRON TODD WHITE RURAL

Rural

June 2022

Southern NSW

As the price of arable mixed farming country in Southern New South Wales has increased over the past two to three years, we have not seen a corresponding increase in rural lease rates. Market evidence suggests that returns on rural land leases have tightened considerably due to the significant increase in farm prices compared to a distinct lag in rent rate increases. The traditional rule of thumb was that lease rates were struck anywhere between four and five per cent of the market value of arable dryland country depending on the level of arability, management history (particularly lime applications) and the length of the lease term. Up until the past four or five years, a typical dryland cropping property in 500 millimetre plus rainfall country could lease for anywhere between $75 and $85 per acre on country valued in the range of $1600 to $2000 per acre. Similar types of properties are now trading at levels anywhere between $5500 and $7000 per acre, however recent lease negotiations we have seen are struggling to achieve rates higher than $100 per acre.

This reduction in lease yields appears to be a product of a number of factors, the first obviously being the unprecedented uplift in land values.

XGxgxgx Source: HTW

XGxgxgx Source: HTW

Existing landholders have taken advantage of their strong balance sheets due to positive income returns along with increased equity levels and have competed strongly for properties when they come to the market. Values continue to rise and finance costs are still at historic lows. However, from a leasing perspective, the significant increased cost of inputs, particularly fertilizer, diesel and chemicals, has helped put a cap on rents as cropping gross margins are tighter. Lessees have to allow for these costs along with rent payments when calculating a gross margin on a leased property on a standalone basis. Although commodity prices are currently at high levels, if entering into a three-to-five-year arrangement, they have to take into account the risk of prices falling back to historic average levels as well as the potential for the current run of above average seasons to come to an end.

Despite the lower lease returns as a percentage of current property values, we are seeing several new lease agreements being struck with older farm owners who still want to live on their properties but are ready to let a tenant provide a low-risk income for them whilst still benefiting from the capital appreciation of their asset. Under this scenario, the overall return on their asset from a lease is still more attractive than selling and putting the proceeds in a low interest-bearing account with a bank. This is also allowing younger operators to build their farming businesses around a lease model with the view to one day purchasing the land or providing increased scale on their existing operations.

Andrew Garnsey
Valuer

Northern Victoria and Southern Riverina

Rural property valued throughout Northern Victoria and the Southern Riverina region of New South Wales continues to increase in value generally due to strong demand from local farming operations keen to increase their existing holdings along with significant interest from the Wimmera and Mallee regions of Western Victoria.

We have been advised by a local agent that a large cropping operation in the Elmore district (Victoria) has recently sold for $31 million on a walk-in walk-out basis with significant infrastructure and equipment included in the sale. Analysis of the land only component indicates the property sold for approximately $14,000 per hectare to a purchaser from the Wimmera region of Western Victoria.

The value of temporary water in the Goulburn Murray Water system remains low due to the historically high levels of water in all the main storages as well as good rainfall across most regions. This in turn will provide water security for the coming 2022/23 irrigation season and potentially increase rice and cotton production throughout these regions. The value of permanent high and low reliability water entitlements throughout the Lower Basin areas is expected to increase over the next six to twelve months as

Many retired farmers wisely decided to retain their irrigation water entitlements when they sold their farms, with the expectation that they would generate a tidy retirement income from the leasing of water. The next 12 months will be a lean time for them, but will provide much needed savings for the large number of growers who rely on leased water.

demand to secure permanent water for new and existing almond plantings continues to develop.

To meet the requirements of the Murray Darling Basin Plan set to conclude in 2024, the government may have to enter the market and purchase water to satisfy their part of the plan. If this occurs there could be a significant rise in value for all classes of water soon as a result of the government entering the market.

Oliver Boyd
Valuer

Mildura

There have been few sales of horticultural properties in the past 12 months. Most producers experienced lower prices and disrupted export markets during 2021 and 2022 and this is weighing on local sentiment. Rising input costs and difficulties finding enough seasonal labour have also compounded the issue.

The one cost which has decreased dramatically is the cost of leasing water. Leasing water has proven a wild ride for many, with the cost of leasing Murray Zone 7 water rising from approximately $100 per megalitre in mid 2017 to $900 per megalitre in late 2019. As of this week, the cost has reduced to $25 per megalitre as a result of full water storages and an expectation that we are in for a wet winter.

Many retired farmers wisely decided to retain their irrigation water entitlements when they sold their farms, with the expectation that they would generate a tidy retirement income from the leasing of water. The next 12 months will be a lean time for them, but will provide much needed savings for the large number of growers who rely on leased water.

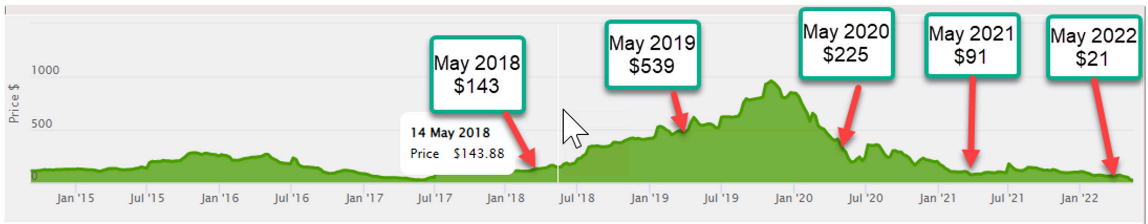
In contrast, demand remains hot for grazing and cropping land and a good autumn break is expected to see confidence levels remain bouyant.

The recent sale by auction of Dockerty Station, via Pooncarie in south-western New South Wales, highlights the strong demand for grazing land in the Western Division of New South Wales, with a sale price that equated to approximatelyy $350 per hectare. The property is relatively small, at just under 9,000 hectares and therefore attractive as a buildup block for nearby landholders. This price set a new record for the district, influenced by the relatively small size.

A further example of the strong confidence in the pastoral sector is the sale of Bulgamarra Station, located approximately 60 kilometres north-east of Pooncarie in March 2022 for a price that equates to approximately $180 per hectare. The sale price will reflect just over $1000 per DSE, considerably higher than other recent sales in the surrounding area.

