Month in Review

April 2023

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

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Disclaimer

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

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

A message from our CEO

Welcome to the April edition of Month in Review

The RBA's April decision to pause interest rate increases is a significant development in the current market.

While there was disagreement among analysts as to whether the RBA would hold or increase, the consensus has been that we're close to the peak of the rate rise cycle.

While some will speculate on the immediate fallout from the RBA's move, I'm more interested in considering what it might mean for our property markets over the next three months or so.

I'm convinced we're about to experience a significant transition in the residential property space in response to the rate pause for myriad reasons relating to supply and demand.

Supply – expressed as the number of listings – has been tight across our major population centres. Since early 2022, sellers have faced economic uncertainty and what looked like a long horizon of interest rates increases. As a result, a substantial number of would-be vendors shelved their plans, deciding to wait out the turmoil. This continued into this year with property listings now sitting around 20 per cent lower compared to this time last year. That's narrowed the available pool for buyers substantially.

On the other side of the equation is demand. While some purchasers were buoyed into action by softer property prices in late 2022, most saw their borrowing power eroded by rising interest rates.

> *I'm convinced we're about to experience a significant transition in the residential property space in response to the rate pause for myriad reasons.*

March 2023's rate hike saw borrowers having to deal with a 50 per cent increase in their repayments compared to April 2022. Throw in the mandatory three per cent serviceability buffer factored into loan applications and the outcome is less available funds for borrowers.

The net result of the supply/demand imbalance has been market inactivity throughout most jurisdictions over the past 12 months. For example, transaction numbers in Sydney, our country's largest property market, are down around 20 per cent on what they were 12 months ago.

This has also been reflected in ABS analysis which shows new loan commitments have been falling since January 2022 and are down around 30 per cent on what they were a year ago.

All this leads me to think this interest rate pause put us in the eye of the storm in terms of market activity.

I suspect we'll see a material uplift in listings and transaction after Easter.

While increased listings will place downward pressure of property prices, other factors could help keep any softening to a minimum. For example, in several of this month's submissions, our valuers have noted an uptick in tenants leaving the rental market and buying affordable housing and units.

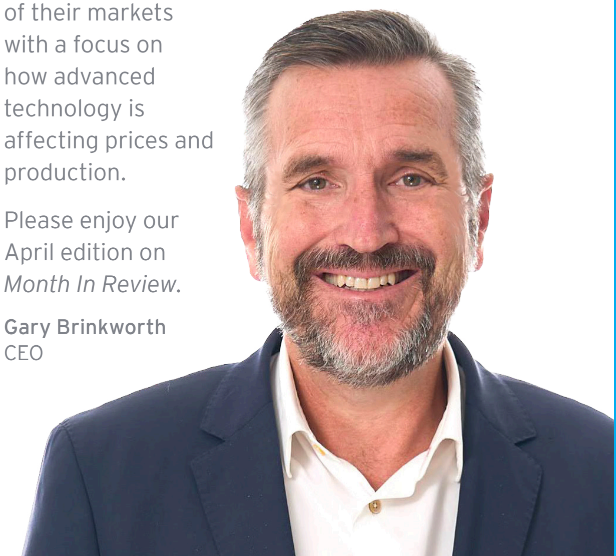
The next three months will prove critical in establishing the long-term direction of our property markets. It will be crucial to stay abreast of the changes to capitalise on opportunities.

In this month's edition of *Month in Review*, our residential valuers conduct a deep dive on the nation's homebuying sector, identifying all the drivers and outcomes.

Meanwhile the commercial teams focus on a 2023 outlook for office property markets, while our rural specialists deliver another stellar overview of their markets with a focus on how advanced technology is affecting prices and production.

Please enjoy our April edition on *Month In Review.*

Gary Brinkworth
CEO



HERRON TODD WHITE COMMERCIAL

Commercial

April 2023

National Office Overview

The office market nationally has not fully rebounded following the pandemic. Around the country we have seen continued high vacancy rates and record incentives on offer and whilst we are seeing a return to the office and generally busier city centres, demand has not regained momentum.

It is clear that working from home arrangements will remain for many businesses with most adopting a hybrid approach. Employees' preference for flexibility and hybrid arrangements seems to remain strong, particularly in metropolitan areas. Interestingly, office space tends to be underutilised on certain days of the week, with some businesses counteracting this with shifts to shared working spaces or hot-desking set ups to minimise overall space requirements.

Angeline Mann
Commercial Director

Looking ahead to the longer term, our generally less volatile economy means Australia remains in a good position for growth and our major cities in particular will likely see stronger office employment.

Tenant demand seems to be focused on collaborative workspaces that are flexible. Key space requirements tend to be around encouraging staff engagement, with lunch areas and breakout spaces a priority. This may mean reconfiguring existing space to better suit changing needs, with fewer staff working from an office, reducing overall space requirements or, in some instances, relinquishing their office space altogether. Much of the tenant demand at present is being driven by tenants wishing to relocate or upgrade.

Vacancy rates around the country remain high, with the Property Council of Australia reporting a total vacancy rate for the country in January 2023 of 12.5 per cent. This is a significant increase on the pre-pandemic vacancy rate which was reported by the PCA in January 2020 at eight per cent.

For the time being, rents remain flat and incentives remain high, with cities reporting up to 40 per cent incentives on offer, or even higher in places such as Perth where incentives of up to 50 per cent are being offered. Given the overall leasing market conditions and high incentives being reported, we do not expect there to be any substantial growth in rents for the next year or so.

Looking ahead into the remainder of 2023, we anticipate the office market to remain generally volatile and uncertain. Demand for space remains subdued and with economic conditions being flat, many businesses are lacking confidence. Inflation and interest rates remain a top concern for investors and businesses alike.

According to the PCA, prime yields around the country for the CBDs range from 4.80% through to 6.60%. Darwin, at 8.5%, is an outlier. Looking ahead, we do not envisage any real change to these rates over the next year. The current economic uncertainty is likely to reduce business confidence and in turn investors will only be drawn into the market by strongly performing low risk assets.

Overall, it has been a trying few years for the national office market. Looking ahead to the longer term, our generally less volatile economy means Australia remains in a good position for growth and our major cities in particular will likely see stronger office employment. This will drive demand for new and innovative workspaces. We are optimistic that in time we will see a slow but gradual increase in demand across most of the major markets which will result in an improvement to market conditions and hopefully see growth in values.

National Property Clock: *Office*

Entries coloured purple indicate positional change from last month.

Dubbo
Gold Coast
South East NSW
Sunshine Coast
Townsville

Ballina/Byron Bay
Brisbane
Geelong
Ipswich
Mid North Coast
Newcastle

Echuca
Sydney

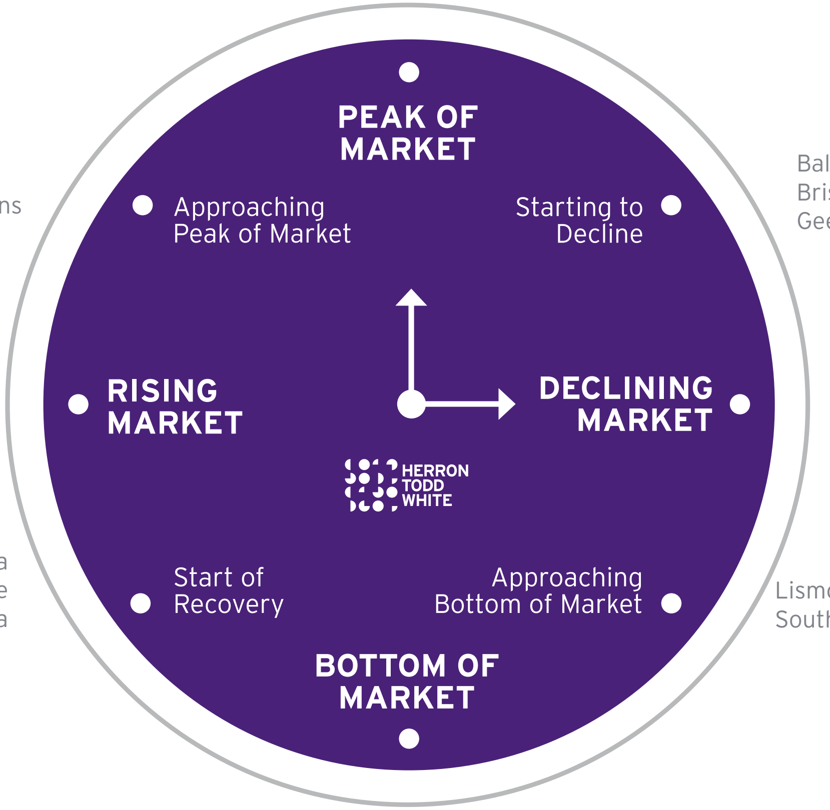
Lismore
South West WA

Alice Springs
Darwin
Hobart
Launceston
Perth
Toowoomba
Wide Bay

Bundaberg
C'berra/ Q'beyan
Central Coast
Emerald
Illawarra
Melbourne
Mildura

Adelaide
Ballarat
Coffs Harbour
Fraser Coast
Gladstone
Mackay
Rockhampton

Cairns



New South Wales - Office 2023

Sydney

The year ahead for the office sector in Sydney is likely to be dominated by uncertainty. Confidence in the sector has not bounced back to the extent that we were hoping with vacancy remaining quite high and some caution being exercised by tenants and buyers alike.

Vacancy rates in the CBD have increased. The PCA reported a vacancy rate of 11.3 per cent in January 2023, up from 9.3 per cent in January 2022 and a significant increase from the record low of 3.7 per cent in mid-2019. This is not unexpected, as there is supply being added and a lack of demand. The PCA has also reported that Sydney CBD's office vacancy remains at its highest figure in 18 years. We do not anticipate a decrease in vacancy in 2023 and we are more optimistic about 2024.

While asking face rentals appear to be generally stable, increases in incentives are still being recorded, translating to a notable reduction in effective rentals. Given the increase in vacancy and continuing uncertainty, high incentives are likely to continue to be offered well into 2023 in order to attract tenants.

The owner-occupier dominated CBD strata market performed well throughout 2021 and 2022. Agents continue to report good levels of demand for well-positioned strata stock but in light of interest rate rises and the general slowing of the economy, we expect that 2023 will see the heat come out of this market and a return to more typical conditions.

The metro CBDs have also struggled with high vacancy. Parramatta and North Sydney reported vacancy rates of 18.1 per cent and 19.2 per cent respectively for January 2023. No significant improvement in these markets is likely to occur this year.

While we were hoping the office market would stabilise, it seems the added pressure of rising interest rates along with general uncertainty are likely to stall any real recovery of the office sector in the short term and we caution that there are likely to be some major challenges ahead for this market.

Angeline Mann
Commercial Director

Hunter Region and Newcastle

We feel the office market is the most susceptible to current interest rate fluctuations and overall cost of doing business pressures. Businesses of all sizes had to have staff work from home during the COVID-19 lockdowns, so all businesses know how to operate with satellite staff. I'm sorry to have to hark back to the lockdowns of a few years ago but that's pretty much the set up for the current situation we're in, i.e: higher interest rates (from historic lows); high levels of business indebtedness and higher operating costs associated with low unemployment; and cost of living pressures putting upward pressure on wages. While we haven't seen wages keep up with CPI, businesses with annual rental reviews to CPI will have now seen a number of significant rental increases, all putting pressure on the office rental market.

So office users are now looking at ways to decrease those base costs, with hot desking and shared desk arrangements, mixed in with partial work from home weeks. We have seen a number of office re-sales in recent months showing a loss in value from the peak of the market in early 2022. It would make sense that further losses will occur given the ten interest rates hikes since May last year. Having said that, from a landlord or investor perspective, those leases struck on an annual review mechanism of the greater of three per cent or CPI would have no reason to hastily sell a property and for that reason we are seeing a real slow down in selling activity in 2023.

To dust off the old crystal ball for the year ahead, we see a lot of our work in the office sector revolving around refinance activity, with a continued slow down in selling activity, at least until the market grows used to these more normal interest rate figures, a side note being the potential for economic slow down towards year's end and a turnaround in interest rate movements. We're also

Confidence in the sector has not bounced back to the extent that we were hoping with vacancy remaining quite high and some caution being exercised by tenants and buyers alike.

keeping an eye on bank foreclosures and bailouts in the United States and Europe, knowing full well that the lessons learned in 2008 are quickly forgotten.

Ed Thwaites
Director

Wollongong

The local office market is continuing the transition set on course by the recent completion of the Mercer-anchored Lang's Corner development on a prime corner site in the Wollongong CBD. Agents are reporting improved leasing conditions as tenants are seeking to upgrade into higher quality space, taking advantage of strong incentive offerings and the improved selection of A-grade stock. We are likely to see face rents increase however with the higher incentives being offered, effective rents are forecast to remain relatively stable, Lang's Corner possibly being the exception where office rents on the upper levels are likely to set the benchmark.

The introduction of higher quality office space to the Wollongong CBD over the past few years has kick-started refurbishment of some of the city's older buildings and we forecast this trend to continue, further improving and diversifying the offering quality.

Notably, we anticipate the Commonwealth's Department of Human Services (DHS) to make a long-awaited announcement in regard to consolidation of its current fragmented tenancy arrangements. We expect the DHS to move into a newly completed A-grade building or pre-commit to a lease that will enable construction of a new building in the Wollongong CBD.

Scott Russell
Director

The introduction of higher quality office space to the Wollongong CBD over the past few years has kick-started refurbishment of some of the city's older buildings and we forecast this trend to continue, further improving and diversifying the offering quality.

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Victoria - Office 2023

Melbourne

The Melbourne office market along with all other major cities in Australia faced a whole new set of challenges after coming out of the COVID-19 induced economic retractions over 2020 and 2021. From March 2022 until now, interest rates escalated rapidly in a bid to curb the inflation pressures resulting from the artificially low interest rate environment which prevailed during the pandemic. So, whilst landlords have had to deal with climbing vacancy rates during and after the pandemic, currently sitting at 13.8 per cent (all grades) as at 1 January 2023 for the Melbourne CBD, they now have to deal with softening yields as a direct response to the higher cost of debt. Even for good quality assets, yields have softened by a minimum of 50 basis points from the peak of the market in 2022.

On the leasing side, flight to quality is still in full effect; tenants are seeking to trade up for minimal increased cost. The trade-up for tenants is recording more vacancy in B- and D-grade stock however this leaves opportunity as a result of high development costs for new builds. Online reports suggest that REITs are now seeking B- and C-grade buildings that are ripe for repositioning as it may be more economical to reposition these buildings than build new ones.

The heightened interest rate environment is forcing financial difficulties on many which may force distressed sales leading into the back half of 2023, allowing good opportunities for astute investors to capitalise on. Properties with little or no cash flow such as development sites and value add opportunities will be less attractive to financiers and thus purchasers.

In general, there is still pent-up demand for good quality office investments as well as land rich properties with good holding income. However, with interest rates rising and other global issues in play, buyers are taking a cautious approach and transaction volumes have reduced significantly in the past 12 months. There is currently an impasse between buyers and sellers with respect to pricing levels. Many vendors are choosing not to sell unless there is a good reason. As a result, there are very few recent transactions to provide current pricing level guidance.

If interest rate hikes halt and even start to reverse later in 2023 and 2024, which is being spoken about in the US, and other global headwinds start to abate, this pent-up demand could translate into a major spike in activity which may translate into a firming of yields.

Jason Stevens
Director

In general, there is still pent-up demand for good quality office investments as well as land rich properties with good holding income.

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Queensland - Office 2023

Brisbane

Broadly speaking, the Brisbane office market slowed considerably in the second half of 2022 off the back of aggressive interest rate rises by the RBA and global economic uncertainty. It is expected that the first half of 2023 will remain sluggish until inflation is brought back to a sustainable level and the interest rate environment stabilises.

The investment market has seen the biggest shift in demand and price as the cost of debt has increased significantly over the past 10 months. Institutional investors and larger syndicators have all but retreated from the market and this will unlikely change anytime soon unless realistic vendor expectations are realised and interest rates stabilise.

Whilst the consecutive interest rate rises have reduced buyer demand and price expectations and sale volumes have declined as a result, anecdotal evidence suggests that broad commercial yields have softened anywhere from 50 to 150 basis points depending on the asset grade, strength of the cash flow, location and the quantum price point.

Conversely, there are still a lot of cashed up wealthy investors who have been less reactive to the interest rate rises and yields for owner-occupier suitable properties have not softened to the same extent as the larger, institutional grade assets.

The owner-occupier market remains quite active and is less sensitive to the current interest rate environment. We expect this segment of the market will continue to transact and price levels will remain more stable as opposed to the investment market. Selling agents also believe this market will remain reasonably strong in some fringe precincts as there is a lack of quality stock on the market. As construction and fit out costs remain high and their pricing is volatile, established buildings that reflect below replacement cost will be viewed favourably by owner-occupiers.

The Brisbane office leasing market remains a tenant's market as vacancies remain high across most fringe CBD markets and landlords grapple with the new flexible work practices brought on by COVID. Many businesses are still seeking high quality office accommodation, and 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. This is very much at the forefront of the leasing market and this theme will continue in 2023.

Institutional investors and larger syndicators have all but retreated from the market and this will unlikely change anytime soon unless realistic vendor expectations are realised and interest rates stabilise.

Despite the vacancy levels, most quality office buildings have seen some face rental growth, largely for A-grade and better-quality B-grade office accommodation in the CBD and fringe CBD markets. This is likely to be a result of rising fitout costs (which are now commonly being included in new leases). Incentive levels have also edged upwards, with the result that effective rents are remaining relatively stable for A-grade office accommodation, however anecdotal evidence suggests that effective rents have started to marginally improve for these assets.

Secondary assets that have deferred capital upgrades are less sought after and vacancy rates will remain problematic for these assets moving forward. Landlords must reposition and upgrade these assets in what is a very competitive leasing market. It is likely that incentives in excess of 45 per cent will continue for larger office requirements.

The suburban leasing market has remained fairly stable during and since the pandemic and gross face rental levels have not increased in sympathy with the CBD and fringe markets. Modern office parks remain the most popular amongst tenants given their proximity to major arterial roads, good on-site car parking ratios and a cheaper alternative to fringe and inner-city markets. Face rents for modern buildings in these areas have increased in line with increased fit out costs.

In summary, there are still many uncertainties and challenges in the office market. In our opinion, the Olympic Games influence will remain a focal point for buyers and the precincts that will have a continued focus for buyers will be in and around Woolloongabba, South Brisbane, Fortitude Valley, Newstead, Albion and Hamilton. Despite interest rate pressures, the long-term outlook for Brisbane is strong and the Olympic Games influence is definitely starting to be seen. Strong population growth will likely continue to underpin the Brisbane commercial market.

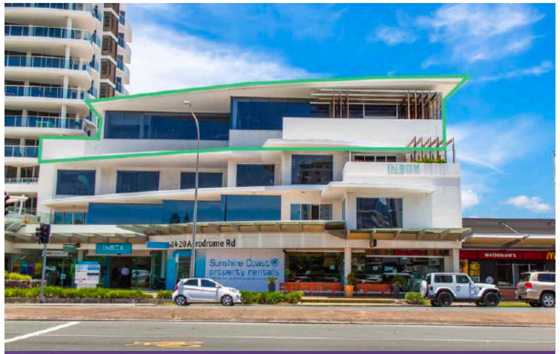
Alistair Weir
Director

Sunshine Coast

Off the back of COVID-19, the office market on the Sunshine Coast displayed a robust growth trajectory, driven by low interest rates, a dynamic local economy and a growing population.
While the Sunshine Coast is widely renowned for its appeal as a tourist destination, it has increasingly established itself as a sought-after hub for business with a diverse range of local and established national firms setting up operations in the region.

As is the case with many other asset classes, investors remain active, however they have generally re-calibrated their approach, bringing their desired returns in line with borrowing costs. As the cash rate has increased 10 consecutive times since May 2022 to 3.85 per cent, agents are reporting interest to typically be circa 100 basis points softer (sometimes more) than this time last year. It is difficult to gauge the full impact that rates rises have had as transactions have remained low to date. Evidence of softening yields however are reflected in a recent sale in Maroochydore. It was a 332 square metre modern office strata leased to an established local tenant on a 6+3+3 year lease which recently transacted for a yield of circa 6.5%. Prior to interest rates rises, it is believed that an asset of this nature and lease profile may have achieved a yield somewhere in the mid 5%.

Demand from owner-occupiers remains strong as a lack of supply continues to be an issue however increased borrowing costs are likely to flow through to this buyer profile as well.

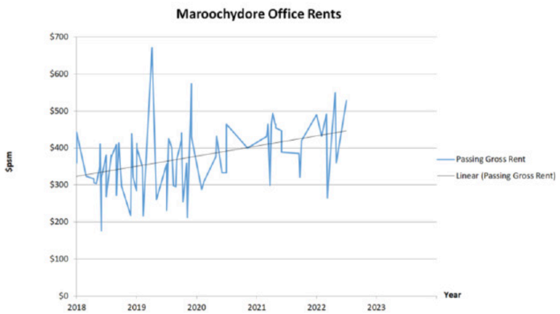


14-20 Aerodrome Road, Maroochydore Source: realcommercial.com.au

Demand from owner-occupiers remains strong as a lack of supply continues to be an issue, however increased borrowing costs are likely to flow through to this buyer profile as well. Consistent feedback from local agents highlights that investors and owner-occupiers alike have become abundantly more cautious comapred to 12 to 18 months ago. This is likely to continue due to ongoing economic uncertainty.

The Sunshine Coast is considered to have an undersupply of office space given the strong absorption experienced over the past few years. Vacancy rates across the Sunshine Coast currently sit at circa four per cent, with the majority of this being within older buildings in secondary locations. The lack of supply for prospective tenants has continued to put upward pressure on rental rates which may plateau as a consequence of increasing costs to business through macro economic impacts.

The following table drawn from market research based on the Herron Todd White rental database indicates the growing trend of gross rental rates in the Maroochydore office market:



Source: Herron Todd White

The developing Maroochydore CBD will provide the majority of future office supply however will be tenant-led, providing 160,000 square metres of commercial and retail space over the next 15 to 20 years. As this is a large scale and long term project, supply in the short to medium term will remain extremely low. This is likely to insulate the local office sector from ongoing macroeconomic uncertainties.

Jaydon McDowell
Associate Director

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Rockhampton

Throughout 2022, we saw a slight firming in the office market, with a preference for sub 300 square metre, modern, well located office accommodation with good onsite car parking. With supply of this type being constrained, it is expected that rents will remain firm and, in some instances, slightly increase in 2023. Rental demand is being driven by key sectors including professionals who service the greater central Queensland district, NDIS, allied healthcare, as well as major construction projects continuing to foster growth in the local economy and drive demand for office accommodation.

Owner-occupiers are also very active in the market with businesses expanding or relocating to better suited accommodation. Investors remain active in the market, particularly in the sub $2 million price bracket, however there remains limited offerings to the market. Yields have remained steady at 6.5% to 8.50%, however continued interest rate increases are expected to put upward pressure on yields at some point.

Opportunities remain property specific. The most likely opportunities are well located, dated accommodation which can be updated to modern office accommodation, although the major risks are associated with the costs to do so and the availability of tradespeople.

Greg Williams
Director

Gladstone

Gladstone's office market has been relatively stable with steady growth occurring as a result of increased demand for renovated and improved office spaces. Consistent with other smaller regional Queensland towns, there is a growing demand for smaller office accommodation (sub 300 square metres of lettable area), rather than large format office accommodation. There are a number of industry projects both underway and proposed which are driving some movement in the local economy. The year ahead should remain stable, however Gladstone has a cyclical history and should a number of large projects commence, this may change quickly.

Graham Gross
Valuer

Mackay

Demand for good quality office accommodation is improving and rentals have increased over the past 12 months. Agents report a shortage of good quality tenancies with lettable areas of 200 to 300 square metres available for lease and rentals rates have risen to around $400 per square metre per annum in some cases. Private business operators, government and government-funded tenants have been active in the market.

There is an oversupply of inferior quality ground-level offices and inferior quality upper-level tenancies with limited car parking.

There are no new office sales to report. At the time of writing, a contract of sale over a former office building at 188 Shakespeare Street has just been settled. The property is presently occupied by a pilates studio and chiropractor. Early reports indicate that the net yield will be consistent with the firmer yield levels observed over the past 12 months for commercial properties around the Mackay CBD.

Greg Williams
Director

Townsville

There was a moderate level of office sales in 2022 and quality investor stock is now limited. Transactions over the past 12 months reflected yields of between 5.75% and 8.50% with the analysis of investment sales not reflecting any notable yield softening thus far in 2023. The owner-occupier end of the market is clearly more buoyant, although demand now outweighs supply.

Downsizing requirements of certain businesses will ultimately create office churn, with vacancy rates likely to remain elevated for some time. Occupancy rates are tight in the premium grade sector which is typically underpinned by government tenants, traditionally requiring much higher levels of service and amenity. The balance of the private sector shows relatively elevated occupancy in the A-grade to B-grade categories. C- and D-grade premises are seeing little to no interest with many remaining vacant for several years, requiring capital upgrades due to elevated levels of obsolescence. There is continued pressure on landlords to upgrade vacant space to keep pace with the changing office environment and needs of

Yields have remained steady at 6.5% to 8.50%, however continued interest rate increases are expected to put upward pressure on yields at some point.

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tenants and also to minimize business disruption when tenants are relocating.

From a rental perspective, there is continued downward pressure on rental rates and inversely an increased ratio of incentive, now reaching 30 per cent in some cases with landlords eager to fill vacancies. Entry level tenancies are generally achieving gross rates between $150 and $250 per square metre. Remodelled and B-grade tenancies are typically achieving between $250 and $400 per square metre with the variance dependent on size, level of appointment, exposure and the nature and condition of improvements. Premium grade rents are typically circa $500 per square metre and are above the rental range within the private sector.

We note that current construction costs are at all-time highs which will inevitably impact any proposals for purpose-built form office buildings, ultimately retarding project viability. Development inputs are being structured around extremely high face rents and project related capitalisation rates which are set below current market parameters and potentially out of lockstep with the rising cost of debt, effectively creating a turbulent risk void between the two.

Whilst most property commentators see metro offices as a strong performer in 2023, the Townsville office market will remain relatively consistent throughout 2023. We envisage that the Townsville industrial sector will continue to outperform the local office market in 2023; simply, our economic drivers remain more aligned to the industrial side of the economy.

Jamison Sayce
Associate Director

Quality green star rated buildings in Cairns achieve high levels of occupancy due to their limited supply and achieve rent levels typically of $375 to $450 plus per square metre per annum gross.

Cairns

The Cairns office market is relatively shallow and has experienced limited new development. The last large office building constructed in Cairns was the state government office tower completed in 2010. There have been several smaller (sub 2500 square metre) tenant-initiated design and construct projects completed, however there are no known significant new developments in the pipeline.

The recent redevelopment of the former Masters building into the new Centrelink premises has made available some large areas in different buildings within the CBD, however there is limited demand for large tenancy areas at the moment, with demand being mainly for smaller quality areas, of which there are few available. An older 5,000 square metre building in the CBD was extensively refurbished and provided around 2,500 square metres of as new space to the market and is providing areas of any required size at around $400 plus per square metre gross.

Quality green star rated buildings in Cairns achieve high levels of occupancy due to their limited supply and achieve rent levels typically of $375 to $450 plus per square metre per annum gross. These figures have remained stable.

Lesser quality non-inner CBD and well exposed secondary space is in the $225 to $300 per square metre per annum rental range.

NDIS funding grants over the past two years appear to have driven rentals for secondary and suburban office tenancy areas. This funding has also increased owner-occupier activity in the smaller office market.

Investor demand remains strong but limited by a shortage of stock available to purchase.

Shane Quinn
Director

Toowoomba

Leasing demand for office space in the Toowoomba area is currently low to moderate and this appears likely to continue in 2023. Leasing activity over the past six months includes the relocation of Clifford Gouldson Lawyers and Namoi Cotton into the former Toowoomba Foundry at 259 Ruthven Street and the leasing of the former Suncorp call centre to a government department.

Office construction activity has been limited over the past two years which has reflected low leasing demand, increased construction costs and static rentals.

Owner-occupier demand continues to be strong with this market historically for smaller properties under 300 square metres.

Investor demand continues to be strong although the recent interest rate rises will likely result in a softening of yields in 2023.

Recent office sales of note:

122 Margaret Street, East Toowoomba

The property comprises a 4194 square metre site improved with a modern brick two level professional office building with a net lettable area of 2738 square metres. The property also has an 88 bay bitumen car park at the rear of the site. This was a vacant possession sale to a developer/investor. The sale price of $10 million equates to over $3652 per square metre of building area.

145 Taylor Street, Newtown Source: realcommercial.com.au

145 Taylor Street, Newtown

The property comprises a 1952 square metre site improved with a refurbished office of approximately 686 square metres, fully leased to two tenants with a WALE of 4.17 years. The sale reflects a passing net yield of 6.86%.

Ian Campbell
Senior Property Valuer

South Australia - Office 2023

Adelaide

The Adelaide office market is set for an influx of future supply with a total of 122,493 square metres of office space being introduced to the market over the coming years, elevating total office stock by 8.4 per cent. The increase in supply will be the main facilitator for increasing vacancy rates within the office market which is concerning given Adelaide's current vacant stock rate is the highest of all Australian cities. As reported in the Property Council of Australia's office market report, Adelaide experienced an increase in vacancy from 14.2 per cent to 16.1 per cent in Quarter 4, 2022, showing net supply exceeding net absorption within the market (Figure 1). The current levels of vacant stock are set to increase given this influx coupled with corporations being forced to make significant decisions regarding remote working dynamics.

The demand for prime grade Adelaide CBD office space remains strong in the current market with tenants continually proving unlikely to downgrade location, grade or fit out. This is substantiated by data published by CBRE Research indicating Australian office tenants throughout 2022 have shown an increase in average median net face rent of 9.5 per cent for relocations. Further data claims that close to one-third of tenants are paying 25 per cent higher in face rent per square metre post relocation. Adelaide CBD's B-grade stock showed positive signs with vacancy rates down from 18.5 per cent to 17 per cent in the six months prior to January 2023. Tenants are seeking more from the space they occupy, desiring offices of superior quality, amenities and ESG targets in order to retain and attract staff in an industry showing increased hybrid working environments. Irrespective of building grades, office spaces that ignore the importance of refurbishment will not prove resilient in an extremely competitive market with a surplus of supply.

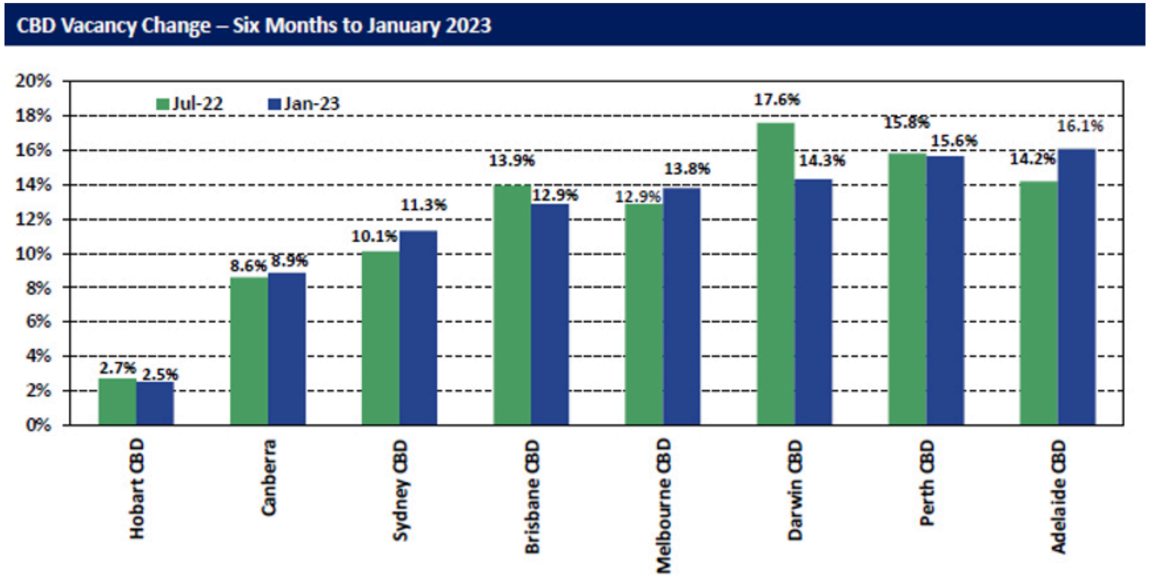

Figure 1 - CBD Vacancy Change Australian Cities (source: Property Council of Australia, 2023)

The Adelaide CBD office market experienced an annual growth of 5.1 per cent last year with prime net face rents increasing 2.6 per cent to an average of $439 per square metre. It is known that office rents typically keep pace with inflationary pressures in the economy and historically a correlation has been shown between the two variables in the long run. Furthermore, the Adelaide CBD average prime yields softened 25 basis points in Quarter 4 of 2022, bringing the prime yield range to 5.13% to 7% with a midpoint of 6.07%. It is expected that yields will continue softening throughout 2023 amidst a time of economic uncertainty and concern.

