Month in Review

December 2022

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

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A message from our CEO

Welcome to the December edition of Month in Review

2022 will be remembered as a year of both transition and observation across all property sectors.

There were many influences on market direction, but none were more impactful than interest rate increases. The speed and significance of rate rises caught almost everybody off guard and had an immediate effect on buyer sentiment and vendor expectation. Given most stakeholders had been expecting rates to remain static until late 2023 or early 2024, there's little wonder escalations were so influential.

There's also been continued challenges in construction which have had an acute effect on the decisions made by property stakeholders. For most of this year, rising costs and time blowouts resulted in a widening gap between the value of assets requiring capital investment and those that didn't. Interestingly, my most recent conversations with industry many professionals suggest that differential is closing as investors become less reluctant to take on property that needs some additional outlay.

The residential sector felt the brunt of the interest rate increases. Rising rates resulted in a fast turnaround of buyer sentiment and seller expectation across most housing markets. The one big confidence boost is our continued strong employment rates. While households may have found budgets stretched in 2022, a viable path forward has been underpinned by secure work prospects.

Commercial property, specifically the office sector, has had a compelling year as well. Business owners locked into pre-pandemic lease arrangements have been strongly encouraging workers to return to the office. This has resulted in 2022 being a time of investigation and reflection by these businesses.

Rental is a big expense for any operation, so most want to utilise their leased square metres to the maximum. However, while steps were taken to encourage staff back to the workplace, not all have been successful in this new era of the hybrid work model. It will be interesting to see how this may influence space requirements as leases end throughout the next 12 to 24 months.

The rural sector has been a beacon of success over the past two years, which has set a high bar for price growth in late 2022. The ongoing positives in terms of commodity prices, the Australian dollar exchange rate, increased production and high rainfall would normally result in booming property price gains, but it's hard to go higher when values are already running at premium levels.

This year has been an opportunity for all property participants to reassess their positions and set down foundations for a successful 2023, with the assistance of our Herron Todd White specialists of course.

In closing I would like to wish everyone all the best for the festive season.

Thank you to our clients for your unwavering support and for choosing Herron Todd White as your trusted advisor in 2022. I wish our loyal readers, contractors, and media connections a very safe and happy holidays.

We look forward to catching up with you in 2023.

Gary Brinkworth
CEO

While households may have found budgets stretched in 2022, a viable path forward has been underpinned by secure work prospects.

2022: The year in review

To say the 2022 market was a "pivot" is a tech-lingo understatement of epic proportions.

Late last year we were coming off the back of an extraordinary 12-months' worth of capital gains. The upsides were widespread and high. From coast to coast, population centres saw their real estate numbers skyrocket to double digit gains fuelled by FOMO.

Of course, that all turned around very quickly and most dramatically in our major capital cities come April/May this year. Runaway inflation needed a rapid response, so the RBA brought forward interest rate increases which caught many owners and buyers totally off guard. There had been an expectation rates would remain on hold until closer to 2024 – but the monthly upticks in the cash rate from May through to year's end took all the steam out of markets.

This year's edition is compelling because of the way markets have moved at such vastly different speeds depending on location, price point and property type.

Throw in a few other significant events this year such as the entrenched war in Ukraine, political turmoil in the UK, continued pandemic challenges and, of course, the election of a new federal government in Australia. All of these have repercussions for consumer confidence and the national economy, and the consequences have played out in real estate values.

So, the "interesting" times continue for Australian property holders. Our largest capital cities saw many suburbs experience significant reductions in property prices, as did some regional centres.

As we do each year in the December Month in Review, our teams have come together to deliver a report card about the past 12 months. This year's edition is compelling because of the way markets have moved at such vastly different speeds depending on location, price point and property type.

Our residential submissions identify which sectors performed, and which didn't. Our crews also reveal what surprised them most about their local markets this year.

Also, for a little sport, our teams get the chance to reflect on the forecasts they made way back in February when everywhere felt a bit more buoyant. These valuers have come clean on where they got it right and where they didn't. It's a compelling insight into the predictive psyche of our country's most astute property minds.

Onto our commercial specialists, and it's another yearly retrospective, this time tackling Australian office investment in 2022. Our incredibly talented professionals take a nuanced view of our most important office sector locations. From price movements to rental shifts, prime sites to secondary locations, it's all laid bare by the team.

And we couldn't wrap up a Month in Review without our rural divisions delivering their annual retrospectives as well. We have Australia's most comprehensive coverage of rural property delivered by specialists of unimpeachable expertise. If you have any interest whatsoever in the primary production sector, this report is simply the best snapshot of the year you will find.

And there it is dear readers, a year in review for our final edition.

We hope you enjoy a little downtime this festive season and bring in 2023 with joyous abandon.

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Commercial

December 2022

National Office Overview

With 2022 drawing to a close, there can be many takeaways from yet another challenging year within national office markets following on from the COVID-19 pandemic. The Reserve Bank of Australia increased interest rates for the first time in May since late 2010 in a bid to reduce a future economic downturn. As a result, property markets had to contend with the increased cost of borrowing which slowed momentum and saw a shift in buyer sentiment directly correlating to a reduction in properties brought to market and many campaigns being withdrawn.

The key Melbourne and Sydney office markets have demonstrated some resilience with sales volumes up on the previous pandemic affected year, however the overall national volume of sales is reportedly some 43 per cent down on the yearly average over the past decade. The slowdown is due to several factors including global macroeconomic pressures however the substantial cost of capital is having the biggest effect. The office markets are undergoing a transitionary period during the current rising interest rate cycle whereby vendors are still coming to terms with a repricing phase because of softening yields. Whilst there is still capital for funding, there is an ongoing mismatch between buyer and vendor expectations. As a result, transactions are stalling. With most economists forecasting further interest rate rises, we expect to see continued softening in investment yields with secondary located buildings with low occupancy being more susceptible than others.

Moreover, it has been a tough year for CBD office leasing nationally with vacancy rates being at (or near to) record levels. With flight to quality and flight to experience currently in full effect, tenants are seeking to trade up for minimal increased cost. Incentives within most major CBD markets are at record levels, reported at up to 45 per cent in some sectors, however this has been offset by slight increases in net face rents. With the amount of supply starting to reduce in 2023 and 2024, we expect to see a decrease in the CBD vacancy rates throughout 2023 and into 2024.

On the positive side, the unemployment rate fell to 3.2 per cent as at June 2022 and there are signs that inflation may have peaked based on the October ABS CPI figures. This should lead to an uptake in tenant demand with many businesses cashing in on what is a great opportunity within the market given current incentives for prime grade CBD stock. Coupled with the continued growth of employees returning to the CBD, there may yet be more upside in 2023.

In summary, unlike the Global Financial Crisis where debt was not available, there is still substantial capital in the market trying to find a home. Whilst the early part of 2023 may be subdued due to the reset in the market currently underway, we should see an uptick in activity in the latter half of 2023 once the market is confident we have reached the top of the interest rate cycle.

Jason Stevens
Director

Unlike the Global Financial Crisis where debt was not available, there is still substantial capital in the market trying to find a home.

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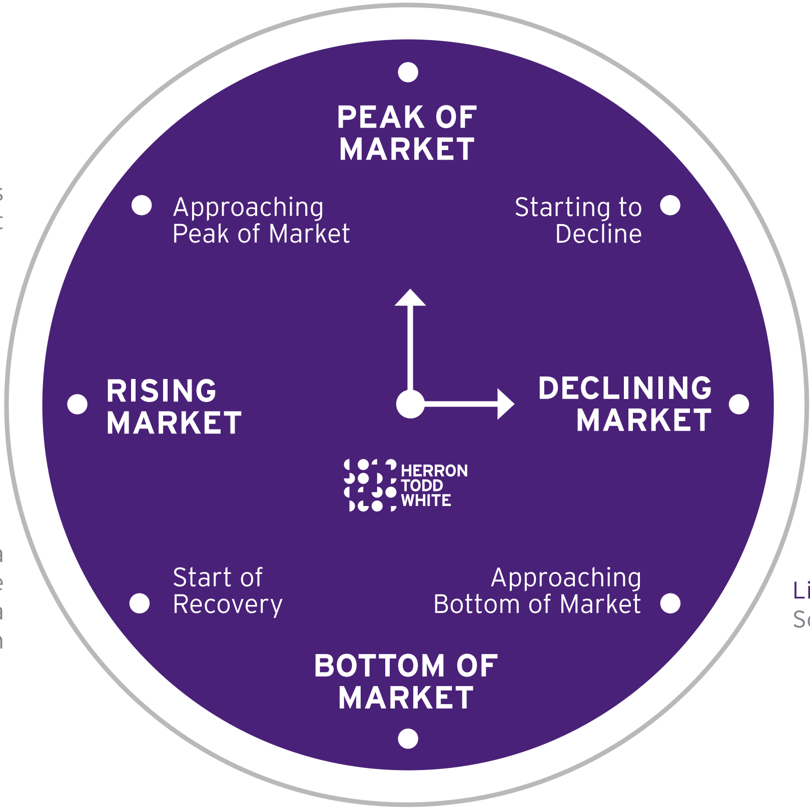
National Property Clock: *Office*

Entries coloured purple indicate positional change from last month.



Peak of Market:
Dubbo
South East NSW
Sunshine Coast

Starting to Decline:
Ballina/Byron Bay
Brisbane
Geelong
Ipswich
Mid North Coast
Newcastle

Declining Market:
Echuca
Sydney

Approaching Bottom of Market:
Lismore
South West WA

Bottom of Market:
Alice Springs
Darwin
Hobart
Launceston
Toowoomba
Wide Bay

Start of Recovery:
Bundaberg
C'berra/ Q'beyan
Central Coast
Emerald
Illawarra
Melbourne
Mildura
Perth

Rising Market:
Adelaide
Ballarat
Coffs Harbour
Fraser Coast
Gladstone
Mackay
Rockhampton
Townsville

Approaching Peak of Market:
Cairns
Gold Coast

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New South Wales - Office 2022

Sydney

2022 has again been an unsteady year for the office sector, especially within the Sydney CBD. High vacancy rates continued throughout the year with subdued leasing conditions. The strata market in the CBD remained strong with a lack of supply and increased demand. The latter half of 2022 has shown signs that this market is slowing.

Landlords continued to battle high vacancy rates in the Sydney CBD (at 9.3 per cent in January 2022 and 10.1 per cent in July 2022 according to the PCA) on the back of a general hesitancy to return to in office working, higher incentives (incentives are still being reported at above 30 per cent) and lower face rentals being required to secure tenants. We predicted that 2022 would not see a significant increase in office leasing and it would seem that this has been the case.

Within the metro centres, vacancy has also increased to 19.3 per cent in North Sydney, 18.6 per cent in Crows Nest/St Leonards and 19.3 per cent in Parramatta, all up significantly on their July 2022 numbers (PCA). In these cases, not only has the pandemic resulted in increased vacancy, but there have been significant supply additions in each of these markets that will be slow to be absorbed.

An interesting example of the slowing within the Sydney CBD strata market was the sale of a suite in September 2022. The suite is located on Pitt Street within the city core. The property sold at a rate of $15,185 per square metre and an analysed market yield of 3.25%. An adjoining but larger suite sold at the end of 2021 at a rate of $16,000 per square metre with an analysed market yield of 3.00%. Whilst the difference in rate per square metre is circa five per cent, in a market that has been inundated with demand, we consider it an early indication of what is happening in the market.

At the start of 2022 we were optimistic about the strata CBD market but this streak of strong results seems to have run its course. We were quite pessimistic about the suburban office markets generally, the rental market and in particular vacancy rates as we had not long been out of last year's long lockdown and returning to the office was only at a slow pace. It would seem this prediction was quite accurate with vacancy worsening as the year went on. There has also been no sign of increasing market values in the other main office markets within Sydney.

As we move into 2023 and the focus increasingly turns to economic conditions, it will once again be interesting to see how the commercial market responds.

Angeline Mann
Commercial Director

2022 has again been an unsteady year for the office sector, especially within the Sydney CBD.

Illawarra

The local office market commenced its path to recovery at the start of the year and pleasingly has held this trajectory throughout. Leasing conditions have continued to improve with agents reporting steady interest, particularly for higher quality space as tenants look to take advantage of generous incentive offerings and upgrade into one of the Wollongong CBD's newly completed office buildings or into a recently refurbished building. We see the improved leasing environment as a vote of confidence for the local economy and we envisage this trend to gather pace moving forward.

The quality of offering in the Wollongong CBD continues to improve with the addition of Lang's Corner and Gateway on Keira over more recent times setting a high standard and motivating owners of the CBD's older stock to refurbish.

On the sale side, turnover was in line with historical norms, the most notable sale being for 90 Crown Street, Wollongong for $65 million, reflecting a capital rate of circa $7,085 per square metre of lettable area. There was a handful of smaller investment sales in the sub $3 million range, reflecting surprisingly tight yields in the order of 4.5% to 5%. Owner-occupiers in the sub $1.5 million price range remain active, particularly in the southern fringes of Wollongong and in the suburbs, however local agents reported reduced interest in the back half of the year due largely to the successive interest rate hikes by the RBA. There is a common view that most buyers are now sitting on their hands somewhat and waiting for clear signs that the current interest rate cycle has peaked.

Scott Russell
Director

Hunter Region

2022 saw the peak of the local commercial office market, with Newcastle yields reaching the bottom of the yield curve around late Quarter 1 and early Quarter 2 of the calendar year.

As is the norm in a turning market, the first thing that happens is office property on the market encounters longer selling periods and the auction clearance rates decline - we have seen both of these happen throughout the year.

Interestingly, given the strong increases in values over the past three years, there isn't a major impetus to sell while equity positions are strong and economic conditions remain equally robust. The employment rate is at an all-time high and businesses are servicing their rental requirements locally. So, what has happened is that the rate of turnover has slowed and there have been less office properties changing hands compared to this time last year.

As valuers in a changing market, we look for re-sales of the same property to point to changes in value over time. While evidence is limited, we have now witnessed re-sales showing real time loss decreases – these reflect a yield reversal of circa 25 to 75 basis points. This is a minimal movement when interest rates have moved significantly higher than this.

We are seeing investment properties with annual reviews based on CPI as a strong investment proposition in the market. In the current high inflation environment, these are tightly held at present (why sell in a falling market when the rental is going up by seven to eight per cent next year?) These properties are faring the best in the current market and will continue to do so in the short term while inflation remains high.

Ed Thwaites
Regional Director

While evidence is limited, we have now witnessed re-sales showing real time loss decreases – these reflect a yield reversal of circa 25 to 75 basis points.

Victoria - Office 2022

Melbourne

With 2022 drawing to a close, there can be many takeaways from yet another challenging year in the Melbourne office market. In May, the Reserve Bank of Australia increased interest rates for the first time since late 2010 in a bid to reduce a future economic downturn. As a result, property markets had to contend with the increased cost of borrowing which slowed momentum and saw a shift in buyer sentiment directly correlating to a reduction in properties brought to market and many campaigns being withdrawn.

The Melbourne CBD has demonstrated some resilience, with sales volumes up on the previous year, however the numbers are skewed as a result of the sales of the Southern Cross Towers and 555 Collins Street to institutional buyers. Nonetheless the CBD market has still been somewhat active although sales have reflected higher yields in response to the spike in interest rates. The CBD strata market was historically driven by owner-occupiers prior to the increased interest rates, however agents are reporting a reduction in enquiry and a general slowing in the market. With further interest rate rises forecast, we expect to see continued softening in investment yields with buildings in secondary locations being more susceptible than others.

It has been a tough year for CBD office leasing with the ongoing vacancy rate at 12.9 per cent as at July 2022, its highest point in more than 20 years. With flight to quality currently in full effect, tenants are seeking to trade up for minimal increased cost. Incentives within the CBD are at record levels, being reported at some 40 per cent, however this has been offset by a slight increase in net face rents. With the amount of supply expected to reduce in 2023 and 2024, we expect to see a decrease in the CBD vacancy rate throughout 2023 and into 2024.

On the positive side, the unemployment rate fell to 3.2 per cent as at June 2022 which may lead to an uptake in tenant demand at the beginning of 2023, with many businesses cashing in on what is a great opportunity within the market given current incentives for prime grade CBD stock. Coupled with the continued growth of employees returning to the CBD, there may yet be more upside in 2023.

The metropolitan market has been the top performer with sales volumes recorded at more than $900 million in the first half of 2022, more than the previous four-year average. Institutions and fund managers are continuing to seek strong lease covenants with long WALEs to solidify bulletproof investment strategies for the next five to ten years.

Jason Stevens
Director

The Melbourne CBD has demonstrated some resilience, with sales volumes up on the previous year, however the numbers are skewed.

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Queensland - Office 2022

Brisbane

All good things must come to an end and this applies to what has been a strong Brisbane office investment market. We saw record low yields and capital value rates achieved in the second half of 2021 into early 2022, only knowing in hindsight that this was to be the peak of a very long cycle.

Amid rising global inflation and the aftermath of COVID-19, Australia's inflation rate grew sharply in Quarter 4, 2021 and again in Quarter 1, 2022. The resultant interest rate rises have caused investors to hit the pause button in order to reset their benchmarks and redefine future strategies. This has led to a decline in transactions.

As expected, a pricing disconnect between vendor and buyer has emerged as the cost of funds has increased. Yields have softened and it is likely they will continue to do so until there is a greater level of certainty around where the end point will be.

This resulted in a lack of investment grade transactions in the second half of 2022. It remains to be seen where prime and secondary yields settle, but early indications from selling agents suggest that prime yields have softened between 25 and 75 basis points (five to 15 per cent capital value) and secondary yields by up to 100 basis points (10 to 20 per cent capital value).

As the A-REITs, wholesale and offshore syndicators have reduced their investment appetites, we are starting to see domestic, wealthy private investors and smaller property fund managers push into this space and capitalise on the lessening competition, particularly in the sub-$100 million market.

We saw record low yields and capital value rates achieved in the second half of 2021 into early 2022, only knowing in hindsight that this was to be the peak of a very long cycle.

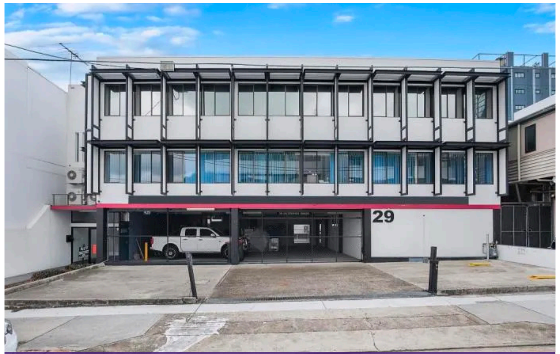
The highest office sale to occur outside of the CBD and fringe markets in 2022 was 365 Macarthur Avenue, Hamilton. The asset was purchased by a Sydney-based private investor for $43.5 million (net of required capital expenditure) representing an analysed market yield of 5.26%. The property sold with a long lease term and a blue chip covenant (Chevron Corporation). The sale price represented a circa 25 basis point discount on what it would have achieved six months prior.

365 Macarthur Avenue, Hamilton Source: realcommercial.com.au

Another notable sale in 2022 was that of 189 Grey Street, South Bank. The asset was purchased off-market by Brisbane based property investment manager, Marquette Properties for $104.35 million, representing an analysed market yield of 7.30%. The sale represented opportunistic buying as REITs, wholesale and offshore syndicators temper their activity during what is a volatile period.

At the other end of the spectrum, the owner-occupier segment of the market remains very active for office assets in the sub $10 million price category. The high construction cost environment and relative affordability of older assets is proving to be very attractive in the fringe areas, with significant levels of activity. We consider that this end of the market will continue to remain positive, especially for well-located assets that offer good fundamentals such as natural lighting, functional floor plates and good on-site car parking.

A two-storey commercial office building at 29 Amelia Street, Fortitude Valley sold off-market for $5.1 million (October 2022) to an education provider. The building previously sold in June 2021 for $3.7 million, representing a 38 per cent capital increase with no major improvements undertaken in this period. This highlights the lack of supply available in the owner-occupier segment and the premium owner-occupiers are willing to pay to secure assets that are still well below replacement cost.



29 Amelia Street, Fortitude Valley Source: commercialrealestate.com.au

For office leasing, it is still a tenant's market as vacancies remain high across most Brisbane markets and landlords grapple with the new flexible work practices brought on by COVID. Many businesses are still seeking high quality office accommodation in order to get staff back into the office and retain and compete for the best talent in what is a tightly constrained labour market. This is creating a flight to quality and experience and this theme is very much at the forefront of the leasing market. Premium well-located 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.

Despite the vacancy levels, there has been modest face rental growth for prime and A grade office accommodation in 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 prime and A grade office accommodation.

Secondary assets that have deferred capital upgrades are less sought after and vacancy rates will remain problematic for these assets moving forward. Landlords must re-position and upgrade these assets in order to compete 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 remained fairly static. Incentive levels are lower in the suburban market in comparison to the CBD and fringe CBD markets but face rentals are lower.

In summary, there are still many uncertainties and challenges in the office market, however the long-term outlook for Brisbane is very strong and the Olympic Games influence is definitely starting to be seen. Additionally, strong population growth is likely to continue to underpin the Brisbane commercial market. In the short term however, there is still a way to go before office markets are settled and back to a sustainable equilibrium. Ongoing interest rate increases are likely to prolong this timeframe.

Edward Cox
Associate Director

Despite the vacancy levels, there has been modest face rental growth for prime and A grade office accommodation in CBD and fringe CBD markets.

Gold Coast

The Gold Coast has benefited from strong interstate migration to the region over the past few years.

Due to this influx of people, residential vacancy rates are at historically low levels, however the office market is far more complex.

The increased population along with a greater focus on south-east Queensland has resulted in more businesses moving to the region and as a result, the current vacancy rate across the Gold Coast has reduced to circa eight per cent, the lowest rate in 14 years.

Notwithstanding this, a far greater proportion of office employees are now working from home for either part or all of their working week. Office tenants are typically tied to multi-year leases and some may not wish to downsize their floor space. This has flowed on to an underutilisation of floor space.

Another factor to consider is that rents are edging upwards, and incentives are edging down off the back of improved tenant demand and lower vacancy rate.

It is unknown exactly how the underutilisation issue will play out, however it is quite possible that businesses will consider downsizing their floor spaces at the end of their lease terms to reduce fixed overheads and optimise their leased spaces.

Focusing now on the central Gold Coast region, office vacancy rates in Southport and Surfers Paradise have firmed significantly during 2022, with vacancy in these markets sitting at 8.7 per cent and 8.5 per cent respectively (as per PCA data from July 2022). The strongest demand has generally been for better quality accommodation, noting that the A-grade buildings in Southport (Seabank and Zupp Place) and Surfers Paradise (50 Cavill Avenue) have near full occupancy at the time of writing. This strong demand is particularly evident in occupiers seeking large, fitted offices of which supply is highly restricted.

As a broad observation, gross rental rates for A-grade accommodation have shown upwards of ten per cent growth during the year. Notably, gross rental rates of circa $600 per square metre (excluding car parking) have recently been achieved for small tenancies in 50 Cavill Avenue, up from circa $500 to $550 per square metre in 2021.

In the capital markets, there has been a lack of sales to date to establish any differential in sale prices since the rising interest rate cycle began in May 2022. If yields have softened (as would be expected), the strong rental trends over the past 24 months are expected to offset any substantial capital decline.

It may be the case that office property owners are holding off going to market at a time perceived as uncertain, with a wait-and-see approach to the near-term interest rate movements in anticipation of a plateau. So far, this may well have also helped to alleviate any real discounting of value levels. Local agents have reported that recent strong interest remains for small to medium size office units, particularly from the owner-occupier market and there has not been any evidence of discounting to date.

Ryan Kohler
Director

Sunshine Coast

The Sunshine Coast office market entered 2022 in a similar fashion to most commercial markets, benefiting from significant price growth throughout 2021 as a result of demand fuelled heavily from record low interest rates. Off the back of COVID-19, the Sunshine Coast experienced a rapid growth in population with strong intra and interstate migration to the area. These migration patterns continued into early 2022 which also contributed to strong levels of demand from both owner-occupiers and investors.

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 seven per cent, the majority of this being within older buildings in secondary locations.

Rental rates for good quality offices in central locations have continued to increase throughout the year with incentives generally becoming less prevalent. The Maroochydore CBD will provide the overwhelming majority of future supply, however is largely tenant led with very little future supply available for purchase.

The limited supply has continued to fuel price growth in the smaller owner-occupier strata titled market. The investment market however has ended the year in quite a thinly traded manner with limited transactions occurring. We are aware of a large building at Birtinya that is reportedly under contract for circa $29 million, indicating a yield of 6.50% for a high quality, recently constructed asset.

As interest rates have rapidly increased throughout the year, agents have generally reported a softening of interest for investment properties, more so in recent months. Some agents have expressed a circa 50 to 100 basis point adjustment in light of the increased cost in funding.

While there is significant overall land available for expansion, with Stockland also recently releasing lots to the market in Birtinya, the high cost of construction means that there is likely to be limited development that is not tenant led. As a result, supply is likely to remain relatively limited in the short to medium term with few buildings likely to be built on spec that will increase supply.

As we draw closer to the end of 2022, it will be interesting to see where things land as we enter the new year. The Sunshine Coast has experienced an extraordinary few years and is now considered one of, if not the best performing office market in the country given the low vacancy rate.

Chris McKillop
Director

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

As interest rates have rapidly increased throughout the year, agents have generally reported a softening of interest for investment properties, more so in recent months.

There is limited demand for larger tenancy areas at the moment, with demand being mainly for smaller quality areas, of which there are limited available.

no known significant new developments in the pipeline.

The recent redevelopment of the old Masters building into the new Centrelink premises has made available some larger areas in different buildings within the CBD. There is limited demand for larger tenancy areas at the moment, with demand being mainly for smaller quality areas, of which there are limited available. An older 5000 square metre building within the CBD has been extensively refurbished and provides around 2500 square meters of as new space to the market of any required size at around $400 per square metre gross.

Quality green star rated premises, of which there are only a handful in Cairns, achieve high levels of occupancy and rent levels, typically of $375 to $450 plus per square metre per annum gross and these figures have remained stable. Demand for lesser quality space remains limited with non-inner CBD and well exposed secondary space in the $225 to $300 per square metre per annum rental range.

Three sales in the latter half of the year show the following details:

	Sale Price	Yield	Rate per square metre	WALE
CBD Building	$6.05 million	6.04%	$5,485	6.76 years
Fringe CBD	$10.31 million	6.7%	$5,010	4.54 years
Suburban	$7.3 million	6.9%	$2,840	2.32 years

Investor demand remains strong but limited by a severe shortage of quality stock.

Shane Quinn
Director

Rockhampton

The local economy continues to perform well off the back of Rockhampton's established professional services and government sector and a number of large-scale infrastructure projects currently under construction or in the pipeline for the region. The office market has had a solid year with predictions for a stable 2022 being accomplished. Office rents have tightened slightly, and strong demand has continued for well located, modern, good quality office accommodation with on-site parking, predominantly in the range of 100 to 150 square metres. Significant increases to total occupancy costs for tenants in the back half of 2022 are noted, with rents expected to flatten over the short to medium term.

The Rockhampton office market continues to be thinly traded with investors less active in the market due to the limited supply of good quality buildings with strong lease profiles. Yields have held over the course of 2022 predominantly achieving in the range of 7% to 9%. Owner-occupiers remain active in the market, particularly for properties at the lower price point of sub $1 million, where purchasers are willing to undertake renovations and adapt to specific usages.

The following notable sales were completed in 2022 (source: CoreLogic):

102 Bolsover Street Rockhampton City, QLD, 4700

This is a two-level, modern, office building with a net lettable area of 1361 square metres. The building was purchased by one of the sitting tenants and the remainder was fully leased. The sale price was $4.765 million with a passing yield of circa 6.6%.

103 Bolsover Street Rockhampton   Source: realcommercial.com.au

103 Bolsover Street Rockhampton City, QLD, 4700

This is a two-level, modern, office building with a net lettable area of 968 square metres. The building was fully leased at the time of sale. The sale price was $4.85 million with a passing yield of circa 6.94%.

Graham Gross
Valuer

Gladstone

Gladstone's office market strengthened slightly over the course of 2022 on the back of current growth in the broader resources sector which traditionally impacts Gladstone's buoyant local economy. This growth is supported by an established professional services market which has held steady over the past 12 months. Vacancy rates in Gladstone's CBD have reduced with increased demand for good quality, modern, well located, office accommodation. On-site parking has been highly sought after and smaller format office accommodation (sub 300 square metres) has remained more lettable and saleable in the current market.

Graham Gross
Valuer

Mackay

General market and economic conditions in Mackay have shown improvement throughout 2022 in spite of rising interest rates and inflationary issues. Economic growth in Mackay is very heavily dependent on the fluctuating fortunes of the Queensland coal mining industry which has witnessed continued strong price rises over 2022 and has now reached an historic peak.

Agents report moderate improvement in occupier demand, however preference is for modern office accommodation of up to around 300 square metres with good car parking provisions. While there remains a clear divide between prime and secondary accommodation markets in terms of rental levels achieved, generous rental incentives are often necessary from both local and institutional landlords.

Sentinel's The Hub, one of Mackay's prime commercial developments, has recently achieved rental rates of between $440 and $450 per square metre gross for tenancies of 206 and 276 square metres. These recent lettings represent 100 per cent occupancy for the 3600 square metre, two-level development for the first time since its construction some ten years ago. We note these lettings have been achieved with rental incentives of up to ten per cent on five-year lease terms.

With currently 86 office for lease listings within central Mackay, favourable terms can be negotiated by tenants in some instances. Accommodation can remain vacant for 12 plus months, placing pressure on landlords to reduce their price to secure a tenant. Recent lettings show a broad rental rate range of between $235 and $348 per square metre gross for 178 and 192 square metre tenancies. Again, rental incentives of up to ten per cent on five-year terms were necessary to meet the market.

Britt Atkin
QA Manager Commercial Valuations (Regional Qld)

Townsville

The Townsville office market continues to find its feet post COVID-19. Whilst somewhat more isolated from the metro environments and associated impacts faced within those office landscapes, Townsville office occupants are also adapting to the strong possibilities of a hybrid and more liquid workforce. This in turn is challenging the needs and requirements of traditional office users and office configurations.

Initial 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 and traditionally requires 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, while C to 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 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 upon the level of appointment, exposure and nature and condition of improvements. Premium grade rents are typically circa $500 per square metre and sit above the rental range of the private sector.

There was a moderate level of office sales during 2022 although quality investor stock is limited. Major transactions over the past 24 months reflected yields of between 5.75% and 8.50%. The owner-occupied end of the market, typically sub-$1 million, is clearly more buoyant, although demand now outweighs supply.

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

Jason Searston
Director

There is continued pressure on landlords to upgrade vacant space to keep pace with the changing office environment and needs of tenants and also to minimize business disruption when tenants are relocating.

Toowoomba

The overall trend for 2022 has been reduced demand for office space in the Toowoomba area. Anecdotal reports suggest stabilisation of the work from home trend established during and post COVID with employees returning to the office or adopting a mix of office and home based work arrangements; this trend has resulted in a perceived increase in activity within the Toowoomba CBD.

The new norm may potentially result in several scenarios in the medium term with employers downsizing existing office space, not renewing leases or reverting to a mix of office space and shared space for collaborative work, meetings, etc. The current level of demand for housing in the Toowoomba area suggests there is a trend of capital city office employees relocating to regional centres including Toowoomba which may have a positive effect on office demand in the medium term. Of note is the Suncorp Call Centre which recently relocated from a two-level fringe CBD office building into smaller premises; the former call centre premises with a net lettable area of 2738 square metres was subsequently purchased for $10 million by a major commercial development entity on a vacant possession basis.

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

Redevelopment of the former Toowoomba Foundry at 259 Ruthven Street on the outskirts of the Toowoomba CBD has been completed with approximately 2,000 square metres of architecturally designed A grade office space ranging from 204 to 692 square metres marketed for rent at $300 per square metre. Fit-out incentives are on offer with 47 on-site car parks and the site is adjacent to Bunnings. A large section of the building is being fitted out for use by a large local law firm.

The following office sales have occurred so far in 2022:

21 Russell Street, Toowoomba

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

The property comprises a 427 square metre site with a mix of office improvements leased for an average of $517 per square metre of building area. The tenant is a local accounting firm with a remaining lease term of four years. The contract price of $1.9 million equates to over $6050 per square metre of building area and a gross yield of 7.84%.

122 Margaret Street, Toowoomba

122 Margaret Street, Toowoomba Source: realcommercial.com.au

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. The vacant possession sale price of $10 million equates to over $3652 per square metre of building area.

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

Owner-occupier demand continues to be limited leading to a significant difference in sale prices achieved for vacant versus fully leased properties. Vacant properties at lower price points continue to attract strong demand from owner-occupiers. This is particularly evident in the market of former residences converted to offices with rates of above $6000 per square metre exhibited in some sales.

Ian Douglas
Director

South Australia - Office 2022

Adelaide

At the smaller end of the office market, confidence has rebounded from the pessimism and uncertainty from the lockdowns and restrictions of 2021 and the existential crisis of whether CBD offices would even be required anymore as businesses considered long-term working-from-home arrangements.

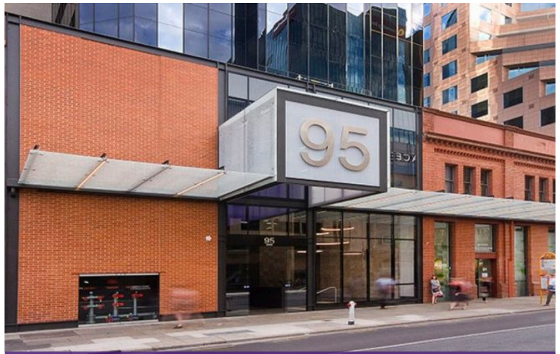
The Aurora on Pirie building comprises community-titled strata office suites which can be as small as 29 square metres, with the building being predominately populated by local owner-occupiers and local tenants. Marketing periods for sale and leasing have sharply decreased over 2022, with some marketing periods being 18 months in 2020 and 2021. There have been multiple recent examples of suites within the building advertised in 2022 and sold in six months or less. Given that local owner-occupiers and tenants dominate the building, the reduction in marketing periods and increase in sale prices represent the increased confidence in making a long-term sale and leasing decision within the Adelaide CBD.

Data from the Property Council of Australia (PCA) survey shows that office occupancy within the Adelaide CBD remained strong at 76 per cent in October 2022. Perth is the only other CBD above 70 per cent, with Melbourne, Sydney, Canberra and Brisbane ranging from 45 per cent to 64 per cent CBD office occupancy. This data illustrates that the state government's efforts to contain COVID during the initial outbreak and the subsequent efforts to get workers to return to the CBD have been successful compared to other states. The containment of COVID and reduced lockdowns were significant drivers in the relative confidence experienced in the Adelaide office market in 2022.

Most of the rental uplift has been to the premium and A-grade end of the market, with multinationals and government agencies making long-term leasing decisions.

In the Adelaide CBD, yields continued to tighten as they had throughout 2021 due to multiple factors, including Adelaide's occupancy rate remaining higher than others, the low interest rate borrowing environment and comparatively higher yields than available on the eastern seaboard. Yields have remained broadly static, with some loosening for the remainder of the year since the interest rate increases and the full scale of inflation has become apparent, producing some pessimism.