A well improved mixed cropping and grazing property located 50 kilometres north-east of Milura sold in late 2021 and provided an insight into dryland cropping levels in this area. The property had been developed and managed to a high standard, with analysis showing a rate of $1100 per hectare for the approximately 1200 hectares of cleared land. This confirms similar levels to those seen in the Millewa region to the west of Mildura.

Graeme Whyte / Shane Noonan
Valuers



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Source: RuralCo Water

Toowoomba

The supply of rural property to the market continues to remain significant. That said, a recent indication of a very slight softening in market sentiment could be perceived through several properties passing in during the auction process (albeit selling during post auction negotiations).

This is somewhat in contrast to a run of sales previously occurring at auction and selling well above the pre-auction expectations.

Mounting considerations moving forward include rising input costs, rising borrowing costs and the political landscape. Recently, early signs of a slight softening of the EYCI and the generally softer restocker demand from the southern states are also beginning to point to a stabilisation or peaking of the market in coming months, though at this stage we continue to witness benchmark or strong sales activity throughout most regions of southern Queensland.

Some recent sales of interest include:

- Rockview, Weengallon - 518 hectares for $975,000 reflecting $1882 per hectare for vacant land with minor improvements
- Bauhinia Vale, Wandoan - 609 hectares for $4.4 million reflecting $7224 per hectare improved including 36 hectares of centre pivot irrigation and a total of 247 megalitres of water storage
- Earlston, Jandowae - 256 hectares for $1.9 million reflecting $7422 per hectare improved for mixed farming country
- Billabong, Condamine - 1265 hectares for $4.3 million reflecting $3399 per hectare improved for Condamine River grazing country
- Bryn-Mawr South, Greenswamp via Chinchilla - 794.13 hectares for $2.375 million at auction reflecting $2990 per hectare for mixed grazing country with approximately 12 gas wells providing some compensation income.

Bart Bowen
Director

HERRON TODD WHITE RURAL

HERRON TODD WHITE

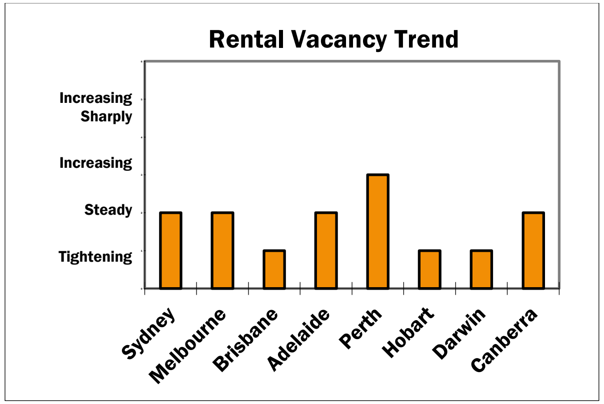
Property Market Indicators

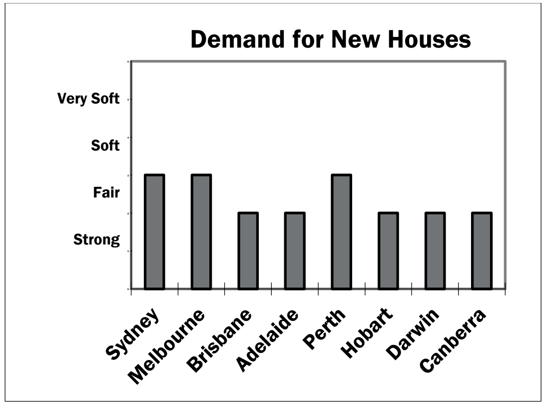
June 2022

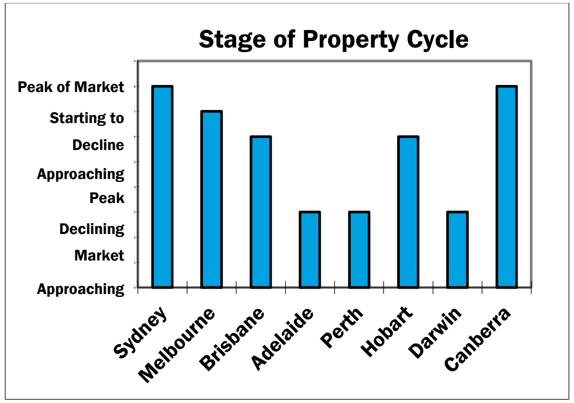
Capital City Property Market Indicators – Houses

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	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	Steady	Declining	Increasing strongly	Increasing	Increasing	Increasing strongly	Increasing	Increasing strongly
Stage of Property Cycle	Peak of market	Starting to decline	Approaching peak of 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*





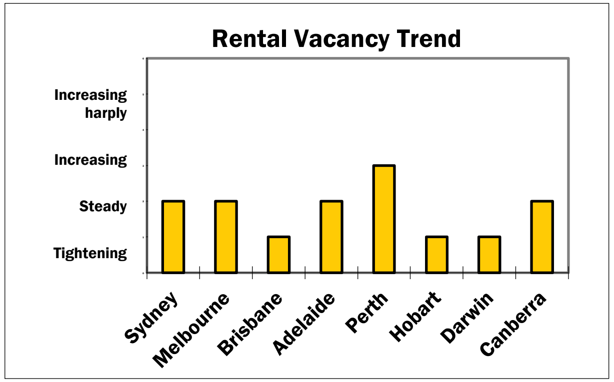


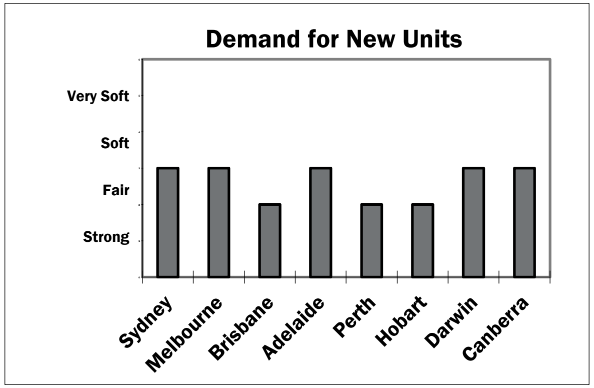
Capital City Property Market Indicators – Units