Chris Winter
Commercial Director

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Western Australia - Office 2023

Perth

The office property market in Perth is poised for a recovery in 2023. The city's strong economic fundamentals underpinned by a robust mining sector together with a renewed focus on sustainability are likely to boost demand for high quality office space.

The most recent PCA Office Market Report indicates Perth's CBD total vacancy rate was 15.6 per cent for the six months to January 2023, almost unchanged from that recorded in July 2022 (15.8 per cent). The West Perth vacancy rate however demonstrated positive movement, recording a total vacancy rate of 13.2 per cent, down from 15.3 per cent over the same period. New tenant demand from emerging companies in the mining and resources sector and professional service firms is considered to be a major contributing factor to this encouraging statistic.

Whilst this may prove to be the start of a recovery, there remains a visible vacancy factor in Perth's traditional office districts, particularly for non-premium grade accommodation. The level of occupancy, as opposed to vacancy, is proving to be a key statistical distinction in the performance of the office property sector given the work from home phenomenon. The hybrid working model appears here to stay and we expect companies to continue to reduce their workspace footprints.

From a leasing perspective, a two-tier market is clear as companies take advantage of the considerable incentives on offer to relocate to premium and A-grade accommodation whilst lesser grades languish, particularly in the fringe CBD markets.

Tenant demand for large-scale floor plates greater than say 500 square metres is anticipated to remain soft as prospective occupants demonstrate a preference for securing smaller premises, citing the resilience of the work from home movement. On a positive note, there was an uptick in activity in the smaller sub 500 square metre market segment towards the end of 2022 and we expect demand for tenancies between 250 and 350 square metres to remain buoyant. Availability of this stock in certain fringe CBD locations is however constrained.

A key trend to watch during 2023 will be the increased focus on environmental sustainability and energy efficiency measures from tenants and landlords alike. A growing number of tenants are targeting premises that meet their ESG principles. Landlords, keen to attract such tenants, are likely to retrofit buildings to incorporate sustainable design features such as solar panels and energy efficient HVAC systems, while also providing a heightened level of amenity.

Despite the succession of cash rate increases by the Reserve Bank of Australia since May 2022, any impact on capitalisation rates for leased office investment acquisitions is yet to be fully determined due to a lack of transactions since say July 2022. As always, there is a lag factor whilst the market fully digests the implications of interest rate rises on funding structures and income distributions. There has been very limited stock put to market in recent months and we anticipate owners will continue to hold tight in the short term.

Of the assets available for purchase, prospective owner-occupiers are likely to overlook large scale floor plates (greater than 350 square metres), so too prospective investors unless such properties are securely leased to established tenants on attractive terms.

Discussions with a number of industry participants suggest a disparity between yield expectations of buyers and sellers is likely to emerge in the coming months which may limit the number of transactions in the short term. Further, we suspect the minimal yield differential between prime and secondary assets that has characterised the market over the past 36 months will widen, impacting on transaction volumes, particularly for secondary assets.

At this stage, with a lack of transactional activity, it is too early to confirm what impact the interest rate rises may have but combined with other macro-economic headwinds, there are likely to be further challenges ahead. Nevertheless, with strong demand for high-quality office space driving new development and investment coupled with the city's strong economic fundamentals, the outlook for Perth's office property sector in 2023 is positive.

Greg Lamborn
Director

Northern Territory - Office 2023

Darwin

The release of the Property Council of Australia's annual Office Market Report in January revealed some interesting trends in the Darwin CBD office market.

Firstly, and most pleasing, was that Darwin is no longer the capital city CBD with the highest recorded office vacancy rate. The reduction in vacancy to 14.3 per cent is a welcome trend and brings Darwin CBD more into line with its cohort.

However, the overall vacancy rate tells only half the story. Virtually all that vacancy rate is in lower grade buildings. A quick survey of the A-grade and premium buildings in Darwin's CBD indicates that a prospective tenant would have great difficulty securing even 500 square metres of quality space within the CBD.

We therefore expect to see a continuation of the trend of a flight to quality where rents for desirable office space are under significant upward pressure, whilst buildings which offer a lower standard will continue to lag.

Another more positive feature of the report is the net absorption rate for the past 12 months of 8382 square metres, indicating continued demand for office space in the CBD. This is in contrast to some other capitals which have seen negative absorption. Part of the reason for this is the trend in those capitals of working from home, reducing office space requirements. That trend is much less evident in Darwin.

Traditional economic theory would suggest that rising office rents will eventually lead to new supply to meet that demand, however at a recent Property Council function it was suggested that a significant rental pre-commitment of $750 per square metre would be required for a new office building project to be viable. This is at least $100 more than current rental rates, indicating that further rental growth would be needed in this market sector before any new project would commence. The lack of cranes in the CBD skyline, excepting the new university site, tends to confirm this view.

Terry Roth
Director

However, the overall vacancy rate tells only half the story. Virtually all that vacancy rate is in lower grade buildings.

Tasmania - Office 2023

Hobart

Unlike the majority of the country, the office market in Hobart remains strong. The PCA Office Market Report February 2023 stated the Hobart vacancy rate as 2.5 per cent which is well below the national average of 12.5 per cent.

There are currently very limited options available for tenants and due to the high construction costs currently there is no new stock in the pipeline. Any potential new buildings would require an economic rent to stack up.

This limited stock within the CBD has resulted in some tenants relocating out of the CBD to fringe suburban areas.

Whilst the office market within Hobart is considered to be still strong, there have been very limited transactions of $10 million plus properties with the market very tightly held.

Owner-occupiers are currently driving the sub $2 million market.

As a result of the low vacancy, rents for quality A-grade office space have increased over the past couple of years and incentives for new leases are currently around 15 to 20 per cent.

Whilst working from home has had minimal impact on office vacancy yet in Hobart, tenants are certainly looking for more high-quality A-grade office accommodation with a good level of building services to appeal to staff.

Tamara Neilsen
Director

Whilst the office market within Hobart is considered to be still strong, there have been very limited transactions of $10 million plus properties with the market very tightly held.

HERRON TODD WHITE RESIDENTIAL

Residential

April 2023

National Residential Overview

We know that most consideration is given to the purchaser's budget and serviceability of the proposed mortgage, but what lies deeper beneath this in a buyer's thinking and motivations? Whilst there is no one single factor, community and lifestyle are increasingly at the forefront of thinking.

Purchasers are increasingly taking into consideration the position of a property in relation to public transport links, particularly in the larger eastern capital cities of Melbourne, Sydney and Brisbane. Being within a five to 15 minute walk of a metro rail station, agents tell us, is becoming

Potential residential purchasers may now return to the market with a renewed confidence, seeking out property be it close to a beach, a train station with city access or indeed with their tribe in their desired suburb.

a popular purchasing factor for the full range of suburbs, both inner and outer, as our cities continue to grow and road traffic becomes increasingly congested. Rail access not only provides a link to the CBD hub from home, but access to other parts of a city, be they major sporting grounds or to friends and family located in other suburbs.

In other cities, the lifestyle factors shift. For example, Perth, being the sunniest capital in the country and blessed with some of the world's best beaches (ok, I used to live there!), some buyers are motivated by the outdoors and being within close proximity to the coast together with desirable amenities of cafes, established schools and shops. Suburbs such as beach-fronting Scarborough and Mullaloo have transomed over recent years to be highly sought after for their coastal lifestyle.

Many cities and major regional centres have their own unique neighbourhoods built on a sense of community. Areas such as bohemian Fremantle in Western Australia, Brunswick in Melbourne and cosmopolitan Marrickville in Sydney are drawcards for purchasers who want to live amongst a like-minded community. This has recently informed government policy around growth, where in Victoria the idea of the 20 minute city has emerged.

Plan Melbourne 2017–2050 is the Victorian government's long-term planning strategy, guiding the way the city will grow and change until 2050. Plan Melbourne is supported by the principle of 20-minute neighbourhoods and is about living locally and enabling people to meet most of their daily needs within a 20-minute return walk from home.

Circling back to a purchaser's budget, the market has seen sustained downward pressure since the commencement of the interest rate raising cycle in May 2022. The latest data has revealed that inflation has peaked and is finally beginning to soften with the RBA signalling we may be near the peak of the rate cycle. Potential residential purchasers may now return to the market with a renewed confidence, seeking out property be it close to a beach, a train station with city access or indeed with their tribe in their desired suburb.

Perron King,
Director

National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.

Albany
Alice Springs
Bathurst
Broome
Canberra
Darwin
Dubbo
Mildura
Mount Gambier
Newcastle
South West WA
Tamworth
Toowoomba

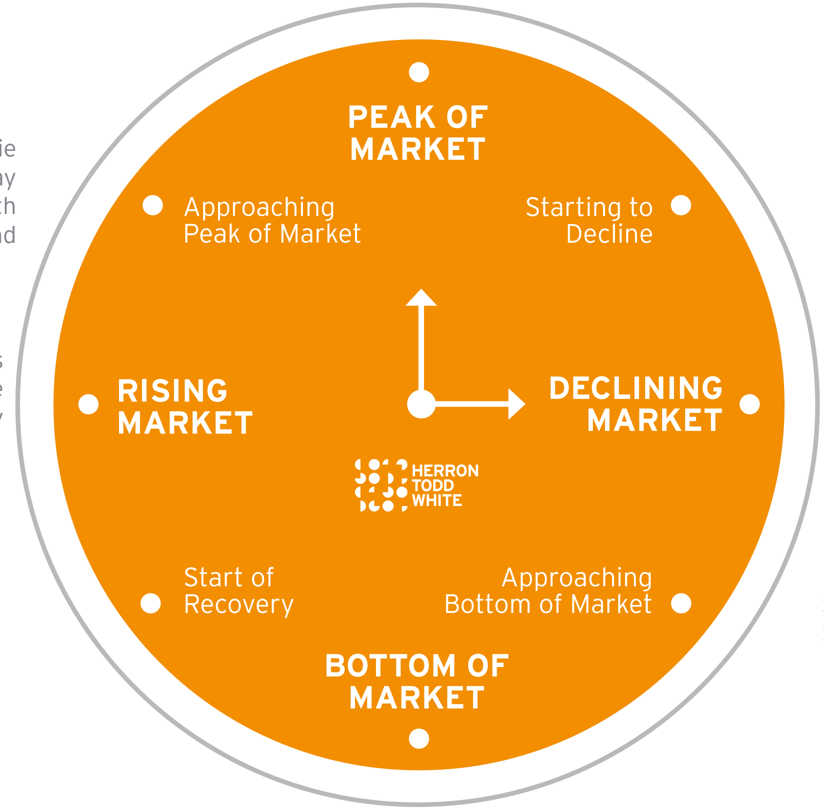
Adelaide
Adelaide Hills
Albury
Barossa Valley
Burnie/Devnport
Central Coast
Gold Coast
Launceston
Melbourne
Shepparton
Sunshine Coast
Wodonga

Ballina/Byron Bay
Brisbane
Coffs Harbour
Geelong
Hobart
Ipswich
Lismore

Illawarra
Southern Highlands
Sydney

Emerald
Esperance
Karratha
Rockhampton
Sthn Tablelands
Townsville
Whitsunday

Bundaberg
Cairns
Fraser Coast
Geraldton
Gladstone
Kalgoorlie
Mackay
Perth
Port Hedland



National Property Clock: *Units*

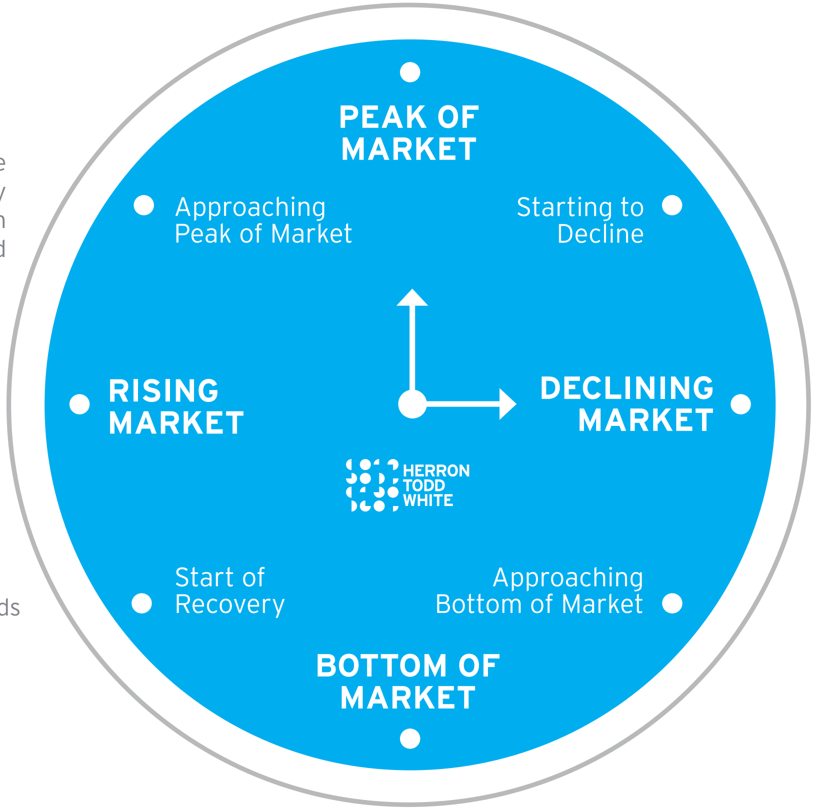
Entries coloured blue indicate positional change from last month.

Albany
Alice Springs
Bathurst
Brisbane
Burnie/Devnport
Mildura
Mount Gambier
Newcastle
Shepparton
South West WA
Tamworth
Toowoomba

Broome
Bundaberg
Fraser Coast
Gladstone
Kalgoorlie
Mackay
Perth
Port Hedland

Adelaide
Adelaide Hills
Albury
Barossa Valley
Central Coast
Gold Coast
Ipswich
Launceston
Melbourne
Sunshine Coast
Wodonga

Cairns
Darwin
Dubbo
Emerald
Esperance
Geraldton
Karratha
Rockhampton
Townsville
Whitsunday



Ballina/Byron Bay
Canberra
Coffs Harbour
Geelong
Hobart
Illawarra
Lismore

Sthn Tablelands

Southern Highlands
Sydney

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New South Wales - Residential 2023

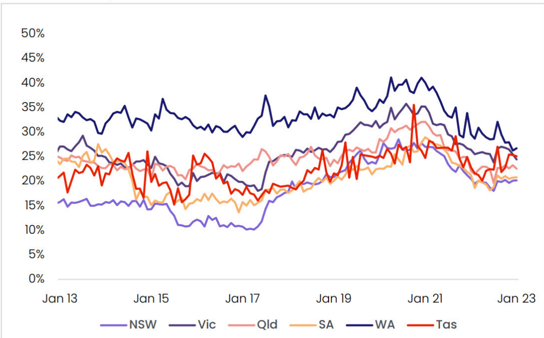
Sydney

Over the past 12 months we have seen Sydney property prices drop by nearly 14 per cent while rents have surged over the same period. These conditions generally would see both investors and first homebuyers becoming more active in the market.

Whilst improving rental yields have increased the appeal of residential property for investors, this has been offset by declining capital returns along with an increasing cost of finance. As we edge closer to the bottom of the current market decline, this could provide somewhat of a sweet spot for investors as conditions return to a period of both strong rental returns and increasing capital returns.

The other buyer type that usually becomes more active in the conditions we are currently experiencing is the first homebuyer. As property prices have fallen and rents have become less affordable, buying a home becomes an increasingly

First home buyers as a % of owner occupier housing finance commitments by state



Source: Corelogic

We have seen a slight increase in first homebuyer activity over the past six months, with first homebuyer financing making up 20.2 per cent of owner-occupier financing as at January 2023.

more attractive option. First homebuyers as a percentage of owner-occupier lending in New South Wales peaked in early 2020, declining through until mid-2022 as surging house prices made it more difficult for first homebuyers to get into the market.

We have seen a slight increase in first homebuyer activity over the past six months, with first homebuyer financing making up 20.2 per cent of owner-occupier financing as at January 2023. Government incentives for first homebuyers, including the New South Wales government's First Home Buyers Choice policy which allows first homebuyers to pay an annual property tax instead of an upfront stamp duty payment, are not yet reflected in these numbers and selling agents are reporting an increasing number of first homebuyers being active in the market.

Other buyer types who are not as affected by the sharp increase to interest rates are downsizers and prestige buyers, particularly in the over $10 million market. Whilst activity has still been somewhat subdued due to a lack of new listings, prices for prestige units and houses have held up significantly better than the wider market.

South-Western Sydney

The south-western property market is going through an interesting phase; never have we seen so many differing opinions from local agents on what the market is doing and what impact interest rate rises are having on the local market.

The general pattern we are seeing is that older style suburbs have seen a broad decline in values and interest. This has been due to investors pulling back from these markets and adopting a sit and wait approach. The plus side is that this has opened the door for first homebuyers to get back into the market.

An example of this includes an older style three-bedroom, one-bathroom home on 556 square metres in Macquarie Avenue, Campbelltown, which sold in February for $665,000. A similar product just three doors down sold in June last year for $680,000.

154 Macquarie Avenue, Campbelltown   Source: CoreLogic

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Another example is an older style three-bedroom, two-bathroom dwelling on 607 square metres which sold in January for $655,000. A smaller three-bedroom, one-bathroom house on 582 square metres on the same street, albeit with a renovated kitchen, sold in October 2022 for $742,000.

The modern housing estates close to services are still appealing to families who see value in these areas. These areas broadly appear to be holding value and in some instances, surprisingly, still exceeding sales from the past 12 months.

Some recent examples include:

- A circa 2018 four-bedroom, two-bathroom dwelling on 459 square metres in Claymore sold in February for $940,000. A very similar property around the corner sold last October for $920,000;
- A three-bedroom townhouse in Gledswood Hills sold in January for $837,000. A similar townhouse in the same complex sold last August for $815,000;
- A modern four-bedroom, two-bathroom home on 390 square metres sold in Leppington in February for $1.06 million. A very similar home which backs onto this sale sold in June 2022, also for $1.06 million.

Land has taken a double hit from interest rate increases and the increased cost of building. We have seen a five to ten per cent decrease in land values in new housing estates in the past six to eight months, however prices are still higher than this time in 2021, with an incredible uplift in land values in the preceding 12 months to April 2022.

A sale that perfectly sums up the land market in south-western Sydney was that of a 350 square metre parcel in Austral, which sold in January for $590,000. This same parcel sold in April 2021 for $470,000. Just six to eight months ago, similar sized parcels were selling for $640,000 to $670,000. The site itself was advertised for $630,000 to $670,000 and was on the market for 66 days with buyer interest below the peaks of 2022.

North-Western Sydney

The north-west is predominately made up of entry level family buyers and upgrading families.

An example of a typical entry level family area is Winston Hills. This suburb has dwellings mostly built from the 1960s onwards with a mixture of renovated dwellings and newer rebuilt homes. The median dwelling value is currently $1.35 million with a median rental value of $600 per week reflecting approximately 2.31 per cent. This lower yield is typical for owner-occupied areas as opposed to the higher yielding investment areas.

An example of a great family starter home is the recent sale of 11 Caledonian Avenue, Winston Hills. This property sold for $1.2 million in February 2023 and is a mostly original 1970s brick three-bedroom, one-bathroom dwelling on a 556 square metre corner lot. This is a great starter for a young family as they can add value to the property over time with upgrades to the kitchen and bathroom. It's also a short walk to local shops and schools.

11 Caledonian Avenue, Winston Hills Source: realestate.com.au

Upgraders within the area have a number of options with new homes on the north-west fringe such as Box Hill, Marsden Park and North Kellyville offering larger dwellings on smaller blocks ranging from around 300 to 500 square metres, with North Kellyville ranging from around 400 square metres to over 1000 square metres in some pockets.

A recent family upgrader home sold in North Kellyville on McMillian Circuit. This five-bedroom, three-bathroom dwelling on 492 square metres sold for $1.89 million in December 2022. It features quality inclusions and multiple living areas as required for families wanting a house upgrade.

We have seen a five to ten per cent decrease in land values in new housing estates in the past six to eight months, however prices are still higher than this time in 2021, with an incredible uplift in land values in the preceding 12 months to April 2022

13 McMillian Circuit, North Kellyville Source: realestate.com.au

Travelling further west along the fringe of the north-west of Sydney, you can find rural lifestyle buyers. These buyers are typically local upgraders wanting larger lifestyle blocks and larger dwellings. The range of property in these areas is wide. The most recent record sale is 17-19 Vineys Lane, Dural selling for $12.36 million in November 2022. This property is a large luxury dwelling with ten bedrooms, eight bathrooms and multiple living areas. Externally, it features an indoor basketball court, championship tennis court, inground pool, horse stables and fenced paddocks.

17-19 Vineys Lane, Dural Source: realestate.com.au

Entry level rural lifestyle properties starts from $1.7 million. For this price you'll get an older home on a mostly bushland block with powerline easements running over the parcel. An example would be 279 Galston Road, Galston selling for $1.635 million in November 2022.

Having high voltage powerlines running over the parcel is not the most sought-after feature but it does offer an entry point to the lifestyle market.

From Parramatta to Penrith you have a mixture of investors, first homebuyers and families. Within this area is Blacktown where the median unit price is $500,000 but the median rental yield is a higher 4.7 per cent which highlights the value on offer for investors. For $500,000 you can get a modern two-bedroom, two-bathroom unit with a single car space. We note 101/43 Devitt Street, Blacktown sold for $500,000 in December 2022 and is a prime example of what you can get for the median value in the area.

North Shore

The North Shore residential market has had an interesting 12 months, although it appears that we are in a period of stabilisation, with some sectors even showing some very positive results.

Due to the affluence of many suburbs on the North Shore, interest rates have had less of an impact on the market in general. In particular, the prestige market above $5 million has seen fewer declines in comparison to the general market, although it hasn't been all smooth sailing. We have seen upgraders active over recent months, moving to superior suburbs on the North Shore or upgrading the home itself. Obviously buying and selling in the same market rings true here, providing opportunities to upgrade while the market is relatively soft, with interest rates having less of an impact on buying power.

The new build sector of the North Shore market, as discussed in previous months, remains the strongest performer, with the upgrading buyer being a large reason for this. These upgraders don't want to undertake a project themselves due to time and risk factors and are willing to pay a premium for a quality finished product. Examples of these sales are most prominent on the Upper North Shore, with the recent sale of a newly constructed Meadowbank home in the suburb of St Ives selling for close to $7 million.

St Ives house Source: realestate.com.au

We are beginning to see some more activity from investors on the North Shore, particularly in the unit market. This has been the weakest performing sector since the start of the pandemic, impacted by tenants requesting rental reprieve, exodus of foreign students and the sudden pause on immigration. Things have changed dramatically over recent months, with the fundamentals returning to some sort of normality. Although

Due to the affluence of many suburbs on the North Shore, interest rates have had less of an impact on the market in general.

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interest rates do have a significant impact on investment, this has been somewhat negated by surging rental returns. Investor interest appears to be spurred by these strong rental returns and with the expectation that we are closing in on the peak of interest rate rises, we could potentially be at the start of an improving market in this prolonged subdued sector.

The downsizer market has remained a strong performer on the North Shore over recent months. Buyers in this sector have always demanded a high-quality product, most commonly within low density boutique developments in areas close to amenities and public transport. We are seeing numerous examples of these boutique style developments either under construction or earmarked for development, especially in the suburbs of Mosman, Neutral Bay, Cremorne Point and Kurraba Point. A prime example is the sale late last year of an over-sized penthouse in the middle of Mosman Village, with access to shopping, restaurants and a main bus service. This unit comprised approximately 200 square metres of living area, significant outdoor areas and elevated views over Middle Harbour.

Mosman unit Source: realestate.com.au

The coming months will be very interesting on the North Shore as we see a possible end to the current cycle of rising interest rates. Although the market is starting to show some early signs of life, there are many factors which will play into the overall performance in coming months, especially with the many different market sectors on the North Shore.

Northern Beaches

The Northern Beaches attracts a range of buyer types, including first-home buyers, families, downsizers, investors and prestige buyers. Many buyers are drawn for the same reasons, with a strong focus towards lifestyle drivers. These factors correlate with many of the key attributes buyers are seeking in a property. Several of the most sought-after properties are those with quality views, outdoor entertaining spaces and accessibility to local lifestyle features including local beaches, national parkland, the Pittwater Estuary and local shopping villages. Additionally, there has been an increasing demand for properties with home offices due to the rise of remote working.

There is a strong concentration of units in Dee Why, Freshwater, Mona Vale and Manly. Buyers can expect one-bedroom units to start at circa $600,000, while two-bedroom units can vary greatly depending on age, location and size, although the majority range between $800,000 and $1.1 million.

A recent example includes 1/16 Wyadra Avenue, Freshwater, selling in March 2023 for $895,000. Rental prospects are about $650 per week representing a typical opportunity for first-home buyers and investors.

The bottom end of the housing market is currently circa $1.5 million. These properties may not tick every box for buyers, but compromises need to be made and the properties represent entry level buying opportunities for families. The $2 million to $3 million range provides a number of housing options for families upsizing outside of prime locations including Manly, Freshwater, Curl Curl and Palm Beach. Buyers can secure a comfortable four-to five-bedroom family home in this price range in suburbs including Belrose, Frenchs Forest, Collaroy Plateau, North Narrabeen, Avalon, Mona Vale and Dee Why.

A recent example is 80 The Esplanade, Frenchs Forest, which sold in March 2023 for $1.55 million and represents an entry level product suited to families. The property is a modest circa 1960s, four-bedroom, two-bathroom dwelling with a two-car garage and inground pool.

80 The Esplanade, Frenchs Forest Source: realestate.com.au

Inner West

Homebuyers in the inner west of Sydney generally comprise a mixture of upgraders from suburbs further west or south of the Sydney CBD, homeowners who grew up in the area, as well as homeowners from more expensive parts of Sydney including the eastern and northern suburbs. Investors are also active however tend to be more dominant in the sub $1.5 million value range, which mainly comprises smaller houses and strata titled property. The area is attractive to people seeking to live in relatively close distance to the Sydney CBD and Sydney Harbour or Parramatta River

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Foreshore. Areas such as Newtown and Marrickville have in more recent decades developed into larger social hubs with the opening of multiple popular bars, restaurants and cafes.

In general terms, buyers from the east and north tend to be attracted to areas such as Annandale, Balmain, Birchgrove and Glebe, areas which share similar characteristics to the more family orientated suburbs in the north and east. These areas generally attract premium prices in the region as evidenced by the sale of a prestige Victorian manor house in Annandale which sold in October 2022 for $12.5 million. Buyers from these neighbouring regions tend to represent the upper market limit in these areas and houses situated near sought after schools tend to drive value. Another example is the sale of 8 Toxteth Road, Glebe in March 2023 for $4.87 million. This property is in close proximity to sought after schools.

8 Toxteth Road, Glebe Source: realestate.com.au

In contrast, areas such as Marrickville, Petersham, Leichhardt, Stanmore, Dulwich Hill, Enmore and Newtown have experienced a shift in the past two to three decades in regard to the type of homebuyers active in the area. Post-war migration from Western Europe and Vietnam were predominant in these suburbs until the 1980s and early 1990s. The types of homebuyers moving to the area today include working professionals seeking a short commute to the Sydney CBD as well as younger families and couples seeking to be close to retail, shopping and nightlife.

The first quarter of 2023 has been rather flat in comparison, however sale prices in recent weeks have been stronger than expected.

Given the significant capital growth over the course of the past two to three decades, buyers who grew up in the area are predominately priced out of the housing market unless they have received an inheritance or have invested in lower priced strata properties or smaller dwellings and upgraded to larger family homes. Being near railway and bus services as well as local retail strips are considered must-haves for current buyers in the area.

Investors and first homebuyers tend to be more dominant in purchasing strata titled property in the sub $1.5 million range. For many investors, being close to transport links is the must-have feature for any investment property, however being close to shopping villages in areas such as Newtown, Erskineville and Glebe is also a major factor in their investment decision. The current increases in the rental market are significantly impacting renters in this area, with rental prices increasing up to 30 per cent over the course of the past 12 to 18 months. This has further fueled investment demand in the area.

The area has experienced volatile capital growth over the course of the past two years, with 2021 experiencing record levels of growth whilst 2022 experienced a strong weakening in sale prices. The first quarter of 2023 has been rather flat in comparison, however sale prices in recent weeks have been stronger than expected. This has raised optimism in regard to capital growth prospects over the course of the next two to three years across all residential property in the region.

Inner Sydney

The inner Sydney market has typically been popular with investors due to a balance of strong rental returns and capital growth prospects, however a post-pandemic return to the office has led many homebuyers to return to inner city living as investors look to exit the market as a result of rising interest rate costs.

Agents are also advising that first homebuyers are active within the inner city, driven by the government's stamp duty incentives. These factors combined with a lack of stock are seeing prices under $1.5 million stabilise. The family home market has seen a slowdown in the pace of price declines, however is still experiencing some drops in line with the growing cost of borrowing.

First homebuyers often look to purchase in up-and-coming trendy suburbs, such as Surry Hills, Redfern or Alexandria. These areas are more affordable than some of their counterparts and have future upside for growth due to continued gentrification, infrastructure projects and development. Typically these buyers look for proximity to lifestyle amenities such as cafes, restaurants and transport hubs.

Upgraders often comprise young families looking for three- to four-bedroom dwellings with a low maintenance back yard space, situated within desirable school catchments but not too far from the city. Typically, these buyers find themselves looking at terrace dwellings in the suburbs of Paddington, Woollahra and Surry Hills. Good quality terrace housing in these areas is sought after and continues to fetch strong results.

However this market segment has been impacted by the growing cost of borrowing, as shown by the recent sale of 213 Underwood Street, Paddington, a three-bedroom, two-bathroom terrace on 124 square metres, which sold as rate rises began in May 2022 for $3.025 million and resold in February 2023 for $2.92 million with no internal changes. In the long term, capital growth prospects are solid, with Victorian terrace properties such as these being limited in supply and often presenting renovation opportunities.


213 Underwood Street, Paddington Source: realestate.com.au

Empty nesters and retirees often look for easy care properties and typically seek lock up and leave style single level strata properties with building managers or caretakers. Many of these are found around Darling Point, Double Bay, Edgecliff and Woollahra. Since the start of 2023 this market segment has been particularly quiet, as these buyers are often more experienced in timing the market. Capital growth prospects exist largely through renovation due to downsizer properties typically being tightly held and often in neat but dated condition.

Eastern Suburbs

First homebuyers are becoming increasingly active in the market and are generally singles or couples with an eye to good access to beaches, parks, shopping, restaurants and transport links. Bondi, Randwick, Coogee and Maroubra are popular suburbs for first homebuyers looking to purchase a unit, with one-bedroom units predominantly in the $600,000 to $800,000 range and two-bedroom units in the $750,000 to $1.25 million range in these suburbs.

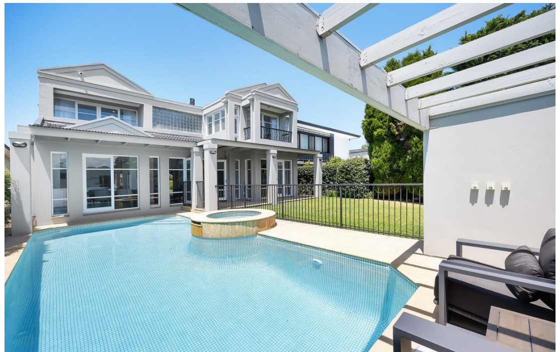
An example of a two-bedroom unit that would have been popular with first homebuyers is 4/96 Coogee Bay Road, Coogee, which sold in late December for $806,000. The 54 square metre, renovated mid-floor Art Deco unit, with one bathroom and no car accommodation is well positioned close to bus services, shopping and restaurants along Coogee Bay Road and just 750 metres from the beach.

For houses, first home buyers are more active in the southern part of the eastern suburbs, in suburbs such as Matraville, Pagewood, Botany and Mascot, with semi-detached houses starting at around $1.25 million and detached homes at $1.5 million plus.

A single level fibro home at 132 Sutherland Street, Mascot sold in March for $1.59 million. The property provides four bedrooms, one bathroom and single car space via a rear lane on 329 square metres of land and is positioned opposite a park. The property would suit a first homebuyer looking for a property that they could live in as is, but also providing the opportunity to rebuild in the future.