The broad reduction in vacancy rates in 2022 across all grades has resulted in a mild uplift in rents and a reduction in incentives to secure tenants. Most of the rental uplift has been to the premium and A-grade end of the market, with multinationals and government agencies making long-term leasing decisions. The new premium and A-grade space under construction in the Adelaide CBD is heavily pre-leased before construction. Major tenants sought high-quality accommodation to entice their employees back to the CBD, which heavily benefited these new projects, including amenities such as end-of-trip facilities, ground-floor food options and rooftop bars.



91-97 Grenfell Street aka Chesser House Source: realestatesource.com.au

A significant sale at the beginning of the year was 91-97 Grenfell Street, Adelaide, also known as 95 Grenfell Street or Chesser House, which Knight Frank and Colliers marketed. The property is understood to have been acquired by Cromwell Property Group in April 2022 for $81.35 million. The transaction represented a passing yield of 5.12% with a WALE of 6.1 years. The building comprises approximately 11,121 square metres of A-grade office space over eleven stories, with upgraded services such as lifts, solar and end-of-trip facilities. Additionally, the building has a 5-star NABERS rating.

Chris Winter
Commercial Director

COMMERCIAL - RETAIL

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Western Australia - Office 2022

Perth

The Perth office property market has concluded the 2022 calendar year on a sombre note despite positive news to kick off the year. The year's first PCA Office Market Report indicated Perth's CBD total vacancy rate dropped from 16.8 per cent to 15 per cent in the six months to January 2022, the lowest vacancy rate recorded since January 2015! The West Perth vacancy rate followed suit, recording a total vacancy rate of 18 per cent, down from 19.1 per cent.

Despite new tenant demand from emerging companies in the state's mining and resources sector, the next PCA Office Market Report indicated Perth's CBD total vacancy rate rose from 15 per cent to 15.8 per cent in the six months to June 2022.

According to the PCA, the increase was largely driven by new, refurbished stock in existing buildings including Dynons Plaza and The Atrium on St Georges Terrace.

Positively, West Perth recorded a total vacancy rate of 15.3 per cent, down from 18 per cent for the same period aided by certain buildings being re-purposed or withdrawn from the market.

In any event there remained a visible vacancy factor in Perth's traditional office districts throughout the year, 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 proved resilient throughout the year and it was logical for companies to seek to reduce their workspace footprints.

From a leasing perspective, a two-tier market was clear as companies took advantage of the considerable incentives on offer to relocate to premium and A grade accommodation whilst lesser grades were left languishing with minimal enquiry, particularly in the fringe CBD markets.

Tenant demand for large-scale floor plates greater than say 500 square metres was soft as prospective occupants demonstrated a preference for smaller premises, initially citing uncertainty as to the performance of the state economy ahead of the eventual re-opening of the state's borders, the continued spread of the Omicron variant and the longevity of the work from home movement. However there has been an uptick in activity in the smaller sub 500 square metre market segment within the past say three months. Availability of this stock in certain fringe CBD locations remains constrained.

In terms of capital transactions, high net worth investors and local syndicates continued to seek opportunistic acquisitions of older stock and embark on refurbishment programs which, under prevailing market conditions, were viewed as a necessity in order to compete for prospective tenants.

Institutional buyers by and large remained focused on other asset classes which have proven to be far more resilient during the past 12 months. South-East Asian based buyers who had been prevalent in the Perth CBD in recent years were deterred by the state's closed border policy, limiting their ability to physically inspect buildings and adversely impacting marketability, however the past few months have seen a spate of CBD office buildings hit the market.

Owner-occupiers were often deterred by large scale floor plates (greater than 350 square metres), so too prospective investors unless such properties were securely leased to established tenants on attractive terms.

Although yield compression characterised the early stages of the 2022 calendar year, as predicted, rising inflation triggered the RBA to raise the cash

From a leasing perspective, a two-tier market was clear as companies took advantage of the considerable incentives on offer to relocate to premium and A grade accommodation whilst lesser grades were left languishing with minimal enquiry, particularly in the fringe CBD markets.

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rate sooner than originally forecast, with major lenders following suit.

Any impact on capitalisation rates for leased investment acquisitions is yet to be fully determined due to a lack of transactions. As always, there is a lag factor whilst the market fully digests the implications of interest rate rises on funding structures and income distributions.

At this stage, with a lack of transactional activity, it is too early to confirm what impact these interest rate rises may have but combined with other macro-economic headwinds, there are likely to be further challenges for the office sector as we welcome in 2023.

Greg Lamborn
Director

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Northern Territory - Office 2022

Darwin

The most significant shift in Darwin's economy in recent times involves the fluid geo-political situation across south-east Asia. Darwin is much more a part of this region than other Australian capitals.

Former Chief of the Defence Force, Angus Houston, has described current global security conditions as the worst in his lifetime and the holistic Defence Strategic Review which is currently underway could well have important ramifications for the Darwin economy and its property markets. In many ways, many commentators believe that the review will result in a greater defence presence in the Top End.

Tensions surrounding Taiwan and the fact that the US defence facility at Guam is now considered to be within range of long-range Chinese missiles means that Darwin will have an increasing strategic importance internationally as well as domestically.

Darwin is already a garrison town, with approximately ten per cent of the population being related to defence in some way and further infrastructure would increase demand for residential accommodation, both on and off base. There would also be a multiplier effect on all other Darwin property.

Nearly all large-scale commercial investment property sales across Greater Darwin in 2022 involved local vendors and intestate purchasers, indicating an increasing awareness of investment opportunities in the Top End, however the rise in interest rates has had an immediate effect on this market. Whilst some strongly leased, modern properties changed hands earlier in the year at yields around 6.0%, expectations are now changing to higher yields consistent with the cost of money.

Consistent with the start of 2022, the CBD office vacancy rate appears high, but there is a lot of unloved space that cannot attract tenants. Meanwhile, there is virtually no A grade space available in the CBD at all. If anything, this situation became further exacerbated throughout 2022.

Rents have not increased to a level where construction of new space is economic. Until rents do increase, it is difficult to see how a new development can be justified and the existing situation will continue.

The largest transaction in Darwin CBD during the year was Harbour View Plaza, a five-level fully refurbished office building of 5777 square metres NLA with a long WALE and almost exclusively government tenants. The property was purchased by an interstate fund, with the final price confirming the changing yield expectations in the market.

Terry Roth
Director

Consistent with the start of 2022, the CBD office vacancy rate appears high, but there is a lot of unloved space that cannot attract tenants. Meanwhile, there is virtually no A grade space available in the CBD at all.

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Residential

December 2022

National Residential Overview

At the start of 2022, many had hoped it was going to be a more typical year post-COVID... however it was anything but typical!

There is no doubt that the impact of eight consecutive interest rate increases since May has resulted in the spring selling period being non-existent and the residential market in decline. Most markets however are still above pre-pandemic levels.

While it would appear the RBA is finally starting to slow the rate of increases as it chases down its inflation target, there remains a question of how high rates need to go before it is deemed under control.

Both Westpac and ANZ came out earlier last month forecasting that the cash rate could increase to at least 3.85 per cent between March and May before plateauing out. While CBA and NAB are remaining more optimistic predicting a peak of 3.1 and 3.6 per cent respectively."

No matter who ends up being right, the result is a significant increase in monthly repayments for the average home loan borrower of between $800 and $1000 a month based on a $500,000 loan and depending on which forecast you run with.

The big question we are being asked is what will this do to home values?

While all major markets are now in decline, the rate of fall seems to be slowing according to the main research outlets.

The big question we are being asked is what will this do to home values?

For now, auction clearance rates appear to be remaining relatively strong at just over 60 per cent across the major capital markets and auction volumes are increasing, albeit at least 40 per cent lower than the same time last year.

With sales volumes remaining relatively low and clearance rates in check, it seems that the balance between supply and demand is stable for now, in turn slowing the fall in values.

According to the RBA however, around 23 per cent of all home loans were fixed over the past couple of years and are due to convert to variable by the end of 2023. The peak of these for most of the major banks seems to be Quarter 1 or Quarter 2.

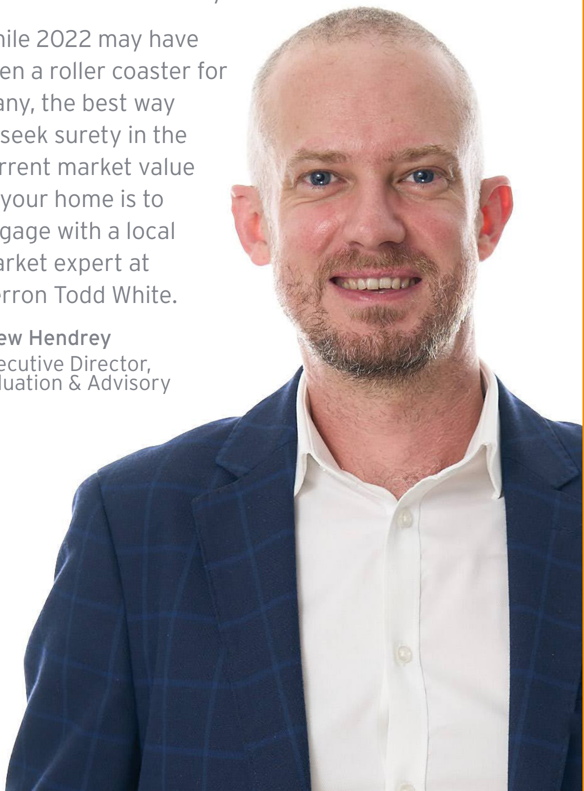
Worryingly, most of these conversions are facing a three to four per cent rate increase. There will be a legitimate strain on households and potentially an increase in distressed sales.

Also worryingly, a proportion of homeowners who borrowed and fixed at the lowest levels may find themselves paying more than what the serviceability buffer had factored in at the time. The higher rates go the more magnified this becomes.

While we have not observed any significant month on month change to mortgagee in possession volumes, an increase in default activity early next year could have an adverse impact in some markets, especially those exposed to purchase activity at the peak of the market over the past 12 months.

Fortunately, according to the ANZ, fewer than one per cent of mortgages are in arrears and 70 per cent of its book is ahead on repayments. More than 40 per cent are 12 months or more ahead. Savings are healthy and unemployment is very low. On top of all that, net overseas migration is back to levels not seen since the early 1980s.

While 2022 may have been a roller coaster for many, the best way to seek surety in the current market value of your home is to engage with a local market expert at Herron Todd White.



Drew Hendrey
Executive Director,
Valuation & Advisory

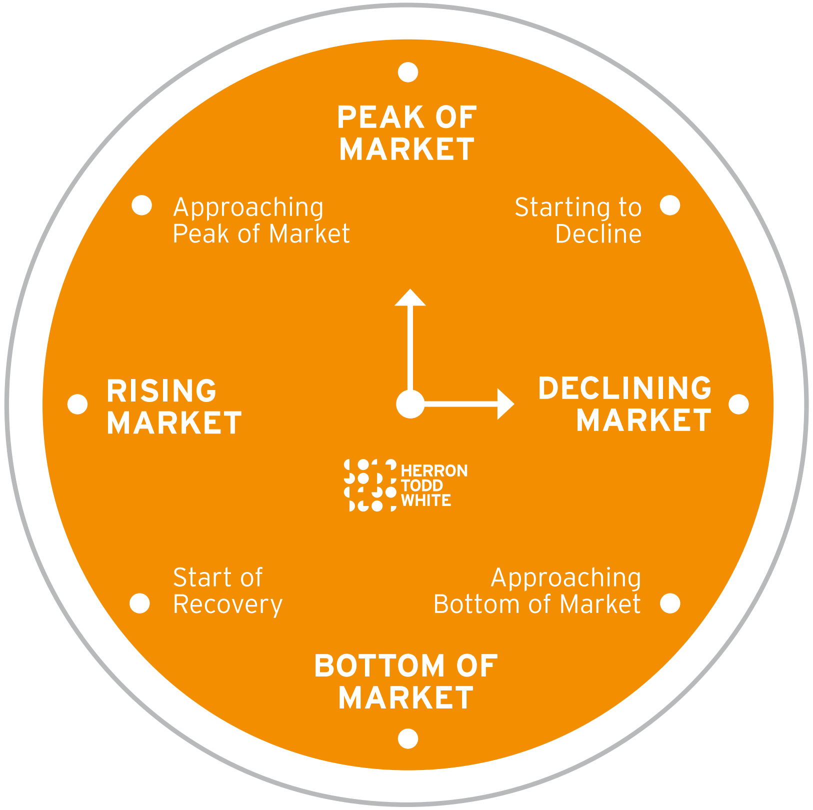
National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.

Albany
Barossa Valley
Bathurst
Canberra
Dubbo
Mildura
Mount Gambier
Newcastle
Shepparton
South West WA
Sunshine Coast
Tamworth
Toowoomba

Alice Springs
Bundaberg
Cairns
Darwin
Fraser Coast
Geraldton
Kalgoorlie
Mackay
Perth
Port Hedland

Emerald
Esperance
Gladstone
Karratha
Rockhampton
Sthn Tablelands
Townsville
Whitsunday



Adelaide
Adelaide Hills
Albury
Broome
Burnie/Devonport
Central Coast
Coffs Harbour
Geelong
Gold Coast
Hobart
Launceston
Melbourne
Wodonga

Ballina/Byron Bay
Brisbane
Illawarra
Ipswich
Lismore
Sthn Highlands
Sydney

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National Property Clock: *Units*

Entries coloured blue indicate positional change from last month.

Peak of Market: Albany, Bathurst, Brisbane, Burnie/Devonport, Ipswich, Mildura, Mount Gambier, Newcastle, Shepparton, South West WA, Sunshine Coast, Tamworth, Toowoomba

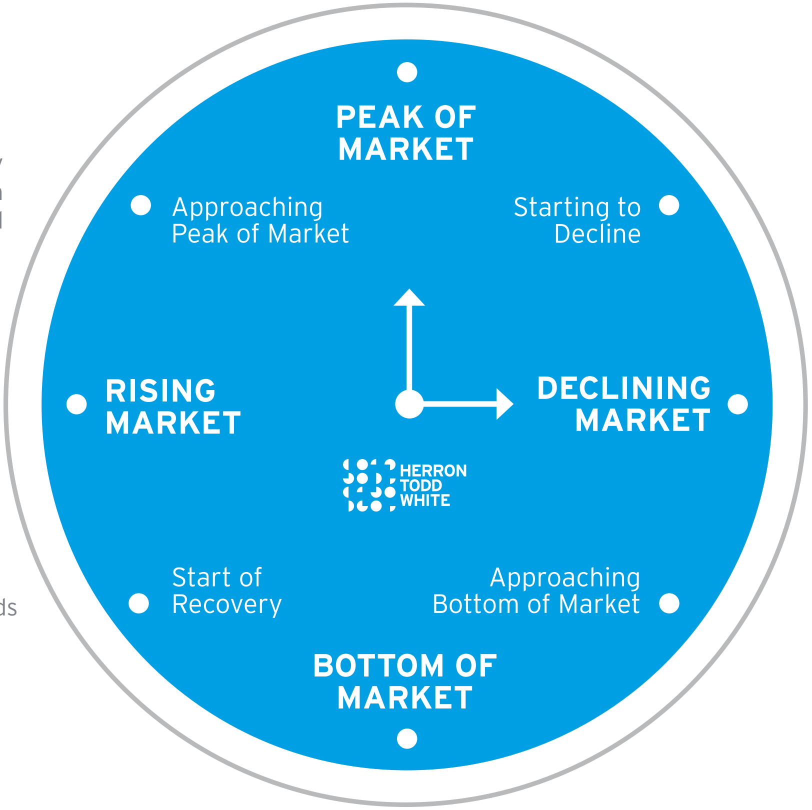
Approaching Peak of Market: Alice Springs, Bundaberg, Fraser Coast, Kalgoorlie, Mackay, Perth, Port Hedland

Rising Market: Broome, Cairns, Darwin, Dubbo, Emerald, Esperance, Geraldton, Gladstone, Karratha, Mt Gambier, Rockhampton, Townsville, Whitsunday

Start of Recovery: Sthn Tablelands

Starting to Decline: Adelaide, Adelaide Hills, Albury, Barossa Valley, Central Coast, Coffs Harbour, Geelong, Gold Coast, Hobart, Launceston, Melbourne, Wodonga

Declining Market: Ballina/Byron Bay, Canberra, Illawarra, Lismore, Sthn Highlands, Sydney



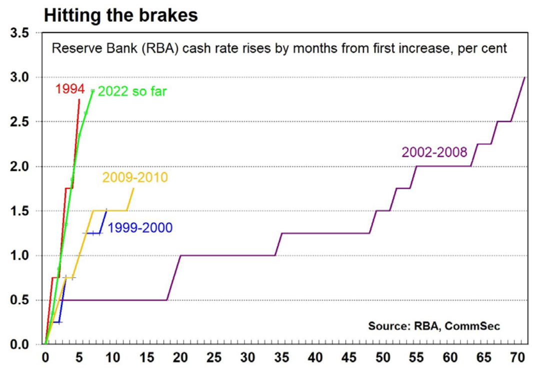
New South Wales - Residential 2022

Sydney

We welcomed 2022 on the back of an extremely hot market for the better part of 18 months, particularly for houses and high-end units. Interest rate increases were becoming more likely than previously forecast as inflationary pressures were starting to become apparent, particularly in the construction industry.

We were already seeing a slowing in price growth across the Sydney residential property market, with some areas already starting to show early signs of decline. We predicted that 2022 would see a continued slowing of growth with declines in some areas and price points likely. What we didn't expect though was the additional inflationary pressure placed on the broader economy from the war in Ukraine, hard and lengthy COVID lockdowns in China and several flood events in eastern Australia.

This saw the Reserve Bank of Australia go hard on interest rate increases, with seven consecutive interest rate rises from May to November seeing the cash rate go from 0.1 per cent to 2.85 per cent. The only time in the past 30 years we have seen such a fast pace of interest rate increases was in 1994, as the economy rebounded from the "recession we had to have".



Source: RBA, CommSec

Such a significant increase in interest rates has seen mortgage repayments rise dramatically and coupled with other cost of living pressures, has led to property prices falling across the spectrum throughout 2022, with a year to date fall of 10.2 per cent to mid-November according to CoreLogic. This was after a 27.7 per cent rise from pre-COVID levels, but still represents the quickest decline in Sydney property prices within a 12-month period in the past 40 years.

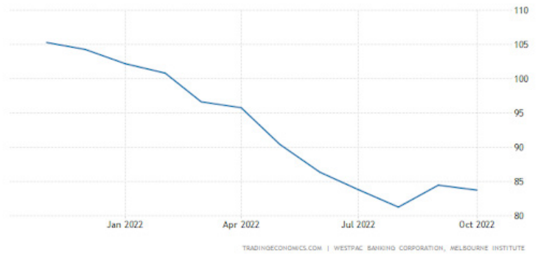
As at mid-November, auction clearance rates in Sydney had recovered to above 60 per cent after dropping into the low 50 per cent in the middle of the year. This still sits below the 71.5 per cent clearance rate at mid-November 2021, where the market was experiencing a late surge post the four-month COVID-19 lockdown, with 786 auctions held in the week this year compared to the 1259 in the equivalent week in 2021, according to CoreLogic. A tighter supply of new listings than usually expected in spring has seen the rate of price falls start to ease over the past couple of months.

This was after a 27.7 per cent rise from pre-COVID levels, but still represents the quickest decline in Sydney property prices within a 12-month period in the past 40 years.

Western Sydney

What a year it has been for western Sydney. After a strong start to 2022 off the back of a huge 2021, the wider market seemed to get back into the crazy market conditions in the first few weeks.

But by February and into March, the tide had started to turn, and consumer confidence began to drop as the talk of rising interest rates was looming faster than first predicted. In addition, inflationary pressures were becoming news headlines overtaking the property market.



Consumer price inflation Source: tradingeconomics.com

The combination of these factors along with stagnant wage growth and a rapidly rising housing market caused many people to adopt a wait and see approach as many felt the property market had peaked.

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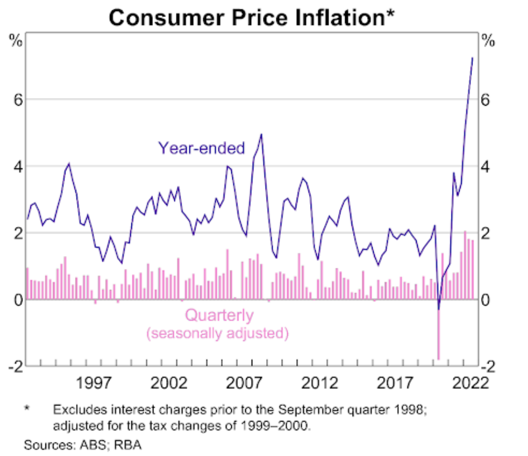


Australian consumer confidence 2022 Source: tradingeconomics.com

CoreLogic notes that Sydney home values are down 10.2 per cent since peaking in January 2022 and this is consistent with what we are seeing in western Sydney.

For many properties in western Sydney, a sharp drop occurred early in the second quarter of the year, given many vendors' expectations were still in late 2021. This market shift is considered to have come slightly later than the more eastern suburbs experiencing jitters in the first quarter of the year. Since then many properties have found a new price point and stabilised. The more sought after dwellings and units still attract buyers but in much less numbers.

An example of the market moving is vacant land in Box Hill and the Gables area. In May 2022 a vacant 450 square metre block sold for $1.075 million in Sommer Street, Gables. Only four months later in September 2022, a similar 450 square metre block sold for $852,500 in Sunburst Circuit, Gables. That reflects a drop of 26 per cent between the two sales after four months which is alarming but the $852,500 sale is still 38 per cent higher than what they paid for the block in March 2021, some 18 months prior. Quite the wild ride for a 450 square metre block of land.

The market has been helped out by a general lack of listings which has balanced out the lack of demand.

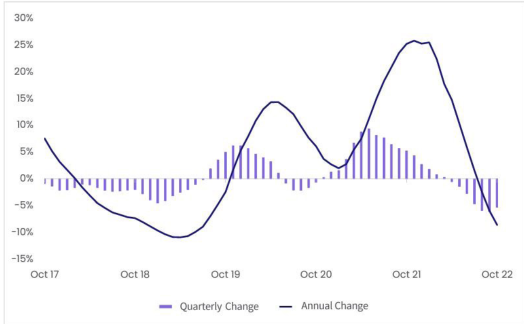
Properties with less desirable attributes such as busy road frontages, powerline easements and flooding issues are finding that much larger discounting is needed to attract a sale. This includes houses that need renovating as the cost of construction has increased dramatically over the past two years and many buyers are simply walking away and preferring a renovated property or new build.

Whilst overall values have decreased in much of western Sydney, this is off the back of two years of extraordinary growth.

South-West Sydney

As the festive season rolls around this year and the jingles of Mariah Carey echo on repeat throughout our shopping malls, we approach the final Month in Review of 2022. As is custom, this December we take an in-depth retrospective look at what has happened in the south-west Sydney property market in the past year and the predictions we made when it all started.

Let's start at the beginning, when we started drafting the first 2022 Month in Review in January: Sydney had just experienced its fastest rate of growth through COVID, peaking at 27.7 per cent as of January 2022, annual inflation was sitting at 3.5 per cent as of December 2021, petrol was at 165.5 cents per litre of E10, there was no war in Ukraine and the RBA had essentially promised not to raise interest rates until 2024. Fast-forward to the present day: annual inflation has more than doubled to 7.3 per cent as of September, petrol is peaking at 217.9 cents per litre of E10, the war in Ukraine has now displaced 14 million people and the RBA has been forced to conduct eight consecutive cash rate hikes, with the overall Sydney housing market following suit – dropping 10.2 per cent from its peak.



Sydney Housing Cycle Source: CoreLogic

While many factors were outside the realm of property, we can see the effects world events can have on the market. Initially, our prediction for the year was a gradual softening of the Sydney market,

While the reduction in borrowing capacity has cut into the top end of the Sydney market, the south-west due to its affordability relative to the rest of Sydney metro has experienced milder fluctuations in comparison to its counterparts.

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given the rate of growth had already slowed and initial COVID stimulus was diminishing. While this did play out accurately until May, this forecast was with the caveat that the RBA did not raise the cash rate. Overall, the Sydney market has been in decline since rates were hiked, however it has not been evenly distributed among all its suburbs, so the best way to describe the current situation is – patchy. Nowhere else has that been more prevalent than in south-west Sydney.

While the reduction in borrowing capacity has cut into the top end of the Sydney market, the south-west due to its affordability relative to the rest of Sydney metro has experienced milder fluctuations in comparison to its counterparts. However, with the market quickly becoming a buyer's market, there has been a flight to quality, with the inflated cost of construction, materials and labour. The good news is that buyers now have more options and are choosing to buy better quality or well-located homes while taking less risk on secondary locations or properties that need work.

In the south-west, we've seen well-renovated or new build homes that have a good marketing campaign still fetching considerable prices as demand for housing is still very high, with vacancy rates across metro areas at record lows. This is particularly true in tightly held areas or good quality family-orientated neighbourhoods, with Harrington Park, Abbotsbury, Edmondson Park and Denham Court being some stand-out suburbs. Many properties have maintained part of what was gained over the COVID period and in some instances, properties are exceeding expectations, particularly in tightly held areas where people have been waiting to get in.

On the flip side however, properties that need more work or are in secondary locations are

In terms of property types and price points on the North Shore, it can generally be said that the market up to the $5 million price point is suffering the most.

experiencing longer selling times and increasing vendor discounts. Suburbs such as Claymore, Eagle Vale, Eschol Park and St Andrews are some harder-hit areas, experiencing a five to seven per cent reduction in overall prices as buyers look elsewhere for greener pastures. Owner-occupiers continue to control the direction of the market, the key to this being family-orientated neighbourhoods providing the most stability, however given rising rents and increasing yields, we could see investors returning to the market over the coming term.

Reductions in the south-west have not been as dramatic as expected, a factor to this potentially being the lower-than-expected new listings currently on the market, with new listings 18.6 per cent below the five-year average. It is clear that potential vendors are choosing to hang on to their properties and weather the storm rather than sell up. We have not seen a pattern of distressed sales as yet and with the household savings ratio having quadrupled over COVID to a record 23.6 per cent in June 2020, most households can afford to hang on.

Overall it's been another action-packed year in the south-west market. We expect the market to continue a softer correction. The rate of decline has slowed, however it is still too early to say the market has found its floor, given the RBA may still have more rate hikes to conduct and there are still geopolitical uncertainties. Looking forward, this may provide a welcome opportunity for those looking to finally get into the Sydney market.

North Shore

In general, the North Shore property market experienced a weaker than expected 2022, driven by a multitude of factors. During the early stages of the COVID-19 pandemic in 2020, there were a great deal of unknowns and with extreme economic instability expected, the housing market was about to enter a period of high volatility. To the great surprise of everybody, the market bucked all predictions and had eighteen months of historic growth. As fantastic as this was for home owners and vendors, the current weakening market conditions appear to be directly attributed to the stimulus that had previously helped the market steam ahead. Inflationary pressures, resulting in sooner than expected interest rate rises by the Reserve Bank of Australia, in combination with soaring construction costs, are all weighing heavily on the market at present.

In terms of property types and price points on the North Shore, it can generally be said that the market up to the $5 million price point is suffering the most. This is to be expected due to this sector of the market being more heavily impacted by rising interest rates. This price bracket also encompasses a lot of property on the North Shore which may require renovation or refurbishment works. Currently any property which requires major works appears to be the least sought after due to the dramatic construction and renovation costs currently being experienced. Prior to this issue, renovation projects were highly sought after with owners looking to improve the value of their homes through undertaking capital works.

We predicted that the unit market would bounce back throughout 2022 although this appears to have been an over-reach. Rising interest rates have dampened this sector of the market significantly and this is evidenced through recent sale results. An extreme example of a poor result recently occurred in the suburb of Epping. The typical modern unit, comprising two bedrooms and two bathrooms and situated within a medium density development, was purchased from the developer in 2016 for $985,000. The unit was listed on the market for 593 days (as per RP Data records) before recently selling for $620,000. Although we don't have any details of the original developer sale, the fact that this unit was on the market for 593 days is an indication of how this product is currently being received in the market. Higher density unit complexes seem to be performing the worst as seen in areas such as Macquarie Park, Wentworth Point, Sydney Olympic Park and Parramatta.

Surprisingly however, rents have continued to increase in the unit sector, certainly assisting in keeping the market from declining too dramatically. As per Domain's latest Quarterly Rent Report, the average unit weekly rent has increased 14.6 per cent year on year throughout Sydney. Full details are in the table below:

The North Shore prestige market, generally considered above the $5 million price point, has been the best performer throughout 2022, although prices are somewhat stabilising. This is

North Shore record sale in Mosman Source: CoreLogic

in line with our predictions at the start of the year, although the assumed increase in stock levels did not eventuate. In fact, market activity in the prestige sector reduced quite dramatically whilst demand remained relatively strong, resulting in continued strong sale results. Looking at the Lower North Shore suburb of Mosman, always a good barometer of the prestige market, 24 properties over $10 million have sold so far this year with a median sale price of $13.625 million (as per Pricefinder). This is in comparison to 41 properties over $10 million selling during the same period in 2021, with a median sale price of $12.1 million.

High quality prestige homes are still attracting strong demand with multiple active buyers still reported in the $10 million and above sector of the market. As discussed in our previous Month in Review edition, multiple suburbs across the North Shore have seen record sale results this year,

CAPITAL CITY	SEP-22	JUN-22	SEP-21	QOQ	YOY
Sydney	$550	$525	$480	4.8% ▲	14.6% ▲

Source: Domain, powered by APM

illustrating the continued strength in the high-end prestige market sector. This includes the new North Shore record of $33 million for a property in Mosman, positioned on the highly coveted Balmoral Slopes.

Northern Beaches

The expression "what goes up must come down" rings true for the 2022 housing market. After a period of unprecedented growth, the market rapidly softened and unfortunately most of the gains seen throughout 2021 had been wiped away by the end of 2022. Continued rate rises significantly reducing buyers' borrowing capacity, coupled with relentless negative media exposure saw the pendulum swing from a seller's to a buyer's market.

PriceFinder data indicates 2022 commenced with a median house price of $2.95 million (excluding January); that has fallen to $2.12 million (as at September 2022), reflecting an approximately 28 per cent drop. A notable example is a property located in Queenscliff highlighting the volatility of the market during the pandemic and subsequent years:

Sales History

Sale Amount	Sale Date	% Chg	Vendor	Sale Type	Area	Related
**$2,950,000	18/10/2022	-17%	THE PROPRIETORS	Agents Advice - Sale		No
$3,550,000	25/01/2022	46%	JAARA	Normal Sale	476 m²	No
$2,425,000	24/04/2020	-	CHASELING	Normal Sale	476 m²	No

Recent sales history of a Queenscliff home Source: PriceFinder

The median unit price of $1.26 million (excluding January) has softened to $1.18 million - reflecting an approximately 6 per cent drop.

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Period	NORTHERN BEACHES COUNCIL(LGA) (House)		NORTHERN BEACHES COUNCIL(LGA) (Unit)	
	#	$	#	$
Nov 2021	304	$2.84m	267	$1.22m
Dec 2021	194	$2.9m	175	$1.25m
Jan 2022	65	$2.73m	62	$1.02m
Feb 2022	229	$2.95m	200	$1.26m
Mar 2022	232	$2.75m	232	$1.22m
Apr 2022	196	$2.7m	183	$1.2m
May 2022	165	$2.43m	165	$1.15m
Jun 2022	154	$2.66m	137	$1.1m
Jul 2022	133	$2.31m	171	$1.1m
Aug 2022	118	$2.2m	131	$1m
Sep 2022	83	$2.12m	93	$1.18m
Oct 2022	6	$2.05m	5	$940k

2022 median property prices Source: PriceFinder

Report Card: Mixed results from our February predictions. We acknowledged the heat had exited the market although anticipated the Northern Beaches market to outperform Sydney more broadly. We discussed the disparity between housing and unit growth anticipating the unit market to outperform the housing market, which it did.

The biggest surprise was the cancelation of the Ingleside Precinct. The state government has successfully streamlined planning proposals in other Sydney growth corridors in north-west and south-west Sydney as well as the successful implementation of the Frenchs Forest precinct. It is therefore a surprise the proposal has been scrapped altogether.

Southern Sydney

The Sutherland Shire and St George regions south of Sydney performed very well throughout the pandemic, particularly during 2021. At the beginning of this year we started to see early signs of market activity slowing and sentiment changing and by approximately April, it was clear that the market had changed, particularly due to the likelihood of interest rate rises and the associated media attention quickly focusing on doom and gloom articles.

Entry-level properties up to approximately $1 million continued to sell reasonably well which is likely due to this market segment being underpinned by first homebuyers and the affordability factor. Properties within this segment are mostly apartments and older style townhouses and villas.

At the other end of the spectrum is the prestige sector which we consider to generally be above $5 million. There were several record results throughout 2021 however activity certainly slowed this year. In saying that, prices have held up and local agents are reporting sustained buyer demand. It's likely to be a case of vendors holding the properties as they haven't decided where to go if they sell, or possibly that the high-end apartment market is very competitive within this segment and location for downsizers. These downsizer-style properties are generally beach or bay areas such as Cronulla, Woolooware, Burraneer, Dolls Point and Sans Souci.

The segment of the market which appears to be most affected by rising interest rates, the media and other economic and political issues is the $1 to $4 million range. This market is more likely to be highly leveraged with relatively large mortgage debt and as such, any slight changes to interest rates can have a material impact on household debt repayments. This middle market includes a broad spectrum of properties from units within small-scale and quality developments, townhouses and villas, duplexes and detached dwellings.

The better-quality properties have continued to remain steady particularly new or near new properties as buyers are aware of the high building costs in recent times so this is translating to strong prices for finished products. Properties on busy roads, sloping blocks or requiring a lot of work tend to be struggling a bit more. We note that it is particularly important to have a good and experienced real estate agent for these types of properties when selling in a slower market.

It appears to be mostly owner-occupiers driving the market as investors haven't been as motivated given the expectation of limited capital growth in the near future. It is worth noting that the rental market has been going from strength to strength (from a landlord's perspective) throughout 2022 with very low vacancy rates and strong rental prices being achieved. If this trend continues it might become more attractive for investors.

The continued strength in this downsizer market has been particularly interesting. There have been several high-end apartment sales in Cronulla. We have been through one of these penthouse apartments on Gerrale Street, Cronulla which sold for $8.25 million. Another example of a high-quality development appealing to this market is an off-the-plan duplex which sold at 12 Binaville Avenue, Burraneer for a reported $4.5 million (below). This

12 Binaville Avenue, Burraneer Source: Domain

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12 Binaville Avenue, Burraneer Source: Domain

reportedly set the record for a non-waterfront duplex at the time of sale.

Inner West

The inner west residential property market experienced a turbulent year regarding property prices. The year began with steady growth throughout January, February and March. The lead-up to the federal election in May caused stagnation throughout April and then a rise in the RBA's cash rate in May caused the market to significantly weaken, which continued throughout 2022 given the consecutive rises in the cash rate each month since May.

Some dwellings have lost as much as 20 to 30 per cent of their value from April throughout the year, with less desirable properties (properties along busy thoroughfares, opposite or adjacent to railway lines, etc) being the most heavily affected. An example of this is reflected in one of the most surprising results of the year being the sale of 216 Edgeware Road, Newtown. The property is semi-detached and is situated in a less desirable pocket of Newtown along a thoroughfare and sold for $1,387,500 in June 2022. The neighbouring property (the next-door semi) with similar updates and features sold in November 2021 for $1,795,000. The difference in sale prices reflects an approximate 23 per cent decline.