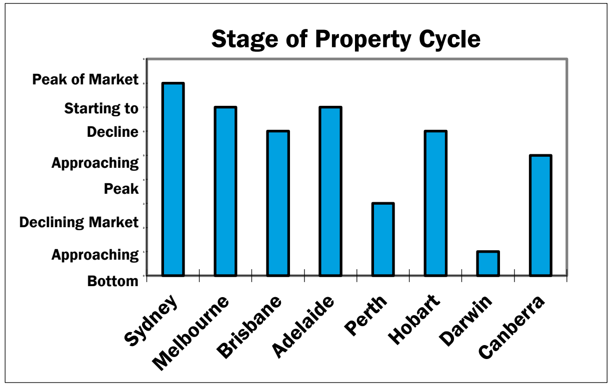
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available 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	Steady	Steady	Declining	Declining significantly	Declining	Declining
Volume of Unit Sales	Steady	Declining	Increasing	Steady	Increasing	Increasing strongly	Increasing	Steady
Stage of Property Cycle	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





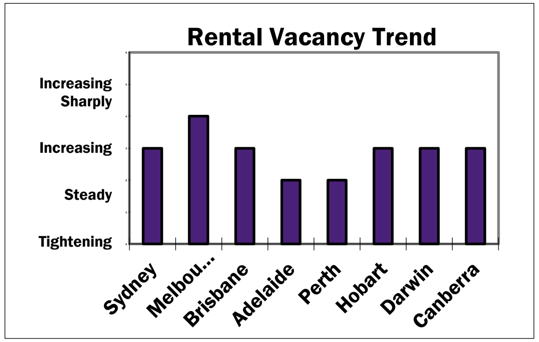


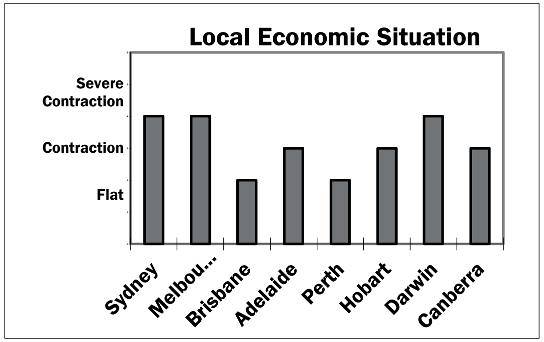
Capital City Property Market Indicators – Office

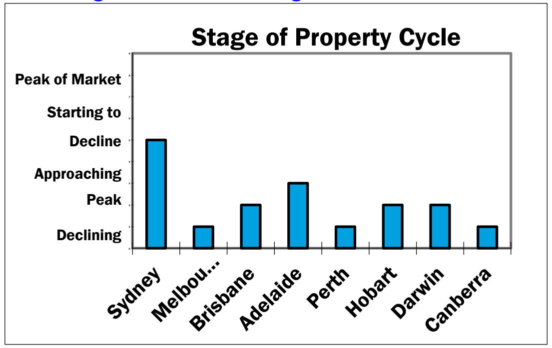
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property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

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

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





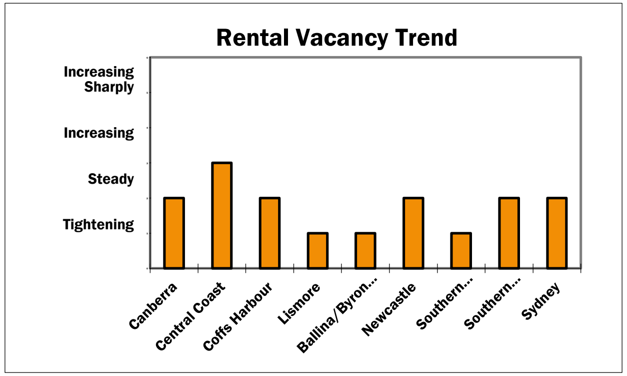


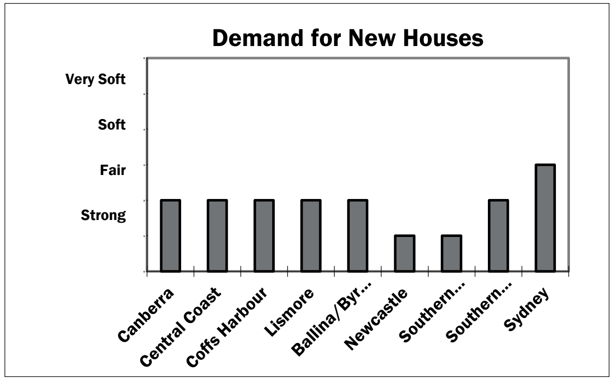
East Coast New South Wales Property Market Indicators – Houses

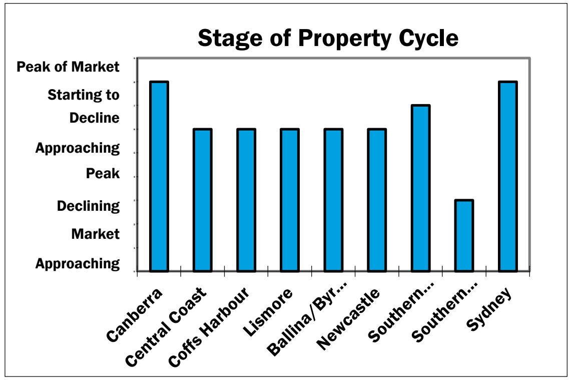
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	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
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening sharply	Tightening sharply	Tightening	Tightening sharply	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	Increasing	Increasing	Increasing strongly	Declining	Increasing strongly	Steady
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	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



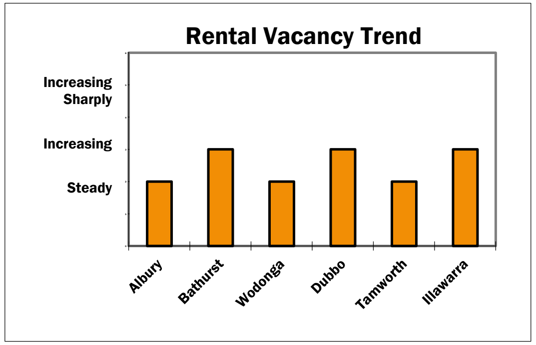




Country New South Wales Property Market Indicators – Houses

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	Shortage of available property relative to demand
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	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*