132 Sutherland Street, Mascot Source: realestate.com.au

Upgraders have still been active in the east with modern and renovated homes in suburbs such as Randwick, Bellevue Hill and Vaucluse remaining popular. Generally in the east, this is for houses in the $5 to $10 million range, however the $10 million plus prince point is where prices have held up best. This was evident in the sale of 34 Rosslyn Street, Bellevue Hill which sold in February for $12.46 million. The renovated five-bedroom, four-bathroom home with four-car garage, inground pool and some distant harbour views, previously sold off-market in October 2021 through a local agent for $11.25 million, in a similar condition.


34 Rosslyn Street, Bellevue Hill Source: realestate.com.au

The downsizer or empty nester market has also remained quite strong throughout the past 12 months, particularly at the upper end of the unit market, with this buyer less affected by interest rate movements as they use the proceeds of the sale of their family home to finance the purchase of their new unit. Harbourside suburbs such as Elizabeth Bay, Darling Point and Double Bay are particularly popular for this buyer type, as are the beachside suburbs of Bondi Beach, Bronte and Tamarama.

These suburbs are well positioned in regard to restaurants, cafes, shopping and transport links to the CBD, and unit buildings are increasingly designed with the downsizer market in mind.

Southern Sydney

Owner-occupiers have been a lot more active in the market than investors in recent times due to various factors such as the limited or negative capital growth outlook, relatively soft rental yields (although improving) and investment finance generally being more difficult for investors. Interest rates and other economic factors still have an impact on the owner-occupier market however there is still healthy demand from first homebuyers, upsizers and people looking to downsize. Interest rates generally have less of an impact on downsizers as they are typically only relying on minimal or no finance. First homebuyers and buyers looking to upsize are a lot more sensitive to interest rate increases and other economic factors such as employment levels and overall market confidence.

The lower end of the market (sub $1 million) is generally performing quite well and consists of apartments and entry-level villas and townhouses within the Sutherland Shire.

1/235 Kingsway, Caringbah (below) sold in March 2023 for $710,000 after being on the market for approximately 18 days. The previous sale was during February 2018 for $685,000.

1/235 Kingsway, Caringbah Source: realestate.com.au

Properties within the $1 million to $2 million range are also generally performing quite well, particularly for well-regarded properties in quiet streets, close to services, that present well and have various other fundamentals aspects. This segment of the market is heavily influenced by people looking to upsize from apartments to a house. You can get more bang for your buck in areas such as Engadine, Sutherland, Kirrawee and Sylvania although as you start to move east towards Cronulla, you won't get much change from $2 million even if it's a knockdown house. We are also seeing a clear shortage of properties for sale within this price range which is keeping prices steady in most cases.

A recent sale at 95 Jannali Avenue, Jannali, for $1.4 million after 22 days on the market initially had a price guide of $1.2 million to $1.3 million. This property comprises an older style three-bedroom fibro cottage plus a modern two-bedroom granny flat to the rear.

95 Jannali Avenue, Jannali Source: realestate.com.au

Market activity in the prestige sector (above $5 million) has been more subdued in recent months. This does not appear to be directly due to a lack of demand but rather due to the limited supply of quality prestige homes coming to market.

Looking at the next few months, we do not anticipate much capital growth, if any. This is particularly due to the cumulative effect of rising interest rates since last year, and other economic headwinds. On the other hand, the limited supply of quality properties for sale and reasonably healthy demand in certain market segments are likely to support a balanced market in the short term.

Shaun Thomas
Director

Clarence Valley

Across the Clarence Valley we have entered a quieter period with reduced buyer enquiry and lengthened time on market. We are undoubtedly in a state of uncertainty, particular if interest rates rise further placing forgotten financial pressures on homeowners.

At a glance, the buyer pool remains diverse with genuine buyers comprising: upgraders; downsizers; those relocating; first homebuyers; and renovators. Also, the cultural work from home shift is still evident, particularly in the more remote or idyllic localities across the Clarence Valley. Work from home? Tick. Walk to the dog beach at lunch? Tick. No traffic? Tick. What's not to love!

Unquestionably and not uncommonly, buyer confidence surrounding the prestige market appears to have eased, however the sub $700,000 and even moreso the sub $500,000, markets continue to be the most attractive and active. Whilst generally remaining more affordable than nearby cities or towns and within reach of stunning beaches, rivers and rural spaces, capital growth predictions are not foreseen to be of major concern. Albeit, times are changing and short term reporting will be of great interest!

Caitlin Davies
Property Valuer

Lismore / Kyogle / Casino

But I missed you at the Delta
Where the rivers run into the sea
And I'll miss you at the Delta
What's behind, I can clearly see
That beyond, that's beyond me
(Mumford & Sons - "Delta")

The current perspective of the local property market is a particularly vexing conundrum. Given the multiple interest rate rises of late, whether it be first homebuyers, upgraders or investors, they ALL are reticent about making a move to purchase or sell as "what is beyond" is difficult to see despite what is behind being "clearly seen".

But, as always, past performance is not necessarily an indicator of the future. Looking back, we see a slowing market since late 2022... however, in some areas and market segments, there seems to be improving trends e.g. rural residential and rural lifestyle property. Does that translate to future growth?

Will interest rates continue to rise? Will things settle down? Can I meet my debt servicing requirements after my three year fixed rate at 1.8 per cent expires?..... All very pertinent concerns.

So, who are the main players in the market purchasing residential real estate in Lismore, Casino and Kyogle?

Well, investors are very quiet with some having already sold prior to the market softening and looking to put their gains from the past three to five years into other investment vehicles. First homebuyers are more constrained by serviceability thanks to the upward trend in the interest rate level and even upgraders are thinking twice about going better. That leaves us with the side stepper and the newbie.

Maybe downsizing or looking for a more affordable property, the side stepper looks to sell and seek a similar if not smaller property within the same location or possibly further inland, for example, moving from Lismore City to Casino, where the market value is lower and thus, hopefully, banking any gains from a sale in Lismore City.

The newbie is simply that... a new person or family arriving in town for a variety of reasons, such as a new job, leaving the big city or change of scenery.

Typically, the majority of the properties being purchased are detached houses, although some units are favoured by the older generation looking to downsize.

Key locational features also come into play including schools, medical services, shopping etc. BUT the present focus is generally affordability.

If interest rates continue their march upwards and inflation persists, then the squeeze begins and affordability becomes sharply focused.

What are the prospects for capital growth in this region under the current economic climate and after some pretty horrendous environmental events over the past three years? Unclear.... As Montgomery Scott might say...

"The notion of predicting capital growth in this region after all that has happened is like trying to hit a bullet with a smaller bullet whilst wearing a blindfold, riding a horse... I cannae explain it better than that Captain!!" (spoken in Scottish drawl).

Vaughan Bell
Property Valuer

Coffs Harbour

In general we are seeing softening market conditions across the Coffs Coast, which is a direct result of interest rates reaching an 11-year high. Reduced borrowing capacity and an enhanced sense of caution being expressed by buyers has particularly slowed the quantity of transactions above $1 million. Marketing agents are reporting the Coffs Coast blue chip locations (The Jetty, Sawtell and northern beachside suburbs) continue to transact at strong levels, due to the restricted purchasing opportunities.

The fear of missing out previously exhibited by buyers has dwindled away, with buyers' outlooks shifting to display characteristics of fear of over paying. With less buyers and their new market outlook, secondary suburbs (Toormina, West Coffs

Harbour, Boambee East) are experiencing extended days on market and more commonly reductions in asking price. This is especially evident in dwellings which require extensive renovation works due to the ongoing shortage of tradespeople. Local builders are advising they are still backlogged with workloads secured in 2022, however are seeing a noticeable reduction in new workloads in 2023.

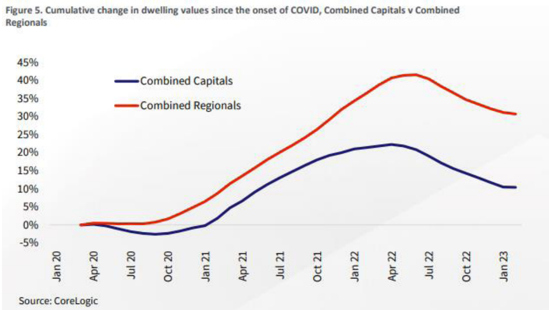
The area of the market which is showing signs of ongoing strength is the rental market; demand remains high with low vacancy rates. We consider the rental market will tighten further in 2023 and into 2024. This is largely due to an anticipated increase in demand for accommodation with major works due to commence in March 2023 on the Coffs Harbour Bypass, which is due to open to traffic in 2026. The delivery of the $2.2 billion bypass is expected to stimulate the local economy throughout the construction period.

While it is evident that market sentiment is down and conditions are softening, there is a strong outlook that with the relatively low level of supply in the region and the injection from the bypass, the region still provides a desirable lifestyle with some of the best beaches in the state.

Luke Paterson
Director

Tamworth

The performance of regional residential markets has remained stable in recent months, with the combined regions change in dwelling values since March 2020 sitting at 30.7 per cent higher (see graph below). New England and north-west dwelling values have grown 43.9 per cent since March 2020, the fifth highest regional market growth in the country for the three-year period from 2020.



Source: CoreLogic

Most regional New South Wales markets in the residential sector have shown signs of stabilizing and in some cases softening from the heights seen in mid-2022. Tamworth, within the New England and north-west, has seen a decline in property sales since the start of the new year, with house price values generally stabilizing. Limited listing stock has been a feature of the area for the past 12 months, along with a slight increase in selling periods within the last four months of the year which is now apparent.

Given the recent market movement, a stabilizing effect has now been experienced in most market segments. Domestic migration has eased to the region, which has had an impact on new home construction and upper market price segment residential markets. Homebuyer markets remain generally cautious due to the continued interest rate increases and cost of living pressures on household budgets.

Tamworth's two most active markets are the first homeowner and small acreage or hobby farm markets. The first home market has always been hotly contested. First homeowners are now armed with further assistance from New South Wales and Australian government schemes. Also, for now, it seems that investor activity has subsided in the area. First homeowners have typically flocked to suburbs of Tamworth such as South Tamworth, Oxley Vale and Hillvue, seeking property with established brick or weatherboard dwellings with price ranges from $400,000 to $550,000.

The small acreage market (less than 50 hectares in land size) in the greater Tamworth district has been arguably the most sought-after property type over the past ten-year period. Proximity to the Tamworth CBD, connection to services (power and water) and the ability to generate secondary income or taxation benefits have always been the driving factors. In recent years the strategic development of the South Tamworth precinct, together with the influence of the Australia Equine and Livestock Events Centre has elevated Tamworth to an equine and rural hobbyist hub. Areas such as Calala, Timbumburi, Nemingha, Loomberah, Duri, Gowrie, Goonoo Goonoo and Bithramere offer a beautiful rural lifestyle within 20 kilometers of the Tamworth CBD. Entry level for improved property in this market segment is around $1.2 million, with a premium being paid for property with a larger dwelling, good working improvements (sheds, yards, stables) and additional water allocation. A recent Ray White Tamworth auction saw two properties (both around 40

The small acreage market (less than 50 hectares in land size) in the greater Tamworth district has been arguably the most sought-after property type over the past ten-year period.

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hectares in land size) sell under the hammer. Both properties represented either end of the price range for the market segment (low to mid $1 million up to mid to high $2 million). Both properties had a good number of registered bidders with multiple parties being active in the respective auctions. Local buyers feature heavily in this market segment, with regional rural families looking to downsize also active in this market.

Overall, a health check for the Tamworth region is that property values are steady. The number of listings remains low, however properties are taking longer to sell in the current market. This has given buyers the time to do a more thorough pre-purchase due diligence and the ability to negotiate. We expect the market to remain stable in the coming months and homebuyers to remain cautious. In the event of further interest rate rises, there may be more chance of markets softening due to financial stress (i.e. forced sales).

Nick Humphries
Property Valuer

Newcastle

Over the past nine months, the market has reacted to the dramatic effect of ten consecutive interest rate rises to fend off inflation growth. Buyers are becoming increasingly aware of the financial burden this places on them as homeowners and more focus is on affordability rather than the aggressive decision making to buy a property above all else.

The desire to outbid the next person is now long gone and the wait and see approach is very much the negotiation tactic used by many buyers. Agents regularly report that buyers are interested but want to wait to see if someone puts in a bid before they commit, in the hope that if no other bid comes in, the seller will accept a lower offer than originally desired, saving the buyer some money.

This is the market that is showing signs of weakness; simply put, they can afford to buy, but want to wait and see if there's competition before bidding.

The buyer population is still varied, with young buyers keen to buy their first home and probably less experienced than in the previous years of over bidding. Their market is still the affordability segment and first homebuyers will generally buy in lower value suburbs.

Older buyers are reflective on the affordability calculation and more knowledgeable about what they can afford. They show some concern if interest rates continue rising. This is the market that is showing signs of weakness; simply put, they can afford to buy, but want to wait and see if there's competition before bidding.

The prestige market has cooled considerably with fewer properties available but also a lack of commitment from buyers due to the higher interest rates and the effect on mortgage payments as a one per cent interest rate increase will have a dramatic impact on their available income.

As we move through the current property cycle, many suburbs are noticing a fairly static property market of negotiable property prices rather than an upward shift and longer marketing times. There appears no difference between the higher valued popular beach suburbs and those on the fringes of the city. As this becomes a common trend, it clearly shows that it's market forces driving the market rather than buyers. From late 2019 to early 2022, it could be argued that buyers were driving the market.

Buyers generally are looking for ready to move in property at the current time as the building industry continues to have problems of supply and labour shortages. Most consider it a risk to buy vacant land or property for renovation due to the unknown costs associated with building new or renovating. This is particularly relevant when discussing new subdivision sales with agents who report a definite slow down in off the plan sales.

As we look to the future and rumours of interest rate rises possibly coming to an end towards the middle or later part of the year, the opportunity for capital growth is still a risky one to consider. Normal property cycles follow a trend of growth to weakness to stabilisation and this is the likely scenario for the remainder of the year.

As with all cases of what the market is doing and whether there are signs of good times ahead, here's a good example of a positive result after a longer than normal marketing period:

3 Berner Street, Merewether has recently agreed a sale for $9 million.

3 Berner Street, Merewether Source: realestate.com.au

The property is nicely located close to Merewether Beach and very well presented. Following a marketing campaign stretching back to November (rather than the usual "I've sold it off market to my client base") with clear signs of a weakening market and prestige buyers not wanting to commit, the sale price is one of the highest sales ever recorded in the area.

Darren Sims
Property Valuer

Central Coast

How many more interest rate increases will we see and when will they stop?

This seems to be the headliner when conversation moves to the local real estate market. Some are taking a brave approach and say they will continue as normal and push through the uncertainty to continue looking at where to buy; there seems to be an emerging shift in who holds the balance of power, with buyers seeing an opportunity to flex and assert their dominance at the negotiation table. Others are taking a moment to review their situations and opting to wait a while before moving ahead with their sale or purchase.

The real estate agents we are speaking with are also seeing this, but still doing their best to keep the market moving. But even so, many are coming to the realisation that the market has slowed.

Interestingly, there seems to a slight increase in valuations of homes where mum and dad are backing the kids in their purchases of property – going guarantor. Not overly obvious, but it is there.

Being located between the Sydney and Newcastle markets, the Central Coast region is uniquely placed to attract and capture those being priced out of the Sydney market while still wishing to be close for work, family or networks. The sale contracts we see indicate this is still playing a large part in the real estate market across the region. That said, it remains the case that locals are very active in moving across town or around the corner and staying close as upgrading or downsizing occurs.

The volume of sales in any particular part or segment within the region is as varied as the property types themselves. Commuters are found to prefer areas where access to the M1 Motorway is reasonably close. This can include the suburbs of Kariong, Point Clare, Umina Beach, Woy Woy, Narara, Killarney Vale and Berkeley Vale. Freestanding dwellings are the most common type of accommodation in all these area with villa type dwellings interspersed throughout. They are mostly older style in nature, but a considerable number of these have been renovated, modified or both and it is not unusual for purchasers to set about renovating older dwellings soon after they move in.

The newer suburbs towards the northern end of the region are proving to be particularly popular and this includes the suburbs of Woongarrah, Hamlyn Terrace and Wadalba. Typically, these areas are developed with single or two storey brick and tile homes with four to five bedrooms, a two-car garage and possibly a swimming pool. These areas and the attributes of the housing found are reasonably standard in the purchasers' minds and needs and in our opinion, offer good value for money.

As we move to the shopping and transit precincts, units make their presence known and these are very popular with commuters and investors. We know this to be the case from not only the chatter around the region's real estate agents, but also the sale contracts we see coming through when instructions are received to value a purchased property.

Speaking of investors, perhaps as a result of the tightening rental market, we are again seeing investors and owner-occupiers competing at the lower end of the market.

In this period of uncertainty of the direction interest rates will be going, we are being asked more often where values are heading. There is much to be considered in this, and yes, we have some sale reductions out there in the region, but overall we are still seeing the market moving steadily. the missing factor right now is the drop in competition amongst buyers and this could be translated to mean that the market is heading towards a stable period.

Syd Triggs
Director

Being located between the Sydney and Newcastle markets, the Central Coast region is uniquely placed to attract and capture those being priced out of the Sydney market while still wishing to be close for work, family or networks.

Illawarra

On 4 May 2022, the Reserve Bank of Australia (RBA) lifted interest rates for the first time in over a decade. Early signs of trepidation in the property market had already preceded this initial rate hike and the seemingly never-ending property boom quickly came to a halt. From record low interest rates, homebuyers now had to contend with the unknown. If they purchase their first home or upgrade to their dream family home, what interest rate will they be paying in six months' time? In 12 months' time? Or if they fix their mortgage for the initial period, what will their repayments jump to once the fixed period ends? These questions required a crystal ball to answer as the RBA put in place measures to stem record inflation.

It wasn't only interest rate hikes that were a concern to homebuyers. The broader cost of living has been putting pressure on households with spending on things such as groceries and utilities climbing significantly in the past 18 months. As a result, demand for property has been reduced as people have found themselves out of position to buy their first house or upgrade. But with declining property prices has come opportunity. For anyone in a position to still proceed with their purchase, they can now get more bang for their buck.

If we move down the greater Wollongong region from north to south, we can identify what type of homebuyers are most active in each market.

Helensburgh is often seen as a commuter suburb these days. It is common for Sydney-based buyers to enter the market here and first homebuyers or downsizers can buy villas for under $800,000.

The northern beach suburbs are where most prestige properties are found and the proximity to Sydney means this market is dominated by Sydney-based homebuyers, either making the move down or purchasing a holiday home. The market boom has lifted prices for some beachside properties above $6 million, while $2 million is a good starting point for families looking to upgrade.

Fairy Meadow to Woonona and in the hills around Balgownie is a broad market that appeals to all including first homebuyers ($500,000 for a unit; $850,000 for a basic house), upgraders (modern or renovated four-bedders from $1.25 million) and prestige property ($4 million plus).

The Wollongong CBD is dominated by rental units although it can be an entry point for young first homebuyers with one- and two-bedroom units available for under $450,000. Premium units are popular for retirees, being close to all services and amenities, with the top end of the market ($4 million plus) being very tightly held, although the sub market around $2 million still provides very comfortable unit accommodation.

Popular family suburbs close to the CBD include Mount Saint Thomas, Mangerton, Figtree, Cordeaux, Farmborough Heights and Unanderra. These areas are dominated by detached housing properties and main price points for these properties range from $800,000 to $1.5 million.

The market boom has lifted prices for some beachside properties above $6 million, while $2 million is a good starting point for families looking to upgrade.

The bottom of the market for housing tends to be around Cringila, Warrawong, Berkeley and south of the lake in areas around Warilla and Barrack Heights. With the dip in the market, older detached housing can once more be purchased for under $600,000. Being more affordable, these areas are popular with first homebuyers and renters.

New estates in West Dapto and Calderwood/Albion Park are very popular with families looking for a modern three- or four-bedroom home. Land size is usually traded for the benefit of a nice new home and typical houses on a 400 square metre lot go for approximately $950,000.

Purchasers in Flinders, Blackbutt and Shell Cove can cover the range of buyer types. Townhouses or older homes are within most first homebuyers' budgets, while there are plenty of nice larger family homes for upgraders. Even empty nesters and retirees find this area popular if it is a suburb that they have strong ties to and other family nearby.

Shell Cove continues to go from strength to strength with every few months another project opening its door, such as the Marina, the Tavern, new shops or parks. Being a new suburb close to the beach with plenty of amenity, entry point prices are high. The suburb has most appeal to upgraders trading in some equity and looking for a family home.

Down in Kiama, again we see broad appeal with pockets and property types for everyone. First homebuyers can get into the market with two-bedroom units available for under $600,000 and houses from under $900,000. You'll need at least $4 million to make a splash in the prestige market in Kiama.

Chris McKenna
Region Director

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Nowra / Shoalhaven

The effect of April's interest rate pause is yet to be felt in our market. That said, in March we saw the Reserve Bank of Australia hand down its tenth straight interest rate hike to lift the official cash rate by 25 basis points. Rising interest rates combined with high inflation, the increasing pressures on the cost of living and the recent New South Wales election resulted in fewer potential purchasers entering the residential property market in the Shoalhaven region. Local agents are advising that the market is continuing to soften and, in some sectors, declining market values are evident.

Due to the slowing market, all buyer types are reducing in numbers overall. This includes first homebuyers, investors, upgraders, retirees and out of town buyers. Agents are advising of lower clearance rates at auctions, fewer potential purchasers at open houses, less enquires and vendors having to reduce their expectations in order to meet the slowing market. It is noticed that in the past, the Shoalhaven residential property market has been more susceptible and volatile to declining and softening market conditions than that of other regions.

Investors seem to be the hardest impacted in the region by the slowing market. Agents are predicting that because of the increasing interest rates, there may be an abundance of investment properties on the market as the year progresses and not many future investors in a position to purchase these properties. We predict that first homebuyers and upgraders will still have a positive presence in the market. As more properties hit the market and with declining sale prices, this could be the ideal situation for a first homebuyer to enter the market.

It is also apparent that due to the current time delays and high construction costs in completing a renovation or extension, many young families are seeking to sell their current property and buy a larger property as opposed to completing a renovation or extension. This might also see upgraders keep a positive presence in the market similar to that of first homebuyers.

Out of town buyers seem to have declined in the market as prospective purchasers. This has affected coastal suburbs such as Huskisson, Currarong, Vincentia, Culburra Beach and Hyams Beach as many of these suburbs rely on out of town buyers to keep market activity strong. We believe any more future rate rises will continue to put downward pressure on property prices and thereby reduce, to some extent, all buyer types purchasing in the Shoalhaven residential property market.

Joshua Devitt
Associate Director

However the area's excellent proximity to major capitals, good schools and family-friendly environment continue to appeal to many people who enjoy hybrid working conditions fleeing Sydney and Canberra.

Southern Highlands

The residential housing market in the New South Wales Southern Highlands has experienced a rollercoaster ride in recent years. The COVID-19 pandemic brought about a unique set of challenges to the housing market, with interest rates, government policies and economic conditions resulting in some of the strongest market conditions the region had seen in years. At present, the New South Wales Southern Highlands is experiencing continued cooling market conditions, with interest rates driving the slowdown. As a direct result we are seeing minimal transactions, with a majority of sellers holding off listing properties unless circumstances force them onto the market.

In terms of the most popular towns in the Southern Highlands, Bowral remains the most sought-after location for buyers, thanks to its central location, lifestyle offerings and premium real estate. Moss Vale, Mittagong and Bundanoon are also popular, offering a range of properties at varying price points. Bowral, in particular, has seen a surge in demand, with buyers drawn to the town's charm, boutique shops and stunning gardens. It is evident that buyers are becoming fussy and although these main townships are still popular places to buy, houses in these areas must either be presented well or discounted accordingly in order to achieve a relatively quick sale.

Some towns in the area have not fared as well. The property market in the more marginal townships such as Wingello, Hill Top and New Berrima for instance, have slowed down in recent times, with fewer properties being listed and sold without significant adjustments to vendor expectations.

Overall, the residential housing market in the Southern Highlands is in a stable position, with the interest rate environment putting some pressure on the local market. However the area's excellent proximity to major capitals, good schools and family-friendly environment continue to appeal to many people who enjoy hybrid working conditions fleeing Sydney and Canberra.

Kurt Bismire
Associate Director

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Victoria - Residential 2023

Melbourne

If the RBA again raises interest rates, borrowing power will tighten further. First homebuyers are expected to struggle on their deposits and repayments, thus will continue to migrate to Melbourne's outer suburbs to source affordable houses.

Buyers with families may turn to established dwellings where amenities and schools are in close proximity. In a similar instance, retirees are looking to downsize into established dwellings where little to no work is required and amenities are nearby. There is opportunity for a diverse range of homebuyers to enter the market regardless of interest rate rises.

Melbourne CBD and Inner City

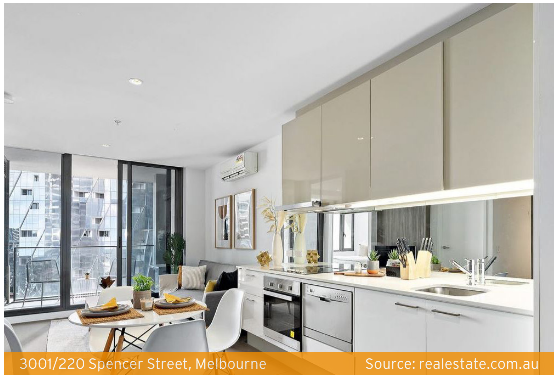
Melbourne's Central Business District (CBD) and inner city suburbs are filled with apartment complexes and residential dwellings. The area provides an inner city lifestyle where transportation, restaurants and other amenities are plentiful.

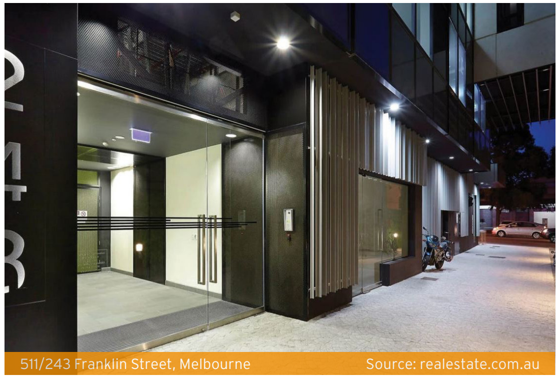
In Melbourne's CBD, homebuyers are a mix of investors and professionals working in the city.

Investors can take advantage of house prices declining in the suburbs as prices are still yet to bottom. As a result, rent is rising and gross rental yield is increasing. Melbourne has seen a median rental price for units of $530 per week, up 39.5 per cent over the past twelve months.

Currently on the market is this two-bedroom unit with one bathroom listed at $650 per week.


511/243 Franklin Street, Melbourne Source: realestate.com.au


3001/220 Spencer Street, Melbourne Source: realestate.com.au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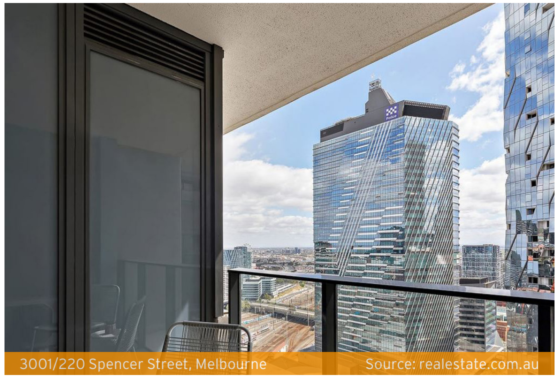
3001/220 Spencer Street, Melbourne Source: realestate.com.au

Professionals, young adults and couples with no children are drawn to inner city living for the enjoyment of its vibrant nightlife, social scene and proximity to work. In Melbourne the median price for a two-bedroom unit is $620,000, six per cent higher than twelve months ago.

A unit in Melbourne with two bedrooms and one bathroom is currently listed for sale for $425,000 to $440,000.

South East

In Melbourne's south-east and Peninsula regions, buyers are exposed to a range of property types. Buyers have the opportunity to purchase house and land packages, mansions along the coast, units and townhouses and established homes across the region.

In suburbs such as Clyde, Cranbourne and Officer, there are lots of opportunities for first homebuyers.

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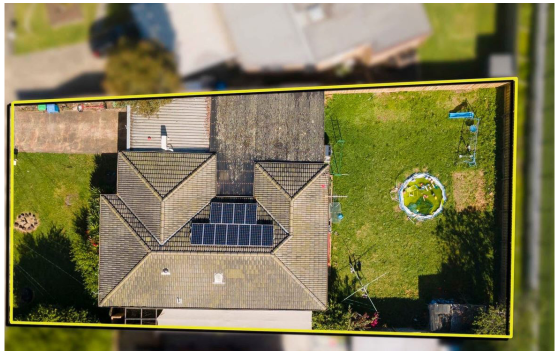
These suburbs are attractive as they provide a family-friendly lifestyle with parks, schools and new amenities.

As new estates are continuing to open or expand, first homebuyers can take advantage of securing a brand-new home using house and land package offers in conjunction with the Help to Buy program or the First Home Guarantee scheme.

In Cranbourne, the median sale price is $661,050, which is up 4.9 per cent in the past twelve months. The listing of 13 Farrer Close, Cranbourne, VIC 3977 is at $599,000 to $658,000 which includes four bedrooms, two bathrooms and two garage spaces, ideal for a small family.



13 Farrer Close, Cranbourne Source: realestate.com.au

13 Farrer Close, Cranbourne Source: realestate.com.au

In an opposite position, retirees looking for a lifestyle change are turning to properties on the Mornington Peninsula in suburbs such as Rosebud and Sorrento. This homebuyer group is looking at the Peninsula for a holiday home or a place to reside. These homebuyers are typically not facing the same challenges of acquiring a deposit as some retirees have gained significant amounts of equity in their principal place of residence and so are in a position to relocate and downsize comfortably.

A typical small house in Rosebud with three bedrooms, one bathroom and three car garage is listed at $680,000 to $720,000.

41 Woonton Crescent, Rosebud Source: realestate.com.au

41 Woonton Crescent, Rosebud Source: realestate.com.au

East

Despite the April pause in interest rate rises, the RBA's decision to raise interest rates for a tenth consecutive time in March continued a reduction in sale prices and market activity observed throughout most of Melbourne's east.

Outer suburbs such as Croydon, which is predominantly sought after by young families, appear to have been particularly burdened by increasing mortgage costs, with the median house sale price falling to $880,000, down 4.9 per cent from this time last year. Despite this drop in value, a number of indicators still point towards strong market demand with houses remaining the preferred dwelling type across the board, spending approximately 25 days on the market.

Not all areas have demonstrated an adverse response to the current inferior economic conditions, with a number of inner-eastern suburbs experiencing fairly consistent price growth since the RBA's first rate rise in May 2022. This has particularly been the case for suburbs with largely older populations.

Balwyn has seen a median house price growth of 6.5 per cent over the past 12 months, bringing it to $2.96 million, its highest price on record. This lack of response to adverse economic pressures can in part be attributed to the fact that a large number of homes owned in Balwyn and other well-performing suburbs are owned outright, so market participants are immune to the mortgage stress seen across most of the country.

At its current trajectory, it's likely we will see continued price drops throughout the outer-east, particularly if the demand for houses from young families begins to fall in conjunction with the rise of interest rates and cost of living pressures. This could result in increased demand for units and apartments from those exploring more affordable options.

The seemingly unfazed affluent suburbs in the inner-east are expected to continue to preserve their primarily strong market performance and values.

27 Banool Road, Balwyn, sold 11 March 2023 for $2.7 million Source: ???

Inner and Outer North

The homebuyer market has most certainly been fluctuating over the past several months. This is due to the drastic turns the economy has taken in the past six to twelve months. For one, increasing interest rates have essentially scared off potential homebuyers from purchasing a home. As a result, these buyers are deciding to rent or stay in their current place of residence. In addition, inflation has also impacted homebuyers' decisions as they have less money left in their pockets at the end of each month, which results in a lesser ability to make mortgage repayments.

The homebuyer market in Carlton has seen a noticeable downward trend for those wanting to purchase apartments or units versus those who want to buy a house. Houses are currently the property type being purchased in the inner and outer north as there has been a light growth of 1.7 per cent in the past 12 months. Buyers can expect to pay approximately $1.525 million for a house in the area. For reference, the graph below shows the rate at which homebuyers are buying in Carlton.

Carlton's median price trend Source: realestate.com.au

In contrast, units and apartments in the area have had drastic declines in prices of 10.3 per cent in the past twelve months, to where the median unit or apartment price is $457,500. Apartments have displayed very little capital growth in the past five years in Carlton unless purchased during the COVID dip.