Another similarly surprising result occurred at 67 Gipps Street, Birchgrove which sold for $1.75 million in July 2022. Unlike the sales mentioned above in Newtown, the area is quite desirable and this is reflected by the property previously selling for $1.55 million in October 2020 reflecting a 13 per cent increase. However, the sale of the neighbouring semi at 69 Gipps Street, Birchgrove for $1.87 million in April 2022 indicates a significant drop in value as 69 Gipps Street would be objectively considered inferior in comparison to 67 Gipps Street which sold for less and had a more contemporary renovation.

In saying this, highly desirable properties are still achieving surprisingly strong results, defying most of the residential property market in the Inner West. This is illustrated by the sale of 1 Carieville Street, Balmain for $8 million in August 2022 which is considered an incredible sale price. The property was sold prior to auction and the marketing campaign began with an initial price guide of $6 million which was then increased to $6.5 million prior to selling for $8 million. The last sale on the street which had a slightly larger land area, similar view, however lesser parking provisions and overall renovations was its neighbour at 3 Carieville Street, Balmain which sold for $4.25 million in August 2021.


1 Carieville Street, Balmain Source: realestate.com.au

Our prediction at the beginning of 2021 included slower capital growth rates during 2022 in comparison to 2021. Although this was correct, we did not predict the significant fall in values across all property types across the inner west. Additionally, we did not expect the cash rate to be lifted consistently throughout the year, although we did predict this was a possibility given the higher than expected inflation figures reported at the end of 2021. The most surprising takeaway throughout the year has been the difference in market sentiment and falling values in the market in comparison to 2021, which was one of the strongest years for capital growth on record. This may cause a few buyers who purchased at the height of demand in 2021 or early 2022 even greater levels of anxiety should the market correction continue throughout 2023.

Inner Sydney

After a very strong 2021, the heat began to come out of the inner Sydney property market at the start of 2022 with interest rate rises further cooling the market as the year went on. RP Data recently reported that the median Sydney price has now dropped more than 10 per cent since its peak at the end of 2021.

As a result of the increasing cost of borrowing, not only have prices dropped but market activity has also fallen sharply within both the owner-occupier and investor market segments. Consequently, the rental market gathered pace as reductions in borrowing power resulted in occupiers holding fire on property purchases and instead opting to rent. Furthermore, property investor activity (and

Whilst we predicted rental price increases, the speed and amount of these increases has been startling in some areas.

therefore rental supply) also dropped with this double hit driving rents skyward.

Off the back of a strong 2021 and with the RBA's comments regarding "no interest rate rises until 2024" ringing in our ears, Sydney's inner city was set for a subdued but overall fairly level 2022. We predicted slight growth within the family home market segment and modest price increases in investor properties to be driven by increasing rental rates from a city coming back to life in a post-pandemic world.

However, to address increasing inflationary pressures, the RBA decided to aggressively raise the cash rate resulting in the falling market we are now experiencing. We did, however, accurately predict that inner city Sydney would come back to life in a big way and that rental demand from returning international workers, students and domestic professionals would drive rental prices up, although the increased cost of borrowing has outpaced these increases and has therefore resulted in overall declines within this market segment.

Whilst we predicted rental price increases, the speed and amount of these increases has been startling in some areas. For example, in the Zetland and Green Square area – a part of town which has perennial oversupply concerns – one-bedroom units increased from circa $450 per week to $550 to $600 per week and two-bedroom units increased from circa $700 per week to $800 to $900 per week in the second half of 2022.

Eastern Suburbs

The eastern suburbs have not been immune to the wider market downturn, with prices falling across nearly all property types and price points. The largest declines have been for houses in the $2 million to $5 million price range which have been impacted significantly by rising interest rates, compared to the low interest rate opportunities of the past two years which saw many families upgrade into this price bracket.

At the start of the year we were keeping an eye on Chifley houses, which had not seen as large an increase in median price as the surrounding suburbs had in 2021. The median price for Chifley in Quarter 3, 2022 fell from $2.27 million to $2.14 million (5.7 per cent decrease) compared to Quarter 4, 2021, according to PriceFinder statistics. Nearby Matraville performed better and was flat at $2.6 million over the same period, however Chifley's performance compares more favourbly to the wider Randwick LGA which fell 15.3 per cent to $2.71 million over the same time period.

On the unit side of things we picked suburbs close to the University of New South Wales as ones that could perform well in 2022 on the back of returning international students. There were mixed results on this front, with Kensington (-13.5 per cent) performing worse than the greater Sydney unit market (-8.8 per cent) between Quarter 4, 2021 and Quarter 3, 2022, however Maroubra (-8 per cent) and Kingsford (-7.5 per cent) performed slightly better, according to PriceFinder statistics. Investors in these suburbs did benefit from increasing rental returns however, with asking weekly rents for units increasingly substantially over the past 12 months according to SQM Research (Kensington 30.1 per cent, Kingsford 23.7 per cent and Maroubra 20.4 per cent).

In the prestige space, we predicted slowing price growth throughout 2022 on the back of a limited supply of high-quality prestige properties coming to market and an increase in expats returning to Australia post pandemic. Whilst the prestige market has held up better than the wider market, particularly in the $10 million plus space, we are generally seeing prices come back from where they were at the start of the year. What we have seen is a significant decrease in market activity in this space, with new listings significantly down as vendors remain comfortable to wait for the market to improve.

One huge price we saw earlier in the year, well above market expectations, was 29 Carrara Road in Vaucluse. The property was a part updated but basic single level home on 715 square metres in a cul de sac adjacent to the grounds of Strickland House and near the harbour foreshore. The big selling point however was the iconic gun barrel view of the harbour incorporating the Harbour Bridge, Opera House and city skyline.

29 Carrara Road, Vaucluse   Source: CoreLogic

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29 Carrara Road, Vaucluse Source: CoreLogic

The property sold in June 2019 for $11.8 million and then resold a year later, during the initial COVID lockdown, for $10.9 million. After obtaining development approval for a new prestige dwelling with pool and landscaping, it was then placed back on the market in early February this year, selling six weeks later for a whopping $26.29 million. Whilst it is hard to fathom the 141 per cent increase in less than two years, it does show the high demand for undeveloped house sites with high quality views in harbour-front localities.

Shaun Thomas
Director

Lismore, Casino & Kyogle

"The past always seems better when you look back on it than it did at the time. And the present never looks as good as it will in the future." (Ellen Brody, Jaws)

So much has changed for the local area of Lismore City during these past tumultuous 12 months. Looking back does not, in this case, seem better than it did at the time of making bold predictions in early February for the future of the property market in the local area for 2022. And why is that?

Well, considering we had a deluge of water in late February and early March 2022 not seen since the days of Noah (thanks a lot La Niña!), the property market for Lismore and the surrounding rural areas and regional country towns took a massive uppercut!

The handful of residential sales in 2022 since March in the flood ravaged areas of North Lismore, South Lismore and Lismore Central were generally shells, i.e. dwellings with interiors stripped bare back to their framing and no functioning kitchen or bathroom in place... that was something not expected during our predictions for the year in early February 2022. The CBD was a disaster zone for months and is only now starting to re-open... thanks to the resilience of the local businesses and general population.

Earlier in the year, it was the issue of how COVID-19 variants such as Omicron (Megatron's second cousin, once removed) could potentially impact the local property market through the threats of lockdowns and further restrictions on movement. Thankfully, that became less of an issue.

So, it became the responsibility of another thorn in the side to bring about a future softening in the market from May 2022 onwards. And that was the return of the old enemy... rising interest rates. It was predicted earlier in the year that the cash rate would remain relatively steady and low throughout 2022, however the RBA had a change of heart in light of rising inflation figures which are now expected to peak at a higher than expected eight per cent by the end of 2022. The cash rate began its march upwards from 3 May when the RBA lifted the cash rate from 0.10 per cent per annum to 0.35 per cent per annum. Since that time, we have seen consecutive cash rate increases which culminated in a cash rate of 3.10 per cent on 6 December. Predictably, lending institutions followed suit along the way.

The often overused term "subject to negotiation" earlier in the year (a carry-over from 2021) has now generally been supplanted by the traditional disclosure of an asking price.

Now, instead of 10 to 20 people coming through to the open home viewings as experienced prior to May 2022, real estate agents are fortunate to interact with one or two on the day. Also, the often overused term "subject to negotiation" earlier in the year (a carry-over from 2021) has now generally been supplanted by the traditional disclosure of an asking price.

The interest rate rises and, in large part, the major flood event in Lismore City and surrounding areas have had a significant part to play in the softening of sales prices and demand for residential property overall. However, we also must consider the rampant increase in the price of goods and services due to inflation that has made an impact on the budgetary concerns of the general population and their decision-making process regarding a property purchase, e.g. does that semi-remote rural lifestyle property still look attractive when fuel prices are nearly twice as much as they were a year ago?

One clear extreme example of past expectations clashing with current market sentiment can be realised in the marketing of a renovated, four-bedroom, one-bathroom, two-car carport, brick clad and metal roof dwelling on the popular northern ridge of Goonellabah. Originally listed on the market in May 2022 for $849,000, the current asking price has now been reduced to $669,000... ouch! Activity has also slowed for residential property in Casino and Kyogle.

In summary, the expectations of vendors (and agents) have to adjust robustly in light of rising interest rates (faster than expected at the start of the year) and overall inflationary conditions. On the flip side, we are still seeing strong demand for rental accommodation in the region and substantial rental rate hikes, particularly due to large swathes of the rental stock in South Lismore, North Lismore and Lismore Central being wiped out by the flood, not a pleasant position for tenants who not only have to contend with rising rental rates but also the increase in the price of goods and services.

Let's see what the much touted residential buy back scheme will do for the region when it is finally implemented. Challenges aplenty are afoot for the future of property in the Lismore, Casino and Kyogle region.

Vaughan Bell
Property Valuer

Byron

Looking back on the 2022 property market, one could be forgiven for asking "What just happened?" or, in the words of Ron Burgundy (The Anchorman): "Boy, that escalated quickly. I mean, that really got out of hand fast."

The year started with a note of cautious optimism with me having an each way bet on whether the market would stabilise or fall. At the start of the year, my three main points or influences that would affect the outcome of the property market in the Byron Shire in 2022 were expected to be the performance of the capital city property markets, interest rates and whether or not COVID-19 receded into the background or remained an issue.

With the benefit of hindsight, the market in Byron Bay and the shire more broadly peaked in January and February 2022 and currently sits at around 15 to 20 per cent below its peak.

As the year unfolded, interest rates went higher far sooner than the experts predicted and with greater intensity thanks to inflation and the Ukraine war, the property markets in our capital cities tanked and the effects of COVID-19 wore off in terms of lockdowns and travel restrictions. In 2021, there was a perfect storm that brought about one of the strongest property booms in living memory in the Byron Shire and in 2022 we have seen a perfect storm of events that brought the boom market to a sudden halt and a bearish market take hold. Throw in a major flood on the Northern Rivers in late February and early March and it is no surprise that the Byron property market has entered into a period of decline or adjustment, call it what you will.

With the benefit of hindsight, the market in Byron Bay and the shire more broadly peaked in January and February 2022 and currently sits at around 15 to 20 per cent below its peak. When viewed out of context, this sounds like a pretty dramatic decline in the space of nine or ten months, however bear in mind that in 2021 the market improved by as much as 50 per cent in some instances. For buyers who purchased for the first time in 2021, the decline this year will have consequences for their equity positions, however for property owners who have held real estate in a longer term situation, these are the merry-go-rounds and swings of the property market (somewhat amplified).

The locations in the Byron Shire that have been hardest hit with the decline in the property market are those that suffered the double impact of sharply increasing interest rates combined with flooding, such as parts of Mullumbimby and parts of Ocean Shores. As the market contracts, the more resilient locations will prove to be traditionally desired locations such as those close to beaches or the CBD and offering privacy. Buyers who need a mortgage to secure their purchase (and that is most of us) now have less spending power but with more listings on the market, buyers have the ability to pick and choose locations away from busy roads or other secondary locations, a far cry from the start of the year.

2021 and 2022 have proved to be polar opposites in terms of the property cycle and if there is a lesson to be learned from this rapidly moving property cycle, it is that the market (buyers and sellers) can generally cope with anticipated or accurately predicted changes in the market but it is those unexpected shocks to the market (floods, inflation, wars) that come from left field that have the greatest negative impact on the market.

What can be done as a buffer against future shocks in an uncertain and changing market? Well, it never hurts to have options, so a back up plan B would be handy and an attitude of hoping for the best but planning for the worst would not go astray, either.

Mark Lackey
Property Valuer

Clarence Valley

2022 in the Clarence Valley has been a rollercoaster! In the first third, prices rose to the top of the crest through low interest rates and frenzied demand fuelled by buyers thinking they would miss out. As interest rates started to climb along with general goods inflation, demand subsided particularly by mid-year. In the later part of the year with demand patchier, listing prices slid and some from time to time were re-set lower to meet the market. Other factors that contributed to the value downturn were the war in Ukraine, political turmoil in the United Kingdom and the election of a new federal government in Australia.

In the early year, boom properties on Yamba Hill were highly sought after and high prices were being paid. For example, a two-bed, two-bath renovated unit with some ocean views sold for $1.7 million and a nearby three-bed, two-bath semi modern dwelling with restricted ocean views sold for $3.4 million. Stock on Yamba Hill did very well during this time due to the appeal of its location. Another property type to do well was vacant land sales. Due to the less expensive nature of land versus improved property, land developers did very well during this period. Throughout the year, demand for land was consistent and in Grafton a residential block sold for as little as $215,000. Property that saw less demand may be impacted by floods. Saying that, even though demand has reduced as the year progressed there is still a shortage of residential property in New South Wales. The Clarence Valley is seen by many as a cheaper option and therefore attractive on that basis. At the end of the year, increased rents were driving first home buyers into the market.

When we look back on the COVID-19 period, the low interest rates were really the main driver behind the boom of demand. We mentioned in the February Month in Review that this would play a telling role in market values and this is what has happened. There is such a strong correlation between government set interest rates and market conditions. Low interest rates produce cheaper loans and high demand while a higher cost of loan limits demand.

This year's surprise was the amazing newly constructed multi-million-dollar Clarence Valley Motorway that was supposedly designed to function during flooding conditions. When heavy rains and flooding hit early in the year, the Motorway went under and traffic could not flow. This caused food, power and water issues for the disaster area in Lismore to the north. This Motorway, instead of being a benefit during this flood time, acted like a dam holding water for an extended period, impacting crops and heightening flood levels, even scaring locals living near levee walls. Properties impacted by flooding in the future will be difficult to market due to future risks and expensive insurance issues.

Caitlin Davies
Property Valuer

Coffs Harbour

Looking back at the beginning of the year, we used weather terminology to assess the next 12 months: "sunny with a hint of rain". I think we are starting to experience a bit more than a hint of rain, more like a constant drizzle. We acknowledge the driving factors of the COVID market were about to subside, which were the record low interest rates, lockdown in metropolitan areas and work from home orders which had the effect of pushing an abnormal number of the metropolitan population out to regional areas to escape. We are now experiencing the exact opposite with aggressive interest rate rises, lockdowns a thing of the past, high inflation and pressure to return to the workplace, all of which are putting downward pressure on the property market.

If I had to be pushed to give a generalised figure of the extent of the downturn, I would say 10 per cent from the peak of the market which was about December 2021, holding strong until about April 2021. Since the start of the interest rate rises in May 2022, there has been a notable cooling in the market with days on market increasing and vendors now having to negotiate more and reduce asking prices to attract interest. We are still seeing good prices being achieved in well regarded locations for good family homes which need no work and price points up to the $1.5 million mark. Property that requires extensive renovation work or is not so well located and prestige property above $1.5 million tend to sit on the market longer, being harder sells. Most who have been in the property market for some time would say we have returned to normal; the stupid market and off the wall prices being achieved throughout the COVID period have left the station. Historically, the winter months in Coffs Harbour are always slow and moving through spring into summer we should see the general market activity increase which will translate into more sales rather than an increase in values.

As identified at the beginning of the year, the rental market has continued to increase given the shortage of supply and sustained demand. Unlike property prices, interest rates do not have the same effect on this market. This market is driven by the available product and migration to the region, not to mention the starting of the Pacific Highway bypass which will slowly ramp up over the coming years placing more pressure on this market.

The market sector which was most surprising or had the greatest market movement was the prestige property over $2 million. Prior to the start of COVID, Coffs Harbour had only ever seen a couple of sales over this number. Since 2021, the $2 million mark has been surpassed many times with one sale surpassing $5 million. Today, we have properties listed above this number with one prominent Sapphire Beach property listed above $12 million.

To summarise the year, it has been a real two-speed market, riding the COVID wave in the early part of the year followed by a downward slide which we are probably not at the bottom of yet.

Grant Oxenford
Property Valuer

Tamworth

Once again, we are approaching the end of the calendar year. It has been an eventful 12 months for New England and north-west New South Wales. Here is a summary on the year that's been for the general property market for the greater Tamworth region.

As expected, demand for property in the region remained firm throughout the course of the first six months for the Tamworth area. This was largely influenced by the limited property for sale within the area together with strong buyer demand from local buyers and investors. Overall, the local property market remained firm with signs of stabilising towards the middle of the year.

Throughout the course of the year, consumers have been exposed to higher cost of living pressures and the RBA announcing numerous interest rate rises in an attempt to curb inflation. This has impacted the Tamworth property market due to the negative market sentiment towards the broader economy, resulting in buyer demand decreasing. Active selling agents within the area indicate that out-of-town buyer enquiry is largely absent from the market and the urgency from local buyers has decreased from the previous 12 month period.

By and large, the market is stable, with the Tamworth market experiencing variable growth rates depending on the market segment. Some market segments have been more greatly impacted than others. For instance, the entry level and investor market segment has remained firm throughout the year, with selling periods for three-bedroom dwellings priced between $300,000 and $450,000 remaining tight (two to three weeks on the market). Also, established (recently constructed) residential property in the suburbs of Calala, North Tamworth and Moore Creek continued to perform strongly. This is largely due to the industry pressures experienced in the new home markets and construction industry. Vacant land sales for this calendar year more than halved from the previous year, which is largely due to the construction delays developers are facing.

Within the last six months of the year, we have seen signs of some market segments being impacted more than others. Typically, the signs of a slowing market indicate an increase in selling periods, which we are starting to see in some suburbs within the upper and prestige market segments. However, demand exists for the limited property to come to market, with newly constructed dwellings and highly improved residential property on larger allotments and favourable aspects attracting strong sale prices and demand. The continued strength within these micro market segments is largely due to the current barriers to build new in the current environment. Notable comments surrounding replacement values of established modern dwellings have been a key feature in sales agents' briefs of property listings this year.

Towards the back end of the calendar year, continued rain events have hampered productivity and impacted many local businesses and farming operations. Inflationary pressures and possible interest rate rises late this year and early next year are keeping property owners and prospective purchasers wary of the short to mid-term economic outlook. The pace of local residential markets has slowed somewhat, with the industry looking to see out the year in a productive manner. We expect most market segments to remain stable in the coming months as we enter the Christmas period. To that point, we wish everyone a very happy and safe Christmas and new year.

Nick Humphries
Property Valuer

Active selling agents within the area indicate that out-of-town buyer enquiry is largely absent from the market and the urgency from local buyers has decreased from the previous 12 month period.

Newcastle

As we come close to drawing a line under the 2022 property market, let's take a minute to reflect on our closing comments of 2021:

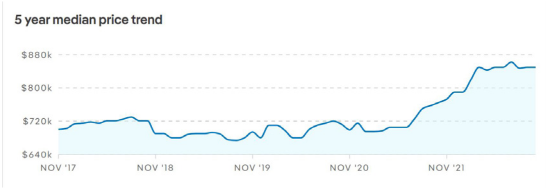
"As 2021 came to a close, the local and regional markets were very much in a feel of over excitement. We came to see settled sales over $8.5 million in Newcastle and over $7.5 million in the Hunter Valley during the year with agents doing their best to exceed expectation until the very last minute".

Roll forward 12 months and we feel the same is now being said again, despite the media's doom and gloom of rising interest rates and the property market in freefall. The Newcastle and Lake Macquarie property world appears far from all the doom and gloom. Newcastle is no longer looking at a record sale of $8.5 million. It's into eight digits now, with the record at $10.25 million and the local word suggesting it's at $12.3 million if all is to be believed. The Newcastle unit market is now at $8.3 million rising from a previous record of $5.4 million. Lake Macquarie, not wanting to be left behind, has recently agreed a sale at $10 million in the past few weeks. As we all thought that was impossible, the house represented an impressive way to reach the $10 million.

334 the esplanade front Source: realestate.com.au

Ok, so now we know the market is impressive in Newcastle and Lake Macquarie, let's look at the media comments.

According to realestate.com.au, the Newcastle median house price has been rising for the past five years with signs of some leveling off starting to become more noticeable.



Source: realestate.com.au

There are a number of reasons for the leveling during 2022 which can be categorised in various ways:

1. Affordability - at some point in the cycle, property just becomes too expensive for the average buyer and some time to reflect is required;
2. The market simply reacts - the potential purchaser decides they are no longer going to outbid the next person;
3. Economic factors - with rising interest rates taking effect over the past six months, purchasers become more financially aware of the cost of rising property prices and their own ability to pay the mortgage if they pay too much.

334 the esplanade pool Source: realestate.com.au

Although local regions have not noticed any significant fall in property prices, the cycle has been changing direction as the graph above shows and maybe our previous predictions of the property market coming to a crossroads is now starting to become a reality, albeit some 12 months later than expected.

The appetite of buyers is definitely still there, but in smaller numbers. For vendors, a sense of realism is required and saying no and waiting for the next bidder to come along is a far riskier gamble than it was twelve months ago.

Let's look at the various sectors across the local regions:

Medium property range suburbs (say $600,000 to $1.2 million) - Throughout the year the performance has been strong, with an obvious sign of some weakness in number of prospective buyers per market property. Despite the fewer potential purchasers, property prices have continued to rise since the early part of the year.

Upper range suburbs (over $2 million to $5 million) - This market generally provides a good foundation of how the market is performing as the purchaser is generally reflecting affordability in the higher range property market. There has been a definite sign of both fewer properties coming to market and less aggressive bidding amongst interested parties compared to 2021.

Prestige (over $5 million) - This market is generally reflective of 2021 with only five to ten sales during the year, however as mentioned previously, buyers in this market are showing a distinct lack of interest in what the general market is doing or not doing when making their purchase.

Units - The unit market has continued to progress throughout the year with an ever-increasing price range, partially assisted by a number of new units completing towards the end of the year. Demand continues to be strong indicating both the owner-occupier and investment markets are still performing well despite the effect of rising interest rates on investors.

Land - During the year, several new subdivisions became available with agents again reporting strong levels of interest and ever-increasing land values. As these become analysed for development of a dwelling, the number of suburbs becoming $1 million suburbs is increasing; in the past, this was definitely unthinkable.

On reflection, 2022 has not gone in the expected direction we all thought. The threat of interest rate rises did not have the impact we all thought it would and November 2021 was not the peak of the market as we were predicting. Whether November 2022 is the true crossroads for the property market and whether the local market really is starting to cool, with less purchasers in the market and aggressive bidding a thing of the past, only time will tell in the new year.

As for the best property advice, sometimes we have to let the property market make up its own mind which way we are travelling.

Darren Sims
Property Valuer

Central Coast

The Central Coast market has historically shown resilience in times of uncertainty. 2022 has been no different with the market experiencing the end of a boom cycle that was unprecedented in recent times. We made some crystal ball predictions in our February 2022 edition as to how the market would perform and with some great surprise, we weren't too far from the truth. Broadly speaking the Central Coast market was in a slowing down phase at the beginning of 2022, on the back of a sustained level of growth throughout 2021. What transpired in Quarter 2 at a national level surprised many mortgage holders, even the Reserve Bank Governor, Mr Phillip Lowe, as we began a journey of consecutive interest rate increases which would dampen market sentiment and exacerbate the slowing market conditions of the beginning of the year. This amongst other macro-economic changes has now flowed down into the local Central Coast property market with recent data emerging indicating the market has peaked and is now plateauing.

It was reported in 2021 that building material shortages and cost increases were taking effect within the marketplace, forcing builders to pass on cost increases to consumers. This led to increased overall build costs for residential projects, however at the time it had minimal implications at a local property market level due to the rising market conditions essentially absorbing the cost rises. Behind the scenes and with chatter in the back offices of building companies leaking into the media, ongoing global supply issues and cost increases would ultimately lead to the demise of some, and in 2022 we unfortunately saw the likes of Impact Homes, trading as Privium Homes Pty Ltd, Oracle Homes and more locally, Affordable Modular Homes Pty Ltd, place themselves into voluntary liquidation, leaving homeowners with unfinished dwellings at various construction stages.

For buyers hesitant to take on renovation projects or new builds altogether, market sentiment was shifting away from the property flip mentality more recently seen in the past boom cycle, to buyers now having a buy, move in and live frame of mind with no desire to renovate. Local agents expressed this through our own enquiries, with properties that required renovation work taking longer to sell with discounting, a negotiation strategy that was decommissioned in the rising market conditions, now re-emerging as we saw an end to the seller's market and the introduction of the buyer's market.

Property secured heavily with mortgages, the likes of the sub $1 million market segment, first showed signs of weakening with examples of properties purchased in 2021 and then re-sold in 2022 making an overall loss. Factors that mainly contributed to this included tighter credit assessment policies through higher assessed income tests enforced by APRA and more recently the rapid increase

The property was sold in February 2021 for $1.3 million and has just re-sold in September 2022 for $1.15 million. The difference in price equates to a loss of 11.5 per cent.

of interest rates. A recent example of this is a property located at 44 Wentworth Avenue, Woy Woy. The property was sold in February 2021 for $1.3 million and has just re-sold in September 2022 for $1.15 million. The difference in price equates to a loss of 11.5 per cent.

44 Wentworth Avenue, Woy Woy Source: CoreLogic RPData

Another example of this occurred at 4 Shaw Street, Saratoga. This suburb experienced very high levels of demand during 2021 and is now seeing a correction in the market. The property initially sold for $1.5 million in October 2021 after six days on the market. It re-sold in August for $1.35 million, equating to a ten per cent loss.

What was transpiring in the southern areas of the Central Coast was also reverberating in the northern region with most suburbs experiencing a correction from the late 2021 to early 2022 peaks. Buyer demand and sales volumes have decreased and we are finding that most of our work is relating to refinancing as owners seek to lock in a more competitive home loan rate.

The decline in the northern region has been gradual and we're only now starting to see the figures over the past few months come through. Data from realestate.com.au records Wyong at a peak median of $875,000 in August to now pull back to $835,000, a drop of 4.6 per cent over a few months. Since August, Killarney Vale decreased from $915,000 to $895,000 (-2.2 per cent), Gorokan $730,000 to $720,000 (-1.4 per cent), Buff Point $804,350 to $795,000 (-1.2 per cent), San Remo $700,000 to $690,000 (-1.4 per cent) and Berkeley Vale $900,500 to $895,000 (-0.6 per cent).

New land releases in Hamlyn Terrace, Wyee and Woongarrah have interestingly performed well and against the trend. Data from realestate.com.au confirms that median house prices in these areas are yet to record any decline in median value in 2022, however in the months ahead it is expected this market will follow the broader trend. The most recent data from realestate.com.au shows that Wyee recorded 23 sales from October to November, down from 44 the same time last year. Hamlyn Terrace recorded 144, down from 200 and Woongarrah recorded 99, down from 156.

A segment of the market that remained strong during 2022 was the over $2 million coastal and rural residential market. Sales above $2 million are becoming more prevalent in the Central Coast's popular beachside suburbs and did not appear to dampen during the first half of 2022.

Sales data on realestate.com.au records a median house price of $2.36 million in Macmasters Beach as at October 2022, up 31 per cent on the previous 12 months.

Similarly, Copacabana seems to be remaining on an upward trajectory, albeit at a slower rate than in 2021. The suburb recorded incredibly strong growth during the pandemic. The median price is currently $1.975 million, up 13.5 per cent on the previous 12 months.

The rural residential market tells a similar story. In Holgate, the current median price is $2,802,500, a 25.7 per cent increase over the previous 12 months. The sale of 181 Wattle Tree Road, Holgate is an example of this. It initially sold in April 2021 for $2.65 million. It re-sold in October 2022 for $2.9 million with minimal changes to the property.

Reflecting on the local rental market, record rental prices have begun to ease, however things aren't exactly working out in tenants' favour just yet as vacancy rates remain at historical lows. With the task of controlling inflation and cost of living continuing to be an issue, there appears to be no immediate rental relief. A decline in the rental market would only add more pressure on investors given the continuing interest rate hikes. Throughout the year, many owners in northern suburbs including Berkeley Vale, Toukley and Gorokan have continued to go down the dual-occupancy route by building granny flats to maximise their rental yields. With repayment pressures set to continue, this may remain a popular option moving forward.

While we have seen the correction in the market in 2022 that many were predicting, it seems unlikely that property values will be returning to pre-pandemic levels.

Todd Beckman
Associate Director

Nowra / Shoalhaven

What a different market 2022 has been compared to 2021. The booming market conditions experienced in 2021 seem like a distant memory as interest rate rises have deterred prospective purchasers and halted property growth in 2022. As at December 2022, the Reserve Bank has lifted interest rates for the eigth consecutive month with the cash rate now having surged to an almost ten-year high. So far the cash rate set by the RBA has risen by 275 basis points as the Reserve Bank battles to curb rising inflation. The Shoalhaven residential property market, like much of New South Wales, has continued to soften and feel the pinch of these interest rate rises. Agents are advising of fewer prospective purchasers attending open homes and more time spent on the market for properties in order to achieve a sale result. This has resulted in a declining market and softening conditions.

At the start of the year, we predicted that the strong growth and booming market conditions of 2021 would not continue in 2022. We expected market conditions to soften because of possible interest rate rises and the uncertainty surrounding the federal election. What we did not predict was the amount of interest rate rises by the Reserve Bank caused by high inflation levels and the impact the rising cost of living expenses was going to have on the property market.

In 2022 we also saw a decline in the restrictions caused by the COVID-19 pandemic in 2021. In part, the COVID-19 pandemic fuelled the Shoalhaven residential market along the coastal towns as more out of town buyers from Sydney, Canberra and Wollongong were able to work from home and could not travel overseas so they decided to purchase in the region. Now that restrictions have eased, more prospective purchasers have decided to use their savings and travel overseas.

Overall, the Shoalhaven residential property market did see some good sale results in 2022, however it appears evident that as the year has progressed, these sale results have stalled due to the softening market conditions. Rising interest rates and high inflation are key factors causing the current slowdown in market conditions.

Joshua Devitt
Associate Director

Illawarra

The year commenced with a new COVID-19 wave and tough restrictions. While the virus is still alive in the community, its impact on the economy is limited now. At the start of the year, we predicted a softening of the residential market. This was basically just a stab in the dark due to the market being so heated that the only way it could go was to quieten down. As the year has eventuated, the predication has proven true, but only to a limited degree. The market has softened. But I certainly didn't predict how much of a decline we've seen. As CoreLogic recently reported, values in the Illawarra have shown a decline of 6.1 per cent in the most recent three-month period and the median price has dropped below $1 million to $971,873.

From around March and April 2022, agents started advising of a drop off in numbers attending open homes. This in turn reduced the urgency from buyers. They no longer felt they needed to show up to the first open home with an unconditional offer to be in with a shot of buying a home. In May, the Reserve Bank of Australia lifted the cash rate for the first time in over a decade. This, along with further rate rises throughout the year and broader inflationary and cost of living pressures has contributed towards a decline in the housing market. The decline has been felt across all segments. The entry point for a freestanding dwelling has dropped from around $750,000 at the peak. There have been recent sales in Dapto, Berkeley and Warrawong in the low $600,000s. At the top end of the market, a beachside property in Stanwell Park sold for $5 million by a motivated vendor, less than what would have been expected at the start of the year. On the other hand, less motivated vendors have pulled their properties from the prestige market when they couldn't achieve their desired values.

That said, buyers haven't completely closed their chequebooks. Properties are still transacting at all levels, especially if they are priced according to current market conditions.

Surprisingly, land values in the West Dapto new release subdivisions haven't nosedived. We have seen in previous declines that areas with an abundant supply have become oversaturated and prices have declined significantly but this hasn't happened yet in the current market phase. While demand is certainly not as high as at the peak, land is still selling for $600,000 for 450 square metre lots in Wongawilli, Horsley and Kembla Grange. New releases are scheduled to be registered in the next six to twelve months and it remains to be seen whether there will be a large supply of re-sales in these areas and what that might mean for values.

Chris McKenna
Region Director

Southern Highlands

The Southern Highlands market started slowly in 2022 with an air of uncertainty around how the market would pan out. By the mid-way point, we had seen a handful of rate rises, with some sectors of the market instantly feeling the brunt of tightening monetary policy and others only really beginning to show signs of true softening towards the end of Quarter 3.

The area initially saw markets take at least a full quarter to shake the new year hangover before enough transactional evidence was presented to determine how prices might fare in 2022. However, once summer had ended and autumn was settling in, it became clear that while an element of FOMO had dropped out of all markets, strong sale prices could still be expected for high quality assets or properties with excellent appeal and presentation. A big portion of these prices still appeared to be driven by Sydney based purchasers looking to relocate to the region, whether that be young families or downsizing retirees. Strong growth remained unmistakable within the $1 million to $4 million price bracket, with some fantastic prices being achieved in Burradoo for large family homes on half-acre and acre parcels. We also saw new records being set in Darraby Estate in 2022, with these newer housing estates typically being the first to see the decline of market sentiment. Given the fundamental undersupply of good quality new product in the region, a severely delayed future land release pipeline and the continuation of rising construction costs, it was no surprise to see strong prices for newly finished products as the year accelerated.

So how did we track against our predictions in the February 2022 Month in Review? Overall, we would go so far as to say we generally got it mostly correct for our wider predictions. The market generally performed well with overall market fundamentals staying strong, interest rates not beginning to have an impact and softening prices really only becoming more evident as we entered Quarter 4.

Kurt Bismire
Valuer

Port Macquarie

The 2022 year has certainly been a turbulent one, in which we have seen the property pendulum swing back and forth under the influences of rising interest rates, increases in cost of living, change of government, world unsettlement and the end to COVID restrictions.

So how did the Port Macquarie localities fare?

At the beginning of the year, we saw again booming market activity with premium prices being paid and many cash buyers frenzying over properties. The peak of the property market for our greater Port Macquarie area was around March and April. From June and July, it was apparent with our sales evidence that the market was starting to stabilise and by September and October, we were starting to see a real slowing of the market. At present we are seeing more price reductions in the outer fringe located housing estates, while anything within close vicinity to the beach has remained more stable or has just started to decline depending on the quality, location and views.

Since June, agents have reported price re-adjustments, more stock availability, limited purchasers and longer sales times – all indicating a dampening of the property market appetite.

The most influential driver of the decline in our local region undoubtedly has been the interest rate rises since May 2022.

New constructions have also begun to slow due to not only increased interest rates, but also increased building costs. CoreLogic's Cordell Construction Cost Index for the third quarter 2022 showed national residential construction costs increased a record rate in the year to September 2022, the highest annual growth rate since the GST impact in 2001. This together with predicted further interest rate rises may see an increase in re-finance activity or an influx of property to the market.

With most fixed rates completing their terms by the middle of next year and borrowers shifting towards a variable or another fixed rate, the full impact of the decline in the property market may then be felt.

Therefore in summary, the local property market has been a real tale of two halves with good price increases up until May and June followed by a much more subdued back half of the year with limited purchasers and an influx of listings.