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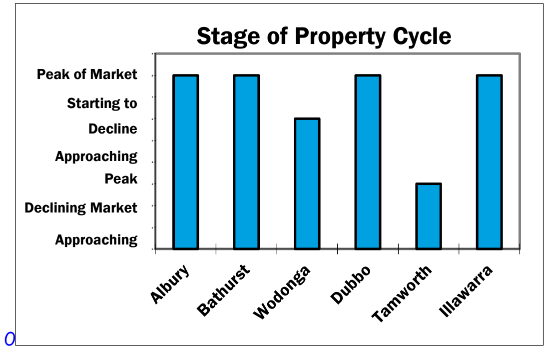
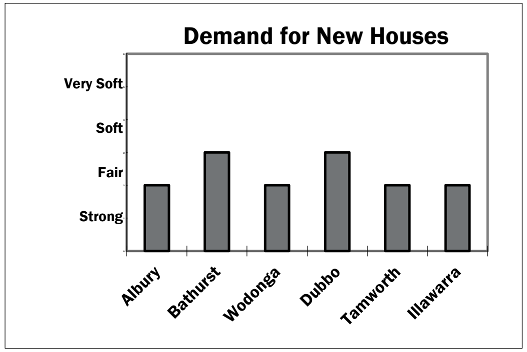


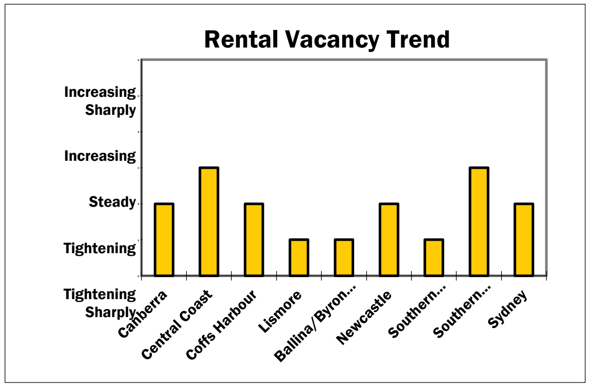


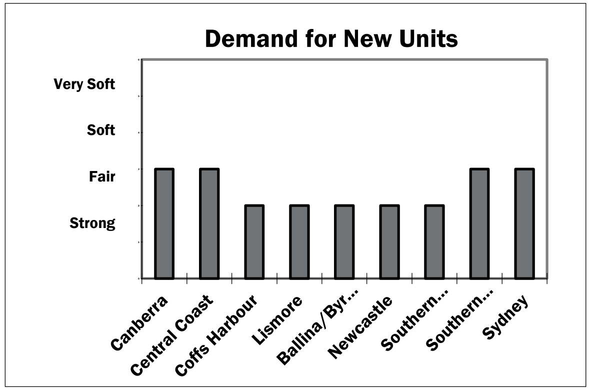
East Coast New South Wales Property Market Indicators - Units

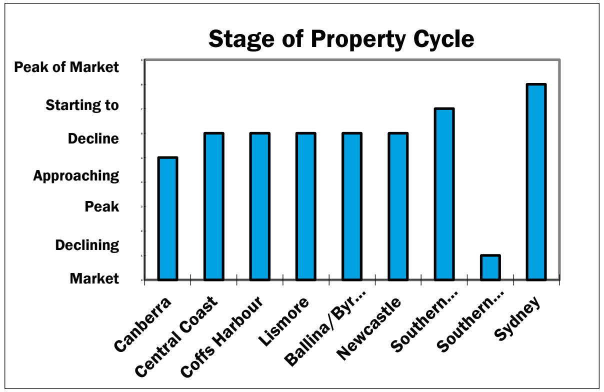
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to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

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

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







Country New South Wales Property Market Indicators - Units

Factor	Albury	Wodonga	Bathurst	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Balanced market	Balanced market	Shortage of available property relative to demand	Shortage of available property relative to demand
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	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Frequently

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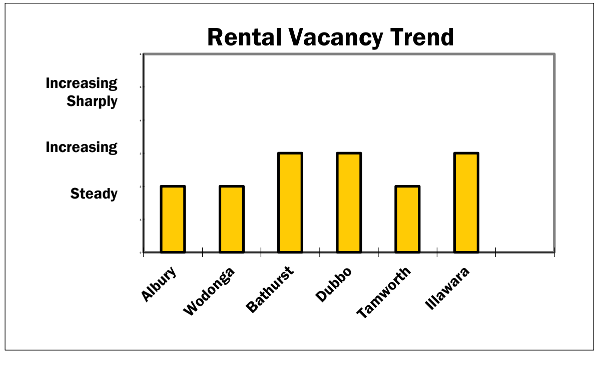