However, despite declining prices, this property type still displays a healthy rental yield of 5.7 per cent (realestate.com.au) which may attract investors looking to purchase purely for renting purposes or buyers who want to enter the property market on a lower budget.

Meanwhile, outer suburbs such as Donnybrook show prospects for capital growth. An example of a home with typical fundamentals is this house currently listed for $660,000.

2 Sodium Street, Donnybrook Source: realestate.com.au

Ultimately, Donnybrook is able to provide a place of residence where house prices have increased by eight per cent in the past 12 months, and it is able to cater to homebuyers looking for more space for a far cheaper price and as a bonus, provides the potential for great capital growth.

Western Suburbs

With uncertainty surrounding the economy due to continued interest rate rises, the property market in the western suburbs has faced a plateau and now a decline in prices. The decreases people have seen in their borrowing capacity along with the cost of living are contributing factors to the regression of house prices.

While the unemployment rate continues to remain at low levels, wages are unable to keep up with the inflation rate, severely limiting people's capacity to save and service a loan. In the west in suburbs such as Tarneit, Truganina and Deanside, this is affecting the first homebuyer's market in purchasing existing homes as well as purchasing land and building homes.

Construction costs and labour shortages are still playing a factor in these areas. Tarneit, Truganina and Deanside have respective median prices of $650,000, $660,000 and $620,000 allowing

The decreases people have seen in their borrowing capacity along with the cost of living are contributing factors to the regression of house prices.

RESIDENTIAL

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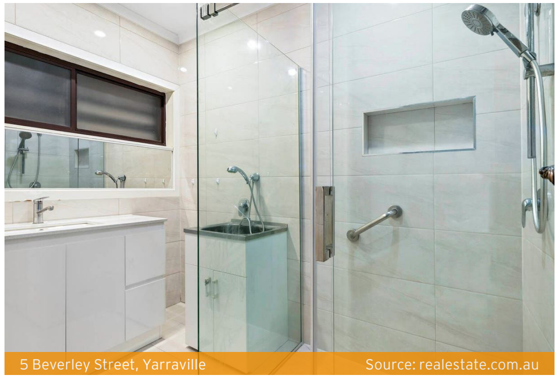
5 Beverley Street, Yarraville Source: realestate.com.au

5 Beverley Street, Yarraville Source: realestate.com.au

prospective first homebuyers an opportunity to enter the market.

While these areas are providing opportunities for first home buyers, established families or upgraders can find value in areas such as Yarraville with a median value of $1.23 million and Williamstown with a median value of $1.615 million. Both areas have shown a decrease in median price in the past six months.

This five-bedroom, two-bathroom property at 5 Beverley Street in Yarraville sold recently for $877,500, well below the median value of the area and representing a great opportunity for capital



5 Beverley Street, Yarraville Source: realestate.com.au

growth prospects over the coming years.

Geelong

Despite the RBA pause on rate rises in April, the long run of prior increases resulted in a tightening buyers' borrowing capacities.

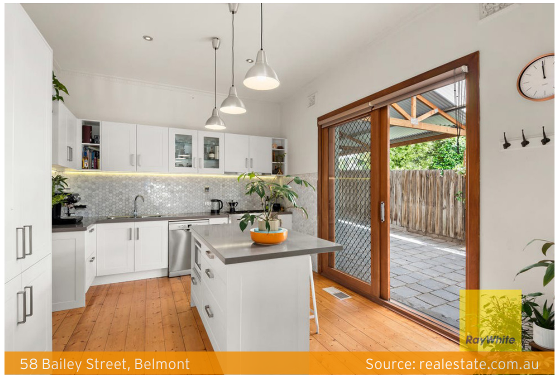
It has been seen that first homebuyers benefit from purchasing properties within the $600,000 to $750,000 range, with further benefits coming from building new dwellings. Given this, developing suburbs such as Charlemont, Mount Duneed and Lara appear to have been the suburbs of choice over the past 12 months; these suburbs are recording median house prices of $640,000, $750,000 and $715,250 respectively.

Additionally, established suburbs such as Grovedale have been known to allow for prospective buyers to enter the market with median prices recorded at $700,000.

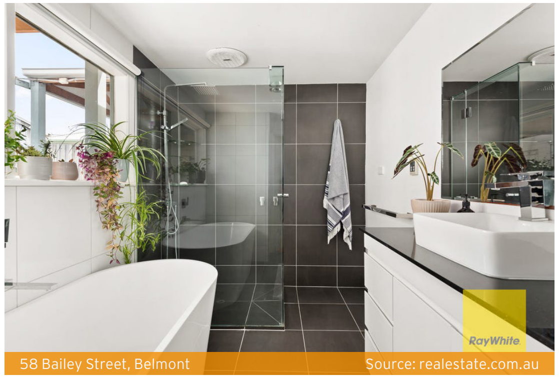
Established families with more power to spend remain the prominent buyers within the inner suburbs of Geelong such as Newtown, Geelong West and Highton. All three suburbs recorded median sales north of $900,000 throughout the past year.

The prestige buyers in the market appear to be

58 Bailey Street, Belmont Source: realestate.com.au



58 Bailey Street, Belmont Source: realestate.com.au



58 Bailey Street, Belmont Source: realestate.com.au

searching for properties along the Great Ocean Road. Lorne recorded 29 sales in the past year with a median price of $2.05 million whilst Anglesea recorded 58 sales with a median price of $1.705 million.

For prospective buyers looking for capital growth, the established suburb of Belmont appears to be the most promising. Belmont typically has properties offering land north of 400 square metres, whilst prices have decreased to a median of $730,000. An example is 58 Bailey Street, Belmont, a three-bedroom, 665 square metre dwelling that sold for $700,000. Should interest rates decrease towards the back end of 2023, buyers may experience great growth as Belmont increases to match neighbouring suburb prices.

Perron King
Director

Mildura

There will always be people looking for a roof over their heads, whether it be first time homebuyers, people relocating for work or retirement or people simply looking to upgrade to a bigger or better home that is better suited to their needs and wants.

Rising interest rates has had the desired effect of reducing borrowing capacity, with agents reporting that some buyers in the first group (first homebuyers) and last group (upgraders) are having to reduce their budgets. This has slowed sales activity with properties now taking longer to sell and vendors having to adjust their expectations down a bit.

The middle group, those relocating for work or retirement, are possibly less affected by rising interest rates, given they are likely to be buying and selling in the same economic conditions, however this group can also now take their time to decide and negotiate a little harder, given the slowing market.

Despite these factors there is little evidence yet of house values dropping in the Mildura region. This is in part due to reduced supply, with upgraders possibly less inclined to list their existing properties once they realise they cannot afford to borrow as much as they may have originally intended.

Agents are reporting they are still receiving interest from buyers and sales are still occurring, but selling times are now increasing to usually over 30 days, which is not dissimilar to a normal market. The real test will be if we start to see rising volumes of listings in coming months.

A price range of $475,000 to $550,000 will buy a modern three-bedroom home in a better part of Mildura or surrounding town. The entry level for an older style dwelling in a less preferred location is around $275,000. With the constant media attention on the impact of higher interest rates, buyers in the current market won't be expecting any capital gain in the short term, however this will not deter owner-occupiers.

Graeme Whyte
Director

Warrnambool

The city of Warrnambool is a large regional centre and as you might expect, it's a market that features homebuyers in all their demographic or categorical forms. However, two groups have become more prominent in recent years according to a number of agents: those in the retiree group and those planning to retire in five years.

Outside the city boundaries there has been a noticeable movement of first time buyers and upgraders towards lifestyle areas and satellite townships such as Allansford, Woodford and Koroit.

The suburbs of Woodford and Bushfield provide the opportunity for the well-resourced upgrader to live on a larger allotment, generally ranging from one to four acres, with a larger dwelling and extensive shedding or storage usually featured. Property in these areas with an existing modern dwelling tend to comprise an above average design and fit-out. Entry to these areas begins in the high $800,000 range with cheaper alternatives found to have much smaller sized property areas.

Exemplified by the sale of 6 Clara Court Woodford, VIC, 3281

There will always be people looking for a roof over their heads, whether it be first time homebuyers, people relocating for work or retirement or people simply looking to upgrade to a bigger or better home that is better suited to their needs and wants.

6 Clara Court Woodford Source: corelogic.com.au

Selling in November 2022 for $1.35 million, 6 Clara Court provides a modern, architect-designed dwelling sited on 8,500 square metres with established horse infrastructure (internal fencing, round yards and the like) as well as a lock-up four-bay shed.

The township of Koroit provides a good mix of offerings for first time buyers priced out of the Warrnambool, Dennington and Port Fairy markets. Koroit is a great township for families with standard family homes comprising three to four bedrooms, two bathrooms, two living spaces and double garage set on a 600-something square metre

26 Keane Street Koroit Source: corelogic.com.au

allotment being a popular choice. With prices for such properties sitting in the low-to-mid $600,000 range, this is a good value for money purchase by young families.

The sale at 26 Keane Street, Koroit, demonstrates the style and standard of a basic modern family home in Koroit.

This four-bed, two-bath, two-car home on 628 square metres of land sold in December 2022 for $660,000

Mount Gambier

Mount Gambier's real estate market is still performing well despite previous interest rate hikes and economic uncertainty. Agents have advised they have seen a decrease in interstate investment, however are also still seeing high volumes of local investors and homebuyers active in the market.

The market in Mount Gambier attracts mixed demographics as it is still affordable to first homebuyers, investors and retirees compared to nearby regional centres such as Warrnambool. Demand is predominantly for detached dwellings within the city limits, particularly dwellings that have been updated. We are also seeing increased sale prices for modern properties on the city fringe. We presume this is due to the increased price for materials and labour in the building sector as well as increased delays in build time start to finish.

An example of a modern house that resold in the past 12 months is 5 Greenridge Drive, Mount Gambier. This is a four-bedroom, two-bathroom, two-car garage home built in 2008. It sold in 2021 for $440,000 and resold this year for $610,000.

5 Greenridge Drive, Mount Gambier Source: Corelogic

Another example of a centrally located older property that has been renovated is 5 Franklin Terrace, Mount Gambier. The property has three bedrooms, one bathroom and a one-car garage. It sold in 2019 for $283,000 and has just sold for $430,000.

5 Franklin Terrace, Mount Gambier Source: Corelogic

Overall, our market has seen strong capital growth over the past 24 months. We expect the market to remain relatively stable in 2023.

Adrian Castle
Director

Queensland - Residential 2023

Brisbane

Not to put too fine a point on it... but our city has it all. Perfect weather, easy access to glorious beaches, tolerable rush hours and big city cool with small city sensibility – and all this comes with relatively affordable housing too!

For all intents and purposes, we should be the homebuying capital of the nation. This notion is supported in some measure by our very strong net internal migration number too.

But we are also being impacted by those broader economic factors affecting every Aussie property market. The push-me, pull-you sway between rising interest rates, low unemployment, high renter demand and low housing supply. As such, digging into the topic of homebuying in a geographic way makes good sense because it picks up the nuances of location.

Here's how things sit in compass points around Brisbane at present.

Inner Suburbs
The inner suburbs are a composite of micro-markets performing at varying speeds.

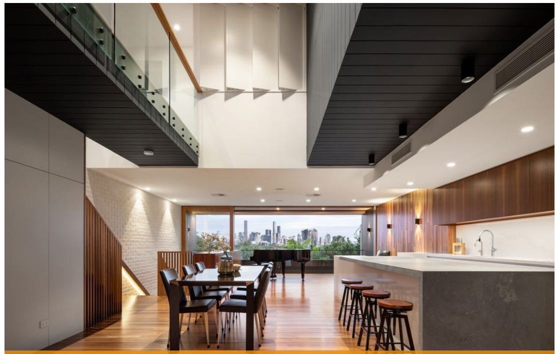
Renovator-style properties and vacant land are both seeing slightly softer values no doubt due to increased building costs and construction time delays. Conversely, completed homes that require no further maintenance or upgrade are keenly sought by homebuyers. They simply want to move in and enjoy. This is premium property at the moment – close to the CBD and with great schooling and other infrastructure all within reach.

Tenants want to avoid the uncertainty of finding and keeping a rental, so they choose to purchase what they can afford instead.

Interestingly, one of the stronger performers right now is attached housing. Units offer a relatively affordable alternative to renting in many of the near-to-CBD suburbs. It's seen unit prices strengthen throughout the past 12-months or so. The apartment market has experienced growth across both owner-occupier and investor stock too, an indication that even those units designed for investors are gaining some interest from owner-occupiers as well. This is most likely a function of the extremely tight rental market. Tenants want to avoid the uncertainty of finding and keeping a rental, so they choose to purchase what they can afford instead.

Another sector doing well is prestige property. Many buyers in this sector seem resilient to rising interest rates. Prestige properties in the inner city are undersupplied and have strong fundamentals. Good quality properties completed to a high standard in well-regarded blue-chip areas are selling at a premium over renovators with lead times and unknown construction risk at present.

A good example is 98 Howard Street, Paddington which sold for $4.45 million at auction in February this year. This is a five-bed, three-bath, three-level home constructed by renowned builder Graya and positioned high on the crest in one of the suburb's best streets. The property previously sold for $3 million in 2019, so this recent sale reflects a 48 per cent gain on that earlier price.



98 Howard Street, Paddington   Source: realestate.com.au

98 Howard Street, Paddington   Source: realestate.com.au

Our overall view of the inner-city market is relatively strong, but in the short term there's still some risk of price softening. Buyers would do well to have a long-term mindset. Look to hold your home through a property cycle or more (i.e., at least seven to ten years) and you will probably come out the other side happy that you purchased when you did.

Southern Mid-ring Suburbs and Bayside

As with other locations, interest rate increases have had purchasers recalibrating their buying budgets and property tick lists. This has translated into longer selling periods and less urgency among buyers, but values have held up in many cases.

Units are holding steady as affordability sees first homebuyers look to get onto the property ladder by switching their focus away from detached housing. The sweet spot for many of these homebuyers appears to be townhouses. A townhouse allows a relatively affordable price point compared to a detached home and usually comes with a courtyard and a smaller body corporate than in a unit block. This market has performed well over the past 12 months.

Some first-time buyers are even looking at homes that would benefit from a little improvement. For example, you can secure a "tired" home for around $650,000 to $750,000 in Wynnum and Manly West, while in Carina or Carina Heights the buy-in price for a renovator sits around $750,000 to $850,000.

Other buyer demographics such as upgraders, empty nesters and retirees are seeking lifestyle as part of their home purchase. Properties that are close to the bay and are newer or renovated will fetch $1.4 million in our waterside suburbs. Must-haves for family buyers will be proximity to schools, while all buyer types like to be near shopping and public transport.

We believe the prospects for capital growth are good on the bayside. Gentrification is helping fuel further demand among families and young couples, which will only continue to boost the region's prospects.

We've seen some interesting resales of late that hint at the strength of this market, including:

- **33 Melville Terrace, Wynnum** sold in May 2022 for $1.4 million and then resold for $1.455 million in January 2023. That's a 3.9 per cent increase in just eight months. This property is in the sought-after The Terraces location too.
- **47A Gannon Avenue, Manly** sold in June 2022 for $800,000 and then resold for $830,000 in November 2022 reflecting a 3.75 per cent increase in five months. While Manly is a desirable address, the home did back onto a train line which would have been considered a negative by most buyers.
- **202/48 Bride Street, Wynnum** sold in June 2022 for $920,000 and resold (currently under contract) in December 2022 for $1.04 million, which is a 13 per cent increase in six months. This property is a modern unit in good proximity to Wynnum retail and esplanade but has no water views.
- **6 Maple Court, Carindale** sold in February 2022 for $1.45 million and has just resold in March 2023 for $1,531,888 which is 5.65 per cent increase over 13 months. The sellers completed minor renovations in between buying and selling. That said, it's a positive result in what was generally considered a negative year for Aussie property.

Some first-time buyers are even looking at homes that would benefit from a little improvement.

33 Melville Terrace, Wynnum Source: realestate.com.au

Outer Southern Suburbs

In our outer southern suburbs, the team is reporting a softening in home values since September 2022. Investors continue to dominate the Logan Reserve and Park Ridge markets. An example is a recent sale our valuer spotted for a circa 2018, four-bedroom, two-bathroom property for $570,000 which will generate $550 to $600 per week which equates to a yield of approximately 5.5 per cent.

But this is the homebuyers' issue of Month in Review, so let's dig into that market.

First homebuyers are still prevalent in the suburbs of Marsden and Crestmead. Local families are drawn to these two suburbs as they're within the Marsden State High School catchment which is a highly regarded local institution. A typical Marsden home is a high-set circa 1980 dwelling which would sell for $500,000 to $550,000. This property at 34 Galahad Street, Marsden is an excellent example. It sold in January for $545,000 and offered three-bed, single-bath, four-car accommodation.

34 Galahad Street, Marsden Source: realestate.com.au

There are lifestyle buyers seeking acreage allotments in Loganholme, Tanah Merah and Chambers Flat. In fact, we've seen land banking in some of these areas where buyers seek anything zoned Emerging Community as this helps identify land suitable for future development.

Upgrader buyers are very active in Underwood, Daisy Hill, Tanah Merah and Loganholme with larger homes – some with extensive views – available all across these suburbs. This is solid, fundamental real estate which has excellent prospects for long-term capital gains.

While there is limited prestige stock in suburbs such as Logan, we have seen some pricey pads go to market in Chambers Flat – particularly for those with two hectares or more of land area.

We feel that the prospect for capital growth in the short to medium term across these outer suburbs remains slim. There is too much uncertainty still and while listing numbers are a little lower than they have been in the past, there are still plenty of homes across those regions to meet demand for most homebuyer types.

North and West

This region encompasses suburbs dominated by acreage property. We're talking holdings from Brookfield through to Moggill and all suburbs in between. Housing quality can vary dramatically, so homebuyers across different budgets looking for some extra room can usually find something worthy of purchase.

Overall, there seems to have been a slow-down with some price reductions evident in various segments of this market. However, it does seem like a lack of listings is playing its part in keep any falls to a minimum.

The purchaser profile typically reflects second or third homebuyers and upgraders. While many are locals looking to upgrade, there's still substantial demand from near-city residents looking to move away from the bustle of the CBD and enjoy an acreage lifestyle.

Looking at construction now and new builds and renovations have slowed dramatically with vacant land sales subsequently showing softer sales volumes and values. As with other areas, the cost of construction coupled with delays in turning around a project are resulting in owners shelving building plans.

Despite negative reports about the property market, I'd say this region has reasonably good prospects for growth in the short- to medium-term. Certainly, as interest rate rises attenuate, buyers will proceed into the market with more confidence.

Outer North

Our outer north valuers are reporting that the market has softened in terms of both activity and price. The impacts of rising interest rates, increased living costs and some general uncertainty about the strength of the Australian economy are all coming into play.

This has seen listings tighten and buyers have become more cautious as well.

That said, first homebuyers are one of the more active cohorts. While they can't borrow the same amount of funds now compared to before the rise in interest rates, relative affordability in the outer north is attractive to first homebuyers. This is particularly true for those looking to break free of the rental market. You'll find first homebuyers looking for properties in the cheaper northern suburbs further out, or settling for townhouses or units closer in.

Upgrader buyers are still active, particularly if the property being listed is of good quality and doesn't need extensive renovation or upgrade. Homes in good positions close to facilities and infrastructure do best.

Vacant land sales and new construction projects are sparse at present too of course. Few buyers are willing to take on building risk. That said, there are some builders who've reported an uptick in enquiry in recent months, so it'll be worthwhile watching this space.

The story of outer north homebuying markets will unfold as things settle in the wider economy. We expect there will be more activity in the longer term which will result in value gains. Buyers who

Housing quality can vary dramatically, so homebuyers across different budgets looking for some extra room can usually find something worthy of purchase.

select property with the right fundamentals now will probably benefit most over the next eight to ten years.

David Notley
Director

Gold Coast

Southern Gold Coast and Far Northern New South Wales

There is definitely an overall feeling that the current state of the economy is dampening the homebuyer market across the Tweed Shire, which is not surprising when there are numerous articles regarding the downward pressure on property prices in Sydney, Melbourne, Brisbane and our very expensive neighbour, Byron Bay. Much of the Tweed Shire became a playground for out-of-town purchasers, especially along the coastal localities of Kingscliff, Casuarina, Bogangar, Cabarita Beach, Pottsville and also the rural residential localities throughout the Tweed. The effect is still being felt in areas such as Tweed Heads, Banora Point, Terranora and Murwillumbah, however not to the same extent with sales still ticking over nicely in these locations.

Any downward pressure in the Tweed Shire usually comes later than in the cities, however this time, coastal prices saw an immediate softening after the first interest rate hikes and are now intrinsically connected to the cities. Agents along the coast are advising that out of town purchasers are really thin on the ground. Agents in secondary locations are advising that the main purchasers are coming from the Gold Coast, or people who moved up from the cities a few years ago and are moving to another Tweed Shire locality.

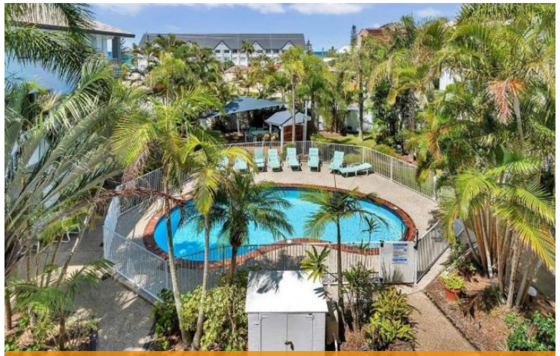
So even though agents are saying they are seeing a lot of locals at open homes, ultimately it is still not exactly the locals putting in the offers. Most purchasers are owner-occupiers who are looking to upgrade, or in some cases, looking to downgrade to minimise their financial risk.

Properties that are already renovated and ready to move into are more popular. The prospects of capital growth in the short term do not look good as most agents agree there is still too much uncertainty in the global economy.

Southern Gold Coast Suburbs

The southern Gold Coast suburbs have always been sought after by all purchaser types, including local buyers looking to upgrade their principal home, retirees looking to downsize into a beachside unit, first homeowners, interstate purchasers looking to move close to the popular southern beaches and investors looking for strong rental returns. However the latest interest rate rise is finally having a softening effect on demand for these southern Gold Coast suburbs. Purchasers are finding their borrowing capacity diminishing and any potential equity they had in their homes also decreasing in the softening market.

Local agents are starting to report that some investors are selling their investment properties in an attempt to minimise the impact of impending interest rate rises when their fixed loans mature on their principal residences this year. This is regardless of the strong rental returns achievable in the southern Gold Coast suburbs. In some cases, this is providing purchase opportunities for first homeowners, who are still prevalent in the market. Recently a two-bedroom, one-bathroom unit sold in Palm Beach for $550,000 with an advised potential rental return of $580 to $590 per week, therefore making it an attractive property for both investors and first homeowners wanting to buy in a beachside suburb. Similar money recently purchased a three-bedroom, one-bathroom townhouse within a complex at Currumbin Waters with complex swimming pool and a northerly outlook to the surrounding area. It had an advised potential rental return of $550 to $600 per week, also making it attractive to both investors and first homebuyers.



Palm Beach unit sold in Feb 2023 for $550,000 Source: realestate.com.au

Currumbin Waters townhouse sold in Jan 2023 for $550,000 Source: realestate.com.au

Local purchasers are still active in the market. These buyers were priced out of the market by interstate purchasers during the strong market conditions

Local agents are starting to report that some investors are selling their investment properties in an attempt to minimise the impact of impending interest rate rises when their fixed loans mature on their principal residences this year.

that peaked in early 2022. Many are now taking advantage of more stable market conditions and the greater choice of properties. We are continuing to see new or recently renovated properties being highly sought after and in some cases, premiums being paid to secure them. Recently, a high quality rebuild dwelling in Elanora was hotly contested at auction and sold for $2.9 million. The sale was a record for the area and the buyer was local. The property comprises five bedrooms plus study, three bathrooms plus powder room and a south-easterly aspect to an adjoining lake.

Rebuild at Elanora sold in February 2023 for $2.9 million Source: realestate.com.au

The past month also saw the purchase of a waterfront renovation and demolition property to a Brisbane purchaser. It comprised a circa 1980 low set dwelling in Burleigh Waters and sold for $1.741 million. It has a wide westerly water frontage to an adjoining lake.

Interstate purchasers haven't completely disappeared from the market with some agents reporting they still get decent enquiry from people

Lakefront dwelling sold in Burleigh Waters for $1.741 million Source: realestate.com.au

looking to move to the Gold Coast. A three-bedroom plus study, two-bathroom residential unit recently sold in Mermaid Beach to an interstate purchaser for $985,000.

Three-bedroom unit sold in Mermaid Beach for $985,000 Source: realestate.com.au

Central Gold Coast Suburbs

The fundamental issue of affordability appears to be top of mind for most homebuyers at the moment. We are seeing tighter lending conditions this year and as a result, buyers will have less borrowing power and subsequently will have less to spend on property purchases. With the increasing media coverage on the cost-of-living pressures in the broader community and economic experts forecasting further interest rate rises in coming months, it appears that more and more homebuyers are becoming very cautious in the property market. Sales volumes have certainly dropped over the past twelve months and the anticipation of additional interest rate rises in the upcoming months will almost certainly further cool market activity.

Locally, in the central areas of the Gold Coast, there appears to be reasonable levels of demand from owner-occupiers, but the current dilemma, according to agents, is that these buyers have very limited stock to consider. Low stock levels have been reported for some time in the central suburbs, but now the lack of good quality stock is becoming a more heightened issue. In some market segments where a real lack of supply is very evident, for example within the apartment market (up to $1 million) in the Main Beach, Surfers Paradise and Broadbeach areas, property values seem to be holding up fairly well.

Economic conditions are likely to get tougher before improving so there's an expectancy that many buyers may be quite content to sit on the sidelines to see how things further unfold in 2023. In the current market climate, the general feedback from local agents suggests that the profile of a typical homebuyer looking to buy in the central suburbs is still a mixed bag.

There are still good numbers of prestige buyers active in the market. Sales activity above $2 million has remained fairly steady this year with some huge prices still being achieved for detached houses in the beachside suburbs and canal-front estates.


A new, archiect designed two-storey house at 34 Sunbrite Avenue, Mermaid Beach reportedly sold in February for $4.275 million. Source: realestate.com.au


A new, two-storey luxury house with canal frontage at 52 Waitomo Street, Broadbeach Waters reportedly sold in February for $5.1 million. Source: realestate.com.au

It's not just the locals who are spending big dollars on luxury homes but reasonable buyer interest is also coming from cashed up interstate buyers looking to migrate to the Gold Coast. The main reason to purchase for these buyers appears to be, put simply, for lifestyle reasons. Modern beach house, Hamptons or Palm Springs style homes in prime locations are still trending and attracting strong premium prices. Overall demand for detached luxury housing remains firm from Main Beach down to Burleigh Heads. The supply of modern or fully renovated homes in these areas is very limited. It may be slightly easier now to find available trades compared to last year, but the cost to renovate or rebuild is still high and therefore the typical owner-occupier is not looking for a home to renovate at the moment. Subsequently, residential properties that need modernising are taking longer to sell.

It has been reported to us that the other buyer groups that make up most of the recent homebuyer activity in the central areas are empty nesters and retirees looking to downsize and also renters looking to exit the rental market. Some of these renters are first homebuyers. One retiree we recently had a conversation with mentioned he was in the process of downsizing from a detached house in Robina and looking to purchase a more affordable townhouse type property in Nerang. He said that he and his wife didn't want to be overburdened by stress due to current day to day cost of living pressures. We have also heard similar stories where some empty nesters or retirees (some of whom resided in rural residential properties) are taking a similar step to sell their home and downsize as costs continue to rise and upkeep on properties is more expensive.

Economic conditions are likely to get tougher before improving so there's an expectancy that many buyers may be quite content to sit on the sidelines to see how things further unfold in 2023.

The rental market remains very tight. The lack of available rental properties (both units and houses) and resulting rental squeeze of high rents has motivated more existing tenants to shift into a mortgage rather than continue to pay high rent. We are seeing that properties for sale at the more affordable end of the spectrum are attracting good levels of demand at the moment.

Whilst agents are not reporting strong first homebuyer activity, it has been noted that they have still been present in suburbs such as Miami, Carrara, Mudgeeraba, Merrimac and Ashmore which mainly consist of detached housing.

Interestingly, the feedback we have received indicates that there has also been very little first homebuyer interest for high-rise apartment product over the past couple of months.

The typical first homebuyer is generally seeking a townhouse or duplex unit under $750,000 in a well-serviced suburban area such as Benowa, Robina, Nerang or Mudgeeraba. If they can stretch the budget, entry level detached housing options are fairly sought after in the localities of Carrara, Mudgeeraba, Merrimac and Ashmore if priced under $900,000. An entry level house in these areas typically consists of a 1980s to 1990s style, single storey, brick dwelling providing three- or four-bedroom accommodation which will largely present in dated condition.

One recent example is an older style three-bedroom house in Carrara that was recently advertised with an asking price of offers over $699,000 and was purchased by a first homebuyer. The negotiated sale price for the property was reportedly in the low $700,000s. The local agent noted that this property attracted very strong interest from a broad range of homebuyers (including a few other first homebuyers), ultimately due to its attractive price point. He also said that these types of properties often sell very quickly (within two to three weeks) as there is such a critical shortage of available stock.

11 Bluestone Drive, Carrara reportedly sold in March in the $700,000 to $750,000 price range to a first homebuyer. Source: realestate.com.au

The sharp spike in interest rates is a major concern for buyers in this market segment, with affordability being the key issue. In regard to capital growth prospects, purchasing right now should be considered more of a long-term proposition, given the recent volatility in the economy and property market.

Gold Coast Western Corridor

Over the past few years, various rural residential localities have seen significant growth in both rental yields and capital values with towns such as Beaudesert outperforming many suburban areas. Low interest rates and the government's initiatives to support homebuyers have also contributed to the current state of the strong property market within this region. Although the past few years have seen significant growth and sales volumes, 2023 year to date has seen a significant drop in sales volumes being circa 69 per cent down from this time last year with a decrease in buyer sentiment playing a large role. Although sales volumes have dropped, rental yields have increased steadily with a reported median gross yield of 4.9 per cent for houses.

Beaudesert is a smaller population centre and typical homebuyers in the area include families and retirees seeking a quieter lifestyle outside of the city. Additionally, interstate work-from-home migrants and first-time buyers are also showing interest in the area due to the availability of affordable homes.

In Beaudesert, different suburbs and locations attract different types of buyers. First-time buyers are attracted to the more affordable areas such as Beaudesert, Cedar Grove and Gleneagle. Upgraders and prestige buyers are more likely to be found in areas such as Jimboomba and Tamborine.

In Beaudesert, buyers are purchasing a mix of houses, units, townhouses and new builds. The median house price in Beaudesert is around $490,000, with units and townhouses averaging around $300,000. New builds can range anywhere from $520,000 to $680,000 depending on the location and size of the property.

Buyers are typically looking for properties with a spacious backyard, outdoor entertaining areas and a quiet neighbourhood. Beaudesert offers ample opportunities for buyers to find properties that meet these criteria, especially in surrounding suburbs such as Gleneagle, Cedar Grove and Jimboomba.

The prospects for capital growth in the affordable localities of the Gold Coast's western corridor are positive, especially with the recent developments in the area. These developments are expected to boost property prices in the area, making it an attractive investment opportunity for buyers.

Northern Gold Coast Growth Corridor

In recent weeks, agents have reported a lack of stock and downward shift in enquiry levels, with properties typically experiencing upwards of a month on the market and discrepancies between vendor and buyer expectations. This is largely due to buyers (both investors and owner-occupiers) having a more cautious approach in the current market. This is due to recent interest rate rises and the uncertainty surrounding future rises and vendors chasing price levels seen in early 2022 at the peak of the market.

Investors are typically seeking more affordable three- and four-bedroom homes in the outer fringe areas where they can get more for their money and a higher return on their investment.

We are seeing a number of mum-and-dad investors and previous first homebuyers who bought or built three or four years ago in what was previously considered cheap outer fringe locations (Holmview, Bahrs Scrub, Yarrabilba and Flagstone), which whilst still affordable, have had their investments grow in value considerably over the past two years. This has allowed those owners to branch out and purchase a second or third property for investment purposes, or use their existing property as an investment and purchase closer to work or family which they may previously not have been able to afford.

The market for townhouses and villas has remained somewhat slow over the past 12 months. Notwithstanding this, we note that a two-bedroom townhouse can still be purchased in Beenleigh and its surrounds for under $250,000. A townhouse is currently listed on the market at Pine Street, Beenleigh for $245,000 with a rental in that same complex at $350 per week. Should the townhouse currently listed on the market achieve a similar rental given that it is the same size and fitout, it would reflect a yield of 7.43 per cent.