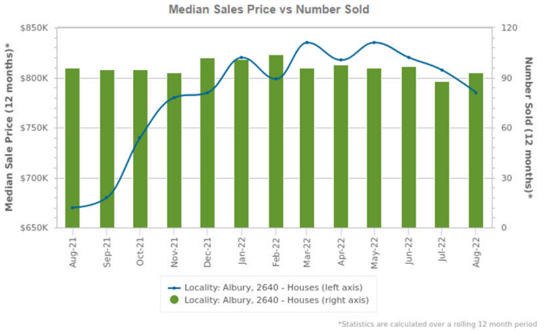
Adam Lipscombe
Associate Director

Albury Wodonga

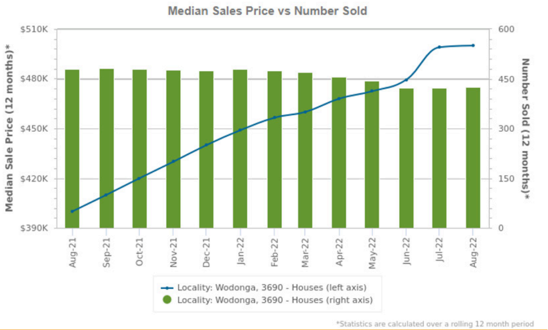
In reflecting on the year gone by, the Albury Wodonga property market has had a significantly different year than we encountered in 2020 and 2021. As predicted, the lift in values from 2021 in the Albury Wodonga region and surrounding townships saw a slower moving market in 2022. Throughout the year we felt the effects of more cautious buyers amid rising interest rates, higher living expenses and fewer out of town purchasers due to the decreased fear of the pandemic.

The challenge around navigating indicators towards a slowing market has been as dynamic as predicted at the start of the year as we focus on signs of change.

Our property clock predictions in February 2022 were seemingly optimistic, with the greater Albury Wodonga market slowing in the second quarter. Agents throughout our region have reported a significant drop in enquires while prices have remained steady. This is evident in Wodonga where PriceFinder recorded the number of sales decreasing by over 40 per cent from 2021 figures; all the while, median house price growth is up 18.2



Albury Source: CoreLogic 2022



Wodonga Source: CoreLogic 2022

per cent from 2021. The same was not found in Albury. While the number of house sales also halved since last year, a drop in price of 3.5 per cent has been recorded (PriceFinder, 2022). Overall, we have seen a move past the peak of the market in most localities and expect this levelling out to continue in most market segments.

As with most regions, our construction industry has struggled to keep up with demand and material shortages, resulting in long delays and increases to building contracts. Overall, demand for new dwellings appears to now be slowing due to the above factors.

$2.65 million sale at 515 Small Street, Albury Source: Domain

$2.75 million sale at 34 Walker Lane, Bright Source: Domain

After dealing with the heated market in 2021, 2022 brought some new challenges for our region. In October, the Greater Shepparton market experienced its first major flooding since 1993. The impacts are yet to be fully quantified as we navigate the effects on value and quantify the stigma associated with flood prone neighbourhoods. This flooding has also affected many of our smaller surrounding townships and the long-term impact for these communities is still unknown.

Another surprise is that listing prices still appear to be strong due to vendor expectations in line with the previous growth period. We suspect this will carry through into 2023 as the new normal sets in and the sales evidence dictates the future of our market.

Vanessa West
Assistant Valuer

Victoria - Residential 2022

Melbourne

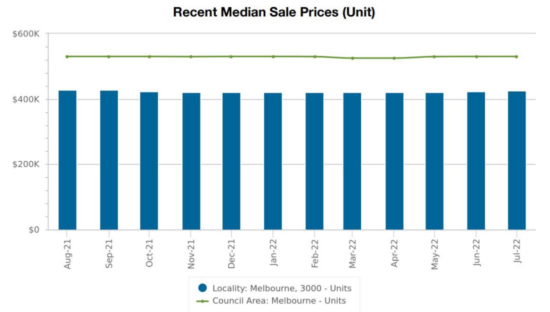
As 2022 comes to an end, we look back on how the Melbourne property market has played out and reflect on some of our predictions and expectations from the beginning of the year.

As 2022 commenced, Victorians began to experience normal life after a tough year of repeated lockdowns and other impacts of COVID-19 throughout 2021. Soon after, we were hit with post-pandemic inflation causing the Reserve Bank of Australia to significantly increase the cash rate in order to get inflation under control. This resulted in a lot of uncertainty in the Melbourne property market, causing market activity to slow followed by median property values decreasing across the board. There were some exceptions, with some markets performing better than others.

Melbourne Inner City

At the beginning of the year, it was predicted that while many people would continue to work from home, we would see a market recovery in the CBD as the vaccination and booster rollout proved to be effective and a return to a normal city lifestyle.

This prediction turned out to be accurate; life is returning to normal, people are moving back into the city and international students have been coming back since the reopening of international borders. However, this has largely been offset by the impact of interest rate rises, resulting in the median sale price of the Melbourne city area remaining relatively flat, hovering between $420,000 and $426,750.

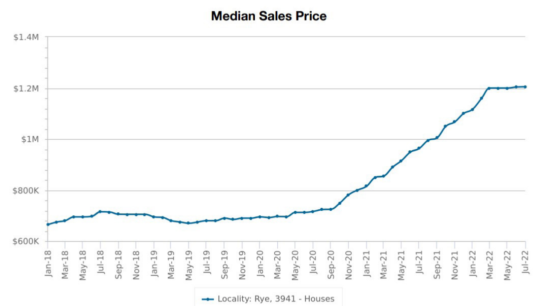


Median sale price of the Melbourne city Source: RPData

South East

Reflecting on our prediction at the start of the year, we expected strong performance in the Mornington Peninsula, mainly due to the scarcity of quality properties and the relaxed coastal lifestyle drawing interest from state-wide.

This expectation was shown to be accurate, and we have observed strong interest in the Mornington Peninsula, however demand was dampened by the rising interest rates and population shifting back closer to the city as a result of the relaxation of COVID-19 rules. This can be seen from the marginal rise of the median sales price despite strong interest in the region. The median sales price in Rye rose from $1.117 million in January to $1.205 million in July (RP Data).



Median sales price in Ry Source: RPData

Inner and Outer East

The year of 2022 was one full of uncertainty and doubt, showing signs of demand exhaustion early in the year after a previous 18 months of uber growth across all markets. Since peaking in February 2022, Melbourne housing values are down 6.4 per cent this year, leaving the market only 3.6 per cent above pre-COVID levels (Metropole Market Insight, 2022).

Inner eastern suburbs including Kew, Richmond and Abbotsford all experienced increases in transacted property market values throughout 2022, showing demand for highly sought-after locations to be evident in the first half of the year even amidst bleak market conditions in the back half. Many of these attractive suburbs hold value firmly and suffer only from smaller bidding pools reducing the overall bidding activity. In line with growth in values, rental yields have further increased and reflect the strong property fundamentals within these popular suburbs.

Similar to many inner suburbs in the east, the outer eastern patch experienced gains ranging from five to ten per cent in areas such as Boronia, Wantirna, Forest Hill and Croydon as well as posting strong rental yield gains. In 2022, buyer pools were attracted to renovated, established houses as renovation costs have sharply risen due to material

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and labour shortages and supply chain issues. It was evident that buyers were willing to pay a premium for these renovated properties and this is what kept the growth rate elevated throughout 2022.

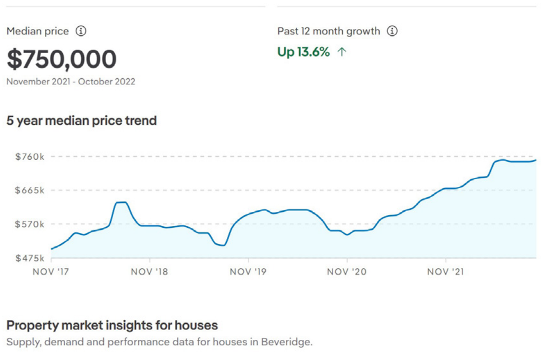
The 2022 predictions for inner and outer eastern suburbs appeared to be quite accurate, estimating strong performance to carry on throughout this year, particularly for rental properties in Burwood and Clayton surrounding nearby universities as many international students returned to face to face learning.

What was a surprising yet inevitable outcome was the aggressive stance the RBA took in its monetary policy to tighten the surging economy. It is very likely we are to experience further rate hikes and lower property values as the property market typically lags by six months. 2023 will be an interesting year as we return to pre-COVID levels and balance out the rampant growth experienced over the last 18 months.

Inner and Outer North

Throughout 2022, Melbourne's inner and outer north continued to expand and sustain a popular living demand. Typical buyers in these areas are families and individuals looking for their first homes. As a result, these first home buyers are driven by the affordability of the area. In 2022 the average four-bedroom house in Beveridge cost $750,000, up 13.6 per cent from last year (realestate.com.au, 2022), making this suburb also attractive to investors. The median house price in Beveridge is significantly lower than the Melbourne median of $937,131 (CoreLogic, 2022).

It is evident that first home buyers have a large influence on Melbourne's inner and outer north market. With a large increase in new estates in suburbs such as Beveridge, Wollert, Donnybrook, Kalkallo and Mickleham, first home buyers are able to afford brand new homes within a reasonable proximity to Melbourne's CBD.



Beveridge price trend Source: realestate.com.au

It was predicted that the inner and outer north would continue to grow and provide affordable housing throughout 2022. The growth rate in the inner north was moderate compared to the rapid rate seen in the outer north, especially in suburbs such as Kalkallo and Beveridge. The appeal for affordable and family friendly housing continued throughout the year, with an evidential increase in house and land packages.

It was surprising to see the effects of COVID-19 still having such a large impact on the housing market. Although everyday life has returned to normal, there is still a substantial lack in labourers and materials. As a result, buyers are searching and paying more for move-in ready homes, as they don't want to waste their time and effort with renovations and other construction works.

It is evident that first home buyers have a large influence on Melbourne's inner and outer north market.

Western Suburbs

The western suburbs continued to prove strong in 2022 with the main areas of Melton, Tarneit and Truganina continuing to show growth from last year. However, interest rate rises are starting to take effect with prices across the western suburbs starting to soften and transactions slowing down, as Melton and Tarneit have passed the peak of their property cycle. Seller sentiment has also started to change with the cost of living increasing as well as the increase in interest rates and the number of buyers in the market, particularly investors, has started to decrease.

The main demographic of the western suburbs continues to be families and first home buyers seeking affordable housing close to the CBD while taking advantage of homebuyer grants that are still available.

There continues to be an uncertainty and unpredictability around the property market as a whole and not just Melbourne's west heading into 2023.

Geelong

During the first half of 2022, the Geelong property market continued its growth and strong market activity from 2021. At the beginning of Quarter 3, 2022 we began to see a shift, as market activity in Geelong slowed, followed by a slight decrease in median property values in most suburbs across the region. This shift within the Geelong property market has come because of the recent spike in interest rates and the current economic uncertainty.

The median days on market across the Geelong region has also increased from 23 days in

April to 29 days in October. Suburbs that have experienced the biggest increases are in inner west and eastern suburbs such as Herne Hill, Newcomb, Bell Park and East Geelong. There are suburbs that are still performing well in the Geelong region, such as Geelong West, Highton, Belmont and Newtown. Geelong West and Highton recorded an increase in median house values in Quarter 3, 2022 and Highton and Newtown's days on market has not increased since April 2022 (realestate.com.au). The prestige market in Geelong of approximately $2 million plus is still experiencing strong results and exceeding expectations, which may be playing a part in the performance of the above-mentioned suburbs, as they are considered to be prestige suburbs within the Geelong region.

Belmont recorded a slight decrease in median property values in Quarter 3, 2022, however is still quite competitive and is experiencing strong results. The property at 1 Union Street, Belmont, a circa 1920s era dwelling with period features throughout, comprising three bedrooms and two bathrooms, on a block of 650 square metres, sold via auction on 31 October 2022 for $997,000, being $147,000 above the vendor's reserve (realestate.com.au).

1 Union Street, Belmont Source: realestate.com.au

1 Union Street, Belmont Source: realestate.com.au

Predictions made at the beginning of 2022 for the Geelong property market didn't exactly come true. The predictions were mostly based on low interest rates continuing throughout the year, which didn't exactly go to plan.

Perron King
Director

Bendigo

Twelve months ago, Victorians' heads were still spinning after 263 days of lockdown. During this time, regional Victoria including Bendigo was in hot demand with an unprecedented rise in values.

Reports of purchases made by those living within the ring of steel sight unseen or via a Zoom inspection were told by several real estate agents.

Locals who were considering upgrading seemed to move purchasing decisions forward based on the need for home office space and the increased hours spent at home.

Time on the market was greatly reduced to an average of approximately two weeks. At present this has reverted to a more normal time frame of up to three months.

Rental vacancy rates were very low a year ago, a trend which has continued. Reportedly, some insurance companies have been placing flood impacted people into rental properties in Bendigo during recent months, further decreasing the availability of rentals. This has further pushed up rental prices and has also increased the desirability of an investment property for investors who are less sensitive to borrowing costs.

Land sale prices in the growth areas of Bendigo have been stronger than expected during 2022. Real estate agents report that Bendigo ran out of titled land during the year. This lack of supply along with additional pressure generated from people relocating from more populated areas has pushed up the prices.

The initial increases in interest rates this year seem to have had minimal impact on the price of residential property in Bendigo. In more recent months and after eight consecutive rate rises, reduced borrowing power has become a reality for some purchasers and there are signs of prices plateauing or slightly declining, especially for lower grade property.

Amelia Mitchell
Valuer

Mildura

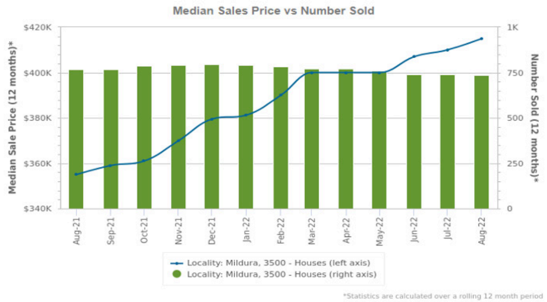
The Sunraysia market has proven surprisingly resilient in 2022, with CoreLogic data indicating that the median price of established housing has continued to increase from around $355,000 in January 2022 to around $410,000 by the end of August. Our observation is that values peaked in August and have then been relatively stable during September and October.

One of the factors which has helped maintain values is the reduced number of listings during 2022, with

One of the factors which has helped maintain values is the reduced number of listings during 2022, with the number of sales per month during 2022 being down by ten to 15 per cent on the number in 2021.

the number of sales per month during 2022 being down by ten to 15 per cent on the number in 2021. One impact of the successive interest rate rises has been hesitancy from some sellers to list their homes for sale during recent months.

A summary of median house sale prices, calculated on a rolling 12-month period and the number of sales per month for the Mildura local government area is included below:



Source: CoreLogic

This data indicates that values initially leveled in March, April and May before then increasing in June, July and August. Our observation is that values have been relatively stable since August.

At the start of 2022, we predicted that after a year of record property price growth in the Sunraysia region during 2021, the market would slow by the middle of 2022. There was increasing commentary around predicted interest rate rises and after such significant price growth in the prior 12 months, a reduction in buyer sentiment was expected. This proved to be the case as many agents reported that sellers were willing to sell quickly for any acceptable offer as the general consensus throughout was that the market had peaked, and it would be wise to sell before the market began to decline.

Construction activity continued at a similar rate during the start of 2022, but the increasing costs of construction new builds may deter landholders who may wait for interest rate rises to cease and could perhaps be wary of a market drop after the constant rise over recent times.

Jake Garraway
Valuer

HERRON TODD WHITE RESIDENTIAL

Queensland - Residential 2022

Brisbane

Brisbane looked pretty good as a property option when we did our "what's ahead?" submission in February 2022. At that time, Brisbane had come off the back of a stellar 2021 with double-digit gains in property values. At that stage the RBA was also holding fire on potential rate rises. In addition, pandemic concerns appeared to be quickly fading. State borders were reopened and there was chatter about international migration beginning to flow once more.

At that time as well, Sydney and Melbourne were experiencing a slowdown in their property price gains. While also having experienced a 2021 boom, these large cities saw prices attenuating as part of a normal cycle.

But that wasn't the case in Brisbane. Fuelled by confidence that we would see record levels of net interstate migration continue – normally a bellwether for real estate growth in our state – and that more folk would be coming to our shores from overseas, Brisbane pundits felt certain we'd see more positive growth.

That said, we at Herron Todd White were less bullish than many other commentators back at the start of 2022. At the time there were some in the zeitgeist who thought Brisbane would see between eight and 25 per cent capital gains over the year. Our outlook was that prices would rise, but definitely below eight per cent.

Index results as at 30 November, 2022	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	-1.3%	-4.4%	-10.6%	-8.7%	$1,025,684
Melbourne	-0.8%	-2.7%	-7.0%	-4.0%	$759,496
Brisbane	-2.0%	-5.6%	3.3%	7.4%	$715,130
Adelaide	-0.3%	-0.8%	13.4%	17.1%	$649,979
Perth	0.0%	-0.5%	3.9%	8.4%	$560,789
Hobart	-2.0%	-4.4%	-4.1%	-0.3%	$684,828
Darwin	0.2%	-0.6%	5.5%	12.0%	$510,105
Canberra	-1.2%	-3.8%	-1.3%	2.3%	$869,235
Combined capitals	**-1.1%**	**-3.5%**	**-5.2%**	**-2.4%**	**$778,368**
Combined regional	**-0.9%**	**-3.6%**	**3.3%**	**7.3%**	**$578,506**
National	**-1.0%**	**-3.5%**	**-3.2%**	**-0.4%**	**$714,475**

CoreLogic Hedonic Home Value Index — Source: CoreLogic

But of course, like everyone else, interest rate rises caught us out. In our February 2022 submission we said:

"Chatter of late has been about potential interest rate rises by the end of 2022/early 2023. While they're unlikely to shoot up massively, rate rises do tend to scare buyers – and confidence is a key metric for rising markets."

How prescient was that? When the rate rises came, they were substantial. The wind was knocked out of the sails of property values. What once looked like a market with plenty of upside became quite dour fairly quickly.

Let's look at some of the numbers.

CoreLogic analysis to the end of November shows property prices in Brisbane rose 3.3 per cent compared to last year. So, our sub-eight per cent predictions were right.

Of course, Brisbane's gains outshone Sydney and Melbourne's losses over the 12 months. Probably what's more concerning for Brisbane property owners is how lousy those short-term numbers look. The 5.6 per cent quarterly drop is the most substantial result.

Fortunately, we are now hearing anecdotal evidence that price falls are attenuating for certain property types. Our networks say listing numbers remain tight for good quality property, so buyers and sellers are having to meet in the middle on price.

The other big number for Brisbane has been the rental vacancy rate. Analysis by SQM Research shows some startling outcomes for potential renters.

Brisbane's gains outshone Sydney and Melbourne's losses over the 12 months.

City	Oct 2021 Vacancies	Oct 2021 Vacancy Rate	Sep 2022 Vacancies	Sep 2022 Vacancy Rate	Oct 2022 Vacancies	Oct 2022 Vacancy Rate
Sydney	19,611	2.8%	10,322	1.5%	9,449	1.3%
Melbourne	21,316	4.1%	9,387	1.8%	8,058	1.5%
Brisbane	4,966	1.5%	2,617	0.8%	2,568	0.8%
Perth	1,337	0.7%	915	0.5%	732	0.4%
Adelaide	1,176	0.7%	716	0.4%	683	0.4%
Canberra	593	1.0%	742	1.2%	684	1.1%
Darwin	223	0.8%	252	1.0%	270	1.0%
Hobart	144	0.5%	159	0.6%	127	0.5%
National	**56,953**	**1.9%**	**33,813**	**1.1%**	**30,929**	**1.0%**

Vacancy Rates - October 2022

Source: SQM Research

The tight rental market is a national phenomenon but homing in on Brisbane and you'll see a 0.8 per cent vacancy rate. This is a record low that sits well under Sydney and Melbourne's numbers. It is demonstrating just how strong demand is for the limited number of available rentals.

So, with these data points on the table, let's discuss our on-the-ground experiences in Brisbane's market this year.

We found price growth continued throughout the first quarter of 2022 where it peaked around March or April. You could feel it in the air as buyer sentiment shifted away from desperation and towards caution. There were rumblings that we were in for an interest rate rise, so purchasers were holding tight and watching carefully.

But other factors came into play as well. Responsible lending guidelines changed borrowing capacities for many buyers – they simply couldn't source as much pre-approved funding in 2022 as they could a year or so previous. Add in changed consumer sentiment, limited wage growth and affordability/cost of living issues, and you can understand why buyers were becoming more reticent.

Probably the sector most dramatically affected by this new lack of FOMO were properties in outer lying suburbs or in secondary positions. We also saw demand slow down for vacant land and homes that required renovation or upgrade. Builders were still dealing with construction backlogs while material costs kept on rising. This was only exacerbated by the floods in February 2022, with all the insurance claims that followed. With costs rising and construction times stretching further and further out, a lot of property buyers and owners decided they were not going to proceed with any building projects.

While we felt there was around a five to 10 per cent softening in values in the most extreme cases, it was only in certain sectors and price points. For others, prices held steady despite less purchaser competition, a lower auction clearance rate and increased days on market.

As the year progressed, we saw price disparity amplify between fully completed, move-in-ready homes and those that required renovation. If you were selling a property that a buyer could simply shift into and start enjoying without having to lift a finger, then there were enough potential purchasers to support prices. Conversely, homes that required work were sitting for longer with many unable to secure offers.

There were a few sectors that did better than most during the year too.

Looking at some further details from our February predictions and it was felt that the unit market would be a good performer this year. The logic ran that units offered an affordable alternative to housing in Brisbane.

And that pretty much rang true. There's been strong demand for affordable attached-housing accommodation. House prices in prime inner-city locations are still beyond reach of many buyers. If a purchaser is interested in acquiring a home close to town, then they have had to entertain the idea of attached housing.

This demand for units also came off the back of prices being supressed in this sector for many years previous. We went through a period of oversupply a few years back with a lot of buyers burnt, particularly in the off-the-plan space. Fortunately, this oversupply has been mostly absorbed, so units are in a relative purple patch at present.

A good example might be something like this property at 1/25 Dixon Street, Auchenflower

Probably the sector most dramatically affected by this new lack of FOMO were properties in outer lying suburbs or in secondary positions.

which sold in November for $510,000. It's a nicely renovated two-bedroom, two-bathroom, single-garage unit in a 1970s/1980s walk-up block. This is a really well-located unit in terms of nearby services and with ready access to the CBD. Not so long ago, it may well have struggled to achieve more than $450,000. Now, it's tough to find anything like this for under half a million.

1/25 Dixon Street, Auchenflower Source: realestate.com.au

1/25 Dixon Street, Auchenflower Source: realestate.com.au

Another sector which outperformed the rest this year was prestige housing. Whether buyers were local success stories, interstate families keen to relocate to south-east Queensland, ex-pats looking to put down roots back home or new money from across the oceans, there seemed to be plenty of demand for plush housing.

For those with the available funds to complete a purchase, they might look back on 2022 as the year of opportunity.

This sector was more impervious than most to the interest rate shifts. Buyers simply weren't concerned about the cost of funding or had huge cash reserves of their own to draw on.

One of the most impressive sales of 2022 was 29 Laidlaw Parade, East Brisbane which sold in May for $12.5 million. It's a 597 square metre riverfront block improved with a five-bedroom, six-bathroom, four-car home. Its strikingly dark tones and extraordinary finish helped the owner achieve one of the highest prices for a Brisbane property in the past 12 months.

29 Laidlaw Parade, East Brisbane Source: realestate.com.au

Our final take is this – Brisbane has on the whole seen prices retract throughout 2022, but the overall picture remains bullish. Most buyers, while shy of acting on a purchase at present, know our long-term prospects remain strong. The 2032 Olympics, rising immigration numbers and planned infrastructure are all working in Brisbane's favour. For those with the available funds to complete a purchase, they might look back on 2022 as the year of opportunity.

David Notley
Director

Gold Coast

Since property values reached a peak earlier this year, we have witnessed a considerable slowdown in the residential property market.

The Gold Coast market started the year strongly off the back of an unprecedented 2021, a period of astonishing price growth. However, it was around March and April when we saw signs that consumer confidence was starting to weaken. Interestingly, the announcement of a rate rise by the RBA followed a month later, being somewhat of a watershed moment as the first interest rate rise since November 2010. Looking back at the beginning of the year, most economic experts had forecast rates to rise in late 2023 at the earliest. What would ensue would be further interest rate rises over the next six months with the RBA looking to tackle inflationary pressures head on. With the cash rate shifting so quickly after such a long period of stability along with other factors at play (increased fuel, energy and food prices etc), there was a noticeable decline in sales rates and a softening in property values.

Overall, the performance between each market segment has been mixed, where some segments appear to be holding up better than others. RPData Corelogic indicates that property prices on the Gold Coast have decreased by around 4.8 per cent across the broader market since the peak, with a 6.5 per cent fall in house prices and 1.7 per cent drop in unit prices. It has also been reported though that in some areas, values are falling much faster than almost anywhere else in Queensland.

Overall, the performance between each market segment has been mixed, where some segments appear to be holding up better than others.

Our team of valuers, who cover all corners of the Gold Coast region, have reflected on the past twelve months and we have summarised their observations below.

Southern Gold Coast and Far North New South Wales

At the beginning of 2022, the southern Gold Coast and far northern New South Wales localities were experiencing a robust market. There was high demand for beachside properties in the localities of Palm Beach all the way down to Coolangatta and over the border in Fingal Head down to Pottsville. Rural lifestyle localities were also highly sought-after and included the hinterland areas of Bonogin, Tallebudgera Valley, Currumbin Valley and over the border in the Tweed Valley. Demand in all localities was generated from both local and interstate buyers. All market segments performed well regardless of location, property type or buyer demographic. Suburb records were continuously achieved with properties selling almost immediately, some with multiple offers and some unseen by the buyer.

Whilst these localities remained strong initially, the market was beginning to show signs of a peaking market. Then the impact of seven consecutive rates raises (as at November 2022), waning consumer sentiment, increasing fuel and food prices and a change in government saw house values soften across all southern Gold Coast and far northern New South Wales localities.

The southern Gold Coast and far northern New South Wales localities began to see a shift in market sentiment with fewer buyers in the marketplace and properties sitting on the market for longer. Vendors are now accepting that negotiating power is slowly transitioning to the buyer and they now need to negotiate to achieve a sale. Supply of properties for sale has increased, however we haven't seen any signs of oversupply, meaning listing levels are still firm despite a slowdown in purchase activity. This is somewhat balancing out the softening market. Another change in the market was the decrease of the originally high number of interstate purchasers. They have been replaced with local purchasers who were unable to secure a property during the height of the market during 2021 and early 2022.

Another substantial impact on some localities in the southern Gold Coast and far northern New South Wales region was a severe rain event in February and March 2022. The most notable price reductions were in the flood impacted areas of the Tweed Shire region. Low lying suburbs of Murwillumbah, South Murwillumbah, Condong, Tumbulgum, Chinderah, Tweed Heads West, Bogangar, Fingal Head and Kingscliff have seen evidence of a slowdown in transactions and some distressed sales of flood impacted and damaged properties. There has been evidence, particularly in these flood prone areas, of price drops of as high as 30 to 40 per cent from peak levels at the end of 2021 and beginning of 2022. One example of this is 12 Tamarind Avenue, Bogangar that recently sold at auction for $706,000. The property is approximately 500 metres from the surf beach at Cabarita Beach, however was flood inundated prior to selling in August 2022. Another example was 37 Bawden Street, Tumbulgum which sold in April 2022 for $842,000. Prior to the floods, it was under contract for $935,000.

We are currently finding the market to be very segmented. The impact of the softening market is now dependant on the locality, property type and buyer demographic. Demand from first homeowners still appears to be strong and as a result, we are seeing affordable properties being in high demand. An older single level villa with two bedrooms and one bathroom in Palm Beach recently transacted for $682,000 by local first home buyers.

We are also seeing that new or recently renovated properties are highly sought-after and, in some cases, premiums being paid to secure them. The building and construction industry has seen supply line issues, price increases of materials and unavailability of trades. As a result, some buyers are avoiding the renovator properties and are choosing to secure the "done" properties to avoid potential construction issues. A recently completed and high quality four-bedroom, three-bathroom detached dwelling recently transacted in Burleigh Waters for $3.5 million.

Whilst the above property and buyer types are performing relatively well, the market is still mixed. There have been a number of properties sold in 2021 or 2022 that are now reselling for less than the original purchase price. Examples of this are a detached multi-level home in Elanora with views that originally transacted for $1.25 million in June 2021. Extensive decking work has been completed since the date of purchase. The property resold in August 2022 for $1.135 million (representing an approximate nine per cent decrease). Another example was a circa 2022, part two level detached dwelling with five bedrooms and three bathrooms that originally sold in February 2022 for $1.77 million. It recently transacted for $1.35 million (representing an approximate 24 per cent decrease).

Other areas of the market which appear to be softening are the western hinterland rural lifestyle localities which are seeing signs of decreased buyer activity. There appears to be a high number of properties currently listed for salein these areas and they are sitting on the market for longer than they would have in late 2021 and early 2022.

Central Gold Coast
The year started strongly with abundant sales activity right across the central areas of the Gold Coast. A shortage of stock at both ends of the price spectrum and high levels of demand boosted property prices early on. The red hot market would eventually cool off (as we had predicted), however we did not anticipate that interest rates would climb so sharply given that most economic experts forecast rates to remain fairly stable in 2022. Obviously, how things have played out, with seven interest rate rises since May, has been detrimental. Now agents are reporting much fewer numbers through open homes, with properties taking longer to sell and more tyre kickers, all signs of a market slow down.

With the subsequent easing of market conditions, we are now seeing more evidence of softening property prices in various suburbs, but overall, sales results have been mixed. As mentioned earlier, some market segments seem to be holding up better than others. For example, we have noticed solid market activity for all property types (houses, apartments, townhouses etc) priced under $900,000 and values are remaining more stable. This can be attributed to the fact that stock levels are still low at the affordable end, there is good demand from owner-occupiers and the strong rental values are also making it attractive for investors to enter the market.

Entry level detached housing priced between $700,000 and $1 million within suburbs such as Southport, Ashmore and Mudgeeraba are still very much sought after, however it has been more noticeable in Mudgeeraba that house prices are starting to cool off after a very strong run. At the beginning of the year, it was extremely difficult to secure a detached house in this price bracket due to the high demand. These properties would generally sell within a couple of days, no matter how basic or poorly-presented the house. Lately, we have noticed selling periods are stretching out, therefore buyers have more time to negotiate the purchase or look at alternative options.

With there being a very tight rental market, the market for purchasing entry level units in Surfers Paradise, Southport, Broadbeach and Mermaid Beach has remained stable with no increase or decrease readily discernible. Agents are still reporting a real shortage of stock priced between $300,000 and $700,000 in these areas. In some instances, we have seen buyers who are still willing to pay a premium for properties in this sector, provided they can be occupied immediately at settlement. Securing a property with vacant possession is currently advantageous for both the owner-occupier (as they need somewhere to live) and for the investor, who can look to capitalise on the current low vacancy rates and incredibly strong rental market. It has been recently reported that rental values have increased by 30 per cent over the past twelve months in the broader central Gold Coast area, which is the biggest increase seen across all regions within the state.

The softening in prices appears to be more noticeable at the moment for detached housing priced between $1 million and $2 million. Sales volumes and prices have slightly diminished in this segment since we have had multiple interest rate rises and we speculate that buyers must have a stronger reliance on bank finance to fund a purchase in this price bracket. We have seen evidence of property prices, particularly for non-waterfront dwellings, falling about five to ten per cent since the start of the year across most suburbs. On the highrise apartment front, the market for good quality two-bedroom and three-bedroom units priced between $1 million and $1.5 million in Broadbeach and Main Beach is performing well given that the overall broader market is easing. Agents are putting it down to a real shortage of stock and demand being underpinned by out-of-town investors, mainly originating from Brisbane and Sydney. We note that there have been over 100 sales in Broadbeach alone in this price range and buildings which have been popular with both owner-occupiers and investors include The Oracle development, Air on Broadbeach and The Wave.

Now agents are reporting much fewer numbers through open homes, with properties taking longer to sell and more tyre kickers, all signs of a market slow down.


Views towards Main Beach and the Broadwater Source: Herron Todd White


Views towards Surfers Paradise skyline Source: Kollosche Estate Agents

At the prestige end of the market, sales activity above $3 million was certainly very strong at the beginning of the year. Sales volumes may have since eased, but consumer confidence appears to be holding up well, with agents reporting that there are still very good levels of interest for high end and very well-presented waterfront and non-waterfront properties in the coastal suburbs. According to RPData CoreLogic, Mermaid Beach remains the most expensive suburb in which to live with the median house price sitting at around $2.6 million. The strong prices being achieved in the second half of 2022 in this market segment suggest that there are a few wealthy buyers out there who view Gold Coast prestige property as a long-term value proposition.

West of M1 and Northern Gold Coast

After such a heated market throughout 2021 and in early 2022, it's no surprise we are now seeing a softening of prices in the suburban and hinterland areas to the west of the M1. At the affordable end of the market, buyers are still prevalent and stock levels are still low. Any type of property, whether it be townhouse, duplex unit or entry level house, priced between $450,000 and $800,000 in areas such as Nerang, Highland Park, Pacific Pines and Oxenford is still attracting good interest, especially from investors. However, moving up into the higher price bracket (above $800,000) it is more evident that detached housing prices are softening more rapidly. In the rural residential market space, it is much the same picture; prices are dropping and longer selling periods are required to achieve a sale. This goes for Tamborine Mountain which has been a very robust market. Some agents have been reporting that properties that are not well presented will be staying on the market for quite several weeks before achieving a sale.

Moving up the M1 and into the northern corridor of the Gold Coast and our valuers have observed a significant softening in market activity and drop in values for detached housing in areas such as Coomera, Pimpama and Ormeau. Properties attracting reasonable interest are mainly those within the $600,000 to $750,000 price bracket. Interestingly, there appears to be a sell off of duplex pairs but investors are snapping them up quickly. Overall, owner-occupiers exceed the number of investors at the moment.


Overlooking the suburb of Pimpama Source: Commercial Property Guide


A typical four-bedroom townhouse in Pimpama Source: realestate.com.au

First home buyer activity was steady in 2022 although it is really noticeable that interest for new land and building packages diminished in the second half of this year. From what we are hearing, most first home buyers are buying townhouses as an alternative housing option due to their affordability and therefore the townhouse market appears to be holding up fairly well. Buyers

First home buyer activity was steady in 2022 although it is really noticeable that interest for new land and building packages diminished in the second half of this year.

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

continue to seek opportunities at the affordable end, with three-bedroom and four-bedroom townhouse product in good demand as they are offering solid rental returns. The rental market within this region is still fairly tight. The latest feedback from property managers indicates that rental stock is still in short supply but rental prices are beginning to stabilise after having a strong growth period. Current asking rents typically range between $550 and $700 per week for modern townhouse style accommodation. In previous years, developers have been known to build mainly three-bedroom product in the area primarily for the investment market, but in recent times, demand from locals has pushed for more four-bedroom unit product to be built in the northern corridor with greater owner-occupier appeal. Prices have moved above the $600,000 mark this year for this property category.