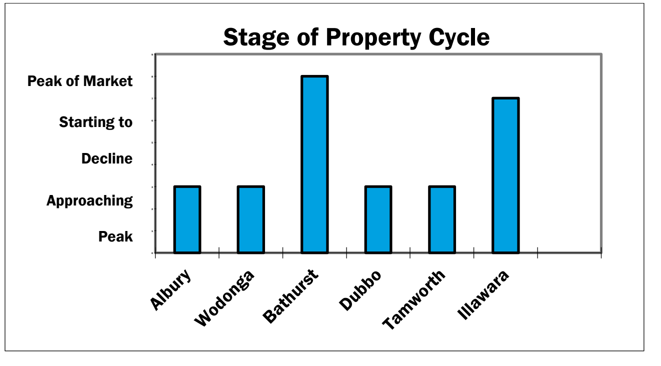

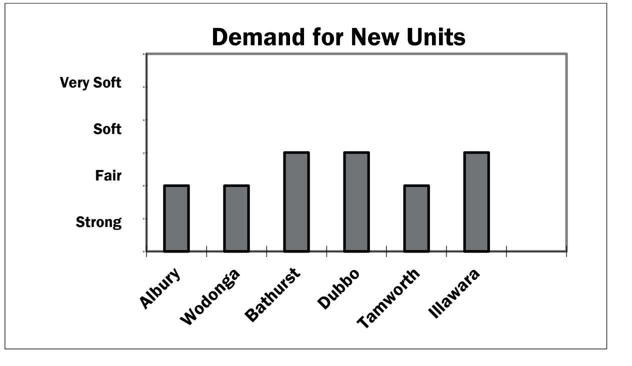

East Coast & Country New South Wales Property Market Indicators – Office

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

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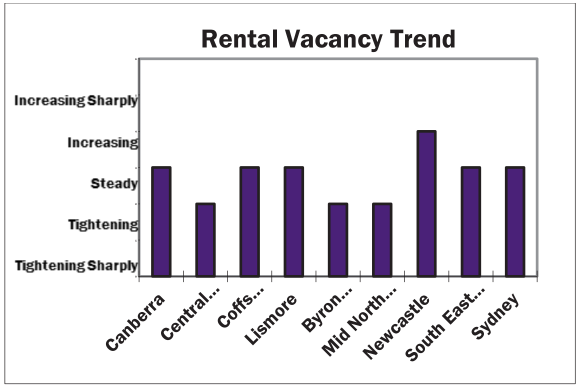
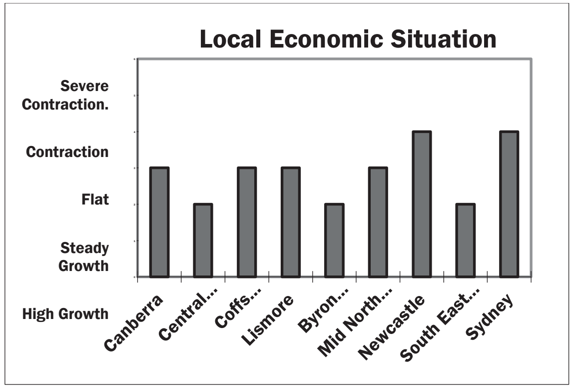
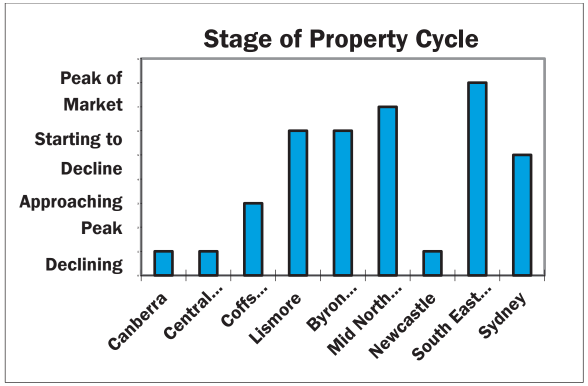


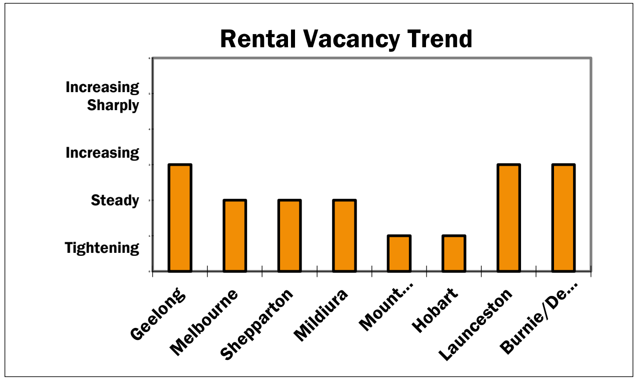


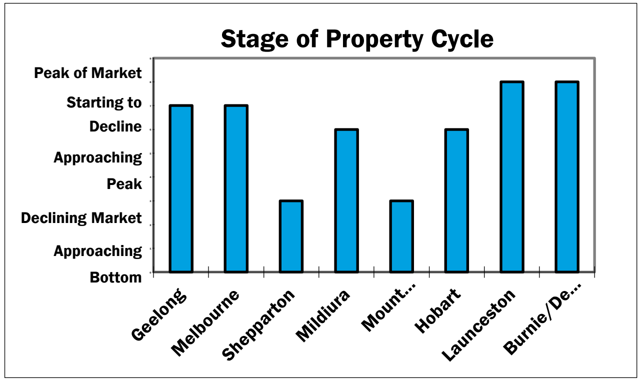


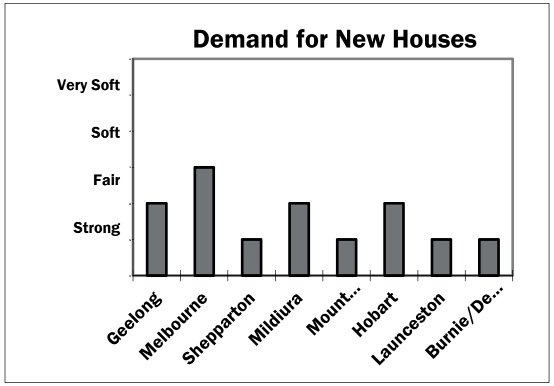
Victorian and Tasmanian Property Market Indicators – Houses

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

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







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 significant-ly	Steady	Steady	Steady	Steady	Declining significant-ly	Declining significant-ly	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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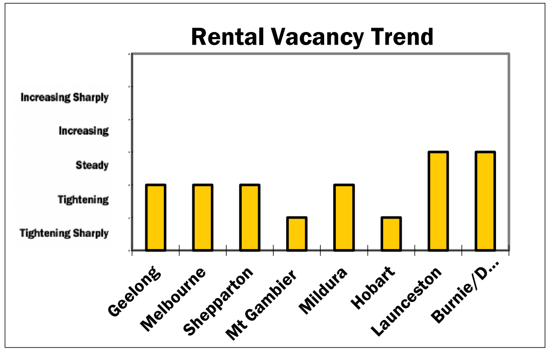