New builds have slowed considerably over the past six to twelve months because of the increase in construction costs, builds sitting incomplete for months due to a lack of trades, building companies going into liquidation and the publicity surrounding these issues which has instilled fear into those who may have previously considered building. As a result, developer land sales have remained relatively cheap in outer fringe areas such as Yarrabilba and Flagstone, to encourage more people to buy land and build.

Jerusha King
Associate Director

Sunshine Coast

When looking back, it is apparent that most sectors of the property market on the Sunshine Coast peaked somewhere between January and March 2022. It's pretty straight-forward to see why the market changed. The inflationary concerns leading to the strong rises in interest rates, significant increases in the costs of living and national and global economic uncertainty have all led to the downturn. The decline is very much dependant on what the property is and where it is situated but generally the falls are somewhere between five and 15 per cent.

One issue of note is that the Reserve Bank governor has paused interest rates after 10 consecutive interest rate rises. This could provide some confidence to the market in that we appear to be closer to the end of the interest rate increases

If you could borrow $1 million 12 months ago, you can probably borrow $750,000 to $800,000 now, so we feel that there have been movements between the various value levels and asset types of the market.

than the beginning. This means that any potential purchaser could have more confidence in doing their sums to determine how much they can borrow and make a purchase decision with more certainty.

Recent purchasers have been hit by a bit of a double whammy. Values have risen over the COVID market period and increased interest rates have led to big increases to monthly repayments. This all leads to affordability being significantly affected. Given that sale volumes have fallen and the number of purchasers actively searching to purchase a property has also reduced, it is fair to say that all sectors of the market have dropped away.

The market segment we feel to have been hurt the most is first homebuyers. Typically these purchasers have the greatest limits on their borrowing capacity and unfortunately they are being pushed out of the coastal markets. There is an opportunity to purchase however expectations have to be dialled down and pretty big compromises have to be made.

The investor market is a little hard to decipher. There are investors active but when you get down to the detail, a fair portion are purchasing with a view to moving to the area and into the property at a later date. So when we take that into account, there is little doubt that the true investor market has softened over recent times. The main driver of investors is rental yield. Whilst the current rental market is really strong, the hard thing is to find a property providing a good yield given the rises in rents haven't kept pace with the increase in property values and interest rates.

For owner-occupiers, there have been purchases, it's just that they are at lower values. Similar to the first homebuyers, compromises have to be made. If you could borrow $1 million 12 months ago, you can probably borrow $750,000 to $800,000 now, so we feel that there have been movements between the various value levels and asset types of the market.

One thing that remains, albeit at lower volumes, is the lifestyle and locational market. We still see people selling and moving for lifestyle or areas where they can reduce debt. An example of this is the area north of the Sunshine Coast in Gympie which is still benefiting from people selling on the Sunshine Coast and Brisbane and buying a better property at a lower value level, effectively buying and selling in similar albeit slower markets.

As we mentioned there are some positives to the interest rate story in that we are closer to the end of the increases. The Reserve Bank boss also restated the RBA's commitment to do whatever is necessary to get inflation back to its two to three per cent target, saying "We want to see inflation back to three per cent by 2025". If the market can ride out the next two years and be able to operate under its own steam, then that would be a good outcome.

Stewart Greensill
Director

HERRON TODD WHITE RESIDENTIAL

Cairns

The homebuyer market in Cairns remains relatively strong across most localities despite rising interest rates and a slowing economy. Media reports of slowing market conditions with falling values have not negatively affected the Cairns market.

Homebuyers are active across all market segments and localities with strong competition due to significantly lower levels of available stock. We are seeing investors, upgraders and empty nesters outbidding first homebuyers in the lower to middle price ranges with multiple offers and bids common. Buyers with more favourable contract conditions such as shorter settlement periods and of course cash buyers are having more success. The prevalence of sunset clauses is becoming more common with agents now inserting a specific date in a contract of sale where higher offers can be accepted rather than wait for the expiry of a longer contract condition for contracts subject to the sale of another property.

There is desperation evident in the market with tenants now opting to secure lower priced, sometimes poorly regarded, strata unit properties rather than stay in a rental and pay exorbitant rent increases. A case in point is the recent contract of Unit 9, 261 Sheridan Street, Cairns North, otherwise known as The Winston (Cairns). It comprises a fair quality, very small one-bedroom, one-bathroom unit with a living area of 27 square metres that is currently under contract for $115,000. The buyer was a tenant paying $700 per week for a unit with a good location on the Cairns Esplanade and opted to purchase a property on one of Cairns's busiest roads rather than continue renting.

The second example is of a tradesperson who relocated from the Sunshine Coast north of Brisbane to the sugar town of Mossman, approximately one hour and fifteen minutes' drive north of Cairns. The buyer was renting and paying $600 per week and opted to purchase a property for $420,000 which comprised an older style residence with a granny flat. The buyer was reportedly very happy that the mortgage repayments were going to be significantly lower than their current rental payments.

We are hearing some anecdotal reports from those in the building industry that building activity is easing with new home starts well down. This may be an early indicator of a softening market, however a lower supply of new housing may also further fuel the rental market due to increased competition, which in turn may lead to another run of renters exiting rental properties for home ownership.

Danny Glasson
Director

Gladstone

There is a good mix of buyers in the Gladstone market at present. One of the main drivers of Gladstone's market continues to be its affordability and this will likely remain the case for the foreseeable future. The fundamentals of our market remain strong and so despite the stabilisation occurring at present, there are still a variety of buyers active in the market. These include first homebuyers, buyers who have been forced out of the rental market, existing homeowners seeking upgrades or downgrades (downsizing), investors and interstate purchasers who can see real value in the location and love the coastal lifestyle that comes with living in the area.

Regan Aprile
Director

Bundaberg

The market in Bundaberg remains relatively strong across most localities despite rising interest rates and a slowing economy. Media reports of slowing market conditions with falling values have not negatively affected the Bundaberg market yet. The volume of sales has been steady in recent months however agents are reporting that they are running out of stock and sales are once again increasing in volume. This is yet to be seen in real data.

Building costs remain an issue throughout the region and this appears to be driving a push towards established or newly finished properties. The rental market is also still extremely tight with extremely low vacancy rates which is pushing up rents to unsustainable levels.

Megan Matteschek
Property Valuer

The volume of sales has been steady in recent months however agents are reporting that they are running out of stock and sales are once again increasing in volume.

Mackay

The Mackay residential market is currently driven by a mix of upgraders and out of town buyers. Local agents have reported a shortage of stock (properties) and as a result, sale volumes have slowed, however buyer sentiment and prices continue to remain steady. The rental market is extremely tight, with many tenants who were unable to find accommodation entering the market as owner-occupiers. The rural residential and rural lifestyle market has shown significant strength with people looking for that green change away from the suburbs. The prestige market over $1 million has been active, with agents reporting good local interest in the prestige market.

Mick Denlay
Director

Townsville

The homebuyer market in the Townsville region remains relatively strong at present despite the current overall state of the greater economy. Owner-occupier activity remains strong as historically low vacancy rates and strong rental market rates still exist within the region. There remains a strong mixture of homebuyers throughout the Townsville market with first homebuyers, buyers who have been forced out of the rental pool, existing homeowners seeking upgrades, retirees and interstate movers all remaining active participants in the market.

One factor which is currently evident and having an impact on the residential market is the relatively low levels of property presently listed for sale and ready to purchase across the region. The number of properties listed for sale at present is substantially lower than levels experienced over recent years. This has led to limited supply whilst strong demand from buyers remains. These conditions have led to shorter selling periods for dwellings on the market than in years past, particularly for properties priced well in the current market. Well-presented properties in good condition continue to see good levels of demand.

The established housing market remains the most active sector locally with new home construction appearing to be slowing from the past few years due to the increased construction costs and extended building time frames currently being experienced. New unit construction also remains limited due to increasing costs whilst sales volumes of established units remain steady. House sale volumes are taking place across all Townsville suburbs. There appears to be a strong upward trend in pricing for properties in the inner city, fringe city and rural residential markets in particular.

The increase in interest rates, inflation and deteriorating economic conditions are yet to result in a major downturn in property prices for homebuyers locally, however as these conditions continue to play out in the short term, the impact may be felt across the local market in the near future.

Hayden Lynam
Valuer

One factor which is currently evident and having an impact on the residential market is the relatively low levels of property presently listed for sale and ready to purchase across the region.

Rockhampton

Homebuyers in our region at the moment are typically non-local investors and upgraders, with a record volume of sales over $1 million in the past two years across Rockhampton and the Capricorn Coast. There is also an element of first homebuyers and downsizers in the market, however this buyer profile is less obvious at the current time. The residential market is experiencing strong increases in previously established levels of value. This is being experienced across all market sectors. Most new listings are attracting multiple offers and selling periods have shortened significantly.

Current economic factors influencing the market in the Rockhampton region are quite diverse and include significant infrastructure projects underway such as Rookwood Weir and the Shoalwater Bay military training area expansion. The Rockhampton Ring Road project was delayed indefinitely late in 2022, however has been reinstated to continue from mid-2023 due to mounting pressure on the federal government from local community groups. Each project is anticipated to provide an economic benefit across a number of sectors, including employment in the short to medium term.

The Reserve Bank of Australia started increasing the official cash rate in May 2022, but paused this month. Some economists are forecasting further increases in 2023. There is also significant commentary around cost-of-living pressures and inflation. There is a risk that these factors may have a slowing effect on the market, however to date there has not been a significant impact in our local region.

The Queensland Master Builders Association reports increased building costs due to supply shortage of materials because of increased demand – a direct result of the Home Builder grant (now ended) as well as ongoing disaster recovery work. Further, many materials imported to the country are experiencing supply chain shortages due to COVID-19. Delays in construction as well as significant increases to building costs are being experienced.

Currently, there tends to be a real preference from buyers for new (modern) or fully renovated older-style dwellings that require no immediate maintenance. This is largely due to the building cost escalation and difficulty engaging qualified builders and other tradespeople within a reasonable time frame. At this point in time, demand outweighs the available supply. This market preference has the potential to see vacant allotments re-listed for sale rather than being constructed upon and may lead to lesser demand for vacant allotments due to the increasing construction costs and extended time frames to complete builds.

Finally, the central Queensland economy is highly dependent on mining operations and associated industry, which is responsible for a significant proportion of employment in the region. Consequently, the global resources and energy market can have an influence on central Queensland residential market trends.

Prospects for capital growth in the long term are typically not forecast as high risk. Over significant periods of time, the market in the Rockhampton region is not known for being highly volatile. Short term capital growth is more difficult to predict, given the region has been experiencing significant growth since mid 2019. Vacancy rates also remain very tight, hovering around one per cent. Whilst we are not anticipating a market correction in the short term due to the combination of vacancy rates, local population growth and low unemployment rates, there is the possibility the effects of interest rate increases together with the winding down of some infrastructure projects in the next couple of years would result in an easing of the levels of capital growth that have been experienced over the past 2.5 years.

Cara Pincombe
Associate Director

Fraser Coast

All areas of the Fraser Coast property market remain active however there is a clear reduction in the level of activity for all asset classes. Supply of available stock is increasing as vendors look to exit the market while value levels remain at the peak. Rental demand however remains strong with limited supply.

The Fraser Coast appeals to all buyer profiles from first homebuyers, upsizers, downsizers, rural lifestyle, sea change to retirees. Owner-occupiers have been the most active over the past 12 months which has resulted in the continued shortage of rental accommodation.

Due to the increase in interest rates, investors are not as active at present. Although rental rates are strong, the return on investment is no longer as attractive as two years ago due to the increase in repayments. Some investors are now reporting that their investment has turned from positively to negatively geared over the past 12 months. Some intending purchasers are now reportedly holding off waiting to see if there is an increase in mortgagee sales as financial pressures continue.

At this stage in our market, buyer activity has slowed however there is no evidence that values have begun to retract. Further interest rate increases may begin to negatively affect values and we could start to see a decline in values in some asset classes.

Tracy Lynd
Valuer

Toowoomba/Darling Downs

The homebuyer market and property values in Toowoomba and surrounds remain relatively stable with local agents reporting a lack of supply of stock coming onto the market with listings being tightly held and still sought after. However, demand for certain properties has reduced in certain sectors with open house inspection numbers being down and less general activity. With this, agents are needing to have price sensitive conversations with sellers and advising potential sellers that selling periods could be slightly longer than those experienced in the past few years. However, certain sectors such as the

Owner-occupiers have been the most active over the past 12 months which has resulted in the continued shortage of rental accommodation.

Toowoomba prestige market continue to show good signs of continued growth with the high end and traditional suburbs of East Toowoomba, Mt Lofty and Middle Ridge still being sought after with strong enquiry levels.

An example is 2-4 Kara View Court, Middle Ridge which was recently listed and was open to private inspections only. It is currently under contract and agents report receiving three offers within four days, two of the offers being $3.5 million, both from cash buyers. The sale came down to the competitiveness of an unconditional clause in the contract, selling to a local buyer. The other interested party was not local to Toowoomba. The same agent further reported being buoyed with the current high-end market with listings coming in the $3.5 million to $4 million plus range in East Toowoomba within coming weeks.

2-4 Kara View Court, Middle Ridge is a five-bedroom, three-bathroom, four-car accommodation luxury property boasting 750 square metres of living space situated on the eastern escarpment with views across the Lockyer Valley on a 4,148 square metre parcel. This property is surrounded by similar prestige homes and represents premium lifestyle living in Toowoomba.

When looking at a more modest budget, a Toowoomba suburb showing signs of rebirth and greater demand due to affordability is the suburb of Rockville. This is an established suburb on the northern fringes of the city bordered to the east by North Toowoomba, south by Newtown and west by Wilsonton Heights. This increase in demand is largely due to a major local infrastructure project, the new Toowoomba Hospital build. Construction of this $1.3 billion investment has commenced at the current Baillie Henderson Hospital site situated in Rockville which is approximately 5.5 kilometres from the Toowoomba city centre.

This investment in the new Toowoomba Hospital will have a lasting and widespread impact for the Darling Downs region generally with Rockville reaping rewards due to its proximity. The suburb hosts a state primary school as well as another private hospital with a state high school, private schools and a shopping centre located nearby.

An example of a recent sale of a renovated or partially renovated established home is 19 Ford Street, Rockville which sold for $425,000 on 3 March 2023. It's a three-bedroom, single bathroom and one-car accommodation dwelling on a 546 square metre parcel. The property is in a cul-de-sac and features high decorative plaster ceilings, reverse cycle air conditioning, 6.6 kilowatt solar system, renovated kitchen and bathroom, freshly painted interior and security screens and doors.

2-4 Kara View Court, Middle Ridge Source: Webster Cavanagh Marsden

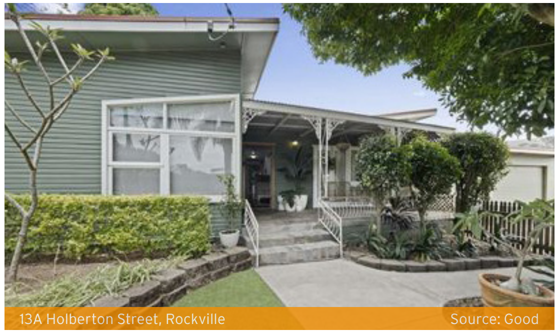
2-4 Kara View Court, Middle Ridge Source: Webster Cavanagh Marsden

2-4 Kara View Court, Middle Ridge Source: Webster Cavanagh Marsden

2-4 Kara View Court, Middle Ridge Source: Webster Cavanagh Marsden


19 Ford Street, Rockville — Source: The Agency

Another example is 13A Holberton Street, Rockville which sold on 8 February 2023 for $500,000. This is a three-bedroom, one-bathroom and four-car accommodation property on a 728 square metre parcel, featuring a nine metre x six metre garage shed, newly renovated interior, verandah and rear deck area.


13A Holberton Street, Rockville — Source: Good

With the run of interest rate rises we've recently experienced homebuyers requiring a home loan have had their borrowing capacity significantly reduced forcing many to settle for a more affordable home or to wait and see what occurs over the next twelve months. This appears to account for the lower than usual activity at open houses and inspections.

The typical homebuyers at present are generally a cross section with retirees remaining very active within the market. The baby boomer and retiree downsizers are often cash buyers and generally unaffected by the past twelve months of RBA cash rate rises and flow on to bank interest rates. Retirees want established and renovated properties where they can simply move in without major renovations being required and without being affected by the current building and trade supply constraints.

When looking at these buyers and what's on their must have tick lists, agents report that established houses or units with a yard is often a requirement for this retiree market as they often need space for a small dog or pet.

Other interesting feedback was received from a local agent that home security is featuring heavily, especially with buyers in the Toowoomba retiree downsizing market. This agent indicated that a premium was paid recently for a dwelling within a Toowoomba secure gated community while offers below the asking price were offered to a nearby property with unsecure car accommodation. Secure lockable vehicle accommodation, security screens and doors, alarms and secure remote control driveway gates and secure front fencing were seen as positives in this market. We will watch with interest whether this trend continues across the Toowoomba region.

Another homebuyer group that continues to be active in the Toowoomba market is investors from the southern states of Australia or from Brisbane, the Sunshine Coast or the Gold Coast of Queensland. Agents and valuers are still seeing these buyer postcodes on contracts with continued interest in the Garden City three years on from the COVID outbreak. These buyers appear to be mainly interested in detached dwellings due to long term value and the potential for greater capital gains.

We consider the homebuyer market for Toowoomba and surrounds will continue to see relatively stable capital growth being driven by the city's current record low vacancy rates, the undersupply of properties for sale, relative affordability and the strong local economy driven by projects such as the new hospital.

Marissa Griffin
Director

South Australia - Residential 2023

Adelaide and regions

The metropolitan market continues to show signs of a downward cycle which has been spurred on by the Reserve Bank of Australia's tenth consecutive rate rise in March. Australian Bureau of Statistics data indicates that the value of new loan commitments for owner-occupiers and investors within South Australia fell 4.9 per cent and 11.4 per cent respectively in January. Total listings remain six per cent down year on year whilst median days on market remains steady at 35 days, a one day increase on the same period last year. The data is suggesting that even though purchasers are removing themselves from the market, those buyers still active are highly motivated.

New Loan Commitments for owner-occupier housing Source: ABS

The market is being driven by a mixture of buyer types. These are made up of first homebuyers who missed out during the peak of market activity, upsizers who need to buy out of necessity, downsizers who have less reliance on lenders and investors looking for a market with a track record of stability during a national downward cycle. Buyer motivation and circumstance ultimately decide into which buyer type a purchaser is lumped.

The market is being driven by a mixture of buyer types.

First homebuyers are most active in the sub $1 million price bracket. Except for the inner ring, properties priced below $1 million are available throughout the metropolitan area. With limited budgets and heavy reliance on lenders, first homebuyers typically seek out properties on a need and not wants basis with typical accommodation being two to three bedrooms and one or two bathrooms. These buyers avoid properties which may require significant capital works over and above a purchase price. New builds and off-the-plan options are popular with this buyer type. First homebuyers may be eligible for a $15,000 grant on the purchase of a new home up to the value of $575,000. The sales of 1B Hancock Avenue, Campbelltown, a circa 2022, three-bedroom and two-bathroom townhouse for $679,000 and 32 Galway Street, Kilburn, a circa 1950s, three-bedroom and one-bathroom well-presented dwelling on a 645 square metre allotment for $682,000 are representative of the property types sought by this buyer type.

1B Hancock Ave, Campbelltown Source: realestate.com.au

32 Galway St, Kilburn Source: realestate.com.au

Depending on the location within the metropolitan area, upsizers are active in a broad price bracket typically beginning in the $400,000 to $700,000 range in the outer ring and up to $4 million plus in the inner ring. Growing families are typical of upgraders who are seeking out four or more bedrooms, two or more bathrooms, a second

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living space and enough land for the kids to run around. These buyers are happy to complete capital works to give themselves the creature comforts expected of a family home. The sales of 33 Taunton Crescent, Craigmore, a circa 1998, four-bedroom and two-bathroom dwelling on a 741 square metre site further improved with an entertaining area and double garage for $625,000 and 77 Narinna Avenue, Cumberland Park, an updated circa 1950, four-bedroom and two-bathroom conventional dwelling on a 735 square metre allotment for $1.2 million are representative of the property types sought by this buyer type.

33 Taunton Cr, Craigmore Source: realestate.com.au


77 Narinna Ave, Cumberland Park Source: realestate.com.au

Downsizers are active across the metropolitan area. Within the middle and outer rings, these buyers are most active in the sub $800,000 price point whilst in the inner ring these buyers are active up to the $3 million price point. These buyers are typically cashed up with a willingness to spend and little reliance on lenders. Downsizers have historically been more deliberate in selecting locations to buy with many wanting proximity to family members, community services and recreational areas such as parks, beaches and golf courses. These buyers are willing to complete capital works to achieve the fit out and floor plan they desire as they enter the latter stages of life. Property attributes sought by this buyer type include security, off street parking, single level dwellings and enough accommodation to house a couple of grandkids. The sales of 94 Edward Street, Norwood, a renovated four-bedroom and two-bathroom character cottage on a 386 square metre allotment for $2.58 million and 40A King Street, Brighton, a circa 2017 three-bedroom and two-bathroom dwelling with a double garage on a 438 square metre allotment securely located in a cul-de-sac for $1.865 million are representative of the property types sought by this buyer type. These sales are located 275 metres south of The Parade, Norwood and 300 metres west of Brighton Beach respectively.

94 Edward St, Norwood Source: realestate.com.au


40a King street, Brighton Source: realestate.com.au

Since 2020, the investor market has been driven by capital growth and value-add opportunities as price growth ate up rental returns. As growth slows, investors are now looking at how they can generate a more traditional rental return from their bricks and mortar investments. The vacancy rate within Adelaide is currently the lowest in the nation at 0.3 per cent which is leading to strong demand in the rental market. The median weekly rental amount is currently $524 which is a 12.2 per cent increase year on year. With the rental crisis creating headlines across the country and a lag to fix the issue with new stock, rental demand is only expected to increase. Rental returns remain the strongest in the outer north with typical gross yields of between four and five per cent. The sale of 68 Knighton Road, Elizabeth North reflects typical investor stock. This property comprises a circa 1960 South Australian Housing Trust (SAHT) maisonette disposed as three bedrooms and one bathroom. The property achieved a sale price of $249,000. At the time of sale, the property was let until January 2024 at $250 per week generating a gross yield of 5.2 per cent.

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68 Knighton Rd, Elizabeth North — Source: realestate.com.au

The market is being impacted heavily by the current interest rate environment. Those house hunting should have confidence in the market given the reduced number of active buyers whilst vendors should have confidence that the buyers who remain active are motivated.

Nick Smerdon
Property Valuer

		Change in rents (all dwellings)			Gross yields (all dwellings)		Vacancy rates (all dwellings)	
Region	**Median rent**	**Month**	**Quarter**	**12 months**	**Current**	**12 months ago**	**Current**	**12 months ago**
Sydney	$689	1.0%	2.4%	11.8%	3.21%	2.44%	1.2%	2.3%
Melbourne	$517	1.2%	2.8%	10.1%	3.36%	2.78%	0.7%	2.2%
Brisbane	$594	0.5%	1.7%	12.7%	4.34%	3.58%	1.0%	1.3%
Adelaide	$524	0.6%	1.5%	12.2%	4.04%	3.77%	0.3%	0.5%
Perth	$567	1.1%	3.5%	12.3%	4.80%	4.35%	0.5%	1.0%
Hobart	$559	0.6%	1.4%	5.4%	4.35%	3.66%	1.5%	0.9%
Darwin	$596	0.0%	-0.7%	5.0%	6.30%	6.03%	1.9%	1.8%
Canberra	$677	-0.3%	-0.7%	1.6%	4.14%	3.76%	1.8%	0.8%
Combined capitals	$587	0.9%	2.4%	11.1%	3.65%	2.96%	0.9%	1.8%
Combined regionals	$505	0.5%	1.4%	7.5%	4.56%	4.09%	1.2%	1.2%
National	**$564**	**0.8%**	**2.1%**	**10.1%**	**3.86%**	**3.21%**	**1.0%**	**1.6%**

Rental data — Source: CoreLogic

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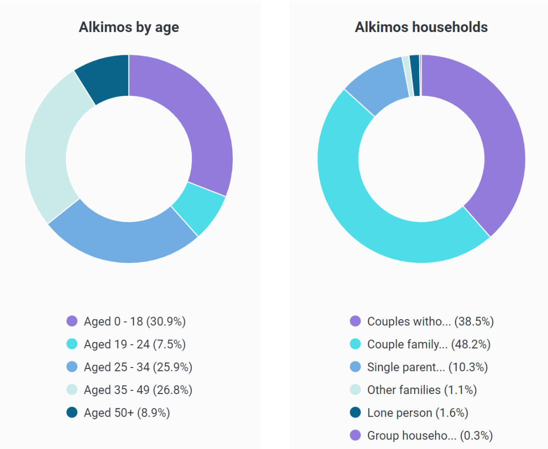
Western Australia - Residential 2023

Perth and regions

As the Western Australian property market continues to outperform many markets across Australia, there is no better time to analyse who's buying what and where within our vast state. In this month's edition, we are breaking down our local markets to see which buyers are active, what products they are after and why.

We start our analysis in Perth's outer northern suburbs, an area predominantly occupied by young families and couples. With Alkimos and Eglinton having median house prices of $475,000 and $455,000 respectively, these suburbs are quite affordable compared to the median price for the Perth metropolitan area of $545,000.



Alkimos Statistics Source: REIWA

First homebuyers are very active in these suburbs with many young buyers attracted to the area given its affordability and close proximity to the beach. It is common to see tenants in the area purchasing properties, as despite interest rate rises, some tenants are seeing home loan repayments as a more affordable option in comparison to ever increasing rental amounts. Newly built four-bedroom houses are in strong demand due to a shift away from building new dwellings because of the high construction costs and long wait times. This was a different story pre-COVID when buyers were more likely to build and access incentives available. According to REIWA, 592 vacant land sales occurred within Alkimos in 2021, with that figure dropping to 401 in 2022 and less anticipated for 2023. Although building costs are starting to show early signs of stabilising, there still appears to be hesitation from many when it comes to building a new property.

Smaller two- or three-bedroom dwellings and units in average condition typically take a bit longer to sell, although these provide a cheaper alternative for entry level buyers and generally also provide a solid rental return for investors. 7 Prelude Rise in Eglinton is an example of a product that is seeing strong demand in the current market. The property is a 2018 built four-bedroom, two-bathroom dwelling on the eastern side of Marmion Avenue which sold in January 2023 for $570,000 after being on the market for 20 days.


7 Prelude Rise Source: RP Data

Interstate investors are also quite active in this area, however activity has eased somewhat in comparison to late 2022. These investors are motivated by the potential for good yields with rental vacancies remaining at record lows and stock in these suburbs well priced in comparison to what is available along the eastern seaboard.

Moving south to the established northern suburbs, owner-occupiers are the dominant buyer profile. Buyers in these regions are typically after near new or renovated properties, with unrenovated or poorly presented homes lagging behind. This is due to the current shortage of labour and high costs associated with building or renovating. On top of renovated dwellings, the key drivers in these areas are the size of the dwelling and the size of the block, with many buyers in the area being upgraders looking for a family home to settle in for an extended period. Demand in these areas is still strong, however values are fairly stable with interest rates having halted previous upward price movement.

4 Ruthven Place, Duncraig is a great example of a typical buy in the region. This four-bedroom, two-bathroom dwelling with 193 square metres of

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living set on 697 square metres of land sold for $1.1 million in January this year. The property has been renovated to a high standard and features an excellent outdoor area with a gable patio and pool.

4 Ruthven Place, Duncraig Source: RP Data

Our valuers are reporting that construction activity has dried up significantly in the region, with land sales few and far between. Again this all comes back to the high construction costs and this is a key factor in what has kept the market for established stock in a strong position.

Now let's have a look at the apartment market in Perth's CBD and inner suburbs. There is quite a mixed buyer profile for this type of product, with the market attracting young professionals, investors, first homebuyers and current owners looking to upgrade lifestyle or downgrade living space. The most active buyer profile at the lower end of the market is first homebuyers, given the product's affordability and close proximity to good amenity for that demographic. Local investor activity is also remaining stable as rents have increased and returns are outpacing rising interest rates in many instances. Since the government introduced the seven per cent foreign transfer duty in 2019, international activity has been almost non-existent which has created a significant issue by impeding new developments getting sufficient presales to commit to construction. As a result, we are now seeing the restriction in supply being swamped by rising demand. An example of the returns investors could expect is the sale of 196/143 Adelaide Terrace in East Perth. The property is a two-bed, two-bath 2011 built apartment which sold in February for $480,000. We estimate the rent for this product to be in the vicinity of $600 per week, which would represent a gross yield of 6.5 per cent, with associated depreciation allowances (which we can assist any buyer calculate).

196/143 Adelaide Terrace, East Perth Source: realestate.com.au

Key value drivers in this market are typically features such as layout, living area, quality of finish and the views achieved. Building amenities such as gyms and swimming pools typically add appeal for purchasers given these apartments are often located centrally, so these features add a level of convenience to residents, particularly on those hot summer days, however investors need to balance up the higher strata costs associated with such complexes and the impact on rental return. A feature to keep an eye on is electric car charging stations as these are rapidly increasing in demand and lack of these is acting as a rental barrier for some apartments.

Another new feature that seems to be being tested here is enclosed balconies i.e. the balcony area is weatherproof and enclosed and utilised as living area as opposed to a traditional balcony. We have recently seen these appear in some complexes including Elizabeth Quay Towers and the nearing completion AT238 on Adelaide Terrace. It will be interesting to see how these are taken by the market as they are quite uncommon in Perth. We think these will probably work best with smaller apartments such as 1x1s as it may allow residents to be quite creative with how they use this additional area and not feel quite as confined.

As previously mentioned, constructing apartment complexes in the past few years has been incredibly tough given the lack of foreign buyers and construction cost increases. It has been a good seven months since the last apartment launch which isn't great for the area's supply woes. Despite the McGowan government just announcing an $80 million headworks fund to help get more apartment complexes off the ground, it is unlikely this will start to make these complexes feasible as it only allows for $10,000 per unit against fees that were literally only increased in late 2022. It is also worth noting that the fund is split between the metropolitan area and regions ($40 million each).

A feature to keep an eye on is electric car charging stations as these are rapidly increasing in demand and lack of these is acting as a rental barrier for some apartments.

It's a similar story in Perth's inner southern suburbs to what we are seeing in the established northern suburbs where owner-occupiers are the most active in the market. Once again, it's modern or recently renovated stock that appeals to buyers most, with construction issues making renovating and building far from attractive propositions. Values are remaining relatively stable in much of the southern suburbs with interest rates slowing the market, however demand for established dwellings and an undersupply of stock has prevented the market from turning.

Let's take the suburb of Como as an example. This inner-city suburb is a popular choice for many, offering a wide range of products at varying prices. The suburb's excellent location just off the Kwinana Freeway and within 10 minutes of the Perth CBD makes it a popular suburb with upgraders. 96 Monash Avenue, Como recently sold for $1.05 million in January this year. The property is a fully renovated, 1949-built three-bedroom, two-bathroom dwelling on a 473 square metre lot. The property is a purchase typical of what we are seeing in inner city suburbs with renovated stock being high in demand.

96 Monash Avenue, Como Source: RP Data

However in these inner city suburbs it's not all upgrader activity, with affordable options such as strata units and townhouses being a popular choice amongst first homebuyers who value CBD proximity, as well as investors looking to capitalise on a tight rental market. 2/51 Axford Street, Como is an example of this. This renovated two-bedroom, one-bathroom strata unit sold in December last year for $480,000 and as is typical for these types of properties, the unit was only on the market for nine days.

2/51 Axford Street, Como Source: RP Data

These properties are consistently selling within a few weeks of being listed for sale as they appeal to various buyer types and are highly sought after due to their location. Other suburbs such as Victoria Park, Mount Pleasant and Palmyra are seeing similar products sell with very tight selling periods for the same reasons.

In Perth's far south, investor activity is continuing to drive the market. Our valuers in the field are seeing high levels of interstate buyer activity in the Mandurah region and surrounding suburbs. This is not just limited to established stock; high volumes of construction valuations are also coming from out of area buyers. A lot of this activity is in the sub-$500,000 range, with areas such as Greenfields and Halls Head popular spots for established stock, while suburbs with new land available such as Dawesville and Lakelands are seeing good construction activity from interstate buyers. Land in these regions is affordably priced and despite construction costs blowing out in recent times, these areas provide investors with the chance to construct a dwelling that is comparably cheaper than what they can obtain in their markets along the east coast. For example, in the Florida Beach estate in Dawesville, lots over 500 square metres are currently available for sub $200,000. With land available at this price, a typical three- or four-bedroom dwelling could easily be constructed for somewhere between $500,000 and$600,000 for the land and building depending on the standard of finish and living area. As discussed in previous editions of the Month in Review, there has been an uplift in the construction of dual key dwellings' in these areas. Once again, this activity is largely driven by interstate investors looking to maximise their returns from a single property.