Towards the northern reaches of the Gold Coast, local agents have reported that listed properties priced above $700,000 are currently receiving very little interest compared to the more affordable stock priced between $300,000 and $700,000. Notwithstanding this, agents further note that if vendors have unrealistic expectations where properties are not priced appropriately (regardless of the price point), there will be market resistance. Since the peak in property values, this market is being mostly driven by activity at the affordable end. An older style three-bedroom dwelling can still be picked up for under $500,000 within the Beenleigh or Bethania area, with newer, three-bedroom houses on smaller lots in Bahrs Scrub or Holmview typically selling between $500,000 and $600,000. Further west, three-bedroom homes are still transacting in the low to high $400,000s in the Yarrabilba and Flagstone areas, with superior four-bedroom houses ranging upwards of $525,000 depending on size and quality. These outer fringe locations are still experiencing decent levels of interest compared to the suburbs adjacent to the M1 Pacific Motorway as they offer a broader range of modern housing at a price that is more affordable to both first home buyers and entry level investors.

In reflecting upon this year, it has been no surprise that there would be market corrections up in the northern corridor if interest rates were to spike. The hot market period had to cool off at some point. The surprising thing is that most properties that have sold recently have garnered good buyer interest suggesting that there are certainly many purchasers out there looking amongst a short supply for the right property.

In summary, after a strong boom period, it is fair to say we have returned to much more normal market conditions. The inflationary pressures recently experienced in the economy will however have everyone keeping an eye on interest rates going into 2023. Interest rates are forecast to climb in the upcoming months and if this is the case, we expect a further cooling in property prices. The major banks are forecasting a pretty turbulent year in 2023 for the housing market across the nation. With the Gold Coast still experiencing strong population growth, a fast-growing economy and with major infrastructure planned in the near future, it will be interesting to see how our local market performs in comparison to other major cities next year.

Sam Gray & Jerusha King
Associate Directors

In summary, after a strong boom period, it is fair to say we have returned to much more normal market conditions.

Sunshine Coast

When we look back at 2022 after taking another lap around the sun, it feels like it has been a bit of a stop-start type of year. A level of uncertainty has crept into the marketplace, which has also led to the urgency to jump into the market falling away. This is no real surprise given the current interest rate environment, with a cumulative 2.75 per cent increase in rates from May 2022 through to November 2022.

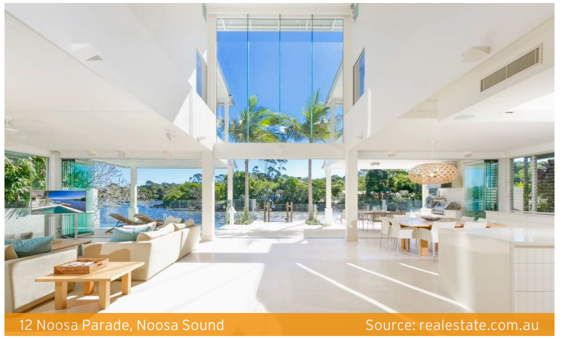
When we look back at the market during the pandemic, at the time it felt like there was a lack of supply issue. However, the sale volumes recorded suggested this was simply not the case and was more demand driven, with strong increases in values in effect encouraging vendors to sell. These market dynamics have certainly changed.

Back then, the tide was rising and we saw all properties rise together. However, as we've started to see the market begin to subside, we are now starting to see the market becoming more segmented. For example, for a significant number of market sectors we believe that the peak of the market was somewhere between October and November 2021 through to February and March 2022. In these areas we have seen the level of enquiry falling and some softening in values, somewhere between five and 15 per cent. This is not surprising as this relatively small decline feels like the fear of missing out part of the market has just eroded it away. However, in some of the more highly sought-after market segments where supply remains low, sure there has been a decline in enquiry, however values have been maintained and in some cases even improved.

Examples of the above are as follows.

3 Rimmel Place, Palmwoods Source: realestate.com.au

- **3 Rimmel Place, Palmwoods** was originally contracted for $925,000 with that contract not proceeding. The property then sold for $875,000. Note the property was previously purchased in March 2019 for $615,000.

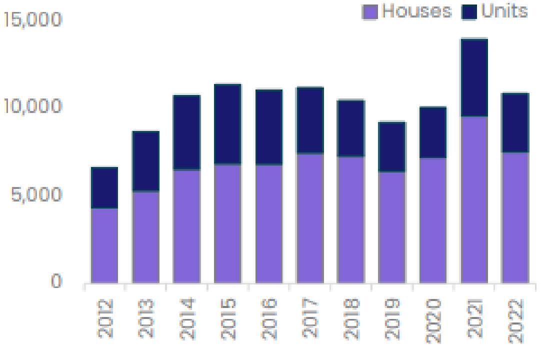


12 Noosa Parade, Noosa Sound Source: realestate.com.au

- **12 Noosa Parade** was an off-market transaction for $27 million in July 2022 which is a record for Noosa Sound.

One thing that we have to keep in mind is perspective. Whilst some parts of the market have showed a slight decline in values, we must remember that the value increases in the past three years have been significant. Vendors would still be well ahead as per the 3 Rimmel Place example above.

One thing that is for sure is that the pandemic marketplace feels like somewhat of an aberration. It is not normal to sell a property within hours or days, nor is it normal to sell whole stages in land estates in minutes, month after month after month. It really does feel like we are returning to a more normal marketplace where selling rates are returning to normal. The most recent CoreLogic regional report suggests that the sale volumes in 2022 correlate with the 2018 and 2020 volumes and are slightly ahead of the 2019 volumes.



Annual Dwelling Sales August 2022 Source: CoreLogic

Some good news for the market is that there are several economists who are predicting that the worst of the interest rate hikes may be behind us. RBA may pause soon and look at the effect of the current rate levels, with many commentators believing that the peak of the cash rate will be somewhere between 3.6 per cent and 3.85 per cent. The pain will be felt however when borrowers who fixed their interest rates at circa two per cent have to rollover to a variable rate that could be in the vicinity of six per cent. If we can work out a way through this pain, then the future will be okay.

There is no doubt that we still face a number of challenges in the marketplace. There is little surprise that we are experiencing a slowdown. How long this will last is anyone's guess, but there is no doubt there is massive excitement for the future as we creep closer and closer to the construction phases for the 2032 Olympics.

Stewart Greensill
Director

Cairns

The residential property market in Cairns and Far North Queensland performed well throughout 2022 with a continuation of strong demand and lack of stock across most sectors being the prevailing theme.

For the Cairns LGA, CoreLogic reports a median price for the 12 months ending August 2022 for houses of $530,000 which is a 15.2 per cent increase and for units of $275,000 which is a 19.6 per cent increase over 12 months. The upward pressure on prices appears to be moderating and we do not expect the next 12 months to show similar gains.

CoreLogic also reports that listings are down by 7.1 per cent for houses and 3.3 per cent for units compared to 12 months ago. Over the 12 months to August, house sales are down by 6.2 per cent, however the number of unit sales is up by 13.6 per cent.

The part of the market we have found the most surprising is the demand for rural residential and rural lifestyle property. According to our analysis of PriceFinder data, the median price for rural residential houses in the Cairns LGA increased from $666,000 in 2019 to $882,500 in 2022 (increase of 32 per cent). The trend is mirrored in the surrounding LGAs with strong price increases across the board.

Interest rate rises and constant media talk about the rising cost of living are likely to start to have a greater impact on the market and it is our view that the market is probably approaching a peak in terms of sales volumes and price.

Craig Myers
Director

Gladstone

Our crystal ball gazing lessons at the beginning of 2022 really appear to have paid off! Everything we predicted has come true. While our predictions were not outlandish, it's still nice to confirm we really do have our fingers on the pulse of the market! In short, at the beginning of the year we predicted steady and sustained growth for 2022 and that's exactly how the market has performed. As a rough guide, we have seen growth of approximately 10 per cent across most market sectors however some have increased further and some not as much. Values for established housing appear to be getting quite close to previous peak value levels, with values currently sitting around 2012 to 2013 pricing. Units and townhouses are still a long way off this point, after having declined significantly further after the last boom.

As predicted, vacancy rates have remained consistent for the past 12 months, hovering around the one per cent mark, with rental increases still occurring.

This year we have seen some green shoots in terms of new building activity with a number of local builders taking on new contracts now that the backlog of new builds from the government stimulus package is coming to an end. Building costs appear to be remaining stable for the time being and the timeframe for a new build is currently sitting at just under 12 months.

Despite the increases in value Gladstone has seen over the past four years, our market remains very affordable. The affordability factor continues to drive population growth from both interstate and intrastate investors and owner-occupiers looking to take advantage of our great coastal lifestyle.

Regan Aprile
Director

Bundaberg

Bundaberg and surrounds continued to perform strongly in 2022. Low rental vacancy rates, high demand for sale properties and low stock levels have continued to drive the market in Bundaberg. Properties located in close proximity to the CBD, quality schools and lifestyle amenities such as the local beaches are still in high demand. Acreage properties offering a laidback lifestyle with room for sheds, pools and areas for kids to play are also still in high demand. Investment properties are also offering good returns due to the very low rental vacancy rate and high demand for rental properties.

Back in February this year, we predicted the strong demand and growth of 2021 would continue in 2022. It turns out this prediction was pretty accurate!

We also predicted that the federal election and interest rate rises may have an impact on the market. Looking back over the past few months, this prediction has also been fairly accurate, however the effect at this point in time has been minimal in our region. Agents have reported that selling periods are slightly longer and buyers have more time to shop around and the sense of urgency that was being felt about 12 months ago has eased slightly. Some agents have also indicated that properties over the $700,000 price bracket are becoming a little harder to sell, although demand is still evident and it is just a matter of finding the right buyer for the right property.

Overall, the Bundaberg market remains strong and offers a number of affordable housing options which continues to drive growth in the region.

Megan Matteschek
Property Valuer

Mackay

The Mackay residential market continued to perform strongly right through 2022. All market sectors enjoyed good demand with solid growth across the board. So, let's look back to the start of the year and see how our predictions for the year panned out.

Firstly, we stated, "From an economic point of view, all our major industries and drivers are continuing to perform with good employment opportunities across Mackay and the Bowen Basin. Local media reported that the price of hard coking coal hit $411 per tonne, the price of sugar continues to be high, local infrastructure projects such as the northern upgrade of the Bruce Highway are well advanced as well as the expected commencement of the Walkerston bypass project. Migration to the region due to increased employment opportunities continues to also drive the housing market. Rental

This prediction was pretty much spot on with solid growth in our markets right through 2022 and the rental market continuing to be extremely tight, so all in all I think we get a tick for this prediction.

vacancies currently sit well below one per cent, with median rentals increasing between five and ten per cent over the past 12 months."

This economic activity continued right through 2022 and if I were to rewrite this comment today, the only thing I would change is the price of coking coal which has increased (it has been a bit volatile but is still high), with everything else exactly the same!

So what did this lead us to believe at the start of the year? "We think the momentum in the market seen over the past 18 months will continue, with growth of up to ten per cent expected across all market sectors in 2022. The rental market is expected to remain extremely tight, with rental growth anticipated to meet this demand. Historically low interest rates mean that, at the moment, it is cheaper to pay off a home loan than it is to rent in Mackay, which is expected to fuel growth."

This prediction was pretty much spot on with solid growth in our markets right through 2022 and the rental market continuing to be extremely tight, so all in all I think we get a tick for this prediction.

One other prediction we made was "Some issues we can foresee that may have a negative basis are interest rates. If they start to climb earlier than expected, it may have a negative effect on the market."

Well they did rise earlier than expected and with gusto! It appears the interest rate rises have had no material effect on values in Mackay. Local agents reported a slowing down initially, but since the September school holidays concluded, almost all agents report increased demand again heading into Christmas. Most brokers and bankers have advised that when submitting applications, they have been warning and vetting the borrower's capacity to pay on higher interest rates so that no issues will occur down the track.

So all in all, it has been a good year for residential property markets in the Mackay region. I hope all our readers have a wonderful Christmas and new year and we look forward to trying to predict next year's market trends in February.

Mick Denlay
Director

Hervey Bay

The Fraser Coast residential market continued to surge in 2022 off the back of unprecedented demand and skyrocketing property prices in 2021. The relentless market conditions finally started to ease in the middle of this year after the Reserve Bank finally started to lift interest rates and have continued to settle into a more stable trading environment particularly over the past three months. There wasn't any sector of the market that wasn't impacted, with opportunistic buyers purchasing in 2020 and selling in 2022 with frequent gains of over $200,000, often with no renovations or changes made to improvements. Property prices in Urangan, Pialba and Point Vernon have experienced some of the highest growth, with homes originally selling in the $200,000s now worth over $500,000.

Reflecting back to the February Month in Review, the majority of these predictions came to fruition. The area is still encountering a severe shortage of rental stock after many investors sold to owner-occupiers. Local council has recently introduced a new law to allow stranded tenants to stay in a caravan outside a dwelling for a period of six months, however this is only a short-term fix with longer term solutions required. Rents are still rising with most property now over $500 per week for a three to four-bedroom, two-bathroom dwelling. Local builders are still constructing new homes which were signed up over the past few years, however we are yet to see the fallout from panicked buyers purchasing off the plan vacant lots who can no longer afford the rising building costs and elevating interest rates.

There is no doubt that the sheer volume of growth across all markets over a relatively short period of time has floored the property industry. Property prices are expected to remain stable in the short term, with longer selling periods now evident. It is expected that many vendors will focus on refinancing loans to ease the cost of living going forward.

Tracy Lynd
Valuer

Emerald

The theme of this month's review is to look back at the predictions made in February 2022 to see how the market has performed and whether the predictions panned out. I only started with Herron Todd White in January this year and so predictions for the Emerald market weren't made, however I can reflect on the year that's been.

When comparing Emerald's residential market performance in 2022 to 2021, it has largely

There wasn't any sector of the market that wasn't impacted, with opportunistic buyers purchasing in 2020 and selling in 2022 with frequent gains of over $200,000.

experienced steady growth of residential median sale prices and volumes throughout 2022 with the exception of the unit market, specifically three-bedroom units, which have seen a significant increase in volumes and prices particularly in the third quarter.

Rental prices increased steadily across the first three quarters of 2022, with four-bedroom houses reporting the greatest increase in median asking prices: first quarter – $410 per week; third quarter - $500 per week. With this steady increase in asking prices, there has been a corresponding decrease in rental listings indicating a tightening of rental vacancies.

High construction costs, supply delays and increasing interest rates have seen a reduction in vacant land sales and an increase in premiums paid for completed and near new dwellings. While increasing interest rates have yet to have a tangible impact on median sale prices of built product, it has seen an increase in refinancing as property owners come to grips with increasing costs of living. Real estate agents have reported that despite the increase in rates, there has been no reduction in enquiry or transactions in the fourth quarter.

Kellie Blomfield
Valuer

Townsville

Townsville's residential property market continued on a period of steady growth over the 2022 year. Sales activity continues to be driven equally between owner-occupiers and investors. With residential vacancy continuing to remain at low levels and increasing rental rates along with a lower median price point for residential property compared to capital cities, Townsville continues to be an attractive location for investors. Owner-occupier activity remains strong with affordability levels continuing to be attractive for first home buyers and for existing homeowners looking to upgrade. First home buyers are quite often being pushed out of the rental market with the increasing rental rates which has seen an increase in the volume of these buyers.

Days on market for property listings has increased slightly from 12 months earlier however remains quite low when compared to the historic levels within the region. All sectors of the residential market have seen growth with increases in all price points ranging from entry level property to mid-level family style properties through to the continuation of good sales in the upper end of the market. Dwellings of a good standard that are well presented have continued to achieve a premium in their sale prices and are receiving strong buyer interest. Unit sales have also seen an increase in price and activity however not to the same extent the dwelling market has experienced.

New home construction has slowed from the volumes experienced this time 12 months ago with increasing building costs and longer than normal construction times. Renovation of existing dwellings is also occurring at a high rate however increased trade and material costs and the limited availability of tradespeople is making this a longer and more expensive option than in years prior. The rural lifestyle market has also experienced large growth as stock is relatively limited and many owner-occupiers are looking for larger allotments in the outer suburbs.

What has been surprising throughout the year is some of the high-end sales in the outer suburbs. The sale prices being achieved in these locations are at levels generally not seen outside the inner city. This along with the level of increases still being experienced in rental rates are some of the surprises playing out in the current market. Inflation and increasing interest rates will continue to impact our market, however Townsville has yet to see the significant market downtown that the major cities have recently experienced.

Hayden Lynam
Valuer

Rockhampton

We are now drawing to the close of the year 2022, another interesting year within the property industry. For the Rockhampton and Capricorn Coast areas, we have seen continued positivity and growth. The start of the year was similar to 2021 up to around May when the RBA started to lift interest rates. The raising of the rates seemed to coincide with the fear of missing out factor, particularly in the Capricorn Coast area, disappearing from the market.

At the start of the year in our February Month in Review, we noted that the property market was more than likely going to turn, in racing terms from a 100-metre sprint to a 400 metre race. You could say that this is exactly how it has played out albeit with a bit of a sprint at the start particularly on the Capricorn Coast with Rockhampton and Gracemere taking a steadier start. As noted with the RBA

Whilst there have been strong performances amongst all property sectors, the standout for the year of 2022 has been how many properties have sold for over $1 million.

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lifting rates this seemed to change the leaders of the race with the Capricorn Coast still performing well however Rockhampton and Gracemere now seem to be leading the way with good activity and continued strong prices. Whilst activity is not as strong at the Capricorn Coast as it was at the start of the year, prices are still performing well, and we have been advised by some agents that the drop in sales numbers is also due to a lack of stock.

The drivers of our continued good performances have been low vacancy rates (under one per cent), overall affordability compared to other regions, particularly for investors, along with good returns, new build construction costs being high and limited builder availability (making established housing more sought after). We are hearing that builder availability can be up to 12 to 18 months depending on the builder.

2022 has been another strong year for the Rockhampton and Capricorn Coast region. Whilst there have been strong performances amongst all property sectors, the standout for the year of 2022 has been how many properties have sold for over $1 million. As noted in our November Month in Review, particularly on the Capricorn Coast we have seen these higher priced sales go through the roof with total sales numbers being well above pre-COVID averages. Obviously with price increases, what you can get for you money changes however the sheer volume of these sales has been extremely strong.

Here's to a safe and Merry Christmas.

Steve McDonald
Valuer

Toowoomba/Darling Downs

It's again that time of the year when everyone reflects back on the year that was.

The beginning of the year saw another wave of COVID affecting people and businesses with new variants, but despite this, everyone was still optimistic for the year ahead with low interest rates and the continued high demand for property, with agents unable to keep stock up to the demand of people wanting a tree change or change of lifestyle. Whilst the majority of people shared this optimism, especially real estate agents hoping the bubble wouldn't burst just yet, it was thought to mainly be for the first half of 2022, with the sentiment shared that "surely it can't keep going like this!" which is what has played out for the year across the Darling Downs region.

Up until mid-2022, there continued to be frenetic market activity and unprecedented price growth across Toowoomba and the Darling Downs. In the year leading up to April 2022, Toowoomba was identified by Domain as the region of Australia with the fastest-selling real estate market. It was identified that the median Toowoomba property spent just 13 days on the market during that time, which was two days less than the second-placed Gold Coast or Sunshine Coast.

According to CoreLogic statistics, between May and July 2022, the median property value increased in 55 suburbs in the Toowoomba and Darling Downs area. The communities that experienced the greatest price rises over this period were Leyburn (11.6 per cent), Oakey (10.9 per cent) and Killarney (9.9 per cent). The median house value also increased across many localities and suburbs in Toowoomba and surrounds, with suburbs experiencing rises ranging from 3.4 per cent to 5.9 per cent. In the Lockyer Valley, east of Toowoomba, Adare and Gatton's median home values rose by 8.5 per cent and 5.8 per cent respectively during this period.

2022 also saw investor activity continuing to increase, generally due to Toowoomba's high yields and strong capital growth with Terry Ryder, director of hotspotting.com.au stating "Toowoomba has one of Australia's best property markets, which comes from the steadiness of its job market, population growth and the promise of its developing regional economy..." This is in line with a MoneyMag article released in August this year in which Toowoomba was listed in the top eight regional cities for investors for 2022, thanks to "low housing supply, low rental vacancies and plenty of jobs and economic activity".

Additionally, the infrastructure and jobs-led initiative is gaining even more traction within the Toowoomba region, with construction of a new $1.3 billion hospital at the Bailie Henderson site about to start. This site was already operated by Darling Downs Health and has traditionally been used as a rehabilitation and mental health facility and encompasses approximately 75 hectares of green and open spaces with heritage architecture and views which are to be incorporated into the new build. A two-campus model is to be adopted

Real estate agents have also reported that demand stabilised towards the end of the year and property prices have also eased without that demand to drive them, although there was no evidence yet of a declining market where sale prices were lower than during the previous 12 to 24 months.

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with the existing Toowoomba Hospital site near the Toowoomba CBD to remain to support outpatient and day health services with acute and overnight services to transition to the new hospital. This model to relocate the bulk of the hospital precinct out of Toowoomba's CBD has the potential to free up land which could be utilised for a convention centre or stadium.

Toowoomba hospital site Source: Precinct Urban Planning

During construction, the five-year project is expected to deliver around 3127 construction jobs in a significant boost for the local economy. This has become a hot topic being discussed by valuers within the Darling Downs area, in particular within Toowoomba given that a sizable number of new construction jobs will be brought to our area throughout the course of the project. When finished, it will also result in a number of jobs in the healthcare industry, thereby putting further pressure on rents and home prices in the medium and long term.

The investment in the Toowoomba Hospital is considered to have a lasting and widespread impact for the Darling Downs region and is considered to be one of the most important local infrastructure projects. Time will tell how the project, during construction and upon completion, impacts on the local and broader Darling Downs property market and its influence on rents and dwelling prices in the short, medium and long term. Toowoomba Regional Council's Growth Plan is currently being developed as a long term population and employment growth strategy for the region to the year 2050. The findings and framework of this plan are highly anticipated.

We consider that the second half of 2022 saw the world start to return to its new level of normal with mask mandates no longer in place, grocery levels starting to balance and most importantly, many COVID mandates and restrictions lifted. The second half of the year also saw interest rates starting to rise, which in turn slowed demand for purchasing property as purchasers' finances started to tighten. Many people are now starting to refinance instead, to try and lock in lower interest rates to protect themselves from the forecast rises still to come. Real estate agents have also reported that demand stabilised towards the end of the year and property prices have also eased without that demand to drive them, although there was no evidence yet of a declining market where sale prices were lower than during the previous 12 to 24 months. Agents are now reporting though that there has been some good buying coming back being completed by purchasers brave enough to face the uncertainty of the Reserve Bank and sellers needing or wanting their properties sold.

As reported at the beginning of the year by Real Estate Institute of Queensland chief executive Antonia Mercorella, people's priorities have changed and the pandemic has let us reassess our lives. This sentiment has rung true for people craving a quieter and simpler way of life, which a number of purchasers and sellers have now done. They have fled the big city life and settled down to either new jobs or working remotely, a silver lining for many from COVID, reducing the demand further for property purchases.

Overall, reflecting back to the start of the year, many people knew the year would start out strongly and would have to ease off eventually. It was probably not in the way it has with interest rates steadily increasing and the property market slowing down. It will be an interesting journey to see how these interest rates play out and how the properties purchased at the height of the market fare in time to come.

Marissa Griffin
Director

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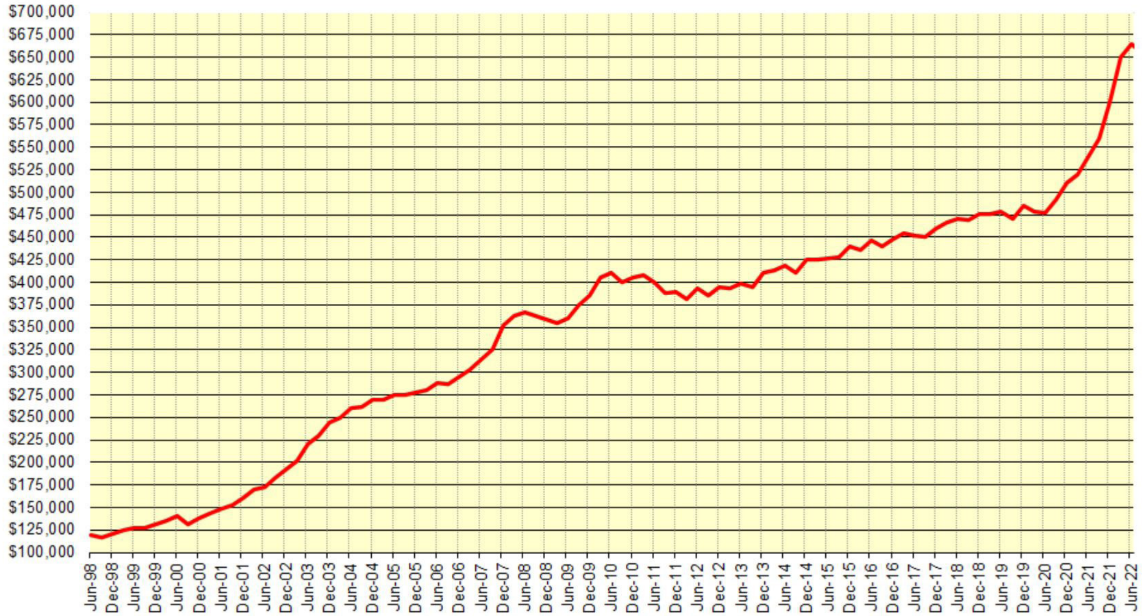
South Australia - Residential 2022

Adelaide

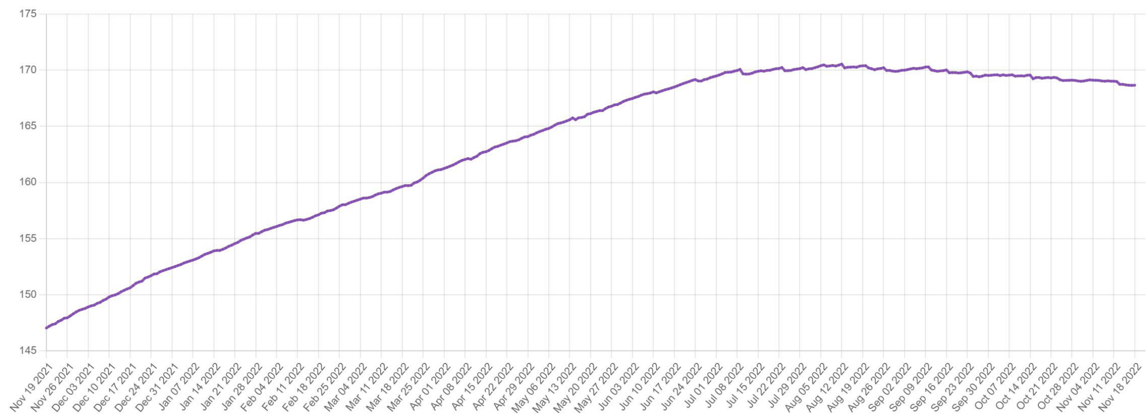
The back end of 2021 saw continued growth of the metropolitan property market supported by record low interest rates, low stock levels and low COVID-19 cases. We predicted that this growth would continue in 2022, all things being equal. We pinpointed the outer ring with specific reference to the suburbs of Sellicks Beach, Davoren Park and Salisbury North, the prestige market and the CBD apartment market as the segments to watch in 2022.

The 2021 growth did continue in 2022 with nothing appearing to be able to slow it down. The tide however began to change early on as a number of macro forces put pressure on the broader economy. The changing economy forced the Reserve Bank of Australia (RBA) to alter its dialogue of no interest rate rises until 2024, with the first cash rate rise in 11 years occurring in May which was followed by a further seven increases. South Australian government data indicated that the median metropolitan dwelling price grew ten per cent from the December quarter of 2021 to the June quarter of 2022. The effect of the rate increases began to take hold in the second half of 2022 with the median dwelling price falling in the September quarter for the first time since the beginning of the COVID-19 pandemic. Corelogic's hedonic price index suggests the market peaked in early August and has been declining gently since.

With an attainable price point and popular with the broad market, the outer ring performed



Adelaidemetropolitan house price by quarter — Source: www.valuergeneral.sa.gov.au



Corelogic hedonic price index — Source: CoreLogic

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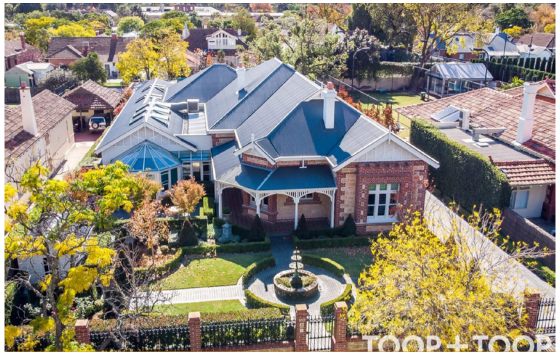
strongly in 2022. Our suburbs to watch had mixed results with Sellicks Beach being the only suburb in the outer metropolitan council areas of Playford and Onkaparinga to record a decline (-2.68 per cent) in its median house price in the 12 months to the September quarter of 2022. Our other suburbs to watch of Davoren Park and Salisbury North both performed well, achieving growth of 31.9 per cent and 25.8 per cent respectively during the same period. Reflecting this price growth is the sale of 74 Ashton Road, Davoren Park. This property was purchased in January 2022 for $221,000. At the time of this sale, the property was uninhabitable. The dwelling was quickly renovated and placed back on the market in July with an asking price range of $429,000 to $469,000 before selling for $526,000 in September.

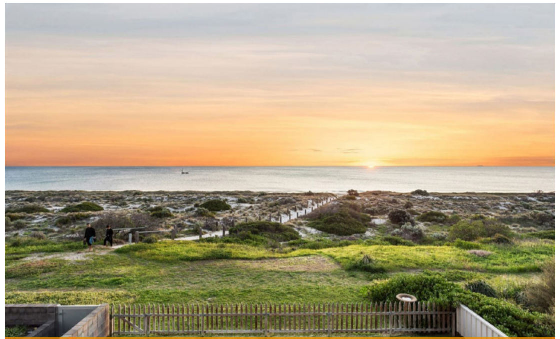
74 Ashton Rd, Davoren Park Source: realestate.com.au

Adelaide's prestige market performed strongly in 2022. This market has been driven by growth of the broader property market, overseas and interstate purchasers and buyers who are less price sensitive to interest rate rises. The growth of the market has seen the starting prestige price point increase from $2 million to $3 million throughout 2022. Searches have revealed upwards of 130 recorded $3 million-plus transactions in the past 12 months compared to 85 in the 12 months prior. Agents have indicated that this market has begun to show signs of slowing with decreased enquiries and lower numbers through open inspections. We noted in February's edition that Tennyson, Unley Park and Toorak Gardens would be suburbs to watch throughout the year. In the past 12 months, Toorak Gardens had 11 transactions above $3 million whilst Unley Park had six and Tennyson had four during the same period. The sales of 103 Alexandra Avenue, Toorak Gardens ($5.9 million), 9 Heywood Avenue, Unley Park ($4.5 million) and 55 Seaview Road, Tennyson ($3 million) reflect the highest registered sales in each suburb.



103 Alexandra Ave, Toorak Gardens Source: realestate.com.au


9 Heywood Ave, Unley Park Source: realestate.com.au


55 Seaview Rd, Tennyson Source: realestate.com.au

We tipped the CBD apartment market to perform strongly in 2022. This market had previously been backed by a mixture of overseas investment, first home buyers, downsizers and local investors benefiting from short stay and student accommodation. There appeared to be an opportunity for these buyers to re-enter this market which had been subdued during the COVID-19 pandemic. Available Corelogic data indicates that buyers did re-enter this market. Unit transactions within the CBD increased in 2022 with 609 recorded by August and 533 in the 12 months prior. Unit supply however appeared to outstrip demand as the median unit price dipped slightly from $435,000 in September 2021 to $425,000 in August 2022. Agents have indicated that there had been a surplus of stock available from the 2020/2021 COVID years which was finally being soaked up. The sale of 2202/421 King William Street, Adelaide reflects the type of stock available at the median sale price in the CBD. This property comprises a one-bedroom, one-bathroom and one-car space unit with expansive views over the Adelaide CBD. This property achieved a sale price of $435,000 in October 2022.

2202/421 King William Street, Adelaide Source: realestate.com.au

The biggest surprise of 2022 has been the prestige regional market. As mentioned in last month's Month in Review, regional South Australia has recorded three $3 million plus transactions in 2022 with the sales of 1185 Cape Willoughby Road, Cuttlefish Bay ($3.9 million), 13 Heggerton Street, McCracken ($3.255 million) and 400 Coopers Beach Road, Nalyappa ($8.25 million). Since that publication went to print, another astonishing price was achieved for 6 Merrilli Place, Port Elliot in the coastal Fleurieu Peninsular township of Port Elliot. This property achieved a sale price of $1.65 million and comprises a vacant corner allotment of 383 square metres with expansive

6 Merrilli Place Port Elliot Source: realestate.com.au

6 Merrilli Place Port Elliot Source: realestate.com.au

ocean views. This sale reflects the highest price paid for a single residential site throughout the Fleurieu Peninsular townships from Encounter Bay to Goolwa.

It appears that the growth seen throughout the past two years has come to an end as the market enters a new phase of the property cycle. South Australia's market has historically been stable in its cycles. It appears that 2023 may bring some challenges however those participating in the market should have comfort that any downward trend should be gentle and not prolonged.

Nick Smerdon
Property Valuer

Mount Gambier

As predicted at the beginning of the year, the Mount Gambier residential market has had another solid performance this year with strong demand and limited supply. With the property market still considered affordable and a strong rental market, it has received strong interest from investors and out of town buyers which has put pressure on capital growth with the median house price increasing from $300,000 in January to $375,000 in September.

We have seen growth in all property types but by far the most popular has been detached dwellings. With Mount Gambier still being so affordable we have seen a strong demand for the $350,000 to $450,000 price bracket. In the past, the over $500,000 price range has been thinly traded however this past year we have seen a large increase in stock offered on the market. We are seeing modern properties being offered in this price range as well as character style houses in need of work which we predicted at the beginning of the year.

In terms of buyer demographics, we have seen a slight change towards the end of the year. Agents have advised that with increased interest rates, interstate investment has subsided slightly. There are still plenty of investors in the area, however agents have admitted they have been less dominant and are now seeing a fifty-fifty ratio of investors to local buyers.

11 Power Street, Mount Gambier Source: realestate.com.au

We have seen growth in all property types but by far the most popular has been detached dwellings.

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The market has been so strong this past year with many sales that surprised us, however this became the new normal over a short period. A recent auction at 11 Power Street, Mount Gambier achieved above expectations. This property is a two-bedroom, one-bathroom bungalow in a highly sought-after location. It sold at auction this month with eight registered bidders for $536,000. This is a price record for a two-bedroom house in Mount Gambier.

Adrian Castle
Valuer

Warnambool

As described in the February issue, optimism was bountiful to start the year. At this point, results were continuing strongly although the market was showing signs of becoming more rational in its approach to purchasing. As May came and went so too did the market's confidence and the days of paying above the asking price.

Things have continued to stagnate with a notable increase in volume of residential allotments being listed.

As predicted the number of properties reaching the $1 million mark increased throughout 2022. Once considered a major achievement in the Warrnambool sales landscape, the million-dollar figure should now be considered attainable, but not yet commonplace.

When it comes to defining the impact of higher interest rates on higher value prestige property, the textbook answer would likely feature something along the lines of "these areas are more sensitive to and react more acutely to changes in interest rates." Given this, it is very surprising to watch as Port Fairy surges almost without restraint. The talking point of Port Fairy results was until very recently the two $5 million sales but now a private sale adjoining one of those sales has occurred at $6.5 million.