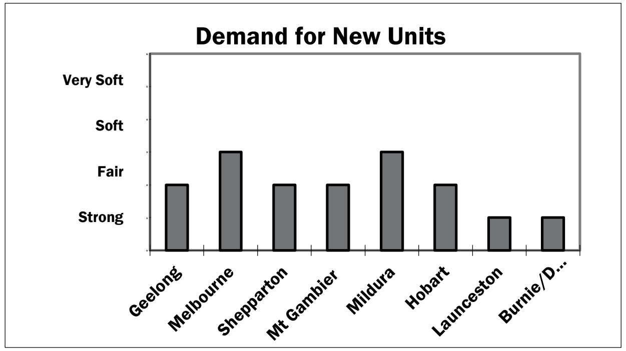

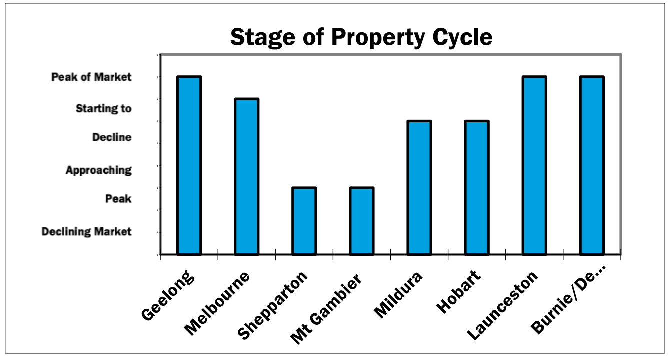

Victorian and Tasmanian Property Market Indicators – Office

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

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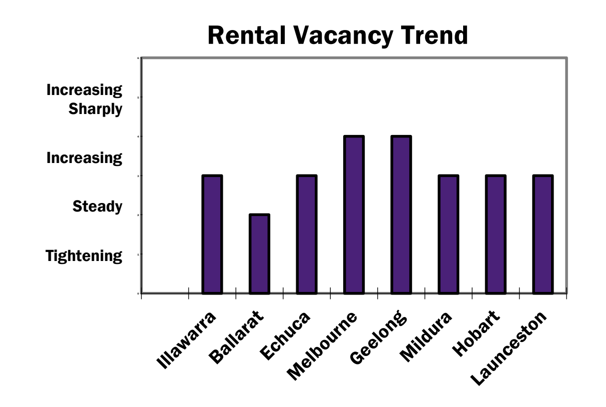

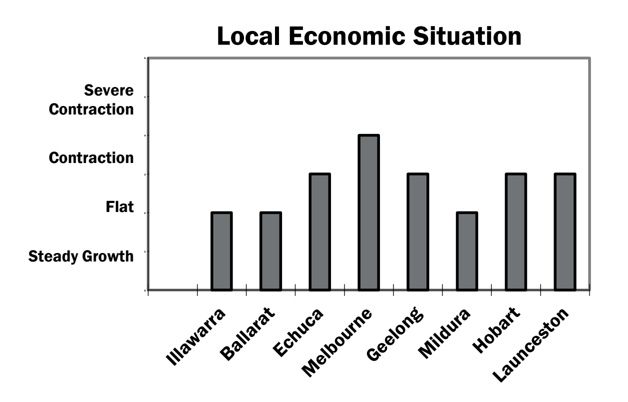

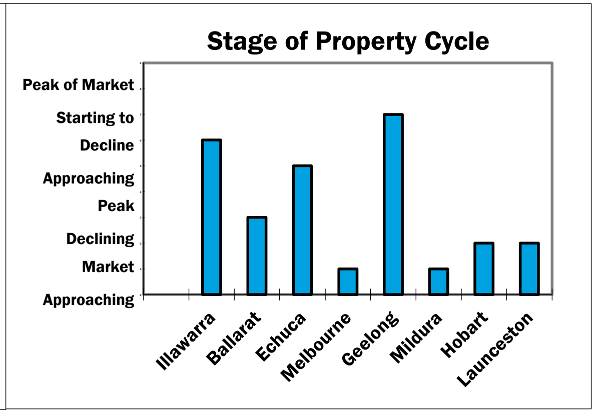

Queensland Property Market Indicators – Houses

Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Strong	Strong	Fair	Very strong
Trend in New House Construction	Declining	Steady	Declining	Steady	Steady	Declining	Declining	Steady	Declining significantly	Declining significantly	Declining significant-ly	Declining significantly	Steady	Declining
Volume of House Sales	Increasing	Increasing	Increasing	Increasing	Increasing strongly	Steady	Increasing	Increasing	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	Approaching peak of market	Rising market	Rising market	Approaching peak of market	Approaching peak of market	Starting to decline	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	Occasionally	Frequently

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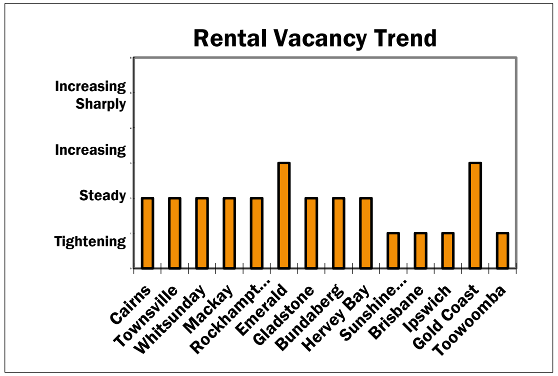