Many buyers are not interested in waiting for a build to be completed though and established stock in the affordable suburbs of Mandurah is still seeing good activity on the back of a huge 2022. As mentioned above, areas such as Greenfields and Halls Head continue to perform well and offer attractive yields to investors. Yields of over five per cent are common in these suburbs and this appears to be a key driver of the continued growth in these areas. It is worth noting that the Mandurah area is not all investor driven; owner-occupiers are still somewhat active with options available at far more affordable levels in comparison to suburbs further north. Let's take the sale of 91 Eleanore Drive, Madora Bay as an example. The property is a 2019 built four-bedroom, two-bathroom dwelling with 218 square metres of living and 592 square metres of land. The property is a well presented family home which sold in December last year for $660,000 and is located in the developing area of Madora Bay just north of Mandurah. The property has easy access to a good level of amenities and is only a short drive from the coast. Areas such as Madora Bay and Meadow Springs appeal to buyers who may be after a family home and don't see proximity to the Perth CBD as a key driver of their decision. This allows them to get a discounted product in comparison to areas further north such as Treeby and Hammond Park in the City of Cockburn due to the difference in underlying land values.

91 Eleanore Drive, Madora Bay — Source: RP Data

Moving our focus to regional Western Australia, we'll start off in the far north of the state with Kununurra, where we have started to see more investor activity in recent months given the strong rental returns on offer. The rental market, similarly to Perth, is stretched for supply and rental growth looks likely to continue. Let's take 2 Water Lily Place in Kununurra for example, which is a three-bed, one-bath 1986 built dwelling on a 787 square metre block. This sold in December for $385,000 and we would expect this property to rent for $600 per week, which would represent a gross yield of 8.1 per cent.

2 Water Lily Place, Kununurra — Source: realestate.com.au

Kununurra in particular has had some activity from employers buying properties to house their staff, with employers ranging from private companies to government agencies. This is due to the small rental supply available and it being incredibly difficult for employers to house staff in the area.

Moving across to Broome, the market is primarily being driven by owner-occupiers who are looking for stability outside of the rental market. Investors are still active in the market, with a higher proportion of local investors as opposed to out of area investors. 7 Leichhardt Place in Broome is a good example of the returns on offer. It is a tidy, 1997-built three-bed, two-bath property on a 504 square metre block. The property sold in November for $495,000 and was leased afterwards for $750 per week, representing a gross yield of 7.9 per cent.

7 Leichhardt Place, Broome — Source: realestate.com.au

We have also seen some locals selling their properties while prices are high and moving to dwellings of a lower standard where they can conduct their own improvements and renovations and lower their level of debt or make some profit. We do note however that as soon as renovation or improvements are contracted to third parties, any potential savings by doing this are quickly eaten up by the increased building and labour costs.

Well-presented properties that are of good quality with good ancillary improvements such as pools, sheds, large outdoor living areas, etc, are still in hot demand. Many of these types of properties are still transacting below replacement cost.

Construction in the area has dropped off quite a lot, for similar reasons to most regions with increased construction costs mixed with title delays for vacant allotments. There are more vacant lots being prepared for sale as we speak, however there are severe limitations on how many houses can be constructed at any one time. On a positive note, we are finding that the local builders kept prices at far more reasonable levels than in any other area of the state over the past couple of years.

Moving across to Broome, the market is primarily being driven by owner-occupiers who are looking for stability outside of the rental market.

Karratha is seeing a similar situation to much of the state with established renovated homes being the best performers in the region. Meanwhile homes requiring significant work are lagging behind due to a lack of trades and high costs. Activity in the region is being driven by upgraders or locals looking to escape the rental market. The suburb of Baynton is where we are seeing good upgrader activity, while Bulgarra and Pegs Creek are where we are seeing buyers looking to escape the rental market. This is supported by the median prices in the region. As per REIWA, Baynton has a median price of $657,500 while Bulgarra and Pegs Creek sit at $480,000 and $500,000 respectively, which shows the difference in affordability.

Construction activity is near non-existent in the area with the costs to construct a dwelling in the Pilbara being extreme and we've seen some of the highest increases in construction costs in the state hit Karratha, mainly due to labour costs competing with the resources industry. This again highlights why renovated dwellings attract a premium, with other key features grabbing buyers' attention being ancillary improvements in the form of swimming pools and sheds.

It's a similar story in Port and South Hedland to the Karratha region with locals looking for good quality homes being active in the market. Once again, it's newer or renovated dwellings with good ancillary improvements that buyers are willing to pay a premium for.

The Hedland region is also seeing strong interstate activity with investors chasing well-leased properties. This activity appears to have remained stable despite interest rate rises in recent times, with investors chasing the good yields on offer.

78 Kingsmill Street, Port Hedland is an example of this. The property comprises two three-bedroom, one-bathroom units set on over 1000 square metres of land. The property sold for $700,000 late last year and could be expected to generate a rental return of around $750 per week per unit which would represent a return on investment of 11.1 per cent. We note that the Pilbara region sees high fluctuations in values, however for those willing to take the risk there is clearly the potential for some significant returns. In South Hedland, many older style villas in the area are currently transacting in the low $300,000s and are achieving rents above $700 per week to large resources companies. It's a very tight market.

It's newer or renovated dwellings with good ancillary improvements that buyers are willing to pay a premium for.

78 Kingsmill Street, Port Hedland Source: realestate.com.au

Moving south to the Kalgoorlie region, we have noted the typical homebuyer being owner-occupiers for houses and investors are targeting units, villas and townhouses. The low stock and high rents dictate that for people who want to live and work in Kalgoorlie, it is more affordable to buy than to rent. We're also seeing that Kalgoorlie is the accommodation hub for the wider Goldfields region as many of the outlying towns lack any available accommodation.

Products that are selling quite well are the established properties in good locations such as Lamington and Somerville. Generally, properties that require a bit of work will take longer to sell as people are more cautious when looking to do any renovation work with construction and labour costs being so high. People are generally wanting to move into a finished product instead of spending the money and time renovating and updating.

Buyers seem to be most attracted to properties that are well-presented, with most looking for a modern interior, good outdoor living areas, established lawns and gardens, a lockable workshop to store their toys and generally a below ground pool.

The vacant land market is quite slow at the moment generally due to the urgency for accommodation as opposed to long term planning for a new home. There is a new land release in Karlkurla which is selling quite slowly, although there are several houses currently under construction and generally, construction prices in Kalgoorlie have remained quite civil compared to other areas of the state. Despite Kalgoorlie experiencing solid increases in values in recent times, near new properties are still often selling below their replacement cost hence building a new home is often a lifestyle choice as opposed to being a monetary or profit-based consideration.

Moving to our state's South-West region, the standout area currently is the greater Bunbury area. While the number of sales has dropped off from the halcyon days of early 2022 due to a lack of supply, demand is still strong and any properties that come on the market are generally snapped up quite quickly.

All sectors of the market are active with the standout product being the family size home on a good size block. Areas such as Australind and Eaton continue to perform well on the back of the labour demand from the nearby Kemerton lithium plant. Binninup is also performing well for the same reason.

A notable portion of the purchasers are interstate or Perth investors looking to cash in on the healthy yields available in the region. We note there are some purchasers in the region who are looking to purchase a family house on a decent sized block with the plan to rent it out in the short term but eventually move to the area.

Values have remained buoyant despite the recent run of interest rate rises. Affordability is probably a factor as a 0.25 per cent interest rate rise on a $400,000 mortgage is significantly less painful than on a $1 million plus mortgage.

New home construction has slowed from the previous two years as a result of higher building costs however new land is still being developed, particularly in the Treendale and Dalyellup localities where people may start to consider building again with there being early signs of construction costs stabilising.

Other regions in the South-West such as the Busselton urban area and Margaret River, while being less active, are still holding strong. The problem is the same as in most areas which is a lack of supply of properties for sale or rent, which is helping to hold values firm, but also means that prospective sellers are not placing properties on the market until they have secured their next property. It's a vicious circle!

There has been a notable decrease in the number of sales at the top end of the market in localities such as Eagle Bay, Yallingup and Dunsborough, however the sales that have occurred still seem to be holding up in value. An example of this is 1 Kestrel Street in Eagle Bay. The property is a four-bed, two-bath house built in 1983 on a 2,107 square metre block just one street back from the beach in this highly sought after location. It sold in December for $2.6 million.

1 Kestrel Street, Eagle Bay Source: realestate.com.au

Albany has matched the metropolitan style activity, with first homebuyers being more active in suburbs further out of the town centre. Meanwhile, upgraders are moving to the higher end suburbs and downsizers closer to town. There is still some investor activity occurring in the area with good rental yields still on offer. REIWA has reported a particularly low rental vacancy of 0.3 per cent in the Albany region which continues to drive investor activity.

Finally, moving to the Esperance region, we have noted quite a lot of activity. In Esperance, there are a lot of first homebuyers looking to get into the market as well as local upgraders and investors. We have noted that investor activity in towns such as Ravensthorpe is quite high. This is due to the high number of workers from the Ravensthorpe nickel mine living in the area and the good rental returns on offer to investors.

There also seems to be a trend where owner-occupiers are moving to smaller towns such as Ravensthorpe, Hopetoun and Bremer Bay. Bremer Bay in particular is experiencing high activity given it is a sought-after holiday location and there is a large under supply in the area. With vacancies so low and rents getting quite high, more people are looking to own instead of rent and there is a crunch on supply given the isolated nature of the location.

We have noticed that established properties that are modern or renovated well seem to sell quite quickly. This is mainly due to the obvious construction issues such as building costs and time lags. The vacant land market seems to be lagging behind slightly in certain areas, again due to these construction issues, however in certain areas such as Bremer Bay or West Beach, they still seem to be selling with some good growth.

There are a few features that buyers in the area are generally looking for. For example, dwellings with a second bathroom always sell quite well, as well as properties with modern features, big sheds with rear access and a good entertaining area. Pools are also quite a good feature to have but they are not as common as in the Perth metro area.

Across the board, all buyer profiles have been quite active in the area and the market seems to be relatively buoyant across the regions. Interest rates caused some anxiety and hesitation towards the middle and back end of 2022, however 2023 appears to have seen things off again.

Interestingly, Esperance specifically has a huge private sale market, whereby vendors are forgoing selling agents and advertising themselves on social media platforms.

In the construction space, the past two months have seen very limited activity, but cashed up farmers are looking to spend. We have noted that one construction contract we have seen was $1.1 million for the build, for a single level, 370 square metre home, which displays just how high construction costs are in the area.

So that's our summary of our local markets. As you can see, there is a wide range of products available within our state that appeal to a wide range of buyers. For a variety of reasons, the market continues to perform reasonably well across most sectors and there are signs this will continue. As always our team of professionals is here for any advice you need and we are happy to help should you need any additional information on our great state. Any investors reading this article would do well to contact us now to arrange a tax depreciation schedule. We service all areas of the state and can provide you with a report in time for your end of financial year planning.

Chris Hinchliffe
Director

Northern Territory - Residential 2023

Darwin

As we approach our ever beautiful sunny dry season here in the Top End, our markets here are of a similar ilk, a somewhat shining light, bucking the doom and gloom rhetoric of our southern state counterparts. As the country comes off a tenth record interest rate rise, the talk here is still positive, with values holding steady and sales volumes remaining consistent.

The state of the current economic climate is no secret. The Top End is not impervious to the interest rate rises, cost of living pressures and low unemployment, however the overall consensus here is positive. Overall median values are holding across most sectors with agents reporting continual interest. And while rising rates have certainly cooled our market, the overall climate remains positive.

Currently, and for some time, Darwin has had the most affordable median home price in the nation. A typical, ground level home on 800 square metres across most of Darwin is still circa $550,000. The typical buyers here are first homeowners. Across Darwin, first homebuyers make up one-third of all transactions, a show of confidence in the current economic climate.

We are also starting to see the rise of interstate investors. While Darwin enjoys a lower median home price, the median rental is another story, being the second most expensive capital city in which to rent. With these strong rentals, investors can see returns of around six to seven per cent on a typical two-bedroom apartment in Darwin City in most areas. While interest rates remain high, we anticipate that the flow of investors back to our market will remain constant.

For the first homebuyer, a typical purchase can vary, normally price point orientated. Three-bedroom dwellings on a typical allotment are a focus for this market. Newer locations such as Zuccoli are where first homebuyers or builders can generally enjoy a threebedroom home for under $600,000. A typical example of this is the recent sale of 16 Blackspear Court, Zuccoli, a modern four-bedroom home on 507 square metres which sold for $580,000. With a potential rental of $650 per week, this has appeal to first homebuyers and investors alike.

16 Blackspear Court, Zuccoli Source: realestate.com.au

The investors returning to Darwin are seeking yield. The strong returns in Darwin City make it a favourable location for buyers such as this who are typically seeking proximity to the CBD, shopping, waterfront activities and proximity to transport and education areas are a must.

Construction costs typically dominate the local conversations around affordability. As costs continue to rise, the cost to construct a new home still outweighs the established areas, thus putting upward pressure on values.

It is much the same for developers. We have not seen a crane for an apartment tower on the Darwin skyline in over six years, with construction cost constraints playing a major factor. While the unit market continues to lag, we do not anticipate this to change in the short term as pre-existing available stock continues to sell well below our peak of 2014, making it unfeasible for new towers to be constructed.

Overall, the outlook for Darwin remains positive for 2023. While most other jurisdictions suffered losses, Darwin held firm overall with small gains across most sectors. And when interest rates inevitably begin to fall, we anticipate some capital growth towards the back half of the year as buyers and buyer confidence return to the market.

Jeremy Callan
Valuer

Australian Capital Territory - Residential 2023

Canberra

Prospective first homeowners in Canberra are seeing that entry-level price being increasingly out of reach as entry-level prices increase to almost $500,000. Traditionally there is little capital growth in the unit market with buyers opting to upgrade to townhouses and houses. Investors particularly are willing to upgrade to increase the capital growth and liveability.

Families needing to upgrade to something bigger will now find it difficult with recent interest rate increases. Buyers are opting to renovate or extend their current homes due to these interest rate rises which have slashed buyers' borrowing capacities.

In the prestige market we are seeing relatively stable prices which reflects the demand for prestige housing, particularly in areas such as Deakin, Griffith and Yarralumla. Although we are not seeing record sale prices, there is still demand at the higher end of the market.

In Canberra, homebuyers typically buy houses for capital growth rather than rental return. The areas in which homebuyers are buying in the current market are the districts of Belconnen, Gungahlin, Tuggeranong and Queanbeyan. This is due to the price point being lower than suburbs in the inner north and south of Canberra. SQM Research states that the median house price in the region of Belconnen currently sits at around $837,000, Gungahlin sits at around $935,000 and Tuggeranong sits at around $850,000. The region of Queanbeyan-Palerang sits at around $952,000 (Higher than Average Growth, 2023). SQM Research states that the median rent for Belconnen sits at $665 which comes to a yield of roughly 4.13 per cent. All the other areas around Canberra came to roughly the same rental yield with Gungahlin being 4.17 per cent and Tuggeranong being 3.95 per cent. Queanbeyan-Palerang however has a yield of roughly 3.38 per cent.

The townhouse market is also driven by capital growth however the apartment market is driven by rental returns.

The townhouse market is also driven by capital growth however the apartment market is driven by rental returns. With the current influx of new apartment developments, apartments have been going up in value at a slower rate than the house and townhouse market. SQM Research states that the median unit price in the region of Belconnen currently sits at around $537,000, Gungahlin sits at around $550,000 and Tuggeranong sits at around $630,000. The region of Queanbeyan-Palerang sits at around $362,000 (Higher than Average Growth, 2023). SQM Research states that the median rent for Belconnen sits at $555 which comes to a yield of roughly 5.37 per cent. All the other areas around Canberra came to roughly the same rental yield with Gungahlin being 5.2 per cent and Tuggeranong being 4.37 per cent. Queanbeyan-Palerang however has a yield of roughly 6.57 per cent.

Stone Real Estate published an article on what buyers look for when buying a home. They found that 73 per cent of buyers said that price was the most important factor when buying a property. The second was location. Even if some things didn't tick their boxes, if the location was right then they were still inclined to buy the property. Interestingly in third place, buyers looked for homes with two living areas. Families in particular wanted another living area so that the kids and adults could be separated when guests visited. In fourth place was a home with no work required. This means that buyers are looking for homes that have been renovated and are ready to move into. In fifth was an outdoor area for entertaining. Sixth was storage space. Seventh was natural light (north facing houses are particularly preferred). Eighth was a reasonable sized bedroom with reasonable sized built-in robes or walk-in robes. Last but not least was a feel good effect: when you come home you can just relax; a place to feel calm, happy and secure.

With no evidence in the prices observed that the market has turned, agents are now reporting less of a buyer pool but still limited stock coming onto the market. The most recent cash rate increase of 25 basis points was the tenth consecutive increase since May 2022 which has triggered a decrease in potential buyers in the Capital. However, the market has only seen a slight decline, showing incredible resilience to these continual interest rate rises. The decrease in property listings is also assisting to prevent more market pressure.

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Tasmania - Residential 2023

Hobart and regions

Higher interest rates and cost of living pressures diminish returns for investors and that's why there are very few active potential investors in today's current market. A leading Eastern Shore real estate agent told me recently that he hadn't sold a property to an investor for eight months until mid-March when he sold two.

With gross yields sitting around the same as a fixed term deposit, investors find it safer to lock their cash in the bank without the risk of having an asset potentially further drop in value.

Rental vacancy rates are still below one per cent, however due to the lack of supply and ever-increasing living costs, it seems weekly rentals are beginning to level out, albeit at historically record high levels.

It seems first homebuyers are sitting on the fence when it comes to taking the plunge into the property market as they wait and see where interest rates are heading. There are mixed opinions (at the time of preparing this article) between the major banks that rates will pause for April. I think it's a 50/50 split on projections of what will happen. The global markets have a big impact on interest rates here in Australia.

Downsizers appear to be active throughout Hobart and surrounding suburbs as they cash in their McMansions for something more manageable in their twilight years.

Lower priced suburbs (sub $650,000), particularly in the northern suburbs of Hobart, are still an attractive option for first homeowners.

Downsizers appear to be active throughout Hobart and surrounding suburbs as they cash in their McMansions for something more manageable in their twilight years.

There has been a spike in listings recently offering purchasers the time to take a breath and not be pressured into making an offer on the spot. This gives them the time to employ the services of a building inspector and potentially make the offer subject to the sale of another property. Offers like this were not considered 12 months ago.

With the April interest rate pause, and even some speculation about rate cuts, potential purchasers may find the current high levels of stock on the market start to reduce as demand increases yet again.

On another note, vacant land prices have taken a pretty big hit with the high interest rates, increased construction costs and labour and material shortages. In some cases, we have seen a ten per cent reduction in prices from blocks that were purchased at the peak of the market. Some agents are saying they can't give vacant land away at the moment. In most cases you are better off buying an established house and adding your personal touches to it over a period of time when finances allow. The downside is that you are up for the stamp duty on a much higher amount, however you don't have to try to find a builder and wait up to 18 months to move in.

Mark Davies
Valuer

HERRON TODD WHITE RURAL

Rural

April 2023

National Rural Overview

The Herron Todd White rural team recently hosted two client events in Brisbane and Melbourne to review the 2022 year and provide some observations on the outlook for 2023. After three years of interruption and last year running as a virtual and small face to face event, it was wonderful to be able to have the local Herron Todd White team and around 200 guests in the same venue to share insights but also reconnect with each other.

With the largest rural valuation team across the country, our team has the local knowledge coupled with the research data to drill down into market activity and transaction analysis to provide insights that many of our clients value. These market-leading events continue to grow and remain a pivotal initiative of Herron Todd White which remains the largest supplier of rural valuations across the country.

Tim Lane
National Client Manager - Agribusiness and Advisory

With the largest rural valuation team across the country, our team has the local knowledge coupled with the research data to drill down into market activity and transaction analysis to provide insights that many of our clients value.

This year included a presentation of the impact of carbon offset plans for rural holdings and the likely impacts on value moving forward. The sector has evolved over the past five or so years, but one has the sense it is about to get much more activity with new projects, proponents and demand all building activity in the market. We have evidenced land transactions where the overarching buyer perspective was seeking carbon opportunity of scale to be run alongside grazing enterprises demonstrating a premium over the agricultural use.

At Herron Todd White we are building a specialist carbon team to cover every state and territory which will be available for all our clients' engagement as they undertake financing, due diligence on buying and other assessments where carbon projects are planned or already established. We are also conscious that the market is evolving; policy today may not be policy tomorrow and access to verifiable data can be a challenge at times.

My presentation of observations on the carbon market from a valuation perspective.

Some key facts.

As at January 2023:

- 122 million carbon credits have been produced;
- 22 million have not been contracted as yet;
- Current projects forecast another 75 million credits are in the production pipeline;
- Agriculture (soil carbon) represents 32 per cent of all projects but to date only 1.3 per cent of supply of credits;
- 1430 projects have been registered, but 259 have also been revoked;

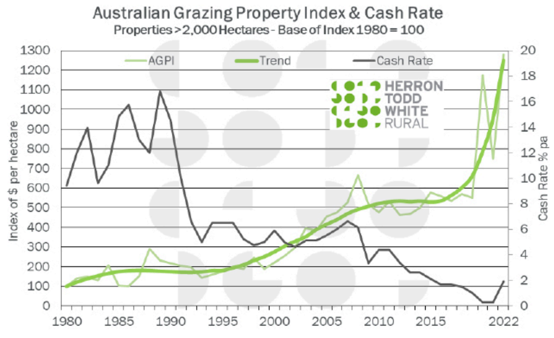
RURAL

HERRON TODD WHITE RURAL

- Recent carbon purchases (Savannah Burning) have reflected a premium of circa 15 per cent above the underlying agricultural value based on Herron Todd White analysis.

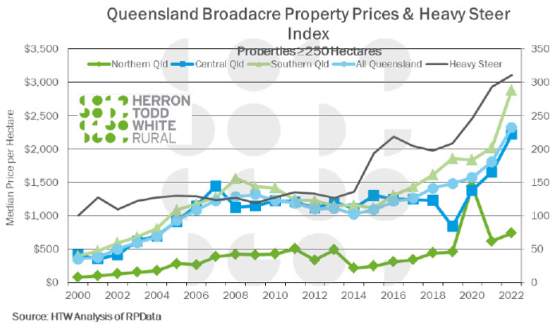
So, what were some of the key themes for the 2022 year in rural property?

The graph below reflects the relationship of the average cash rate since 1980 overlayed to the land sales index for properties greater than 2000 hectares. It is an interesting observation and one data point with all the discussion around the interest rate outlook and what it may mean for the rural land market going forward.



Source: HTW Analysis of RPData

On a more specific commodity overview, the cattle market is a good proxy for the drivers of land values in Queensland and the overlay in the below graph of the heavy steer index to land value movements shows a strong correlation of the two, certainly the past three to four years has highlighted that. With a recent shift downwards in beef prices, the next 12 months activity in land sales and values will be interesting to observe.

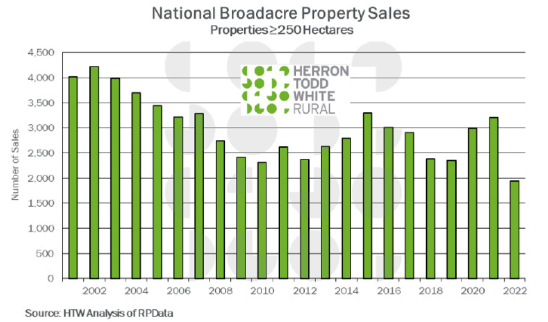


Source: HTW Analysis of RPData

Will McLay, director rural Herron Todd White RQ addressing the room in Brisbane of 130 clients, financiers, agents and government departments mixed with the Herron Todd White rural team.

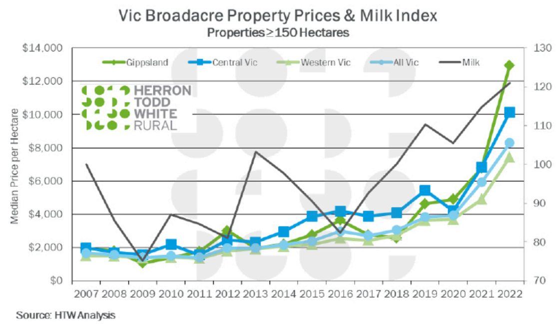
John Gunthorpe, State Manager Agribusiness Victoria and Tasmania, providing the address to the Melbourne audience reflecting the market landscape for rural holdings.

It was also a key takeaway that the agents were finding it hard to gain supply as the volume of sales has reduced over the past few years. This is seen as a lack of supply, not shortgage of demand, however both speakers noted that the level of enquiry as reported by agents has reduced and active bidders at auctions are fewer, however the values being achieved remain in line with the end of last year.



Source: HTW Analysis of RPData

Further south at the Melbourne event, we took the opportunity to look at the dairy sector and the impact of milk pricing which has been volatile for a number of years now. While the overarching trend is positive in the prices of milk, the strong relationship to median land values



Source: HTW Analysis of RPData

HERRON TODD WHITE RURAL

from 2016 onwards is strong. So with the outlook for continued above average milk prices in the immediate future, this may support a further strengthening of the market but at least support the current significant growth of the past three years.

It can be difficult at times to comprehend the value shfit in any asset from a graph like the one above so our team also dissected the sales analysis of the period from 2011 to 2022 and the table below highlights that whilst there has been significant value uplift over the prior 11 years, the 2022 year in itself also reflected movements of up to 35 per cent in one region and double digit growth bar one region.

This simple table really does showcase why the investment capital continues to build in agriculture and additional capital from new players including carbon money will further influence the direction of the market.

Unit rate values from 2011 - Vic & NSW

	Property Type	Unit Rate 2011	Unit Rate 2021	% change 10 years	Unit Rate 2022	%change 1 year
Mallee (N-W Vic) (Tempy)	Cropping	$1,025/Ha	$3,500/Ha	225%	$4,500/Ha	29%
Wimmera (Nhill)	Cropping	$3,375/Ha	$18,250/Ha	540%	$20,000/Ha	8%
Western District	Grazing	$4,000/Ha	$20,000/Ha	500%	$22,000/ha	10%
Southern NSW	Grazing	$300/DSE	$1,100/DSE	365%	$1,400/DSE	27%
NE Tasmania	Grazing	$2,430/Ha	$16,250/Ha	568%	$22,000/ha	35%
S-W Riverina	Mixed crop/grazing	$1,500/Ha	$7,500/Ha	500%	$8,500/ha	13%

Central Tablelands / Central West NSW

We note several recent sales which occurred in late March:

- Walshville, 2965 Mitchell Highway, Vittoria NSW 2799, a well-located improved 422 hectare property on the Mitchell Highway mid-way between Orange and Bathurst, sold on 24 March 2023 for $8.15 million. This is predominately open arable grazing land and indicates an overall including buildings rate of $19,313 per hectare;
- The 144.88 hectare Almarlea, 310 Sewells Creek Road, located eight kilometres west of Oberon. This is an improved grazing property with mostly open country. Sold on 24 March 2023 for $3.16 million by Elders Emms Mooney, its sale price indicates $21,813 overall including buildings;
- Also sold on the same day by Elders Emms Mooney was the 342.78 hectare Gelnethy, 1312 Dog Rocks Road, Essington. Located 11 radial kilometres south-east of Rockley and 20 kilometres south-west of Oberon in the Dog Rocks area, it sold for $4.835 million which indicates $14,105 overall including buildings.

Recently we have seen an example of a new and interesting technology in the field. This was a network of Farm Deck sensors and monitors throughout a property we inspected which were located on troughs, storage tanks and gateways which allowed live monitoring of water systems, livestock tracking, farm security and a number of other paddock and property management functions, feeding data to the farm manager and to a farm management system.

Craig Johnstone
Valuer

Echuca/Deniliquin

The property market in northern Victoria and southern New South Wales has remained strong albeit with agents reporting some reduced enquiries although there is still a limited number of quality properties currently on the market.

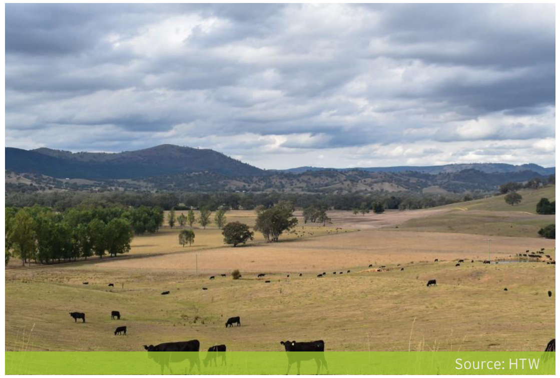
Two blocks within the Elmore/Toolleen districts sold at auction on Friday, 17 March for $20,000 per hectare. This was in line with market expectation and supports other sales of similar country sold by private negotiation over the past six months. The market seems to be holding up with nearby neighbours prepared to pay sale prices for these properties with less interest coming from purchasers outside these districts.

The recent interest rate rises coupled with much higher input costs and uncertainty around commodity prices are considered to have the potential to slow demand within our regions although we are unlikely to see a correction in our districts this year.

Oliver Boyd AAPI
Valuer

Southern NSW

Several new listings of larger properties have hit the market after the quieter holiday period which should prove to be an interesting test of where land values are tracking. A stand out amongst recent transactions is the recent sale at auction of Warranoy, a 1644 hectare mixed farming holding located in the highly regarded Wallendbeen area in south-west New South Wales. At over 4000 acres, this is a significant holding for the area and its sale at auction for $28 million demonstrates that there is still strong demand for good quality high rainfall assets in southern New South Wales



Source: HTW

despite recent interest rate hikes. This has also been reflected in good clearance rates for sales of grazing holdings along the Murrumbidgee and tablelands areas.

Further west in the cropping belt there appears to be a slowing of demand which has seen some properties passing in at auction, or one or two selling at levels 10 to 15 per cent lower than per hectare rates achieved in early to mid 2022, when interest rates were still on hold and land values experienced once in a generation gains. Agents are advising that buyers are now running a strict ruler over potential acquisitions, particularly those that may need expenditure up-front to restore productivity (weed control, lime applications, reconfiguration of fence lines etc.). The recent rain-affected harvest has also had an impact on cash flow and coupled with high prices for cropping inputs, softening of grain and oil seed prices and the higher cost of machinery, we appear to be entering a consolidation phase in the dryland cropping segment of the rural property market.

Andrew Garnsey
Valuer

HERRON TODD WHITE RURAL

Mildura/Sunraysia and South Western NSW

There have been very few significant horticultural sales in recent months, however a number of medium sized citrus and table grape properties in the Mildura region are currently being marketed and will hopefully provide greater insight once sold. The fact that there have been few recent sales indicates that the market may be re-balancing.

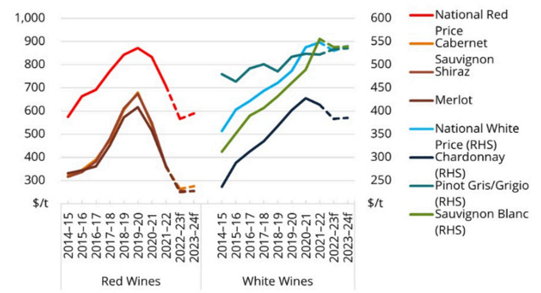
The 2023 wine grape harvest will be one that most growers would prefer to forget, with a combination of high disease pressure and low prices for red varieties resulting in returns that will be below the cost of production for many growers.

A recently released (March 2023) ABARES agricultural outlook report highlighted the key points in Australia's wine grape industry:

- Value of wine grape production to be down 32 per cent to $749 million in FY23.
- Value of wine grape production to then rise 11 per cent to $834 million in FY24.
- Red wine grape prices expected to remain low over the outlook period.
- Low red grape prices will trigger reductions in vineyard area.
- Wine exports expected to fall in line with low prices and production.

ABARES, in consultation with Wine Australia, compared historic and forecast prices received for fruit grown in inland regions with the national average price for a number of varieties, with the results displayed in the following chart:

Figure 1.4 Wine grape prices, inland region vs national average, 2014–15 to 2023–24



f ABARES forecast. s ABARES estimate.
Sources: ABARES; Wine Australia

Wine grape prices Source: xgxgxgx

This data shows that growers had benefited from a steady increase in prices paid for most red varieties up to and including the 2020 harvest before a steep decline in red grape pricing. White varieties have plateaued, however not declined significantly.