Adrian Castle
Valuer

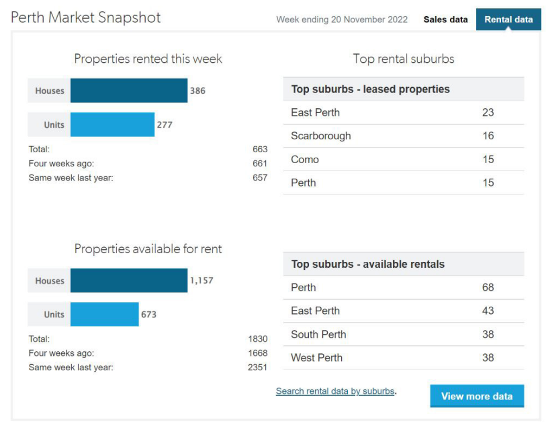
Western Australia - Residential 2022

Perth and regions

As 2022 draws to a close and we begin to wonder what 2023 will bring, it's time to take a look back and analyse whether 2022 played out the way we thought it would. So much has happened in the past 12 months: the trials and tribulations of COVID-19; supply chain disruptions; chronic inflationary pressures; and rapid-fire interest rate rises (this after the RBA advised they were unlikely for at least two years, and let's face it, no one believed that!). It's been an action-packed year throughout this wonderful state, but as you will see as you read on, the strength of the Western Australian economy has resulted in quite a different story to what has played out on the east coast.

Our Perth metro predictions at the start of the year anticipated that after border closures were lifted, an increasing population and low rental vacancy rate would lead to quite a shift in the make up on the demand side from local owner-occupiers and eastern states investors. Whilst the data is a tad old now, the ABS reports that Western Australia experienced the second largest population increase in Australia in the 12 months to March 2022, with our population increasing by 1.2 per cent or the equivalent of 32,000 people. Given that the international border was closed for most of that period, this increase is quite impressive. The increase in migration numbers has offered investors more opportunity than what already existed due to the rental shortage with high rental yields currently being offered and a very concerning lack of supply.

Rental and Median Price Overview



Source: REIWA

We started the year with a rental vacancy rate of circa 0.8 per cent and finished the year at circa 0.5 per cent. Over the same period, the median house price rose from $520,000 to circa $555,000 but the median unit price actually decreased from $415,000 to $410,000, mainly due to investors targeting the bottom end of the market as it is well known for its higher rental yield. Median house rents increased from $450 per week to $490 per week from December 2021 to June 2022 and if we look at the supply of stock, we can still see a staggeringly limited supply of rental properties available. There were 1830 total properties available for rent in the week ending 20 November with the same week last year showing 2351 available properties for rent.

The median land price stabilised from December 2021 at $250,000 to $249,950. The average time to sell a property increased slightly over the year from 15 days to 18 days at present whilst the properties listed for sale in the Perth metro area originally declined but ended the year circa ten per cent up.

Cost of Living

Whilst interest rates and affordability continue to dominate headlines, cost of living pressures are being experienced in other ways, such as the cost of gas and electricity. This did not enter our list of concerns in our February edition and we're happy to say it remains of little concern in comparison to some other areas of Australia. Western Australians have benefited from much lower increases in their electricity and gas costs, thanks in large part to state government energy policies (ABC). Whilst the national average increase was 7.3 per cent (and reaching 8.5 per cent in some areas), nowhere in Western Australia experienced a cost increase above 5.5 per cent and this flows through into overall housing affordability, where Western Australia still ranks as one of the most affordable states in terms of serviceability of the median house price.

We started the year with a rental vacancy rate of circa 0.8 per cent and finished the year at circa 0.5 per cent.

HERRON TODD WHITE RESIDENTIAL

COVID-19 in 2022

Whilst COVID-19 had a lesser impact in Western Australia than in other states, it continued to have a profound effect on the property market and affected different areas in different ways. In most areas of the state, rental vacancy rates were pretty much non-existent as employers continued to attract staff from wherever they could find them. Tourist towns such as Broome continued to be buoyed by a longer than usual tourist season and jam packed forward bookings as local holidays were preferred, due to being easier and far cheaper than overseas travel, however we are now seeing signs that this activity may be peaking. Holiday home hotspots such as Dunsborough and the towns on the coast in between Perth and Geraldton experienced a consistent surge in activity throughout the year, but transactions and values appeared to taper in the latter part of the year. By contrast, Exmouth, which has had a chronic undersupply of housing for many years, appears to have maintained activity levels and pricing remains on the up. The largest impact throughout the state was the impact that COVID-19 and the associated supply chain and inflation issues had on the building industry.

Construction Trends

Disruptions in the international supply chain as a result of the global pandemic led to rapid increases in freight costs along with product and labour shortages resulting in upward pressure on construction prices and lengthy construction periods throughout 2021 and 2022. As builders grapple with maintaining cash flow, the state has seen several builders close their doors. The construction market in Perth has also seen some physical changes throughout 2022 as a result of the disrupted industry. Perth is dominated by double brick construction, but with material and labour shortages, many builders are incorporating brick veneer construction with timber or steel framed internal walls and given this is not the norm in Perth, it is yet to be seen whether this construction methodology will lead to market resistance or whether Perth will finally move on and adopt more traditional building methods.

Building Contract Cost Trends

Construction costs peaked in 2022. We predicted that the 4.1 per cent increase in the September quarter 2021 was just the tip of the iceberg and this was categorically clear looking at where we are at in late 2022. Using internal data encapsulating a broad range of building contracts we have seen over the past 24 months, the 2021 average cost of living area for a single level dwelling was $1685 per square metre. By the middle of 2022, this had increased to $1985 and is now sitting at $2125. If the average home is circa 150 square metres of living, this jump results in an added $66,000 to building contracts in the past 12 months. The Turner & Townsend International Construction Market Survey 2022 labelled Perth as the most expensive place to build in Australia with the average rate being almost $150 per square metre higher than that of Sydney and almost $400 per square metre higher than Adelaide. The number of building approvals in Western Australia fluctuated throughout 2022; the most recent number of approvals was 1066 in September compared to 1234 approvals at the same time last year. Land prices as indicated earlier have stagnated in the past 12 months with minimal growth in almost all mortgage belt areas as land developers were unable to raise prices as this would have exacerbated valuation pressures caused by construction prices rising at a faster rate than values in the established housing market.

Interest Rates

2022 has been a notable year for interest rates in Australia which have been increased by the Reserve Bank eight times, with the cash rate currently sitting at its highest point in nine years. In relation to house prices, with higher levels of mortgage debt and an increasing cost of living, some mortgage holders are forced to make changes in habitual spending and in turn, higher costs of borrowing will reduce the amount owners and prospective buyers are willing to spend. The messaging by the RBA had little impact on consumer confidence in the first half of 2022, but plainly had an impact in the latter half of the year. The relative affordability of the Perth market resulted in some renters realising that despite rising interest rate costs, it was still cheaper to buy a property than rent. Tens of thousands of eastern states investors realised the same and seemed undeterred by the higher cost of borrowing. To compare, an analysis by Deloitte found that mortgage repayments on the median house price in Perth are 58 per cent less than repayments on the median house price in Sydney, and 40 per cent lower than Melbourne. Household income in Perth is also the second highest in the country.

North West Perth Metro

"With Perth being comparatively cheaper, we can expect good activity from interstate investors looking to use their newfound equity to diversify into the Western Australian market." – Month in Review February 2022

It was expected that demand from competing buyers, including owner-occupiers and investors, in the outer northern suburbs nearing the Joondalup city centre such as Alkimos, Clarkson, Butler and Merriwa would lead to strong activity and drive capital growth. These areas did perform well and buyer demand remained strong throughout 2022 and whilst property prices rose for most of the year, values have now begun to stabilise. Situated within the local government area of Wanneroo, Domain has reported the median house price in the district has increased from $459,000 in September 2021 to $495,000 in June 2022 and to $500,000 in September 2022, stabilising in the latter part of this year. Interstate buyers have been very active in Perth's northern suburbs this year, with median prices in the previously mentioned suburbs ranging from $400,000 to $450,000. It is no surprise these areas were attractive from an affordability and rental return perspective and this was in line with our earlier expectations.

Looking at Merriwa as an example, the suburb has seen good market movement throughout the year with REIWA reporting 13.9 per cent annual growth and an increase in sales volume from 101 sales in 2021 to 156 sales in 2022. This property at 5 Olympus Loop, Merriwa has demonstrated similar growth after selling in November 2021 for $410,000 and selling again in September 2022 for $467,400 in just 10 days with no apparent upgrades to the property.

5 Olympus Loop, Merriwa Source: RP Data

Increasing construction costs have led to changes in market dynamics in the northern suburbs throughout the year. Whilst there are still many people entering construction contracts or signing up to house and land packages, market values in most areas have not risen in line with the current costs to build. This is in line with our expectations at the beginning of 2022 when construction costs, wait times and the cost of borrowing began to inflate. In areas where new land is available such as Burns Beach and Iluka, the demand for established properties has increased significantly due to these being a more practical alternative to purchase, especially when you can buy a property where the dwelling is just a few years old often at a considerably lower price than building new (which comes with a two-year lead time). As such, throughout the year, established properties in these areas have generally sold within two weeks. Towards the latter part of the year, demand remained consistent and whilst capital values appear to have stabilised for a while, they now appear to have a spring bounce again.

Different buyer profiles have been active in other areas of Perth's north-west metro area. Suburbs situated 10 to 15 kilometres from the Perth CBD such as Duncraig, Carine, Warwick and Padbury have experienced significant demand from local owner-occupiers, with investors generally only active in the apartment and unit sections of the market. We expected to see competing buyer profiles in these established suburbs which would drive capital growth, but owner-occupiers and investors generally competed for different property types. These areas have commonly outperformed neighbouring suburbs due to their relative affordability. Whilst the heat came out of the market for a few months, there are again signs of demand outstripping supply.

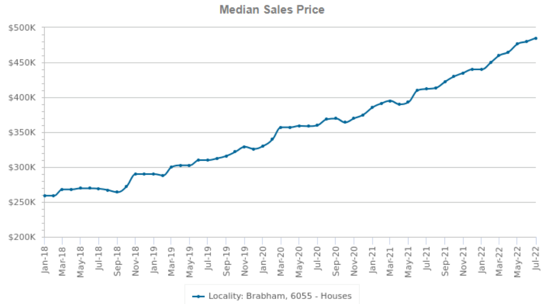
Brabham median sales price Source: Corelogic

North East Perth Metro

The north-east metro area of Perth experienced solid growth throughout 2021 and into 2022, much as predicted in February. Over the course of this year though we have seen the rates of growth taper off and stabilise which of course was inevitable in mortgage belt areas where rising borrowing costs and consumer sentiment have significant impact. In the October edition of the Month in Review, we covered Brabham and how its annual growth was then at a very solid 16.2 per cent. Since then, however, annual growth for the past 12 months has receded slightly to 14.7 per cent which suggests that annual growth rates are coming down. As per the data below, in the seven months to July this year the median in Brabham increased circa ten per

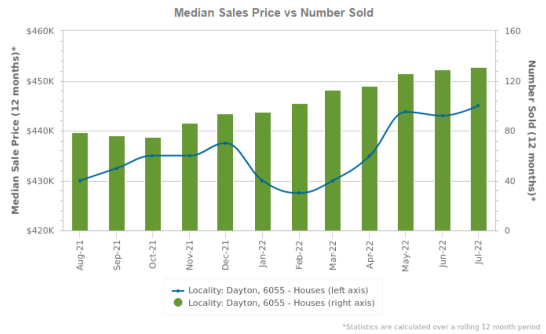
Suburbs situated 10 to 15 kilometres from the Perth CBD have experienced significant demand from local owner-occupiers, with investors generally only active in the apartment and unit sections of the market.

cent with fluctuating growth month to month but tracking well overall.



Brabham Source: Corelogic

The contrast to the neighbouring suburb of Dayton is stark. In the first seven months of the year, we only saw a circa 3.5 per cent increase in median values. What is interesting and important to note with these figures though is the volume of sales. With growth rates reducing, what someone would normally expect to see is sales activity beginning to slow, however whilst the growth in activity has declined, overall activity remains strong.



Dayton Source: Corelogic

This is part of the reason the data and headlines presented to us through the mainstream news are not all they seem and sometimes cannot be taken at face value. Dayton's median price data shows quite the dip between December 2021 and February 2022. This on face value would cause some to begin to worry about the value of their home. The normal punter would see the headline of median house prices falling and begin to panic. The fact is that sales volumes continued to increase during this period and our valuers on the ground did not see diminishing values for comparable products. What they did see was that demand for products below the median house price increased, resulting in a higher proportion of activity at lower value levels and having a negative impact on the median house price.

Going a bit further north and east into rural lifestyle territory, we predicted that the suburbs along the Darling Scarp and up towards Gingin and Bindoon would continue to see strong growth, again due to the lack of supply, a prominent theme across the whole state. An interesting example is 363 Forrest Hills Parade in Bindoon which sold in October 2021 for $480,000 after about 46 days on the market. Fast forward to June 2022 and it has sold once again for $527,000 after just 18 days on market.

Central Perth Metro

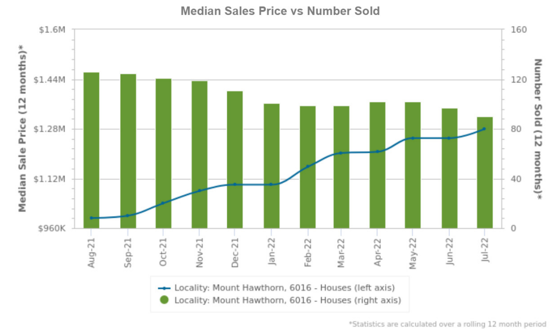
In the central areas of Perth, in February's 2022 outlook we stated:

363 Forrest Hills Parade, Bindoon Source: RPdata

"Particular areas to watch will be some of the established inner city and coastal suburbs for purchasers looking for a premium product. Some of these areas saw significant growth across 2021 and we anticipate this will continue, albeit at a steadier pace."

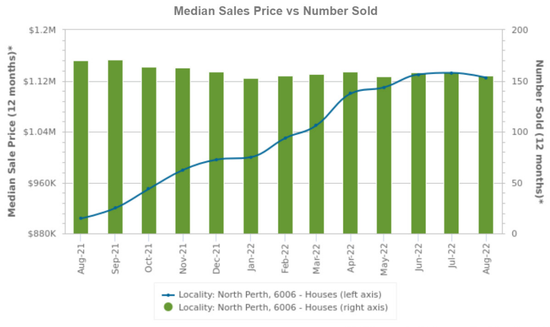
On reviewing the above, we can comfortably state that this came true. The inner-city suburbs have indeed experienced continued growth, compounding gains made in 2021 and what has become apparent in more recent months is that growth in values has begun to taper off, but largely due to limited buyer activity driven by an almost total lack of supply in more sought-after suburbs. It's hard to put your house on the market if you don't have a better option to move into first.

With that said, what can be seen across the region is a slightly contrasting story with some pockets continuing to grow whilst others have flatlined or tapered off on growth rates.



Mount Hawthorn Source: Corelogic

Mount Hawthorn is one such suburb in that interesting pocket of growth. It performed extremely well in 2022 in terms of median house price but as discussed, we really need to dive into the numbers behind the information we are analysing. The graph above shows median house prices increasing; however we also see the trend of volumes sold over the past 12 months clearly going down. The reduction in sales volume is directly linked to a lack of stock coming to market.



North Perth Source: Corelogic

If we look at the suburbs surrounding Mount Hawthorn, the story differs somewhat. Growth in North Perth has flatlined over the past six months after a strong start to the year, which eerily coincides with the beginning of the rate rises. Sales volumes are also down marginally. There are most definitely suburbs that have a higher sensitivity to rate rises and when compared to its neighbouring Mount Hawthorn, North Perth is clearly one.

In more premium areas of the Central Perth metro area, our expectations were similar.

"Cottesloe (33 per cent as per REIWA),Claremont (35 per cent), City Beach (37 per cent) and Bicton (37 per cent), show that there has been strong demand for higher end established dwellings across 2021, due to relative affordability in comparison to the rest of Australia." – Month in Review, February 2022

We noted that the outlook for growth remained strong although at a steadier pace and upon review of median house price data this is seen to be the case. Cottesloe (14.4 per cent), Claremont (4.7 per cent), City Beach (5.4 per cent) and Bicton (12.2 per cent) all experienced continued growth but quite obviously at a steadier pace than the figures we saw in 2021. This was an overriding theme across most of the central metro for 2022. With growth being slower in these suburbs, was some demand absorbed by more affordable secondary prestige suburbs? Let's find out.

In February we said:

"Areas such as East Fremantle (nine per cent), Applecross (two per cent) and Floreat (nine per cent) all grew at a much steadier rate in 2021 and may be the types of areas that catch the attention of consumers looking for good properties in premium locations." – Month in Review, February 2022

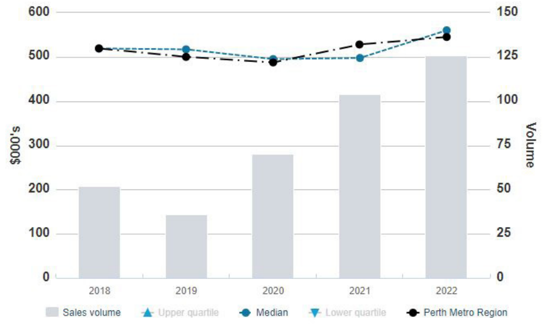
So how does this stack up to 2022? East Fremantle (12 per cent), Applecross (five per cent) and Floreat (12.6 per cent) all had slightly increased rates of growth, so we were kind of correct.

South-west Perth Metro

The south-west region of the Perth metropolitan area continued to perform this year on the back of a strong 2021. Factors such as a lack of supply on the market and low vacancy rates have continued to drive demand in these areas despite factors such as interest rate rises and global market uncertainty being at play. It's beginning to sound like a broken record, but the big driver in these areas that has continued to push the market has been the lack of supply; any new stock coming to market has continually been snapped up quickly and with strong interest from multiple buyer profiles. Areas that have performed strongly in the south-west metro region of Perth are well established suburbs such as Fremantle, Spearwood and Booragoon, with all three of these suburbs seeing a rise in median price of over 20 per cent in the past 12 months, as per REIWA. These suburbs offer differing products at different price levels which shows that across the board, demand for established stock has been strong throughout the year, despite what some naysayers in the media were predicting. Much of these areas are typically seen as upgrader areas for potential buyers; this usually results in a high retention of properties for an extended holding period in normal moments of the market.

Moving further south to some of the newer established areas in the south-west Perth metro region and market growth has continued. Suburbs typical for first home buyers such as Hammond Park, Beeliar and Treeby have recorded 12-month growth of 12.56 per cent, 10.95 per cent and 18.16 per cent respectively. These suburbs generally offer more affordable options than some of the more established suburbs in closer proximity to the CBD. Good activity in these areas reflected our prediction, with affordable stock tipped to perform strongly throughout early 2022 due to a variety of reasons including an uplift in investor activity and the return of many West Australians back to the state. However, the resilience of this market has come as a bit of a surprise with interest rate rises expected to have had a more severe effect on this sector. At this stage these rate rises appear to have stabilised the market somewhat, however they have certainly not turned the market.

These suburbs have experienced high levels of construction over the past 18 to 24 months, however with construction costs increasing this activity has begun to ease. As a result, what we have begun to see as is the case elsewhere in the metro region is established dwellings becoming a more viable option for many rather than building new. The below graph represents growth and sales volume in Hammond Park over the past five years and it is clear to see the market has continued on an upward trajectory over the past 12 months, and with the highest volume of sales seen across this five-year period.



Hammon Park Source: REIWA

Further south, Rockingham was expected to have seen strong activity from investors and first home buyers thanks to its affordable median house price of $450,000 and mix of property types and the market has seen strong demand from both throughout the year. The local government area of Rockingham is reported by Domain to have seen an 11 per cent annual change in the median house price, experiencing increases of $410,000 in September 2021 to $450,000 in June 2022 and $455,000 in September 2022. The sales volume also increased from 287 in 2021 to 352 in 2022 (up to September) (REIWA), demonstrating that Rockingham was a popular option for buyers throughout the year.

Another area worth looking at is the Mandurah region, which has been a hot market over the past 12 months. Mandurah and its surrounds had a very strong 2022, with the peak of this market appearing to come later in the year, but we are still seeing new sales each day that make us second guess whether the peak has in fact been reached. Something that demonstrates just how

The resilience of this market has come as a bit of a surprise with interest rate rises expected to have had a more severe effect on this sector.

well this market has performed this year is the sales volume across the suburbs of Mandurah in comparison to 2021. For example, the suburb of Greenfields has already recorded 298 sales in 2022 in comparison to 235 in 2021, Meadow Springs has recorded 270 in comparison to 208 and Halls Head has recorded 507 in comparison to 409. This shows that 2022 has been a big year on the back of what was a strong 2021. Investors have been very active in this market due to attractive returns on affordable options, with 3 Bancroft Close in Greenfields being a great example of this. This 1999 built four-bedroom, two-bathroom dwelling was purchased for only $385,000 in July this year. Since the date of sale, the property has been rented for $530 a week. This is a very tidy gross return of over seven per cent.

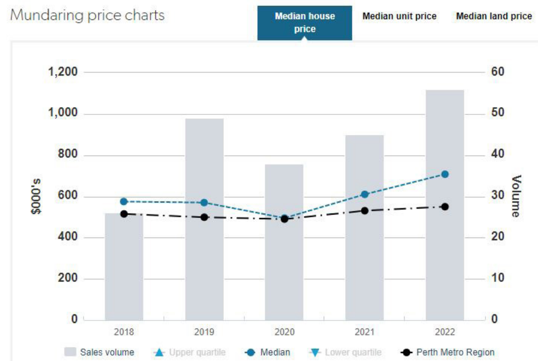
3 Bancroft Close, Greenfields Source: RP Data

South-east and Eastern Metro

Taking a look along the east and south-east metro areas, much of the suburbs throughout this corridor experienced strong demand throughout the year. Property prices continued their growth trends throughout the year with no real regard to interest rate rises, again indicating that the depth of demand is significant and interest rate sensitivity in these areas relatively low.

"Areas up in the Perth Hills that recorded good growth such as Stoneville (25 per cent) and Mundaring (23 per cent) are expected to continue on the same trajectory as we see homeowners move to these outer suburbs for the lifestyle of a larger block out of the hustle of the inner city." – Month in Review, February 2022

As stated above, a suburb we predicted would continue to perform strongly was Mundaring. The area experienced another strong year, with the annual growth in median house price increasing by 16 per cent and the suburb experiencing its highest volume of sales for the last four years.



Mundaring Source: REIWA

RESIDENTIAL

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145 Coolgardie Street is a typical property you can find in Mundaring. It sold in August for $750,000. The property comprises a circa 1969, three-bedroom, one-bathroom home situated on a 1813 square metre allotment.

Interestingly Stoneville is one of the few suburbs recording negative growth for 2022 at -1.5 per cent, although this is likely not entirely due to market factors as sales volumes are slightly down and the volume of low value stock on the market may not allow for median prices to rise. From what we understand of how the market has played out this year, we believe that underlying real growth would still be present for Stoneville and is yet another reminder that median price data is not always what it seems.

145 Coolgardie Street, Mundaring Source: RP Data

Wheatbelt
The wheatbelt area of Western Australia experienced consistent demand throughout the year and although confidence levels dipped slightly given interest rate rises, major regional centres such as Northam and Merredin experienced good activity and relatively low selling periods. As such, both regional centres performed well throughout 2022, seeing higher volumes of sales and an increase in median prices in comparison to the previous year.

The most surprising aspect for 2022 within the wheatbelt region was the significant increase in demand for rural lifestyle property due to the flexibility of working from home arrangements post COVID and the tree change movement as a result of COVID. Whether it's people from Perth, FIFO workers (not required to be located in business districts for periods at a time), interstate or international, buyers have been coming from everywhere and anywhere. We're seeing many buyers from Tasmania, regional New South Wales and regional Victoria in particular.

South-West Western Australia
The residential market in the south-west region of our great state played out pretty much as we predicted it would at the start of 2022.

The first half of 2022 saw strong growth across the region and across all sectors of the residential market, then sales numbers decreased due to low supply levels and the lack of supply continued to place upward pressure on values.

The rural residential market performed particularly well with significant increases in value in the Yallingup and Margaret River regions and solid premiums paid for quality properties. A great example of this is the sale of 33 Howson Rise in Yallingup. This property is a seven-bedroom, four-bathroom modern dwelling situated on 1.16 hectares and includes a large workshop, gym, wine cellar and an excellent standard of finish throughout. The property sold in September for the princely figure of $3.6 million.

33 Howson Rise Yallingup Source: RP Data

Another strong performer was Dunsborough Lakes which is running out of developable land. This placed pressure on values throughout 2022 which appears likely to continue in the short to medium term. A sale that demonstrates the demand within Dunsborough Lakes is of 18 Spyglass Cove which sold for $687,500 in August, after selling for $585,000 in February 2021. It is worth noting that some renovation works were completed on the four-bedroom, two-bathroom dwelling, including a renovated ensuite and new solar system, but the difference in sale price still represents substantial growth.

The most surprising aspect for 2022 within the wheatbelt region was the significant increase in demand for rural lifestyle property due to the flexibility of working from home arrangements post COVID and the tree change movement as a result of COVID.

18 Spyglass Cove, Dunsborough Source: RP Data

Selling agents are now reporting a significant drop in the number of enquiries as interest rate hikes dampen demand and discretionary spending, however capital values have generally held up. This is due predominantly to a lack of supply of housing stock in the region. First home buyers have been priced out of the market due to affordability and they have also been spooked by the uncertainty of more interest rate rises.

There has been a drastic increase in residential building costs throughout 2022 particularly in the prestige market and building construction times have also blown out with estimated construction times of 18 months to two years for project builders.

There continues to be demand from investors due to the strong yields with agents noting that there is a significant level of demand coming from the eastern states who are attracted by the high yields and affordability in relation to the Sydney and Melbourne markets. Rental shortages remain a significant issue with very low vacancy rates keeping rents at historically high levels.

The easing of COVID restrictions and the re-opening of state and international borders were expected to have a negative effect on the short stay residential market however the commencement of direct interstate flights from Melbourne appears to have alleviated this somewhat with this sector of the market continuing to perform well with low vacancies in most areas.

The hospitality industry has been particularly hard hit due to a lack of staff. This is especially evident in coastal holiday towns such as Dunsborough where the high cost of housing and record low rental vacancy rates is preventing staff from moving to the area, along with a lack of international backpackers who traditionally boost casual staff numbers. Many businesses in town are reducing opening hours and the number of days they open as a result. Agents have noted that business owners are looking to purchase dwellings in the locality just so they can house staff.

Great Southern

In the great southern region, Esperance has witnessed a relatively similar story to that of the south-west region. Strong demand was experienced throughout the course of the year, but as was the case in most areas, confidence took a hit as the RBA continued to increase the cash rate. Demand has certainly softened as a result, however overall remains relatively strong.

A noticeable change our valuers are seeing as a result of this is the sale prices of properties in comparison to the asking price. At the start of 2022, sale prices were generally at or above asking price, often with multiple offers above asking price. Now it is more common to see the final sale price settle between the asking price to within five per cent under the asking price. This represents that while demand is still there, confidence has taken a bit of a hit. Again, like the south-west, the rural residential market is a sector of the market that performed very well throughout 2022.

We predicted that the increase in activity at the premium end of town would continue on the back of multiple good harvests in a row. Earlier in the year, the upper end of the market (i.e above $1.5 million) was appearing to be moving forward with cashed up farmers having an increased willingness to buy at this end. 2022 proved to be a strong year for such events with the town experiencing increasing activity at the higher end of the market. A great example of this is the sale of 41 Castletown Quays, Castletown, which sold in February for $1.5 million. The property comprises a four-bedroom, three-bathroom dwelling with stunning ocean and island views.

41 Castletown Quays, Castletown Source: realestate.com.au

As the year has progressed the volume of these upper end sales has eased due to limited supply, however looking forward there is the likelihood of strong activity returning to this sector.

Albany

Albany was an interesting case in 2022. Its popularity as a tourist destination made investment and conversion of homes to Airbnb style properties a lucrative option. 2021 saw a median price increase in Albany of circa 7.2 per cent. Fast forward 12 months and that number has jumped to 18.1 per cent, quite a staggering

Albany was an interesting case in 2022. Its popularity as a tourist destination made investment and conversion of homes to Airbnb style properties a lucrative option.

increase. We expected demand to reduce coming into 2022 as borders opened up and travel within our own state reduced, however the growth rate of the median tells us otherwise. What's worth noting here is the number of transactions, with only 31 sales compared to 52 in 2021. This tells the story of the prevailing narrative in 2022 of a lack of supply on the market.

Pilbara

In the Pilbara, the mining town of Newman often sees interesting market movements and it didn't fall short of that this year. On the back of a strengthening market, 2022 saw the market soften considerably with investor activity declining as many cashed in their returns over the past couple of years. The expectation that rents would continue to rise however did come into effect and yields have remained strong, but interestingly the level of activity has continued to decline, potentially reflecting the availability of reasonable returns in markets that are less volatile.

More stable conditions have been experienced in the export towns of Port and South Hedland. The local market drivers of iron ore prices and port activity were appearing uncertain in the earlier parts of 2022 and have seen some fluctuations throughout the year, a likely contributor to a softening property market in the town. Earlier in the year we said:

"We expect Port Hedland will finish 2022 ahead of 2021's value levels." – Month in Review, February 2022

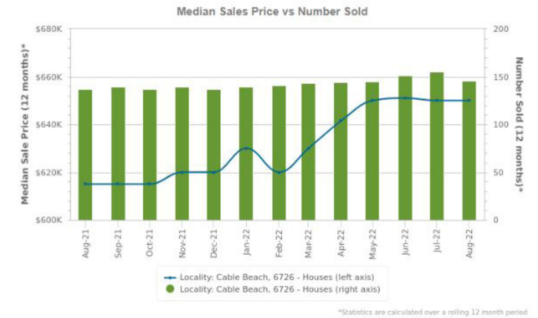
Property values in Port Hedland did end the year above 2021's levels, but only just, with the current median house price at $660,000 in comparison to $649,000 last year. The West End Voluntary Buyback Scheme was expected to impact the level of supply of rental properties in Port Hedland, placing upward pressure on rental prices, and the town has certainly experienced a lack of supply of rentals, creating a tough rental market. Although the year has seen rents and yields continue to rise, investor attitudes are changing and their activity has reduced. Interestingly, many of the participants in the local market were resource companies.

Karratha

Over the course of 2022, demand for property in the regional city of Karratha has softened as a result of interest rate rises and general affordability challenges. We note that values have not declined in general, but in comparison to the years prior, activity has weakened. Similar to other Pilbara towns, rents have continued to increase and although we anticipated that rents would rise with a combination of a lack of stock and an influx of workers, it was surprising to see them grow with such strength throughout the year. The rapid rise in construction costs also saw most people completely priced out of constructing new dwellings. But we don't expect the future to be all doom and gloom; even after an initial stumble from interest rate rises, with more people coming to town for upcoming projects and limited new supply coming on line, this is expected to squeeze the market again and help it move forward.

Broome

Broome experienced interesting market conditions as a result of COVID-19 and the effects on the town were exacerbated by the minimal supply of new housing since 2014. As expected, this limited supply placed upward pressure on property prices in the earlier months of 2022, as was the same for rentals. For some time, the town was experiencing a chronic rental shortage and rents were nearing unaffordable – at one point in time there were less than ten properties advertised for rent in the whole town, but this number is now closer to 40 (according to realestate.com.au), which is still below normal market parameters. Buyer demand was insatiable throughout 2022, but the heat in the market has dropped and a slight easing has been seen in recent months, especially at the sub premium but upper end of the market. Sales data shows that the median house price in Cable Beach stabilised this year and began to plateau until August (being the most recent data at the time of writing), and our valuers on the ground are expecting a slight dip in market values being evident by the end of the year.



Cable Beach Source: Corelogic

What surprised us about Broome was the resilience of the market after such a long period of stagnant market conditions. It is uncertain where the market will settle as the town transitions into its quiet season which generally sees a softer market, but we would expect there to be a slight softening in the marketplace for the next four months or so.

Kalgoorlie

In the goldfields region, Kalgoorlie-Boulder experienced strong demand accompanied by limited supply of quality housing and a massive undersupply of rentals. The market has seen demand across most property types from both owner-occupiers and renters and with the town experiencing a chronic rental shortage, buying has become a more favourable option, driving demand even further. As such, some suburbs such as Lamington and Piccadilly have achieved up to ten per cent annual growth in values. In February, we projected for Kalgoorlie that:

"Good quality owner-occupier homes and lower end rental quality units are likely to outperform the rest of the market. Investors are likely to play a significant role in 2022."

Good quality, owner-occupier homes have certainly led the way in market demand as we anticipated, but with an increasing population and finite supply, demand has been relatively consistent across the market. With the current pressure on rents, investors have been driving activity in the unit and townhouse markets. Land values have remained relatively stable over 2022 and some new subdivisions have performed below expectations, which has been attributed to escalated construction costs and time lags for materials and labour which has hit regional areas harder. This can be seen in a vacant block of land at 60 Aslett Street, Karlkurla, which sold for $169,000 in September 2020 and sold for just $175,000 in April 2022, demonstrating a plateauing land market that is considerably dissimilar to the strength of the established market throughout that period. As the area is so heavily influenced by the mining industry, changes in this sector can lead to distinct impacts on the property market, but in the current position of the town, resilient market conditions remain on the horizon.

Conclusion

In February we made quite the statement suggesting prices would continue to see good growth even with the doom and gloom indicators ringing for our friends over east. The calls we made in regard to stock levels being low and the effects of interest rate rises on the horizon seem to have hit the nail on the head, although the effect on the median house price was probably more subdued than our expectations given the rental crisis in Western Australia. The rental crisis has deepened and construction costs rose significantly throughout the year, however the majority of supply able to transact fell in the lower end of the market and this volume of activity stymied the median house price throughout 2022.

The huge positive for everyone in this state is the massive affordability benefit for purchasing in Western Australia against the eastern state alternatives and if investors from over east continue to come into our market, it will only further support the numbers from any regression as the media are suggesting could happen.

Chris Hinchliffe
Director

Northern Territory - Residential 2022

Darwin

It feels like yesterday we were outlining predictions for the market for 2022; now already we are summing up 2022 and it feels like a blur. A crazy year!

The Darwin residential market, like many others, was a year of two halves. The first six months of the year saw growth build on a very strong 2021 whilst interest rates remained low. Most property types at all ends of the market were performing well as a whole. The second half saw this growth slow. While other states saw reductions, the Darwin market remained steady, an encouraging sign. Interest rates were the topic of discussion heading into the back half of 2022. Buyers became more savvy about where their money was being spent.

Another topical discussion was the cost of building materials. Most concessions are now over for new builds, so for established homes, the Darwin market saw the emergence of a two-tier market with buyers seeking fully renovated homes over DIY or renovation options. with some premiums being paid in a large majority of suburbs.

Vendors also needed to adjust for the new market conditions. Expectations needed to be measured, with the 2021 sugar hit now in the rear-view mirror. However, with travel now open, the Darwin region saw a bumper dry season and with it, tourists. Rentals were in very short supply with vacancy rates sub one per cent for the majority of 2022. This has seen the resurgence of investors chasing six to eight per cent returns across most of the Top End residential sector. Units in particular, if presented for market well, are now seeing far shorter days on market compared to previous years, something we have not seen since the Inpex boom of 2013.