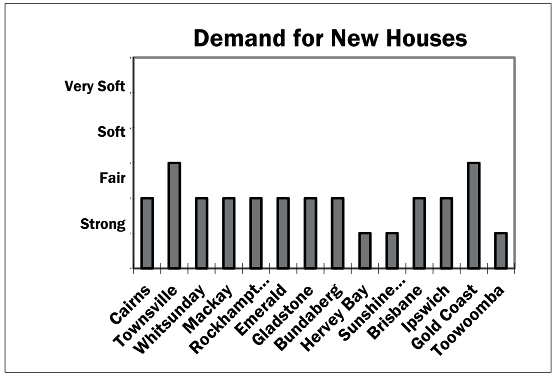

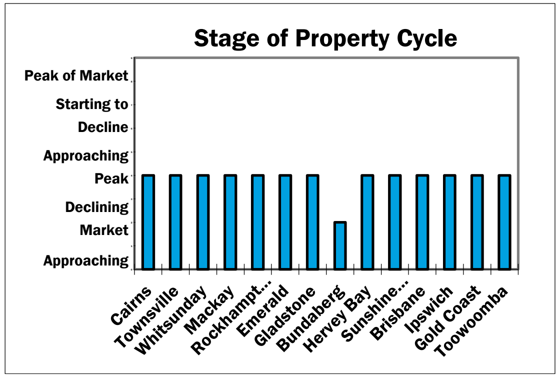

Queensland Property Market Indicators – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rock-hampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	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	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	Fair	Fair	Strong	Strong	Strong	Fair	Strong
Trend in New Unit Construction	Declining	Increasing	Increasing strongly	Steady	Steady	Increasing strongly	Steady	Steady	Steady	Declining	Steady	Steady	Declining	Declining
Volume of Unit Sales	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Increasing	Increasing	Increasing	Increasing	Steady	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Rising market	Rising market	Start of recovery	Rising market	Approaching peak of 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	Occasionally	Occasionally	Occasionally	Occasion-ally	Occasion-ally	Occasionally	Occasionally

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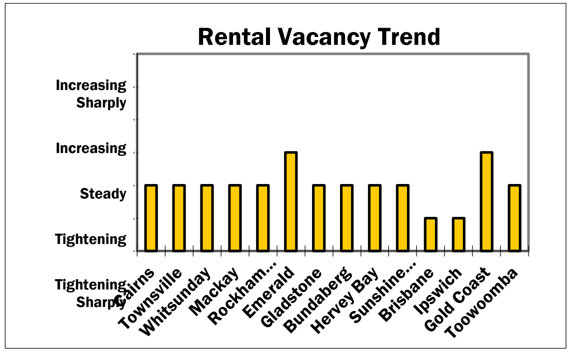

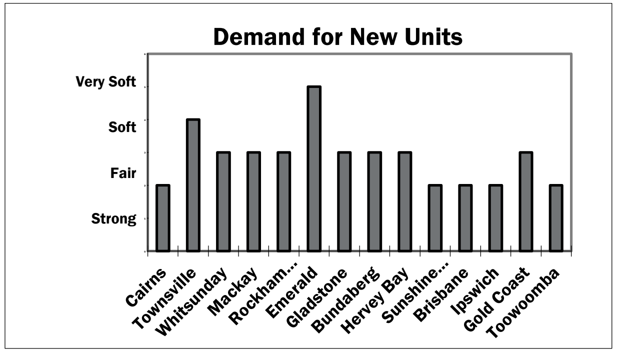

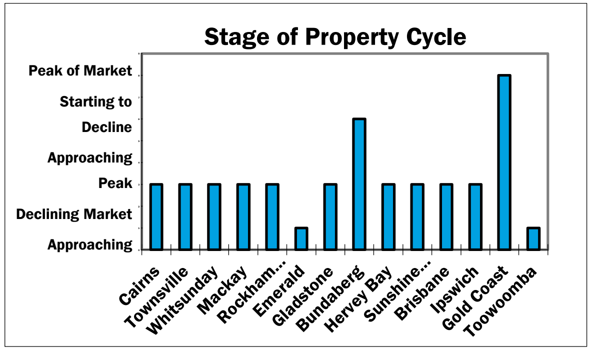

Queensland Property Market Indicators – Office

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

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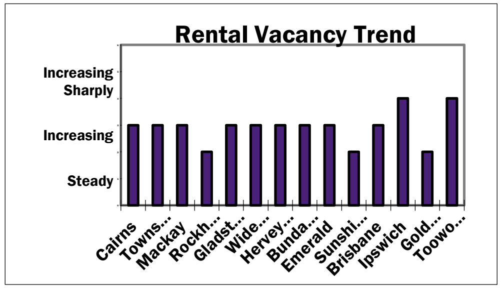
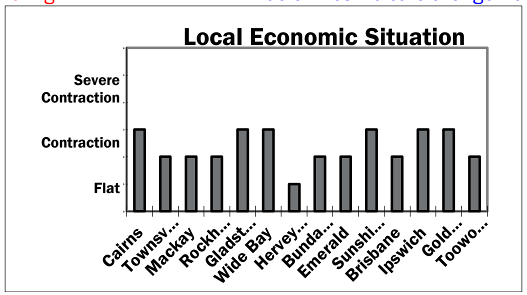
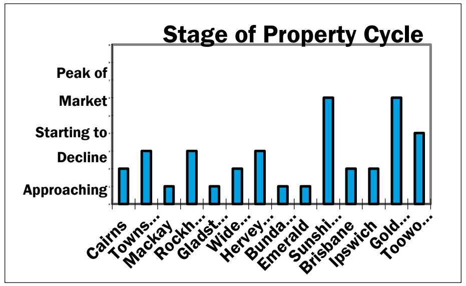




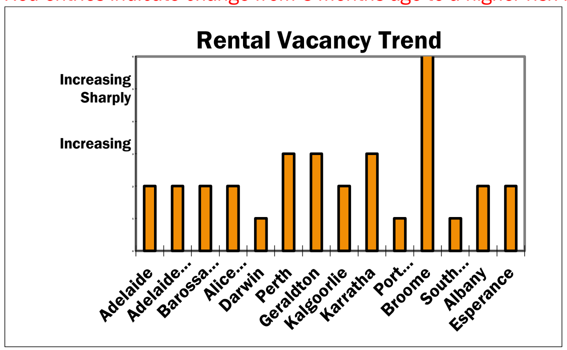


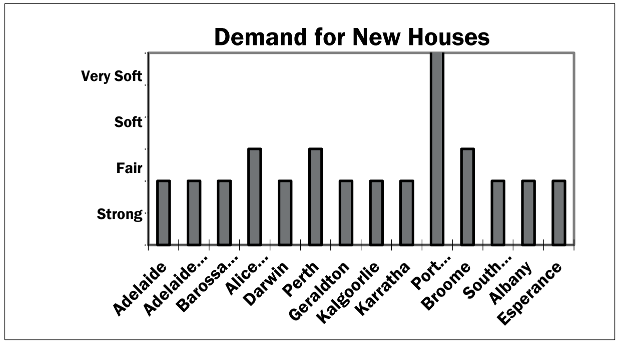
SA, NT and WA Property Market Indicators - Houses