Growers have had to become both larger and more efficient to survive and in doing so, have embraced the use of larger machinery, such as three-row sprayers and barrel pruners which can prune vine rows in a single path. It is hard to see where the next efficiency gain will come from.

The dreaded El Nino term is starting to creep into some conversations, with forecasts of lower rainfall in the coming autumn and winter. The cost of longer term (ie. three to five year) leasing of irrigation water has increased slightly in recent weeks and it would appear that the current wet cycle has come to an end.

There have been continuing sales of small to medium sized cropping properties in the Mallee region of north-western Victoria, with farmers still keen to increase their scale. Values appear to have leveled off for the time being, however demand is still evident, particularly for land with a good history of weed control and fertilizer application.

Now on to some technological advancements.

The basics of farming have not changed significantly over time, particularly on small family farms, however farmers now have access to technological advancements through the adoption of modern equipment, advanced biotechnology, genetic modification and modern irrigation techniques. The ongoing development of technology is designed to provide farmers with improved efficiency across all aspects of their operations. This includes advancements in GPS technology, the integration of data to applicable software packages for farm reporting and adoption of real time information, utilization of mobile phone technology, water monitoring, drone filming and photography and business management and planning.

A large proportion of the agriculture sector remains labour intensive and therefore efficiency (particularly labour inputs) and sustainability are key components to technology advancements by providing opportunities and strategies to improve and maintain revenue growth into the future.

Growers have had to become both larger and more efficient to survive and in doing so, have embraced the use of larger machinery, such as three-row sprayers and barrel pruners which can prune vine rows in a single path.

AgriWebb is reportedly the world's leading all-in-one livestock management software. The company recently released a report entitled State of the Global Farmer Report 2023. The report details a recent survey of producers on how important technology would be in the success of their own farming operations. The survey confirmed that Australian producers have embraced technology advancements with 58 per cent of respondents regarding it essential for the success of their farms in the future. The report summarises that "these are positive results and show that respondents are realising and leveraging technology to optimise their farming operations".

Genetically modified (GM) crops have had a significant impact on the agribusiness sector internationally, however are yet to gain a strong influence in Australia and are currently largely limited to canola and cotton crops.

Another adoption of technology locally deals with irrigation management. Horticulturalists have long battled how and when to irrigate crops and how much water to apply. New pole-mounted sensors recently developed and implemented in vineyards in the Sunraysia region are designed to detect whether a plant is water-stressed up to a week before it begins to wilt by recording leaf and ambient temperature, humidity and solar radiation with data being transmitted every 10 minutes to the cloud. This technology is said to provide positive impact on workflows, yields and quality while reducing risk to the growers.

Shane Noonan
Valuer

Carlo Vadori
Valuer

Darling Downs

Rural properties in southern Queensland and northern New South Wales continue to perform well in the market. Listings have been quite limited through January and February, though March has seen a noticeable uplift in property coming to market. Buyers are still active and appear prepared to maintain existing value levels for good quality, developed and well positioned properties.

A recent sale was Noella, a 30,757 hectare cattle breeding, backgrounding and fattening property approximately 85 kilometres west of Augathella in south-western Queensland which sold for $27 million in late February 2023. The freehold property consists of Gidyea, Brigalow and Bottle Tree scrub influenced soils with scattered hills and ridges throughout. The property is developed to shaded and open grazing with approximately 11,227 hectares of remnant country. Dissected by multiple creeks and drainage lines, the property is pastured with Buffel Grass, Gidyea Burr, natural grasses and herbages and is fenced into 18 grazing paddocks plus numerous small holding paddocks. Fencing is in good condition with approximately 58 kilometres of new fencing. The property is watered by 45 earth tanks and dams and seasonal holes in a number of creeks and is improved with a main dwelling, a second cottage, shearing shed, shearing quarters, machinery shed and portable panel cattle yards. The property was offered to market for the first time in 32 years and with four registered bidders in attendance, sold to a local buyer representing an improved rate of $878 per hectare. While being a recent market sale and providing good comparison within that regional area, this is a difficult sale to draw broad market conclusions from in isolation.

Noella Source: Elders Qld Rural

Another recent sale was Bushy Park at Hannaford, a 1,031 hectare rectangular-shaped easterly facing single freehold parcel with gravel road frontage. Country types comprise typical Brigalow with Belah and melon hole influence. The property is developed to mostly cleared open grazing with areas of former cultivation and approximately 890 hectares of stick racked country. It is pastured with Queensland Blue Grass, Buffel Grass, Silk Sorghum, Bambatsi and native grasses and is boundary fenced and subdivided into 12 paddocks. The property is watered by seven earth dams as well as seasonal holes in Claypan Creek which bisects the holding and has one windmill and three water tanks reticulating to numerous toughs. The property is improved with a large two-storey, five-bedroom dwelling which is somewhat dated internally with attached double lockup garage and various shedding including a machinery shed, shearing shed, storage shed and steel cattle yards. The property was advertised

Rural properties in southern Queensland and northern New South Wales continue to perform well in the market.

privately in the latter half of 2022 and reached a contract within six months. It sold within recent district expectations to a local grazier and did not reflect any reduction in line with corrections now evidenced by the EYCI.

Bushy Park Source: Nutrien Harcourts

The property Alice at Wandoan has reportedly sold at auction to neighbours for $9.825 million. The property provides two titles and features 1,030 hectares of blade ploughed country with a further 283 hectares pelleted four years ago. The property appears well developed overall and is supported by share bore water and well-maintained fencing. Being a 1,637 hectare holding, the improved price of $6,002 per hectare appears to indicate the market stabilisation we had expected, though does not yet provide any firm evidence of a substantial softening in market values.

These sales appear to indicate continued demand at price points consistent with those witnessed during 2022 - at this point in time - for strategic purchases by nearby and adjoining landholders. A number of upcoming auctions appear set to test the resilience of the rural property market in the wake of the correction to the EYCI since the beginning of the year. Early indications from agents are that inspection demand remains sound.

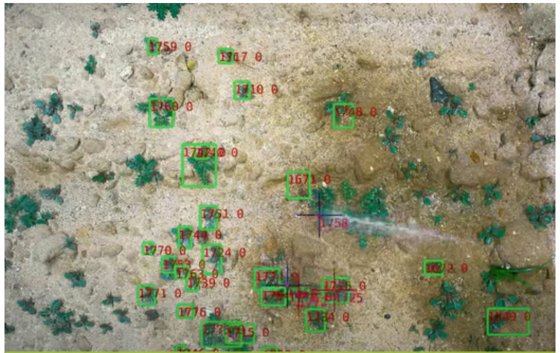
Technology in agriculture is constantly developing and we have previously discussed such advancements as drones for planting and stock movement, water monitoring systems and automated spray rigs as becoming commonplace. All such advancements provide a boost to productivity and on farm bottom lines and subsequently, in time also influence property value.

The science of artificial intelligence or AI and robotics is in its infancy in agriculture however some standout technology has recently become operational in California in the United States, influencing small crops with plans of expansion to the US mid-west.

A company which has previously developed self-driving vehicles is using computer vision, artificial intelligence, robotics and precision aiming sprayers to micro fertilise plants and spray weeds.

Self-driving vehicles Source: Verdant Robotics

The process which currently uses six and twelve-row spraying machines claims to be capable of covering 68 acres a day while using 95 per cent less chemicals. Through the use of high-resolution cameras passing over a crop, the spraying system can autonomously index the space and geo-locate and identify each plant at the square centimetre level and intuitively apply fertiliser or self-target weeds to apply herbicide. Through computation the system identifies each plant and can make strategic growing decisions to fertilise or kill the plant.



Sub-centimetre precision Source: Verdant Robotics

The system also allows for the property and paddocks to be digitally mapped to fine detail to allow yield mapping and greater farmer awareness and decision making.

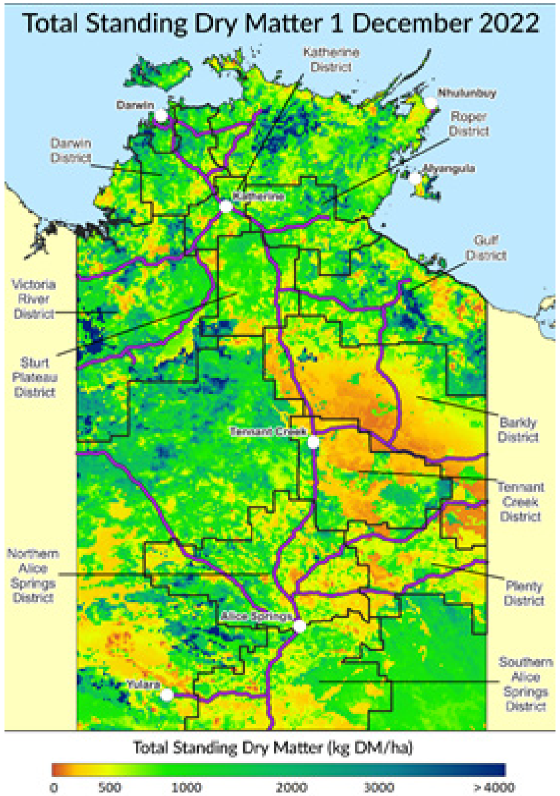
The application of such techniques and the use of AI and robotics in Australia in this way may still be some way off and initially may be specifically applicable to small crop production. However individual aspects such as yield mapping, individual plant spraying and fertilisation based on soil type are already widely adopted. Consequently with the advancement and combination of such technology, there are real possibilities to expand capabilities towards perhaps more broad acre applications and throughout many regions and production systems. These possibilities, opportunities and advantages offer exciting times ahead in agriculture.

Bart Bowen
Director

Northern Territory

There have been no significant rural sales in the Northern Territory or Kimberly to report this month as the wet season starts to draw to a close. While sales activity is typically lower during the wet season when access for inspections becomes a little more difficult, marketing agents are still reporting reasonable enquiry for the limited number of stations listed for sale that we reported on in the January Month in Review as well as a couple of large freehold grazing and farming blocks around Katherine. We note the addition to the market last month of freehold farming and grazing blocks Napier Valley and Jarrahdale, 34 kilometres south of Katherine in the Venn district. This 6520 hectare aggregation, 50 per cent of which has been cleared and the balance fully developed for grazing, is actually for sale by the owner via EOI and will test the market for the limited supply of freehold currently available. Another private listing last month of the red soil farming block at 349 Mulligans Lagoon Road near Kununurra also increases the very limited supply of farming country for sale in the Ord Irrigation Area. This 703 hectare freehold block has around 170 hectares developed to pressurised irrigation and is located just down the road from the site of the new cotton gin soon to be developed by the Kimberley Cotton Company (KCC) whose shareholders include Ord River District Co-operative, MG Corporation, Kimberley Agricultural Investments, Prime Grain Limited (Ron Greentree) and several local farming families in the Ord.

As far as tech used up here, one of the most widely used is remote water monitoring devices typically set up on tanks which supply troughs (but also on dams and bores) on cattle stations. The monitors are also typically set up with



Total Standing Dry Matter map Source: NT Government

automatic rain gauges (which self-empty) and link to the new generation of remote broadband internet systems. Data about stockwater levels and rainfall events provides information right across these large cattle stations that simply never existed ten years ago. Along with precision pastoral management systems data, this information is now available to pastoralists, often via a mobile phone sitting in their top pocket. The precision pasture management systems are based on NASA Landsat satellite technology and allow for remote sensing of pasture conditions by tracking changes in the growth, condition and grass diversity of the land. With a push for combined greater pasture utilisation of the NT and Kimberley rangelands along with superior sustainable grazing methods, this extraordinary level of data is instantly available and able to be quickly summarised through weekly reports. There are also ongoing trials across the more arid parts of southern NT where these systems are linked to a walk-over-weighing system whereby cattle, individually identified via an ear tag, walk over a weighing platform and data including information on live weight of individual animals as well as pasture condition and availability is recorded and uploaded via satellite to the pastoralist.

And if the pastoralists don't happen to have these data capturing systems in place, the NT Government has been emailing out the quarterly Pasture Feed Outlook report (also based on Landsat satellite technology) to pastoralists now for several years. Users can zoom into a station to get the average standing dry matter estimations to assist their forage budgeting for the year.

Frank Peacocke
Director

RURAL

HERRON TODD WHITE

Property Market Indicators

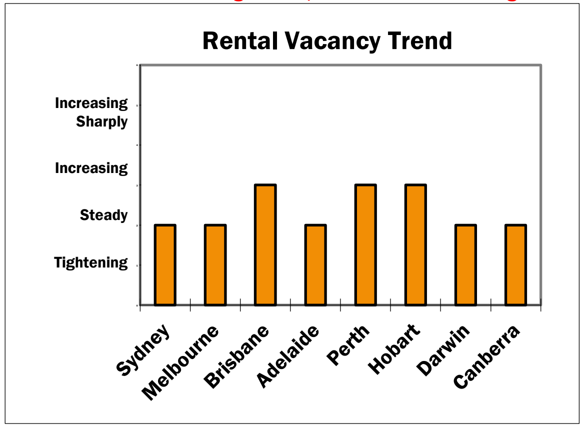
April 2023

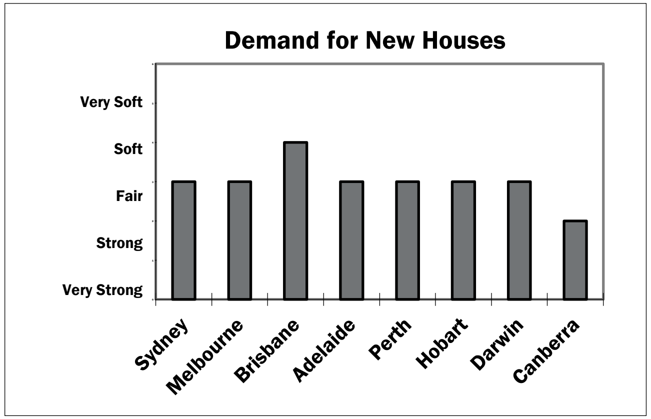
Capital City Property Market Indicators – Houses

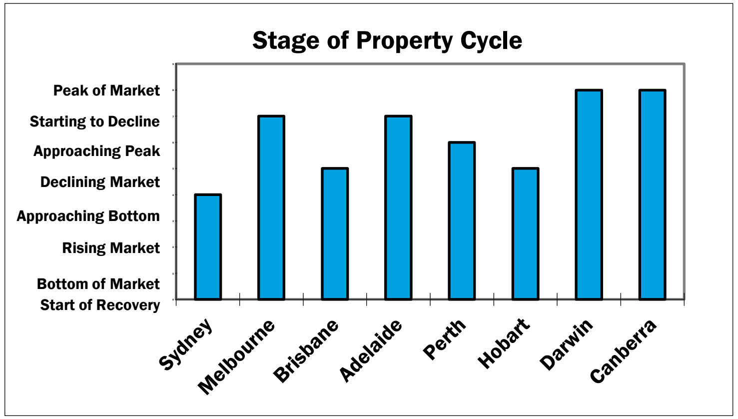
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Steady	Tightening	Steady	Steady	Tightening	Tightening
Demand for New Houses	Fair	Fair	Soft	Fair	Fair	Fair	Fair	Strong
Trend in New House Construction	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Declining
Volume of House Sales	Steady	Declining	Declining	Steady	Steady	Steady	Steady	Increasing strongly
Stage of Property Cycle	Approaching bottom of market	Starting to decline	Declining market	Starting to decline	Approaching peak of market	Declining market	Peak of market	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Frequently	Occasionally	Almost never	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



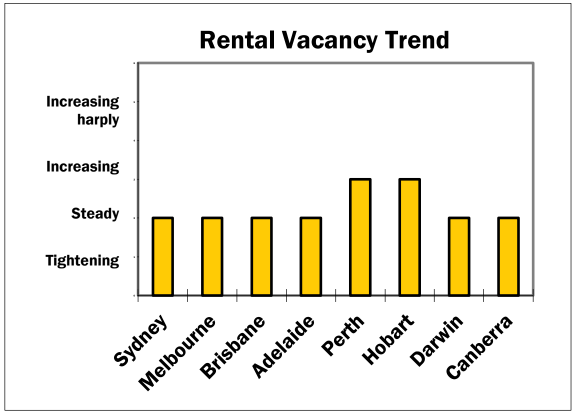


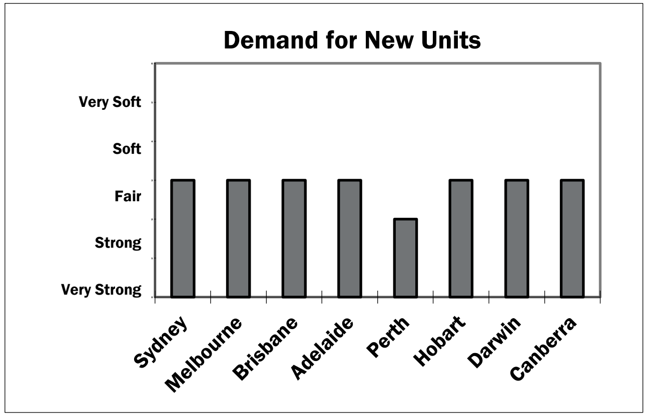


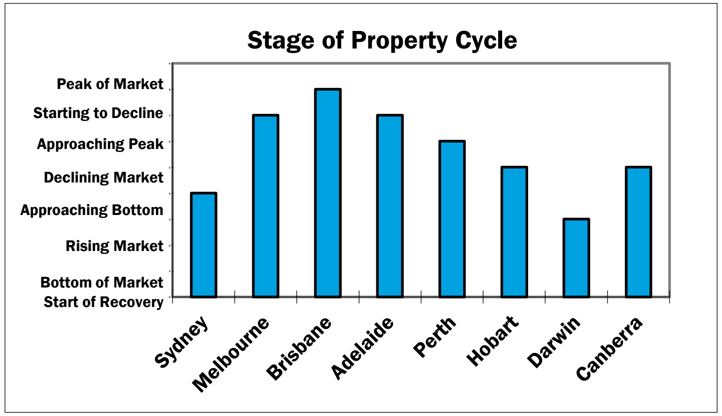
Capital City Property Market Indicators – Units

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Severe 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	Tightening	Steady	Steady	Tightening	Tightening
Demand for New Units	Fair	Fair	Fair	Fair	Strong	Fair	Fair	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Steady	Increasing	Declining	Declining
Volume of Unit Sales	Steady	Declining	Steady	Steady	Declining	Steady	Increasing	Steady
Stage of Property Cycle	Approaching bottom of market	Starting to decline	Peak of market	Starting to decline	Approaching peak of market	Declining market	Rising market	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Almost never	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally

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



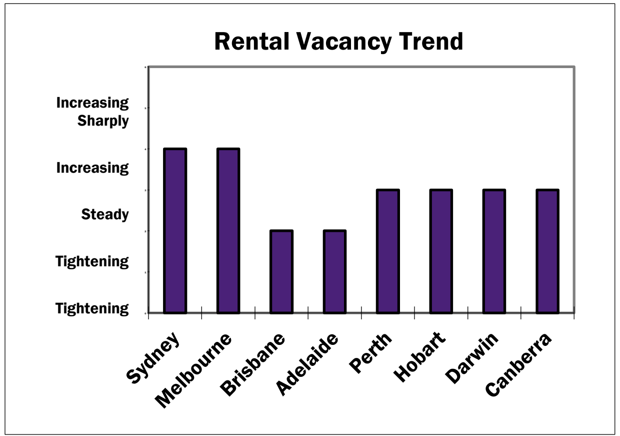


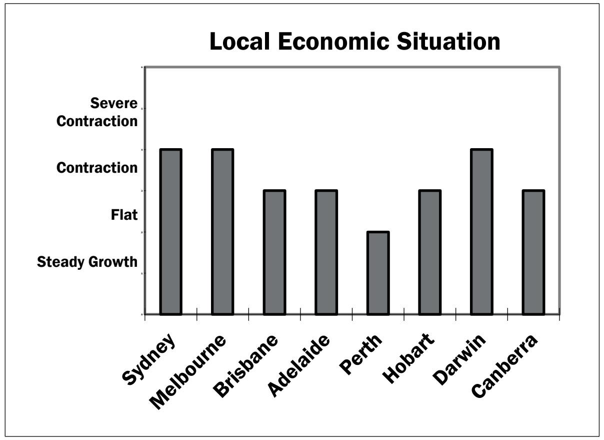


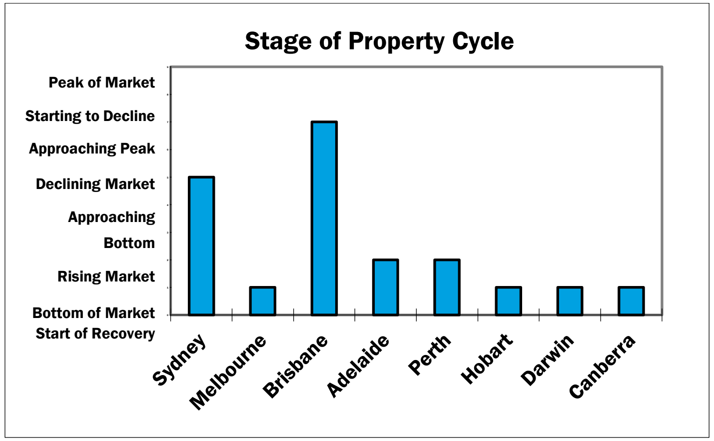
Capital City Property Market Indicators – Office

Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Increasing	Increasing	Tightening	Tightening	Steady	Steady	Steady	Steady
Rental Rate Trend	Declining	Declining	Stable	Stable	Stable	Declining	Stable	Stable
Volume of Property Sales	Declining	Steady	Declining	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Start of recovery	Starting to decline	Rising market	Bottom of market	Bottom of market	Bottom of market	Start of recovery
Local Economic Situation	Contraction	Contraction	Flat	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*





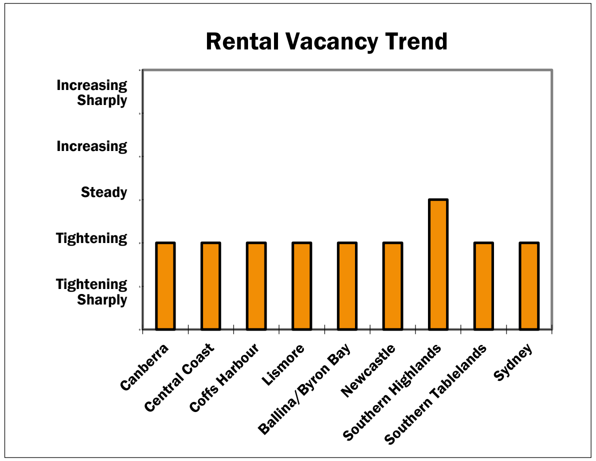


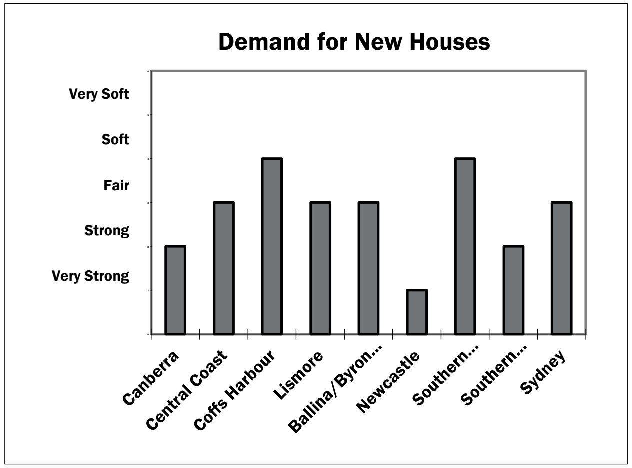
East Coast New South Wales Property Market Indicators – Houses

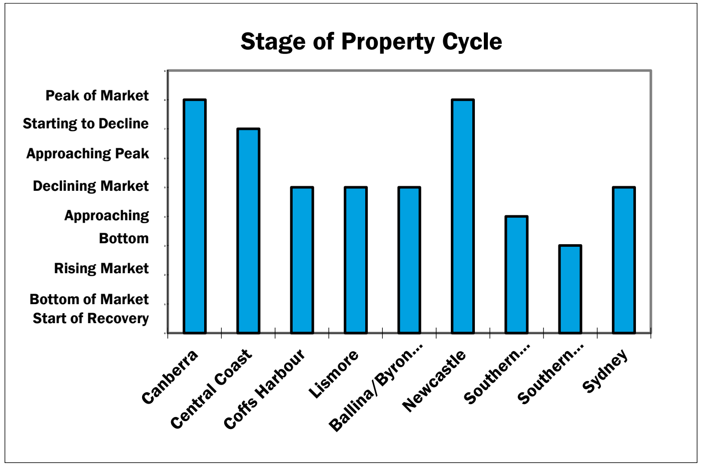
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand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





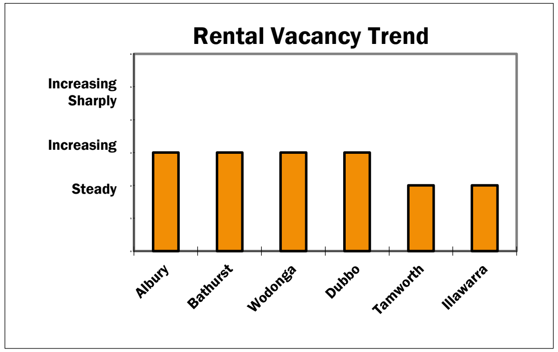


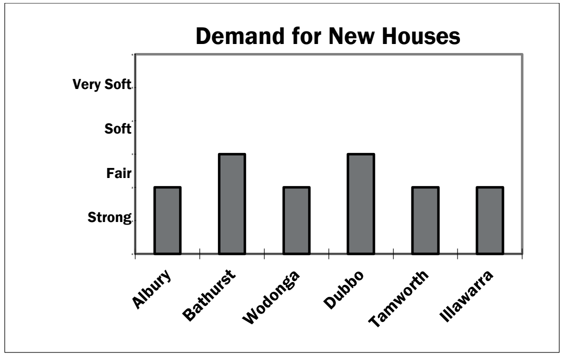
Country New South Wales Property Market Indicators – Houses

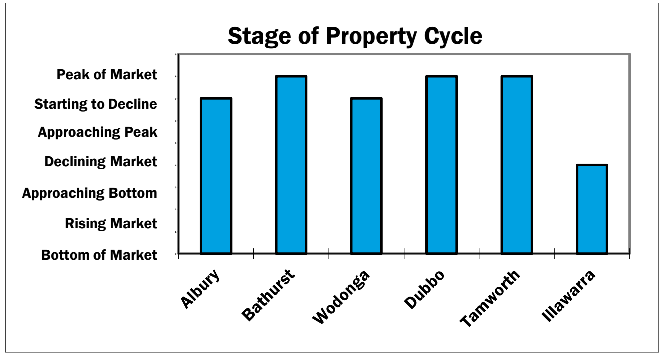
Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative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

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

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



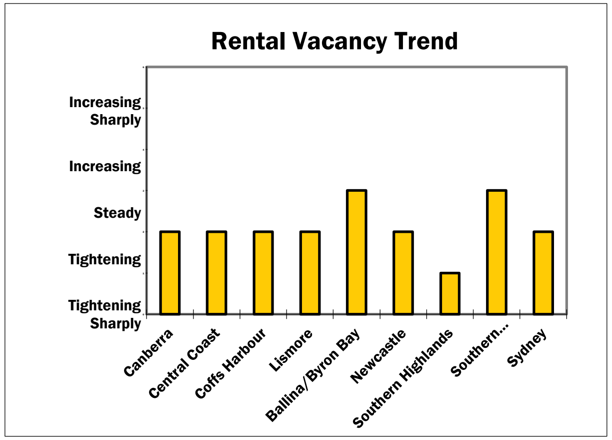


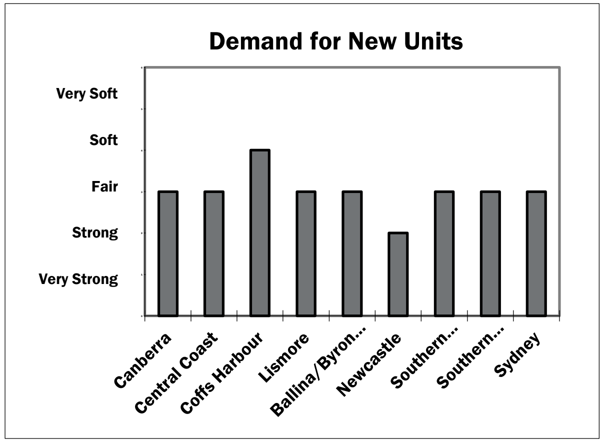


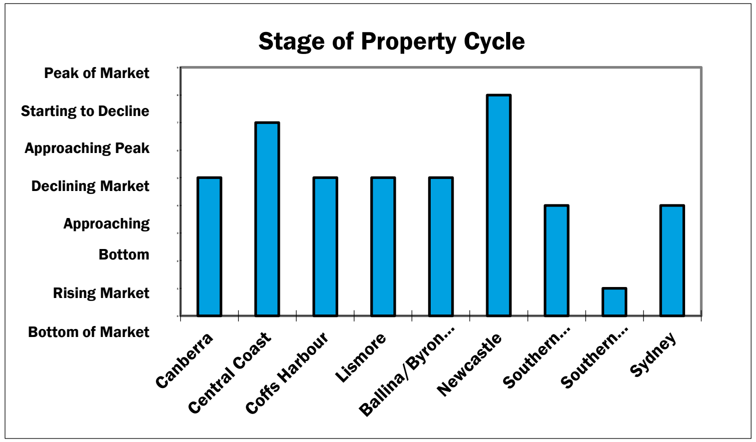
East Coast New South Wales Property Market Indicators - Units

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

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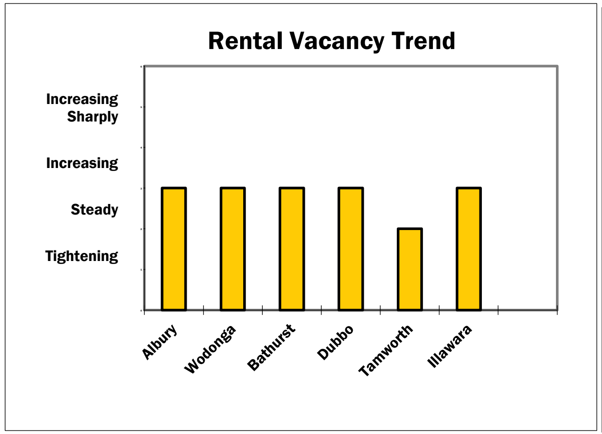

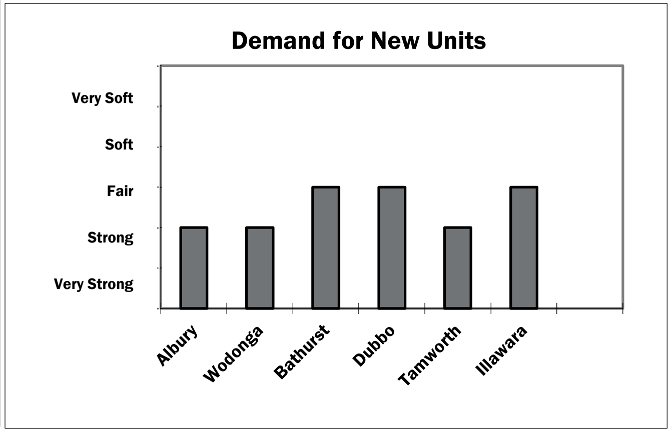

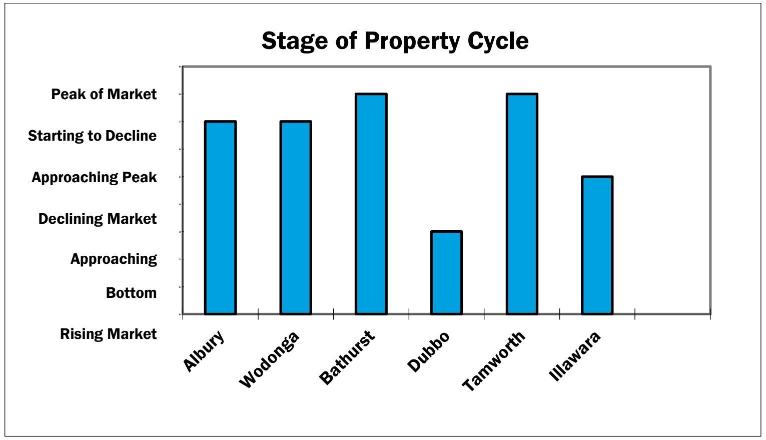

East Coast & Country New South Wales Property Market Indicators – Office

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	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Steady	Tightening	Tightening	Increasing	Steady	Increasing
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Steady	Steady	Steady	Declining	Steady	Steady	Declining
Stage of Property Cycle	Start of recovery	Start of recovery	Rising market	Approaching bottom of market	Starting to decline	Starting to decline	Starting to decline	Peak of market	Declining market
Local Economic Situation	Flat	Steady growth	Flat	Flat	Flat	Flat	Flat	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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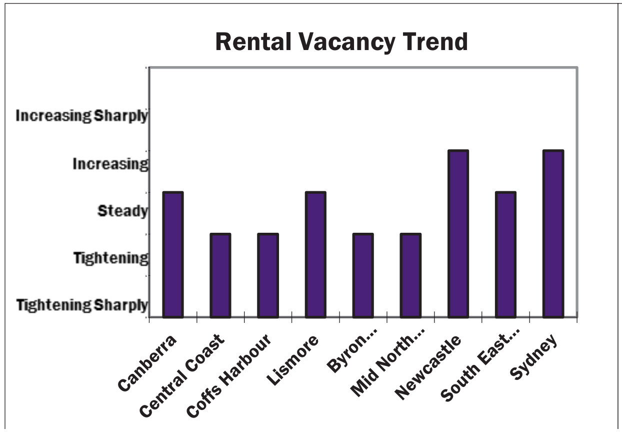