Looking back to our early predictions for 2022, we appear to have been not too dissimilar to what has occurred. A number of the large-scale projects that were in the idea phase have now been approved with large scale government budgets being announced recently. A number of mines have grown in size, particularly Core Lithium and the overall population appears to be stable. Global tensions have seen the defence spend increase dramatically and as predicted, Darwin will be a major benefactor from this with large-scale defence projects recently being given the green light.

Something that has come as a minor surprise during 2022 was the continuation of strong sales volumes and increases to the median values.

The June quarter saw a 12 per cent increase in sales volumes on the previous quarter. This was the quarter the first rate rise occurred (May 2022) and then again in June of 2022. While we were still yet to see the effects, markets actually outshone the previous 12 months by 10.1 per cent according to REINT.

In the final weeks of 2022, the higher interest rate predictions will now start to push loans above the three per cent cash rate as the main banks are predicting for 2023. The new year is shaping up to be a very different start than the one we had in 2022.

Jeremy Callan
Valuer

Vendors also needed to adjust for the new market conditions. Expectations needed to be measured, with the 2021 sugar hit now in the rear-view mirror.

Australian Capital Territory - Residential 2022

Canberra

Canberra has had a fairly stable market throughout this year even with the interest rate rises, post-pandemic inflation, war in Ukraine, political turmoil in the United Kingdom and the Australian election. The market reached its peak around February and March, which was just before the market started to become uncertain of what the RBA was going to do with interest rates and what the outcome of the election would be. During mid-April to early May, we saw that market demand started to drop off as interest rate rises were being announced and the election was about to occur. During the month of May, we saw the market taper off with interest rate hikes starting and the election also occurring. During this period there was still uncertainty which saw the market retract from its previous highs in February and March. Coming forward from May to today, we've seen the market steadily drop by 5.2 per cent however that is on the back of an increase of 44 per cent since COVID-19 started (ABC News). The median house price for Canberra is still holding above the $1 million mark with only three suburbs below $750,000, being Charnwood, Greenway and Belconnen (ABC News). In saying this, we have still seen record sales being recorded recently, with a record sale in Canberra of 82 Empire Circuit, Deakin at $9 million coming in early October. Record sales in Chisholm and Aranda have also been made this month with 24 Lucy Gullett Circuit, Chisholm selling at $1.42 million and 9 Arabana Street, Aranda selling at $2.55 million.

When looking at our predictions back in February this year, we had suggested that the growth wasn't sustainable and that there had to be a tapering off of some kind, however we suggested that there would be market growth that was more normal then the past couple of years. We had also said that due to the shortage of building materials and labour, projects may be delayed and knockdown rebuilds will be more common due to everyone saving money during the lockdown periods and therefore being cash rich.

Looking back at these predictions, we can see that there was a tapering off from the highs of the past few years, however the market has dropped off since those highs rather than the market continuing to appreciate at a slower rate. However, we did see an increase in knockdown rebuilds or renovations as buyers have been preferring houses that don't need renovations and are ready to move in.

What surprised us this year was that market sentiment and demand changed within the space of a couple of weeks. From the end of March to mid-April, we saw the market change as different news stories were circulated and the uncertainty of the market became more apparent. Once certainty came back into the market, we saw the market start to stabilise and return to the more normal market we had before the pandemic. We also have seen some record sales being recorded even with the market starting to flatten, which shows that although the market has tapered off, if the property is something buyers are after and it ticks all their boxes, then the buyer is willing to spend more than expected on that property.

Kush Sen
Assistant Valuer

What surprised us this year was that market sentiment and demand changed within the space of a couple of weeks.

Tasmania - Residential 2022

Hobart and regions

Wow! What a year 2022 turned out to be. With interest rates at historical lows until the RBA increased them by 25 basis points to 0.35 per cent in May, things were peachy with house prices still increasing due to limited stock and an abundance of buyers.

Fast forward to December with the cash rate at 3.10 per cent and things have slowed with some evidence of property prices falling slightly from record highs.

Areas of concern are properties with values up to $750,000 as this is generally first home buyers with high loan to value ratios. The increased interest rates are in turn reducing borrowing capacities. With further forecast interest rate increases, borrowing capacity will reduce further.

As mentioned in my February edition, areas such as Brighton, New Norfolk, Herdsman's Cove, Clarendonvale, Rokeby, Midway Point and Sorell were still performing very well. Conversations with valuers who specialise in these areas have indicated a softening as they are primarily first home buyer and investor markets.

Local agents have indicated that time on market has increased relatively significantly due to economic uncertainty and unrealistic seller expectations. More often than not, if a property is sitting on the market for an extended period, price reductions are put in place. This was not seen prior to the first interest rate increase.

Hobart and the surrounding municipalities are still performing quite well, albeit not to the levels prior to the interest rate rises.

Hobart and the surrounding municipalities are still performing quite well, albeit not to the levels prior to the interest rate rises.

Rental returns are still very strong, with returns of around five per cent not out of the ordinary, but with increasing interest rates, you are almost better having money in the bank and not running the risk of owning a depreciating asset.

A three-bedroom Rokeby townhouse was leased in March 2022 for $500 per week. Six months later after the tenant broke the lease, it was quickly re-leased for $540 per week. That's a 9.25 per cent increase in a very short time frame.

The only real surprise for 2022 was the rate of the increases of the cash rate. The RBA indicated that rates would not increase until 2023 or 2024 which kept the market on its toes. People were still offering well above the asking price to secure a property. Now it's a completely different story with rates on the rise. The most concerning thing about the current market is for those who purchased a property just prior to the first rate rise as these properties are more than likely not worth what they paid for them.

As for 2023, I think it depends entirely on inflation and the cash rate. Hopefully the RBA gets inflation under control early to mid 2023 which in turn should give some clarity as to where interest rates will hover. Those coming out of fixed rate terms early next year will be in for a shock as some are still paying 1.89 per cent.

Mark Davies
Valuer

HERRON TODD WHITE RURAL

Rural

December 2022

Central Tablelands NSW

To review 2022, the rural property market in the New South Wales Central Tablelands continued to be reasonably active. There was a good volume of sales and those sales indicated a continued upward trend in value levels. This was most pronounced in the first part of the year.

Towards the end of 2022, there appeared to be a broader change in sentiment in line with interest rate rises and general economic uncertainty.

Strong prices across most rural commodities continued and we believe this underpinned buyer demand and market optimism throughout 2022.

Craig Johnstone
Valuer

New England

The rural market throughout the New England Tablelands and north-west slopes and plains remained strong throughout 2022 with many notable record sales across the year. There was a clear dominance of buyers chasing properties within higher rainfall areas (1000 millimetres plus) particularly areas north and east of Armidale and south of Walcha.

There was a mix of buyers from local operators expanding their existing holdings, corporate and institutional buyers and also an increase in the number of Queensland based buyers looking to purchase New South Wales holdings.

Large-scale aggregated grazing holdings were in high demand throughout the year with very strong interest, mainly from corporate buyers and high net-worth operators, with the most interest shown for well-developed properties with a high carrying capacity, particularly cattle breeding country.

The more recent sales in the Ben Lomond district reached new heights with the higher end values ranging from approximately $19,500 to $20,700 per hectare (approximately $8000 to $8400 per acre).

The 324.96 hectare grazing property Arding on the New England Highway between Armidale and Uralla sold recently for a broad acre district record price on auction day (29 September 2022) of $8.2 million or $25,234 per hectare ($10,212 per acre). Originally part of Saumarez Station, one of the earliest grazing blocks established on the New England Tablelands, the property was also previously owned by the CSIRO before it was sold to the current vendor, the Cassidy family from Merilba, Kingstown. The successful purchaser this time around was the Jackson family who owns the adjoining Saumarez Station. Losing bidders were the Gates family from Enmore who have an Angus stud and were looking for better highway exposure for their stud. The property is fully cleared, intensively fenced, predominantly arable and has been pasture improved in the past, but no pastures have been sown in recent years so partially run out. Soils are a mixture of good quality red basalts and loamy New England traprock. There was no residence on the property, however, working improvements included a large well-equipped three-stand shearing shed with adjoining 500 head capacity weather shed, laboratory and sampling sheds, extensive sheep handling facilities including steel sheep yards and indoor sheep husbandry area.

Heading south of Walcha, we witnessed a wider range of values with the higher end ranging from approximately $17,780 to $28,209 per hectare (approximately $7200 to $11,420 per acre). The higher end of the range was for a large-scale aggregation that was fully pasture improved with a high carrying capacity and sold WIWO to a Queensland based purchaser.

Moving further south to the southern New South Wales Monaro and Riverina regions, we saw some very strong sales over the last quarter of the year. Two sales of note were South Bukalong, located just north-west of Bombala selling at auction for $16.05 million and Springbank, located north-west of Yass, selling via private treaty for $21 million.

South Bukalong is a grazing holding of 1919 hectares consisting of gentle to moderately undulating country at elevations of between 700 and 800 metres. Soils are predominantly brown basalt with country comprising generally open monaro treeless plains. The property features a 1.5 kilometre frontage to the Bombala River, a 2.6 kilometre frontage to Cambalong Creek and a six kilometre frontage to Bukalong Creek. The holding consists of a mix of improved and native pastures in 30 paddocks with an estimated carrying capacity of 15,000 to 15,830 DSE (equating to 7.8 to 8.25 DSE per hectare). Improvements include a large five-bedroom rammed earth homestead, a newly renovated four-bedroom manager's residence and two well maintained cottages and working improvements. The sale equated to $7,850 per hectare for open grazing country.

The rural market throughout the New England Tablelands and north-west slopes and plains remained strong throughout 2022 with many notable record sales across the year.

The sale of Springbank saw the Norman family sell to fund manager Fife Capital as part of the expansion of the private fund's investment in the rural sector in southern New South Wales, adding to its existing holding Myruna, located in Marulan. Springbank is a 1654.41 hectare mixed farming and grazing holding with gently undulating country rising to moderately undulating, mostly cleared grazing country. Elevations were around 580 to 720 metres on the eastern boundary. Soils consist of mostly decomposed granite loams with some gravel influences. The property consists of approximately 70 per cent arable grazing country and 30 per cent slightly steeper non-arable country. On average, approximately 200 hectares per year are cultivated. Water development includes two stock and domestic bores. Average annual rainfall is 700 millimetres with the carrying capacity assessed at 16,750 DSE. Improvements include a large four-bedroom homestead, four-bedroom converted shearers' quarters and a two-bedroom cottage. Working improvements were adequate and well-presented. Our analysis of the sale indicates a breakdown of $13,910 per hectare for arable grazing and mixed farming country, $10,000 per hectare for non-arable grazing country and $2500 per hectare for green timbered country.

There was increased interest and a number of recent sales in the Upper Hunter Shire with some re-sales showing strong increases in values over a 12-to-18-month period. Sales over the 2022 year in the Merriwa district ranged from $6,416 to $9,503 per hectare improved ($2,616 to $3,847 per acre). A settled sale of note is 1495 Coulsons Creek Road, Merriwa which sold for $10.25 million in September 2022 to an adjoining owner. This is a 1078.60 hectare grazing property located 20 kilometres north of Merriwa and comprises approximately 850 hectares of open arable grazing and 228.60 hectares of open and shade timbered native grazing. Topography is gently undulating, rising from approximately 315 metres in the west to 400 metres in the north-east corner. Soils are chocolate and black basalt. The property is watered by a mostly double 5.4 kilometre frontage to the Merriwa River, equipped bore and troughs. Improvements are modest. Our analysis of the sale showed $9750 per hectare for the open arable grazing and cultivation and $6400 per hectare for the open and shade timbered grazing. This was the highest recorded sale on a rate per hectare for 2022.

We have dedicated rural valuers servicing all of New South Wales and north-eastern Victoria. For any general rural enquiries, please call the office on 1300 784 899 or email the rural team at nswact.rural@htw.com.au or for specific locations, contact the rural valuers below:

Andrew Garnsey - andrew.garnsey@htw.com.au (Southern/South Eastern NSW & North-East Victoria);

Allister Rodgers - allister.rodgers@htw.com.au (Central and Western NSW);

Angus Ross - angus.ross@htw.com.au (North-West & Northern NSW).

Angus Ross
Property Valuer & Rural Director (Northern NSW)

Mildura

There have been fewer sales of horticultural holdings in 2022 than in previous years. This reduced activity is attributed to greater economic uncertainty, with vendors delaying marketing and buyers more cautious than in the period from 2015 to 2021. Commodity prices for most crops grown in our region have declined due to disrupted export markets and at the same time input costs have risen significantly in the past 12 months.

Those sales that have occurred suggest values of table grape vineyards have eased slightly and we also note that many growers are deciding to redevelop less profitable varieties on their existing vineyards rather than expand through acquisition. The shortage of seasonal labour has also contributed to this trend to redevelop rather than expand.

A recent sale of a 15.7 hectare table grape vineyard on the outskirts of Mildura analyses to show between $85,000 and $115,000 per hectare for the planted area. The sale price reflected the presence of some new, patented varieties and also a prominent highway position and is only slightly lower than levels seen during 2021.

The almond industry continues to be affected by depressed global almond prices. After a rapid expansion of the area planted to almonds between 2018 and 2020, the industry has now stabilised, in part due to limited remaining suitable land.

Wine grape growers are currently enduring a period of extremely low prices for red grapes, attributed to the loss of the key Chinese market. While everyone hopes that this market will open up again in the short to medium term, the reality

This reduced activity is attributed to greater economic uncertainty, with vendors delaying marketing and buyers more cautious than in the period from 2015 to 2021.

We are starting to hear some conversations around the value of permanent water entitlements as a result of the federal government once again floating the idea of permanent water buybacks.

is that wine producers are holding too much inventory and don't have tank capacity to process uncontracted fruit. Contracted growers expect to see prices for red grapes that barely cover the cost of production, while uncontracted growers face the reality of not having a home for their fruit. Fortunately, many growers in the Sunraysia region have a weighting towards white grapes which are faring better and offer positive cash flow.

The one positive of an extremely wet winter and spring in the Murray Darling catchment has been plentiful (and cheap) water. The reduced cost of leasing and much less need for pumping is welcome for many, however at the same time there is greater disease and weed pressure to contend with.

We have yet to see what the impact of the current red grape oversupply will have on vineyard values, however it would logically be expected that values for reds will decline somewhat. Vineyards planted to white wine varieties are expected to remain in reasonable demand.

Meanwhile dryland farmers in the Mallee region of north-western Victoria are anxiously waiting for some dry, sunny weather to allow them to harvest what should be one of their best ever crops. Regular rainfall throughout the growing season has resulted in a very high crop potential, however the risk of quality downgrades and a rain disrupted harvest are high. Most farmers have only managed to harvest a small percentage of their crop at the time of writing.

After seeing rapid appreciation in land values in the dryland copping sector during 2021 and the first half of 2022, we expect buyers to withdraw as they deal with the current wet conditions. Looking forward, some might start to once again take a "glass half full" approach and decide that buying farms while they have a full soil moisture profile is good business sense, while others might now need to preserve cash due to some crop losses.

We are starting to hear some conversations around the value of permanent water entitlements as a result of the federal government once again floating the idea of permanent water buybacks. It is too early to see what impact this might have on market sentiment; however we note that while this may underpin values there are also many investors who hold licences on the basis that they provide a secure annuity style income. The leasing market is likely to be flat for the next two years at least, which will mean several years of low leasing income. There are plenty of retired farmers who sold their farms but kept the water, expecting to generate a decent retirement income and we may see some of this group decide to sell part or all of their water holdings.

Carlo Vadori
Valuer

South-west Victoria

The south-west Victorian rural property market has seen some of the greatest rises in property value in its history over the past few years. 2022 was always going to be the test for this market and whether or not the heat has come off. Early 2022 was still full of optimism with the autumn months still showing strength with a lack of supply and high demand.

As the year progressed and the RBA continued to lift the cash rate, uncertainty started to creep in and buyer confidence started to slow. Then with the uncertainty around foot and mouth disease and its potential for severe consequences to animal health and international trade, the market became more concerned.

Market participants and experts watched during the winter months, with all eyes on the spring selling period to see if these external forces were having an effect on the property market. What we have found is that yes, the market has slowed, with some volatility at present. Some sales are continuing to show a rise, particularly strategically located properties in well sought-after locations, however lesser properties due to location or land type appear to have softened of late.

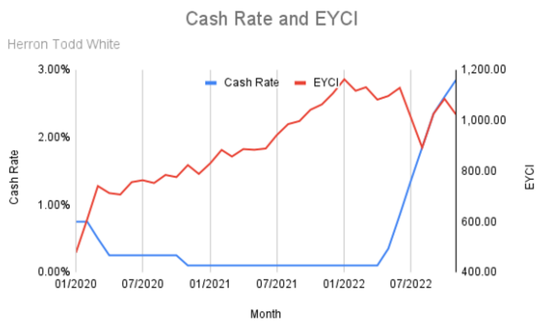
Although the market has softened somewhat and the extreme heat has left the market, it is pleasing to see that dairy farms are continuing to show an uplift in value, after lagging behind the local grazing and cropping markets of late. There is high confidence in this sector at present with processors struggling to secure enough milk to run their facilities profitably and as such have become very competitive, offering higher value for farmers' milk.

Benjamin Mugavin
Director

Central Queensland

Throughout the year of 2022 we have seen interest rates soar by 275 basis points, fears of FMD and LSD spread throughout the community and inflation and input costs skyrocket.

Despite these factors, the Central Queensland grazing market is still strong and largely underpinned by the strength of beef prices, an unusually wet winter and support from major lenders for qualified buyers.



EYCI Source: Meat Livestock Australia

Local agents are advising that although buyer enquiry levels have eased off since their peak in early 2022, there are still more buyers than sellers in the market.

The year of 2022 has seen the market define a number of new benchmarks within the district, particularly between the $5 million and $30 million range. A number of these sales are summarised below:

Brentwood is a 522-hectare grazing property which is contained within three contiguous freehold titles. The country consists of predominately brigalow and softwood scrub with small areas of silverleaf ironbark and rosewood and ironbark forest to sections. The property was well advertised and sold at auction under heated conditions with two buyers pushing the sale above known market parameters.

Local agents are advising that although buyer enquiry levels have eased off since their peak in early 2022, there are still more buyers than sellers in the market.

Durack fronts the Don River and contains a mix of brigalow, blackbutt and softwood soils which have been developed and established to improved pastures. The property benefits from 190 hectares of established leucaena and sold at auction with 20 registered bidders, six of the bidders being active.

Ferndale is located south-west of Biloela and consists of good quality blue gum hollows broken by creek flats and minor areas of bloodwood and ironbark ridges. The property benefits from an underground water licence and a small scale centre pivot. It sold at auction to an adjoining owner.

Malo is a top quality brigalow and softwood scrub block which adjoins the Dawson Range and is situated within a 15 kilometre radius of Theodore. The property was well advertised, generated plenty of interest and sold at auction to a central Queensland based grazier.

Address	Sale Date	Sale Price	Area	Stocking Rate (ha/AE)	$/HA Improved	$/AE Improved
Brentwood	08/2022	$5,600,000	522.00	2.30	$10,728	$24,348
Durack	04/2022	$5,900,000	715.28	2.17	$8,249	$17,879
Ferndale	07/2022	$10,800,000	1,690.17	2.35	$6,390	$15,000
Malo	09/2022	$22,500,000	2,898.00	2.23	$7,764	$17,308

Looking ahead into 2023, all reports indicate that we are going to see a continued rise in production costs and interest rates. These factors are going to continue to place a squeeze on farm gate returns and will ultimately reduce the depth of the purchasing pool.

Despite this, the strong commodity forecast and low Australian dollar will maintain a stable to strong level of demand for superior quality assets, while inferior quality properties may meet with a more subdued level of interest. While the market may not dismantle overnight, these factors are indicative of a slowing market cycle.

Richard Beezley
Valuer

Western Australia

What a ride the year 2022 has been in the broadacre market in Western Australia. The year began off the back of a record-breaking harvest result at over 22 million tonnes of grains before global instability contributed to more than doubling input prices including fuel, transport price increases and delays, interest rate rises, staff shortages and higher than expected inflation.

One would ordinarily think that a doubling of input costs would have a severe impact on the demand and value for a particular asset. The question I asked myself at the start of the year on the back of a sharp increase in values over the 2021/22 season was "What happens to prices when supply inevitably meets demand"? Well, it would appear that this question is moot as demand remains extremely high and supply low in the broadacre market.

Continued high demand and low supply in conjunction with what is now being predicted as another record harvest (over 23.5 million tonnes) is setting the stage for another increase in values over the 2022/23 season. There have already been some notable sales setting new benchmarks in their respective localities including Home Farm in Westonia, Meadowcroft in Watercarrin and Corrylynne in Ucarty.

2022 was an interesting year and I look forward to what 2023 has in store.

Luke Russell
Valuer

HERRON
TODD
WHITE

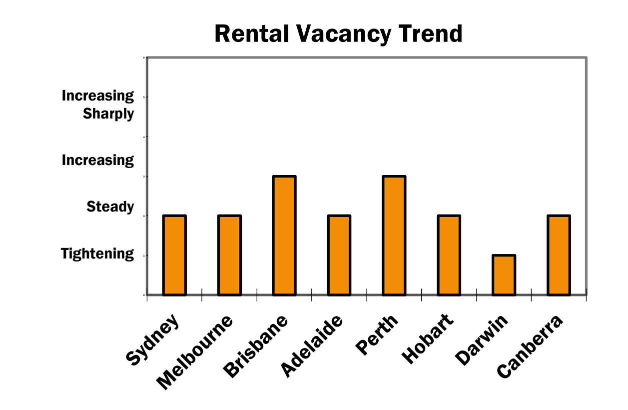
Property Market Indicators

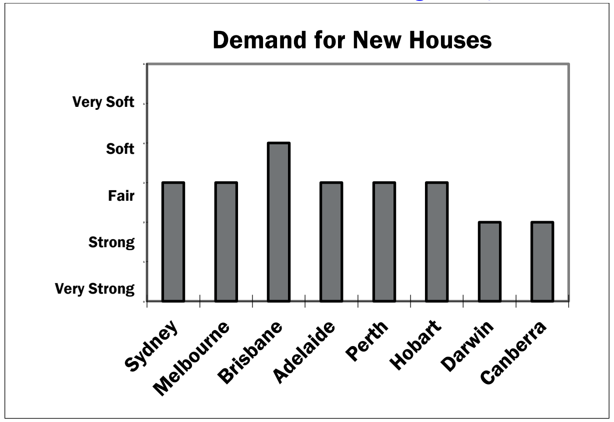
December 2022

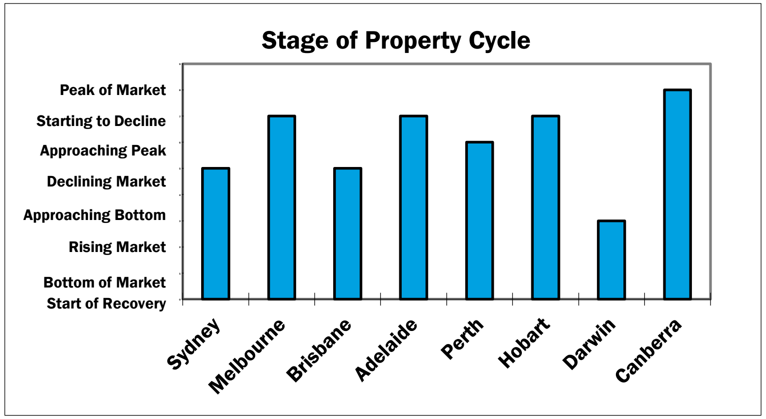
Capital City Property Market Indicators – Houses

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

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



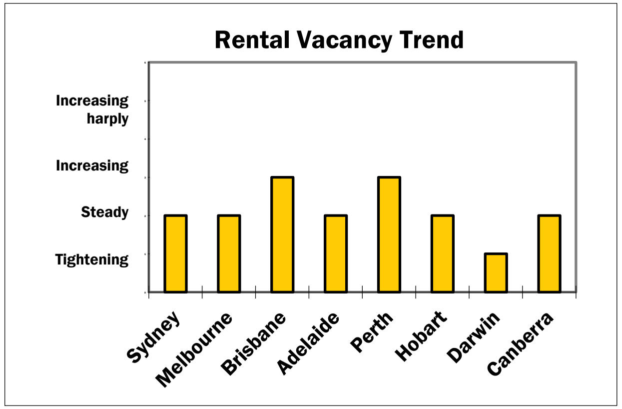


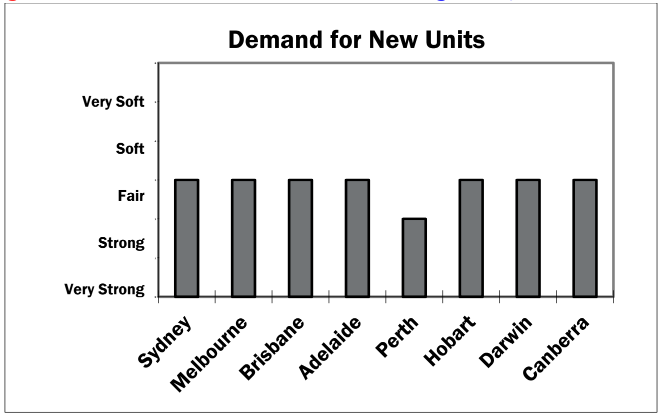


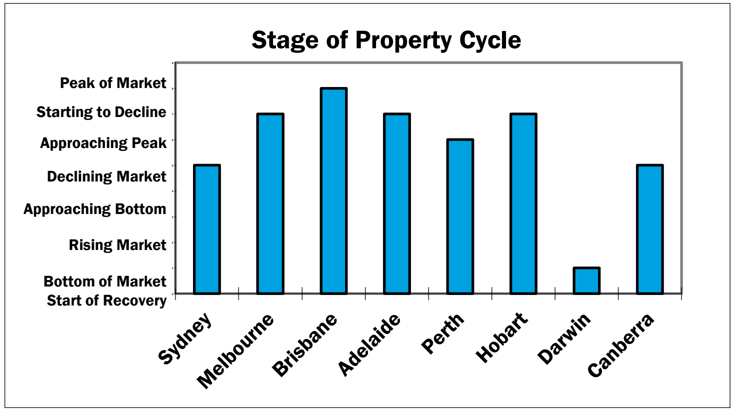
Capital City Property Market Indicators – Units

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

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





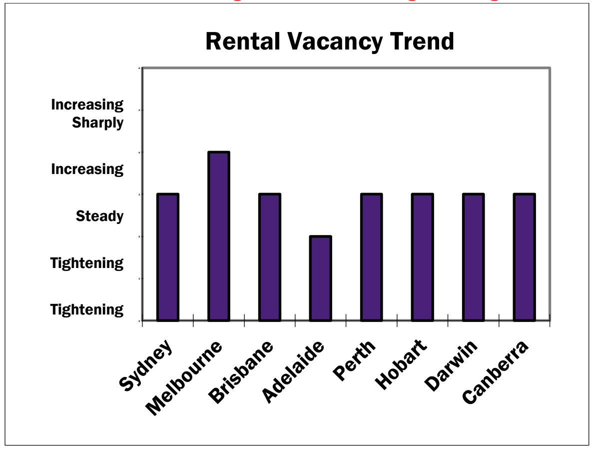


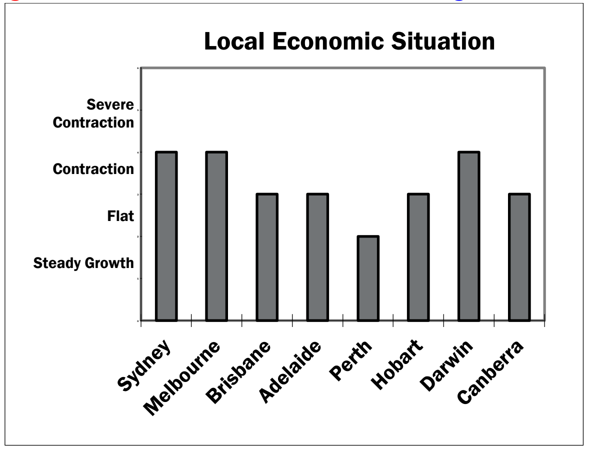
Capital City Property Market Indicators – Office

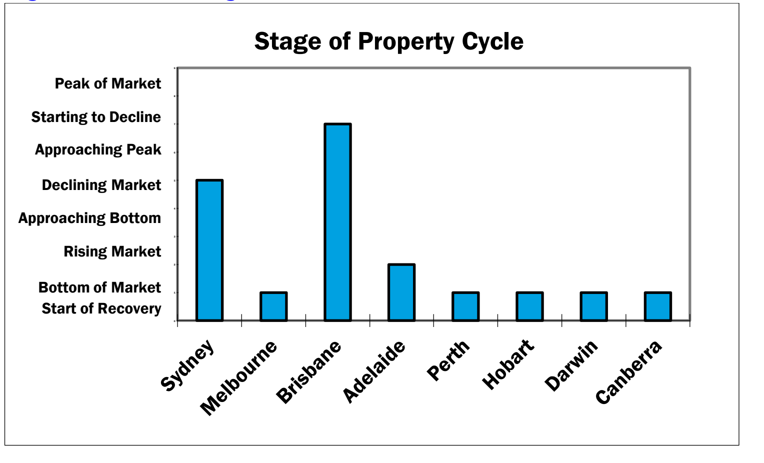
Factor	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Large over-supply of available property relative to demand	Balanced market
Rental Vacancy Trend	Steady	Increasing	Steady	Tightening	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	Start of recovery	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





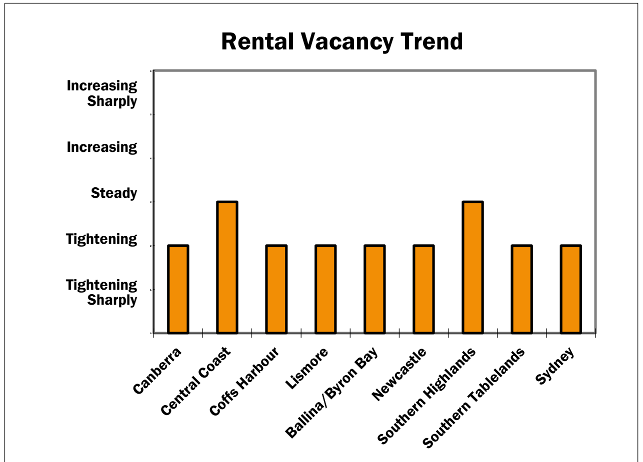


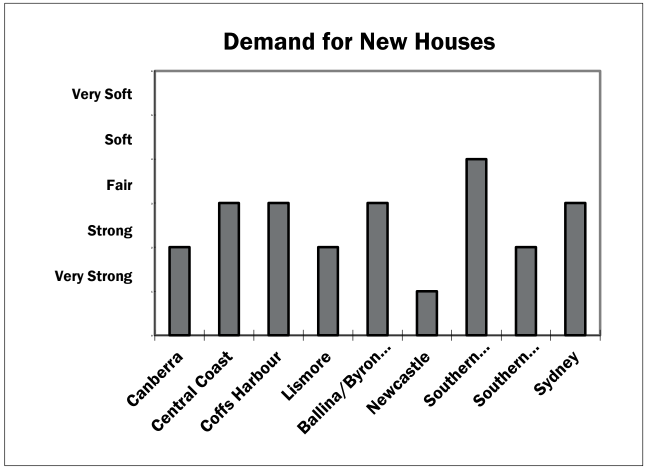
East Coast New South Wales Property Market Indicators – Houses

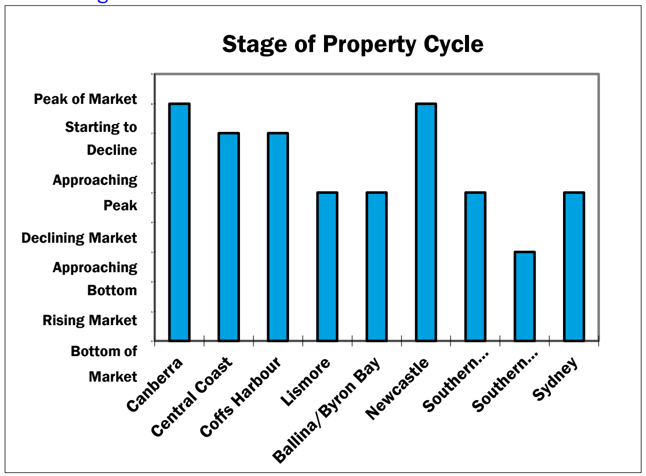
Factor	Canberra	Central Coast	Coffs Harbour	Lismore	Byron Bay/Ballina	Newcastle	Southern Highlands	Southern Tablelands	Sydney
Rental Vacancy Situation	Shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand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





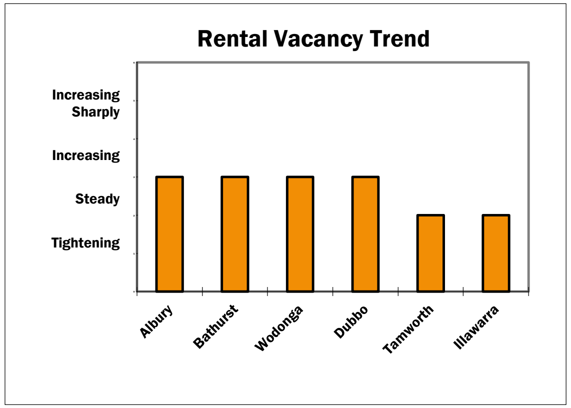


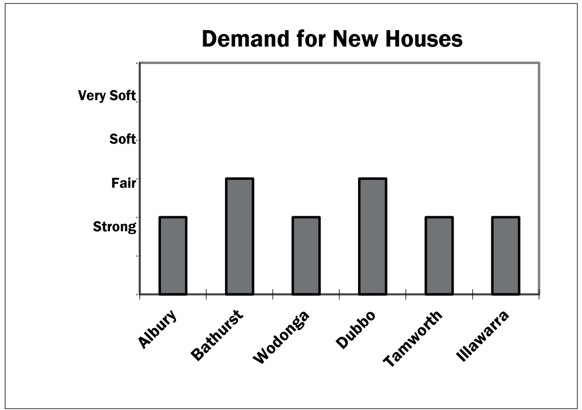
Country New South Wales Property Market Indicators – Houses

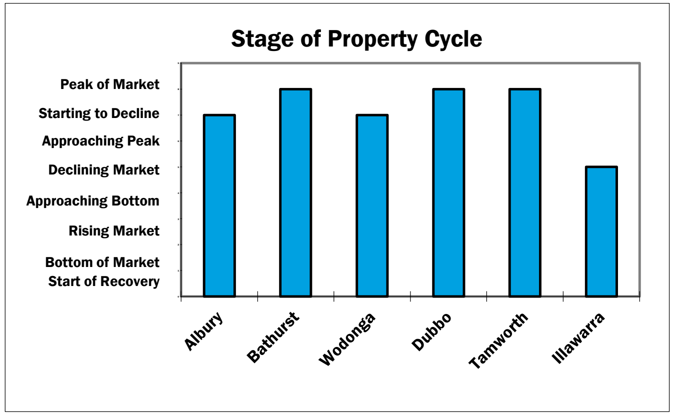
Factor	Albury	Bathurst	Wodonga	Dubbo	Tamworth	Illawarra
Rental Vacancy Situation	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Balanced market	Shortage of available property relative to demand	Shortage of available property relative 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	Declining 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	Shortage of available property relative to demand
Rental Vacancy Trend	Tightening	Steady	Tightening	Tightening	Tightening	Tightening	Tightening sharply	Steady	Tightening
Demand for New Units	Fair	Strong	Fair	Strong	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	Declining	Declining	Steady	Increasing	Declining	Steady	Steady
Stage of Property Cycle	Declining market	Starting to decline	Starting to decline	Declining market	Declining market	Peak of market	Declining market	Start of recovery	Declining market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Almost never	Almost never	Almost never	Occasionally	Frequently	Occasionally	Frequently