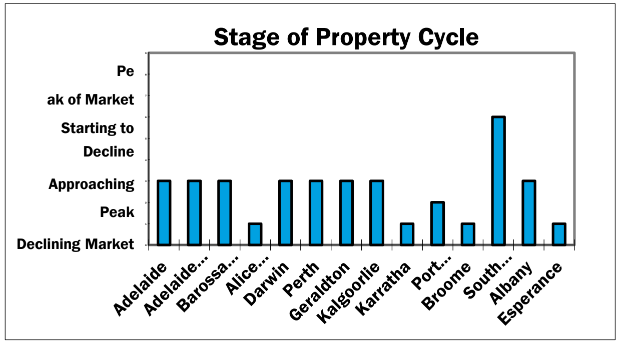
Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening	Tightening sharply	Steady	Steady	Tightening	Steady	Steady	Tightening	Tightening sharply	Tightening	Steady
Demand for New Houses	Strong	Strong	Strong	Fair	Strong	Fair	Fair	Fair	Strong	Strong	Strong	Strong	Strong	Fair
Trend in New House Construction	Declining	Steady	Steady	Increasing	Declining significantly	Steady	Declining	Declining	Declining	Declining	Declining	Declining significantly	Declining	Declining
Volume of House Sales	Increasing	Increasing	Increasing	Declining	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

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

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





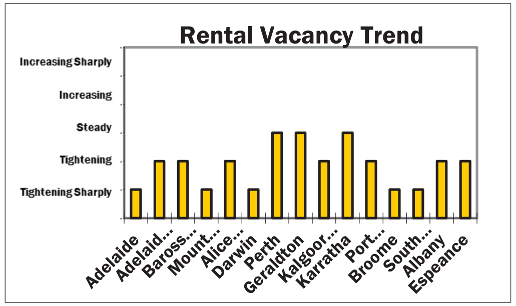


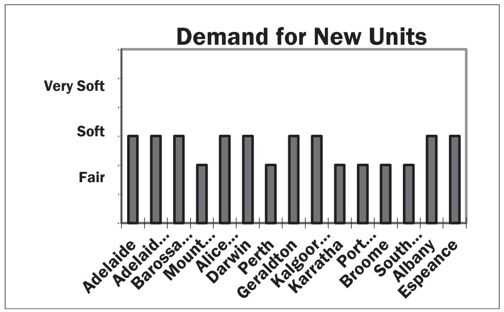
SA, NT and WA Property Market Indicators – Units

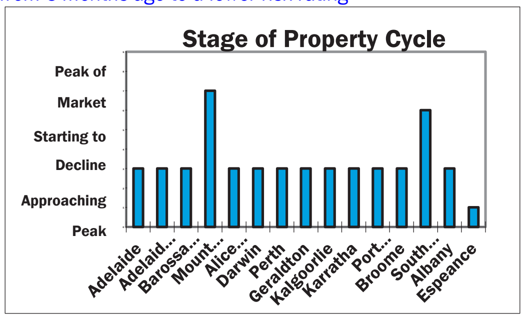
Factor	Adelaide	Adelaide Hills	Barossa Valley	Mount Gambier	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Tightening sharply	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	Increasing	Declining	Declining	Steady	Steady	Steady	Steady	Steady	Declining significantly	Steady	Steady
Volume of Unit Sales	Steady	Steady	Steady	Increasing	Declining	Increasing	Increasing	Increasing	Increasing	Steady	Increasing	Increasing	Declining	Increasing	Steady
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	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	Almost never	Almost never	Occasion-ally	Occasion ally	Occasion ally	Occasion-ally	Almost never	Almost never	Frequently	Occasionally	Almost never

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

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







SA, NT and WA Property Market Indicators – Office

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

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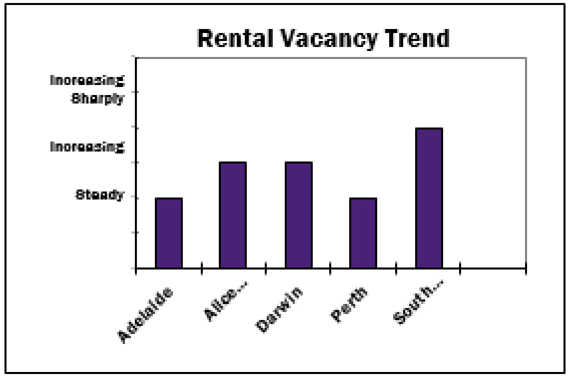

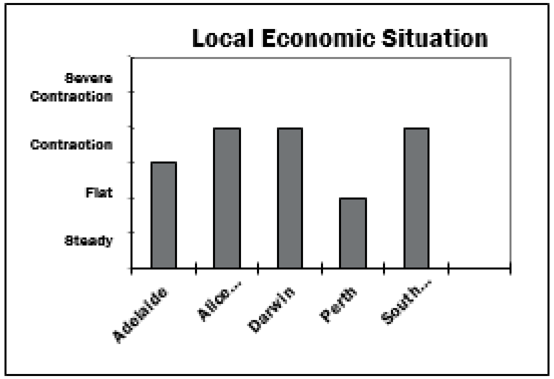

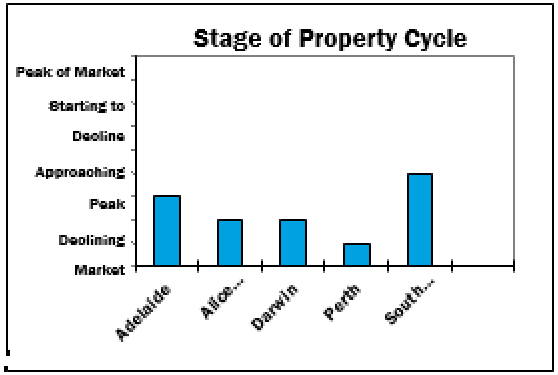

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