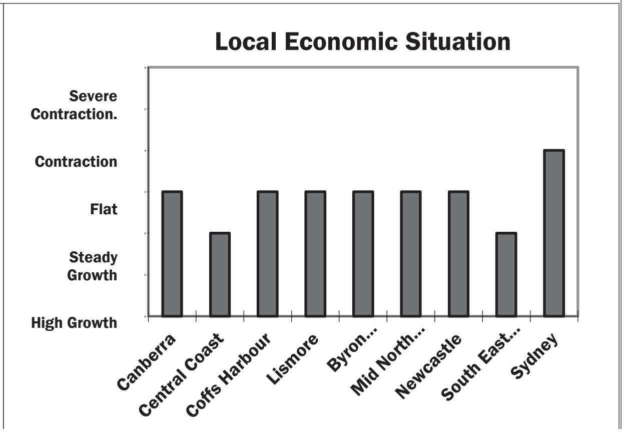

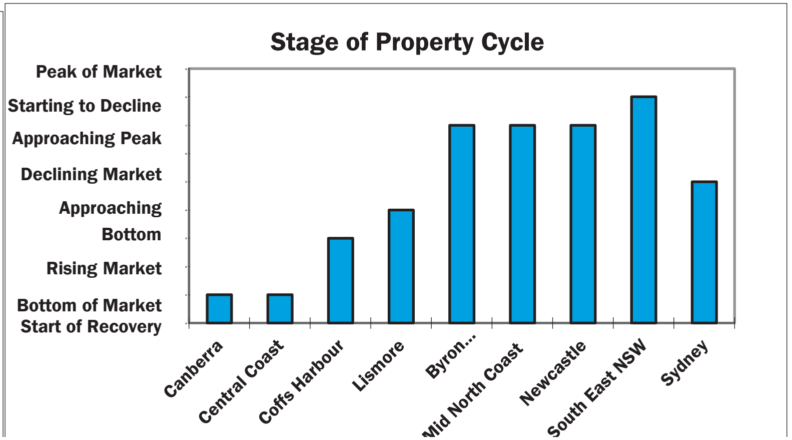

Victorian and Tasmanian Property Market Indicators – Houses

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	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	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Steady	Tightening sharply	Steady	Steady	Steady
Demand for New Houses	Fair	Fair	Soft	Fair	Strong	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady	Increasing	Increasing	Steady	Increasing	Increasing	Increasing
Volume of House Sales	Declining	Declining	Declining	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Starting to decline	Starting to decline	Peak of market	Peak of market	Declining market	Starting to decline	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally

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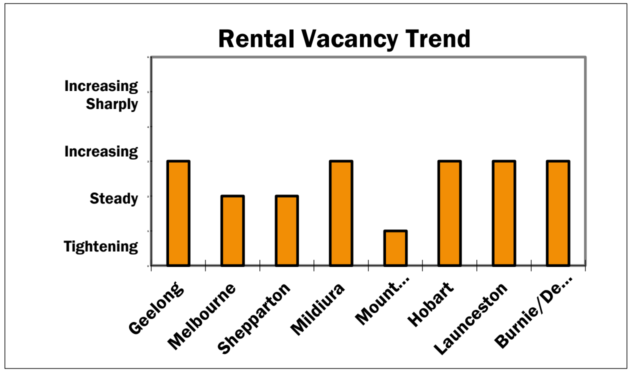

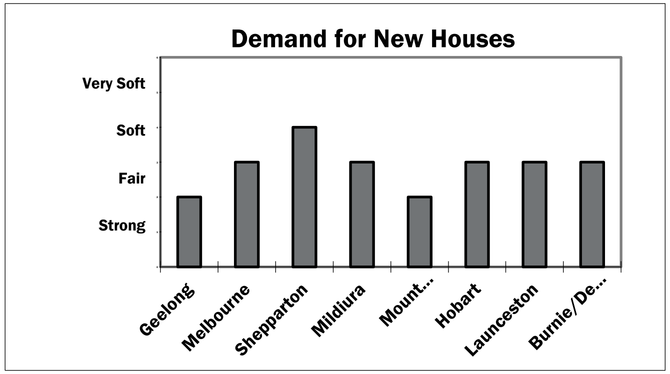

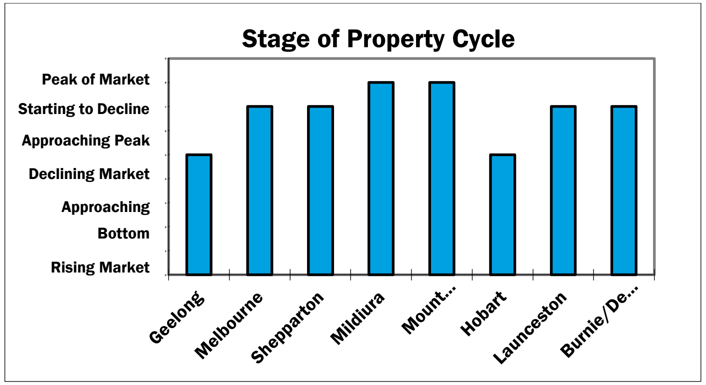

Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mount Gambier	Mildura	Hobart	Launceston	Burnie/Develport
Rental Vacancy Situation	Balanced market	Balanced market	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Tightening	Tightening sharply	Steady	Steady	Steady	Steady
Demand for New Units	Soft	Fair	Strong	Strong	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Declining	Steady	Increasing	Increasing	Increasing	Increasing
Volume of Unit Sales	Declining	Declining	Increasing	Increasing	Steady	Steady	Steady	Steady
Stage of Property Cycle	Declining market	Starting to decline	Peak of market	Rising market	Peak of market	Declining market	Starting to decline	Peak of market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Almost never	Occasionally	Occasionally

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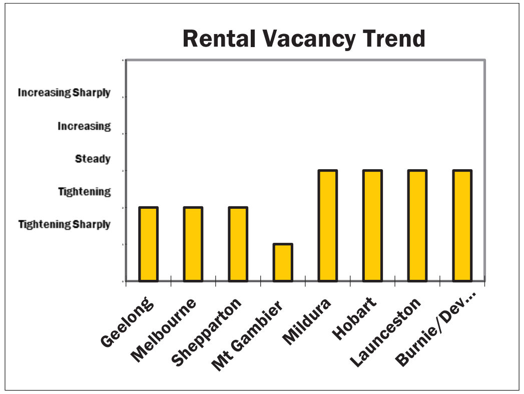

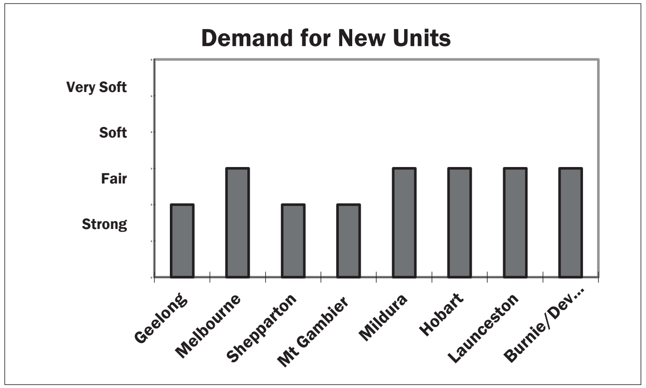

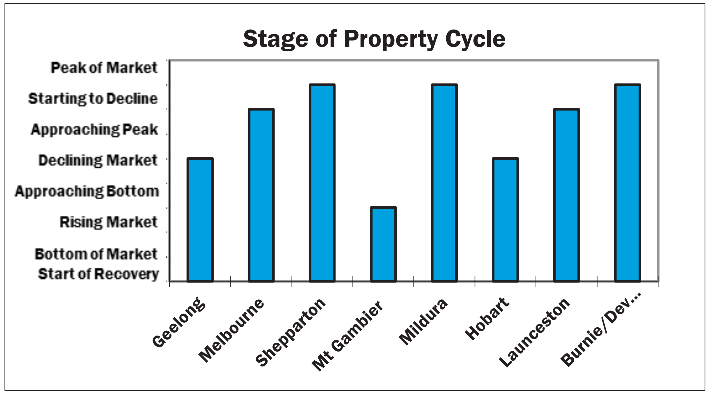

Victorian and Tasmanian Property Market Indicators – Office

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	Tightening	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	Large	Small	Small	Significant	Significant	Small	Significant	Significant

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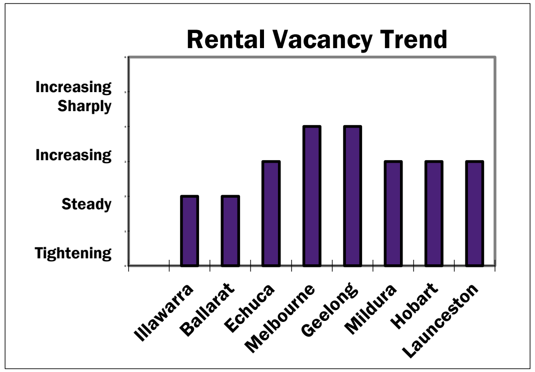
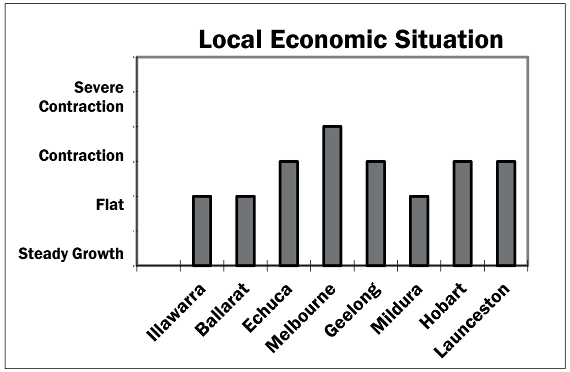
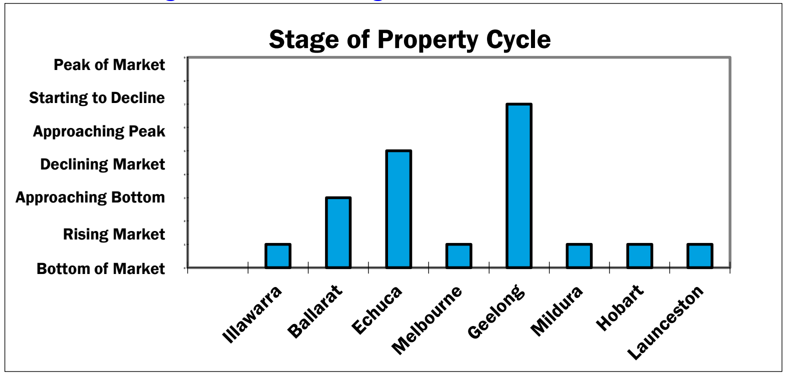




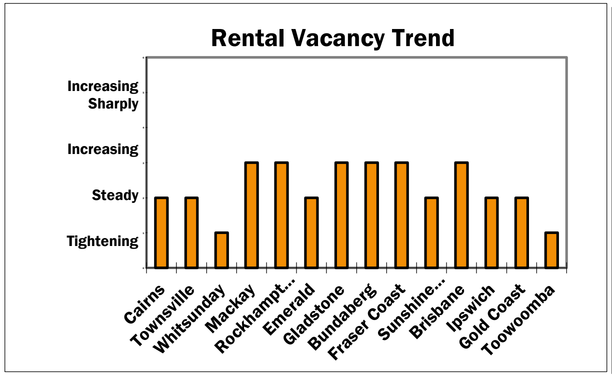


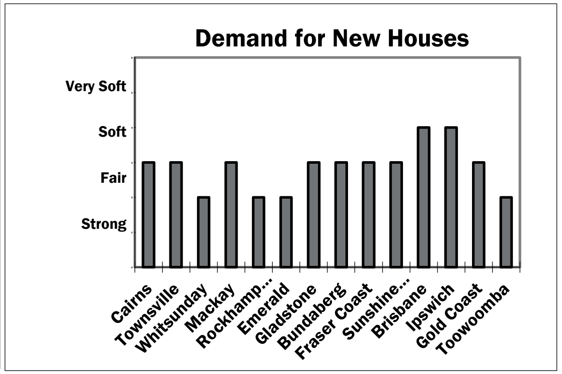
Queensland Property Market Indicators – Houses

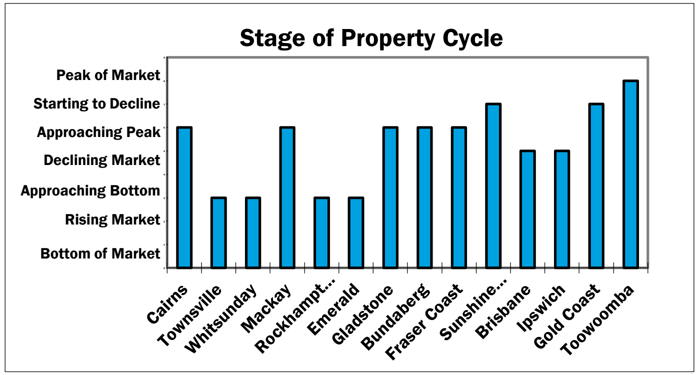
Factor	Cairns	Townsville	Whitsunday	Mackay	Rockhampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	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 sharply	Steady	Steady	Tightening	Steady	Steady	Steady	Tightening	Steady	Tightening	Tightening	Tightening sharply
Demand for New Houses	Fair	Fair	Strong	Fair	Strong	Strong	Fair	Fair	Fair	Fair	Soft	Soft	Fair	Strong
Trend in New House Construction	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady
Volume of House Sales	Declining	Increasing	Increasing	Increasing	Increasing strongly	Steady	Declining	Steady	Declining	Declining	Declining	Declining	Steady	Increasing
Stage of Property Cycle	Approaching peak of market	Rising market	Rising market	Approaching peak of market	Rising market	Rising market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Starting to decline	Declining market	Declining market	Starting to decline	Peak of 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

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

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







Queensland Property Market Indicators – Units

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

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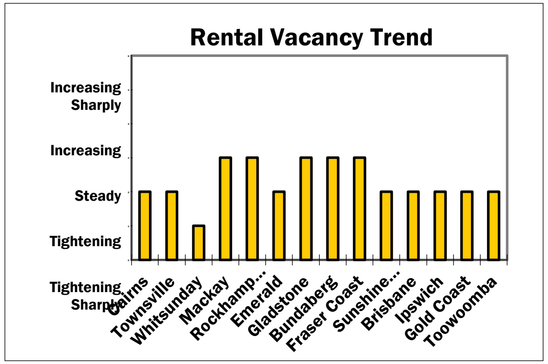
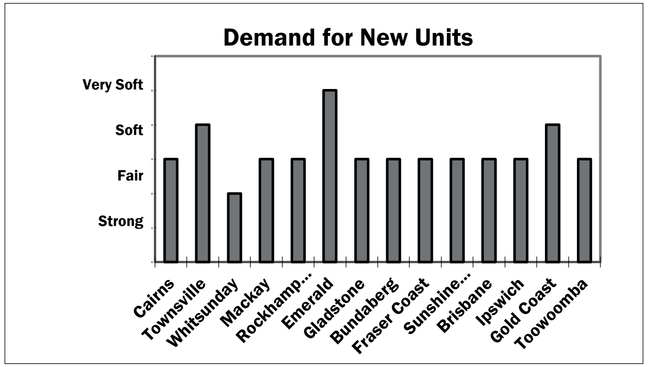
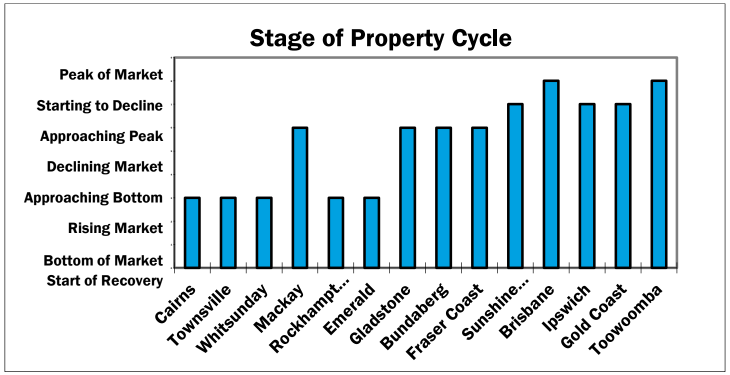


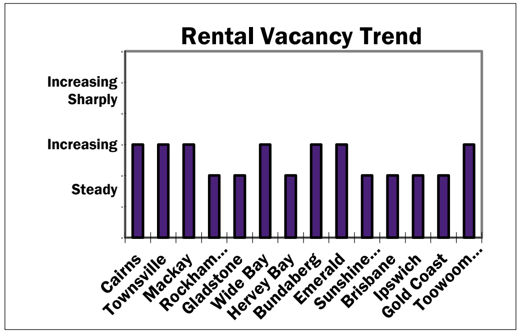


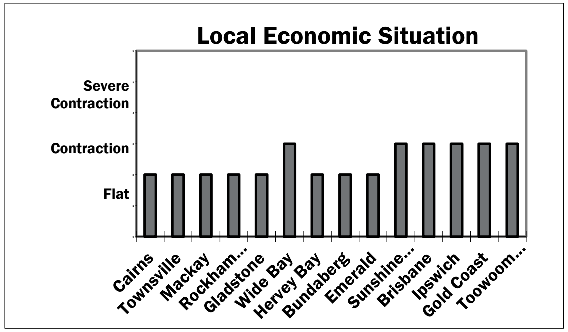


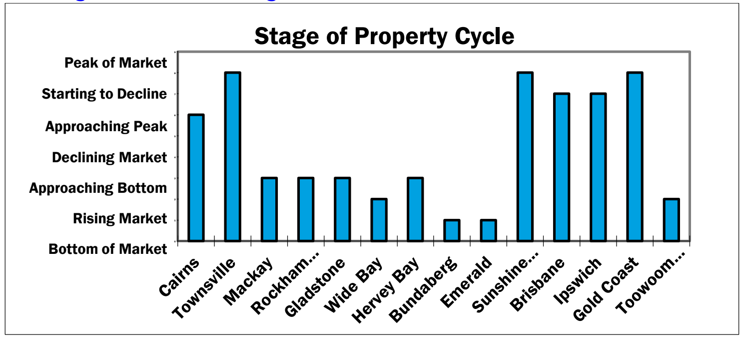
Queensland Property Market Indicators – Office

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

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







SA, NT and WA Property Market Indicators - Houses

Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	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	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	Steady	Tightening	Steady	Steady	Tightening	Increasing	Increasing	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Strong	Strong	Strong	Soft	Soft	Fair
Trend in New House Construction	Steady	Steady	Steady	Increasing	Declining	Steady	Declining	Declining	Declining	Declining	Declining	Increasing	Increasing	Declining
Volume of House Sales	Steady	Steady	Steady	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Increasing
Stage of Property Cycle	Starting to decline	Starting to decline	Starting to decline	Peak of market	Peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Rising market	Approaching peak of market	Peak of market	Peak of market	Peak of 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	Occasionally	Occasionally	Almost never

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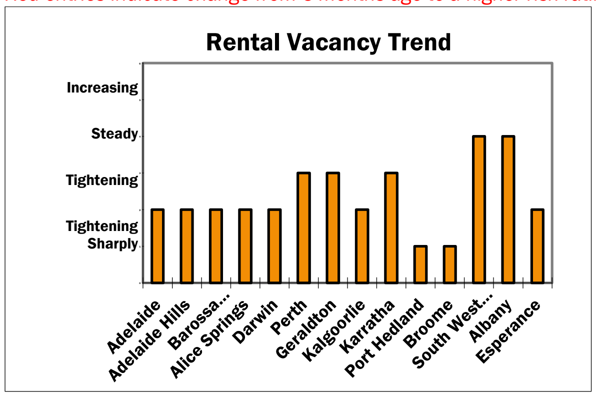
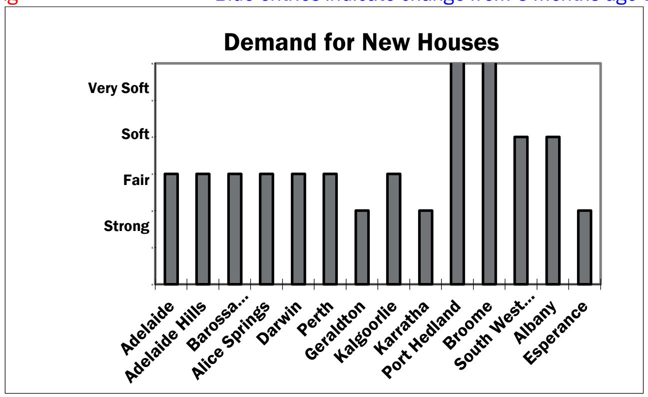
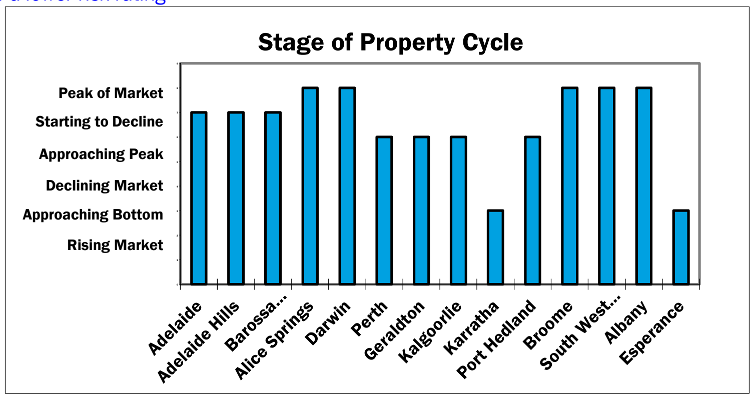
Blue entries indicate change from 3 months ago to a lower risk-rating







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	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	Severe shortage of available property relative to demand	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Tightening	Tightening	Tightening sharply	Tightening	Tightening	Steady	Steady	Tightening	Steady	Tightening	Tightening	Tightening sharply	Tightening sharply	Steady
Demand for New Units	Fair	Fair	Fair	Fair	Fair	Fair	Strong	Fair	Fair	Strong	Strong	Strong	Strong	Strong	Fair
Trend in New Unit Construction	Steady	Steady	Steady	Steady	Increasing	Declining	Steady	Steady	Steady	Steady	Steady	Steady	Declining significantly	Declining significantly	Steady
Volume of Unit Sales	Steady	Steady	Steady	Steady	Declining	Increasing	Declining	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing	Steady
Stage of Property Cycle	Starting to decline	Starting to decline	Starting to decline	Peak of market	Peak of market	Rising market	Approaching peak of market	Rising market	Approaching peak of market	Rising market	Approaching peak of market	Approaching peak of market	Peak of market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Almost never	Occasionally	Occasionally	Almost never

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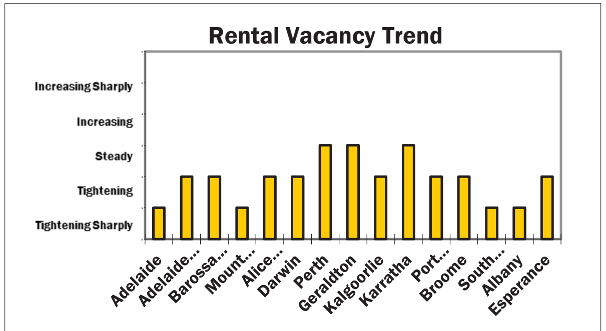
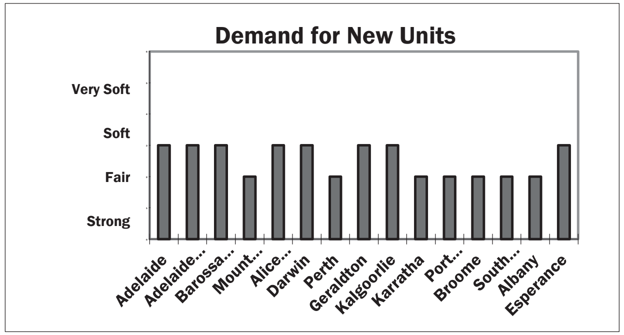
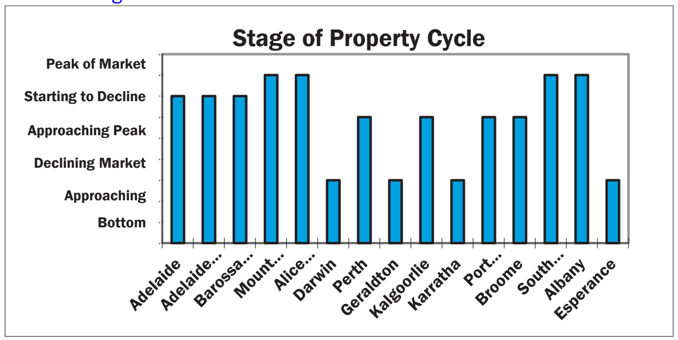
Blue entries indicate change from 3 months ago to a lower risk-rating







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	Steady	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	Bottom of market	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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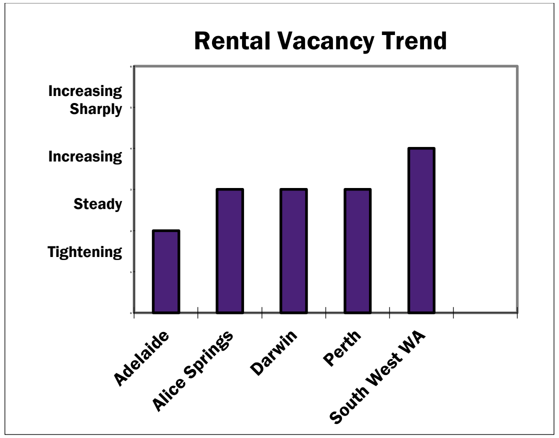

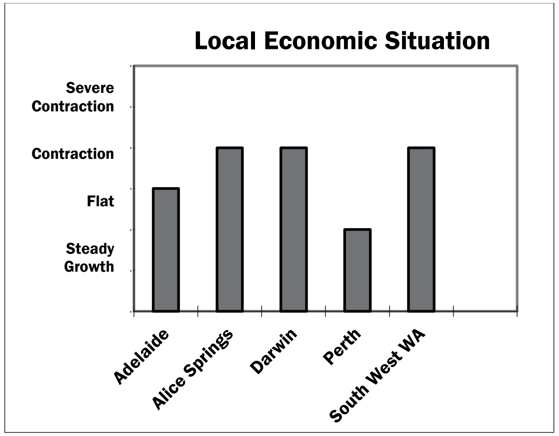

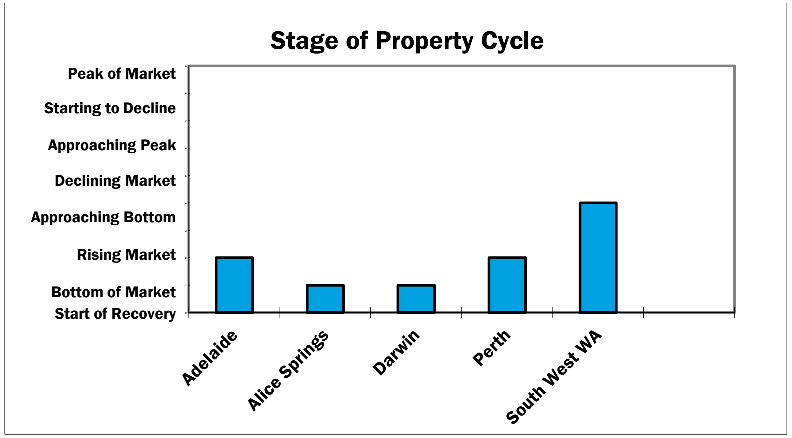

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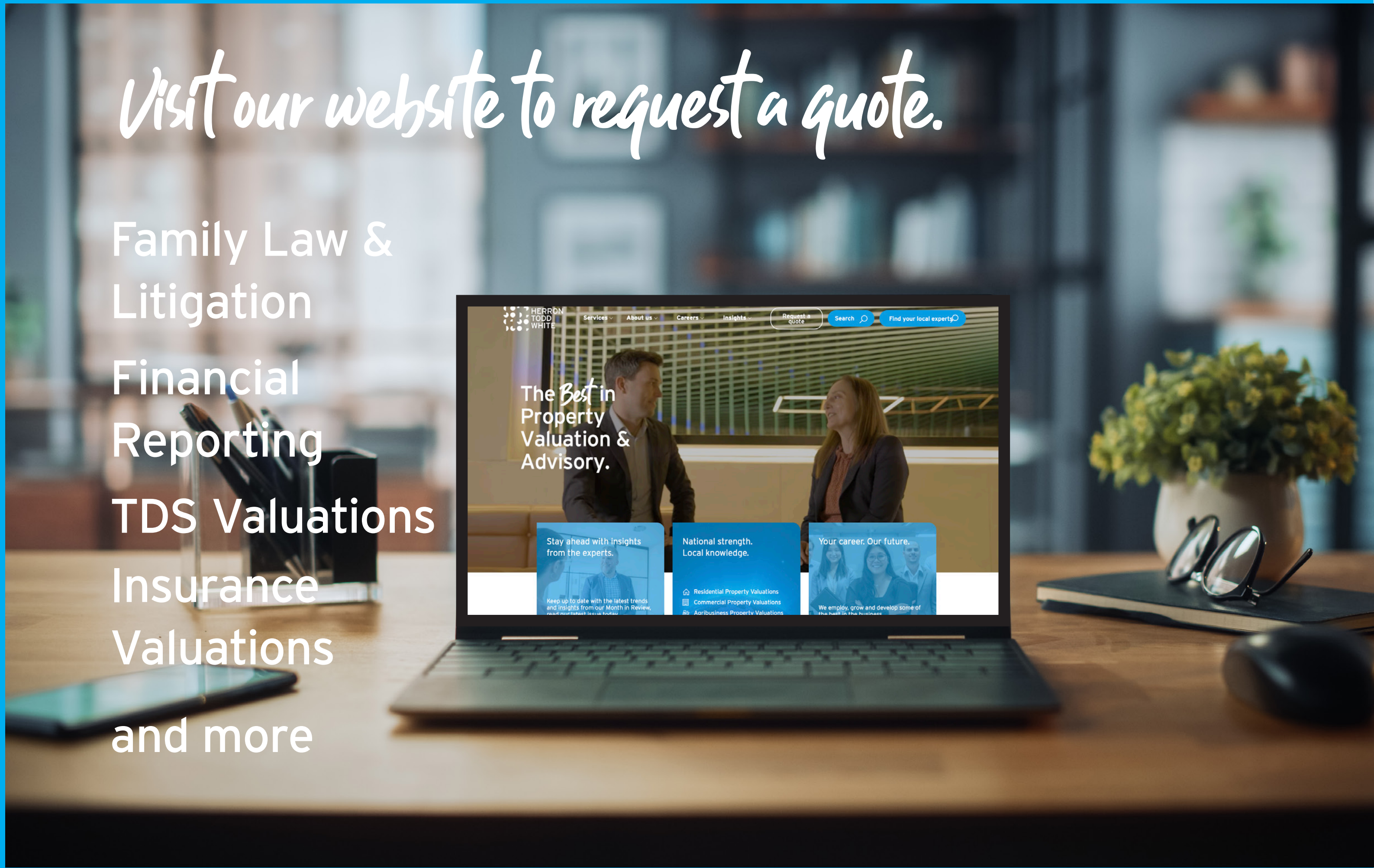

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