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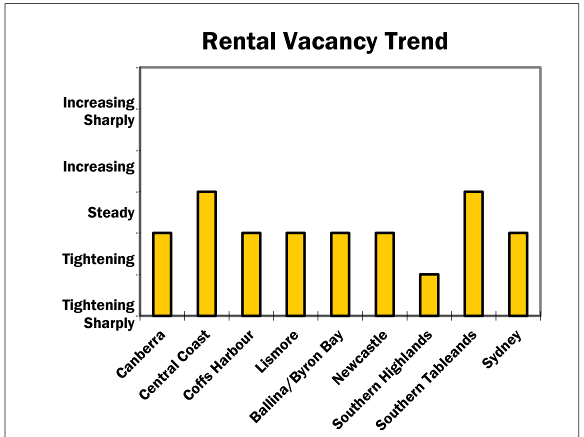

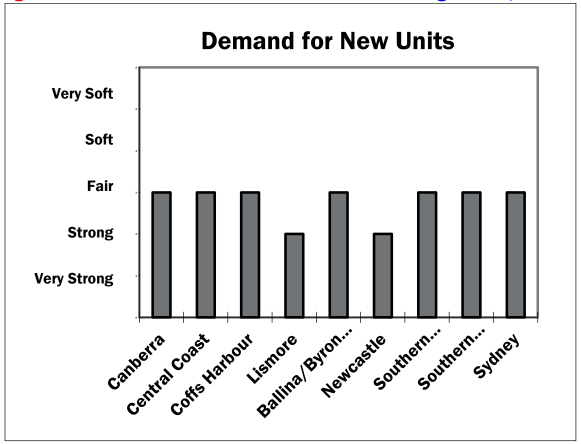

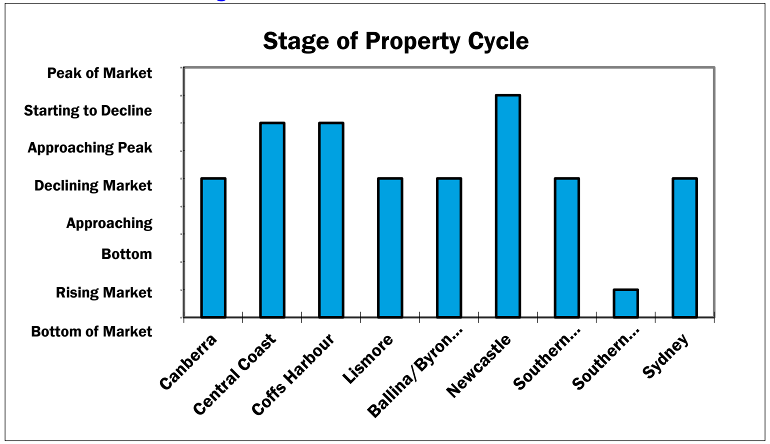

Country New South Wales Property Market Indicators - Units

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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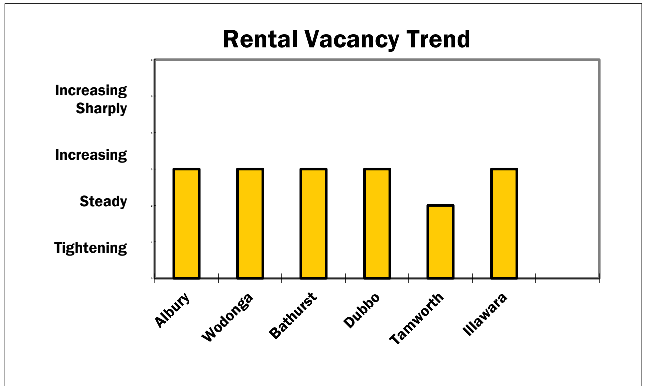

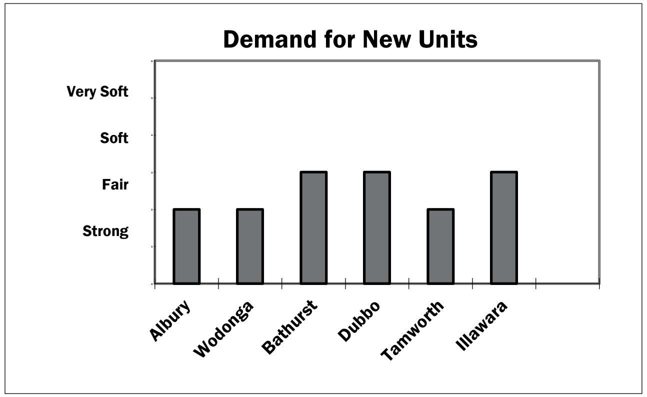

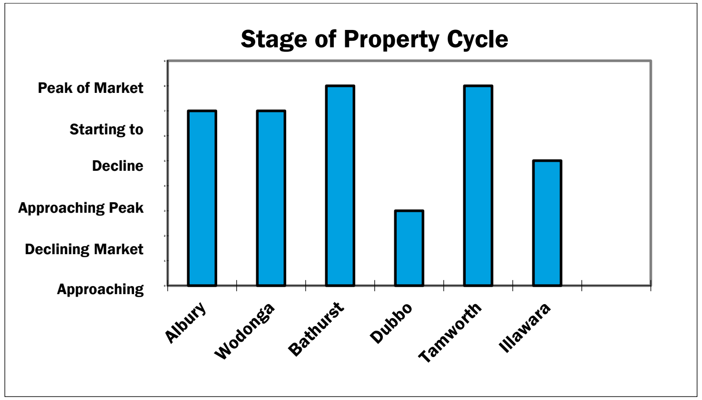

East Coast & Country New South Wales Property Market Indicators – Office

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	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Tightening	Steady	Steady	Tightening	Tightening	Increasing	Steady	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Stable	Stable	Declining	Stable	Declining
Volume of Property Sales	Steady	Increasing	Steady	Declining significantly	Declining	Declining	Declining	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	Contraction	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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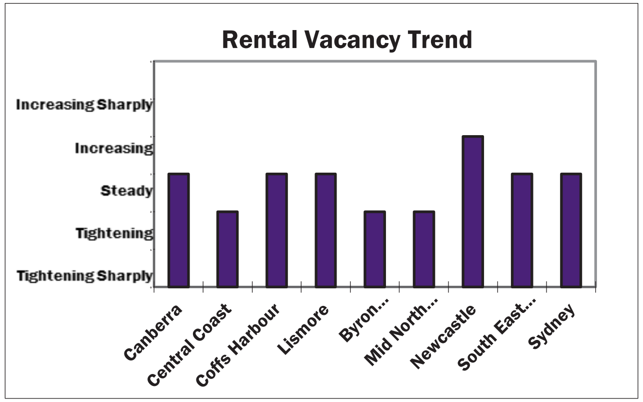

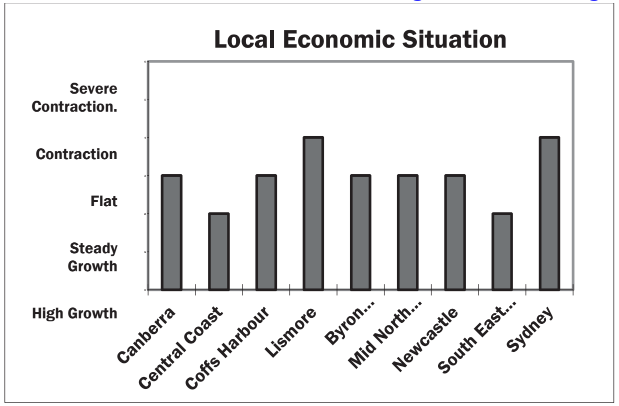

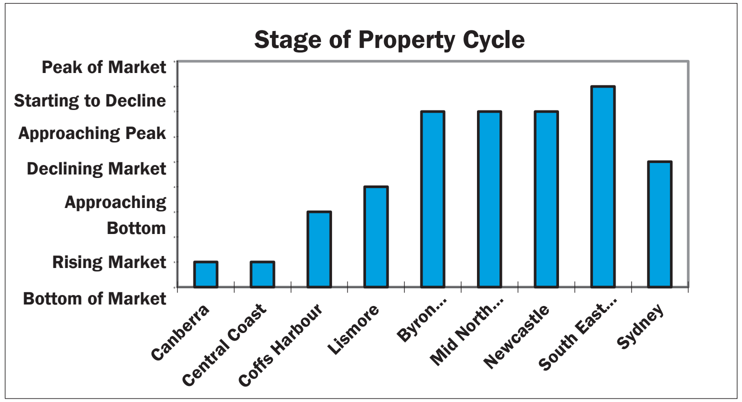

Victorian and Tasmanian Property Market Indicators – Houses

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	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	Steady	Tightening	Tightening sharply	Tightening	Steady	Steady
Demand for New Houses	Fair	Fair	Fair	Fair	Strong	Fair	Fair	Fair
Trend in New House Construction	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing
Volume of House Sales	Declining	Declining	Increasing	Steady	Steady	Steady	Steady	Steady
Stage of Property Cycle	Starting to decline	Starting to decline	Peak of market	Peak of market	Peak of market	Starting to decline	Starting to decline	Starting to decline
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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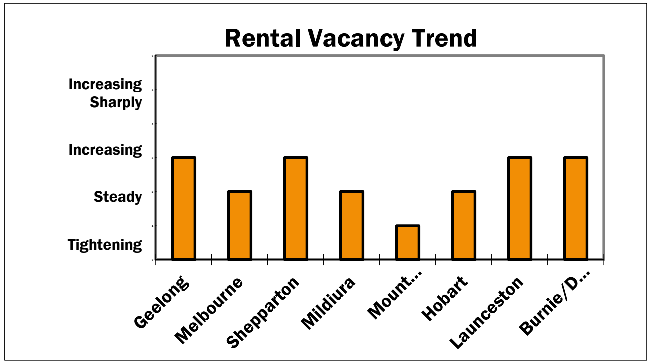

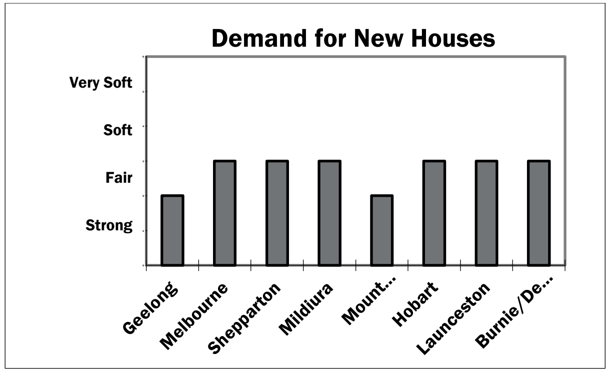

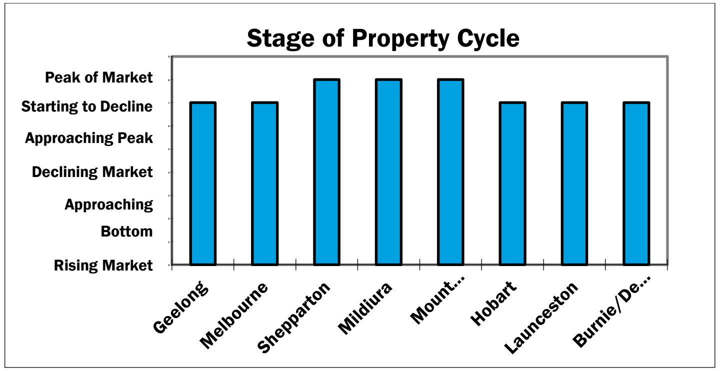

Victorian and Tasmanian Property Market Indicators – Units

Factor	Geelong	Melbourne	Shepparton	Mount Gambier	Mildura	Hobart	Launceston	Burnie/Develport
Rental Vacancy Situation	Balanced market	Balanced market	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	Tightening	Tightening	Steady	Tightening sharply	Tightening	Tightening	Steady	Steady
Demand for New Units	Soft	Fair	Fair	Strong	Fair	Fair	Fair	Fair
Trend in New Unit Construction	Increasing	Steady	Steady	Steady	Steady	Steady	Increasing	Increasing
Volume of Unit Sales	Declining	Declining	Increasing	Increasing	Steady	Steady	Steady	Steady
Stage of Property Cycle	Starting to decline	Starting to decline	Peak of market	Rising market	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	Almost never	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally

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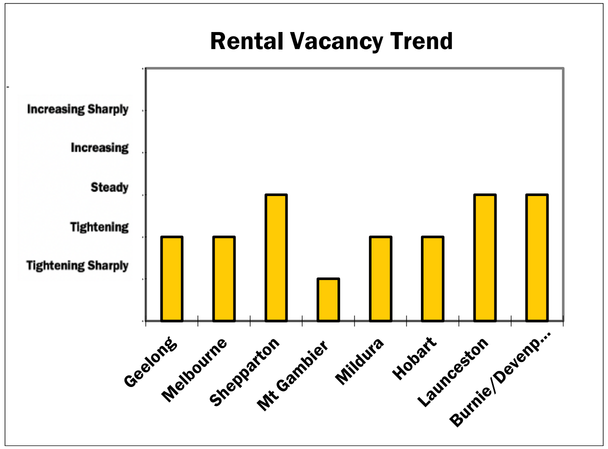

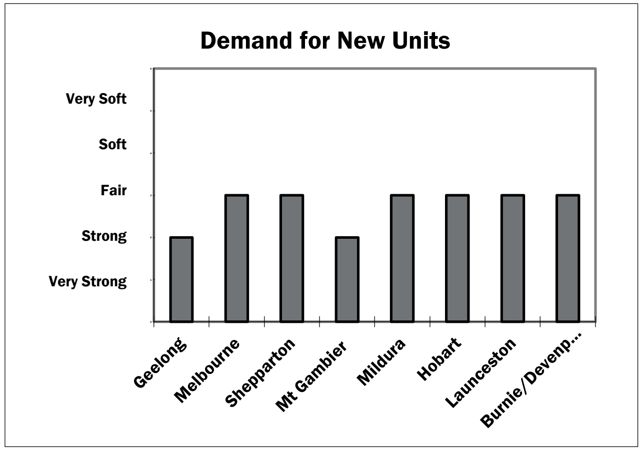

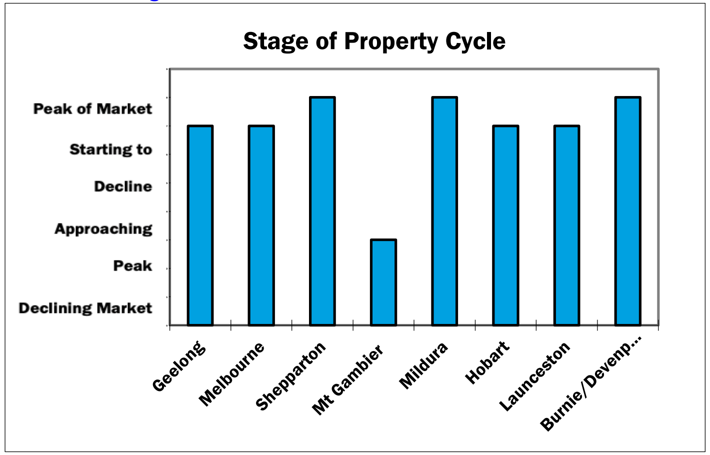

Victorian and Tasmanian Property Market Indicators – Office

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	Significant	Small	Small	Significant	Significant	Small	Significant	Significant

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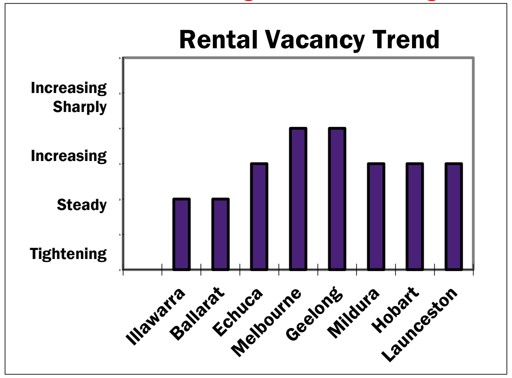

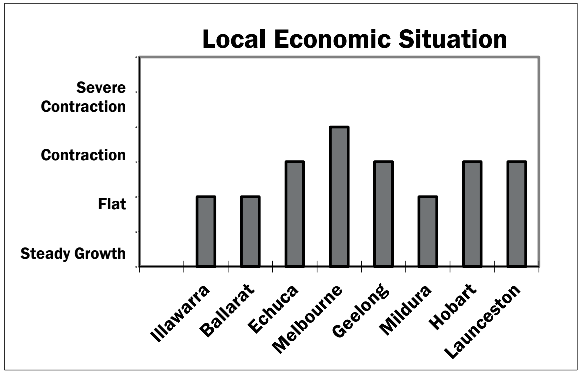

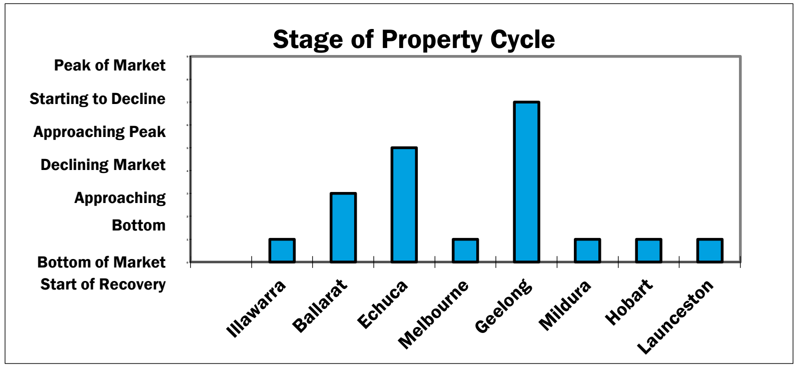

Queensland Property Market Indicators – Houses

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

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

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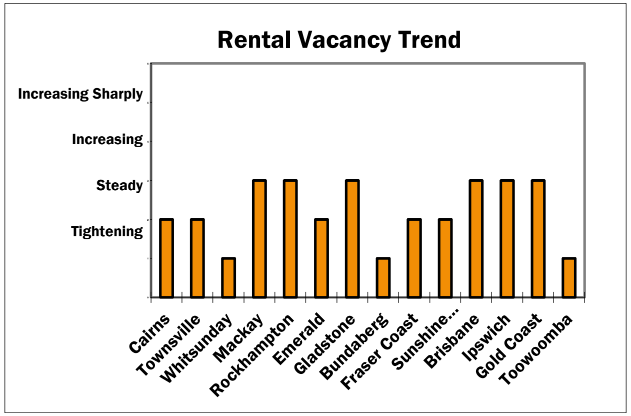

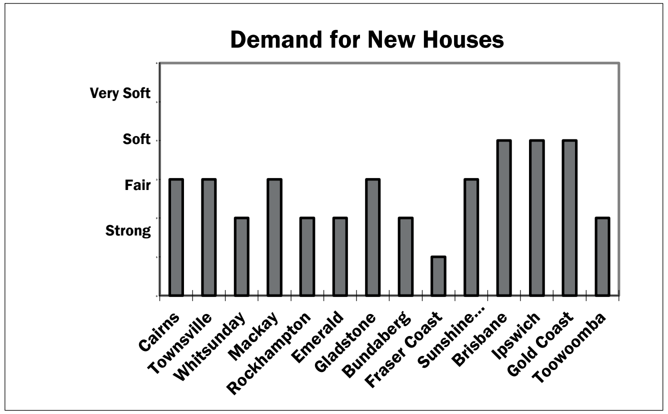

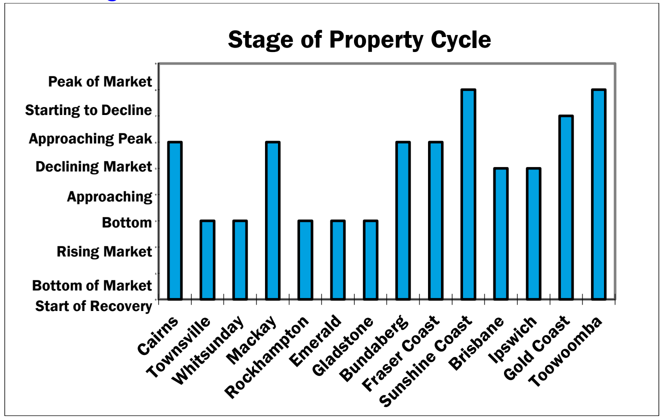

Queensland Property Market Indicators – Units

Factor	Cairns	Townsville	Whitsunday	Mackay	Rock-hampton	Emerald	Gladstone	Bundaberg	Hervey Bay	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Shortage of available property relative to demand	Shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Tightening	Tightening	Tightening	Steady	Steady	Steady	Tightening
Demand for New Units	Fair	Soft	Strong	Fair	Fair	Very soft	Fair	Fair	Fair	Fair	Fair	Fair	Fair	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	Increasing	Increasing	Declining	Steady	Steady	Declining	Increasing
Stage of Property Cycle	Rising market	Rising market	Rising market	Approaching peak of market	Rising market	Rising market	Rising market	Approaching peak of market	Approaching peak of market	Peak of market	Peak of market	Peak of market	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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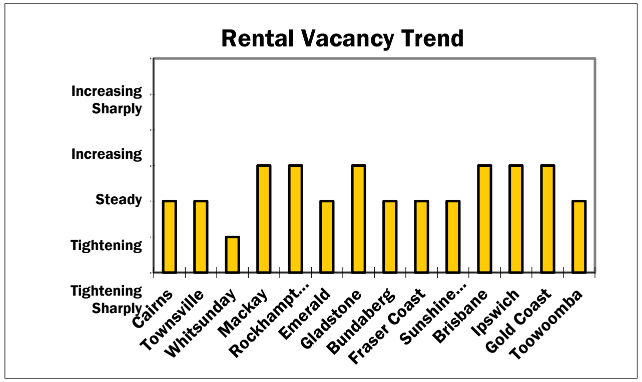
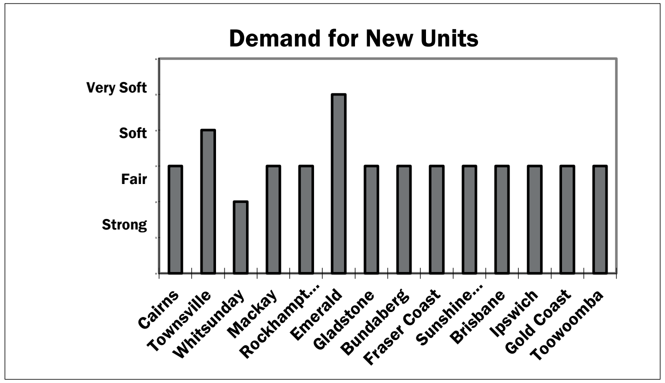
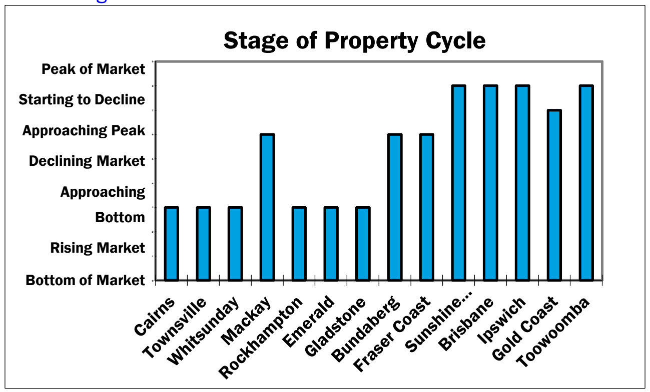




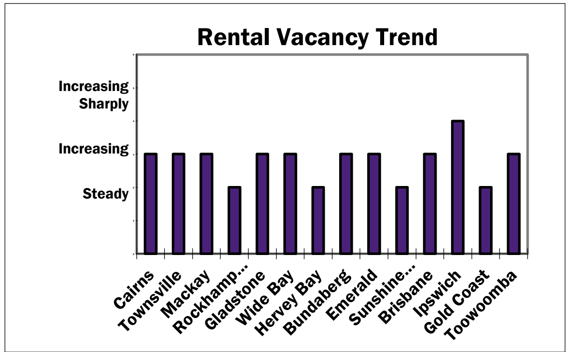


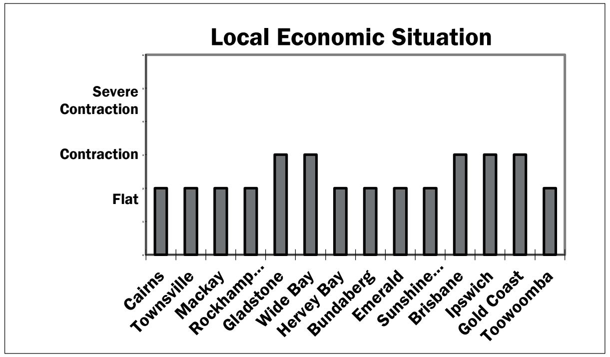
Queensland Property Market Indicators – Office

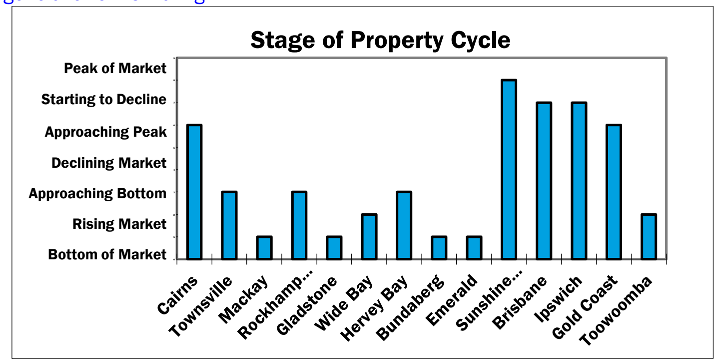
Factor	Cairns	Townsville	Mackay	Rockhampt-on	Gladstone	Wide Bay	Hervey Bay	Bundaberg	Emerald	Sunshine Coast	Brisbane	Ipswich	Gold Coast	Toowoomba
Rental Vacancy Situation	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Balanced market	Balanced market	Balanced market	Balanced market	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand	Over-supply of available property relative to demand	Balanced market	Over-supply of available property relative to demand
Rental Vacancy Trend	Steady	Steady	Steady	Tightening	Tightening	Steady	Tightening	Steady	Steady	Tightening	Steady	Increasing	Tightening	Steady
Rental Rate Trend	Stable	Stable	Stable	Stable	Increasing	Stable	Increasing	Stable	Stable	Increasing	Stable	Stable	Stable	Stable
Volume of Property Sales	Steady	Increasing	Steady	Steady	Increasing	Steady	Steady	Steady	Steady	Steady	Declining	Declining	Steady	Steady
Stage of Property Cycle	Approaching peak of market	Rising 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	Approaching 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	Steady growth	Flat	Flat	Flat	Steady growth
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	Significant	Large

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

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





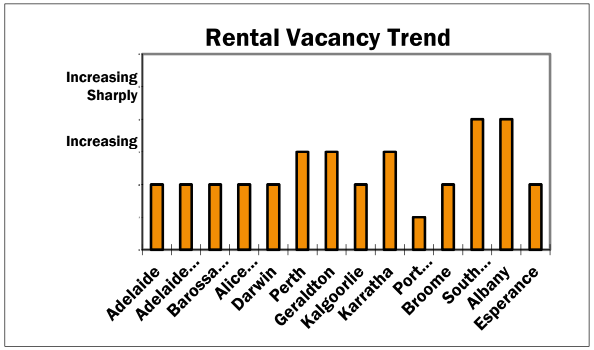


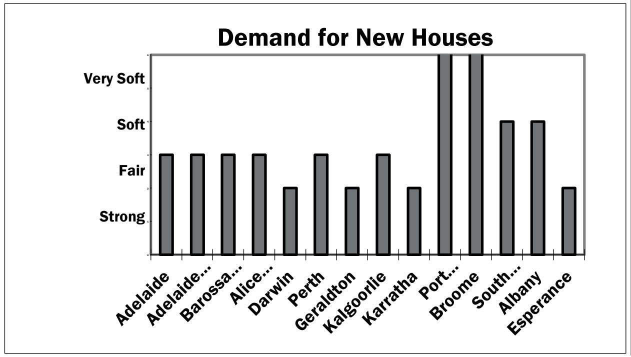
SA, NT and WA Property Market Indicators - Houses

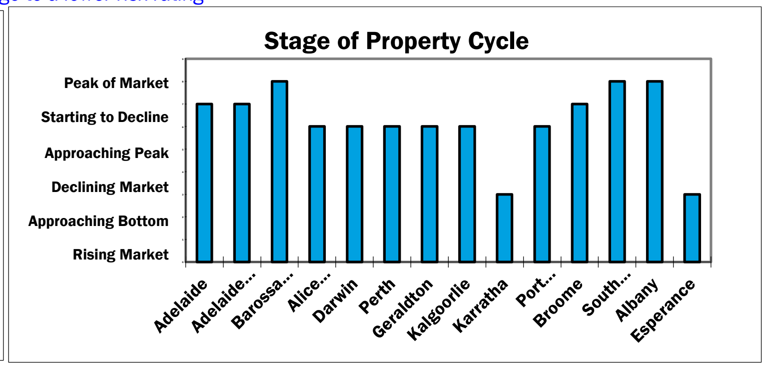
Factor	Adelaide	Adelaide Hills	Barossa Valley	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage 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	Strong	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	Peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Approaching peak of market	Rising market	Approaching peak of market	Starting to decline	Peak of market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Frequently	Frequently	Frequently	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Occasionally	Almost never	Occasionally	Occasionally	Occasionally	Almost never

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

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



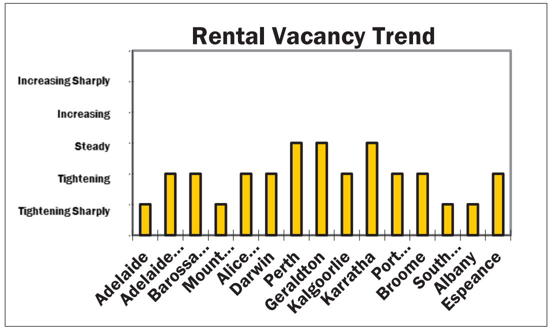


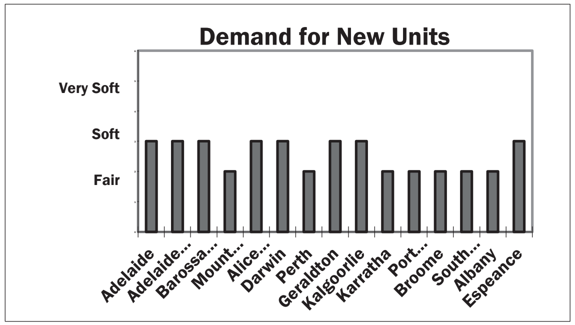


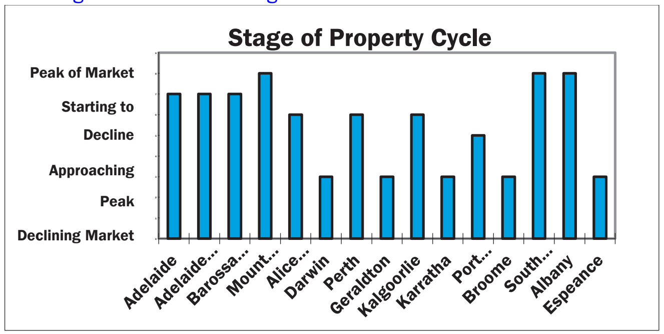
SA, NT and WA Property Market Indicators – Units

Factor	Adelaide	Adelaide Hills	Barossa Valley	Mount Gambier	Alice Springs	Darwin	Perth	Geraldton	Kalgoorlie	Karratha	Port Hedland	Broome	South West WA	Albany	Esperance
Rental Vacancy Situation	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	Severe shortage of available property relative to demand	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	Approaching peak of market	Rising market	Approaching peak of market	Rising market	Approaching peak of market	Rising market	Approaching peak of market	Rising market	Peak of market	Peak of market	Rising market
Are New Properties Sold at Prices Exceeding Their Potential Resale Value	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Occasion-ally	Almost never	Occasion-ally	Occasion ally	Occasion ally	Occasion-ally	Almost never	Almost never	Occasionally	Occasionally	Almost never

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



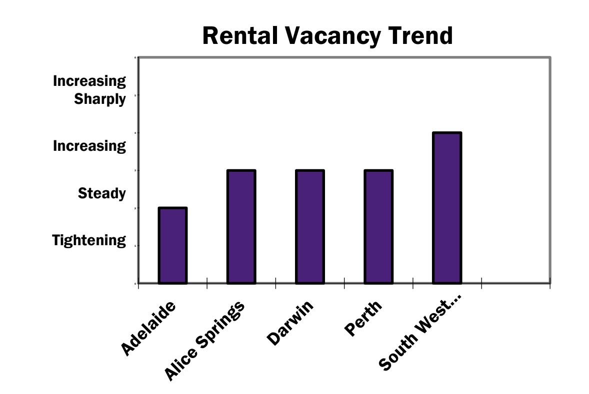


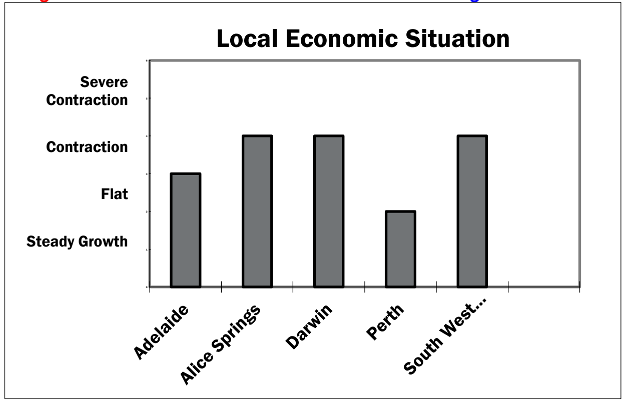


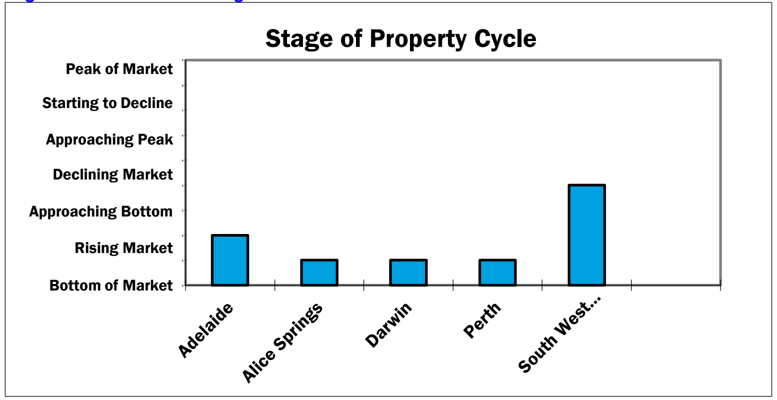
SA, NT and WA Property Market Indicators – Office

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

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







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